Chairman Scott, Ranking Member Foxx, and members of the committee:

Thank you for the privilege of sharing my views on college affordability with you.

I am the president of The Institute for College Access & Success. We combine research, policy design, and advocacy to promote affordability, accountability, and equity in higher education. Before joining TICAS, I served in the Obama Administration as deputy domestic policy adviser at the White House and deputy undersecretary at the U.S. Department of Education.

Few, if any, American institutions can match our colleges, universities, and community colleges in their power to improve lives, promote equal opportunity and raise living standards. But they cannot serve this mission if they are priced out of reach.

For college to be affordable, students must be able to both make ends meet while enrolled and successfully repay their loans after leaving school. Unfortunately, for many students, one or both of those goals are not possible today. Financial barriers still keep many students from earning college degrees and—while the returns to college are high for those who succeed—there is a crisis for the many students who struggle to repay their loans. A million students a year default.

To make college affordable, I urge the Committee to:

- Reinvigorate the most important federal commitment to college opportunity: the Pell Grant;
- Build a new partnership with states dedicated to affordability; and
- Offer all students a simpler, easier way to repay their loans on a sliding scale based on their income.
The Goal: Equitable Opportunity through Higher Education

In America today, the median income has grown by only 3.5 percent since the year 2000, after inflation.\(^1\) Young people have only a 50-50 shot at earning more than their parents did a generation ago.\(^2\)

Education helped build the widely shared prosperity of the 20th century and remains an essential strategy today. However, the number of college graduates have not kept up with the demands of the economy.\(^3\) The wage premium paid workers with bachelor’s degrees is near historic highs, and technical degrees and certificates can also lead to well-paid jobs.\(^4\) The return to a four-year college is above 15 percent per year of college, more than double the return on investments in the stock market.\(^5\)

College has tremendous potential as a force for upward mobility. At most colleges, students from low- and high-income families earn similar incomes in adulthood.\(^6\) The returns to college have been just as high, if not higher, for students on the border of either attending or completing college. These students are often from low-income families and their decisions often hinge on the cost or accessibility of college.\(^7\)

However, college opportunities are not equitably available by income and race. Young people with high-earning parents are more than five times more likely to earn college degrees by age 24 than their low-income peers.\(^8\) While 34 percent of American adults have a bachelor’s degree or higher, only 24 percent of Black adults and 17 percent of Latino adults do.\(^9\) Children whose

parents’ earnings place them in the top one percent are 77 times more likely to attend an Ivy League or similar college than children whose families’ earnings are in the bottom 20 percent.  

It’s important to remember that education does not benefit students alone. It carries broader benefits, such as greater productivity, increased tax revenue, reduced criminal behavior, improved health, higher civic participation rates, and more. We all have a stake in helping more Americans graduate from college, and yet more and more we have shifted the burden of college financing onto the students alone.

The Problem: Unaffordable College Costs and Student Loans

Over a single generation, there has been a sea change in how students and families pay for college. College tuition has risen and, with it, affordability gaps and student debt have also grown.

The cost of college increased by $2,200 for Pell Grant recipients at community colleges between 2000 and 2016, after adjusting for inflation, while available grant aid only increased by $1,000. At public four-year colleges, costs increased by $6,300 during this period, and aid increased just $3,100.

One important reason for these rising costs is the decline in state investment. States often make deep cuts in higher education during economic downturns, but do not replace the funds when times are good. Between 2000 and 2016, per-student state and local funding to colleges fell by $1,400 (16 percent), after inflation.

Over this period, the maximum Pell Grant—the most important federal investment in college affordability—increased by almost $1,400 after inflation. Yet the purchasing power of the grant declined from covering 39 percent of costs to just 30 percent.

The result is more student debt. More students are borrowing: The share of public college bachelor's degree recipients with federal or private student loan debt increased from 60 percent to 66 percent between 2000 and 2016. And they are borrowing more: graduates' average debt load increased 18 percent between 2000 and 2016 after adjusting for inflation.

We have moved away from the days when states kept college broadly affordable and Pell Grants filled the gap for low-income students. The new era is marked by affordability gaps and growing student debt.

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10 Chetty, Friedman, Saez, Turner, and Yagan, supra note 6.
13 TICAS calculations based upon the National Postsecondary Student Aid Study (NPSAS) 2015-16.
For everyone other than students, loans are an easy answer. Federal student loans have little
cost to taxpayers. They have no cost at all to states or colleges. But for students, there are two
problems.

