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Chairman Johnson, Ranking Member Carper and Members of the Committee, I appreciate the opportunity to discuss the Department of Education's goals and priorities with respect to our higher education efforts and provide testimony on how we measure our success.

At the Department, we have been working diligently to achieve a stronger, more prosperous America, with the goal of reclaiming our place as the nation with the highest proportion of college graduates. Many factors influence the successful attainment of that goal, including whether students have access to a postsecondary degree, can afford to pay for that degree and can graduate with a high-quality education that truly enables them to contribute fully to our economy and society.

Department of Education Priority Goal

As an agency, we have established a goal of increasing college completion by improving access, affordability and student outcomes. Our Strategic Plan (SP) and Agency Priority Goals (APGs) have set the ambitious target that by September 30, 2017, more than forty-eight percent of adults ages 25-34 will have an associate's degree or higher. In 1995, the United States was first among OECD member countries, with a 33 percent graduation rate.

A generation ago, America led the world in the proportion of adults ages 25-34 who are college graduates; today, we are 12th. America thrived in the 20th century, in large part, because we had the most educated workforce in the world. But other nations have matched or exceeded our success. Today, more than ever, Americans need more knowledge and skills to meet the demands of a growing global economy without having to take on debt that they may struggle to repay. By 2020, an estimated 65 percent of job openings will require postsecondary education or training. At the same time, approximately 100 million adults in America today have no college experience. Until we make dramatic progress in educational attainment, we're not the nation we want to be – the land of unlimited opportunity, where success is possible for anyone who's willing to work hard.

Success in today's world requires critical thinking, adaptability, collaboration, problem solving and creativity – skills and credentials, for <u>every</u> student, that go far beyond what systems designed for earlier times can offer. Today, a great education is not just what every parent wants for his/her child – it is a necessity for financial security in a globally competitive economy and for the health of our democracy.

Whether it is a 2-year or 4-year degree, a certificate, or career and technical training – some form of quality postsecondary education is the gateway to opportunity and the middle class. We know that a college education has never been more important.

Access and Transparency

We will not truly be the land of opportunity until more schools make it their mission to expand access to low-income students, and increase success rates for those who have to overcome the greatest obstacles to get a college degree. Too many of the students who enroll in college, aren't ready – and too many of those who start, don't finish. One thing is certain: we can't have substantial economic mobility in this country without equal opportunity to get a high-quality education. To preserve the promise of the American Dream for everyone, we need greater access and transparency in postsecondary education.

Since 2009, the Administration has worked with Congress to increase Pell Grants by more than $1,000 a year to $5,775 per-year per-student. We have also worked with Congress to create the new and partially refundable American Opportunity Tax Credit worth up to $10,000 over four years of college. By increasing direct support to low-income students, we are making it easier for students to achieve their college dreams.

An improved federal aid application process also improves accountability. We have significantly simplified the Free Application for Federal Student Aid, known as the FAFSA. We revamped the online form for all families so they can skip questions that are not relevant to them. In addition, over 6 million students and parents took advantage of the ability to electronically retrieve their income information from the IRS when completing their 2014-2015 FAFSA, an innovation that improves both speed and accuracy. Today, students and families on average fill out the FAFSA in about 20 minutes, only one third of the time it took seven years ago. And, just two weeks ago, we announced a new initiative that, when implemented about this time next year for the 2017-2018 school year, will permit students and families to apply for financial aid earlier – starting in October as the college application process gets underway – rather than in January. Beginning in the fall of 2016, students filling out the FAFSA will be able to electronically retrieve tax information filed for an earlier (prior prior) year, so they no longer have to wait until tax season to complete their applications. This will mean even more students and families will be able to complete their 2017-2018 FAFSAs using information retrieved electronically from the IRS a few months after they and their parents file their 2015 tax returns, reducing the number of applicants who need to estimate income or taxes paid, only to have to correct their application later. Learning about aid eligibility options much earlier in the college application and decision process will allow students and families to determine the true cost of attending college – taking available financial aid into account – and make more informed decisions. Together with the new College Scorecard, students will have more information to choose the right college than ever before. Over the next several years, the simpler FAFSA filing process could encourage hundreds of thousands of additional students to apply for and claim the aid they are eligible for – and enroll in college.

