

Joint Democratic Policy Committee
Hearing on College Affordability
Testimony of Tom Foley, President
Association of Independent Colleges and Universities of PA
March 26, 2019

Good morning, Chairmen, Senators and Representatives. My name is Tom Foley and I spent the last 8 years as President of a small college in Western PA, a place where 60% of the students are first generation to college and 50% qualified for needs-based Pell and PHEAA grants (one of the highest rates for any institution in the state). The vast majority of its students (over 90%) were in career-directed majors; the College had one of the highest pass rates in the state for 6 straight years in the PA NCLEX nursing exams; and it was named by the White House one of four “Engines of Opportunity” in the country in 2015.

I am here today to testify on behalf of AICUP, the Association of Independent Colleges and Universities in Pennsylvania whom I now serve as President. AICUP is a statewide association composed of ninety-two (92) private non-profit colleges and universities, from Peirce, Cabrini, Wilkes and Drexel in the East to LaRoche, Allegheny, Waynesburg and Robert Morris in the West.

I came to this assignment in the field of higher education the old fashioned way. My grandparents immigrated to Philadelphia with little in the way of formal education. My parents were proud high school grads who were even more proud that 11 of their 12 children achieved a college degree. Spending this last portion of my career in higher education seems the best way to repay the extraordinary benefits that higher education has bestowed on my entire family.

Although I have not had the privilege of serving this legislature, I have a sincere appreciation for the challenges you face every day. I spent time in Washington working for then-Senator Joe Biden and two US Labor Secretaries, Robert Reich and Alexis Herman. And I spent most of a decade in Harrisburg, serving in two Cabinet-level positions, the last as Secretary of Labor and Industry under Governor Casey.

The 92 institutions AICUP represents enroll over 291,000 students—fully 51% of all bachelor degree seeking students in the Commonwealth. They also employ about 80,000 people, create more than 100,000 other jobs and buttress 60 communities across the state – anchoring those cities, towns and boroughs historically, culturally, economically, and educationally.

A number of these institutions trace their founding to the very creation of this Commonwealth, more than 200 years ago. Some of them were founded over 100 years ago by religious communities of every denomination so that they might provide a values-based higher education to their members, because no one else was doing so. Though most of these schools have moved to a more secular approach, they remain economic pillars in the towns, boroughs and cities where they began. And with more than 5,000 years of collective experience in PA and with current students from every one of our 67 counties, private non-profit colleges and universities are an integral part of the story of this Commonwealth. Frankly, we are very fortunate in PA to have such a vast and high-quality network of both private and public colleges and universities.

Thank you for the opportunity to address this hearing on college affordability, with its tri-fold focus on student debt, higher education costs and ways forward. A few words on each.

Student Debt

AICUP member presidents consistently struggle with their budgets and costs in order to keep their expenses down and in turn, keep student debt as low as possible. They encourage students to pursue a degree, graduate on time and obtain gainful employment. There is no question that student debt is a serious problem for some whose stories have been captured in state and national media accounts. Let's focus on the numbers behind these concerns.

In **Chart #1**, we show the **Average Amount Borrowed by Undergraduate College Students in Pennsylvania**. Public Colleges in Pennsylvania receive roughly \$1.5 billion a year in General Fund appropriations, while private non-profits in the state share \$168.1 million (almost all of it PHEAA dollars tracking the lowest income students). It should be noted that the private non-profits serve the highest percentage of Pennsylvania low income students, enrolling 43% of all Pell eligible students and 41% of all PHEAA grantees. Over the last five years students at public 4-year colleges graduated with an average debt of \$34,874 while those from private 4-year nonprofit colleges and universities graduated with an average debt level of \$34,352.

While student loans are not inconsiderable, they are also not dissimilar to loans to buy a car, and newspapers are not full of stories claiming that cars are too expensive. And while a car loan buys you an automobile that you hope will last ten years, a college education lasts a lifetime, can enhance dramatically one's quality of life and pays a widely documented significant economic dividend as well.

