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INNOVATIONS IN COLLEGE AFFORDABILITY

HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

ON

EXAMINING INNOVATIONS IN COLLEGE AFFORDABILITY

FEBRUARY 2, 2012

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C O N T E N T S

STATEMENTS

THURSDAY, FEBRUARY 2, 2012

INNOVATIONS IN COLLEGE AFFORDABILITY

THURSDAY, FEBRUARY 2, 2012

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:20 a.m. in Room SD–430, Dirksen Senate Office Building, Hon. Tom Harkin, chairman of the committee, presiding.

Present: Senators Harkin, Enzi, Mikulski, Alexander, Murray, Burr, Merkley, Franken, and Bennet.

OPENING STATEMENT OF SENATOR HARKIN

The CHAIRMAN. Good morning, everyone. The Committee on Health, Education, Labor, and Pensions will come to order.

Last weekend in Iowa, I toured the Blong Technology Center where Eastern Iowa Community College partners with local businesses to train people in specialities, such as advanced welding and machining. It reminded me that today's global, knowledge-based economy is largely driven by technology, and at least some post-secondary education is no longer an option, but a necessity. In order to qualify for a career that pays family supporting wages and offers opportunities for advancement, an education beyond high school is imperative.

Today, a worker with a bachelor's degree makes 85 percent more, on average, than a high school graduate, and is 50 percent less likely to experience unemployment. Over the course of a lifetime, a bachelor's degree holder will make about $1.6 million more than a high school graduate, again, on average, and this gap is expected to grow even wider. Almost two-thirds of the job vacancies between now and 2018 will require some post-secondary education, and about half will require an associate's degree or better.

The message here, I think, is very clear: a college degree or some post-secondary technical training is the key to entry into the middle class. Another message is equally clear: America's economic competitiveness and growth depend on a highly educated, highly skilled workforce.

But there is a problem: lack of affordability stands as a major barrier to college access and success for both students and workers seeking retraining. As college costs soar and student loan debt burdens America's workers, a college education is moving beyond the reach of millions of Americans, especially those from lower and middle-income families.

Between 1992 and 2004, enrollment in 4-year colleges for low-income students fell from 54 percent down to just 40 percent. During the same period, enrollment for moderate income students fell from 59 percent down to 53 percent. This is a deeply disturbing trend that we can no longer ignore.

It is also a shocking fact that student loan debt will soon exceed $1 trillion and has surpassed credit card debt for the first time ever. We must be much more aggressive in looking for ways to address runaway tuition and fees, support students with meaningful financial assistance, and provide incentives to States and institutions to promote college affordability.

We all know there are no easy answers to this complex problem. There are many cost drivers and misaligned incentives in our system of higher education both on the supply and demand sides of the equation. In our current difficult fiscal environment, States are retrenching on their responsibility to adequately fund public higher education, instead, shifting the burden onto students and their families and, I might add, the Federal Government. Institutions are faced with rising costs, increasing demands, and a highly competitive marketplace for students, faculty, resources, and research dollars.

However, I must also note that they are also often competing for things unrelated to students' academic success such as expensive dormitories and other facilities, athletic programs, and rankings that are based on flawed methodologies. Clearly, we need to do more to incentivize States and schools to bring the net price of college under control.

For this reason, I did not want our first hearing on this topic—and this is just the first hearing—to be a review of the current troubling state of affairs. We all know the problems. We know that costs have outpaced inflation over the last 30 years. The cost of a 4-year college has tripled in real terms over the past three decades while family incomes have not grown at all. These are troubling figures. They have had a very real impact on middle class America.

The aim of today's hearing is to move beyond just merely acknowledging the severity of the problem, but begin to look for promising ways of addressing this. We want to examine innovative approaches and promising practices that can inform our policy discussions on affordability. We need to examine how technology can help cut costs, expand access, deliver quality education. We need to take a closer look at initiatives that lead to higher efficiencies without compromising quality, such as dual enrollment programs and accelerated learning opportunities.

As the composition of our higher education student body changes, and as what we used to call "nontraditional students" become an ever-growing share of the enrollment, we need to learn more about colleges and universities that successfully serve a diverse population, and yet still produce solid outcomes.

To that end, I applaud the President's focus on making college affordable and accessible for all students. I certainly agree with him that we need bold action to address the spiraling costs of higher education and to promote college success. This is one of those issues that affect all Americans. More broadly, I commend the President for his steadfast commitment to rebuilding our economy and the middle class through smart Federal investments in our Nation's most precious resource: our human capital.

The President has recently elevated the issue of college affordability on the agenda by proposing a set of innovative steps that our Nation can take to strengthen our global competitiveness and reclaim our leadership in higher education.

So appropriately, we will begin this hearing by learning more about the Administration's efforts from the Under Secretary of Education, Martha Kanter.

We will then move on to a second panel of distinguished guests from higher education institutions, systems, and policy organizations.

I look forward to working with our distinguished Ranking Member, Senator Enzi, and my colleagues on both sides to ensure that a college education remains within reach of all Americans regardless of their background.

At this point, I will leave the record open for an opening statement by Senator Enzi. He has been detained in traffic, but I expect him to be here shortly.

Senator Mikulski, did you have anything that you wanted to add to this?

Senator Mikulski.

STATEMENT OF SENATOR MIKULSKI

Senator MIKULSKI. First of all, Senator Harkin, I would like to thank you and President Obama for putting not only access to higher education on the front burner, which is crucial to the future of our country and our citizens, but also making affordability a front burner issue.

In my own home State of Maryland, the cost of higher education is exploding. The fact that now, at the University of Maryland, a wonderful land grant college where the Governor himself has pledged to hold tuition down at one of our larger campuses, it is more than $11,000 a year, where you include tuition, fees, room and board.

If you go to our most prestigious university, Johns Hopkins, it is well over $50,000 with the fees, the books, and so on because the cost is not only the tuition, students and families must account for the fees and the books, ET cetera.

Then when you go to our vibrant, independent college network, again, whether it is Loyola, whether it is Washington College, it is nearly $50,000. And yet, the president of Washington College told me it costs $60,000 to educate a student.

We cannot keep this going. I do not know about the rest of you, but I'm stunned that the cost of an independent college in Maryland is more than what my first home cost me. And in many instances this is like a mortgage, that is what the young people are doing is taking out a mortgage, and they do not know if they are going to have equity or whether they are going to have just an albatross of debt. We need to get to the bottom of this and we need to work together on affordability.

I know that there are discreet sometimes unseen or unthought of costs at the higher education level, which can be owning and operating labs and facilities. Labs, whether you are doing something for nursing education or something as sophisticated as astronomy education, labs cost a lot.

Senator Lamar Alexander, the former president of the University of Tennessee and the former Secretary of Education, has often talked to me about the issue of Federal and other regulations on colleges that raise the cost. He would like to scrub the regs to see what do we need to keep for safety and efficacy, but rid the regs from a bygone era.

And last, Senator Harkin, you outlined some great things. I mean, what I see are athletic directors making more than presidents of universities. What do we value? Are we going to produce jocks? Are we the NFL farm team, the NBA farm team, or are we interested in increasing graduation rates and producing students? There are a lot of issues, and we look forward to working with you.

I will conclude by saying the community college system offers, also, a unique situation. In many instances, the students are already older, they already have debt from other aspects in their life, and in many instances they are not prepared. We are using Pell grants to pay for the 13th year of high school. I do not want to use Pell grants for the 13th year of high school. I do not think that is a good use of the Pell grants.

What I am interested in is what we can do about this. We do not want a new debt bubble in higher education. We need to have graduation rates at a much higher level because debt without a degree perpetuatually indentures students and we need to look at what we can do to help our students. But remember, we are often using our Pell grants for our most needy students to pay for what high school did not do for them. Well, that is not what Pell grants are for.

We have to really work together, and I really want to thank you for digging into this and want to be a partner with you. Thank you. Senator Alexander, I want to start looking at the regs and see what we can do to produce graduates.

The CHAIRMAN. Thank you. Thank you, Senator Mikulski.

Senator Burr, do you want to say anything?

STATEMENT OF SENATOR BURR

Senator BURR. Thank you, Mr. Chairman. I would not miss the opportunity.

Mr. Chairman, I also would like to thank you for doing this because I think education, higher education is one of the most important components to the future success of the next generation.

For most developing countries, every student who attends higher education is a first generation student, and we are still experiencing that in the United States of America. We have a tendency to say anything that is wrong just needs the Federal Government to fix it. I am not sure that is the case, but we are going to continue to try.

Senator Mikulski has some tremendous institutions in Maryland. Well, we have some good ones in North Carolina too. We also have a rich history of subsidizing that education, and for that reason, many institutions are affordable.

We produce the second largest pool of graduates of higher education annually of any State in the country other than California. It is the No. 1 magnet of attraction for economic development. In North Carolina is the next generation of the cream of the crop that we attract from public and private, 2-year and 4-year.

My fear is that if we shift the responsibility to determine what success or affordability is to Washington, we come up with arbitrary thresholds that sound good, like graduation rates. Well truthfully, if we walked out today and used that as the determining factor, we would close just about every community college because their graduation rate, if that is solely how you check it, is low in comparison even to some of the for-profit institutions that Senator Harkin has held numerous hearings on.

I would suggest to you that higher education today is a great example of how the marketplace works. Where students have the ability to choose the institution they want to go to, price comes into that.

Now, I am not going to sit on the panel and tell you that I am not alarmed at the rising cost of higher education. But an incredible process happens when something gets overpriced; people choose to buy something else. In the case of education, they choose to go somewhere else.

There are many great schools today that are struggling to transform themselves because their student population has dropped and somebody else has the students. I personally believe that that is a better function for the marketplace to go through than for us to choose that we will subsidize some segment and not others.

I do not believe government's role is to pick winners and losers. And if we pick it among the student population, we will eventually affect the winners and the losers in the institutions.

Being a college football player, I find it appalling also, Senator Mikulski, that there are coaches that make more than presidents. There are also presidents that make way too much money at institutions, but I think for the most part, academic budgets and athletic budgets are separated and they are funded totally different. So unless we are here to talk about the contributions that alumni make to their sports programs, that is really not a relevant point other than we both agree that the cost is too high.

I would think that the University of North Carolina would tell you that the success of their basketball program, which will probably win the national championship this year, probably has an impact on the draw academically of who chooses to go to the University of North Carolina Chapel Hill. So there is some benefit to it, but I agree, it should not come with money diverted or subsidized for athletics away from academics.

I hear the Chairman is anxious for me to finish. Since I see the Ranking Member here, I will be happy to turn it over to him.

I am anxious to hear what our witnesses have to say today. Their successes to the cost of higher education around this country that do not emanate from Washington, and I hope that the members of this committee will explore those as well as the proposals of the President. And at the end of the day, where it is appropriate for us to have a role, I hope we play it, and I hope we do it in a fiscally responsible way. I thank the Chair.

The CHAIRMAN. Thank you, Senator Burr.

We are joined by our Ranking Member, Senator Enzi.

OPENING STATEMENT OF SENATOR ENZI

Senator ENZI. Thank you, Mr. Chairman. I apologize for being late, but the National Prayer Breakfast ran a little bit late today. And since you were mentioning athletics, the closing prayer was by the Heisman Trophy winner from the national championship team Alabama.

Senator BURR. And he is overpaid as well.

[Laughter.]

Senator ENZI. Well, so far, he is not paid, but I am sure he will be paid well.

Senator BURR. He is in the SEC, he is paid.

[Laughter.]

Senator ENZI. Ooh.

Senator MIKULSKI. Umpire, umpire.

Senator ENZI. That is probably a different hearing, right?

But we have been going through a series of hearings on college costs. They have all been focused on the for-profits, and I asked at that time that we focus on all post-secondary institutions because I thought there was a problem across the board, not in the same way necessarily, but I think this is a topic well worth looking into.

Higher education has become very expensive and it is increasingly out of reach for many students. Tuition and fees at public institutions increased at an astonishing 89.7 percent last year, continuing a trend that has only accelerated over the last 10 years.

I have a chart which shows that tuition has increased faster than inflation, and even faster than healthcare over the past 25 years.

The President recently made a series of ambitious proposals he believes can begin reversing this trend, which I look forward to hearing more about today. However, if we have learned anything in recent years, it is that the Government cannot solve this problem. Over the past 5 years, the Federal Government has dramatically increased Pell grants' funding and made Federal student loans more accessible, yet tuition continues to rise even faster, and some say it is because of the Federal money. If out of control tuition is going to finally be brought under control, everyone is going to have to make significant changes.

Fortunately, not everyone is waiting for an answer from Washington. We will hear from three witnesses who have had success controlling costs, while ensuring their students finish school with a diploma. It is my hope that others will take note of what they are doing and realize it is possible to keep tuition down while providing a first rate, quality education.

However, as we continue this conversation, we must keep in mind that today's student is far different than when we were in school. As noted in a recent article posted by Education Sector, which is represented at this hearing by Kevin Carey, three facts sum up today's college students.

First, nontraditional students actually outnumber traditional students. Out of 19 million students enrolled in graduate or undergraduate institutions, only 7 million students fit the traditional role of a student going straight from high school to university.

Second, a large portion of students attend nonselective schools and 43 percent of undergraduates attend community colleges.

And third, many college students do not fall between the ages of 17 and 24. Thirty-seven percent are 25 years or older; and 61 percent of Pell grant recipients are independent students. These students are the future of higher education and increasingly, these are students that institutions and aid programs find the most challenging to serve. We have to be certain that whatever we do to address affordability meets the needs of both traditional and non-traditional students.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Enzi.

We have two panels today. On the first panel, we welcome Dr. Martha Kanter, Under Secretary for the U.S. Department of Education, back to our committee; she's been here before. Secretary Kanter oversees post-secondary education, adult and career technical education, Federal student aid, and five White House initiatives.

Prior to her position in the Administration, Secretary Kanter served as chancellor of the Foothill-De Anza Community College District in California, and is the first community college leader to serve in the Under Secretary's position. We appreciate her joining us today to talk about the proposal the President is making to address college affordability.

Secretary Kanter, your statement will be made a part of the record in its entirety. Welcome, and please proceed.

STATEMENT OF MARTHA KANTER, UNDER SECRETARY, U.S. DEPARTMENT OF EDUCATION, WASHINGTON, DC

Ms. KANTER. Thank you very much.

Chairman Harkin, Ranking Member Enzi, and members of the committee, thank you for having me here to testify on what can be done to keep college affordable, an issue that is creating a critical need for America to become the country that we all want: an America built to last.

Recognizing that an affordable, high quality education is fundamental to America's future, President Obama established a bold goal for the United States to have the highest proportion of college graduates in the world by the year 2020. Achieving the President's goal is essential to ensuring the basic survival of the American promise that if you work hard, you can do well enough to raise a family, own a home as you have said, and put enough away for retirement.

The facts are indisputable. Earning a college degree is the clearest path to the American Dream, and the benefits and the security of the middle class. It is a path to higher earnings and reducing the likelihood of unemployment, as Chairman Harkin noted. It opens doors and provides opportunities that just are not there to those who only finish high school.

As president and chancellor of the Foothill-De Anza Community College District for the past 16 years before joining the Administration, I saw firsthand how post-secondary education opened doors for thousands of students to better jobs and a more secure future.

I know many of you on this committee have heard similar stories from your constituents and even from your own families. That is why I am confident that we are all on the same page when we talk about these issues as a shared responsibility, as Senator Burr noted. The Government cannot do this alone. We have got to share in this responsibility.

But while higher education has become an economic imperative to our success on a national and, for me, on a personal level and for many students, the President, the Secretary, and I are concerned that without immediate action, the price of higher education, as you all noted, will make it an unaffordable luxury for too many students.

For many students today, in fact, nearly half of all undergraduates affording college means starting a post-secondary education at a community college which is often a less expensive alternative to a traditional 4-year institution, as you have noted.

But I can tell you that even with its more affordable price, at the Foothill-De Anza Community College District where I came from, over 41 percent of our students received some form of financial aid, many of these students living below the poverty line. Those students were able to earn degrees, which enabled them to become the nurses that cared for us at Stanford or El Camino Hospital, the automotive technicians that fixed our increasingly high tech cars, the bioinformatics technicians who contributed to the growing biotech industry in Silicon Valley and we have noted in North Carolina, the same is true, and look at Connecticut and other parts of the country where this is starting to bloom. Home health aids, fiber security technicians, these are just a few of the many careers that higher education is preparing students to enter.

Over the last 3 years, we have come a long way with your help to address the challenge of making some progress to keep college affordable and accessible. With your help, we have doubled funding for Pell grants, created the American Opportunity Tax Credit to provide up to $10,000 to help pay for college, and helped ease the burden on students in repaying their college loans.

Our investments are working. The average price students and families actually pay, that is the net price, to attend a 4-year public institution have increased by just $170 since 2006. At community colleges, the average price students actually paid decreased by $840 over the same period. That is on a national level, but if you look at individual institutions across the country, some tuitions have skyrocketed, as you have noted, and some have remained stable.

We need to recognize that all of us—the Federal Government, Congress, States, institutions, and families—all have a shared responsibility to do our part to keep college affordable. The Federal Government cannot do this alone, as you have all said. That is why last week, President Obama unveiled new reforms that will promote shared responsibility to address the college affordability challenge.

On our end, we look forward to working with you to increase our commitment to student aid, and to make sure taxpayer dollars are well spent.

For States, we need them to prioritize higher education funding and pursue policies that encourage long-term affordability, and colleges need to tighten their belt too. The Federal Government cannot singlehandedly ensure college access, affordability, or quality.

States play a much larger role in college affordability and quality than just providing funds. State policies, or the lack of those policies, on high school graduation and college admission standards, credit transfer, articulation, and tuition setting all can contribute to rising costs.

Today, the typical bachelor's degree recipient completes his or her program in 5 years instead of 4. It is also taking longer for community colleges. If we could get more college graduates to complete their degree and certificate programs on time, if not earlier, America could help reduce total tuition by one-fifth for a large number of students. But when they cannot get the classes they need because of State budget cuts, or they cannot transfer credits, it takes longer. They lose and our Nation loses.

The good news is that a number of States are addressing these issues head on. However, we have yet to see this level of reform activity on a national scale that would have States pursue foundational reforms to improve college affordability and quality over the long term.

That is why we are proposing a Race to the Top for college affordability and completion framework to spur State reforms that will reduce costs for students and promote success in higher education. This program would incorporate the important principles of Race to the Top, systemic reform and stakeholder engagement. It will not, however, be a replica of the K–12 competition. Rather, it will reflect the uniqueness and diversity of American higher education.

All institutions of higher education, even those that do not set their tuition levels independently, have an important role to play in keeping college affordable and providing greater value. To do this, they must embrace the same culture of experimentation and innovation that we see in the research universities, and apply it to student learning and success, identifying ways to increase quality, while reducing costs.

But we recognize that innovations are tough to implement and evaluate. That is why we are proposing $55 million for a First in the World fund. This program will improve higher education by investing in applied research at colleges and universities. It will help scale innovative and effective strategies to boost college completion and enhance quality.

At the same time, we need to be smarter about the dollars that we invest directly in institutions. That is why we are proposing to reform the campus based aid programs to recognize colleges that are succeeding in doing their part to keep college affordable, while providing good value to students especially those from low-income backgrounds.

Further, we need to empower families and students with better, clearer information to help them make good decisions when searching for and selecting a college. To do this, we will create a College Scorecard for all degree granting institutions that will make it easier for students and family to choose a college that is consistent with their educational goals, career aspirations, and best suited to their financial needs. A draft of the Scorecard is available for public comment on the White House Web site, and we look forward to hearing your input.

Let me conclude by circling back to what I said at the onset. College affordability is an issue that is critical for creating an America that is built to last. An America that is better off because of the contributions of our students, the contributions they will make as they live, work, and contribute to society.

Students that I had at my college, like Sandra Lui, a veteran of Operation Enduring Freedom and Operation Iraqi Freedom, the eldest of four children in a first generation family who immigrated from Burma in 1991, and struggled in a one-room apartment with four children. Sandra served our country for 5 years in the Navy and after completing her tour of duty, went to college. She completed her studies at the University of California San Diego, and now works as a chemical engineer in Michigan.

Or the story of Emanuel Maverakis, who grew up in Los Angeles in a neighborhood that was grappling with poverty, and his dream was always to attend UCLA. After De Anza College, he transferred to UCLA where he graduated summa cum laude in microbiology and molecular genetics. He then went on to graduate from the Harvard Medical School summa cum laude. The first-ever student from an underrepresented group to do so, and indeed, only 1 of 16 summa cum laude graduates in the 230-year history of the Harvard Medical School.

These stories and thousands more, many I heard on Tuesday at the University of Maryland Medical Campus are what I carry with me every day. But I also carry too many stories of students who did not complete their college education. The support of the State, the Federal Government, the colleges themselves, and the students contributed to the success of these students who do graduate. Together, we can slow the growth in college costs, but to do so, we must incentivize State support for higher education.

We must reduce inefficiencies in our education pipeline. We must promote applied research that expands higher education capacity while also improving student outcomes. We must direct campus-based aid to colleges that provide good value. And finally, we must empower consumers to channel their demand toward the most valuable options for them.

Mr. Chairman, Ranking Member Enzi, and members of the committee, more students and families than ever are seeking post-secondary education and relying on student aid to do so. If we are to reach the President's goal of leading the world in college attainment, we need to continue our investment in these students. But to keep the American promise alive, we must also embark on a more comprehensive approach to shared responsibility for higher education access, affordability, and quality.

We need to ensure that everyone, States and institutions of higher education, as well as Congress and the Administration, are doing their part to constrain college costs, provide value, and increase college completion.

As the President has said, "In today's global economy, a college education is no longer just a luxury for some, but rather, an economic imperative for all." Our administration stands ready to work with members of this committee on legislation that will implement the President's proposals that I have talked about this morning.

We also look forward to working with States, colleges, and stakeholders on this important agenda.

I would be happy to answer any questions you have, and thank you for the opportunity to provide these remarks this morning.

[The prepared statement of Dr. Kanter follows:]

PREPARED STATEMENT OF MARTHA KANTER

Mr. Chairman and members of the committee, thank you for inviting me to testify on the issue of college affordability—an issue that is critical to creating an America that is built to last.

Recognizing that an affordable, high-quality college education is fundamental to America's future, President Obama established a bold goal for our Nation: for the United States to have the highest proportion of college graduates in the world by 2020. The President, the Secretary, and I deeply believe that achieving this goal is vital if our Nation is to prosper in a global economy that is predicated on knowledge and innovation.

Achieving the President's goal is essential to ensuring that all our citizens share in the economic and social prosperity of our Nation. Earning a college degree is the clearest path to the American dream and the benefits and security of the middle class. The facts are indisputable. College graduates not only earn substantially higher salaries than those without degrees, but they are much less likely to experience unemployment. The unemployment rate for college graduates is half that of those with only a high school diploma. And the difference in earnings is growing. Bureau of Labor Statistics data show that high school graduates in 1979 earned about 72 cents for every dollar that bachelor's degree holders did; today they earn just 55 cents. In fact, the disparity today between weekly earnings for bachelor's degree holders and high school graduates is greater than both the gender and racial pay gaps.[1]

The challenge before us is great. Estimates from the Georgetown Center on Education and the Workforce show that we are projected to produce 3 million fewer college graduates than are needed by our economy within the next decade—a gap that could make it hard for American employers to fill high-skill positions. Worse yet, this gap will hamper innovations and advancements that could open up new industries and sources of future jobs. But we can change this if we act now. By adding an additional 20 million postsecondary-educated workers over the next 15 years, our national level of educational attainment would be comparable to the best-educated nations, help us meet the economy's need for innovation, and reverse the growth of income inequality, according to the Center.

In his recent State of the Union address, the President called for a comprehensive approach to tackling rising college costs. He believes that we have a shared responsibility to confront the college affordability challenge head on, and that college affordability has never been more important than it is now at this critical make or break moment for the middle class. What's at stake here, he emphasized, is the very survival of the basic American promise that if you work hard, you can do well enough to raise a family, own a home, and put enough away for retirement.

President Obama is calling for new reforms that will promote shared responsibility to address the college affordability challenge. States need to do their part to prioritize higher education funding, and colleges should tighten their belts too. If these proposals are passed, this will be the first time in history that the Federal Government has tied Federal campus aid to colleges to responsible campus tuition policies.

That is why this Administration has worked with Congress and taken a number of steps over the last 3 years to address the challenge of helping to keep college affordable and accessible:

- We have invested more than $40 billion in Pell grants, extending aid to 3 million more college students (over 9 million total) and raising the maximum award to an estimated $5,635 for the 2013–14 academic year—a $905 increase since 2008. As you know, most of that investment was paid for by increasing efficiency in our student loan program.
- We are working to make college loans more affordable through the "Pay as You Earn" proposal, which enables an additional 1.6 million students to take advantage of a new option to cap student loan payments at 10 percent of a borrower's monthly income starting as early as this year.

[1] *http://www.bls.gov/news.release/wkyeng.t09.htm.*

• We have created the American Opportunity Tax Credit, which provides up to $10,000 for up to 4 years of education. Over 9 million middle class and low-income families claimed the credit last year.

This historic investment in student aid has kept the price that families actually pay for college—the net price—essentially flat over the last few years. Thanks to our Federal investments, the net price of 4-year public institutions has increased by just $170 since the 2006–7 academic year, while the net price of attending a community college has actually decreased by $840 over the same period.

But this path is not fiscally sustainable. The Federal Government cannot single-handedly ensure college affordability while ensuring quality and promoting college access and success. The Administration, Congress, post-secondary institutions, and, most importantly, States must all work together to keep building on our momentum in recent years to make an affordable college education available to all students who want one. That is why the President laid out a framework to address college affordability last Friday, one that recognizes this shared responsibility.

