

United States Senate
Committee on Health, Education, Labor and Pensions
Full Committee Hearing: *The Role of States in Higher Education*
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Testimony of Eric W. Kaler, President, University of Minnesota

Thank you, Senator Franken. I am honored to join you here today. I am used to seeing you on our campuses, visiting regularly with University of Minnesota students, and sharing your concerns about their lives, their families, and the affordability and value of a college education. Thank you for always focusing on our students.

Good morning, Senator Harkin, and members of the committee. It's an honor to testify before a committee chaired by a graduate of Iowa State University, one of our neighboring land-grant peer institutions. And it's a pleasure to be before ranking member Senator Alexander of Tennessee, birthplace of my wife, Karen, a proud graduate of another land-grant university, the University of Tennessee.

I come before you today to share how the University of Minnesota is addressing three of the most critical issues in higher education today:

- First, ensuring access and affordability;
- Second, forging strong partnerships to achieve student success;
- And third, establishing programmatic innovations to ensure students — particularly, low-income students — get their degrees in a timely fashion, prepared for life and work.

I also come here to urge you to find the will and the way to more fully support our students and our state through the reauthorization Higher Education Act legislation. While I am focusing on our experience in Minnesota, I know it is similar to that of public higher education institutions across the country. Many of my peers in your home states are also engaged in addressing these critical issues. Thank you for this opportunity.

Overview

The value of a public college degree for our students and our states — for the entire nation, really — has never been higher. More jobs than ever require a degree. But costs are higher than ever, too.

Since the Great Recession, state disinvestment in public higher education has been profound. As a consequence, tuition has risen dramatically. The burden of student debt has become central to a national conversation — sometimes driven by emotion and not facts — about the cost and value of higher education.

Meanwhile, we are leaders in investing in innovative ways to teach and for our students to learn, be it in thoughtfully designed “active learning” classrooms, through so-called “hybrid” or “flipped” courses, through online options, or through somewhat trendy and still developing MOOCs, or Massive Open Online Courses. We are on the frontlines of pedagogical change.

While the Higher Education Act focuses on our teaching mission, we have at least two other missions that are equally critical for our students and our nation’s vitality: research and public engagement.

Public land-grant institutions have long been this nation’s most logical and critical partners with states and the federal government for groundbreaking discoveries and cures, and for developing new knowledge, new products and new processes to keep the United States competitive. Our research mission is inextricably linked to

our educational mission. If you want a strong and robust education, we must ensure our federal research support is also robust.

Public higher education institutions and their states are also active partners in public engagement and community outreach, be it via rural nutrition and wellness programs, dental clinics for New Americans, or helping to close the economic and educational achievement and opportunity gaps, a social inequality crisis that must be narrowed for our nation to continue to prosper. This public engagement mission, too, benefits students who are actively engaged in civic and community projects for academic credit.

As you consider reauthorizing HEA, I urge you to keep in mind the tripartite mission of America's great land-grant universities. Consider all that we do.

University of Minnesota

For context, let me tell you a bit about the University of Minnesota. Our flagship Twin Cities campus has more than 48,000 undergraduate, graduate and professional students, and our four other campuses across Minnesota educate another 15,000 students annually. Our research enterprise is ranked as the 9th most active among public universities in the United States, with annual expenditures of about \$700 million.

Every year, we award a wide range of degrees to about 15,000 students, fueling Minnesota's workforce and driving the state's and region's very healthy economy. Indeed, as Senator Harkin knows, the Upper Midwest is among the nation's most vibrant regions.

In our classrooms, laboratories and recital halls, we prepare the next generation of leaders — including members of Congress. Former Senators and Vice Presidents Hubert Humphrey and Walter Mondale are among our alumni, as are current members of the House of Representatives Keith Ellison and Rick Nolan.

Through our research we tackle the Grand Challenges of our state, nation and the world — from climate change to diabetes to safely feeding the world. And we partner with our communities to help our citizens face critical problems, from the future of urban density to viruses devastating the pork industry.

Affordability and access

Affordability and access may be the most pressing issues facing higher education today. When I became president in 2011, I put these issues at the top of my agenda and they are still there. My first budget included the lowest tuition increase at our University in more than a decade, and for the past two years we achieved an historic tuition *freeze* for resident undergraduate students. That is, a zero increase in tuition for most of our students.

This was a significant achievement, especially given state disinvestment, which, over the past decade, was among the steepest nationally. As you may know, from 1999 to 2011, the investment per capita that states allocated to higher education declined about 23 percent. But in Minnesota, over that same 12-year period, the decline was 48 percent, putting us well below the national average of funding students in higher education and headed toward the lower quartile. We had begun that 12-year span in the *upper* quartile.

Put another way: 15 years ago in Minnesota you showed up with a dollar to put towards the cost of a University education and the state showed up with two dollars. Now, a student and her family show up with a dollar, and the State of Minnesota shows up with just 50 cents. That is the magnitude of the cost shift from state support to increased tuition that our students and their families experienced.

Today, while we have successfully reinvigorated our partnership with the State of Minnesota and it is reinvesting in its only land-grant university, we're still 14 percent below the level of state support we received six years ago.