In addition to these efforts, we are thinking about the tools and resources consumers need to make wise decisions and master the college experience, from selecting a major to managing their finances. It is in this framework – of a deliberate and strategic drive toward transparency, accountability and innovation aimed at reaching the completion goal, and as one among a larger suite of tools – that we're implementing a new College Scorecard, a new tool that would assist students in making college choices. The Department designed the new College Scorecard in a way that is clear, transparent, and focused on a few key critical measures of institutional performance, while accounting for the diversity and complexity of the nation's rich higher education system.

The College Scorecard also includes new and updated data from the National Student Loan Data System (NSLDS), which ED has used to manage and track grants and loans since the 1990s. The data were used to produce a variety of new institutional performance metrics including (1) median cumulative loan debt, (2) repayment rate, and (3) completion and transfer rates, all by various student subgroups.

While no single measure is perfect, and many important elements of education cannot be captured by quantitative metrics, cultivating and releasing data about performance drives the conversation forward to make sure colleges are focused on access, affordability and students' outcomes. We expect and encourage the higher education community to complement this project with information for students and families about other aspects of college quality and performance, including student learning outcomes, career choices, public service roles, the history and missions of different institutions and other considerations that will help students make wise choices to advance their education goals.

Today's college marketplace is a confusing maze for students and families – especially for those who can least afford to risk their time and money. They may rule out a great school as too expensive, not realizing that – with aid – middle- and low-income families can end up paying far less than a school's published "sticker price" for tuition, fees, and room and board. They may not be aware that one of the two schools they are considering has a far lower graduation rate than the other. Some may select an aggressively marketed career college program that is unlikely to provide the skills and industry-respected credentials they'll need to fulfill their dreams of a better job and a better life. Without considering critical factors such as these, it is too easy for a student to end up without any degree, and with a significant amount of debt.

There need be no mystery or guesswork to picking a college, paying for college, and persisting in college. And, when it comes to something this vital to the future of individual Americans – and our nation as a whole – there shouldn't be. This nation must have transparency in higher education.

We take our role of overseeing direct lending, and protecting the interests of students and borrowers, very seriously. Earlier this year, the Administration pledged to create a borrower bill of rights to ensure strong consumer protections for student loan borrowers. As part of that initiative, the Department of Education is working on a number of actions to help Americans manage their student loan debt, including: working to protect the Social Security benefits for borrowers with permanent disabilities who may qualify for a loan discharge or other repayment options, changing the debt collection process so that it is fairer, more transparent, and more reasonable, and providing clarity on borrowers seeking a discharge in bankruptcy. The Student

Aid Bill of Rights also directed the Departments of Education and of the Treasury to work together to determine the feasibility of developing improvements in the recertification process for borrowers in income driven repayment plans

Federal Student Aid (FSA) has been taking steps to improve borrower service as it continues the transformation of the nation's student loan program following the President's landmark student loan reform. Key steps include: the ongoing development of an enterprise complaint system to track and support complaint resolution across all aspects of aid delivery, including servicing, targeted email campaigns to borrowers regarding available repayment options, including campaigns related to IDR enrollment, enhanced performance metrics and incentive-based pricing for Federal loan servicers to ensure consistency and accountability while creating additional incentives to focus on reduced delinquency and default, more effective borrower counseling and outreach, and enhanced customer satisfaction, development and implementation of a robust enterprise data warehouse and analytics capability to support research of the portfolio, an increased focus on military service members, including an automatic data match with DOD records to proactively provide service members with their active duty benefits, and a pilot to test different approaches for curing delinquent loans.