The Obama administration will fight to preserve student access and increase student aid, especially the maximum Federal Pell grant award, which will be $5,635 for the 2013–14 academic year. We urge Congress to take action this year to keep the Pell program on firm financial footing going forward. Working with stakeholders, we can and must make the difficult choices needed to ensure the long-term stability of this vital program.

We have also called on Congress to make permanent the American Opportunity Tax Credit; double the number of work-study jobs available within 5 years; and prevent a statutory doubling of the interest rate on subsidized Stafford student loans for 7.4 million borrowers at a time when the economy is slowly recovering from the recession and students are taking on increasing amounts of debt to earn their college degrees.

States need to do their part in this shared responsibility as well. Last year, based on total State support, including one-time Federal stimulus dollars, 41 States cut their funding for higher education.[2] At a time when higher education is more important than ever for our shared future, States should not turn to higher education as a major source for cuts whenever times get tough. Such cuts lead to tuition spikes and higher dropout rates. Neither Federal nor State budget challenges should be borne on the backs of students and families in the form of higher college costs.

RACE TO THE TOP—COLLEGE AFFORDABILITY AND COMPLETION

States play a much larger role in college affordability and quality than just providing funds. State policies—or the lack of those policies—on high school graduation and admission standards, credit transfer, articulation and tuition setting—can contribute to rising costs. Today, the median bachelor's degree recipient completes his or her post-secondary education program in 5 years, instead of 4. If we could get more college graduates to complete their degree programs on time, if not early, we could reduce college costs by one-fifth.

The good news is that a number of States are addressing these issues. They are revisiting how they allocate funds to better recognize quality and results; they are developing data systems to better track outcomes; and they are taking the tough steps to address the high rates of remediation due to students arriving at college who are underprepared to succeed.

However, we have yet to see activities on a national scale that encourage States to pursue foundational reforms that address the issues of affordability and quality over the long term.

That is why we are proposing a **Race to the Top—College Affordability and Completion** framework that will spur State reforms to reduce costs for students and promote success in higher education. This program would provide incentives for States to make commitments to higher education and pursue policies with long-term payoffs, such as:

• Revamping the structure of State financing for higher education to recognize and reward quality and student success.

• Aligning entry and exit standards with K–12 education, community colleges, and universities to facilitate on-time completion.

• Maintaining consistent financial support for higher education.

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[2] *http://grapevine.illinoisstate.edu/tables/FY12/Table%201.xlsx.*

ESTABLISH A FIRST IN THE WORLD COMPETITION

All institutions of higher education—even those that don't set their tuition levels independently—have an important role to play in keeping college affordable and providing greater value. To do this, they must embrace the same culture of experimentation and innovation that they bring to their research and apply it to student learning and success. They need to recognize that there are ways to increase quality while reducing costs.

But we recognize that innovations are tough to implement and evaluate. That is why we are proposing $55 million for a First in the World fund. This program will improve higher education by investing $55 million in applied research to enable institutions of higher education and nonprofit organizations to develop, validate, or scale up innovative and effective strategies that boost completion rates of students and enhance quality education on campuses. This initiative would provide startup funding for individual colleges, including private colleges, for applied research projects that could lead to long-term innovations—such as course redesign through the improved use of technology, early college preparation activities to lessen the need for remediation, competency-based approaches to gaining college credit, and other ideas aimed at better student outcomes. A portion of this funding would go toward Minority Serving Institutions (MSIs). MSIs educate a significant share of our Nation's minority students; making sure these students are able to access and complete degrees is critical to our Nation's ability to reach the 2020 college completion goal.

REFORMING CAMPUS-BASED STUDENT AID

At the same time, we need to be smarter about the dollars that we invest directly in institutions. That is why we are proposing to reform the campus-based aid programs to recognize colleges that are succeeding in doing their part in keeping costs low, while providing good value to students, especially those from low-income backgrounds.

The campus-based aid that the Federal Government provides to colleges through Federal Supplemental Educational Opportunity Grants (SEOG), Federal Perkins loans, and Federal Work Study, is distributed under an antiquated formula that rewards colleges for longevity, and provides perverse incentive to raise tuition, because it results in higher levels of financial need among students, a factor considered in allocations. The President is proposing to change how those funds are distributed by implementing an improved formula that shifts aid from schools with rising tuition to those who are focused on setting responsible tuition policy, providing good value in educating their students, and ensuring that higher numbers of low-income students complete their degrees and certificates. The President is also proposing to increase the amount of campus-based aid to $10 billion annually. The increase is primarily driven by an expansion of loans in a revamped Federal Perkins Loan program—which is expected to come at no net taxpayer cost.

BETTER INFORMATION FOR STUDENTS AND FAMILIES

Finally, we need to empower families and students with better, clearer information to help them make good decisions when searching for, and selecting a college. To do this, we will create a **College Scorecard** for all degree-granting institutions that will make it easier for students and families to choose a college that is best suited to their financial needs, and consistent with their educational goals and career aspirations. A draft of the Scorecard is available for public comment on the White House Web site.[3]

CONCLUSION

If we can incentivize State support; reduce inefficiencies in our K–12 and higher education pipeline in aligning education standards; promote applied research that expands capacity or supply while also improving student outcomes; direct campus-based aid to colleges providing the best value; and empower consumers to channel their demand toward the most valuable options for them, we can slow the growth in college costs. Mr. Chairman, and members of the committee, more students and families than ever are relying on student aid, and if we are to reach the President's goal of leading the world in college attainment, we need to continue our investment in these students. But to keep the American promise alive, we must also embark on a more comprehensive approach to share responsibility and ensure that everyone—States and schools, as well as Congress and the Administration—are doing

[3] *http://www.whitehouse.gov/issues/education/scorecard.*

their part to rein in college costs and drive forward college completion. As the President has said, in today's global economy, a college education is no longer just a luxury for some, but rather an economic imperative for all. The Federal Government, States, and colleges and universities, must all work to promote access and affordability by reining in college costs, providing value for American families, and ensuring that America's students and workers can obtain and complete the education and training they need. America must have a workforce prepared for the jobs of the 21st century and a society that will strengthen and preserve our democracy. Our Administration stands ready to work with members of this committee on legislation that will implement the President's proposals discussed this morning. We also look forward to working with States, colleges, and stakeholders on this important agenda.

I would be happy to answer any questions you might have. Thank you.

The CHAIRMAN. Thank you very much, Secretary Kanter. We will now start a round of 5-minute questions.

Secretary, as I said and as you also said States must do their part. We have seen a significant shift of the burden from States' budgets, to students and their families, and it is shifting more to the Federal Government to pick up that loss of revenue from States.

Can you describe some of the systemic reforms that this Race to the Top proposal would encourage so that States would live up to their role of having shared responsibility?

Ms. KANTER. Yes, I would be happy to. The Race to the Top, as we envision it, is going to provide a framework that will spur reforms to keep tuition growth down in the short term, and support changes in the long term to improve higher education affordability, quality, and capacity in the long run.

This first year request is $1 billion, but this is really about a multiyear effort which is aimed at improving higher education, affordability, and value. We are really excited that the Administration has made historic investments in student aid, and that has kept the price that families actually pay in the public institutions stable over the past few years, as I mentioned. And net price versus sticker price is just something that we have to remember to keep in mind.

But the current path is not fiscally sustainable, so we need Congress and the schools themselves and States, to work together to share the responsibility. So this model would actually leverage a modest amount of Federal dollars to enact large scale change. It would work upon the lessons learned from the Race to the Top that we have already offered. And it requires up front reforms and commitments from States in exchange for funding.

The CHAIRMAN. You say you are proposing $1 billion for this program. Would this also include more funds, for example, for work-study programs, more money for Perkins loans from the Federal Government to schools that have kept their costs down or their increase in tuition, say, to the level of inflation?

Ms. KANTER. We have proposals which are First in the World, which I talked about, funds that would inspire innovation in the institutions themselves. Race to the Top that is designed to address what we hope that States will do, the activities that some of you mentioned of States that can do a lot more on cost. Campus-based aid, Federal aid that would be designed to reward institutions that are providing good value, and getting students through college, earning their certificates, earning their degrees, and providing the work-study for students to do just that. We know that work-study is allowing students more often to persist in college. It is essential for success and we want to do more of that. Finally, as I mentioned, the College Scorecard is the last part.

There are four parts to this proposal. One directed at States, institutions themselves, students and families with the Scorecard. I think we can do a lot better getting simple information collected so that students and families can make those choices that best fit their needs, their academic aspirations, and their financial situations.

The CHAIRMAN. Yes.

Ms. KANTER. Then the last part is the campus-based aid, which would be more and more directed to better and better colleges and universities. We want them to give out that money through work-study or through supplemental educational opportunity grants to institutions that are providing good value to families. You know, we have over 6,000 colleges and universities, and we can all do better.

The CHAIRMAN. When will this committee get some paper on this that puts some meat on this proposal?

Ms. KANTER. We are looking forward to getting the budget on February 13, and we will have a lot more details then.

I know I can tell you on Race to the Top, there is a tremendous need, I think, as you have all said. We are paying too much for the remedial needs of students coming from high school. That is about a third of the students over the next 10, 20 years that will be graduating from college. We have many Americans that are adults that want a college education for a variety of reasons.

But we are hoping to use Race to the Top also to better align the K–12 exit standards with the entrance standards for college. We want those freshmen to be ready for college level work so that they can get through. That is another barrier, that whole remedial challenge that we need to address.

Also, driving the use of data to improve policy; we need to do a much better job not only using the data we have, but improving the data we have. And letting teachers and students just like in the other institutions we have across the country use that data to do a better job to get those students through.

In addition, and I think you will hear from some of the other panelists, the actual State policies, the transfer policies, the legitimacy of accepting credit from one institution at the next institution. That can be streamlined by helping institutions and States work together on those kinds of policies.

The CHAIRMAN. Thank you, Secretary. Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman.

I want to followup a little bit on your question, because you asked when the paper was going to get here, not when the budget was going to get here. There is a significant difference because for the last 3 years, any changes made to Federal student aid has been done through appropriations or the budget process. And because it did not come through this committee, there have been a lot of ad hoc changes that we have had to make to correct problems that, I think, could have been avoided if they had come through committee.

I am hoping that there is not a plan to circumvent this committee, because this is where a lot of the knowledge is of how it actually does work, and we think we can prevent some of those unintended consequences that just come from budget and appropriation. Although I serve on the Budget Committee and it has not been there for the last couple of years either.

So are you going to provide us with some actual legislation that we can do in these areas or just rely on appropriations?

Ms. KANTER. We look forward to working with members on the committee of the best way to propose this. It may be legislation. Obviously, we will be back to this committee and I will have to get back to you on the specifics, but legislation has not been introduced yet. But we look forward to all of these proposals moving forward in the best possible way and that we would really like your input on that.

Senator ENZI. OK. I was hopeful from the President's speech that some of that had been prepared already.

Now there is a scheduled 3.4 percent increase in interest rates on Federal student loans, and the Congressional Budget Office has given us a preliminary estimate that that would cost about $2.4 billion this year and that accumulates if it goes beyond this year.

I am interested in how long that delay is proposed. You have mentioned a couple of billion dollars here and a billion dollars there. I was wondering if you had some suggestions on where that money was going to come from.

Ms. KANTER. Yes. Our budget is going to be released, as I said, as you know, on February 13. The President is firm in his commitment to education funding including the higher education funding on both the discretionary and the mandatory sides of the budget.

We are looking forward to a proposal that will not cost taxpayers more dollars. We will be funding these proposals, and you will be able to look at that in the budget with a lot more detail.

Senator ENZI. We are looking forward to it. I am on the budget committee, and I am anxious to see where that is going to come down.

We want to keep tuition down, but I noticed like in California, they have had some significant reductions in State support for the colleges. Is there going to be any provision in there for when the States are not doing their part and driving up the cost of the colleges? The colleges do not have any control over that.

Ms. KANTER. I mean, that is exactly one of the pieces that we hope could be walked through in designing a Race to the Top that would be focused on college affordability and completion.

We cannot, as you know, restrict tuition increases. That is not the role of government, but we want to look to the States and provide innovation funding so they can look at the policies that will really stabilize tuition in the long term.

We are proposing to promote and invest in colleges that provide good value for students and taxpayers. Some of the money is going to colleges, unfortunately, that are not providing good value. We have a responsibility there. And to assess value, we are proposing and what the President has said, that we look at cost, we look at service especially to the most needy and disadvantaged students, and outcomes like loan repayment and college completion rates.

And you mentioned, I think, Senator Burr mentioned the numbers and the efficacy of the numbers. To me, we have to do a much better job with numbers, not rates. I know that in my own campus, I watched those numbers. I looked at exactly how many students needed remedial help, how many remedial classes I had to offer as a community college president, how many remedial classes I would offer as opposed to freshman English, which I knew those students were going to go straight through. And it was a real tragedy to have to make that decision, you know, how many freshman English courses or freshman calculus courses could we offer as opposed to how many remedial courses to get students through?

One of the pieces of Race to the Top is going to look at those barriers whether they are policy barriers in articulation, in transfer, in curricular design and what is offered. But we really also need to rely on the colleges, on the colleges and universities, to tackle remediation in a much more innovative way than we have done in my 40-year history as a teacher. You know, a long time, I started out teaching English in an alternative high school.

I think with this proposal, we are looking at not only what States can do, what institutions can do, what we can do to help consumers make good choices about value and, of course, looking at the campus aid, looking at Pell grants. We do not want to give Pell grants. I did not want my students to be using up Pell grants because they were so far behind in the basic skills that they should have gotten somewhere else, or they could get faster with more innovative curricular redesign.

We have a lot of models across the country. We have States that are starting to make some progress. We have great institutions, what I call "Islands of Excellence," all over the country where I can pick up. They are doing remediation much better than College B. Why can't we transfer those? Part of what we want to do with this fund is look at what is working well in the country, and be able to help others take advantage of that. I think every educator in the country is concerned about that.

As a teacher, that is what I worried about all the time. How many of my students were getting through? What was the number? How many were going through to get a certificate whether it was a home health aide, or a nurse, or going on to be a doctor? That is what we want everyone to think about and really cleanup the pipeline that has so many logjams in it.

Senator ENZI. We are hoping, of course, that the high schools will pick up some of the slack on this so that it sends kids prepared for college, and there is not that remediation. My time has expired.

The CHAIRMAN. Thanks, Senator.

Senator Mikulski.

Senator MIKULSKI. Thank you very much.

Miss Kanter, you have an excellent reputation coming from being the chancellor of one of the largest community college systems is in the United States. I think it was with the 45,000 students in your system. And you said a lot here today in terms of goals. But I need actionable steps. I need a must-do list. Like what are the three to five things you can do this year?

I am going to come back to something raised by my colleagues when we were reauthorizing higher ed, Senator Enzi and particularly Senator Alexander, the whole issue of regulation. Have you, and we had a commitment which I think would be good to get back to, Senator Alexander, that we were going to, on a bipartisan basis, look at regulation. Because we are concerned that over regulation leads to strangulation of innovation at higher ed, where the money goes into regulatory compliance rather than helping the students, or holding costs down, or helping faculty be even better at what they do.

My question to you is, No. 1, have you looked at this issue of getting rid of increasing regulations? No. 2, have you particularly talked to college presidents and others to say, "Hey," you know, "We've got this escalation going on." There are many reasons for it, but have they themselves told you what we could do to deal with the issue of costs?

We have three issues: cost, price, and value. But let us focus on cost. These old regulatory issues—and I want my colleagues to know I remembered that, and this is a good time to come back to it. But, what did the college presidents tell you they could do?

Ms. KANTER. Yes. OK. I can tell you first that President Obama has directed us to scrub all of our regulations and eliminate those that just do not make sense anymore. And I think you said, one of you said——

Senator MIKULSKI. That is what he told you to do a couple of months ago. But what have you actually been given now?

Ms. KANTER. Right. We have been reaching out——

Senator MIKULSKI. We always have goals in the future but what do we have to work with now.

The time is now. I believe in the power of now.

Ms. KANTER. Right. We have reached out. I personally have talked to over a hundred college presidents in the last month or so, maybe even longer. I have gone to a lot of association meetings, reaching out, and asking specifically what can we get rid of?

Senator MIKULSKI. And what did they say?

Ms. KANTER. One good example is the rulemaking now that we are involved with, teacher preparation programs. How can we improve teacher preparation programs?

One little example of many, and we have others going forward, but one example is that we have 440 requirements that schools of education have to fulfill for prospective teachers. That is insane, frankly, and it is mostly input-oriented, not output-oriented.

I think Senator Alexander was kind of smiling a little bit and I go back to the 1980s, to the books Trudy Banta wrote from the University of Tennessee about outcomes, and how can we be more responsive to the kinds of outcomes that we want for great teachers in every classroom? That is one of many examples.

We are in a rulemaking process now on student loans, what can we eliminate? What is the bare minimum that we need? I think we have done a lot. We have cut out a lot of questions on the Federal student aid form. That is a good example of trying to simplify bureaucracy that just seems to swell.

I think you have a champion in the Department of Education in our Secretary Arne Duncan and myself. We need to change the regulatory environment so that it works to get students through. That has got to be the driver. It has got to be a student-centered focus and then institutions need to do their part. Certainly, every State is looking at regulations all the time to try to see, can we simplify what States are doing, and what role does the Federal Government have in that?

We will do everything we can. We are soliciting recommendations from the higher education community. We are reaching out constantly to ask them, "What can we get rid of?" We have to go through a rulemaking process or other kinds of things, like legislation. There are other levers of change we have.

But we are very interested in what the University of Maryland thinks, what the University of California thinks, what the Lorain County Community College in Ohio thinks.

Senator MIKULSKI. I will jump back in, in my 19 seconds left. We are proud of the University of Maryland, and I think they are cited in other testimony, and we are proud of Governor O'Malley taking the lead in this. However, I will come back.

So you actually have been looking at this, but now with the college, just in three sentences. Hello. Three sentences. Did the college presidents give a must-do list? I helped move the reauthorization of higher ed. When Senator Kennedy was so sick, I had the job of reauthorizing that bill. And I had no finer partners than Senator Harkin, and Senator Enzi, and Senator Alexander. We got the job done, but God.

I think there were 600 groups that wanted to come in and talk to me. When these 600 groups brought comments, they all had to be peer-reviewed and it just went on and on. What should have been a very simple process particularly with the skill set at the table, was cumbersome because everybody had opinions, and everybody had other opinions. And there were more groups talking about higher ed than there were colleges in the United States of America. I am not kidding.

Now my question to you, I have been listening, you have been great in describing all the processes that we are talking about. But do you have a specific list that has come out of this, right now, that you could talk with us about as we consider legislation?

Ms. KANTER. Well, we are going to, you know——

Senator MIKULSKI. Do you have it?

Ms. KANTER. We have lots of ideas and proposals. We can talk. I published, for example——

Senator MIKULSKI. Miss Kanter, I cannot have a long answer here.

Ms. KANTER. OK.

Senator MIKULSKI. Harkin is banging the table quietly.

Ms. KANTER. In 1 minute, I can tell you we laid out seven steps, seven areas or States that we think would improve student graduation, student success, and add value. I can give you that. It is called, "The State Toolkit for College Completion."

We are now, I guess, on Monday had 50 or 100 researchers and practitioners——

Senator MIKULSKI. OK. I got it. I got it. I do not mean to be brusque, OK, but we have got it.

Senator Harkin, really, if we go back to the reauthorization of higher ed, we worked so well together here and I think we have many good ideas, but I think we need to look at the regulatory framework as well. Thank you very much.

The CHAIRMAN. Thank you.

Senator Burr.

Senator BURR. Secretary Kanter, thank you so much for being here and for a lifetime commitment to educating the next generation, and the next generation, and the next generation. And that is really what I want to try to emphasize. This is not just about this year's rising seniors in high school.

You said in response to a question, and again reiterated in your written statement talking about the current path that we are on, and I quote, "But this path is not fiscally sustainable."

Ms. KANTER. Right.

Senator BURR. And in the next paragraph of your testimony you said,

> "The Obama administration will fight to preserve student access and increase student aid, especially the maximum Pell grant awards, which will be $5,635 for the 2013–14 academic year. We urge Congress to take action this year to keep the Pell grant on firm financial footings going forward."

Let me just ask you, in the budget process last year, we reduced the number of years of eligibility for Pell from 8 to 6, would the administration be supportive of us reducing from 6 to some number under that so that the financial stability of Pell was more intact, and that more students would have the availability of Pell money?

Ms. KANTER. We think the reduction that has already been made is going to produce, hopefully, a positive outcome. Many students, the large bulk of students finish within 6 years, but as you know, students are working while they go to college. The whole idea of what a full-time, first-time student is without other responsibilities is very different.

Senator BURR. So we have to——

Ms. KANTER. I personally do not want to see further reductions to that. I think you have made the reductions. Congress has acted. We would like to give students a chance to see how that is a secure window, if we can focus with these proposals, with Race to the Top, with First in the World, on accelerating college completion in a shorter amount of time. That is where the higher education community, all our colleges and universities——

Senator BURR. Well, can I take from that that there would be no State that would have restrictions suggested to them that would move a student through higher education in shorter than 6 years?

Ms. KANTER. Well, we cannot——

Senator BURR. We are not going to penalize a State because they hit 6 years versus 4 years.

Ms. KANTER. I mean, what we wanted to do is encourage States to work with institutions of higher education to actually help students accelerate their education.

Senator BURR. I know where Senator Mikulski was. There is a big difference between suggesting and creating an incentive——

Ms. KANTER. Right.

Senator BURR. And wishing, and penalizing somebody for not hitting it. Is the acceptable length of time now for college graduation now 6 years?

Ms. KANTER. Yes.

Senator BURR. OK. You talked about Race to the Top and I am asking specifically as it relates to North Carolina. We have a rich history of a very high, if not the highest in the country, subsidy to our public institutions. Now, that has begun to become less. There are some States that do not subsidize their public education. From the way I heard you describe this new program, States will be encouraged to participate financially to reform certain things, and if they do it, they will be rewarded.

Now, if North Carolina chooses to accept some of the reforms, whether we do them currently or not, but we are in a decline in the level of subsidy that we are currently offering, though it may be the highest in the country, is North Carolina going to be penalized by not being able to participate because we, for generations, have highly subsidized higher education?

Ms. KANTER. This is exactly why we are reaching out to all of you and to the institutions themselves. What we want to do is create momentum to provide good value.

Senator BURR. But that is a very specific question. Would North Carolina under how you envision Race to the Top, would they be penalized or excluded from participating because they were declining the level of State subsidy, even if it was the highest in the country?

Ms. KANTER. What we want to do is incentivize States to actually provide better value. I have a number of States who have already moved to stabilize tuition increases. I think New York is the latest one that has said for the public institutions in the State, we are going to only increase tuition in the public institutions by a small amount over the next few years. Maryland is another example.

I think if States are making efforts to actually put in place what we hope would be a long-term policy, set of policy proposals to stabilize tuition over time, I think that would be of great benefit to the student.

Senator BURR. My time is running out. Let me just make this comment, and again, this may be a North Carolina editorial. Public education in North Carolina has been, is, and will continue to be affordable in comparison to other States. Will it live within some artificial increase percentage that we choose by the Federal Government? I doubt it. We are penalized because historically we have maintained an affordable level for all students to attend.

I find it incredible that we might think of a program that would exclude or create some type of penalty on a State that has shown tremendous support and subsidy in the past because they may pick up a little more than everybody else because they have held it down so tight for so long. And I might add, it concerns me about where North Carolina might head or any other State that falls in that category.

But it also concerns me that we pick one tiny subset of students and say,

> "We are going to target you for lower interest rates than everybody else from a standpoint of the affordability of what the Federal Government is going to provide to you for higher education."

We have a long way to go in this debate, I realize that, and I know you are constrained today as to how much you can share prior to the budget.

Mr. Chairman, I am anxious for that budget to come out so that all members can look at it. This committee has shown tremendous bipartisan willingness in the past to look beyond maybe the politics that could be in education and should not be, and to make the right decisions. And I think Senator Mikulski has said that.

I hope we will take our time. We will thoroughly look at this issue, but at the end of the day, I just want to make a statement to my colleagues. If the policies we propose penalize those States or institutions that have lived by what we are trying to set up for generations, and we are going to penalize them for it, this is very, very wrong. It is not in the best interest of the education of future generations.

I thank the Chair for his leniency.

The CHAIRMAN. Thanks, Senator.

Senator Murray.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Mr. Chairman, thank you so much for having this really important hearing about the issue of affordability in our college institutions.

We are hearing from so many people today, high school students and families that are really worried that they are not going to be able to be able to go on to continue their education. I have talked to unemployed workers who really are having trouble making ends meet today, and they know that they need to get further training to be able to get the skills they need to find a job. And all this comes at a time when post-secondary education is even more important to getting a job in the 21st century.

This is actually an issue that hits really close to home to me because when I was growing up, my own family faced some very tough times. My dad got sick and had to quit work, and my mom went back to Lake Washington Voc Tech, so she could get a job, and put food on the table. All six brothers and sisters of mine were able to go to college because of Pell grants, and work-study programs, and Federal support. And because we all got that support, my mom and all my brothers and sisters—Federal support—we all graduated, found jobs, and we were able to give back to our community.

I think this is really an important concept that our country was based on, and this hearing is very important, and I am really glad that President Obama is focused on that, this committee is focused on that.

I do have questions, but I want to submit them in writing so that we can move to our second panel because I know we have some very important testimony to come.

