Committee on Governmental Affairs
United States Senate

"The Rising Cost of College Tuition and the Effectiveness of Government Financial Aid"

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On behalf of
The United States Student Association

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On behalf of the nearly 15 million students across the country, I thank the Committee for hearing this most important issue – college cost. As the country moves into a new millennium and a new economy, it becomes increasingly important for the country to invest in the education of our young people if we want to continue to compete globally. Young people are feeling the pressure to get a degree now more than ever so that they too can participate in this booming economy.

Every year, though, achieving that college degree becomes more and more difficult and more and more costly to a student and their family. Annually, tuitions rise and students take out more and more loans to pay for college. Tuition and fees only comprise part of the cost of going to college. Students have to pay for room and board not to mention books and supplies.

While graduating with a reasonable amount of debt is better than not having a degree and the opportunities that come with that degree, debt can effect the job a student takes, the place he or she lives and the assets the student may or may not acquire. I am such a student.

I graduated from Claremont McKenna College in Claremont, California in May of 1998. My parents are both teachers and recently started a 7th-12th grade Episcopal school in Lawrence, Kansas. I have an older sister who graduated from Tufts University and now is a teacher in Boston and a younger brother who just started his freshman year at the University of Kansas.

I graduated with approximately $18,000 in Stafford loan debt and $1,000 in Perkins loan debt. While I was in school, I worked 15-20 hours per week under the Federal Work-Study program to pay for living expenses such as groceries and books. My parents made just over $50,000 combined while I was in college. Just for my college education, they took out approximately $22,000 in PLUS loans. They had taken more out to pay my sister's education. I was lucky in that Claremont McKenna gave me between $10,000 and $15,000 in institutional grants every school year without which I would have accumulated more debt. Even with the grant aid, however, I could not have attended college without those loans.

Every month I write a check for $208.32 to Sallie Mae and a check for $40.00 to Claremont McKenna. Nearly $250.00 of my monthly income paid to student loans. I make $25,000 a year as the Legislative Director of the United States Student Association fighting to increase access to higher education for all students. In applying for jobs for after graduation, the most important factor was salary and/or help with loan repayment. While USSA does not pay the highest salaries in Washington, it is livable, because of the help with loan repayment. Luckily, USSA as part of our philosophy provides $150 per month in loan repayment. I would not have been able to take this job with out that help.

Beyond just job choice, though, I have little ability to save money and have no idea when I will be able to afford a car let alone buy a house. This level of debt has limited my ability to fully participate in this economy through saving and investing.

Currently, this country is discussing the problem of teacher shortages and teacher quality. My family feels this problem acutely because my parents and sister are teachers. As a nation, we provide no incentives for our young people to go into teaching. Teacher credentials require a 5th if not 6th year of school, therefore taking on more debt and then pay them meager wages in increasingly poor schools. My sister has an enormous amount of debt and has chosen to teach in low-income schools and has received little support or help for that decision.

My sister and I are merely representative of the education debt accumulation problem in this country. There are millions of students like me in this country and increasing numbers of such graduates. But, let me tell you why in spite of my debt I am one of the lucky students. Not only did my parents go to college they both are educators. They know the importance of a degree, but most importantly they know how to get there. They know about applying to schools and how to fill out the FAFSA form. I understood taking on debt and that I would survive paying it off. I knew that if I needed some help from my parents, I could count on it. I went to a great high school that offered a lot of support and counseling in applying college. That high school gave me an education that prepared my for college. I am a traditional student. I did not have to worry about children or helping to support my family.

Not all students have it as easy as I did. There are thousands of students across the country who did not have the support I did, who had to take on more debt than I have or who do not have a job that helps to pay for student loans. Unfortunately, there are thousands more who do not even have the opportunity to go to college. Low income and at-risk students should have just as much opportunity to go to college as I did.

One important factor about my story is that I went to private school. Only, about 15% of students go to colleges as costly as I did. 50% of students go to colleges that cost less than $4,000 – a price that is still unaffordable for a lot of students.

Last year, tuition at public 4-year schools increased by 4% and tuition at 4-year public schools increased by 4.3%. This is a recent low for college tuition increases. Part of the problem when looking at college cost, though, is that we do not look at all of the costs of going to school. Room and board, book and living expenses often double the straight cost of tuition and fees. While tuition at a 4-year public school averaged $3,356 in the 1999-00 school year, total expenses to attend that school (as determined by The College Board) equaled $10,909. Tuition at a 4-year private averaged $15,380, but total expenses equaled $23,651.

Looking at 10-year trends gives a more complete picture of college cost and how it effects families. Tuition alone increased by 41% at 4-year privates and 53% at 4-year publics over the past 10 years. Median family income increased by 10% over that same time period. Aid per student increased by 66% and the number of Stafford loans increased by 66%. The number of PLUS loans increased by 148% with the average amount increasing by 55%. While the number of Pell recipients increased by 21% the actual aid Pell provided grant recipients decreased by 2%. A similar pattern exists for the Supplemental Educational Opportunity Grant. The number of SEOG recipients increased by 63%, but the SEOG aid per recipient decreased by 32%. The number of Federal Work-Study recipients increased by 33%, but the FWS aid per recipient decreased by 11%. The number of Perkins loan recipients increased by 1%, but the aid per recipient decreased by 11%. During this 10-year period, institutional aid has more than doubled as had state grant aid. State grant aid though, only comprises 6% of all aid.