Affordability and Accountability

We know that postsecondary education has never been more important. We also know that it has never been more expensive. This nation can't truly be the land of opportunity when U.S. students and families pay four to five times what families in other countries pay for college. This nation will not be the land of opportunity when states have disinvested in higher education at alarming rates – and have not reinvested in higher education even as states' economies have recovered. In all, 47 states cut per-student spending between 2009 and 2014, by an average of about 13 percent. Over the past 25 years, state per-student spending is down 25 percent, after adjusting for inflation.

We also must have accountability. As a nation, we need to know that our higher education system works equally well for all of us. Our continued civic well-being and economic prosperity depend on it. Accountability in postsecondary education means all of us – federal government, states, institutions and accreditors – have an obligation to help level the playing field for every student. It means that unscrupulous actions have consequences; that effective actions and outcomes are rewarded; and that efforts to improve are recognized and supported.

Another way in which we have proposed to address the affordability issue is through America's College Promise, which is a proposed grant program for States to make community college free for responsible students, enabling them to earn a certificate, an associate's degree or up to 2 years' worth of credits toward a bachelor's degree without paying tuition and fees. The proposal includes a federal/state/institution partnership that calls on the federal government to invest in students, requires states that opt into the program to continue to invest in higher education, and encourages community colleges to adopt innovative practices and improve student outcomes.

Reflecting America's higher education model of shared responsibility, America's College Promise will require everyone to do their part: 1) States must invest more in higher education and training; 2) community colleges must strengthen their programs and increase the number of students who graduate; and 3) students must take responsibility for their education, earn good grades, and stay on track to graduate.

We have also greatly increased the number of repayment options for federal loans on the back end to help students manage their debt. To start, through our income-based repayment programs, we have capped student loan payments at 10 percent of monthly discretionary income. Through the very good work of Federal Student Aid, we have seen a dramatic rise in the take-up rate of these income based repayment programs, with a 56 percent growth from 2014 to 2015. Almost 4 million students are enrolled in income based repayment programs now, and those students can count on manageable student debt for the long term.

I've begun holding listening sessions around the country, hearing from as many students as I can about their experiences, and how we can do better for them. There is no question that many of the problems lie in the for-profit sector. And, as part of the Administration's efforts to promote quality and accountability in higher education, the Department has established a federal interagency task force – which I lead on behalf of Secretary Duncan – to help ensure proper oversight of for-profit institutions.

The task force will enhance the enforcement activity at the Department as well as at other federal and state agencies through tighter coordination of their activities and better information sharing to protect students from school practices and policies that are unfair, deceptive, and abusive, and that put taxpayer funds at risk. The task force is building on efforts already under way among various federal agencies, and includes the Departments of Justice, Defense, the Treasury, Veterans Affairs, and Labor, as well as the Consumer Financial Protection Bureau, Federal Trade Commission, Internal Revenue Service, and Securities and Exchange Commission. In addition, the federal partners will continue engaging with state Attorneys General and other stakeholders. Given the important responsibilities each of these agencies has and the vital role that states play, this team will leverage their resources and expertise to continue to assist one another in the enforcement of federal criminal and civil laws and regulations, including against institutions and individuals who commit fraud or other criminal activity, thereby making the best use of scarce resources and better protecting the interests of students and taxpayers.

Our new Gainful Employment (GE) regulations are a specific instance of tightening our focus on transparency and accountability for institutions, to protect students and taxpayers. These rules set debt to income ratios and require schools to ensure that they are preparing their students to earn sufficient income without crippling debt payments. They also require institutions to provide important information about their programs, and focus on student outcomes, like what their former students are earning, their success at graduating, and the amount of debt they accumulated.

Already, our efforts have incentivized institutions to eliminate programs that were not showing results for students, reduce the cost of some programs to ensure that they will pass the GE thresholds, and institute new practices like trial periods for students. The regulations prevent students from being buried in debt through an accountability metric that looks at graduates' debt compared to their earnings. Right now, based on available data, the Department estimates that about 1,400 programs serving 840,000 students – of whom 99 percent are at for-profit institutions – would not pass the new accountability standards. All institutions will have the opportunity to make changes that could help them avoid sanctions, but if these programs do not improve, they will ultimately become ineligible for federal student aid – which often makes up nearly 90 percent of the revenue at for-profit institutions. Our regulations went into effect July 1st, and we are beginning the work of implementation.