But thank you very much for having this hearing.

The CHAIRMAN. Thank you, Senator Murray.

Senator Alexander.

STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Thanks, Mr. Chairman and thank you for having the hearing. And Miss Kanter, thank you for coming. I want to thank Senator Mikulski for her offer to renew our effort to work on finding appropriate ways to deregulate higher education which, I think, is a real problem.

In listening, I have a suggestion. You know, I like it. I am one Senator who likes the Race to the Top concept, but I think you have it headed in the wrong direction. I think we ought to have a Race to the Top competition among Federal agencies to see if they come up with ways to find regulations that stop adding mandates to States that increase the cost of government, and reduce the amount of money available for colleges and universities. I can think of two or three, and all of them have to do with healthcare, which I really would rather not bring up because that healthcare has been such a partisan issue. But let me just use those as an example without trying to be partisan.

For example, we have about $100 million, $116 million that we loan to students this next year in the Federal Student Loan Program. The Department of Education borrows it at 2.8 percent, loans it to students at 6.8 percent. Where does that profit go? That is about $4.5 billion a year.

Ms. KANTER. There is a difference between what the Government pays to borrow money and the interest rate that is paid by borrowers.

Senator ALEXANDER. No, we know what it is.

Ms. KANTER. The Government's rate——

Senator ALEXANDER. It borrows it at 2.8 percent and it loans it to students at 6.8 percent. And does it not use that $4 billion to help pay for the healthcare law, and to pay for Pell grants for other students? So is not the Federal Government, in effect, overcharging 16 million students across the country on their student loans?

And is it not true that if you took that $4 billion and applied it to the average student loan, that you could lower the interest rate payment over 10 years by about $2,200? Would not that be a better proposal to reduce the cost of going to college?

Ms. KANTER. I do not think it is that simple.

Senator ALEXANDER. I believe it is.

I mean, the difference between 2.8 and 6.8 is 4, and added together——

Ms. KANTER. That is one small piece of the——

Senator ALEXANDER. You have $116 billion that you have loaned out and the Congressional Budget Office has said, in effect, that if that money were spent, if the students were not overcharged that the loans could, the interest on the loans would be about $2,200 less over 10 years. But let me give you a larger example.

In Federal legislation, we have required States, and I used to be a Governor, we have required States not to reduce their Medicaid spending. Now, I know what happens when Governors have budgets like that and the economy is bad. You go through the budget, and you try to allocate the money where it goes. You are getting down toward the end, and you have really got a choice between Medicaid spending and higher education. And what happens? I am sure you saw this when you were a community college president, the Governors say, “Well, the Federal Government has told us we have to spend more on Medicaid,” and so, there is less to spend on higher education.

Now, this is not a President Obama problem all alone. This was going on 30 years ago and I fought that 30 years ago, Governors have fought it for 30 years. But would it not be a good idea for the Federal Government to begin to think of ways not to add mandates to States that soak up the money that States normally might use to go to the community college in Maryland, or the University of Tennessee, or the State institutions that are now suffering such large decreases?

Ms. KANTER. Yes, I mean, we want to work with you Senator to do just that. I will say that, you know, other proposals——

Senator ALEXANDER. Do you know the maintenance of effort requirement that States have? That would be a good idea, I think.

And to stop the mandate of the healthcare law that adds $1.2 billion to the State government that is going to require further reductions in higher education spending in Tennessee. Are you saying you are willing to change that?

Ms. KANTER. No. I mean, what was interesting to me to look at the maintenance of effort in a small program, the College Access Challenge grants that you authorized that we are in Year 3 of was that only four States could not meet that maintenance of effort requirement. So everybody was able to meet that and better serve students. And we have seen in the Pell grant program, we have moved from 6 million in 2009 to 9.4 million today, students from the lowest income families in this country enrolled in higher education.

Senator ALEXANDER. My time is up, but I respectfully suggest turning the Race to the Top around, heading it in the direction of the Federal Government. Let us look for ways to stop Washington from adding to State costs, that soak up dollars, that raise tuitions in California, Tennessee, Wyoming, and all of our other States. That is the real reason tuitions have been going up. It is a problem here in Washington, not in the States.

The CHAIRMAN. Thank you, Senator Alexander. And now, this would be Senator Bennet.

STATEMENT OF SENATOR BENNET

Senator BENNET. Thank you, Mr. Chairman, and I apologize for being late. We had a banking committee hearing and I want to just say I cannot think of a topic more important than the one that you have brought to our attention today, and it strikes at the heart of our economy in the 21st century in an incredibly profound way. The worst the unemployment rate ever got for people in this recession, the worst recession since the Great Depression, who had a college degree was 4.5 percent. That was the worst it got for people that had a college degree.

We find ourselves in a place where only 9 out of 100 kids born into poverty can expect to get a college degree. And when the last president became president, we led the world in the production of college graduates; we led the world. And just 10 or 12 years later, we are 16th in the world. At a time when we have made it harder and harder and harder for people to go to college and get a degree which they need more and more, the rest of the world is figuring out that they need to move their people along.

In Denver, thanks to the generosity of some wonderful citizens there, we started something in 2005 called the Denver Scholarship Foundation which said that any kid who is graduating from the Denver public schools would have the gap filled.

And the result of that, Mr. Chairman, is there are 30 percent more graduates of Denver public schools in college today than there were in 2005, but this affordability problem is making it harder and harder and harder to keep them there.

This is of such concern to me and to the people that I represent that—actually, over the last month our Senate office, that has no responsibility for this at all, has been having college affordability discussions all over the State. We have been walking people through the FAFSA process, the scholarship process, trying to demonstrate to people what options are available. Because to me, the hardest thing you can hear anybody say is they cannot afford to send their kid to the best school they got into and I have heard that time and time again over the last 3 years. Everybody is saying it.

I wanted to just go in with Senator Mikulski and her observation about the importance of working to diminish these regulations that confront our institutions of higher ed and our States.

You mentioned, Madam Secretary, the teacher preparation programs, and I am very interested in this, as you know. You said in that context that you think we ought to be more focused on outputs than we are on inputs. I wholeheartedly agree with that. But I wonder whether you are applying that philosophy generally as you do this review. Are we going to get to a place where we begin to focus on outputs again instead of contributing to the problem that we are seeing in our States and in our communities?

Ms. KANTER. Yes. I mean, I do think that the national conversation is about value, and I think the more we can look at it, and I think many people have said, when you look at price and you look at quality, then you look at the value to Americans. Are people getting the value that they are paying for, with the effort that they are making, in the design of the institutions we have, and can they get through?

I think on the affordability side, we have a lot to do to help Americans understand that they can afford to go to college. And we want States with our competitions and our proposals, actually, I should say, to reduce regulation. I mean, every teacher, every person who wants to become a prospective teacher has to take a Myers-Briggs test. Now, I took a Myers-Briggs test. I know what that is, but it should not be a requirement because what we want is great teachers.

Senator BENNET. I never took it because I was scared to find the results, but you are right. It is crazy.

Ms. KANTER. It is an example of a 20th century——

Senator BENNET. I do not have a fancy chart like that, but here is what is happening to college tuition versus all this other stuff over the last 10 years, and we have to get a hold of it somehow.

This is going to require partnership at the State and local level where this work really gets done, the Federal Government.

I wonder with the last few seconds that I have whether you could tell us specifically whether there are States, or communities, or foreign countries that have figured out how to specifically deal with this affordability problem? Are there specific examples that you have in mind that you wish we could get to?

Ms. KANTER. One great example is the Tennessee Technology Centers. If you look at Tennessee and you look at the success of those Centers in preparing students for the workforce. It is part of the 2-year college system where students are earning certificates to go into the workforce, that is one example. Courses are offered every day at set times, 5 days a week. It is affordable. They have been able to maintain that affordability. I can talk about Indiana. I can talk about Maryland.

In freezing tuition in Maryland for the last 4 years has been a tremendous boon to the residents of Maryland.

The I–BEST program in Washington State, that has been a tremendous program where we are taking students at the adult level, low-skilled adults, getting them trained up, and then getting them ready for not only a career, but to continue their college education.

I think, as I said in my testimony or I think I said it in one of the questions, we have islands of excellence. We have States, models within States, we have programs, institutions of higher education leading the way in a variety of places. Unfortunately, we have 50 States and 6,000 institutions of higher education that have got to do better because the numbers are not there. We are losing 50 percent of students.

As you said, when you look at those data, nationally we are losing 50 percent of students over 6 years. We are wasting Pell money because we are not doing a better job. This is America. We should be able to fix the remediation problem. We should be able to have the best institutions in the country providing value so students do not have to repeat what they should have got in high school. Or if they come in underprepared because it is an immigrant family, and it is an adult incident, or it is a low-skilled adult.

I went out to Macomb Community College and saw the closing of a plant, the replacement of that plant with robotics, and met so many low-skilled adults in their 40s and 50 s who were not ready to transition to another career because they needed higher level skills. In Washington State, there are programs, the I–BEST I mentioned, that are going to address that, but it is not available in many other States.

It is that kind of thing that we want to do with not only Race to the Top, but the First in the World competition, and the other proposals with campus-based aid and so on, giving students more work-study. But providing value so ultimately, we are going to have more students completing college in a shorter amount of time with the highest quality education that this country can provide and that those students deserve.

Senator BENNET. Thank you.

The CHAIRMAN. Thanks, Senator.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman, for starting this very important discussion. I would like to associate myself with Senator Murray and Senator Bennet's comments. I got here a little late because I was in a judiciary executive meeting.

This is a central problem. As Senator Bennet said, we were first only a few years ago in OECD countries in the percentage of our population that had college degrees. And now we have fallen to 16th. I remember hearing this during an ESEA hearing. And all of this is, by the way to me, very holistic. I mean, this really starts with early childhood because when you are talking about paying the cost of kids coming in to college who are not ready to go to college, that remediation costs money as well.

But I remember that day and Senator Sanders asking Andreas Schleicher from the OECD if one of the reasons that we are losing ground on this compared to other countries is the cost of college here. And Senator Sanders said, "How much does it cost to go to college in Germany?" And Andreas Schleicher said, "Well, it's free." And Senator Sanders said, "Well, I imagine it is like that in other countries." And then he said, "How much, for example, does it cost," this is what Senator Sanders said, "In Scandinavia?" And Andreas Schleicher said, "In Scandinavia, they pay you to go to college."

I just had a meeting with MnSCU, with the Minnesota State Colleges and Universities System and their costs have stayed very stable per student. In fact, I think they have gone down, but the expenses have gone up.

And at the same time, I talked to the student board and these are students who serve on the boards of MnSCU. And I asked them, "How many of you work 10 hours, at least, a week?" All of them; 20, most of them; 30, a lot of them; 40, some of them. That is no way to go to college to work 40 hours a week and go to college, and no wonder it takes 6 years.

To answer Senator Burr about the Pell grants, my wife's family had a similar experience to Senator Murray's. Her father died when she was 18 months old, mom widowed at age 29 with five kids. All four girls went to college on combinations of Pell grants and scholarships. Pell grant at that time paid 77 percent of a public college education; today it pays 35 percent. This is something that is of such importance as I go around in my State.

I just want to ask one specific question and like Senator Murray, I will probably submit some others. Miss Kanter, the Obama administration recently proposed a financial aid shopping sheet in the form of a universal financial aid award letter. This letter will allow students to accurately compare financial aid packages, and will expose the practice of providing lots of grants in the first year, without saying the student will receive all those loans in later years to make it look like the package is better than it is.

This letter will enable apples to apples price shopping, but I understand you do not have statutory authority to require colleges to do this. I would like to work with you to fix that. What do you need from Congress to require all schools to use a uniform financial award letter?

Ms. KANTER. We would need legislation that would do just that and then we go put that in place. We would look forward to working with you on that. That is part of the President's proposal. We have got to simplify and make it easy for families to compare that per value. They are looking for good quality, they are looking for value, and they are looking at cost. Cost and quality are really the two kinds of things that we want to do. It is too difficult now for families to compare, and they need their total package.

When I think of all of the things in here, whether the students, the family is getting the American Opportunity Tax Credit, whether the family has a direct loan, whether the family qualifies for a Pell grant, whether the family could get a Supplemental Education Opportunity Grant. Has the State cut disproportionately State aid so that State grants are not as available as they might have been the year before, or the year before?

Campuses, I know, I talked to many college and university presidents who are raising lots of money for scholarships, adding that in. And all of those pieces need to be really made available as options for families to look at to see what they could qualify as a total package.

The Scorecard will make things simpler, will allow families to compare from this college to that college. If I want to look at the top five that I want my child to consider, or I am an adult and just got laid off, and I have got to go back to school, how can I really understand what choices I have? And then, can I go back to what the President is calling the College Scorecard to look at value?

And we look forward to working with Congress on this. We do not have all the answers. I think that is pretty clear from my testimony. The States have got to do their part. It is a shared responsibility: colleges, universities, Congress, and ourselves. We are really excited to work on these proposals and figure out, we have got to do better as a country.

I think, Senator Bennet, when you hold up that chart, we cannot be 16th anymore. We have so much talent in this country, the students that I have lost over the years, the student success stories. We can do this in every State. We are doing it. I mean, we have the best institutions in the country, but again as I said, we have 6,000 of them.

We have to give families the opportunity to go to those places where they are going to get the greatest value, get through in the shortest amount of time, to go ahead and contribute, make their contributions to society as you all are doing.

Senator FRANKEN. I look forward to working with you on that specific matter. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Merkley.

STATEMENT OF SENATOR MERKLEY

Senator MERKLEY. Thank you, Mr. Chair. And thank you for your testimony and for your emphasis on affordability and value in programming.

I sometimes feel like we are in the middle of these conversations about, "How do we tweak it here or there?" And perhaps we do not step back and see the view from 30,000 feet and opinions may differ on what that view is. I believe we are spending way too much money on foreign bases and foreign wars, and not nearly enough on education and infrastructure, and that we need to have that conversation as well.

One hundred and twenty billion dollars a year spent in Afghanistan. What would a third of that buy in terms of supporting the affordability of colleges across America?

Ms. KANTER. We would get many, many more people through college. I mean, the investing in education and the shared responsibility, what we are envisioning in something like a Race to the Top for affordability and completion could be done in every State. We would not have a competition. We could have goals for every State, I mean, revenue like that.

I think we have all been, you know, the new normal has really shaped, I think, everything we are talking about to a limited view. But this is our country, so if we did have more revenue, we would look to these kinds of proposals for the kinds of things we want to do to focus more on how we can get more value, and how everyone can play a role.

We have three researchers, Arne Duncan brought in three researchers from the top schools in the country talking about student effort. What can we do to help students feel that they can achieve? That they believe in themselves, they have the confidence to do the mathematics. I mean, for students to have confidence in math that happens in K–12. Many students just get shut out. They do not get called on enough. We see it as systemic.

I think your comments about looking at early learning, a third of children in this country are not ready for kindergarten. Fourth grade reading levels have stayed stagnant for 40 years. That is a comment from the Modern Language Association of the country, and we have half of the students not completing college in 6 years much less 5. And we know many students have to work. I mean, you have talked about those working students.

I had a class of nursing students. They raised their hands at their graduation, 40 percent of them were working full-time while they were getting their nursing degree. I mean, they were on fire because they were studying and working literally 18 hours a day. I did not know how they slept. I truly did not for the students that were working full-time.

I think if we were to be fortunate to end a war, these are the kinds of dreams we would like to see. We need to get rid of regulation that makes no sense anymore in the 21st century. But it is all about outcomes, it is all about value, and it is all about giving that American student an opportunity to do the best that he or she can.

We have a lot of work. Carnegie Mellon, I will mention, the work in learning sciences and analytics. We have seen courses that have accelerated student learning and success. Why everyone in this country cannot read and we cannot really tackle that literacy problem and use the revenue to do that to promote better research and education. I mean, it is a long laundry list.

Senator MERKLEY. I will interrupt you right there, if I might.

Ms. KANTER. Sure.

Senator MERKLEY. My time will soon be gone. But as I looked at the Administration's plan, I see a $6 billion per year cost for keeping the interest rates lower. And I see $1 billion for Race to the Top, so that makes $7 billion, and then miscellaneous other things. But really, we are talking about a $7 billion plan roughly. Is that correct?

Ms. KANTER. I think our figures for keeping the interest rate at 3.4 percent, I think our figures are $4.5 billion. The Race to the Top would be $1 billion a year, yes and those dollars, you know, we will be releasing the budget on February 13.

Senator MERKLEY. All right, to my point then, in the ballpark of a $6 billion plan. That is less than the numbers I had before me. I just want to emphasize the contrast that if a third of the savings in Afghanistan were directed toward education that would be $40 billion that would be completely beyond the proposal you are putting forward.

This is why I want to re-emphasize this point that we must make choices as a nation, and that we are systematically undermining our investment in our intellectual infrastructure and our physical infrastructure. We are weakening this Nation and we have to have the conversation, or we are just fiddling around the edges. My time is now expired.

I appreciate very much the proposal you are putting forward; appreciate it a great deal. I hope the Department of Education and the President's team will start to talk in terms of the grand challenge facing America if we continue to fall behind other nations in the world are we imperiling the success of our children. We are imperiling the success of our future economy. We are making this Nation weaker and it is wrong for our families and wrong for our Nation.

Thank you.

The CHAIRMAN. Thank you, Senator Merkley. Dr. Kanter, thank you very, very much. We will now turn to our second panel.

Ms. KANTER. Thank you.

The CHAIRMAN. I am sorry we are losing some Senators, because the second panel, I read their testimony last night, and there are some great suggestions and insight into what is causing prices to go up, and what could be done about it. Nonetheless, we made it part of the record.

First, I would like to welcome our second panel. I will introduce them as they take their seats. Mr. Kevin Carey will start off our second panel. Mr. Carey is policy director of Education Sector, a nonpartisan think tank in Washington, DC. His research includes higher education reform, improving college graduation rates, community colleges and higher education affordability. I liked the testimony I read last night.

Following Mr. Carey, we will hear from Dr. Carol Quillen, president of Davidson College, an independent liberal arts college for 1,900 students located near Charlotte, NC. President Quillen is Davidson's 18th president and joined the Davidson College community on August 1st.

Our next witness is Dr. Robert Mendenhall, president and CEO of Western Governors University, a private, not-for-profit online university that offers competency-based degrees. Dr. Mendenhall has more than 30 years of experience in the development and delivery of technology-based education.

Finally, we have Mr. Charlie Earl.

Charlie Earl is the executive director for the Washington State Board for Community and Technical Colleges. Mr. Earl has served as president of Everett Community College. He currently serves as the chair of the National Council of State Directors of Community Colleges.

I thank you all for joining us today. As I said, I read your testimonies last night. I think there is some really good stuff in there, so I am sorry that we have lost Senators here. I know people are busy, but I want you to know that your testimony will be made a part of the record in its entirety. And, we have staff here, but I appreciate the insights that each of you have given on this issue. I thought your testimony was very, very well-written of what I read last night.

We will ask you to just give a short statement as your statements will be made a part of the record in their entirety. We will go from left to right. We will start with Mr. Carey.

STATEMENT OF KEVIN CAREY, EDUCATION POLICY DIRECTOR, EDUCATION SECTOR, WASHINGTON, DC

Mr. CAREY. Thank you, Chairman Harkin, Ranking Member Enzi, and members of the committee for the opportunity to speak today.

The price of higher education in America is spiraling out of control. Student loan debt is at an all-time high. Many students and families can no longer pay the college bill, and neither can the American taxpayer. Annual Federal college aid has ballooned by over $100 billion per year over the last decade. Innovation is needed and quickly.

It is important to note that there are two elements of college affordability: cost and price. Costs are what colleges spend to educate students; prices are what students pay to attend college. We need innovation in both cost and price to fix the affordability problem.

Now, some colleges will tell you that there is no way to reduce costs without harming the quality of education they provide. This is not true. We know that colleges can reduce costs and maintain quality because some of them are doing it right now. Some of them are here today. Others include Virginia Tech, which has used technology to revamp its math courses over a decade ago, dramatically reducing costs while improving student learning at the same time. And there are hundreds of other colleges and universities in this country that are applying similar techniques today.

The University of Minnesota branch campus in Rochester has a lean student focus structure that costs a fraction of what it takes to fund a traditional university. The University of Maryland system recently collaborated to cut costs system-wide. Meanwhile, Carnegie Mellon and MIT are developing high quality, next generation, online courses that will be offered to students around the world free of charge. These and other examples show that colleges can cut costs and improve learning simultaneously.

Yet, many of these innovations are not widespread and other, more commonly used cost cutting measures like replacing tenure track faculty with adjunct faculty have not resulted in lower prices for students. That is because while costs are a function of practice, prices are largely a function of policy. And prices are the root of the affordability problem.

Now to be sure as we have talked about today, many States have slashed higher education budgets in recent years resulting in tuition hikes that are not the fault of colleges and universities. Many of your colleagues in State legislatures are passing their higher education bill onto you.

But the price problem is not merely cyclical. For 30 years, colleges have raised prices well beyond inflation in good times and in bad times. Why do they do this? I think the answer is simple: because they want to and because in the current policy environment, they can.

They want to because money is useful for buying things that colleges care about like fame, and prestige, and so-called better students. They can because recent economic trends have made their product so valuable. The earnings gap between college graduates and everyone else is growing.

College graduates were much less likely to lose their jobs in the recent recession, and parents and students know this. And so they scrimp, and they save, and increasingly they borrow because, really, what other choice do they have?

We cannot change the desire of colleges to raise money from tuition increases. Everybody wants money. What we can change is their ability to recklessly increase tuition year after year by implementing three policies that I would characterize as price innovation.

One of them is about regulation and there has been a lot of discussion about regulation this morning. I have a different take on regulation. I do not actually think there is much credible evidence that the cost of compliance with reasonable regulation really is driving college costs up in this country. I think the regulatory problem is that we are keeping low-priced competitors out of the higher education market. Let me give you an example.

Let us say you wanted to create a nonprofit organization, or a for-profit organization, and all you wanted to do was provide the world's greatest online college calculus classes. You wanted to specialize. You were not going to offer degree programs. You were going to be really good at one thing and because of the economies of scale involved with technology, once you get big enough, you could offer that course to students at a very, very low price.

Right now, you are not allowed to use—students would not be allowed to use their Federal financial aid money, which most students now use to go to college in order to pay you. You would not be allowed to offer credits that would automatically transfer into other college systems. Those are regulations that our existing colleges and universities are actually very much in favor of because they keep control over who is in the system to the accreditation process which is run by existing colleges and universities.

I think the Federal Government could create basically a new space where innovative competitors who are willing to offer low prices and be accountable for quality and transparent about what they offer, could compete and have price competition for students.

Second, I think we need to create more transparency in the higher education market by actively providing students, parents, and guidance counselors with consumer information about college prices, learning results, graduation rates, and employment outcomes for all colleges, nonprofit, and for-profit.

We need colleges to compete for students on value, which is the combination of quality and price. But without better information on quality, there can be no such competition and it is the proper role of the Federal Government to require colleges to report information about value.

Finally, I think we should, as Under Secretary Kanter said, reward States that implement a comprehensive higher education reform agenda that encourages greater college competition, innovation, and investment in higher learning.

Thank you very much.

[The prepared statement of Mr. Carey follows:]

PREPARED STATEMENT OF KEVIN CAREY

SUMMARY

The price of higher education in America is spiraling out of control. Loan debt is at an all-time high and many students and families can no longer pay the college bill. Neither can the American taxpayer—annual Federal aid has ballooned by over $100 billion in the last decade. Innovation is needed, and quickly.

There are two elements of college affordability: *cost* and *price*. Costs are what colleges spend to educate students. Prices are what students pay to attend college. We need innovation in both cost *and* price to fix the affordability problem.

We know that colleges can reduce costs because some are doing so right now. Virginia Tech used technology to revamp its math courses over a decade ago, dramatically reducing costs while improving student learning at the same time. Hundreds of other colleges are using similar methods to redesign courses. The newest University of Minnesota branch campus has a lean, student-focused cost structure. The University of Maryland system collaborated to cut costs systemwide. Carnegie Mellon and MIT are developing next-generation online courses that will be offered to students around the world, free of charge. These and other examples show that colleges can be more efficient without sacrificing student learning.

Yet these innovations are not widespread, and other cost-cutting measures, like the increased use of adjunct and part-time faculty, have not resulted in lower prices for students. That's because while costs are a function of practice, prices are a function of policy. In recent years, State tax and budget policies have led to slashed higher education budgets and resulting tuition hikes. But the price problem is not merely cyclical: for 30 years, colleges have raised prices beyond inflation in good times and bad. Colleges do this because they want to, and because, in the current policy environment, they can.

We can't change colleges' desire for money from tuition increases, which is useful for buying prestige and other things they covet. We can change their ability to raise tuition, by implementing three policies focused on price innovation:

1. Bypass the existing accreditation system, which is stacked against innovation, and allow high-quality, low-cost entrepreneurs who are willing to be transparent about and accountable for quality access to the Federal financial aid system.
2. Create more transparency in the higher education market by actively providing students, parents, and guidance counselors with consumer information about college prices, learning results, graduation rates, and employment outcomes.
3. Reward States that implement a comprehensive higher education reform agenda that encourages greater college completion, innovation, and investment in higher learning.

Chairman Harkin, Ranking Member Enzi, and distinguished members of the committee, thank you for the opportunity to speak today about innovations in college affordability. My name is Kevin Carey, and I am the policy director of Education Sector, a non-partisan education policy think tank based here in Washington.

