

Written Testimony

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Higher Education and Workforce Training Subcommittee
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Hearing on the topic of
Keeping College Within Reach:
Discussing Ways Institutions Can Streamline Costs and Reduce Tuition

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Chairwoman Foxx and Ranking Member Hinojosa, thank you for the opportunity to testify before the subcommittee on a topic of such critical importance to millions of Americans and the future prosperity of our country.

I am Jamie Merisotis, President of the Lumina Foundation. Lumina is the nation's largest private foundation focused specifically on postsecondary education access and success, and we are based in Indianapolis, Indiana. I also previously founded and served as President of The Institute for Higher Education Policy, a nonpartisan research organization, and as executive director of a bipartisan Congressional commission on student aid that operated in the early 1990s. So the topic of keeping college within reach for all Americans is one that I strongly believe is of great importance to our nation. I also am proud to say that Pell Grants and other Federal, state, institutional, and private aid helped me afford college, so I know first-hand the challenges of paying for the ever-increasing cost of higher education.

Streamlining costs and reducing tuition in higher education is not just a good idea – it is essential to our future. We've known for many years that the benefits of higher education are numerous, with society gaining as much, if not more, than individuals. Equity of educational opportunity is an American value, one which gives every person—irrespective of their financial or family circumstances—the chance to succeed and contribute to our collective well-being. But perhaps the most important reason for streamlining costs and reducing tuition in the modern economy is

simple – jobs. Jobs that require skills and knowledge that can only be obtained through postsecondary education are growing much faster than those that don't. Based on an analysis of employment data, the Georgetown University Center on Education and the Workforce has estimated that by 2018 more than 60% of American jobs will require some form of postsecondary education. This trend toward increasing skills is worldwide, and many of our economic competitors are responding by increasing higher education attainment rates to levels well above of ours. Only about 40% of American adults have an associate or bachelor's degree, and the rate doesn't vary much between older Americans – those between the ages of 55 and 64 – and younger adults between the ages of 25 and 34. Among those young working adults between 25 and 34, this level is only good enough for the U.S. to rank 15th among developed countries. By comparison, a stunning 63% of young adults in South Korea have a two- or four-year degree.

Lumina believes that 60% of Americans will need a high-quality postsecondary degree or credential by 2025 for the U.S. to remain economically competitive. Many, if not most, of this increasing proportion of Americans who require degrees or credentials will need to come from low-income, first-generation, minority, and adult populations. I mention this to put the issue of streamlining costs and reducing tuition into perspective. We all know that the increasing cost of higher education is placing a burden on families and individual students. But the challenge is far greater than that. Put bluntly, we do not have the resources to scale up our current system to the size it needs to be to produce the numbers of graduates our economy needs, while maintaining or improving the quality of its graduates. That scale of expansion cannot take place solely by increasing the investments made by the Federal government, states, parents and students.

So how do we get there, without increasing costs even more?

The best way to increase the numbers of highly qualified college graduates is for the higher education system to become more productive. In order to meet the Big Goal of raising college attainment rates to at least 60 percent, productivity improvement must not rely on making higher education more selective, or be used as an excuse to serve fewer students. Indeed, real productivity will require a substantial increase in the number of high-quality degrees and

certificates produced, at lower costs per degree awarded, while improving access and equity for the least well-served populations.

To this end, Lumina is working with states and institutions throughout the U.S. to redesign higher education to produce more graduates at lower cost. When we began this work a few years ago it was somewhat controversial, in part because budget-cutting in the name of productivity previously had been used to justify serving fewer students. Few had seen the opportunities that real productivity represents to fundamentally rethink how we finance and deliver higher education. Today, however, in the increasingly difficult financial conditions faced by states and higher education institutions, we are finding that more and more state and campus leaders are willing to confront the core assumptions of how higher education is structured, funded, and delivered.

Our work to improve the productivity of U.S. higher education is based on four specific strategies described in Lumina's recent report, [*Four Steps to Finishing First*](#).

The first is **performance funding**, or targeting incentives for colleges and universities to graduate more students with quality degrees and credentials. Providing a significant portion of funding in this way gives institutions the means and incentive to invest resources in ways that increase college completion for underserved populations, shorten time to degree or credential, and reduce the cost of delivery. The particular type of performance funding that many states are moving to bases some portion of institutional support on the number of graduates produced rather than just the number of students enrolled. This concept has spread very rapidly, and nearly 20 states already have performance funding plans in place or under development. Tennessee, Ohio, Pennsylvania, and Indiana all have plans that are worth your study. Tennessee is now distributing 70% of its higher education appropriations based on results and quality rather than enrollment. Ohio has a new set of formulas that differentiates completion incentives by institutional mission. The Pennsylvania state colleges have stuck with performance funding for a decade and achieved a 10 percentage point increase in four-year graduation rates, with increases of 6 and 9 percentage points, respectively, for African American and Latino students.

The second strategy for improving productivity is using **student incentives** to increase course and degree completion, specifically through the strategic use of tuition and financial aid. There is a lot of innovation taking place in states and institutions that use student aid to increase completion and to make the higher education system more cost effective. In my opinion, Federal aid programs could learn much from the lessons of these approaches. A good example is found at Indiana University Kokomo, which is piloting a student success tuition discount program for students who commit to completing 30 credit hours per year, maintain continuous enrollment, and make satisfactory academic progress. These students receive three successive years of incremental discounted tuition beginning at 20 percent, then 30 percent and ending with a 40 percent reduction in the senior year. For students, the overall impact is a tuition discount over four years that is equivalent to one-year's tuition saved.