First, many students cannot afford to enroll in college and earn a degree. Students must not
only pay tuition and fees but also cover the cost of living expenses, textbooks, transportation,
and the other costs of going to college. Even after scholarships, the remaining amount—the
amount students must contribute from savings, earn, or borrow—is high.

More than half of Black, Latino, and Native American students come from families earning less
than $30,000 a year.14 To pay for college without loans, these students would have to dedicate
half their income to pay to attend a community college even after receiving grant aid. An
average public university would take 77 percent of their income.15

Real college costs can be even higher than the cost of attendance estimated by colleges. Low-
income students share the complex realities of other low-income Americans, such as the need
to support children and other family members, unstable low-wage jobs, and unexpected
expenses like car repairs.16 The underfunded, blunt instrument of our financial aid system has
little flexibility to help students meet extra needs or absorb unexpected financial blows.

Students cope with the affordability gap in different ways. Many do not enroll at all. A long line
of research shows that each $1,000 in cost reduces enrollment by three to five percentage
points.17 Recent evidence from Texas suggests that scholarships substantially increase low-
income students’ attainment and earnings, and scholarships pay for themselves through
financial gains for the public.18

Other students cope with high costs by working long hours, reducing the time available for their
studies.19 Research shows that working more than 15 or 20 hours per week comes at the
expense of academic success.20 Many low-income students also enroll part-time to reduce

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14 TICAS calculations based upon the National Postsecondary Student Aid Study (NPSAS) 2015-16.
19 White House Council of Economic Advisers.
tuition costs and make more time for paid work. But this strategy substantially extends their time-to-degree and reduces their chances of graduating.21

Some suffer deprivations. More students than should go hungry or homeless.22 According to media reports, some low-income students sell blood plasma to get by.23

Not surprisingly, then, the most common explanation college students give for dropping out is that they need to work to earn money.24 Struggling community college students say that the amount they needed to work left too little time to study.25 One student told us, “I only take a couple of classes a semester because that is all I can afford at the time, and I have to keep working 30-40 hours a week to pay for everything else.”

Another student said, “I pay for all of my bills, school, and personal needs with the hours I work. Because of this, it’s taking me much longer to get through school than I would like, and I struggled a lot my first two years with the balance of work and school.”26

The second implication of decades of declining investment in college affordability is a “concentrated crisis” in student debt.

I say the crisis is “concentrated” because, for many students, loans are working the way they are supposed to do. Borrowing helps many students enroll in college and complete more quickly.27 The returns to college remain high.28 Most students successfully repay their loans.

However, there are clear and urgent signs of distress among a group that, while not the majority of all borrowers, numbers in the millions. These students usually do not have six figures of debt. These students are disproportionately older, enrolled part-time, and more likely

24 Public Agenda. “With Their Whole Lives Ahead of Them: Myths and Realities About Why So Many Students Fail to Finish College.” 2011. https://bit.ly/2Mhp4zr (54 percent of students who dropped out said that needing to work to earn money was major reason they dropped out, more than any other reason).
27 White House Council of Economic Advisers, supra note 21.
28 Greenstone and Looney, supra note 5.
to have attended open access colleges. They tend to have small loans, often because they dropped out of college. Completing a program cuts the likelihood of default in half.

Others may have borrowed to attend low-quality programs. One study of students seeking certificates at for-profit colleges found small, statistically insignificant earnings gains that were smaller than their debts. Bachelor’s degree graduates from for-profit colleges are more likely to have debt, and to have substantially larger debts, than graduates from other schools.

Default is all too common. Over one million students default a year, suffering punitive consequences that can drive them deeper into debt and, ironically, make it harder for them to repay their loans. There are 781 colleges where most students borrow and most borrowers have not paid down even $1 of their loan after seven years; three-quarters of these colleges are for-profit schools. Almost half of the students entering for-profit colleges in 2003-04 defaulted within 12 years, four times the rate of students at public colleges.

The experience of Black borrowers, in particular, is deeply disturbing. Twelve years after entering college, a typical Black borrower owes more than she borrowed—that is, more interest and fees have accrued than she has made in payments. Judith Scott-Clayton of Columbia University estimated that 70 percent of Black borrowers may eventually default.