The topic of today's hearing is a crucial one because, as we all know, the price of higher education in America is spiraling out of control. Over the past 10 years, public university tuition grew by an average of 5.6 percent above inflation every year. As a result, student loan debt is at an all-time high and access to college is threatened. Students and families can't afford to pay these bills and, increasingly, neither can the American taxpayer. Annual Federal financial aid to higher education has increased by over $100 billion in just the past decade. We can't just keep shoveling money into a system that consumes resources at an ever-faster clip. Innovation is needed, and needed badly.

I would like to start by making a distinction between two elements of affordability: college *costs* and college *prices*. These terms are often used interchangeably, but they actually represent very different things. College costs are what colleges spend to educate students. College prices are what students pay to attend school. **We need innovation in both college costs *and* college prices in order to fix the affordability problem.**

This will require new Federal policies that open up the higher education market to innovative, low-cost, high-quality providers—including organizations that look very different from traditional colleges and universities. It means we need much more information and transparency in the market for students and parents struggling to choose the school that is best for them. And it demands a more active Federal role in regulating an industry that cannot regulate itself.

Colleges like to argue that college costs cannot be seriously restrained. Higher education is an inherently labor-intensive industry, they say, and thus subject to the immutable laws of economics. If we want college students to get a good education, we are told, we have no choice but to keep writing ever-larger checks, forever.

This is nonsense.

Colleges are not—alone among all human institutions—exempt from the need to become more efficient. Other industries have been transformed by managerial innovation and the power of information technology. Colleges, too, can take these opportunities to reduce costs.

We know this because many colleges are doing it already. Some of them are represented here today. Let me describe a few others. Virginia Tech is one of the Nation's finest engineering schools and a leader in technology-based innovation. In the late 1990s, it completely changed the way students learn introductory mathematics. Instead of sitting in a lecture hall once or twice a week, students go to a computer laboratory that's open 24 hours a day, 7 days a week, where they work through carefully designed problem sets that provide customized feedback and access to video, text, and other materials. Tutors are on staff to help students who need it. As a result, Virginia Tech has cut its labor costs dramatically for courses like Linear Algebra and Calculus. Crucially, student learning results stayed the same, or improved. This is not a new experiment or obscure institution; a major research university has been teaching this way for over a decade.

And it's not alone. The non-profit National Center for Academic Transformation has helped *hundreds* of 2- and 4-year colleges use technology to redesign their courses. Some are fully online, but most are hybrids—a combination of technology and personal instruction. Many of these colleges have cut their costs dramatically, in some cases by over 50 percent. More important, student learning results have consistently improved.

We all know there's a terrible college drop-out problem in this country. These innovations help students pass courses that are often a major barrier to graduation. **Colleges can cut costs *and* improve learning simultaneously.**

Of course, technology isn't the only way to cut costs. Many colleges and universities have been around for a long time. They've become bloated, cumbersome, and inefficient. It's hard for organizations like that to reform themselves. Like any industry, higher education needs new, efficient competitors to challenge old ways of doing business.

Recently I visited one such organization, a new branch campus of the University of Minnesota, in Rochester. Rather than lay out a smorgasbord of academic offerings, this university has only three majors, all in health sciences. The brand-new, state-of-the-art classrooms were built in renovated commercial space that used to house a food court. Instead of building dorms, the university negotiated group rates in apartments. There are no elaborate fitness facilities—students work out at the "Y." All the professors, including those on the tenure track, teach undergraduates in small classes. The university partners with local industries such as IBM and the Mayo Clinic to provide its students with access to labs, experts, and internships. The library has no books, just computers and wi-fi. If students like college football, they can drive to the Twin Cities or watch TV.

All of this costs the Minnesota taxpayers a fraction of what it takes to build and maintain a traditional university. And students are getting a great education.

Other cost-reducing innovations have happened at the system level. A few years ago, the University of Maryland system took a hard look at itself. Buildings were sitting half-empty on Monday mornings and Friday afternoons because students and professors don't like to attend class then. Some students were taking too long to graduate. Faculty workloads were too low and utility costs were too high. So system leaders put their heads together and saved millions of dollars through joint purchasing, improving classes where many students were dropping out, and working with faculty to increase the number of credit hours professors teach.

Meanwhile, some of the Nation's leading universities are developing even more radical innovations.

Learning scientists at the Carnegie Mellon University Open Learning Initiative have created sophisticated online classes that use "cognitive tutors" and virtual laboratories to teach subjects including Statistics, Biology, Chemistry, and Logic. Initial studies suggest that students learn *more* in these environments than in traditional, sit-down courses.

In another example, just a few weeks ago, MIT announced the creation of a new initiative called "MITx," a next generation of online courses designed in consultation with some of the greatest scientists in the world.

The up-front development costs for Carnegie Mellon and MIT are not inconsequential. The best online courses offer much more than some lecture notes or videos on YouTube. But once the courses are developed, it costs the university very little to serve additional students. The more students who enroll, the lower the cost per student becomes.

And the Carnegie Mellon and MIT initiatives have more in common than being developed by two of the world's great research universities. They carry the same price to the student: zero. Both Open Learning Initiative and MITx courses are free.

This shows the crucial distinction between *cost* and *price*.

There are many things colleges can do to reduce costs that they are not doing. For every Virginia Tech using technology to cut costs and improve learning, there are hundreds of universities teaching math the same old way. The University of Maryland example is the exception, not the rule.

But other cost-cutting strategies are widespread. We know, for example, that in recent decades, colleges have been steadily replacing expensive academic labor with cheap academic labor. In 1975, one-third of faculty were adjunct or part-time. Today, over two-thirds of faculty are adjunct or part-time, and these workers are often paid little salary and no benefits. Whether or not this is a cost-cutting innovation, it is definitely a successful cost-cutting *strategy*.

And yet at the very same time, college prices have been rising dramatically. The cost of educating students is going down even as the price students pay to be educated is going up. Why?

The answer lies with policy. Cost-reducing innovation is mostly a matter of practice. *Price*-reducing innovation is mostly a matter of policy.

Some of that policy is financial. There is no doubt that colleges have raised their prices in recent years because States reduced their subsidies for higher education. Some States have hacked hundreds of millions of dollars from public university budgets, and universities have responded by reducing access to courses and imposing dramatic price increases on students and parents. They're counting on the fact that families will still scrimp and save to send their children to college—and that the Federal Government will come through with more financial aid. Many of your colleagues in State legislatures are passing the higher education bill to you.

In Maryland, State lawmakers rewarded the more efficient university system with enough money to keep prices stable even as other States were causing tuition to skyrocket. Some States are experimenting with performance-based funding, while others are creating early college high schools that allow at-risk students to earn college credits, for free, before matriculation.

But overall, in a time when the Nation needs more well-educated workers and citizens than ever, State financial trends are moving us in the opposite direction. President Obama's proposed Race to the Top for higher education is one way to address this problem. States need strong incentives to maintain their commitment to higher learning.

But it's also important to note that, over the long term, college prices have gone up in good economic times and bad. **When State funding goes down, college gets more expensive. When State funding goes up, college gets more expensive.**

Why do colleges always raise their prices? The simple answer is: because they want to, and because they can. Most colleges are non-profit. But that doesn't make them indifferent to money. Colleges and universities enjoy a great deal of autonomy and they operate with strong desires. What they desire most are fame and prestige. Both of these can be bought.

For example, *U.S. News & World Report* ranks colleges by, in part, how much money they spend per student. A college that discovered innovative new ways to reduce costs and passed those savings on to students in the form of reduced prices would see its ranking fall. Unsurprisingly, nobody ever does this.

Colleges are also ranked according to their students' average SAT scores. As a result, colleges are increasingly spending their financial aid dollars recruiting high-scoring, well-off students, instead of giving aid to needy students. They, too, are counting on the Federal Government to make up the difference.

Colleges do much more than educate students. They are centers of research and scholarship. They provide community services and sports entertainment. They pay the salaries of administrators who are in charge of setting prices. All of these things are expensive and can be funded from student tuition.

This explains why colleges desire to constantly raise prices. It doesn't explain why they get away with it. That question goes to the peculiar market and policy environment in which colleges and universities operate.

During their three-decade-long price-raising spree, colleges and universities have benefited from a number of underlying economic and demographic trends. First, the value of a college degree—what economists call the "wage premium"—has increased substantially. As well-paying blue-collar and less-skilled jobs have disappeared from the economy, the gap between what college graduates make and what everyone else makes has widened. During the recent great recession, college graduates were much less likely to lose their jobs and those who were unemployed were more likely to get their jobs back.

Parents and students realize this. People keep paying ever-rising college prices because: What other choice do they have?

Colleges have also enjoyed a surge of new students from the children of baby boomers, a demographic bulge that has given higher education institutions more customers than they know what do with. In other words, the value of college is rising, demand for college is rising, and the population of customers for college has been rising.

In a normal market, this would be an opportunity for new firms to grab market share, particularly if existing firms are inefficient and over-priced. But with a few exceptions, States stopped building new public colleges and universities in the 1970s. Major new private universities are a thing of the past. And while a number of for-profit colleges have entered the market, they have, for the most part, not chosen to undercut traditional colleges on price.

Nothing can change college's desire for money. What can change is their ability to act on that desire in the form of steep tuition hikes. **There are three main ways public policy can create stronger incentives for colleges to keep prices down—three kinds of price innovation.**

The first kind of price innovation is about who gets to be a college—or, more specifically, who gets to be a provider of higher education.

Consider the company Straighterline. It was created by an education entrepreneur and is located here in the Washington, DC area. Straighterline offers online courses to students for a flat subscription rate of $99 a month plus a one-time charge of $39 per course, for all the courses students can take. They can enroll in accounting, statistics, calculus, biology, and other introductory classes. The textbooks and course materials all come from the same major commercial publishers that regular colleges use. Individual tutors are available, online.

Straighterline's prices are so low because, as I noted earlier, once you make the initial investment in online course development, the cost of serving additional students is very small. And also because Straighterline isn't paying the sunk costs of maintaining football stadiums, research departments, vice-provosts, and so on.

Straighterline currently serves several thousand students and is growing. This education comes at no cost to the American taxpayer because students aren't allowed to use Federal financial aid to take Straighterline courses.

That's also the problem. Straighterline is a victim of higher education regulation. Not the kind of regulation that traditional colleges like to complain about, where they are required to disclose basic information about themselves in exchange for billions of dollars in Federal funds. This is the regulation that traditional colleges cherish—regulation that protects them from competition from innovative companies like Straighterline.

Federal financial aid like Pell grants and subsidized loans can only be spent at accredited colleges. Who controls the accreditation process? Existing traditional colleges and universities. What incentives do they have to allow innovative low-cost competitors into the market? None. What incentives do they have to keep them out? Many. And the more expensive traditional colleges get, the bigger those incentives grow.

Straighterline has managed to make a business by laboriously forging partnership agreements with accredited colleges who agree to accept their credits. But this just illustrates the absurdity of the system.

The higher education market needs many new, high-quality, low-price competitors to act as a counter-weight to traditional colleges and universities bent on increasing prices forever. To be sure, students also need consumer protection. One kind of innovative affordability policy would open up the Federal financial aid system to low-price entrepreneurs who are willing to be transparent about and accountable for the quality of the services they provide. **This policy would include educators and companies who only provide individual *courses*.** If you can specialize by providing the world's greatest college calculus class, and only that, why should you be excluded from the system?

This kind of experimentation could also make space for courses like those developed by Carnegie Mellon and MIT. **When it comes to innovations in college affordability, nothing is more innovative than "free."**

More broadly, when the Federal Government invests in education resources, those resources should be made available to the public, for free, under an open license. The departments of education and labor are currently collaborating on just such an effort focused on training workers in community colleges. These materials will be available for educators to use and improve, and for entrepreneurs to repurpose and sell.

The second kind of price innovation is transparency. Choosing the right college is very difficult. It's a source of much anxiety for students and parents, and for good reason: you can get it wrong. A bad choice can leave students with years of lost time and mountains of debt.

Yet there is very little reliable, comparable information available to students about college *value*—the combination of quality and price. How much do students actually learn while they're in college? What kind of jobs do they get when they graduate? The answers to these and other important questions are largely unknown. Markets only work well if consumers have access to the all information they need to make smart choices. Because the higher education market lacks this information, many of the available choices are poor.

This, too, contributes to higher education price inflation. If customers lack objective information about quality, they assume that price *is* quality. The most expensive colleges are seen as the best colleges, by definition. This creates further incentives for colleges to charge higher prices, particularly at the top end of the market. Higher education begins to resemble a luxury good. As former George Washington University President Stephen Joel Trachtenberg once admitted, "You can get a Timex or a Casio for $65 or you can get a Rolex or a Patek Philippe for $10,000. It's the same thing," Except the Federal Government isn't spending vast amounts of money to help students buy over-priced watches. And the norms and values established at the high end trickle down through the entire system.

The Federal Government is well-positioned to improve the higher education market by mandating the disclosure of more information. This is a proper, limited role for the Government to play. The Securities and Exchange Commission doesn't tell companies how to do their business, but it does tell them to file honest quarterly earnings reports, because without that information, the capital markets don't work. Why should colleges and universities, which enjoy far *greater* public subsidies than do publicly traded companies, not have to do the same? If private companies can report earnings, colleges can report their success in helping students learn and prosper.

If students and parents have more information about value, colleges won't be able to get away with increasing prices while giving quality short shrift. I encourage the Federal Government to create more transparency in the higher education market by actively providing students, parents and guidance counselors with basic consumer information about prices, learning results, graduation rates, and employment outcomes, for all colleges, for-profit and non-profit.

The third kind of price innovation is more direct intervention. I know most Federal policymakers are wary of this, and rightly so. The strength of the American higher education system lies, in part, with its diversity and independence. Nobody wants the U.S. Department of Education to take over our colleges and universities; it would do this badly.

At the same time, it's simply not acceptable to continue spending tens of billions of taxpayer dollars every year on an unaccountable higher education system that has shown no willingness or ability to restrain prices. The system will not change of its own accord. Vague promises and good intentions will not suffice.

One way to move in this direction would be through competitive grant programs that reward States that implement a comprehensive higher education reform agenda, including boosting graduation rates, encouraging innovation, focusing attention on student learning, and keeping prices affordable for all students. States are and will remain key players in higher education policy. The best should be recognized and supported in their efforts.

In summary, college affordability is a crucial problem for the Nation to address. The Nation's economic competitiveness and civic character depend on giving every student who is willing to work hard access to higher education. If current trends continue, that opportunity will be lost for many. Something has to change, and soon.

The CHAIRMAN. Thank you, Mr. Carey. Now we go to Dr. Quillen.

STATEMENT OF CAROL E. QUILLEN, PRESIDENT, DAVIDSON COLLEGE, DAVIDSON, NC

Ms. QUILLEN. Senator Harkin, Senator Enzi, members of the committee. On behalf of Davidson College and the National Association of Independent Colleges and Universities, I am here to describe an initiative called the Davidson Trust. I want to thank you very much for the privilege of being here.

In 2007, Davidson College eliminated loans from its financial aid packages. When a student is admitted, we meet 100 percent of that student's demonstrated financial need through a combination of grants and employment, usually work-study. Some students and families still choose to borrow, as it makes financial sense for them. However, Davidson College meets demonstrated need without loans.

This initiative, called the Davidson Trust, is a huge financial commitment for a school without resources. As we implemented it, we relied on the pro-education policies of North Carolina and the Federal Government, and on gifts from the Duke Endowment, and the Knight Foundation. We sustain the Davidson Trust through unprecedented ongoing giving from the Davidson College community who have made our commitment to educational access their own.

Ensuring access to an unsurpassed education is, for us, an ethical imperative. Davidson extends to all talented students this invitation and this promise: we want you here. You belong here. You can afford it. And if you enroll at Davidson, we will do everything we can to ensure that you thrive, both while you are at Davidson and after you graduate.

Measured in terms of admission statistics, the Davidson Trust is working. We have maintained the highest academic standards and students from underrepresented groups, first generation students, and Federal Pell grant recipients have all increased significantly.

These numbers matter, but they are not the only measures of the success. Davidson's first year retention rate is roughly 96 percent. Our 4-year graduation rate is 88 percent, our 6-year graduation rate is 92 percent. All have remained remarkably consistent with the implementation of the Davidson Trust. Last year, 6 months after graduation, roughly 95 percent of Davidson graduates were in graduate school or employed in career-related jobs.

The most telling indicator of our success is not our graduation rates, or our increasingly diverse student body, or our growing reputation as a good place for first generation students. The most telling measure is what our graduates do in and for their communities. We already know that the Davidson Trust enables us to attract an ever greater number of extraordinary young people whose talents enrich our campus and enrich the education we offer. We look forward to, and are grateful for, the incredible things they will do in the world.

Davidson is a small college committed to cultivating the whole human being within a community that values unfettered inquiries, academic rigor, personal integrity, intellectual humility, and service to something beyond oneself. What we do is expensive, yet we strive to bridge the privilege gap. At Davidson College, students with means live and learn together with students with Pell grants. And consider what our students do.

They publish research that will help cure Alzheimer's. They develop a leadership program for at-risk middle school girls. They start a nonprofit organization that designs sports programs for homeless people. They design a national registry for bone marrow donors. They create online globally available lessons in physics for high school teachers. They graduate emboldened to lead and eager to serve. What we do is worth it to those who attend Davidson and to the countless others who benefit from their work.

Davidson is a distinctive example among a small group of need-blind institutions with a dual commitment to access and academic rigor. Through programs like the Davidson Trust, we are changing the face of society's leadership and striving to make equal opportunity real.

We welcome and need you as allies in this quest. Thank you.

[The prepared statement of Ms. Quillen follows:]

PREPARED STATEMENT OF CAROL E. QUILLEN

SUMMARY

On behalf of Davidson College and the National Association of Independent Colleges and Universities, I am delighted and honored to have this opportunity to share with you the success of our initiative called **The Davidson Trust**. Thank you for your invitation to do so.

In 2007, with The Davidson Trust, Davidson College became the first liberal arts college in the country to eliminate loans from its financial aid packages. Once a student is admitted through our need-blind admission process, we provide 100 percent of that student's demonstrated need—defined as costs beyond what a family can pay—through a combination of grants and campus employment. Families are not obligated in any way to secure loans in order to pay for their students' Davidson education. We know that some need-eligible students still choose to borrow, because their families feel it makes financial sense for them, and our data shows they repay these loans at a rate of more than 97 percent—well above national averages. However, we do not expect nor encourage families to borrow. Through the Davidson Trust, Davidson College always meets demonstrated need without loans.

The Davidson Trust represents a huge financial commitment for the college, which has an endowment of $500 million. While that figure certainly is significant, it is approximately half of the average endowment of our peer institutions.

With significant financial support from Davidson alumni, faculty, staff, parents, students and friends—including private funders such as The Duke Endowment and the John S. and James L. Knight Foundation—we now are able to make a top-tier education accessible for any admitted student, regardless of the family's financial situation.

More than one-third of annual support to Davidson is donor-directed to The Davidson Trust, and as a result of this passionate belief in the Trust, Davidson is able to extend an invitation and a promise to all talented and eager students: We want you here; you can afford it; and if you enroll at Davidson, we will do everything we can to ensure that you thrive, while you are here and after you graduate.

Over the past 5 years, as a result of The Davidson Trust, applications from underrepresented student groups have increased nearly 45 percent. The number of first-generation applicants has increased nearly 54 percent. The number of students qualifying for, and receiving, need-based aid has increased more than 33 percent, and the number of Federal Pell grant recipients has increased by 93 percent. At the same time, the profile of Davidson's enrolling students has not changed as defined by traditional measures of academic preparedness. Once enrolled, these students graduate at the same pace as our students who come from more traditional backgrounds. In the world of higher education at large, the graduation rate hovers around 50 percent. Davidson's 4-year graduation rate continues to be 88 percent; and our 6-year graduation rate has remained at 92 percent.

Davidson was founded to help students develop humane instincts and disciplined and creative minds for lives of leadership and service. Our graduates go on to lead and to serve in their careers and in their communities, in their volunteer activities and in the world. We are changing the face of society's leadership—and we are doing that in no small part because of The Davidson Trust.

Good morning, Chairman Harkin, Ranking Member Enzi and Senators. I am Carol E. Quillen, president of Davidson College, and I am appearing today on behalf of Davidson and the National Association of Independent Colleges and Universities (NAICU), of which Davidson is a member, although the specific views expressed today are mine alone.

NAICU serves as the unified national voice of independent higher education. With more than 1,000 members nationwide, NAICU reflects the diversity of private, nonprofit higher education in the United States, including traditional liberal arts colleges, major research universities, church- and faith-related institutions, historically black colleges and universities, women's colleges, performing and visual arts institutions, 2-year colleges, and schools of law, medicine, engineering, business, and other professions.

It is my privilege to speak with you today about Davidson College and how we are ensuring the affordability of our quality education through our innovative program, The Davidson Trust.

In 2007 Davidson College became the first liberal arts college in the country to eliminate loans from its financial aid packages. For all accepted students, Davidson pledged to meet 100 percent of demonstrated need—defined as costs beyond what a family can pay—through a combination of grants and campus employment. Davidson, like several other highly ranked colleges and universities, has long practiced need-blind admission. Through our initiative, known as ***The Davidson Trust***, we further ensure that a student's financial aid award meets 100 percent of demonstrated need without loans. Some need-eligible students still choose to borrow, and for some, such borrowing makes financial sense. However, we do not expect this. Davidson always meets demonstrated need without loans, through grants and employment, usually campus employment of between 8–10 hours per week. Furthermore, all available data and a repayment rate in excess of 97 percent indicate that students who do choose to borrow money pay it back at a rate above national averages.

The Davidson Trust builds on Davidson's longstanding leadership in access and affordability. The minutes of an 1841 Board of Trustees meeting state our founders' determination to keep the cost of education "within the reach of many in our land who could not otherwise obtain it." Expanding this vision, each year we now offer an unparalleled education to hundreds of students for whom, before The Trust, even applying to Davidson seemed unimaginable.

The Davidson Trust represents a huge financial commitment into the future. Davidson's endowment of $500 million, though significant, is approximately half that of the average endowment of our peer institutions and is one-third that of some. A significant part (approximately 58 percent) of our operating budget comes from tuition, and our "sticker price" is lower than comparable institutions. Yet we are committed to providing a second-to-none education that prepares talented students from all backgrounds for meaningful lives of leadership and service. We have learned to allocate our resources efficiently while also offering the liberal arts education that best serves students for the 21st century.

We are always striving to do more with limited resources, and Davidson did not and cannot rely only on existing sources of revenue to fund The Davidson Trust. Rather, our commitment was initially made possible through the pro-education policies of North Carolina legislators and through significant support from private foundations and in particular through the generosity of The Duke Endowment and the John S. and James L. Knight Foundation. The Davidson Trust is sustained, year to year, through ongoing, visionary financial support from Davidson alumni, faculty, staff, friends, parents and students, all of whom have embraced our no-loans commitment and made it their own. More than one-third of annual support to the college is donor-directed to The Davidson Trust. To date we have raised more than $63 million in commitments to The Davidson Trust as we continue to seek long-term funding.

And yet, The Davidson Trust is not primarily about financial aid. It is an invitation and a promise that we extend to all talented and eager students. To these students, The Davidson Trust says: We want you here; you can afford it; and if you enroll at Davidson, we—the faculty, staff, alumni, and leadership—will do everything we can to ensure that you thrive, while you are here and after you graduate.

We make this promise as a direct extension of our foundational commitment to service and to excellence. Davidson exists to assist students in developing humane instincts and disciplined and creative minds for lives of leadership and service. We create a culture of inquiry and intellectual risk taking, where faculty and students who love to learn create new knowledge in every classroom, every day, and where students discover talents within themselves that they did not know they possessed. As a result of the education and experiences we offer, our graduates leave Davidson eager and able to fulfill their aspirations in light of what the world most needs from them, and their impact for good far exceeds their numbers. This impact is what justifies a labor intensive, very expensive form of education. All talented students deserve—and are entitled to—the opportunities we make possible. And we as a nation need these students acting and leading in the world. Our dual commitment to access and to educational excellence in the interest of leadership and service enables Davidson, though we are small, and schools like us, to meaningfully address some of the urgent global challenges.

We believe in the promise that The Davidson Trust extends to talented students nationwide. So, Davidson staff have traveled the country offering a workshop, Financial Aid 101, to students, families and high school counselors, and building partnerships with school districts, community-based organizations and charter management organizations like KIPP and YES Prep. We created a Center for Teaching and Learning that provides integrated support for all students in writing, speaking, math, science and economics. Our faculty received grants from the Howard Hughes Medical Research Institute to create a program, Strategies for Success, that encourages students from underrepresented groups who express interest in math and science to pursue research in those fields. Our residence life advisors developed an early orientation and year-long peer mentoring program for students of color to build community and ease the transition from home to college. Davidson requires all first-year students to take a writing-intensive course with each class's enrollment limited to 14 students, where experienced faculty provide individualized instruction and all students reach a high level of proficiency. Our commitment to our students extends beyond graduation. Each year, Davidson alumni expand internship and career opportunities to ensure that students smoothly move from our liberal arts environment to impact for good in the world. Last year, 6 months after graduation, approximately 93 percent of Davidson graduating seniors were employed, on a fellowship or in graduate school. This year, we anticipate an even higher percentage.

Measured in terms of admission and matriculation statistics—the usual metrics—The Davidson Trust is working. Applications from underrepresented groups are up: in 2007 Davidson received 743 applications from domestic students of color and 334 applications from first-generation college students; last year we received 1,074 applications from domestic students of color and 514 applications from first-generation college students.