The third strategy for lowering costs while increasing our capacity to educate students and improving quality is to develop and implement **new models of delivery**. Too often, our discussions of this issue end up as a debate between the pros and cons of traditional vs. for-profit delivery models, or place-based versus online delivery. The reality on the ground is much more interesting. For example, a Texas consortium of systems and institutions, led by the University of Texas at Austin, is working with Carnegie Mellon University's Open Learning Initiative to offer redesigned general education courses which can be completed faster (sometimes twice as fast) as traditional courses, with the same or better student performance and knowledge retention over time. Even better, research has found that students are more likely to complete them.

Another example of true innovation is found in Indiana, where Governor Mitch Daniels had the idea to bring Western Governors University to the state and make it a state institution called WGU Indiana. Indiana promotes WGU's accredited, online, competency-based degrees as an affordable way to educate the state's adult population, many of whom previously may have attended college but not received a degree. The state also offers students the opportunity to apply for state need-based financial aid to reduce their WGU tuition, which, by the way, has not increased since 2008. Tuition and fees for a full-time student is \$5985, which is 27% less than the average public in-state four-year tuition. WGU Indiana does not receive state support through the higher education funding formula. This model is being replicated in Washington and Texas.

Last but by no means least, the fourth strategy for increasing the productivity of higher education is to introduce **business efficiencies** to produce savings that can be used to graduate more students. Much of what needs to happen here is to encourage cooperation and collaboration among institutions to improve quality and reduce costs. There are many ways institutions can collaborate. Ohio has formed a statewide shared purchasing consortium and is engaged in cost-saving collaborations across a number of institutions. Since its state system began requiring annual efficiency savings, Ohio public colleges report more than \$900 million in reduced costs. Cooperation is even possible across states. One great example is the Midwestern Higher Education Compact, which offers purchasing cooperatives for liability insurance, information technology, and student health insurance which save states and institutions millions of dollars a year.

Do these state and institutional strategies to lower cost and improve completion and quality have any implications for Federal policy? I believe the answer is an emphatic yes.

First is the critical issue of **financial aid**. Federal aid continues to be the bedrock of support for low-income populations and must be sustained. But the fiscal climate and broader economic challenges means that innovation and creativity will be required to enhance the capacity of the current Federal student aid system to serve the increasing numbers of college graduates our nation needs. One of the most important elements of a reframed student aid system will be to ensure that all Federal aid programs are designed to support student success – as measured by well-designed indicators such as on-time progression, course and program completion, and graduation. This does not mean that access should be any less important in designing a new aid system – quite the contrary. We need to continue to increase access for the nation’s fastest growing populations in order to meet our employment and competitiveness goals as a nation. Yet access alone should not be enough. Federal financial aid remains a critical piece of the college success puzzle, and we must ensure that it is structured to meet the nation’s growing needs for more graduates with high-quality degrees and credentials. We must have the courage to re-examine the entire system of grants, loans, tax credits, and work study to make sure it all

works as effectively and efficiently as possible to support the success of low-income students that desperately need it.

Second, we must deal with the unglamorous but essential area of **data**. It is impossible to move the entire system of higher education to the levels of efficiency and effectiveness our nation needs without basic information on its outcomes. It is inexcusable that we do not have comparable data at the national level on student progression toward degrees, college graduation and ultimately job placement. In the absence of reliable Federal data, states are developing their own systems to provide these and other critical data. But it is hard for states to solve this problem alone. Often, it is difficult to obtain data about students at private and for-profit institutions, and the interstate mobility of students and graduates poses an additional challenge. It would be far more efficient for the Federal government to step up and provide a genuine service to states and the public through modernizing and improving its higher education data system. At the very least, the Federal government should help to assure that state and institutional data are comparable and can be easily shared to help everyone improve the performance of higher education.

Third, and perhaps most urgent, is the Federal role in **quality assurance** in higher education. We are on the cusp of a fundamental change in higher education – the shift away from a system based on time to one based on learning. In a knowledge-based economy, degrees and other credentials must represent real skills and knowledge, not the amount of time a student has spent sitting in a classroom. WGU and other competency-based approaches are the harbingers of change, but the full ramifications of this shift affect all aspects of postsecondary education. We must recognize the prior learning of displaced workers, returning veterans, and millions of others who want and need to improve their knowledge and skills to advance their career or improve their life. We need transparent credentials based on learning that allow us to seamlessly connect the workforce development system and higher education. I know the subcommittee has taken a particular interest in this topic, and I applaud you for it. Finally, employers, students, and the public should have a clear understanding of what degrees and credentials represent in terms of skills and knowledge learned. Lumina is working with states, institutions, and others to develop the tools that will allow these new approaches to emerge – tools like the Degree Qualifications

Profile, which defines common reference points for degrees across disciplines and institutions. These approaches will have significant implications for the way quality assurance is addressed by the Federal government.

Again, thank you for the opportunity to appear before you today. Increasing the number of Americans with high-quality postsecondary degrees and credentials – particularly those populations that are the fastest growing and most vulnerable in our society – is vital to our economic future. Indeed, there is no more important public policy issue facing our nation. These dramatic improvements cannot happen unless we streamline costs and reduce tuition by making the higher education system more productive – substantially increasing the number of high-quality degrees and certificates produced, at lower costs per degree awarded, while improving access and equity. As you have heard, Lumina Foundation is working on this issue on many fronts, and we stand ready to share any and all of what we are learning with you.