In the wake of such disinvestment, it was time for creativity and action. I'm thankful to Governor Mark Dayton and members of our Legislature — on both sides of the aisle — for strengthening the State of Minnesota's relationship with us.

Specifically, we achieved that tuition freeze through shared accountability. First, the University pledged to tackle administrative costs. We pledged to redirect \$90 million over a six-year period from administrative activities to support our missions. I'm pleased to report we're ahead of schedule. We are doing more with less. We are teaching more students and graduating them at a far better four- and six-year rate. At the same time, our employee head count has remained relatively flat.

The University also agreed to accountability targets. We pledged to state leaders that we would increase the number of invention disclosures by faculty, confirming our role as fueling the state's innovation culture. We also pledged to increase the number of total graduates, the number of Science, Technology, Engineering and Math (STEM) students, and the graduation rates of students of color. We've kept our pledges.

On the affordability front, we have also invested in financial aid to assist students and families. Overall, we award our students nearly \$340 million of financial aid annually. If you are from a family with no ability to contribute to your education, state, federal and institutional grant aid will cover your full cost of attendance at the U.

While student debt is a critical national issue, these programs have helped offset the impact at Minnesota. Among our undergraduate class of 2013, 37 percent completed their degrees carrying no debt at all. Let me repeat: **Zero** debt. That is six percentage points better than the national average of 31 percent of students graduating with no debt.

Counting all students — those with debt and those without — the average per capita burden on our students when they graduate is about \$16,500. That, to me, is a good investment, particularly when you consider that the lifetime earnings of college graduates are considerably greater than those in the workforce without degrees. Perhaps that's why our students default at a rate of only about 3 percent, significantly below the national average.

Our experience and data counters much of the national narrative about debt, which tends to focus on the “outliers,” the very small number of students with \$75,000 or \$100,000 in undergraduate debt. For students from families earning less than \$30,000 per year, we are Minnesota's most affordable higher education option, public or private.

Our institutional commitment to financial aid includes the University of Minnesota Promise Scholarship Program (U Promise), which provides more than \$30 million annually in scholarships to more than 13,000 low- and middle-income Minnesota resident students. Eligible freshmen and new transfer students — including those eligible for the Minnesota Dream Act — with family incomes of up to \$100,000 receive a guaranteed, multi-year scholarship, ranging from \$570 to \$4,000 annually.

We proactively award work-study funds to all new, eligible freshmen students. Our aim is to ensure that eligible students, especially low-income students, have an opportunity to receive not only the financial benefits of a work-study-funded position, but also the academic and social benefits of working on campus.

Affordability is a shared responsibility. The State of Minnesota provides a robust State Grant program. The federal government supplies Pell grants. And the University provides hundreds of millions of dollars in institutional aid, much of it through the generosity of donors. But we also must rely on another important team of partners — parents and students — who, if they are able, save for college, live prudently while they are enrolled, and complete their degrees in four years.

One additional point that's a pet peeve of mine: students and their families are regularly burdened by an often confusing and classically Byzantine collection of forms, applications, websites and passwords in the process of seeking financial aid. It is enough to discourage them from gaining access to aid. I urge the federal government to help simplify the financial aid process and regulatory burdens.

Promoting student success

To lower the cost of education for students, we made investments to enhance retention and increase graduation rates. If you don't earn a degree at all, or it takes six or more years, it's simply more expensive. It adds years of tuition — and, often, onerous debt — to one's personal balance sheet.

Mr. Chairman, you can't graduate students if you don't retain them. Our first-year student retention rate is now at about 91 percent, comparable to top-flight private schools. There is only a 0.5% difference in first-year retention rates between students of color and the rest of our freshmen.

We are now focused on improving graduation rates for low-income and first-generation students. We have invested in programs specifically designed to achieve that goal. The President's Emerging Scholars Program (PES) is an initiative designed for students who have faced challenges that may have negatively affected their high school metrics, but whose personal experiences and high school records indicate potential for collegiate success.

The President's Emerging Scholars Program ensures that students have the academic and personal support necessary to achieve academic success. It is built around three programmatic elements:

- 1) Activities that create a strong sense of belonging to the University community, including a summer seminar;
- 2) Academic guidance and support to ensure a successful and timely degree completion, including peer mentoring and professional advising;
- 3) And financial aid support to make a University education possible for eligible students if they remain on track.

A related initiative — Retaining all Our Students — builds upon the success of the President’s Emerging Scholars Program. I was honored to attend the White House College Opportunity Summit last January to introduce this initiative. It focuses on improving the first-year retention of low-income University students, defined as Pell grant recipients, and is built around four components:

- 1) An enhanced financial literacy program specifically designed to meet the needs of low-income students and their families. When compared to other students, low-income students are less familiar with the many possible sources of scholarships and other financial support, are less comfortable with taking out loans to support their education, and are less familiar with on-campus employment opportunities;
- 2) Incentives for low-income students to participate in a summer seminar to keep them educationally engaged when classes are not in session;
- 3) The development of better success-tracking tools for academic advisers to monitor the academic progress and enhance the advising of these students during their critical first year;
- 4) And promoting available services and connecting low-income students with peer tutors.