Enrollment of students from underrepresented groups is up: in the Fall of 2011, 100 domestic students of color and 39 first-generation college students entered in the Class of 2015, compared to the 79 domestic students of color and 28 first-generation college students who entered in the Class of 2011.

We are attracting and enrolling a greater number of students with financial need: nearly 44 percent of the Class of 2015 qualified for and received need-based aid, compared to approximately 33 percent of the Class of 2011. Over the same period of time, the number of Federal Pell grant recipients has increased from 115 to 222 (a 93 percent increase).

We are attracting students from a greater number and wider range of high schools, receiving applications from students at 2,152 high schools last year, a number that has increased 6 percent over the past 5 years.

These numbers matter, but they are not the only measures of success. In the world of higher education at large, the graduation rate hovers around 50 percent. Davidson's 4-year graduation rate is 88 percent; and our 6-year graduation rate is 92 percent. These numbers have remained remarkably consistent even after the implementation of The Davidson Trust and the accompanying changes in the demographics of our student profile. Similarly, we have maintained our rigorous admission standards. The profile of our enrolling students has remained unchanged as defined by traditional measures of academic preparedness.

The most telling indicator of our success is not retention and graduation rates, or academic profile, or our increasingly diverse applicant pool and student body, or our growing reputation as a good place for first-generation students. The most telling measure is the impact of our alumni—teachers, artists, bankers, consultants, ministers, parents and entrepreneurs—who are leaders in their chosen fields and in their communities and who give back to Davidson in record numbers, year after year, so that all talented students, regardless of means, can have the Davidson experience. While it is far too early to speak precisely about the long-term impact of The Davidson Trust, we already know that it enables us to attract truly remarkable students whose talents enrich our campus and our community. We look forward to and are grateful for the incredible things they will do.

Davidson is a small, residential college committed to cultivating the whole human being within a community that values unfettered inquiry, academic rigor, personal integrity, intellectual humility, and service to something beyond oneself. What we do is labor-intensive, expensive, and not scalable in conventional terms. Yet consider what our students do. They work one-on-one with faculty on a year-long research project that will help cure Alzheimer's; they develop a leadership program for middle-school girls at an area school; they use seed funds to start a composting program or design a solar-powered cart; or they start a non-profit organization that supports schools in Nigeria or sports programs for at-risk youth or a national registry for bone marrow donors. What we do is worth it, to those who attend Davidson and to the countless others who benefit from their work.

Davidson is a distinctive example among a small group of highly selective, need-blind colleges and universities, schools that each in its own way have long demonstrated a dual commitment to academic rigor and access. Collectively, these schools both transform individual lives and exert disproportionate societal impact. Through programs like The Davidson Trust, we are changing the face of society's leadership.

Our experiences at Davidson show that thoughtfulness, dedication and a focused effort with contributions from all—alumni, foundations, and Federal, State, and local governments—can make an unsurpassed education available and affordable to all talented students. Davidson understands this as an ethical imperative as well as an urgent national need. We welcome you as allies in this quest.

Appendix

Table 1

	Class of 2009	Class of 2010	Class of 2011	Class of 2012	Class of 2013	Class of 2014	Class of 2015
First-Year Matriculants Need-Based Aid							
Early Decision:							
Total Enrolled	182	176	187	186	208	222	236
No. Receiving Need-Based Aid	48	35	41	46	71	72	81
Percent Receiving Need-Based Aid	26.37	19.89	21.93	24.73	34.13	32.43	34.32
Regular Decision:							
Total Enrolled	281	288	278	296	283	279	254
No. Receiving Need-Based Aid	109	119	115	153	151	146	134
Percent Receiving Need-Based Aid	38.79	41.32	41.37	51.69	53.36	52.33	52.76
Entire Class:							
Total Enrolled	463	464	465	482	491	501	490
No. Receiving Need-Based Aid	157	154	156	199	222	218	215
Percent Receiving Need-Based Aid	33.91	33.19	33.55	41.29	45.21	43.51	43.88
First-Year Need-Based Applicants							
No. of Admitted Offered Need-Based Aid	351	375	377	376	410	480	461
Percent of Admitted Offered Need-Based Aid	58.21	59.43	60.22	61.54	63.17	68.67	67.20
Total No. of Enrolled First-Year Students	463	464	465	482	491	501	490

Table 1—Continued

	Class of 2009	Class of 2010	Class of 2011	Class of 2012	Class of 2013	Class of 2014	Class of 2015
No. of Enrolled and Applied Need-Based Aid	228	231	243	306	309	284	285
No. of Enrolled Receiving Need-Based Aid	157	154	156	199	222	218	215
Percent of Enrolled Receiving Need-Based Aid	33.91	33.19	33.55	41.29	45.21	43.51	43.88
Average Need	$19,379	$20,240	$21,624	$23,262	$30,715	$32,938	$33,552

Table 2

	2006–7	2007–8	2008–9	2009–10	2010–11	2011–12
Direct Costs For Academic Year.	$38,784	$40,814	$42,950	$45,030	$47,029	$49,723
Need-Based Aid Per Academic Year:						
Percent Eligible for Need-Based Aid.	34.5	34.3	40.6	41.6	43.3	[In process)
Average Need-Based Aid Award.	$19,548	$20,542	$24,121	$26,331	$28,167	[In process)
Lowest Need-Based Award	$100	$100	$100	$1,000	$1,000	[In process)
Highest Need-Based Award	$46,680	$50,347	$47, 277	$54,017	$58,975	[In process)
Sources & Amounts of Need-Based Grants:						
Federal	$510,325	$695,583	$635,765	$874,108	$1,011,781	[In process)
State	$399,350	$474,160	$489,757	$588,454	$584,513	[In process)
Institutional	$9,090,905	$10,290,965	$12,559,906	$16,402,058	$19,037,110	[In process)
Total	10,000,580	$11,460,708	$,685,428	$17,864,620	$20,633,404	[In process)
PELL Recipients—All Students:						
All Students	106	115	124	171	221	222

Note: The information shown above is cumulative across all class years for all enrolled students of the above academic years.

Table 3

	Class of 2009	Class of 2010	Class of 2011	Class of 2012	Class of 2013	Class of 2014	Class of 2015
Ethnic Groups							
Domestic Students of Color:							
Applicants	657	706	743	915	889	897	1074
No. Accepted	185	262	247	245	250	290	286
Percent Accepted	28.2	37.1	33.2	26.8	28.1	32.3	26.6
No. Enrolled	66	82	79	87	78	95	100
Yield Percent	35.7	31.3	32.0	35.5	31.2	32.8	35.0
First Generation:							
Applicants	294	292	334	440	487	463	514
No. Accepted	47	74	79	96	108	93	90
Percent Accepted	16.00	25.30	23.70	21.80	22.20	20.10	17.50
No. Enrolled	24	25	28	43	58	40	39
Percent Enrolled	51.10	33.80	35.40	44.80	53.70	43	43

Table 4

Entering Fall Cohort	2000 [percent]	2001 [percent]	2002 [percent]	2003 [percent]	2004 [percent]	2005 [percent]	2006 [percent]	2007 [percent]	2008 [percent]	2009 [percent]	2010 [percent]
First-Year Student Retention Rate By Entering Year:											
Retention Rate	95.70	95.70	96.40	94.90	95.70	95.20	96.10	96.10	97.00	96.30	96.20

Table 5

Entering Fall Cohort	1995 [percent]	1996 [percent]	1997 [percent]	1998 [percent]	1999 [percent]	2000 [percent]	2001 [percent]	2002 [percent]	2003 [percent]	2004 [percent]	2005 [percent]
Historical Graduation Rates for Entering First-Year Students:											
4-Year Graduation Rate	86.30	86.50	88.20	89.80	83.80	88.80	90.10	92.10	89.20	88.70	88.00
6-Year Graduation Rate	90.00	89.20	89.20	91.50	87.20	91.40	92.70	94.40	91.00	90.90	91.50

Table 6.—Endowment Per FTE Top Tier Liberal Arts—Colleges (as of June 30, 2011)

Davidson College	292,528
Median	342,167

Note: Davidson is among the lowest of the top tier private liberal arts colleges with respect to endowment per FTE student. The range among the top tier as of June 30, 2011 (as reported in ***The Chronicle of Higher Education***) is from a high of $1,097,775 per FTE to a low of $134,174. Davidson's endowment per FTE was $292,528.

The CHAIRMAN. Very good. Thank you very much, Dr. Quillen.

Dr. Mendenhall.

STATEMENT OF ROBERT W. MENDENHALL, Ph.D., PRESIDENT, WESTERN GOVERNORS UNIVERSITY, SALT LAKE CITY, UT

Mr. MENDENHALL. Chairman Harkin, and Ranking Member Enzi, and members of the committee, thank you for inviting me to testify.

I appreciate this committee shifting the discussion from just helping students pay for college to actually making college more affordable. And my message is that it is possible to have high quality, affordable higher education, but it will require new models, not just tweaking the existing system.

Many of you know of WGU. It was created by 19 Governors specifically to use technology to rethink the way we deliver higher education, to make it more affordable, more accessible, and more accountable for results.

Second, to develop a model for competency-based education that is, to measure learning rather than time, or to say it another way, to hold learning constant and let the time vary rather than holding time constant and letting the learning vary.

It was created by Governors as a private nonprofit university and it was designed to be self-sustaining on tuition, which it is today, self-sustaining on tuition of $6,000 for a 12-month year.

It was a true public-private partnership created by Governors. The States put money into it, the Federal Government contributed money to it, and corporations contributed. The total cost to start WGU was $40 million, less than the cost of a nice, new building on campus. And for that investment, we now have a national university with 30,000 students growing at 30 percent a year, self-sustaining on tuition.

Not only is it more productive as an institution through the use of technology and a new business model, it is also more productive for students through using competency-based education. We know that students come to higher ed knowing different things. We know they learn at different rates. In fact, we each learn different subjects at different rates. And so, we simply allow students to demonstrate what they already know, spend their time learning what they do not know. The result is that the average time to graduation with a bachelor's degree is 30 months compared to 60 months nationally. Yet employers say that our graduates are as well, or better prepared, as those they are hiring from other universities.

States' Governors now are taking the next step in incorporating WGU into their State systems. In the last year and a half, we have created WGU Indiana, WGU Washington, and more recently WGU Texas as private-labeled State universities within the State systems.

This is a discussion about making college more affordable, and I think we are not talking about 3 to 5 percent improvement in college costs. McKinsey & Company did a study that suggested that to make the President's graduation goal by 2020 will cost $52 billion a year for the next 8 years at the current cost of higher education, or alternatively require a 23 percent increase in educational productivity. Real change at this level requires brand new models.

The Center for American Progress created a report called "Disrupting College," which applied the theory of disruptive innovation to higher education. The two key things that it suggested that are needed for real innovation is, No. 1, a technology driver. And No. 2, a new business model.

We know that technology has changed the productivity of virtually every industry in America except higher education. In education, it is an add-on cost. In most cases, we use technology within the existing business model or simply delivering classroom education over a wire, and the costs are just the same as they are in the classroom. The question for this committee and for the country is: How do we encourage rather than discourage new models in higher education?

States and Governors have done it before; public-private partnerships have accomplished it. I have a couple of recommendations.

The first is that the committee and Congress consider a new financial aid demonstration project similar to the distance education demonstration project you did in 1998. This would allow financial aid for the kinds of new models that Kevin talked about and that WGU represents. It would also allow us to change the way we do student disbursements and make them more performance-based to improve student performance. In short, we could experiment with better ways to leverage the billions of dollars in Federal financial aid to improve education.

Second, to remove barriers that inhibit innovation and restrict the supply of higher education. This includes regulations around seat time, credit hours, student-faculty ratios, and a variety of Federal and State regulations that limit the spread of new ideas and new models.

And finally, we need to look at policies that look beyond traditional age students to support working adult students. We have 37 million adults in America with some college and no degree, and their jobs are going away. We do not make the President's graduation goal without reaching out to these working adults who are working full-time and allowing them to gain an education and a better job.

Thank you very much.

[The prepared statement of Mr. Mendenhall follows:]

PREPARED STATEMENT OF ROBERT W. MENDENHALL, PH.D.

Western Governors University (WGU) is a nonprofit, fully online university established in 1997 by 19 U.S. governors with the goal of using technology to develop a new model in higher education that would be more affordable, more accessible, and responsive to workforce needs. This new model uses technology to facilitate learning and applies competency-based education, which measures learning rather than time. As a result, the average time to complete a bachelor's degree at WGU is just 30 months.

WGU offers accredited bachelor's and master's degree programs in the four high-demand workforce areas of business, information technology, K–12 teacher education, and health professions, including nursing. Growing by approximately 30 percent annually, the university has more than 30,000 students and 15,000 graduates in all 50 States and the District of Columbia. Since 2010, three States have adopted State-chartered versions of WGU, allowing them to increase higher education capacity without adding ongoing impact to State budgets.

The affordability and productivity of WGU's model is evident. The university is self-sustaining on tuition of $6,000 per year for most of our programs, and, while other institutions are raising tuition annually, WGU's tuition has only increased by $200 in the past 6 years.

Our Nation is facing a crisis in higher education. Today, 37 million American adults have started, but not completed, a college degree. The Georgetown Center on Education and the Workforce tells us that by 2018, 66 percent of new jobs will require a college degree, and today, only 40 percent of adults have completed college. This means that the United States needs to produce roughly 1 million more graduates per year to ensure that we have the skilled workers we need. According to a report published by McKinsey and Company in November 2010, to achieve this increase in degree production at the current cost, the United States would need to increase educational funding by $52 billion a year or increase productivity by 23 percent.

We know that we cannot increase funding for higher education at that level, so we must find ways to make higher education more productive and affordable. Efforts to cut costs by streamlining administrative processes, reducing facility costs, and other savings measures will not be enough. We must re-think the way we look at higher education and make fundamental changes, including adopting new models like competency-based learning.

"Disrupting College, How Disruptive Innovation Can Deliver Quality and Affordability to Post-Secondary Education," published by the Center for American Progress, discusses the application of disruptive innovation in higher education by using technology enablers and new business models. The report cites WGU and WGU Indiana as examples of disruptive innovators in higher education.

As the U.S. higher education community works to increase access and affordability, the committee and Congress need to support the institutions that are "disruptive innovators," and champion legislation and regulations that will encourage, rather than hinder, development of new models. We need to remove barriers that judge institutions based on seat time, credit hours, and student-faculty ratios.

It is time for higher education to take advantage of technology to re-think education. We need to find ways to use it to customize learning to individual needs, make college more relevant and meaningful for students, increase productivity, expand access, and, most importantly, improve quality and affordability.

Chairman Harkin, Ranking Member Enzi, and members of the committee, thank you for the opportunity to testify before the committee today. I am Dr. Robert Mendenhall, president of Western Governors University, and I appreciate the committee's interest in considering innovations in college affordability.

Western Governors University (WGU) is a nonprofit, fully online university established in 1997 by a bi-partisan group of 19 U.S. Governors. The university's mission from the start has been to improve quality and expand access to higher education opportunities. WGU offers accredited bachelor's and master's degree programs in the four high-demand workforce areas of business, information technology, K–12 teacher education, and health professions, including nursing. Growing by approximately 30 percent annually, the university has more than 30,000 students and 15,000 graduates in all 50 States and the District of Columbia.

WGU provides high-quality education that is very affordable. The university is self-sustaining on tuition of $6,000 per year for most of our programs, and, while other institutions are raising tuition annually, WGU's tuition has only increased by $200 in the past 6 years.

Today, 37 million American adults have started, but not completed, a college degree. WGU was created to meet the needs of working adults and other individuals who do not have access to more traditional higher education. The average age of WGU students is 36 years old, most of our students have families, 65 percent work full-time, and the majority have completed some college when they enroll at WGU. In addition, 74 percent are classified as underserved (ethnic minority, low income, rural, or first generation to complete college).

The WGU approach to learning is unique in two important ways, resulting in increased productivity, a higher level of student support, and shorter times to graduation. First, rather than simply delivering classroom instruction through the Internet, WGU uses a competency-based learning model, which measures learning rather than time. This approach allows students to earn their degrees by demonstrating their mastery of subject matter rather than spending time in class to accumulate credit hours.

Required competencies for each degree program are defined in collaboration with external program councils that are composed of representatives from industry and higher education. By working with these councils, we ensure that our students graduate with the knowledge and skills employers need.

We know two important things about adult learners: they come to college knowing different things, and they learn at different rates. Rather than requiring all students to complete the same classes, all lasting 4 months, WGU has created a model that allows students to move quickly through material they already know so they can focus on what they still need to learn. Students advance by successfully completing assessments that measure competencies, such as exams, papers, and performance tasks. To pass, they must earn the equivalent of a "B" grade or better. This model dramatically shortens the time to graduation—the average time to complete a bachelor's degree is 30 months.

The second unique attribute of our model is the use of technology to facilitate learning. Technology has increased the productivity of nearly every industry except education, where it is most often an add-on cost and not used to change or improve teaching and learning. Even with the improvements in online learning platforms and resources, the majority of online education is simply classroom education delivered through the Internet, instructor-led and time-based. As a result, most online higher education is no more affordable than traditional education.

In contrast, WGU actually uses technology to provide interactive instruction that allows students to learn at their own pace. Rather than delivering lectures, our faculty, all full time, serve as mentors, and are fully engaged in the learning process, leading discussions, answering questions, and serving as role models for their students. WGU does not develop course content and curriculum; faculty members identify and qualify learning resources from the best third-party sources in the country.

WGU is accredited by the Northwest Commission on Colleges and Universities and the Distance Education and Training Council. The WGU Teachers College, which offers initial teacher licensure as well as nationally recognized math and science education programs, has earned accreditation from the National Council for the Accreditation of Teacher Education (NCATE). In addition, our nursing programs are accredited by the Commission for Collegiate Nursing Education (CCNE).

In 2010, WGU partnered with Governor Mitch Daniels of Indiana to establish WGU Indiana as "Indiana's 8th State university." Creation of WGU Indiana allowed the State to expand its higher education capacity without adding ongoing cost and to offer an affordable option to populations underserved by the State system. This State-chartered version of WGU has also been adopted by Washington and, most recently, Texas. Partnering with States in this way has resulted in dramatic enrollment increases—more than 500 percent growth in Indiana in 18 months and 100 percent growth in Washington in 6 months.

While we want to increase the affordability and accessibility of higher education, we must also maintain quality. There is an ongoing debate about the quality of online learning, but the fact is that the quality of education is largely independent of the mode of delivery. Just as with "brick and mortar" institutions, there are wide variations in quality. Regardless of whether it is delivered in a classroom or online, all higher education should be judged on the same basis: educational results. That is, is it high-quality and effective in meeting the needs of students and employers?

At WGU, we measure our success by the engagement and success of our students. Here are some key data:

- In the National Study of Student Engagement (NSSE), WGU consistently scores above the average of all participating institutions in areas such as the level of academic challenge, quality of academic advising, supportive environment, and overall educational experience.
- The university's 1-year retention rate is 78 percent, and more than 80 percent of our students are in good academic standing.
- On our most recent student satisfaction survey, 97 percent reported that they are satisfied with their experience and that they would recommend WGU.
- Approximately 65 percent of graduates surveyed said they had received a raise, promotion, or new job as result of their WGU degree, and 97 percent said they would recommend WGU.
- On our 2011 employer survey, 98 percent rated the preparation of WGU graduates as equal to or better than graduates of other universities; 42 percent rated it better.

We do not claim that we have achieved the perfect model for higher education at WGU. We continue to work to refine and improve it, focusing on affordability, but always keeping academic rigor and student success at the forefront.

As the members of the committee know, our Nation is facing a crisis in higher education. The Georgetown Center on Education and the Workforce tells us that by 2018, 66 percent of new jobs will require a college degree, and today, only 40 percent of adults have completed college. This means that the United States needs to produce roughly one million more graduates per year—40 percent more than we are producing today—to ensure that we have the skilled workers we need. According to a report published by McKinsey and Company in November 2010, to achieve this increase in degree production at the current cost, the United States would need to increase educational funding by $52 billion a year or increase productivity by 23 percent.

We know that we cannot increase funding for higher education at that level, so we must find ways to make higher education more productive and affordable. Efforts to cut costs by streamlining administrative processes, reducing facility costs, and other savings measures will not be enough. We must re-think the way we look at higher education and make fundamental changes, including adopting new models like competency-based learning.

In a report for the Center for American Progress, "Disrupting College, How Disruptive Innovation Can Deliver Quality and Affordability to Post-Secondary Education," Harvard Business School Professor Clayton Christensen and the Center's Director of Post-Secondary Education Louis Soares discuss disruptive innovation in higher education. The report applies the principles of disruptive innovation—using technology enablers, such as online learning, and changing the business model—as an approach to make higher education more affordable and accessible. WGU and WGU Indiana are cited as examples of disruptive innovators in higher education.

As the U.S. higher education community works to increase access and affordability, I encourage the committee and Congress to support the institutions that are "disruptive innovators," providing quality education at a lower cost. Opponents of new models and innovative approaches to higher education can be vocal and sometimes convincing, but the best way to evaluate the quality and effectiveness of these institutions is to ask their students, graduates, and faculty, as well as the employers of their graduates.

I would also recommend that Congress consider creating a "Demonstration Project" for financial aid, similar to the demonstration project for distance learning, which was created in 1998. This project would allow, on a selected basis, waivers of current financial aid rules to allow us to try new things and explore and evaluate new models before implementing them nationally. A key area of study should be the use of "performance triggers" for disbursing financial aid. This project could also help determine the types of new regulations and/or legislation needed to support competency-based education, in other words, measuring learning rather than time.

It is vital that Congress support new, more cost-effective models of higher education. We need our legislators to highlight and promote new models and ensure that future legislation and regulations support, rather than hinder, development of new models. For example, we need to remove barriers that judge institutions based on seat time, credit hours, and student-faculty ratios.

It is time for higher education to take advantage of technology to re-think education. We need to find ways to use it to customize learning to individual needs, make college more relevant and meaningful for students, increase productivity, expand access, and, most importantly, improve quality and affordability. I appreciate this opportunity and look forward to working with the committee and the Administration to advance our mutual goals of college affordability. Thank you again for allowing me to testify before the committee today. I look forward to answering any questions that you may have.

The CHAIRMAN. Thank you, Dr. Mendenhall.

Mr. Earl.

STATEMENT OF CHARLES N. EARL, M.A., B.A., EXECUTIVE DIRECTOR, WASHINGTON STATE BOARD FOR COMMUNITY AND TECHNICAL COLLEGES, OLYMPIA, WA

Mr. EARL. Chair Harkin, Senator Enzi, thanks much for having me this morning. I very much appreciate the opportunity to share some thoughts of what we are doing within the community and technical colleges in the State of Washington.

As the executive director of the State system, I am definitely honored to be in the Nation's capital and so pleased to be part of a 2-year college system that is, indeed, building careers and contributing so much to the economy of the State of Washington. We are a system of 34 colleges presently. Last year, we served 460,000 individuals in the State.

I would be remiss if I did not just start off with a thank you to the faculty and staff of those colleges that have done such tremendous work over the last few years during the recession. Our enrollments are way up. Our money, the combined State and tuition money is down in net terms, and our educational outcomes are up. So it is a tremendous piece of work.

I also want to thank Senator Murray for her steadfast work over the years in support of higher education and the workforce development system.

Like community colleges across the country, we have an open-door admission policy that assures that every person who can benefit from higher education has the opportunity to do so. We strive to get students into colleges, and we work very hard to keep them there, so that they can complete their work and gain the advantages of higher education, regardless of their life and financial circumstances.

Affordability. There are many elements or contributors to affordability and so, I will just highlight a few.

First of all is institutional costs or what drives the cost within institutions and that is primarily determined by student-faculty ratios, as well as other employment costs. And limitations that we have felt because of the limitations in overall revenue structures over the last few years have indeed limited costs, at least in the State of Washington.

The higher education system is very important to affordability and in Washington's case, it has a very robust 2-year to 4-year transfer system. It works very, very well. We have contract relationships between the 2-year system and the 4-year public universities that assure slots, which basically what that means is the promise of the State that a 2-year college, a successful 2-year college degree will find a place in one of the public universities, and thus enjoy the lower tuition costs, and probably live at home while that is occurring is a big part of the overall average cost of a baccalaureate degree. So system cost—system structure State by State is very important to affordability.

To move on. State support that complements Federal financial aid support is very, very important. There are a lot of labels for what the State of Washington does, State need grant, opportunity grants, worker retraining, a bunch of programs that indeed help our lower income students stay within the colleges, and they are enjoyed also by most of those by the universities.

Moving students further and faster, so that educational effectiveness performance of the college or university is critical. In Washington, we have developed a financial reward system to our 2-year colleges for elevating the educational throughput of their entire student bodies. And a performance reward system that enables the colleges to earn additional funding for which they can do additional investments in student success appears to be quite successful. Our completions of certificates and degrees have increased 42 percent since we started this program 4 years ago, and that is substantially more than the enrollments.

Dual credit program, we partner with the schools, the high schools in Washington to enable high school juniors and seniors to dual enroll at high school credit and college. Nineteen-thousand Washingtonians last year earned two quarters' worth of college credit. When you run those numbers out for what that credit means to them for their college time, it saves those families about $40 million bucks a year. It is a huge benefit and goes to affordability.

Finally, the aspects of other college-going costs and not particularly, I think, in the public colleges and universities goes way beyond just thinking about tuition. In the Washington 2-year college system, we have recently completed the redesign of 42 or our 81 most frequently enrolled courses with a maximum of $30 textbook costs. Gathering and enabling students to use information available on the Web or our faculty have actually remade textbooks in digital formats for the students is going to have tremendous savings for our students over years in these frequently enrolled courses.

