Prepared Statement to the U.S. Senate Committee on Health, Education, Labor & Pensions

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Thank you, Mr. Chairman and members of the HELP (Health, Education, Labor, and Pensions) Committee, for this opportunity to share with you some of my thoughts regarding the important national issue of college and university affordability and access.

I am president of Louisiana State University, which is a Land-Grant, Sea-Grant, and Space-Grant university with a total enrollment of more than 44,000 students. We take great pride in providing high quality educational opportunities at student costs well below the average of our “Flagship” and “High Research” public university peers.

Before making my comments, I wanted you to know that I have been very fortunate to represent public colleges and universities in 2003 and 2007 to the U.S. House Committee on Labor and Education on this very same topic of college affordability. Because this issue has clearly not been resolved in the intervening years and continues to demand congressional attention, the time has come to explore new and proven policy directives to address college affordability and access.

This morning I would like to focus my comments on the ongoing and greatest challenge facing public higher education today, which is the continual decline of state appropriations. I will also provide some policy recommendations and proven examples of how the federal government can better utilize its fiscal leverage to ensure that there will be affordable public college and university options for students in every state.

State Appropriations Decline

At the inception of the Higher Education Act in 1965 and throughout subsequent federal debates that culminated in 1972 with the creation of numerous federal grant and loan programs, it was assumed that any new federal funding policies would simply supplement state funding, not replace it. Many policymakers believed that states would always be the primary funding source for public higher education with the federal government playing only a small complementary role, which is not the case today. Another assumption that would prove to be a major miscalculation on the part of federal policymakers was that states would of their own volition maintain or increase their current levels of fiscal commitment to public higher education. To the detriment of public higher education institutions and leaders, this presupposition would prove quite erroneous as state governments began to reduce funding less than ten years later in 1981, resulting in a continual ballooning of student tuition and fees that we have steadily experienced in state colleges and universities to this day.

What no one could anticipated in 1981 was that the state reductions experienced in the early 1980s were just the beginning of a three-and-a-half decade decline in state support for public higher education. The result has been that state funding for higher education sits currently around

48% to 50% below where it was in 1981 in state tax effort, which measures state spending as a percentage of higher education support by state per capita income.

In other words, states essentially began getting out of the higher education funding business, to the point that the federal government has now become the primary funding source through tuition and fee-based programs. For example, if current state funding trends persist, Colorado will become the first state not to spend a single penny on public higher education in 2025. This means that existing primary school children in Colorado will have no affordable public college or university options in less than a decade. States that will soon follow Colorado in abandoning all their public higher education funding include my own state Louisiana in 2027, Massachusetts and Rhode Island in 2029, Arizona in 2030, South Carolina in 2031, Vermont in 2032, Oregon in 2034, and Wisconsin/Minnesota/New York/Montana in just a little more than twenty years from now.

As many recent reports have clearly indicated, while state appropriations continue to vanish from the higher education landscape, student tuition and fees for the vast majority of American students will continue to increase, forcing further growing reliance on federal direct student aid grant and loan programs. In a report released earlier this year, "Pulling Up the Higher Ed Ladder: Myth and Reality in the Crisis of College Affordability" by Robert Hiltonsmith of the Demos organization, declining state support was responsible for almost 80% of net tuition increases from 2001-2011. According to the report, as states withdraw from their responsibilities – as they have done since the early 1980s – tuition is raised to keep universities afloat.

The interlocking relationship between public institutions, tuition and fee policies, and state appropriations is an area that seems to be pervasively misunderstood by both taxpayers and policymakers. Over the last decade, other studies have highlighted the instability of state appropriations and the effects of state policy on public institution tuition changes. In a Congressionally mandated NCES study on college costs and prices in 2006, it was shown that state general fund appropriations were by far the most significant factor in determining public college and university resident tuition rates.

If we don't look to new federal policies to address this ongoing state funding dilemma, we will continue to witness an international (OECD) decline in the percentage of our 25-34 year old population with college degrees, which has fallen to a ranking of 12th. This declining international ranking is even more problematic when you consider that our 55-64 year old population ranks in first in the same OECD category. If our young people can't afford college, particularly public higher education, we will continue to plummet in these metrics and lose our international competiveness on a variety of levels.

New Federal Policy Directives

To assist in addressing the college affordability issue, a number of federal initiatives should be considered. First, review all federal student aid programs to eliminate or reduce "price sensitivity" formulaic factors. Many federal student aid programs used price as an important financial component in qualifying for larger federal assistance awards. Two of those programs are considered campus-based federal assistance programs and include the Secondary Educational

Opportunity Grant program and the Work-Study program. Evidence of the dramatic variations in award amounts exists throughout the U.S. As just one primary example, in 2013-2014, SEOG funds distributed to all eight high-cost Ivy League institutions totaled about the same federal funding as the total amount received by all twenty-three California State Universities. In the Federal Work Study program in 2013-14, nearly twice as much funding was granted to Ivy League campuses than the entire California State University. This is particularly problematic when you consider that the eight Ivy League campuses have about 100,000 total students with only around 10,000 Pell Grant or lower income students combined, while the California State University has 430,000 students and nearly 200,000 Pell Grant or lower income students.