Annual tuition increases hurt low-income students the most. Low-income students have to take on more debt every year because their grants do not increase at the same rate as tuition. As college cost increases, so does the fear of paying for, especially for low-income students who fear who fear they will not be able to pay back their loans. Twenty years ago Pell grants paid for about

80% of the cost of attendance at public 4-year schools and 40% of private 4-year schools. Now, Pell grants pay for about 40% of public 4-year school's cost of attendance and 20% of private 4-year school's cost of attendance.

What is most disturbing about the trend of increasing tuition and decreasing impact of grant value is how students, especially low-income students, make up the difference between aid and tuition. Dependence on loans to pay for school has certainly increased. In the early 1980s, loans covered about 40% of total aid and now covers 58% of total aid. During the same time period, grants went from covering 55% of total aid to just 40% of total aid currently. What we must remember too is that tuition increases turn into more debt than just the straight numerical increase because of interest. A tuition increase of $371 becomes about $528 in a 10-year repayment plan.

Students have few options to pay for other college costs that federal aid does not cover. The number of students who took out non-federal loans increased by 25% last year. Students are turning more and more to credit cards to pay the difference on tuition, for books or groceries. Both non-federal loans and credit card have astronomical interest rates and no student protections.

Low-income families pay a large share of income to cost-of-attendance as well and this number has increased between 1971-72 and 1998-99. At public 4-year schools, in 1971 low-income families paid 42% or income to college cost, middle-income families paid 13% of income and high-income families paid 6%. Now, low-income families pay 61% of income to college cost, middle-income families pay 17% and high-income families' share has decreased to 5% of income.

Aid comprises only part of what makes or breaks a student's enrollment and completion of college. Early intervention and mentoring programs such as GEAR UP and TRIO before and during college are crucial to an at-risk student's success in college. Students, especially low-income students, often do not have the information in their high schools or families to learn about how to apply and pay for college. Without the TRIO and GEAR UP programs, many students would not go to college.

Students have always actively opposed tuition increases. Just this year, students at the University of Wisconsin system organized and passed a tuition freeze when they faced a potential 10% increase in tuition. Students in North Carolina are fighting large tuition increases as well. What is most interesting now is that some states are passing freezes or cuts because most states are running large surpluses. California's Governor Davis is proposing a tuition and fees cut while Republicans in the state senate are proposing a 50% cut to tuition and fees in the University of California system. Williams College in Massachusetts recently decided to freeze tuition for the next school year as well.

The College Cost Commission showed us that in financially difficult times, such as the late 1980s and early 1990s when tuition increases were highest, states were cutting back on state support thus increasing a family's percent of income going to pay for college. Now that the federal government and states are seeing surpluses, tuition increases are low and, hopefully, state aid contributions will increase. It is crucial for the federal role to increase and work with the states to make college more affordable to all students.

Both the states and the federal government are experiencing unprecedented surpluses. Such unprecedented surpluses provides for an unprecedented opportunity for the federal government to make some changes, choices and increase funding for programs that will truly help all students afford college and life after college.

For low-income students, a strong commitment to grant programs and the Perkins program is crucial. Grant programs such as Pell, SEOG and LEAP allow low-income students to go to school. Early intervention and mentoring programs such as TRIO and GEAR UP provide at-risk students with the tools they need to get to college and hopefully graduate. Low-income students simply could not go to school without these programs. With such a large surplus, we have the opportunity to fund Pell grants in a more permanent fashion by making Pell funding mandatory and increasing the maximum grant to cover tuition at a level it once did.

The federal government also now has the opportunity to bolster the loan programs. It is crucial to students that we maintain competition between all the loan programs. Currently, students pay a 4% tax on their student loans called origination fees. Students pay back 100% of their loan amount plus interest, but they only receive 96% of that loan amount for use. The origination fee was put into place as a temporary measure and was supposed to be eliminated. Eliminating or lowering the fee would save students much needed money.

The federal government could also use tax proposals to help students pay back their loans. Currently, borrowers can deduct the interest they pay on student loans for the first 60 months of repayment. It is crucial that this deduction be increased to the life of the loan for those students who have the most debt or have had the most difficulty paying their loans back and are, thus, paying their loans back over a longer than 10-year period (often 25 years). An interest tax credit would help students out even more than the interest deduction. Personally, I paid a total of $1361.03 in interest last year. It would certainly help me out to be able to receive the tax credit to help me pay back my loans.

The cost of college increases far above inflation annually. That is a problem in itself. A related and substantial portion of the problems associated with an expensive education, though, comes when federal and state commitments to low-income students fall short. As a country we have an unprecedented opportunity to give all students the keys to college. The financial stability of both the states and the federal government allows the governments to make concrete and permanent choices towards access to higher education including public college pricing on the state level.

I think that everyone would agree that education is the best investment this country can make in our young people and the economic future of out country. It was certainly an important investment for my brother, sister and I. Unfortunately, we may not be able to make any other investments for out future. I thank you for allowing me to discuss with you my story of going to college and what steps would be useful in helping students pay for college.