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Testimony Prepared for the U.S. Senate Committee on Health, Education, Labor and Pensions Hearing on the topic:
Reauthorizing the Higher Education Act: Improving College Affordability

Chairman Alexander, Ranking Member Murray, and other members of the Committee, I'm pleased and grateful to have the opportunity to testify before you this morning as you consider the reauthorization of the Higher Education Act.

My name is Zakiya Smith, Strategy Director for Finance and Federal Policy at Lumina Foundation. Lumina, based in Indianapolis, is the nation's largest private foundation focused specifically on increasing students' access to and success in postsecondary education. I've been at Lumina since 2013; before that I advised President Obama on higher education policy, worked on budget and policy at the Department of Education, conducted research on college access for low income students at the Advisory Committee on Student Financial Assistance, and did a short stint as a federal work study student advising high school juniors and seniors on their college options at East Boston High School. I actually started my career in education with student teaching at Franklin Middle School and Freedom High School just outside of Nashville, in middle Tennessee.

I share these details about my background by way of showing that I've been focused on helping ensure students successful transition to postsecondary education for my entire professional career. It's something that I care deeply about on a personal level. As someone whose grandmother attended college as a "nontraditional" student in the 50s in South Carolina before schools there were integrated and there was even a Higher Education Act to consider, I know both the transformative power of higher education and the pains that come from a lack of equity within the system for students of color and low-income students. So, I work today to close gaps by race and income and to consider how we might make college more affordable and equitable for all students.

Affordability as a top concern in improving access and success

We know from research we've funded at Lumina Foundation that individuals of all ages and backgrounds, and particularly people of color, continue to believe that higher education is necessary in the 21st century economy. Increasingly, low-income adults, students of color, and their families aspire to attain a postsecondary credential. Unfortunately, at the same time, they believe these credentials are unaffordable, and see increasing prices and levels of debt as barriers to attainment.

And, when talking to students, would-be students, and their families directly, their concerns about college are clear—they think it's important but they just don't know how they will pay for it. And we have talked about this issue at the national level for decades. We've watched prices rise and tried to create measures of transparency—which I've supported—with the hopes that better information could create market pressure and direct students to more affordable options. Unfortunately, these efforts alone are not enough. And, as we heard in the hearing last week, we actually still lack the quality of information that would enable students to find affordable options tailored to their individual circumstances.

Nearly 40 percent of today's students are 25 years old or older. More than one-third attend part time, and nearly 20 percent are holding down full-time jobs as they attend college. And a growing number are students of color. From 1996 to 2010, Latino student enrollment grew by 240%, and black enrollment grew by 72% (while white student enrollment grew by only 11%). Students of color, in particular, are more likely to be balancing work and the responsibilities of parenting with going to college, as over 40% of black and Native American students are also parents[1].

Today's students, simply put, have responsibilities and commitments that extend far beyond the classroom. And these responsibilities in many cases are a real financial burden, which may help explain why students continue to list affordability as a top concern. And it's not just in their heads—contrary to popular imagination, students today actually have to work far more than past generations did in order to pay for college. Consider this- in 1971, Americans students could cover tuition at public colleges by working about 10 hours a week throughout the year. Today's student would have to work 27 hours a week at minimum wage to just pay public college tuition and fees alone, and they wouldn't have any money left over for non-tuition expenses that are necessary for success in college, like books and supplies, not to mention room and board—otherwise known as food and rent. Students today would have to work about 60-hour work week in order to cover the full cost of attendance at a public college.[2]

Some might argue that expenses like rent and food aren't really costs of college, but general costs of living that every adult must face. However, very few people would argue with the notion that the traditional student going to college straight from high school living on campus deserves to be able to use financial aid to pay for their room and board. Take that same student off campus, and now they must find an apartment. Room becomes rent and board is food whether purchased on or off campus. Ensuring these non-tuition needs are covered in some way—which could include child care for student parents and transportation to and from campus—is integral to student success. If basic needs aren't met, students are less likely to do well in school, further impeding academic progress.