Second, create federal pressure to have states review their state student aid programs to eliminate or reduce "price sensitivity" as a formulaic factor. One important challenge created by the success of the federal SSIG and LEAP program is that many of these state-based programs are extremely price sensitive, which means award amounts and the ability to receive awards are based in part on what the institution charges. Programs such as these exist in many states and a few have even been named "tuition equalization" programs. This essentially incentivizes many private not-for-profit and for-profit institutions to inflate pricing. Perhaps the most egregious example of this problem resided in the state of California through their Cal Grant A program. Three years ago, it was discovered after many years of state student aid funding that the average student award from this program varied from around $5,000 for California State University students to an average of $10,000 to $13,000 to students attending high-priced private and for-profit institutions – with no regard for the quality of education these students were actually receiving. These figures are also problematic since for-profit institutions not only receive larger state student aid grants in some cases like California, but enroll only 11% of the nation's student population while acquiring nearly 30% of all Pell Grants and registering approximately 47% of all student loan defaults.

Third, whenever feasible, maintain federal direct student aid loan limits and caps. When federal student aid loan limits are increased, many institutions are incentivized to also increase their student tuition and fees. One example was the Middle Income Assistance Act in 1978, which expanded loan availability to middle- and upper-income students eventually increasing loan caps years later. The result was that student loan debt increased rapidly, as did student tuition and fees. Many believe the combination of both state appropriation reductions in the early 1980s and the increased availability of federal student loans at the same time dramatically fueled the student tuition and fee increases of that decade, creating the $1.3 trillion dollar student loan problem we face today.

Finally, my most important federal policy recommendation is to utilize federal financial leverage to ensure that states maintain their public support of higher education. Today, the diversity of American higher education is threatened due to the elimination of affordable public college and university student options. The time has come for a federal-state partnership or match to incentivize states to continue their public investments in their public colleges and universities.

Federal-state partnerships are not entirely new to higher education in the U.S. Perhaps our greatest example of how effective federal-state such partnerships have been is the Morrill Act or Land-Grant Act of 1862. In this case, federal lands were given to state governments throughout the U.S. in exchange for the creation of new public colleges and universities primarily developed to educate more engineers, agricultural scientists, and military science graduates. This federal-state partnership could arguably be considered the foundation of what led the U.S. to become the world's leader in higher education development a century later. The success of the Morrill Act also led to the creation of the second Morrill Act in 1890, which required each state from the former Confederacy to designate a separate land-grant institution for persons of color.

More recently, federal leverage was used again with the passage of the 1972 HEA reauthorization with the creation of the State Student Aid Incentive Grant (SSIG). This was a new federal matching program designed to encourage states to create state student aid programs or increase funding to existing ones. In creating SSIG, the federal government sent a clear message to states to either reallocate funds to begin supporting these programs or match additional state funding to these grant programs. The federal matching funds proved extremely effective and encouraged 20 additional states to adopt state student aid programs within four years. This is proof positive that federal matching programs work when it comes to incentivizing state funding behavior.

Further evidence of the effectiveness of federal leverage can be found in the reauthorization efforts of the Higher Education Act in 2007 when a first "maintenance of effort" (MOE) provision was added to protect higher education from dramatic cuts. Then in 2008 and 2009, the same MOE language was successfully transferred into the American Recovery and Reinvestment Act (ARRA), which allowed for the use of education stimulus funds only if states didn't cut their higher education budgets below 2006 state funding levels. Ironically, a few months after the MOE was passed by Congress, a critical mass of states began to cut their higher education budgets to the very edge of where federal penalties would apply. The federal leverage worked well and states remained very reluctant to cross the federal line, ultimately stemming the mass state disinvestment trend across the nation.

Before we further increase federal student aid awards or expand federal student loan caps, we need to ensure that states don't continue disinvesting in their public higher education institutions. It makes little sense to increase a Pell Grant award by $200 or $300 when state funding reductions force public institutions to increase tuition and fees by $900. In short, we need to close the back door before we continue putting money through the front door. None of my other recommendations will make a difference without federal incentives for state higher education support.

Fifty years after the Higher Education Act was passed, the time has come for us to create a new federal/state partnership that could incentivize states to maintain or even increase their levels of support. This could reverse the detrimental state funding trends that we continue to experience and perhaps save American public higher education by ensuring its accessibility and affordability for future generations to come.