Accreditation has a vital role to play in accountability and ensuring that education provided by institutions of higher education meets acceptable levels of quality. Accreditation is of critical importance to students, since academic quality control depends on its rigor and effectiveness. It also matters to taxpayers, since accreditation is a prerequisite for access to participation in their $150 billion federal student aid investment. Secretary Duncan recently noted the urgent need for improvement in accreditation. That improvement should take the form of a consistent and demanding focus on key *outcomes*, such as retention, graduation and transfer, and employment. We and the bipartisan National Advisory Committee on Institutional Quality and Integrity (NACIQI), two-thirds of whose members are appointed by the Congress, are looking at many ways to increase the rigor in accreditation, and we hope to work with Congress to give us the authority we need to protect students and taxpayers.

Innovation

The only way we can design an education system that truly delivers for all – a system of unprecedented scope and scale – is to encourage and support creativity and invention, and promote the widespread sharing and scaling of promising practices, from the grassroots to the federal level.

We need all stakeholders collaborating to identify, test and refine the best solutions. Our Department is using federal dollars to seed new approaches, build a stronger body of evidence, and increase the adoption of effective practices nationwide. We have focused on improving college performance and innovation that can lead to breakthroughs on cost and quality. We recently announced the second round of winners in our First in the World Initiative, with grants totaling $60 million. We had an overwhelming response to this competition: we had over 300 applicants, of which we were able to fund 17.

We were so pleased that nine of the recipients are minority-serving institutions and three are historically black colleges and universities. Institutions will pilot new approaches such as proactive advising and support services guided by predictive analytics, redesign of online gateway courses to increase student engagement, integration of adaptive learning software into a short-term bridge program, and open source developmental courses delivered through mobile learning apps. The learning from this program is crucial to spurring innovation, and we urge Congress to fund the First in the World program going forward.

And, through our "experimental sites" program, we're supporting schools in piloting new ways to distribute student aid, implement competency-based education, and assess prior learning. Grantees are also testing new strategies for college counseling and other ways to make the path from high school to college smoother and more successful. We're evaluating the effectiveness of these alternative approaches to inform potential changes that could help improve student outcomes and reduce costs.

At the same time, we're making it a priority to convene and collaborate with other organizations, so we all can better align public and private funds around shared priorities. For example, this past year we've worked with the White House on two College Opportunity Days of Action and a workshop on K-16 partnerships. As a result, a host of colleges and partners have made important new commitments to expand opportunity for the nation's most vulnerable learners, and to strengthen local K-12-postsecondary connections.

We're also partnering with the Labor Department on a $25 million grant competition for an Online Skills Academy. Competencies, learning resources, and assessments are building blocks of what learning can and should look like. We see this as a working model of the system of the future— an example and platform on which others can build.

Charting Our Progress

The good news is that we've been at this work for almost seven years now, and there's real cause for hope. Our efforts have begun to move the needle. Our high school graduation rate is at its highest point in history. The Administration has increased total direct aid available to students by over $50 billion from 2008 to 2016 and, through the American Opportunity Tax Credit, increased tax support for education by $10 billion in 2016, which has helped our Nation ensure that more students are graduating from college than ever before.

We've seen real progress, new approaches and improved outcomes for all students – especially low-income, first-generation and minority learners – on a growing number of college and university campuses.

We've taken historic steps to give borrowers, especially those who are struggling to repay their loans, better options to manage their student debt and to make sure they know about those options. We are seeing tremendous progress in this area: in the past year alone, the number of students taking advantage of income-based repayment jumped by 56 percent and on average, more than 5,000 borrowers have enrolled in income-driven plans daily. Nearly 4 million Direct Loan borrowers have enrolled in Income-Driven Repayment plans as of June 30, 2015. Delinquency rates and default rates have also dropped.