We are part of a 38 institution, 24-by-7 e-tutoring program. We have been in that just 3 years now, but the hit rates are just substantial. And that is free to students and available, of course, all the time.

Then finally, e-learning and we now in Washington across those 34 colleges are offering, or the students earned last year enough credit that would have required six more colleges. And the transportation cost savings, childcare savings, the tremendous effectiveness, we think, for our students.

Thank you for the opportunity to comment. I look forward if there is time for any questions.

Thank you.

[The prepared statement of Mr. Earl follows:]

PREPARED STATEMENT OF CHARLES N. EARL, M.A., B.A.

SUMMARY

Introduction and thanks to committee.

Background on Washington's community and technical college system:

- 34 community and technical colleges.
- Help fuel our economy—provide training; people need to land good jobs; employers need to thrive.
- Join forces with local employers to provide training in critical areas of job growth.
- Also shed programs that become less relevant for the workforce and more resources to programs for today's and tomorrow's jobs.

AFFORDABILITY

- Hold tuition rates to the national average.
- Utilize strong State need grants affordability.
- Move students further/faster.
- Hold down other college going costs.

STATE FINANCIAL AID

- State-need grant for higher education.
- Opportunity grant for higher education job training for low-income students.
- Worker retraining grants.
- Public/private partnership.

MOVE STUDENTS FURTHER/FASTER

- Student Achievement Initiative performance funding.
- High school/College dual credit program Running Start.
- Integrated Basic Education and Skills Training (I–Best).

HOLDING DOWN STUDENT COSTS

- Open Course Library limits text book costs.
- eTutoring (free and 24-hour availability).
- eLearning used by 25 percent of students.

Good morning! Chairman Harkin, Ranking Member Enzi, and members of the committee, thank you for inviting me to join you today. I appreciate the opportunity to discuss the innovative ways we're keeping college affordable at Washington's community and technical colleges. I thank Senator Murray for her steadfast support of higher education and workforce development in Washington and nationally.

My name is Charlie Earl, and I'm the executive director of the Washington State Board for Community and Technical Colleges. I feel honored not only to be here with you at our Nation's capitol, but to represent a community and technical college system that is building careers and reinvigorating the economy in "the other Washington."

I'll provide some background information about Washington's community and technical college system and then share three strategies that help keep our community and technical colleges affordable.

We have 34 community and technical colleges in Washington. Our colleges help fuel our economy by providing the training programs that residents need to land good jobs, and current and future employers need to thrive. We join forces with local employers to offer programs in aerospace, alternative energy, business services, hospitality, health care and sustainable agriculture—critical areas of growth for our State. We discontinue programs that have become less relevant for the workforce. The colleges keep a laser-sharp focus on where jobs are now, and where they're going to be in the future. And we move students and resources to the necessary skills and knowledge.

Like community colleges across the Nation, we have an open door admission policy that assures that every person who can benefit from higher education has the opportunity to enroll. We strive to get students where they need to be regardless of their circumstances—whether they are preparing for a 4-year university, retraining for new careers, or trying to raise their literacy or English skills.

The avenues to education are varied, but they lead to a common destination: a good career and a life enriched with knowledge and skills.

Our colleges serve a predominantly working class and low-income student population—over half of our students work and go to school, more than a third are parents, and the median age is 26. For many of our students, all it takes is an expensive textbook . . . a slight tuition increase . . . an unexpected car repair . . . or a medical bill to put them over the edge financially and force them to drop out, drastically reducing their chances of earning a living wage in the future. We work hard to keep them in school.

Which brings us to the issue of affordability.

Compared to other States, our tuition is average and our financial aid investments are among the highest in the country, which makes a community and technical college education affordable for Washingtonians.

Washington ranks 9th in the country in the number of Pell grant recipients who also receive State financial aid, and 4th in the country in how much State money those students receive.

In-State students who attend a community or technical college full-time in Washington State pay $3,542 per year. We've held tuition close to the national average despite deep budget cuts. This has been a tough task. Ten years ago (in 2002), the State paid 78 percent of the cost of enrollment for community and technical college students; today that number has slipped to 63 percent.

Our tuition remains a fraction of the amount charged at 4-year institutions. Students who go to a community or technical college for the first 2 years of their bachelor's degrees save tens of thousands of dollars in tuition. In fact, 38 percent of students who graduate with a bachelor's degree in Washington started off in a community or technical college.

We have a strong transfer system with State universities. Proportionality agreements with each public university ensure that the number of slots for transfer students grows at the same rate as slots for university freshmen.

Our system also waives tuition to help the least skilled, lowest income students catch up on the skills they missed in high school, and transition to college-level programs. Our "Adult Basic Education" students only pay $25 per term. We also waive part of the tuition for apprenticeship programs, parenting education, and military veterans.

In addition to our tuition policies, we keep college affordable for our students in three other ways.

1. Providing a strong network of financial aid,
2. Moving students further and faster through college, and
3. Keeping student expenses down.

Our first strategy is to provide strong financial aid for lower-income students.

Nearly half—47 percent—of the students in our system received some form of financial aid in the 2010–11 school year, including State and Federal aid. Our State's largest program is the State need grant, which supplements Federal financial aid for low-income students. In the 2011–12 school year, 29,000 community and technical college students will receive State need grants of up to $3,256. State need grants can be used on a wider range of expenses than Federal Pell grants, so they play an important role in rounding-out aid for our students.

Historically, our State has placed more money into the need grant program when tuition rises, although the program is now under stress because of additional proposed budget cuts.

The opportunity grant is a special program that provides funding for low-income community and technical college students to train for high wage, high demand careers.

Unemployed adults can get a jump-start on worker retraining by getting grants that help pay for costs until traditional financial aid kicks in. In the second year of the recession, our worker retraining enrollments jumped from 6,000 to 12,000 full-time students, and the Legislature gave our system a special appropriation to meet that demand. Today, 45 percent of our students are enrolled in workforce training.

Washington State also offers work-study programs and academic-based scholarships. We are one of the few States to offer "college bound" scholarships for low-income 8th-graders who promise to finish high school, stay out of trouble, and keep up with their grades.

Last year, Governor Christine Gregoire forged public-private partnerships with local industries to provide scholarships for students to complete degrees in high demand fields like science, technology, engineering and math.

Our second strategy uses statewide programs to move students further and faster through college.

Simply enrolling students in school is not the true measure of success—it's what students achieve and what they can do with their educations that count. We've launched a performance-based funding system that tracks student achievement in key academic milestones. Colleges receive financial rewards for the increased academic performance of their students. Since we started tracking data in 2007, we've seen a 42 percent increase in certificates and degrees—not simply because more students are enrolling in the system, but because more students are reaching important academic milestones and building momentum to finish.

The program is called the "Student Achievement Initiative" and it is being duplicated in other States now. Colleges use their award money to reinvest in successful practices that improve academic achievement.

We also offer a popular dual-credit program that is appropriately named "Running Start." Running Start allows high school juniors and seniors to attend tuition-free classes at community colleges. The students not only earn credit toward high school graduation, they also earn credit toward an associate degree or a bachelor's degree. Last year (2010–11), 19,000 high school students—or roughly 10 percent of the State's junior and senior class—earned on average two full quarters of college credit, saving families across the State $41 million in college tuition.

These types of dual-credit programs are consistent with Governor Gregoire's "Washington Learns" plan, which calls for a seamless education system from kindergarten through graduate school.

Students who are not yet ready for college-level classes—either because they didn't finish high school or don't speak English—can come up to speed quickly by attending an Integrated Basic Education Training (IBEST) program. This nationally recognized program pairs basic skills instruction with workforce training. For example, a student might learn basic math skills while working in an automotive class. Students don't have to wait until they're done with basic-skills classes before they start their job-training. It's basically a "two for one" deal that keeps students motivated and moving through the system more efficiently—and saves them money.

Our IBEST students are nine times more likely to earn a college credential than those who go through basic skills first and then enter workforce training. We are working with the Bill & Melinda Gates Foundation on a national dissemination project of our IBEST model.

Our third strategy is to keep costs down for students.

Many of our community and college students live on the edge financially, so we work to help cut their expenses using technology.

For example, textbooks alone can cost students more than $1,200 per year, so we've developed an online, open course library. Faculty and staff teams are redesigning 81 of the highest enrolled courses with open digital content and with open textbooks that cost students $30 or less per course. Already, students are saving $1.3 million in textbook costs this year, just from the lead faculty who designed the first 42 open courses. These savings already exceed the original $1.2 million investment from the State and the Bill & Melinda Gates Foundation. Our students could save up to $43 million per year statewide if open textbooks are adopted for all sections of these 81 courses.

Our system also manages the Northwest eTutoring Consortium, which has 38 member institutions in six northwest States. Students have free access to tutoring 7 days a week, 50 weeks per year—this is above and beyond the kind of coverage provided in most face-to-face tutoring sessions. The consortium is the largest online, free-for-students tutoring site in the northwest.

E-learning is another way our students save money. About 25 percent of our students take classes completely or partially online, saving time and travel expenses.

In closing, I would like to thank you again for this opportunity to speak to the committee on behalf of Washington's 34 community and technical colleges. We share your goal of providing the highest quality education at the most affordable cost. We achieve that goal every day—in many ways—across our State. And in doing so, we enrich our citizens, our communities, and our economy.

The CHAIRMAN. Thank you, Mr. Earl. I thank all of you for what I would call very provocative statements. Provocative in the good sense, provoking thinking, provoking new kinds of thinking and new approaches. Because I think all of you have said that in one way or the other that the old ways may have served a purpose during a certain time, but we have to start thinking anew on how we approach higher education.

Mr. Carey, you raised some interesting points in your written testimony, but did not verbalize here today. You pointed out that a lot of these new institutions, like StraighterLine, cannot get accreditation. And why can't they get accreditation? Because the accreditors are supported and paid for by the colleges they accredit. So what interest do they have in accrediting new entities?

As you said here in your testimony,

> "Who controls the accreditation process? The existing traditional colleges and universities. What incentive do they have to allow innovative, low-cost competitors into the market? None. What incentives do they have to keep them out? Many. And the more expensive traditional colleges get, the bigger those incentives grow."

I sympathize with that because we have had a couple of hearings and we have looked at some of the accreditations and accreditors, and I always thought it was odd that accreditors are in a position to say, "I examine you and accredit you, but you, the school, pay me to do that." That is sort of a fox-guarding-the-hen-house kind of situation there.

I wonder if you have any further thoughts on how we might change our accreditation system because this is vitally important.

Mr. CAREY. I think Dr. Mendenhall made a great suggestion, which is, an alternative to changing it is to use the large amount of Federal financial aid money, now $40 billion in Pell grants, $100 billion in loans. You could take a very small amount of that and use it to experiment and offer opportunities for providers of higher education who cannot be accredited under the normal terms to be able to educate students with Federal money under a very strict set of conditions.

It would have to be a low-cost education. It would have to be a high quality education. Really, much more than normal colleges are subject to under the existing accreditation system.

The CHAIRMAN. Aside from that, accreditation does, to some extent I will say, assure some quality. How do you assure the quality in these new approaches, without some kind of quality assurance process?

Mr. CAREY. I think in some cases, the accreditation system assures quality, although many of the colleges that have been discussed recently were all accredited, and yet were not satisfied with their quality.

The accreditation process accredits who you are, not what you accomplish. To be accredited, you have to look like a traditional college, you have to have the characteristics of a college in terms of credentials, and library books, and so on, and so forth.

But the accreditation does not accredit outcomes, and so that, I think, is the appropriate place to go where you can show that your students are learning, that you can demonstrate that, you can prove it, and you should have the opportunity to compete on a level playing field.

I would also say, we should think about course level accreditation. Again, you can only be accredited if you are a college and you offer entire degree programs. But some people in StraighterLine, in the example that I cited that you cited, they do not offer whole degree programs. They just specialize in certain kinds of courses.

The CHAIRMAN. Yes, I got that. This is always a bedeviling thing too about how we are approaching this. Almost all the testimony here, Secretary Kanter, everybody is saying that the jobs of the future are going to need to be filled by people who graduate from college. So we think about college in a job context, an economic context.

When I hear that, I am always reminded of the inscription in the library at Iowa State University. A lot of the stuff was put there during the Depression by the artists that were hired during the Depression. And the inscription says this, “We come to college not alone to prepare to make a living, but to learn to live a life.”

There is something about a liberal college education. I am not pointing at you, Mr. Carey, but for all of you to respond, that there is more than just getting a job. It is understanding life, understanding societies, understanding art and music, or just the interplay of different forces that make up a complex society.

How do we balance that along with the need to make a living too? In other words, how do we look at colleges in that context without just looking at it as a conduit to a better job? Anybody? Dr. Quillen, you represent a liberal arts college.

Ms. QUILLEN. I do not think they are mutually exclusive, Senator.

The CHAIRMAN. I do not think so either.

Ms. QUILLEN. I will say that I think it is important for colleges like Davidson, highly selective, academically rigorous, basically residential community that brings together a small number of very talented students with faculty doing research.

We are valuable because of the close interaction that those two groups of people have every day, all the time so that they are constantly questioning, and learning what it means to live a life of inquiry, and creating new knowledge together every day. That is one model of higher education that serves a particular population and that is socially valuable because of the disproportionate impact for good that those graduates have.

I do not think it is the only model, and I think one of the things that has been, these great ideas that my fellow panelists have expressed today indicate that there are lots of opportunities for us to create a much more diversified, much more efficient higher education system that could easily embrace all of these models.

I would make only a plea for the value of that kind of education that you describe and that is celebrated at the University of Iowa, which is what we try to do.

The CHAIRMAN. I have some more. I have run out of time. I have a followup question on that and also about Western Governors, but I will turn to Senator Enzi for his round.

Senator ENZI. Thank you, Mr. Chairman. I have questions for all of the panelists. I know I will not have time to ask them all, but I will submit the ones that I do not get a chance to ask in writing.

I am going to start with Western Governors, Dr. Mendenhall, because I was at a higher education conference, a WICHE conference when the States, which included mine, made the announcement about Western Governors. And all of the college presidents who were there were fascinated by it, and the first question they asked after the announcement was over was, "So, how are they going to charge out-of-state tuition?" There were other questions that came up as a result of it too.

My question is that you mentioned that in addition to the 16 original States that you have recently added Indiana, Texas, and Washington. Could you give some additional detail on what motivated each of those States to form a partnership and how did it differ with each State?

Mr. MENDENHALL. Yes, thank you. Actually, each of those States were among our founding States; they have just taken it to another level now.

The Governors who created WGU, rather than every State create their own virtual university, said let's create one and share it, since it is virtual. And there is only one tuition, not in-state and out-of-state tuition. But Governor Daniels in Indiana started this and then it was picked up by others. Really, how do we bring this in a bigger way to our State? How do we incorporate it into our State strategy, into our State plans?

What drove it in Indiana was these working adults who essentially had limited education. Many of their jobs had disappeared, other of their jobs were threatened, some of those jobs were not coming back. In Indiana there is, if I recall it correctly, about 750,000 adults with some college and no degree. They are not well served by the traditional residential system. They may not live close to a campus. Sixty-five percent of our students are working full-time. There are not a lot of classes offered at 10 o'clock at night.

This simply became, as the Governor said, a part of the family of opportunities, part of the family of opportunities within the State for our students, not instead of research universities or community colleges, but an addition that would reach an additional population.

In Washington, the legislature picked up on it rather than the Governor, and a whole different driving force. Essentially they needed to add capacity for transfer students from the community colleges. So the base statistic in Washington the year before we came was that the No. 1 transfer destination for community college students was the University of Phoenix. And the State thought, you know, we are not fulfilling our obligation to provide affordable higher ed transfer opportunities for our community college graduates. And WGU essentially allowed them to add capacity to their State higher ed system without impacting their State budgets.

I think it simply meets the needs of States to add affordable capacity within their State.

Senator ENZI. Thank you. And you also mentioned in your testimony, and when you were speaking earlier, that you have a competency-based model. As I understand this, the students do not have instructors, they have a mentor that guides them through the coursework.

Could you give us some detail on how that mentor-student relationship works? How are the mentors selected? What type of interaction do they have with the students? And what kind of support services are provided?

Mr. MENDENHALL. Yes, we are using the technology to facilitate the learning interactions with students, which allow us to individualize to every student, because if it is a professor with 30 students, then the pace of the class is at the professor's pace. And if you buy the assumption that students come to education knowing different things, and they learn at different rates, then the professor's pace, no matter how good he is, is the wrong pace for a large number of those students.

They are able to interact with interactive technology-based learning materials. But there is a course instructor for each of those courses that is integrally involved in leading discussions, answering questions, providing a role model for the profession.

Our students actually have two mentors, so they have what we call a student mentor that starts with them the day they start, stays with them until they finish, and responsible to help them succeed through their college career. And then as they go into each course, there is a course mentor and a course instructor that essentially is the subject matter expert in that course.

We have added other support services over time. We discovered that half of our students were dropping for life reasons, having nothing to do with academics. So we added 2 years ago free life counseling for our students so they can access a licensed counselor in every State that can help them through issues of divorce, or health, or jobs, or whatever.

We discovered that students were not always buying the textbook. They were trying to pass the class without the textbook. So we have digitized the textbooks, and we are providing them as part of the tuition.

We continue to try to innovate, to find ways to help students be more successful in the model.

Senator ENZI. I think that textbook issue is a big one. I had just recently looked up a governmental accounting book that I thought I might buy and it was $250.

The CHAIRMAN. It was a textbook?

Senator ENZI. A textbook, yes. My time has expired. I will submit questions for the rest.

The CHAIRMAN. Thank you, Senator.

Senator Franken.

Senator FRANKEN. Thank you all for your testimony.

Dr. Mendenhall and Mr. Carey, both of you in your testimony mentioned the need for disruptive innovation in our higher education system. Mr. Carey, you talk about the availability of online courses that are ineligible for credit at universities. And Mr. Mendenhall, you are living in a world of disruptive innovation every day.

I heard a lot of terms, performance value, talking about accreditation. It all brings to me the question of how we measure success, how we measure performance value. We pay a tremendous amount of money out in Federal loans, but also in Federal grants, including Pell grants. How do we determine how we spend that large amount of money most effectively?

I was wondering, Mr. Carey, do you have any idea about that because we are talking about—Dr. Quillen talked about the tremendous graduation rates and job rates, and Dr. Mendenhall, you also talked about outcomes. I just want to know how we measure if we are getting that bang for our buck federally.

Mr. CAREY. Thank you. I would say a few things.

First of all, if a student is not graduating, then they are not getting much value for their education. The job market does not give you very much partial credit for going to college, and I think we said 37 million adults, we heard earlier today, in America right now, who have been to college and yet have no degree.

I definitely agree with Chairman Harkin that college is not merely vocational and there are incalculable benefits that you receive to your person and in your life from going to college that cannot be measured in dollars and cents.

However, the main reason most students go to college is to get a job, to get a better job, to succeed in the economy. I think we can now find out what happens to students after they leave college, what kind of careers they go into, how much money they make. Can they pay their loans back? If the cost of higher education is so high that it does not give you enough earning power to pay your loans back, then I think you have to question whether there is enough value there.

I also think there is the question of what are the right measures for public policy purposes, and then what are the larger ideas of value that really are properly left within the sphere of higher education? And I think we should not be trying to regulate the global value of a liberal arts education. I think that would not work very well. But I do think we should focus, for consumer protection purposes and for regulatory purposes, on important things like graduation rates.

Given the students you have, if you enroll a lot of lower income students, first generation students, underprepared students, you are not going to graduate 98 percent of them.

Senator FRANKEN. Of course.

Mr. CAREY. But you might be able to graduate 60 percent of them and that might be a really good number. Those kind of contextual measures, I think, are important.

Senator FRANKEN. I see Dr. Quillen smiling because she does get those students. But you are a very selective school and while I think what you are doing is absolutely commendable and a great model, I do not know if it is scalable. I mean, you are nodding, and I am just going to take that as a yes.

Ms. QUILLEN. Not scalable in conventional terms.

Senator FRANKEN. Yes. Mr. Earl, and then I want to get to one last question, so take less than a minute.

Mr. EARL. From the 2-year college system, we really have no ultimate value than the worth of our credential. So if our professional technical certificate and associate degree holders are not hired, or if we get feedback they are not capable, we are toast. And similarly with our transfers to the universities, if our students do not perform well at the universities, those patterns will be known, and they will not take our students.

Senator FRANKEN. I agree. I think we have to be tough about that on this committee and I think we have to be tough on the Federal Government if we really care about our value for our dollar.

I am going to get under my time by asking a question now, and it is really about in Minnesota, if you are getting unemployment insurance, people receiving unemployment benefits, Mr. Earl, can attend job training programs to get the skills they need to get back to work.

Minnesota is also piloting a program called Right Skills Now, which is a partnership between businesses and colleges to get people fast track training in skills that businesses need. And to me, this makes a lot of sense, but there are States where this is not, where people receiving unemployment benefits have to choose between keeping those benefits and getting training, and I am planning to introduce a bill that would change this.

From your perspective, would there be any problems to allowing people who are receiving unemployment benefits to enroll in one of your school certificate or short-term credential programs?

Mr. EARL. No. We have a lot of unemployed people on unemployment benefits that are in our programs. In effect, the State of Washington has a financial aid program that bridges the time from when they are unemployed and want to go to school, and when the normal financial aid kicks in to make that bridge.

There is not a direct tie. If you are unemployed, you have to go to school, but a lot of them are.

Senator FRANKEN. Right. Thank you, and thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Dr. Mendenhall, the one question I wanted to ask, Senator Franken kind of referred to it, and that is you recommended that Congress look closely at the use of performance triggers for dispersing financial aid. Could you get into that a little bit more with me? What do you mean by that?

Mr. MENDENHALL. Actually, I think two thoughts. I had suggested a financial aid demonstration project, one that would allow financial aid to be provided, on a selective basis to those who are providing learning. It might be short of a full degree or it is brand new models for degrees.

The distance learning program in 1998 really waived a number of financial aid regulations so that we could figure out how to apply financial aid to distance learning, which we then incorporated into the 2006 reauthorization. I think something similar to spur new models in innovation would be helpful from the Federal Government.

The performance triggers, my thought there is really allowing institutions financial aid flexibility waivers from the current rules to explore different ways of distributing financial aid to students.

Today, it is essentially an all or nothing. I mean, you sign up for a semester, you get your financial aid whether you do half the work or all of the work. I could see distributing that financial aid based on completion metrics along the way. That applies more to a competency-based model than it does to a traditional model because we have it along the way. Students can pass it as they go as opposed to taking all their tests at the end of a semester.

But we believe if we had flexibility in financial aid, it would motivate students to make greater progress and be more successful, and my sense is that others could find innovative ways to do the same.

The CHAIRMAN. I would like to look at some demonstration programs like that.

Last, on the issue of student debt, setting aside Pell grants, which is not debt, but student loans, guaranteed student loans. I am not talking about the Perkins loans; I am talking about the Stafford loans. As I said in my opening statement, it has now outstripped credit card debt. Students are graduating with humongous amounts of debt.

Now, I will make a provocative statement, but I want it understood in the context that I am not saying it is true all over the map; there are gradations in terms of students borrowing money. But I wonder how many students, emancipated students, are borrowing money for lifestyle purposes rather than for educational purposes?

When you are young you might think,

> "Hey, hey, that money, that's easy. I just fill it out and get all that money. Wow. And guess what? I am going to make a lot of money when I get out and I can pay that all back."

And they take on these huge debts not really understanding what that means. They are not understanding that this is not dischargeable in bankruptcy, by the way. It is around your neck forever.

Every time I say that, people say, "Oh, my gosh. These students borrow this money, they need it." As I say, there are gradations. I just wonder how many students are borrowing this money for lifestyle purposes. Any thoughts?

Mr. MENDENHALL. I know for our students that there are clearly students borrowing it for lifestyle, and it appears like free money.

The CHAIRMAN. Yes.

Mr. MENDENHALL. You know, "Someday we will pay it back." I could not say what percent, but it certainly exists, and I think it contributes to increasing costs.

The CHAIRMAN. How do we clamp down on that? I think it is bigger than what people think. I think it is a lot bigger than what people think. I think a lot of students are borrowing money for lifestyle purposes.

Mr. MENDENHALL. I think we have a challenge in this country in that we finance higher education with debt. And I think if we could do more, and I know we have done some, if we could do more to incent savings, to incent college savings, tax credits so that people are spending their own money somehow they make wiser decisions. The cost of tuition and the cost of education is more important to them if it feels like their money. And too often, I think, Federal loans do not feel like their money. It will be someday, but they do not know that yet.

The CHAIRMAN. It seems that when I went to college, and of course, at a State school, the idea was that you would live a diminished lifestyle while in school, and you would sacrifice knowing that if you got a good education, you would get a better job, and you would have a better life later on.

I know a lot of the high school students I graduated with when I was at college, they went out and got great jobs. Of course, at that time you could get good jobs out of high school. They had new cars and all that kind of stuff, and here we were living three in a basement, scrimping by. I had no car in college. I did not have clothes. We never took fancy trips or anything like that. We could not afford to. But we knew that if we sacrificed for a while that we would be better off later on.

It seems to me that so many college students today want to have it both ways. They want to go to college, but they do not want to give up on any lifestyle. They want to have a really nice lifestyle while they are in college and again, I say, I do not know how you get on top of that. I do not know how we restructure the loan program to make sure that they are actually borrowing the money for tuition or for meeting necessary college expenses rather than for lifestyle. I do not have an answer to it, but I think it is a bigger problem than what most people think.