Affordability is a conceptually vague term: Affordability benchmark

As we think about how to address this concern, we must recognize that affordability means different things to different people—what's a bargain to one person may feel like an unattainable luxury to another. That's why we can't focus only on the overarching price, or even the average

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[1] Lumina Foundation (n.d.) Today's Student Statistics. Retrieved from: https://www.luminafoundation.org/todays-student-statistics

[2] Author's calculations derived from National Center for Education Statistics (NCES) data and US Department of Labor (DOL), Wage and Hour division data, assuming working 50 weeks per year. NCES: https://nces.ed.gov/programs/digest/d12/tables/dt12_381.asp, https://nces.ed.gov/programs/coe/indicator_cua.asp DOL: https://www.dol.gov/whd/minwage/chart.htm

net price, because it alone does not capture what is reasonable for families at different income levels. For example, a $10k price tag could sound great to a family making $150k, yet sound unattainable for a family making only $20k, near the poverty line. To this end, The Institute for College Access and Success recently found that "families earn[ing] less than $30,000 would need to spend 77 percent of their total income to cover the net price at public four-year colleges, more than double the burden placed on any other income group"[3].

For this reason, it is important to frame affordability in terms that are tailored to individual and family needs, yet are transparent enough for most people to understand. Past policy efforts to address affordability have either focused on targeting to the point of obfuscating the process for those who most need the resources or on simplicity and transparency without concern for the true underlying financial need. We need a new paradigm that addresses both concerns—a much clearer message about affordability to would-be students paired with a truly reasonable expectation of what those students might contribute to postsecondary education.

We at Lumina have spent a lot of time talking with experts in other fields about this conundrum and through those conversations have come up with the concept of an affordability benchmark. The premise underlying the problem is this—students from most low-income families just can't afford to save anything for postsecondary education, and they work too much once they get to school to try to cover their costs. Meanwhile, students from middle and upper income families are also struggling, but receive no guidance about how much to save for college—other than being told that they should save "a lot". Every financial expert who knows anything about consumer financial behavior can tell you that this is a recipe for disaster. Not having safety nets in place for low income students or clear attainable savings goals for other groups means that everyone is confused and even those with the capacity to save are unlikely to do so.

The benchmark is based on some key principles—that those with the capacity to save should be encouraged to do so with clear guidelines that can be broken down into monthly amounts, that students without the capacity to save for college shouldn't be expected to do so, and that no student should have to work so much to pay for college that it impacts their ability to be successful in school.

The benchmark also suggests that affordability should be gauged by the total costs of attendance-not just tuition and fees alone, that lower income students should be asked to contribute no more toward the costs of postsecondary education than what they can afford to contribute from working ten hours per week, and that middle and upper income students (those from families making above 200% of the poverty level) should be expected save 10% of their income over 10 years to pay for postsecondary education. These numbers are based on sound evidence, for instance, that students working more than 10 hours per week are at greater risk of dropping out.

[3] The Institute for College Access and Success. 2017. College Costs in Context: A State-by-State Look at College (Un)affordability. https://ticas.org/sites/default/files/pub_files/ college_costs_in_context.pdf.

Using analyses based on this benchmark and currently available net price data, the Institute for Higher Education Policy (IHEP) recently published a report suggesting that the vast majority of colleges are unaffordable for all but the highest-income families.[4]

Still, the numbers outlined in this affordability benchmark are less important than the principles they represent. That is, that some students can't afford to pay anything, and shouldn't be expected to do so, that other students can afford to pay something and should be provided guidance about how to get there, and ultimately that programs focused on affordability should be clear about what that means from a student perspective (e.g. clearly answer the question "what will I have to pay") without requiring a maze of paperwork. These principles—of transparency, predictability, and reasonableness—could be met in a variety of ways, but the first step toward creating a meaningful system based on this outline would be to encourage states to develop their own benchmarks of reasonableness and incent them for meeting students' needs within these more transparent visions.

