



**Testimony of Charmaine N. Mercer, PhD  
Vice President of Policy, Alliance for Excellent Education  
Before the U.S. House of Representatives  
Committee on Education and Workforce  
“Keeping College Within Reach:  
Examining Opportunities to Strengthen Federal Student Loan Programs”  
March 13, 2013**

Chairman Kline, Ranking Member Miller, and members of the Committee, good morning and thank you for this opportunity to testify today. The title of this hearing, “Keeping College Within Reach,” is both timely and appropriate for discussing various aspects of federal support for higher education, including student aid and loans.

The federal student aid system, as initially designed, was intended to ensure access to college for students who would otherwise be unable to attend. In fact, in his 1965 speech to Southwest Texas State College, after the signing of the Higher Education Act, President Lyndon Johnson said,

“To thousands of young men and women, this act means the path of knowledge is open to all that have the determination to walk it. It means a way to deeper personal fulfillment, greater personal productivity, and increased personal reward ... an incentive to stay in school.”

President Johnson’s remarks suggest that the federal student aid system would function to keep college within reach for those who desired to attend. Since 1965, federal aid, consisting of grants, loans, work opportunities, and tax credits, has helped countless numbers of students pursue higher education aspirations.

In the nearly 50 years since the passage of the 1965 Higher Education Act, it has been fully reauthorized eight times and each reauthorization has attempted to balance Congressional and Administration priorities; mounting budget deficits; and demands from students, families, and the general public, with changes in postsecondary education, workforce demands, and the

economy. Outside of the comprehensive reauthorizations of HEA, there have been numerous incremental changes, primarily directed at eligibility requirements, the need-analysis formula, and increased aid limits.

The last decade has witnessed many changes to the student aid system, including several changes to the loan programs, such as elimination of subsidized loans for graduate and professional students; mandatory funding for Pell Grants; and decreasing the number of semesters for which students are Pell eligible, to name a few. Each of these changes occurred outside of a comprehensive reauthorization, and although they are seemingly small, they have had a profound impact on the costs of the student aid programs, done little to stem the rise in college costs and associated debt, and in some instances, negatively changed the composition of the recipient population.

Arguably, many of the changes that have occurred outside of a comprehensive reauthorization have been beneficial yet short sighted. For example, eliminating year-round Pell Grants allowed the maximum award of \$5,550 to be maintained, but reportedly, it also significantly reduced the number of students taking additional courses during the summer—which typically leads to increased completion rates.

Worse yet, many of these changes have done little to halt the ever increasing and dangerous amount of debt that students rack up due to increasing college costs, among other things. In fact, student loan debt is fast approaching a trillion dollars, and the number of borrowers and the average amount of debt have increased by seventy percent in just eight years. Incremental changes in some instances are necessary and unavoidable, but by their very definition, they fail to address the student aid system in its entirety. These changes have done little to respond to skyrocketing college costs and often due to the rush to pass them, their unintended consequences are not fully explored.

Congress, starting with this Committee, is now positioned to thoroughly examine the Higher Education Act, including federal student aid programs, and to consider both the known and unintended consequences, and to produce legislation that continues the federal commitments to ensuring access, tackling college costs and soaring debt, and promoting completion.

Focusing exclusively on student loans—or more specifically, the interest rates on subsidized loans for undergraduate students—fails to notice the forest for the trees.

The complexities of the federal student aid system require that it be examined in its entirety. Looking solely at loans doesn't address the shortfalls of grants. Addressing the shortfalls of grants doesn't consider weaknesses in higher education tax credits. Fixing higher education tax credits doesn't, in turn, remedy the challenges and limitation of the campus-based programs. Addressing any one aspect of this system is necessary but individually, each is not sufficient for true reform of postsecondary aid programs and promoting student success and completion.

The time has come for Congress to reauthorize the HEA so that it responds to the 21<sup>st</sup>-century needs of students, institutions of higher education, and our nation. A thoughtful reauthorization of this critical piece of legislation will require time, compromise, and deliberation. In the interim, other exigencies such as the pending interest rate increase on subsidized loans will require legislative action prior to a full reauthorization. However, to the extent practicable, these types of changes should be addressed with consideration for the broader context in which they exist. For example, if the current interest rate on subsidized loans were to double, this would have a disproportionate impact on the neediest students, since they are the recipients of these types of loans. A recent report by the Pew Research Center notes that student loan debt is twenty four percent of household income for families in the lowest income quintile. The report states, "The relative burden of student loan debt is greatest for households in the bottom fifth of the income spectrum, even though members of such households are less likely than those in other groups to attend college in the first place." The nation needs a comprehensive plan to promote access, completion, and affordability for these and other students.