According to data released by the Department in August (and available for download on the FSA Data Center), the proportion of Direct Loan borrowers who are more than 31 days late in their repayments dropped from 23 percent on June 30, 2014, to 21 percent a year later. The total dollar balance of Direct Loans delinquent for more than 31 days fell from 17.2 percent to 15.9 percent. Likewise, the proportion of delinquent Department-held Federal Family Education Loan (FFEL) borrowers declined from 24.2 percent to 21.8 percent. And, the total dollar balance of delinquent, Department-held FFEL loans went down from 24.6 to 23 percent.

Our quarterly APG report on our progress also confirms we are on track to meeting our goal. Starting from a baseline of 44.0 percent in 2012, the Department projected that the annual increase of educational attainment among ages 25–34 would grow progressively each year above the four-year historical average of 0.7 percentage points. Based on this projection, the Department established performance targets of 44.7 percent for 2014 and 45.6 percent for 2015. The Department is on pace to achieve this APG as 44.8 percent of adult's ages 25–34 have an associate's degree or higher, exceeding the 2014 performance target (note that the rate reflects prior year data, in this case from 2013, but is reported in 2014 when data are available).

The administration's landmark investments in Pell Grants, coupled with the creation of more generous tax credits and loan repayment options, have helped more Americans access a college education. However, the Department is concerned that federal student aid may not be able to keep pace with rising college costs indefinitely. Instead, systemic state and institutional reforms are necessary to address the root causes affecting college affordability, while also creating incentives to provide greater quality at a lower cost to students. This task is not one that the federal government can take on alone. As such, success will also depend largely on the extent to which states invest in higher education and whether institutions pursue practices and policies that will help improve affordability and student outcomes. Specifically, whether and to what extent states and institutions (a) implement policies and programs to increase college access and success; (b) reduce costs and time to completion; (c) support accelerated learning opportunities, including dual enrollment; (d) develop and adopt effective and innovative practices that improve student outcomes; and (e) promote seamless transitions from secondary to postsecondary education and among higher education institutions will influence the Department's success in achieving this APG. While some of the Department's budgetary proposals that would more fully address these areas have not received traction in Congress, the Department has some limited leverage to influence states' policies and the practices of postsecondary institutions, and the Department will use its available resources, including grant programs and technical assistance, and the ability to convene stakeholders to encourage collaboration and best practices.

Conclusion

Managing change of this scope in a way that benefits all students will take all of us: institutions, states, associations, and students and families, as well as the federal government. We're starting to see bold new thinking and encouraging progress. I'll mention a few names as just some of the colleges and universities engaging constructively with the issues and shaping their priorities to achieve similar goals. They include: University of Wisconsin (competency-based degrees); Lorain Community College, Ohio (associate's degrees for high school students); Kentucky Community & Technical College System (competency-based education, real-time labor market analysis to respond to workforce needs); Southern New Hampshire University (competency-based education); Dartmouth College (free tuition and elimination of loans for students with family incomes of $100,000 or less); Iowa State University (tuition guarantee plan); and Midland University Nebraska (Four-Year Graduation Guarantee, with free tuition after fourth year).

At the federal level, we view all our efforts to improve college access, affordability, quality and completion through the lenses of transparency, accountability and innovation. These principles guide everything from the investments we make in students and in institutions, to the regulations and policies we issue, to the extensive suite of tools we're developing to help students and borrowers.

One thing is certain. It's time to put an end to conditions that limit the lives and contributions of our people and check our capacities as a nation. Increasing opportunity for more students to enroll and succeed in college, especially low-income and underrepresented students, is the cornerstone of a dynamic economy with a thriving middle class, and essential to preserving a strong democracy.

Thank you again for the opportunity to speak with you today about the Administration's goals for higher education. I would be pleased to respond if you have any questions.