On affordability and student loan debt

The idea that affordability cannot really be disconnected from quality is especially important to consider when taking stock of the growth of our loan-financed education system. In 2011-12, average debt for those who completed an undergraduate program (of any type) was $11,400, up from $6,400 in 1995-96. Debt is not necessarily bad, but our current system is producing terribly inequitable outcomes by race and income. Recently unearthed data reveal that nearly one quarter of black bachelor's degree graduates have defaulted on student loans, and that over 50% have higher loan balances after 12 years than when they first left school.[5]

Though most people are able to repay their loans without trouble, these newly publicized trends suggest a persistent problem with a subset of students that must be addressed. We need both to consider ways to make college more affordable on the front end and ensure that the quality of education is sufficient to help students repay any loans on the back end, as well. The additional risk posed to students from the reality of student loan debt requires particular attention to labor market outcomes. At the same time, we must recognize that our system of student debt is layered on top of deep racial wealth gaps and a system that offers neither equal pay nor equal work. Individuals experience disparate outcomes in the labor market based on race and gender, so ensuring the affordability of repayment options is an important back-end safety net for many students, as well. I know this is a topic that the Committee is also considering, and it is critical that we link efforts to improve accountability and quality, particularly in connecting to loan repayment outcoms, with those designed to increase affordability.

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[4] Poutre, A, Rorison, J & Voight, M. (March 2017). Limited Means, Limited Options. Institute for Higher Education Policy. Retrieved from: http://www.ihep.org/limited-means-limited-options

[5] Miller, B. (October 2017). New Federal Data Show a Student Loan Crisis for African American Borrowers. Center for American Progress. Retrieved from: https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/

Recommendations for addressing affordability

I would like to highlight here two key recommendations for addressing affordability aligned with the context I've shared.

(1) **A federal state partnership for affordability, quality, and completion.** A benchmark approach, or any other type of affordability guarantee, would require a new type of partnership between the federal and state government in which colleges also commit to lower prices and better outcomes for students over time. The federal government could encourage states to advance affordable options for low- and moderate- income students by providing matching dollars for states that can meet affordability and quality guarantees. Without this kind of partnership with states and institutions, the federal government in effect tolerates continued state disinvestment and tuition increases, reducing the efficacy of the federal investment over time. States can pull back on their commitment to aid and low tuition, allowing for federal grants and loans to fill the gap for students.

Inasmuch as a federal state partnership promotes greater affordability by leveraging state investment, it should also ensure that states and institutions focus on increasing postsecondary enrollment and completion. Focusing on affordability without insisting on improved access for underrepresented groups could just mean that states would make college more affordable for those already attending, without actually working to open doors to new students who wouldn't have otherwise enrolled. This is an important point when considering the potential unintended consequences of fixating on affordability without connecting to a larger vision of increased student success and closing equity gaps. We might begin to see more affordable options across states, but constricted to serve only those with high GPAs, without providing access the very students who need it most.

Additionally, because affordability can't really be separated from value, this kind of partnership would also require being more vigilant about quality, both to root out fraudulent practices and ensure credentials are meaningful. The hearing the committee hosted last week, on accountability, began to consider some of these concepts. I applaud the committee's exploration of accountability and quality. A reauthorized HEA should guarantee that new investments will raise institutional quality and improve outcomes with a particular eye on equity.

(2) **Strengthen the Foundation of Pell.** First, the Pell grant program has served as an important commitment to low-income students over the past several decades. Unfortunately, the grant itself has not kept up with the rising price of education. I urge the committee to consider ways to strengthen the Pell grant so that it remains available for future generations, and to encourage implementation of early awareness and information campaigns to ensure would-be students are aware of its availability. Too often, students are not aware that they might be eligible for Pell grants, even as past reauthorizations tried to address this challenge by directing the Department of Education to implement early awareness campaigns. Those campaigns haven't materialized as

concretely as Congress may have hoped, perhaps due to funding or the imposition of other priorities. Unfortunately, the challenge of student awareness of their eligibility for financial aid remains, limiting the power of Pell to act as an effective incentive, empowering student access.

Conclusion

The rising costs of a postsecondary education–and the growing portion of those costs being borne by students–represent a clear barrier to reaching the nation's attainment goals. Federal policy must not only focus on students' ability to pay for postsecondary education, but should hold states and providers accountable for keeping prices at an affordable level and while maintaining quality so that ultimately financial aid is well spent on a quality education.

The success of today's students and the success of our nation is one and the same. But that success is not possible without your help. We must work together to ensure a postsecondary education system that has affordable, high-quality options that recognize all types of learning.

I would be happy to share in more detail about any of the ideas raised here at your convenience.

Thank you and I look forward to your questions.