Any thoughts on that?

Mr. Earl.

Mr. EARL. I have no numbers. It is recognized. I tend to agree with you. It is worth looking at. I would just hang a huge caution out that at least in the income demographic that is prominent in the 2-year college system is, we need to be very careful not to restrict the lower quintiles in the income demographic from their ability to gain the advantages of higher education. And we know that low-income people already are disadvantaged from ever enjoying the benefits of higher education. So I just throw the big cautionary note out.

The CHAIRMAN. Well said and a point well-taken. That is why I say there are gradations in this and not just one blanket condemnation of this at all. But it is something that I know is happening out there.

I am going to call this to a close. Yes, Dr. Mendenhall.

Mr. MENDENHALL. Just one other quick thought. You know, most college aid has now shifted to merit-based aid as opposed to need-based aid as colleges compete for the best students, and rankings, and so on. And I think anything the Congress could do to incent colleges to return to providing need-based aid reduces the loan amounts that are required.

The CHAIRMAN. I agree with that. Any last statements, or comments, or things that people want to make sure that we know before I close?

Again, I just want to thank all of you for being here, and for the great work you do every day. I know it is tough to get away, and some of you traveled great distances.

This is an extremely important topic. This is not the last of these hearings. This is the first, and we are going to keep delving into this, and we are going to try to come up with some suggestions on demonstration programs, new methodologies. But we just cannot continue doing what we have been doing in the past.

And I think that applies both on what I call the public schools, public universities, nonprofit universities, community colleges, but as I have had hearings over the last year or so also on the for-profits too. This is a problem that spreads across everything.

I thank you all very much for being here.

The committee will stand adjourned.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF THE PENNSYLVANIA ASSOCIATION OF PRIVATE SCHOOL ADMINISTRATORS (PAPSA)

The Pennsylvania Association of Private School Administrators represents the more than 300 for-profit career schools, colleges and universities in the Commonwealth.

PAPSA is deeply concerned about student overborrowing. What schools have found is that over borrowing is a big part of the loan debt problem, especially among unsophisticated borrowers. And it is increasing despite aggressive loan counseling.

Schools constantly report stories of students asking for all the financial aid they are entitled to, paying their tuition and then walking away with thousands of dollars which ends up paying for a newer car, Christmas presents, plastic surgery, bail money or big parties which the school usually ends up hearing about. These cash stipends can be, in one case, as high as $24,000 for an associate degree. Despite the best efforts of schools to curb overborrowing, the U.S. Department of Education mandates that schools must disclose to students all the loan money they are entitled to borrow. How can schools be responsible for repayment when the U.S. Department of Education encourages irresponsible overborrowing?

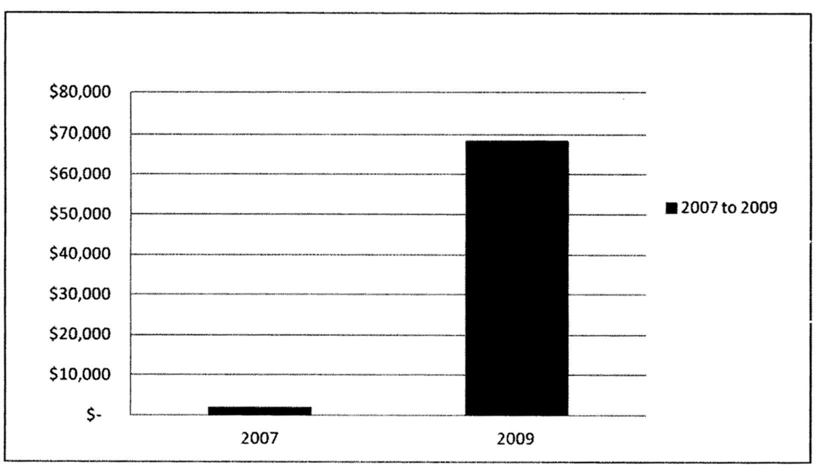
Overborrowing is defined in three ways by *our* schools:

- Students transfer or move from school to school and continue to mount debt which goes into deferment while they are attending another college or school.
- Commuter students, living at home, borrow available funds in excess of direct school costs (tuition, fees, books) without regard to debt consequences. While these dollars make sense for traditional college students, they are not appropriate for commuter students. Since schools must disclose all the loan money available to these students, they often access these significant additional dollars with no thought to the future.
- Students also overborrow when they receive an unexpected increase in PELL, OVR, State grant, public assistance or WIA funding. As a result, more grant money is received than students originally planned. But when the school counsels and encourages them to return the excess loan money, the students almost always decline the request and keep the extra loan amount.

The following are actual examples of student overborrowing in Pennsylvania.

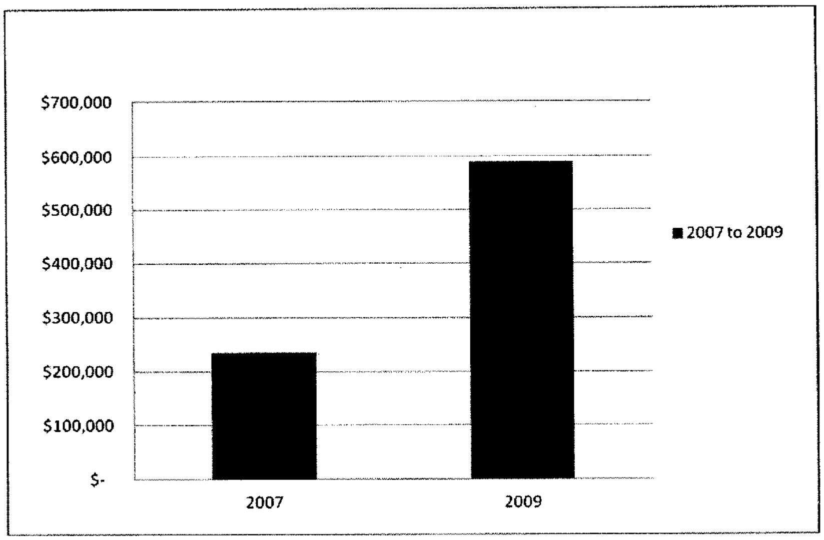
A small cosmetology school in Central Pennsylvania—In 2007–8–9, the school had a 0 percent tuition increase and .06 percent enrollment increase, yet overborrowing increased from 4 to 41 students (a 925 percent increase). Overborrowing loan amounts increased from $2,064 in 2007 to $68,473 in 2009 (over a 3,000 percent increase).

Chart 1. Overborrowing Loan Amounts—Cosmetology School



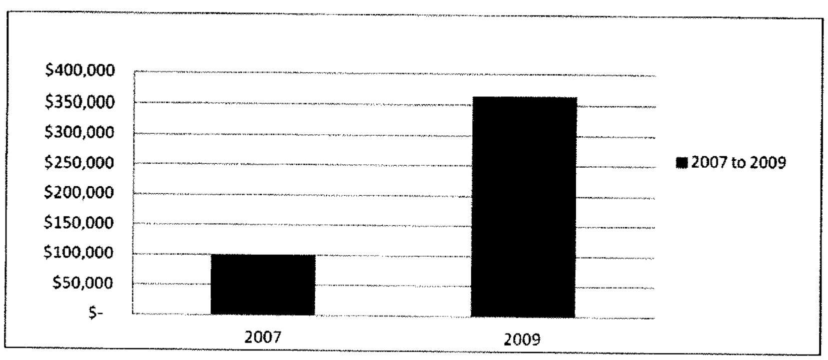
Three Business school campuses in Northwestern Pennsylvania—In 2007–8–9 the school averaged a 3.8 percent total tuition increase with a 43 percent enrollment increase, but a 152 percent increase in overborrowing—from $234,000 to $590,000 in 2 years.

Chart 2. Overborrowing Loan Amounts—Three Business Schools in Northwestern Pennsylvania



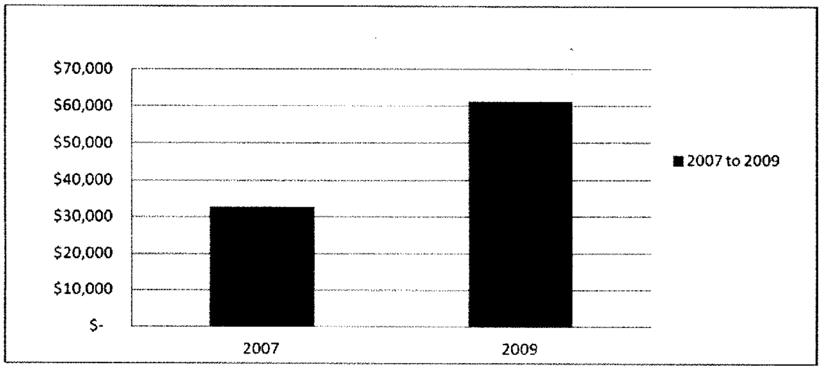
One business school campus in Central Pennsylvania—Between 2007 and 2009, the school averaged a 1.7 percent tuition increase each year and no increase in enrollments or borrowers. Yet, overborrowing increased by 104 percent (from 36 to 74 students) and overborrowing dollars tripled from $100,193 in 2007 to $363,983 in 2009.

Chart 3. Overworking Loan Amounts—One Business School in Central Pennsylvania



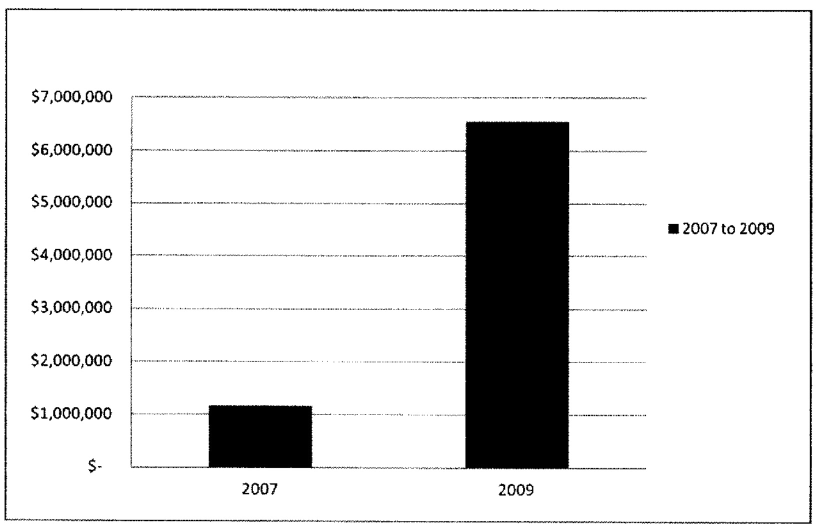
Three small Pittsburgh technical schools under one ownership—While the number of students overborrowing remained the same between 2007 and 2009, the total amount of over borrowing increased by 99 percent ($32,651 to $61,316). Although tuition increases averaged 6.2 percent a year and enrollment increased by only 1.2 percent on average over the period, the dollar amount of overborrowing increased as the same number of students chose to increase their overborrowing.

Chart 4. Overborrowing Loan Amounts—Three Small Pittsburgh Technical Schools



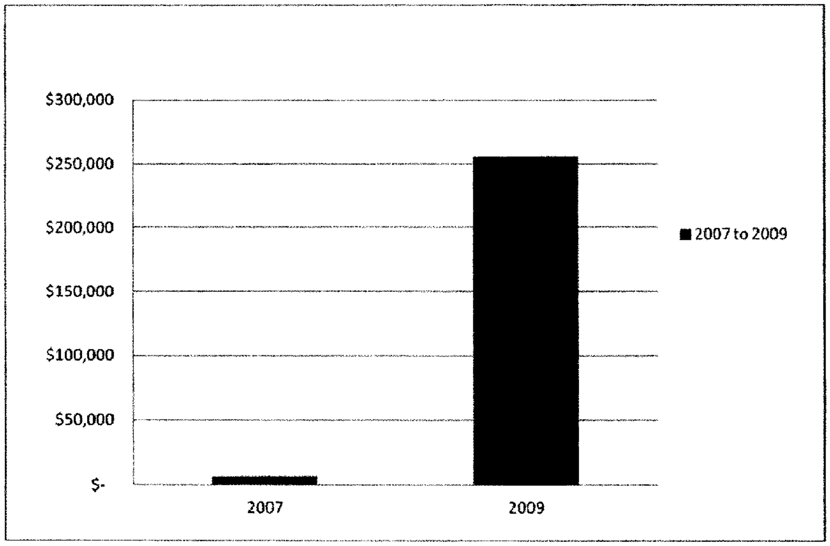
Nineteen small cosmetology schools throughout Pennsylvania—Although tuition increases averaged less than 1 percent per year for 2007 to 2008 to 2009 and the average enrollment increase was 3.8 percent a year, the number of students overborrowing increased from 757 in 2007 to 6,033 in 2009. Actual overborrowing loan dollars increased sixfold, from $1,169,261 to $6,551,978 over the 3-year period.

Chart 5. Overborrowing Loan Amounts—Nineteen Small Cosmetology Schools in Pennsylvania



A trade/technical school in Northwestern Pennsylvania—Between 2007 and 2009 the school had a 5 percent total tuition increase; a 42 percent increase in enrollment; and no change in the student demographic. Yet, they experienced a 4,250 percent increase in overborrowing—from $6,496 in 2007 to $255,680 in 2009. The number of students overborrowing increased from 10 in 2007 to 180 in 2009.

Chart 6. Overborrowing Loan Amounts—Trade/Technical School in Northwestern Pennsylvania

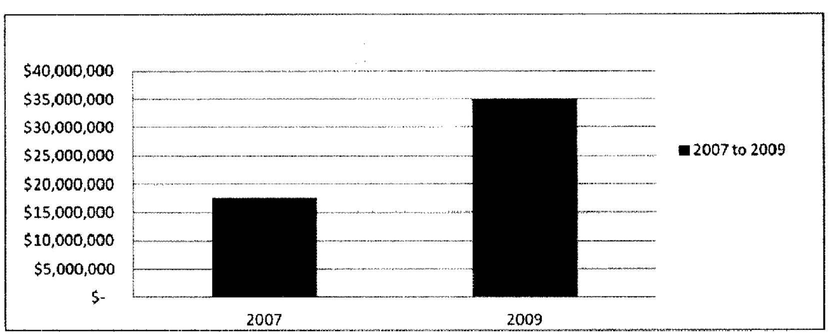


A business school in Northeastern Pennsylvania—Between 2008 and 2010, 65 percent of the students each took more than $1,000 in extra loan stipends, averaging $5,351. Thirty-five percent took less than $1,000. The 65 percent however, represented over 97 percent of the total amount of loan stipends issued, or $1,480,000 of the $1,530,000 in extra stipend money.

The point in this example is the school's concern that 65 percent of the students who borrowed more than $1,000 averaged over $5,000 in extra stipends. The school felt the students were taking on unnecessary expenses and would have a higher likelihood of default.

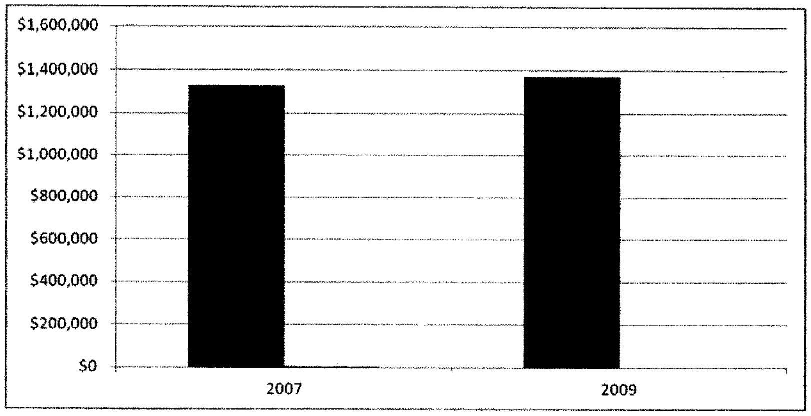
A 37 campus private group of schools in Pennsylvania and in other States—Overborrowing increased from $17,601,189 to $34,883,339 a 101 percent increase in the private school group. Over the 3-year period, there was a 7.6 percent tuition increase and a 41 percent increase in enrollment.

Chart 7. Overborrowing Loan Amounts—A 37 Campus Private School Group in Pennsylvania and Other States



Large private college in Western Pennsylvania—Compare the previous data to the data provided by a more expensive 2-year college in Western Pennsylvania. Student overborrowing increased only slightly from $1,329,854 in 2007 to $1,373,764 in 2009. The tuition increase averaged 3.5 percent a year. Enrollment between 2007 and 2009 increased an average of 1 percent a year. There was no change in student demographics.

Chart 8. Overborrowing Loan Amounts—Large Private College in Western Pennsylvania



In this instance, tuition was above the State average in 2007 and students were already borrowing larger amounts for all years in question. The conclusion is clear. More expensive private colleges do not see an increase in over borrowing since their students have traditionally borrowed at higher levels. *Relief, however, from mandatory loan disclosure to students is needed at lower tuition institutions.*

The 3-year trend appears clear. While there were *minor* tuition increases, no change in student demographics, *stable or moderate* enrollment increases due to some new campuses, only over borrowing, as was defined earlier, increased exponentially. In addition, from all early indications the upward trend toward excess borrowing will continue in 2010 and possibly beyond.

The problems PAPSA sees now with overborrowing will only be exacerbated in the future by the recent gainful employment regulations that the Department of Education has implemented. If career schools are going to be penalized for high debt, (and currently are under cohort default limit requirements) debt problems should be addressed at the front-end of the loan *as well* by curbing over borrowing and considering other front-end approaches.

PAPSA would like to see Congress or the U.S. Department of Education consider additional methods beyond counseling for limiting student borrowing. We propose Federal changes to allow an institution to use professional judgment to decrease the loan amount approved for a student based on the appropriateness of the budgeted items and Satisfactory Academic Progress (SAP), as long as the loan amount fully covers the cost of attendance (COA), as we understand COA to be defined, and there are no other government programs that contribute to the COA. We would be happy to provide legislative language if requested.

Thank you.

Responses to Questions of Senator Enzi, Senator Hagan, and Senator Murray by Carol E. Quillen

SENATOR ENZI

Question 1. What challenges have you encountered in sustaining Davidson's commitment to the Davidson Trust?

Answer 1. The Davidson Trust builds on Davidson's longstanding leadership in access and affordability. The minutes of an 1841 Board of Trustees meeting state our founders' determination to keep the cost of education "within the reach of many in our land who could not otherwise obtain it." Expanding this vision, each year we now offer an unparalleled education to hundreds of students for whom, before the Trust, even applying to Davidson seemed unimaginable.

When Davidson's Board of Trustees established The Davidson Trust, we knew that our aggressive investment in access (meeting 100 percent of demonstrated need without requiring loans) would require an equally aggressive effort to secure funding. The Davidson Trust is currently sustained in large part through annual financial support from Davidson alumni, faculty, staff, friends, parents, and current students. We continue to seek long-term support. Our institutional commitment to The Davidson Trust and to the ideal that it embodies has never wavered.

For this innovative program and others like it to succeed, Davidson must persuade the public, whose support we need, that equal opportunity matters, that all talented students are entitled to a transformative education, and that our liberal arts education enables graduates to exert impact for good far out of proportion to their numbers. Davidson and schools like us that have demonstrated simultaneous commitments to academic rigor, access, and service need the support of others who see that our work is changing the face of society's leadership and making equal opportunity real. The Trust benefits *all* students at Davidson—not just those who receive financial aid.

The Davidson "community" has embraced these ideals. We aim now to persuade the broader public that our work and impact merit their investment.

SENATOR HAGAN

Question 1. How do we change the mentality of ALL institutions of higher education, to ensure that college is a realistic option for the lowest income Americans, not just a select few?

Answer 1. Davidson is an academically demanding, residential, liberal arts college. Because our approach to education is labor intensive and expensive, we are small. Our commitment to access is expressed through aggressive recruitment, need-blind admission and offering financial aid that meets 100 percent of demonstrated need without requiring loans. Because our endowment is roughly half the average of our peer schools, our example suggests that institutions like us have found or can find ways to commit simultaneously to excellence and to access for all talented students.

Furthermore, as the HELP Committee's February 2, 2012, panel indicates, the higher education landscape is increasingly wide-ranging as existing and emerging institutions strive to meet the needs of a diverse student population within a global economy. Different institutions will express their commitment to access in vastly different ways, and this range of options is crucial to serving all students. Education must be a realistic option for all students regardless of financial circumstances, yet we do not presume to proscribe how institutions vastly different from Davidson should ensure this access.

Please know that Davidson's commitment to access is not primarily about financial aid. It is a promise to all talented students that they can afford Davidson, and that if they choose to enroll, our faculty, staff, alumni, and leadership will do everything possible to ensure that they thrive while they are here and after they graduate. The Davidson Trust is as much about nurturing our students once they have enrolled and after they graduate as it is about getting them here. In our view, providing this support is a crucial dimension of making equal opportunity real.

Question 2. What priorities, if any do you foresee having to set aside 5, 10 and 20 years down the road in order to honor the commitment of The Davidson Trust?

Answer 2. Our commitment to The Davidson Trust is a dual commitment to access and to educational excellence. The value of the Trust is measured by the quality of the education our students receive and the disproportionate impact for good our graduates exert in the world. Therefore, our commitment to the Trust requires an equally vigilant commitment to providing an unsurpassed liberal arts education. We constantly ask how we can improve, refine, or re-imagine what we do and how we do it. Of course, we seek to provide this education as efficiently as possible. With an endowment and tuition rates that both are lower than at comparable institutions, Davidson has demonstrated that we can deliver an excellent education through efficient use of resources and that we will be good stewards of funds raised going forward.

Question 3. Can you tell me more about the leadership program for at-risk middle-school girls? They are such an important demographic of students that often need a little extra attention and support.

Answer 3. Davidson's Sigma Psi Chapter of the Alpha Kappa Alpha Sorority, in partnership with the Junior League of Charlotte and KIPP Charlotte, launched the Girls Leadership Program, a 10-month leadership program for seventh- and eighth-grade girls. KIPP Charlotte is a tuition-free, open-enrollment college preparatory middle school that serves students who are traditionally underserved or marginalized in education. The program draws on the award-winning Athena's Path curriculum, which focuses on the specific needs of middle school girls, and also incorporates a service element. Davidson's students mentor the 72 program participants and applied for a $2,000 grant to help fund the program. The program is in its first year.

Our students embody Davidson's commitment to the values of leadership and service in a variety of ways. The Girls Leadership Program is but one of several outreach programs for at-risk youth supported by our students and the staff of our Center for Civic Engagement. I would also like to highlight three other outreach programs sponsored by Davidson that focus on at-risk youth.

The Children's Defense Fund Freedom Schools program at Davidson College (established in 2005) provides summer enrichment for 50 students in grades K through 8. The 6-week program fosters a love for reading, increases self-esteem, and generates positive attitudes toward learning. The program is grounded in a model curriculum that supports children and families around five essential components: high quality academic enrichment; parent and family involvement; civic engagement and social action; intergenerational leadership development; and nutrition, health, and mental health. Davidson College students serve as Servant Leader Interns for the program participants.

Davidson was one of the first colleges in the Nation to become part of the Bonner Scholars program, and has been a participant in that program for 20 years. This is a 4-year scholarship program that centers on a strong team of students working to bring about positive community change through service, research and action. Our Bonner Scholars partner with Communities in Schools to host an interactive college visit day for approximately 50 middle school students from Charlotte schools. Communities in Schools is the Nation's leading dropout prevention organization.

Our Bonner Scholars and students involved in our Federal Community Service Work Study program work with students in grades one through five through the LEARN Works program at the Ada Jenkins Center, a community center located in the town of Davidson. Through tutoring services and mentoring, our students seek to inspire these children to become lifelong learners. The LEARN Works program serves 60 students.

These programs and the innumerable other outreach efforts conducted by our students and alumni exemplify Davidson's commitment to helping our students lead lives of leadership and service. We estimate that 89 percent of Davidson's students participate in some sort of service activity each year, and our students contributed over 82,693 hours of service to the community last year.

SENATOR MURRAY

Question 1. What are your thoughts and plans to extend the economic health and future of the Trust? How are you planning to advance the institution's goals and expand the Trust for students?

Answer 1. The primary purpose of Davidson College is to assist students in developing humane instincts and disciplined and creative minds for lives of leadership and service. We do this by offering the liberal arts education that best serves students for the 21st century, a time when globalization and technology have changed the context in which we work. In this 21st century world, communication across disciplines and distance is easier, and information is increasingly free. Working effectively now does require the talents we have long stressed—critical thinking, creativity, clarity of expression, and leadership. But it also requires technological literacy, multi-cultural fluency, entrepreneurial problem-solving, and the ability to synthesize vast amounts of disparate data. We need to offer our students the opportunity to cultivate these talents. Furthermore, technology now allows us to build our curriculum around student research and creative work, so that, even as first-year students, they become active producers of knowledge.

Ensuring access for all talented students to this form of education is a direct extension of our primary purpose. It is expensive. Our dual commitment to excellence and access can be compelling to individuals not affiliated with the college, and we will need their support to strengthen the promise the Trust holds out. We believe that the impact our graduates make on the world justifies the cost of our labor-intensive form of education. Our Nation needs these students acting and leading in the world.

Question 2a. You mentioned at the hearing that you don't believe the Davidson Trust approach is very scalable. Are there smaller steps you would advise interested institutions pursue to follow your lead?