Today, more than any other time in recent history, postsecondary education attainment is critical for individuals, communities, and the nation as a whole. The United States' ability to maintain its international position as an economic powerhouse requires the country to have a highly educated and skilled workforce.

The 21<sup>st</sup> century ushered in a technology-driven and globally connected era that requires individuals to possess knowledge and skills that prepare them for college, a meaningful career,

and economic security. Absent these skills, many Americans will remain unemployed or underemployed, and the nation's economy will stagnate or decline. In fact, Anthony Carnevale of Georgetown University estimates that 2012 marked the year when more than 60 percent of all jobs required some form of postsecondary education; further, approximately 20 million new jobs now require a bachelor's degree or higher. The federal student aid system must help the United States meet this increased demand, while continuing to ensure access.

Traditionally, the federal student aid system exclusively focused on access, but access alone is not enough, *completion* must also be a goal. Although very well intentioned, the federal student aid system is complex, interrelated, and poorly aimed toward the goal of finishing a postsecondary program of study.

Each year there are significant federal investments made in students at the K–12 and postsecondary education levels. However, the investment at the K–12 level sees little return unless students complete a program of study at the postsecondary level. Similarly, at the postsecondary level, if students fail to complete a program of study, there is little to no return realized other than often times unmanageable amounts of debt without a degree.

Changes to HEA should all be directed at the twin goals of **access** and **completion**. Higher education for students is an advantage that society at large benefits from. However, the reality is that all students are not equally financially equipped to take advantage of postsecondary opportunities.

It is critical that public policy remain capable of making higher education affordable for the lowest-income and most-at-need students that the market might otherwise leave behind. Increased educational attainment helps individuals achieve their personal goals, improves their surrounding community, and aids the recovery and growth of the economy.

The entire federal student aid system should be thoroughly examined with these twin goals—access *and* completion—in mind. This examination must come by recognizing the evolving demands of our global society and our nation's current economic status.

The Alliance for Excellent Education recently released a paper based on a comprehensive examination of the federal student aid system. The paper includes recommendations for how to change many of the existing programs to create a system whose components are purposeful toward promoting college completion. The recommendations are arranged according to four tenets:

1. creating institutional supports and accountability;
2. simplifying the federal student aid system;
3. focusing aid on the highest need students; and
4. providing support for middle class families.

In the paper, the Alliance makes specific proposals in each of these areas, but ultimately the goal of these objectives is to ensure that students get from high school commencement to postsecondary completion.

The Alliance believes that students and institutions have a mutual commitment to each other for success, with the federal student aid system helping to frame and support this relationship. Being admitted by an institution of higher education is not enough; colleges and universities must do their part to provide the ancillary supports and services that promote student success from the day they arrive on campus to the day they leave with a certificate or degree. At the same time, students must be committed to their own personal success. Students must work to be prepared, stay enrolled, and receive the postsecondary credential that they committed to pursue and were supported to receive. These two parties—institutions and students—owe it to each other to work collaboratively to cross the finish line.

The Alliance sought to change the existing student aid landscape and focus funding in a way that benefits the most students. For example, the Perkins Loan and Supplemental Education Opportunity Grant programs currently support a deserving, but ultimately narrow, student population. If these funds were redirected toward postsecondary programs that better address retention and completion and produce best practices for other higher education programs, a larger student population could be better served. Similarly, if the current \$5 per Pell Grant

recipient that goes to institutions were redirected toward student aid, more grant aid could be provided to the neediest students, thereby reducing the need to borrow or at least decrease the amount of borrowing.

It's important to note that these recommended changes are a part of a broader package and resulted from thinking about the system in its entirety, rather than a single aspect or individual program. The Alliance respectfully encourages Congress and this Committee to approach these issues in a similar fashion.

These are undeniably difficult fiscal times. However, there are no quick fixes to the nation's unacceptably low postsecondary completion rates, soaring borrowing levels, and debt.

How and why funds are spent deserve careful consideration toward what ultimately produces better results, that is, continued access to and increased completion of postsecondary education.

What our nation needs now is a thoughtful and purposeful consideration of postsecondary education policies. Students must continue to have access to postsecondary education and be provided with the necessary incentives to complete higher education, achieve individual prosperity, and become an integral part of the nation's economy.

As I have mentioned, students and institutions are equally important stakeholders and there is room for appropriate balance between accountability and incentives for both groups to change behavior for the benefit of the nation.

I thank the Committee for taking on this important issue and focusing attention on keeping college within reach.