There has been a generational shift away from public support for higher education, shifting more and more of the cost of college onto the backs of students. Millions of students are struggling to enroll in college, complete a degree, and repay their loans. It took us decades to get here, and an ambitious effort to reverse these policies and make college affordable will not be easy.

**Addressing College Affordability**

In the next reauthorization of the Higher Education Act, Congress should take three steps: make the investments needed to reinvigorate the Pell Grant, create a new partnership with states dedicated to college affordability, and make it simpler and easier for students to repay their loans as a share of their incomes.

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35 TICAS. “Students at the Greatest Risk of Loan Default,” supra note 32.
Reinvigorate the Pell Grant

The Pell Grant remains the most important federal effort to promote college enrollment, completion, and equity. It serves over 7 million students, the vast majority of whom have family incomes below $40,000.38

However, this year’s maximum grant of $6,095 is only about one-half the level needed to close college graduation disparities.39 It is also much smaller than it was in the past, relative to college costs: it pays for just over a quarter of the cost of attending a four-year public college, down from nearly half in 1990 and more than three-quarters in the 1970s.40

To reinvigorate the Pell Grant, Congress should set a long-term goal of doubling the maximum award. To reach that goal, Congress will need to increase the maximum Pell Grant faster than inflation every year, starting by restoring the automatic adjustment that existed between 2013 and 2018.

Second, Congress should protect Pell Grants by making them an entitlement. In some ways they already are an entitlement: every qualified student receives a Pell Grant. However, it is funded through the annual appropriations process, which does not work well. Pell costs are very cyclical: during economic downturns, more students enroll in college and they have greater financial need. And yet, funding decisions rely on long-term projections; the FY 2020 Budget released this week will fund Pell Grants through June 2021, more than two years from now. The inevitable result is a boom-and-bust cycle of Pell surpluses and deficits.

The Pell Preservation and Expansion Act, introduced in the House by Rep. Susan Davis last year, embodies these principles.

In addition, Congress should make the Pell Grant more effective through simplification. By making better use of tax data to calculate students’ Pell eligibility, Congress would simplify both Free Application for Federal Student Aid (FAFSA) form itself and the burdensome verification process that often denies aid to eligible students.41 However, simplification alone—without a larger Pell Grant—will not solve the affordability problem.

39 TICAS. “Aligning the Means and Ends,” supra note 19.
40 College costs are defined here as average total in-state tuition, fees, and room and board costs at public four-year colleges. TICAS calculations based upon data from the College Board, “Trends in College Pricing 2018,” Table 2, 2018. https://bit.ly/2is8e4i, and U.S. Department of Education data on the maximum Pell Grant. Precise figures are 28 percent in 2018-19, 45 percent in 1990, and 79 percent in 1975.
Build a New Partnership with States

Higher education has long been a federal-state partnership. States seek to keep tuitions low at community colleges and public universities, the institutions that serve three-quarters of students. The federal government promotes equity by providing financial aid to low-income students.

However, for decades, states have made deep cuts in higher education during downturns, without replacing the funds when times are good. The result has been a ratchet effect, with lower state support each economic cycle. Even now, long after state revenues have recovered from the Great Recession, average state funding per student at public institutions remains 16 percent below its pre-recession level.42

State spending is also distributed inequitably. Selective public colleges spend almost three times as much per student than other public colleges, according to the Georgetown Center on Education and the Workforce. Black and Latino students disproportionately attend open-access colleges where their graduation rate is only 46 percent.43

It is time for Congress to create a new partnership where the federal government and states invest together in higher education. The new program should:

● Provide a substantial increase in federal funds that reward states for making college affordable, including addressing the full cost of attending college and starting with low-income students;

● Promote equity for low-income students and students of color by identifying and working to remedy disparities in resources and educational outcomes; and

● Cushion the impact of state budget crises on students and colleges.

Many of the “free college” proposals are premised on a new federal-state partnership, including a proposal included in the Aim Higher Act introduced by Chairman Scott last year.

Offer all students a simpler, easier way to repay their loans as a share of income.

Since 1993, federal law has allowed students to repay their student loans as a share of income, rather than through fixed monthly payments. There are now five income-driven repayment (IDR) plans, and enrollment in IDR plans has grown by over 300 percent over the past five years.

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to 7.2 million. The most popular plan sets payments at 10 percent of income, above a living allowance, and forgives any remaining debt after 20 years.