These efforts build on state and federal investments and help to guide low-income students towards graduation in a timely fashion, reducing debt and changing their lives.

Shared responsibilities

Let me turn now to the shared responsibility for an affordable, accessible and excellent higher education system in our state and nation. In my view, those of us determined to positively shape the future of public higher education — particularly for our land-grant, major research universities — must forge a strong five-way partnership.

As this hearing today suggests, the states are central to this partnership. But, so, too, are universities, the federal government, business and industry, and students and families themselves.

Specifically:

- The role of **colleges and universities** is to educate and graduate our students, along the way helping to transform them into lifelong learners and leaders, but we must demonstrate accountability for our costs, and innovation in delivering education;
- The role of our respective **states** is as critical as ever to invest in higher education and our students, and to partner with us and the private sector in economic development, job creation and workforce development;
- **The role of industry and businesses** is to work with institutions and government to help fund, prepare and hire our graduates, who are the states' and nation's talent force;
- **The role of students and their families** is to aspire to success, and to strive to complete their degrees in four years, making smart and informed financial choices along the way;
- And, finally — but not least — you in **Congress and the federal government** have a critical role to fully and creatively support access for low-income students, support groundbreaking research, and, in so doing, advance larger national strategic goals for the common good.

Each of us has responsibilities to strengthen this partnership and, in some cases, to adjust our past roles to address the needs of today — but more importantly, tomorrow and the years to come. It is not alarmist to state the nation needs a diverse and highly educated workforce. It is a fact of global life. And we are all in this together.

Promoting economic development

Another way in which the University of Minnesota has been innovative is to forge a strong partnership with the State of Minnesota and its business community to

promote economic development by matching the state's needs with our world-class research.

Last year, the State of Minnesota recognized that some areas of research impact its citizens directly, and the state is now playing a role in helping to invest in University projects that align with some of Minnesota's key and emerging industries. In 2013, the Legislature established the landmark Minnesota Discovery, Research InnoVation Economy initiative, or MnDRIVE.

We identified four areas of opportunity that leveraged the University's intellectual strengths with Minnesota's business and industry strengths:

- Robotics and sensors for advanced manufacturing at a time when Minnesota and the nation need to rebuild our manufacturing base;
- Global food ventures, a natural for a state in which nearly 20 percent of our economy is tied to agribusiness, and where we have a deep tradition in world-leading food production, protection and safety;
- Water quality issues around mining, agriculture and other industries;
- And brain conditions, mostly around neuromodulation, which will build on Minnesota's strengths as the center for medical devices in the United States and the world.

MnDRIVE is a new way for our state to partner with its flagship research institution. But, in the long run, I don't believe that states can or should be expected to ever assume the critical research funding role historically played by the federal government through, among others, the National Institutes of Health, the National Science Foundation, the Department of Defense or the Department of Energy.

We need the federal government to be an unwavering partner in this area. We need the federal government to strongly support the creation of knowledge at land-grant institutions at which it's increasingly difficult for top researchers to gain grants, where junior researchers are struggling to obtain funding, and where, in the

aftermath of the American Recovery and Reinvestment Act of 2009, research dollars have dried up.

Recommendations/suggestions

So in closing, where does this leave us? As you reconsider the Higher Education Act, I would encourage you to examine incentives to stop the decline of state investment, to promote affordability and access, to support partnerships, and to fuel innovative programs that aid our students.

Specifically, the University of Minnesota supports incentives to award federal financial aid funding to institutions with high retention and graduation rates. Congress needs to make sure that federal funds go to institutions that see their students succeed, advance in a timely fashion towards a degree, and, so, not incur unnecessary and excessive debt.

The University of Minnesota would also support a move to a One Grant/One Loan/One Work program. As I mentioned earlier, the financial aid process is often confusing and cumbersome. One Grant/One Loan/One Work would streamline a system that is overly complicated for the student and overly burdensome for the institution. We would also support simplification of the Free Application for Student Aid Form, or FAFSA. These changes would result in no additional expense to the taxpayer.

Finally, we urge you to look at the regulatory burdens imposed on us by the federal government on financial aid matters and throughout our extensive research enterprise. Excessive regulatory burden is expensive, adding to our administrative costs and draining funds from our educational and research mission.

Conclusion

Mr. Chairman, higher education is often accused of being aloof, of being “academic,” of residing in that mythical “ivory tower.” We are far from that. We are here on the front lines of innovation and job creation, of saving lives and nurturing new knowledge and ideas. Despite the historic cutbacks in our states, we continue to be

called on everyday to solve our state's and nation's Grand Challenges. In new and efficient ways, we are fulfilling our land-grant mission as first envisioned by Congress and President Abraham Lincoln 152 years ago.

Members of the committee, we are worthy of your continued and increased support. We want to be your partners. We're all in this noble endeavor — to provide affordable excellence that leads to timely graduation for students from all economic backgrounds — together. It's our shared responsibility so that the next generation can share in our nation's successes.

Thank you for this opportunity.