Answer 2a. As a small, residential, liberal arts college, Davidson offers a type of education that is labor intensive, comparatively expensive, and not scalable in conventional terms because it requires a low student-faculty ratio and because the cost of the education we offer exceeds our sticker-price tuition. Yet, as a group, highly selective, need-blind schools are changing the face of society's leadership and making equal opportunity real. Our graduation and employment rates are very high; in an increasingly segregated America, our residential campuses embrace kids from across the economic spectrum; and our graduates enter the world committed to serving something larger than themselves. The success of the Trust and of similar efforts at schools like Davidson must be measured not only in terms of the numbers we educate but also in terms of the disproportionate impact we have on individual lives and on the society that we and our graduates serve.

Question 2b. Are there successes, failures, and barriers you experienced during the establishment and policy development of the Trust that you can share with us?

Answer 2b. One visible measure of the success of The Davidson Trust is the increase in the percentage of students with demonstrated financial need who enroll at Davidson. Nearly 44 percent of the Class of 2015 qualified for and received need-based aid, compared to approximately 33 percent of the Class of 2011. Over the same period of time, the number of Federal Pell grant recipients has increased from 115 to 222 (a 93 percent increase). And we are recruiting and enrolling more domestic students of color and first-generation college students.

As successful as The Davidson Trust has been, the fact remains that Davidson's tuition is expensive, and so one issue we face is ensuring that Davidson remains an option for the middle class. For some middle-class families who do not qualify for financial assistance, covering the cost of attending Davidson is challenging. Our commitment is to make a Davidson education accessible for *all* talented students. We strive to honor this commitment by keeping our tuition low relative to our peers and delivering our programs as efficiently as possible.

Shortly after we announced The Davidson Trust, our country entered a recession. The economic downturn was a test of the college's commitment to the Trust—our endowment earnings were down and our students had increased levels of need. Other colleges and universities backed away from the recent commitments many of them had made to no-loan financial programs following our lead. Davidson remained committed to its promise.

RESPONSE TO QUESTIONS OF SENATOR ENZI, SENATOR HAGAN, AND SENATOR MURRAY BY ROBERT W. MENDENHALL, PH.D.

SENATOR ENZI

Question 1. Why did Indiana, Texas, and Washington simply not work through their existing institutions of higher education? Why did they not expand the capacity of those institutions?

Answer 1. Indiana, Washington, and Texas chose not to work through their States' existing institutions for many of the same reasons that WGU's founding Governors chose to create an entirely new university. It is more difficult for existing colleges and universities, with their established business models and academic systems, to radically change their models. In every industry, not just higher education, true disruptive innovation usually comes through the creation of a new institution.

Each State had slightly different reasons for establishing State versions of WGU, but the overriding reason for all of the States was the fact that by creating a State-based WGU, they could add capacity without incurring additional ongoing cost. WGU offers degree programs that are affordable and accredited, as well as self-sustaining on tuition of only $6,000 per year, and it would be very expensive for each State to develop and earn accreditation for its own online, competency-based programs.

In Indiana, a State that was deeply affected by the recession, Governor Daniels was looking for ways to help the nearly 800,000 Hoosiers who had started but not completed college, many of whom were working in low-paying jobs or whose jobs had been eliminated by the recession. The Governor saw the creation of WGU Indiana as a way to help Indiana residents to retool for the new healthcare and technology-based jobs coming into the State. With its focus on the needs of adult learners and its degree programs in high-demand career fields, WGU Indiana adds another high-quality option to the State's higher education opportunities without impacting the State's strained budget.

When WGU Indiana was launched, there were approximately 250 WGU students in the State. Today, there are more than 2,200.

In Washington, the State legislature initiated the process of establishing WGU Washington. The legislators were concerned about the limited capacity of existing State institutions. This capacity shortage was driving graduates of the State's community colleges to transfer to expensive for-profit schools to complete their bachelor's degrees. Endorsing WGU Washington allowed the State to offer another higher education option for its residents. Since its launch in July 2011, WGU Washington's enrollment has more than doubled.

Texas Governor Rick Perry, with the support of key legislators and higher education policymakers in the State, established WGU Texas to provide another affordable option for earning a degree. Like Indiana, Texas has a large number of residents, more than 3.5 million, who have started, but not completed, a college degree. Another key motivation for the establishment of WGU Texas was to increase educational opportunities for the large number of returning veterans in the State. The university's learning model is ideal for individuals who have gained competencies through their military service.

SENATOR HAGAN

Question 1. The Education Trust, a research and advocacy group that I am sure you all are familiar with, released a report last summer titled "*Priced Out: How the Wrong Financial Aid Policies Hurt Low-Income Students.*" The report examined tuition and graduation rates at nearly 1,200 4-year colleges. Out of these 1,200 institutions, only 5 were determined to be servicing low-income students well. I am proud to say that one of these five schools was the University of North Carolina Greensboro. Additionally, we have several schools, private and public, committed to ensuring that students, no matter what their economic background may be, have the option to receive a college education.

How do we change the mentality of ALL institutions of higher education, to ensure that college is a realistic option for the lowest income Americans, not just a select few?

Answer 1. One of the major challenges comes from the fact that educational prestige is determined by rankings like those published by *U.S. News & World Report*, which are focused on selectivity (how few students an institution admits) and low student-to-faculty ratios. Using these criteria as measures of quality actually drives costs up and access down.

The United States needs to find a way to recognize and reward institutions for reducing costs and expanding access to higher education, particularly access for low-income Americans. The majority of U.S. institutions of higher education are focused on providing quality education, and overall, they do this very well. However, to make college affordable for all Americans, we must find ways to significantly increase the productivity of our colleges and universities without sacrificing quality. Efforts to cut costs by streamlining administrative processes, reducing facility costs, and other simple savings measures will not be enough. We must re-think the way we look at higher education and make fundamental changes, including adopting new models.

In almost every other industry, new technology has resulted in improved productivity and lower overall cost, but in higher education, technology has largely been treated as an additional cost. This needs to change, and to make this change, we have to be open to new methods for teaching and learning. From the university's inception, a key element of the WGU mission has been to help promote new learning models in U.S. higher education. As the university continues to grow and demonstrate the efficacy of our competency-based model, we hope to encourage other institutions to consider models similar to ours.

SENATOR MURRAY

Question 1a. Dr. Mendenhall, you have received accolades for your work to improve student educational experiences. I have always believed it is important to make education accessible to all students, so I commend you for your efforts to improve distance education opportunities.

Please talk about the work that went into developing WGU's competency-based learning model.

Answer 1a. When our founding Governors conceived WGU in the mid–1990s, their objective was to find ways to use technology to improve the productivity and accessibility of higher education. They chose to create a new model for higher education, one that would address the needs of adult learners. We know two things about adult learners: they come to college knowing different things, and they learn at different rates. Rather than requiring these adult learners to spend 4 months in each class, regardless of their prior education and experience, the founders wanted to create a model that would allow students to earn their degrees based on learning, not time. The competency-based model created for WGU allows students to move quickly through material they already know so they can focus on what they still need to learn. As a result, students have the opportunity to accelerate, saving time and money—the average time to complete a bachelor's degree at WGU is 30 months.

Another key objective in the development of WGU was to ensure that degree programs address the needs of employers. For each degree program, WGU established external program councils, composed of representatives from industry and higher education, to develop required competencies. By creating these program councils, WGU has ensured that its students graduate with the knowledge and skills employers need. In addition to establishing competencies when new degree programs are created, WGU uses program councils to conduct regular reviews, ensuring that the programs are up-to-date and continue to address employer needs.

It is also important to note that WGU's model was structured from the beginning to use technology to facilitate learning. While most online universities simply use technology to distribute classroom education—classes led by an instructor with a fixed schedule and syllabus—WGU's model significantly changes the role of the faculty. Technology provides interactive instruction that allows students to learn at their own pace, and the role of the faculty has shifted to that of "a guide on the side" rather than the traditional "sage on the stage." Grading for WGU courses is done by a separate team of evaluators. WGU faculty members serve as mentors whose sole focus is to provide individualized support and guidance to students.

Question 1b. Is the model reviewed and revised if new data and research is released?

Answer 1b. From its inception, WGU has used data to identify what is working well and what needs to be adjusted in its model. Over the years, WGU has made a number of changes and revisions based on data that measure student/graduate success and satisfaction, employer satisfaction, and student engagement. For example, we have developed and adjusted the role of our faculty mentors, changed and upgraded our student support services, and modified many of our learning resources and assessments. As a result, in the past 4 years, WGU's 1-year retention rate has increased from 64 percent to 78 percent and the percentage of students achieving satisfactory academic progress has increased from 69 percent to 83 percent. We will continue to use data to guide improvements to our model, using student outcomes as the primary indicator of success.

Question 2. When you mentioned that WGU students receive a higher level of support, what do you mean by this? Are you referring to support in terms of staff, financially, or both?

Answer 2. WGU students do receive a higher level of faculty support. Our mentors work with each student one-on-one, meeting by telephone at least every other week, and communicating much more often through e-mail and online chats. In addition, students have the individualized support of course mentors, subject matter experts who can answer questions, lead online group discussions, and even provide tutoring if needed. Our scores on the National Study of Student Engagement (NSSE), which are above the average of all institutions in areas such as level of academic challenge, quality of academic advising, supportive environment, and overall educational experience, demonstrate that our students believe they receive a higher level of support.

With regard to financial support, WGU works closely with our students to help ensure that if they borrow money to attend college, they borrow only what they need. Our default rate, which is currently 4.9 percent, is comparable to that of many traditional universities. In addition, we award need-based scholarships—since July 1, 2010, we have awarded nearly $7 million.

Question 3. How do you think the WGU model can be scaled up at other institutions across the country? What would be the barriers to developing similar institutions?

Answer 3. A few institutions are considering adopting parts of the WGU model—particularly our mentoring and the use of technology to facilitate learning. However, current business models and academic traditions make it difficult for existing institutions to really transform themselves. For example, to implement significant aspects of the WGU model, these institutions would need to change faculty roles as well as academic calendars.

In "Disrupting College," Harvard's Clayton M. Christensen describes the issues associated with trying to insert disruptive innovations into existing business models:

"Plugging a disruptive innovation into an existing business model never results in transformation of the model; instead, the existing model co-opts the innovation to sustain how it operates. What this means is that, generally speaking, the disruption of higher education at public universities will likely need to be managed at the level of State systems of higher education, not at the level of the individual institutions, which will struggle to evolve. And if private universities are able to navigate this disruptive transition, they will have to do so by creating autonomous business units."

To develop an entirely new institution like WGU is possible. The primary barrier is likely to be the time and expense required for any startup—staffing, systems, and programs—as well as earning accreditation. The approximate cost to bring WGU to its break-even point was $40 million. Over the past 20 years, every new institution has been for-profit, largely because of capital costs. However, for-profit institutions have different drivers that do not incentivize them to keep costs to students low.

STATE BOARD FOR COMMUNITY & TECHNICAL COLLEGES (SBCTC),
Olympia, WA,
February 29, 2012.

Hon. TOM HARKIN,
731 Hart Senate Office Building,
Washington, DC 20510.

Hon. MIKE ENZI,
379A Senate Russell Office Building,
Washington, DC 20501.

DEAR CHAIRMAN HARKIN, RANKING MEMBER ENZI, and members of the Committee on Health, Education, Labor, and Pensions, it was an honor testifying before you on February 2 about the innovative ways we're working to keep college affordable at Washington's community and technical colleges. Here are our responses to the insightful questions of HELP committee members.

I welcome any opportunity to discuss this important issue with you. Please contact me if you need further information. Your observations and questions add to the national dialog about the vital role of community and technical colleges in America's economic recovery. Thank you.

Sincerely,

CHARLES N. EARL.

RESPONSES TO QUESTIONS OF SENATOR ENZI, SENATOR HAGAN, AND SENATOR MURRAY BY CHARLES N. EARL, M.A., B.A.

SENATOR ENZI

Questiion 1. What types of partnerships have you forged with private industry in Washington? I'm particularly interested in hearing about what Walla Walla Community College is doing that has attracted so much national praise.

Answer 1. In Washington State and across the Nation, community and technical colleges forge partnerships with local land regional business leaders and their employees to offer top-notch, job-relevant programs. Our colleges join forces with local chambers of commerce, business and labor organizations, workforce development councils, and businesses of every size and type that make up their communities.

Through Washington's Job Skills program, for example, colleges work directly with employers to provide short-term training customized for a specific employer. This dollar-for-dollar matching grant helps businesses build and retain a quality workforce. Employees in the program learn marketable skills that lead to raises and promotions; businesses gain skilled employees who need less on-the-job training and who sharpen the businesses' competitive edge. In 2010–11, Washington State community and technical colleges and local businesses participated in 34 Job Skills partnerships.

Community and technical colleges serve small businesses in partnership with the U.S. Small Business Administration. Seven colleges host Small Business Development Centers that provide advice, training and research to new and existing firms.

Many of our community and technical colleges also partner with both union and non-union training organizations to provide apprenticeship programs. Students get on-the-job training from journey-level craft persons or trade professionals, and receive supplemental classroom instruction from the colleges. In 2010, these programs served 13,790 apprentices.

Importantly, every college professional-technical education program has an advisory committee made up of leaders, workers, and labor representatives in the field of study. These committees keep college leaders and faculty up-to-date on industry and workforce needs, employment forecasts, industry trends, and new technologies and equipment. Faculty members consult industry for "on the ground" skills and experience, and then use their knowledge to build and update curricula.

Following are a few examples of the partnerships in Washington State.

• **Walla Walla Community College:** Walla Walla Community College is an excellent example of how college-business partnerships grow regional economies from the ground up. In December, Walla Walla Community College was named one of the top five community colleges in the Nation by the Aspen Institute. The college was named a "finalist with distinction" for developing visionary programs that create jobs and boost economic development. The college was also recognized for achieving graduation and transfer rates that are much higher than the national average.

President VanAusdle of Walla Walla Community College often refers to the "Walla Walla way"—a set of values focused on innovation, entrepreneurship and partnership with the local community. The college looks through an "economic lens," developing programs in current and future high-demand fields and solving economic challenges.

For example, Walla Walla hosts a $6.8 million Water and Environmental Center funded by the U.S. Department of Commerce, Pacific Power Blue Sky Renewable Energy, Port of Walla Walla, Walla Walla County, and the Confederated Tribes of the Umatilla Indian Reservation. The center formed an alliance in the community on a contentious issue statewide—how to use water and still protect watersheds for the benefit of people, farms, fish and wildlife. The center brought together State and local governments, tribal leaders, businesses, environmental organizations, and farmers to reach an agreement. By protecting the local watershed, the alliance is creating jobs, protecting salmon and steelhead runs, and supporting sustainable agriculture. Students are trained for careers in the local water and environmental workforce, including wind-energy technology.

Walla Walla Community College also created a Center for Enology and Viticulture, an economic driver for the local wine and tourism industry. Additionally, the college has a longstanding partnership with the John Deere Company to provide heavy equipment training for agribusiness.

• **Bellingham Technical College** obtained $95,000 in Federal funding to develop a targeted training program for potential new employees for Heath Tecna, a local aerospace company. The college secured the funding through a partnership with 10 organizations: Heath Tecna, Northwest Workforce Council, Washington State Department of Commerce, Northwest Economic Council, Impact Washington,Worksource Whatcom Career Center, Washington State Employment Security Department, Manpower, Kelly Services, and the Bellingham Waterfront Innovation Partnership. This program is an essential part of a larger effort projected to create 400 new jobs and bring $40 million in new export business to Whatcom County.

• **Edmonds Community College** operates the Washington Aerospace Training and Research Center at Paine Field. Opened in 2010, the center is built to create career opportunities in the aerospace industry. Students learn skills for entry-level I aerospace jobs in 12 weeks. From the time the center opened in 2010 to September 2011, 357 students had graduated and 324 of those students interviewed with local employers. Two-hundred and thirty two graduates reported to work as union aircraft assembly workers.

• **Bellevue College's** district includes the headquarters of Microsoft and many other high-tech companies. The college is home to the Center of Excellence in Information and Computing Technology, a statewide resource for information technology education and training, best practices, industry trends, and career events. "Centers of Excellence" are lead colleges that focus on building job skills for strategic industry sectors—like information, aerospace, and international trade. The Centers of Excellence develop industry-specific curricula and share it throughout the State system so colleges avoid duplicating efforts and employers have one place to go for curricula redesign. Bellevue College also has a strong connection to local healthcare employers, which provides the bedrock for academic and professional development programs in the region.

Question 2. In what ways are you responding to declining State funding?

Answer 2. State funding for Washington's community and technical colleges has dropped sharply in the past few years because of declining State revenues. Since 2009, State funding for community and technical colleges has fallen by 22 percent.

Community and technical colleges have weathered the cuts by reducing costs, squeezing every savings out of an already efficient system, and—regretfully—shifting more of the burden on students in the form of tuition increases.

Efficiencies include:

- Statewide purchases of technology for education delivery and online meetings.
- Thirty-two shared professional and technical programs among colleges. These shared programs typically have one institution delivering course content to multiple colleges.
- Hybrid classes, which involve a mix of online and classroom instruction. Colleges maximize limited classroom space and students make fewer trips to campus.
- A robust e-tutoring consortium for colleges and their students to share tutors across courses and institutions 7 days a week.
- A nationally recognized, performance-based funding system that rewards colleges when more students reach key academic milestones, including the completion of certificates and degrees.
- Ten "Centers of Excellence," including: Information and Computing Technology; Clean Energy; Aerospace and Advanced Materials Manufacturing; Education; International Trade, Transportation and Logistics; Homeland Security; Construction; Marine Manufacturing and Technology; Agriculture; and Allied Health. (Please see "Bellevue College" section for a description of Centers for Excellence.)

Washington is ranked 4th in the Nation in productivity (performance relative to funding) by the National Commission of Higher Education Management Systems. While efficiencies help save money, they cannot replace lost State funding. Between June 2009 and June 2011, colleges cut:

- 250 exempt positions (10 percent), including 70 administrators and 181 professional technical personnel.
- 150 classified positions (3 percent).
- 75 full-time faculty (2 percent).

The colleges first cut administrative costs to shield students as much as possible; however, students are now feeling the impact of reduced course offerings, long waiting lists for classes, and higher tuition. Individual courses and entire programs have been eliminated.

Loss of State funding has also put more of the financial burden on students. Tuition has increased nearly 30 percent since 2008—from $2,730 to $3,542 for a full-time student. Washington State has a strong network of financial aid for students, but that network is fraying with each cycle of budget reductions.

SENATOR HAGAN

Question 1. The Education Trust, a research and advocacy group that I am sure you all are familiar with, released a report last summer titled "Priced Out: How the Wrong Financial Aid Policies Hurt Low-Income Students." The report examined tuition and graduation rates at nearly 1,200 4-year colleges. Out of these 1,200 institutions, only 5 were determined to be servicing low-income students well. I am proud to say that one of these five schools was the University of North Carolina Greensboro. Additionally, we have several schools, private and public, committed to ensuring that students no matter what their economic background may be, have the option to receive a college education. How do we change the mentality of ALL institutions of higher education, to ensure that college is a realistic option for the lowest income Americans, not just a select few?

Answer 1. According to the Education Trust report, only 5 out of 1,200 4-year colleges and universities serve low-income students well. The report also found that low-income students' families contribute 72 percent to 100 percent of their household income each year for one child to attend a university-after grant aid. Middle-income and higher income families, on the other hand, pay a much lower percentage of their household incomes—27 percent and 14 percent respectively. The criteria used to examine college low-income enrollment patterns included:

- Percentage of enrolled low-income students that is equal to or greater than national low-income population (30 percent).
- Family household contribution to college after grant aid which should be no more than a middle-class family contribution (27 percent).
- Graduate rates of at least 50 percent.

As a community and technical college State director, I admit to some level of bias in this response. Community and technical colleges embody the type of change needed in America's higher education system. We provide an affordable option for citizens to train or retrain for careers, earn work-relevant certificates and degrees, and complete the first 2 years of a 4-year degree at a much lower cost. Importantly, community and technical colleges offer Basic Skills programs, which are a major entry point to college education for low-income students. (Basic Skills programs include English as a second language, adult literacy, and high school completion.)

America's community and technical colleges serve more than 7.4 million certificate and degree seeking students. We serve a larger proportion of low-income students and students of color than other institutions. Nationally, community and technical colleges serve students who are:

- Older—average age of 28 years.
- First generation to attend college—42 percent.
- Ethnically diverse—45 percent people of color.
- Working while attending college—80 percent work while attending college full-time.

In Washington State, about half of the community and technical college students are low income and receive financial aid. These low-income students have minimal estimated family contribution as determined by the Free Application for Federal Student Aid (FAFSA) and qualify for Pell grants. Washington State is able to support students beyond the Pell grant with a State Need grant. The student aid award from both Federal and State sources typically covers 75 percent of students' total cost of attendance, which includes tuition and fees, books, supplies, transportation, and living expenses. The remaining 25 percent is made up with employment earnings and student loans.

Approaches to consider:

- Increase enrollment capacity at community and technical colleges. This will automatically expand higher education opportunities for low-income students because the colleges offer a high quality education at a fraction of the cost of 4-year institutions.
- Increase higher education and financial aid funding, and reverse the trend of shifting education costs onto students. With revenue downturns and cuts in State funding, higher education is moving from a public investment made "for the good of the all" to a purchase by the select few who can afford it. Preserving and increasing financial aid is a critical way to increase degrees for low-income and underrepresented populations.
- Change financial aid policies that specifically hinder community and technical college students. Financial aid guidelines assume that all college students are 18-year-old high school graduates who have taken all of the correct college preparation courses, and who are attending a university with the expectation of graduating in 4 years. This type of student is quickly becoming the exception. Financial aid policies must support pre-college education for returning adult students. New Pell grant eligibility rules require a GED or high school diploma, eliminate the "ability to benefit" option, and shorten the number of quarters allowed for students to receive aid. These changes make it especially difficult for a returning adult student to attend a community or technical college. We would appreciate the opportunity to work with you to modify the rules and level the playing field for community and technical college students.
- Provide an admissions guarantee for students who transfer from a community or technical college to a 4-year college or university. In Washington State, we have a direct transfer agreement with all public 4-year colleges and universities. The agreement guarantees transfer students who attain an associate degree will enter the transfer institution at the junior level.
- Encourage faculty and administrators to see the potential of all students to earn a certificate or degree, and implement teaching strategies to accommodate non-traditional learners. Washington State has more than 170 Integrated Basic Education Skills Training programs (I–BEST) and 39 accelerated learning pilot programs that integrate pre-college English and Math into job skill programs. Students enrolled in these programs are nine times more likely to earn a college credential than students enrolled in traditional pre-college courses.

A 4-year degree is becoming increasingly out-of-reach for middle-income American families. Community and technical colleges offer an affordable option for students of all economic backgrounds to achieve the first 2 years of their 4-year degrees.

SENATOR MURRAY

Question 1. In your testimony, you discuss the increased challenges that community and technical colleges have faced over the past decade in light of tightening State budgets. Could you provide your insight on how expanded partnerships and collaborations with other organizations and institutions could help make college tuition more affordable for students?

Answer 1. Local colleges form valuable partnerships to reduce student costs, including raising funds for local scholarships, working with local employers on employee tuition reimbursement, and contracting with regional workforce investment boards on financial aid for unemployed adults. As a State system of community and technical colleges, we're able to collaborate with government agencies, employer groups, and colleges statewide to bring cost-savings to students at all 34 community and technical colleges.

- K**–12/Running Start:** Washington's Running Start program allows high school juniors and seniors to attend tuition-free classes at community colleges. The students not only earn credit toward high school graduation, they also earn credit toward an associate degree or a bachelor's degree. Last year (2010–11), 19,000 high school students—or roughly 10 percent of the State's junior and senior class—earned on average two full quarters of college credit, saving families across the State $41 million in college tuition.
- **Open textbooks:** The Open Course Library is a collection of expertly developed educational materials for 42 of the State's highest-enrolled college courses. The materials—including textbooks, syllabi, activities, readings, assessments—cost $30 or less per student and are freely available online under an open license for use by the State's 34 public community and technical colleges, 4-year colleges and universities, and anyone else worldwide. The project is set to expand to 81 courses by 2013. The course content and open textbooks were designed and selected by small groups of expert faculty but are available for adoption by their faculty colleagues throughout the State college system and across the Nation. We expect textbook savings for students to grow by millions of dollars each year as more faculty test and adopt these open textbooks.
- **State agencies:** The State Board for Community and Technical Colleges (SBCTC) and other State agencies collaborate to leverage college funds for people who use Federal and State income support while they are unemployed. SBCTC has a single, $20 million statewide contract with the State Department of Social and Health Services to provide education and training for TANF recipients (Temporary Assistance for Needy Families), so that the recipients can gain credentials and job skills to become employed. Through a collaboration with the State Employment Security Department, adults who receive unemployment benefits are referred to colleges for retraining programs and tuition and book assistance worth $40 million.
- **State Chamber of Commerce:** SBCTC has a modest contract with the Association of Washington Business to build partnerships between colleges and employers. Last year, we held focus groups with business leaders in five regions around the State to identify expectations, opportunities, and potential partnerships with local businesses. Business leaders expressed a strong desire to expand college partnerships to increase the supply of skilled workers. We are now organizing regional employment summits to identify skill gaps in specific regions and to inventory available training resources. We are confident this effort will yield more loaned employees, faculty and student internships, equipment and technology exchanges, contract training, and employer-paid tuition assistance.

These partnerships provide resources for many of our citizens; however, none can take the place of Federal and State investment in our colleges, citizens and workers.

We appreciate your continued interest in Washington State's community and technical colleges, and your dedication to improving prosperity in America through higher education.

[Whereupon, at 12:40 p.m., the hearing was adjourned.]

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