IDR plans help protect students from the riskiness of student loans, allowing them to seek the returns that most students receive while being protected against low incomes, whether due to misfortune in the labor market or some other reason. While college graduates enjoy larger earnings of the course of their careers, the benefits of college are often small in the first years after college. In these cases, IDR payments also start low and grow over time, letting students repay their loan as their ability to pay increases.

Most borrowers enrolled in IDR have low incomes. Nonetheless, research suggests that students repaying their loans through IDR are less likely to fall behind on their payments and default. While monthly payments are often lower in IDR than in the standard plan, borrowers may actually pay more on their loans because they make more timely payments and pay more in interest. They are also financially healthier in other ways, with higher credit scores and a greater likelihood of holding a mortgage.

Despite these advantages, IDR is not yet reaching its full potential. The array of five very similar programs is confusing to students, and the necessary annual income documentation makes it difficult to enroll and stay enrolled. Some IDR plans allow high-income borrowers with large debts to pay less than 10 percent of their incomes. Borrowers who receive loan forgiveness at the end of 20 years of payments must pay taxes on that amount, sometimes a large and unaffordable penalty.

Congress should replace the five current IDR plans with a single, streamlined plan that requires borrowers to pay 10 percent of their discretionary income for 20 years. After they make two decades of payments, any remaining balance should be forgiven tax-free. Student debt should not be a life sentence, and borrowers with large loans relative to their incomes, who have met their obligations for 20 years, should be given the opportunity to move on with their lives and meet other needs, such as saving for retirement.

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44 TICAS calculations based upon data from the Federal Student Aid Data Center, accessed March 10, 2019. 
45 TICAS. “Make It Simple, Keep It Fair: A Proposal to Streamline and Improve Income-Driven Repayment of Federal Student Loans.” May 2017. https://bit.ly/2x3jeMW (in 2016, the average income of borrowers enrolled in the IBR, PAYE, and REPAYE plans was less than $36,000 for an average household size of more than two people).
48 TICAS. “Make It Simple, Keep It Fair,” supra note 46.
In addition, borrowers should have access to an automated annual income recertification process, using existing IRS data. Delinquent borrowers should be automatically enrolled in IDR to help them avoid default.\textsuperscript{50} Aim Higher includes these changes and more. The bipartisan SIMPLE ACT, introduced by Representatives Bonamici and Costello in a past Congress, includes several of them.

Student debt is a particular challenge for those who choose lower-paid careers, and it can deter students from entering public service careers.\textsuperscript{51} The Public Service Loan Forgiveness program supports teachers, health professionals, service-members, and other public servants by writing off loans after 10 years of student loan payments. Despite its important purpose, its design is overly complex and implementation so poor that 99 percent of the first applicants have been denied.\textsuperscript{52} I urge Congress to simplify this important program so that hundreds of thousands of borrowers receive the forgiveness they were promised and have relied upon.

Finally, I urge Congress to ensure that the private companies paid to collect federal student loans are held accountable to high standards. Incomplete or misleading information can and often does lead to unnecessary loan defaults and higher costs for students. The Government Accountability Office has documented deficiencies in the Department of Education’s management of these companies.\textsuperscript{53}

**Conclusion**

Before concluding, I want to make one final observation. Because some colleges produce a low or even negative return on investment, the issue of affordability is intertwined with how colleges are held accountable for unacceptable student outcomes.\textsuperscript{54} All colleges are not the same, and some college and programs routinely leave students with debts they cannot afford to repay. The evidence suggests that strong accountability systems can drive better outcomes for students.\textsuperscript{55} And yet, the Trump Administration is seeking to dismantle key protections for students and taxpayers, which will make the problems of student debt worse.\textsuperscript{56}

\\textsuperscript{50} TICAS. “Make It Simple, Keep It Fair,” supra note 46.
\textsuperscript{51} White House Council of Economic Advisers, supra note 21.
\textsuperscript{54} Cellini and Turner, supra note 33.
Committee’s planned additional hearing specific to accountability will address an important topic.\textsuperscript{57}

 Millions of students are struggling to pay for college. Many cannot afford the cost of attending college. While student loans pay off for most, many struggle and default. These affordability challenges exacerbate inequalities facing low-income students and students of color. All of us would benefit from the more equitable, prosperous country that would result from greater investments in college affordability.