A March 2019 report from the United States House Committee on Education and Labor, *Don't Stop Believin': The Value of a College Degree*, found that a college degree is well worth its cost, noting that a wide range of studies have concluded that bachelor's degree holders earn up to \$1 million more than high school graduates during their work lives. In other words, unlike *consumer* loans for cars and appliances, *student* loans can be an investment in one's quality of life (and life choices) and produce a large monetary return on investment as well.

At the bottom of **Chart #1**, you will see the loan default rate for students who graduated in 2014-2015. This information was collected three years after graduation. Again you see that Pennsylvania private non-profit institutions do well in terms of a loan default rate at 4.7%. This low default is well below the national default rates of 7.1% for private institutions and also well below the default rates of any other higher education sector in Pennsylvania. This illustrates that as these students graduate, they are able to get a job that allows them the ability to pay back these debts.

Chart #2 shows Borrowers by the Size of Outstanding Student Loans. This chart reflects loan amounts by all college graduates in Pennsylvania. As you see, most students borrow reasonable levels of debt. In fact, 31% of graduates have less than \$10,000, 52% have less than \$20,000 and 76% have less than \$40,000 of debt; only 7% of borrowers actually borrow more than \$100,000 to attend college/grad school. These heaviest borrowers includes business, medical and law school graduates, who borrow

against their higher capacity to repay these loans. **Please note that about 1/3 of those who graduate do not have any debt at all.**

Higher Education Cost

It is important to note the difference between *sticker* price and *net* price at Pennsylvania's colleges and universities.

Chart #3 details the change in the average net price charged to needy students over the past 6 years at private non-profit Pennsylvania colleges.

AICUP institutions have responded to stagnant family incomes since the great recession by substantially increasing their institutional grant aid. Indeed, while the sticker price increased from \$30,036 to \$35,804 between 2011 and 2016, the net tuition only increased by \$498. A small percentage of students will pay the sticker price, but the vast majority are paying closer to the average net price.

Private colleges must do a better job of getting the word out about how affordable they actually are and their average debt load is very similar to that from publicly-funded institutions. A relatively new federal tool, however, is improving the transparency about cost, graduation rates, future earnings, and other information that prospective students and parents may want to know about a college, public or private.

Charts #4 & #5 are from the College Scorecard. The scorecard, published by the U.S. Department of Education, provides a wealth of valuable information to families and students. The Scorecard provides an extensive list of postsecondary institutions across the nation sorted by programs/degrees, location, size and other details including cost, graduation rate, and salary after attending. Chart 5 also shows the projected financial aid and debt as well as the earnings expected at a school.

Charts #6 and #7 depict two other college cost sites that provide detailed information about colleges and universities in Pennsylvania and across the country. The College Navigator is available from the National Center for Education Statistics and UCAN provides information regarding private colleges and universities in the state and country.

Recommendation for the Legislature to Address College Affordability and Student Debt

Four suggestions.

First, fully fund PHEAA's Direct Student Grant Program. PHEAA dollars are the only dollars in the \$1.7B state budget lines for higher education that follow students (as opposed to institutions). PHEAA dollars track students who share three qualities—they are PA residents, they want to pursue higher education and they have demonstrated financial need. **Chart# 8** shows the decline in state support over the last few years for what was once one of the best student grant programs in the country. State funds that were used to support need-based student aid for PA students in all sectors of higher education (public,

private, community and technical schools) are now being diverted to other areas of the state budget. **Consequently, low and moderate-income Pennsylvania students have lost significant purchasing power over the last decade as Chart# 9 shows.** The *maximum* grant (for those with the most need) and the *average* grant have not been fully funded since 2007-2008 when the maximum grant was \$4,700 per student. In the current year, the maximum grant award is actually down to \$4,123. This means that the average student must now come up with more than \$5,000 in funds over four years to replace the value lost since 2007-08--lost because not only were the PHEAA grants not inflation-adjusted over the last ten years, but they were actually cut. **Chart #11** shows the actual numbers.

Next year, even with the Governor’s proposed and generous 13% increase in State General Funds, PHEAA currently estimates that the maximum grant will drop to \$3,856 per student. And here is the rub—PHEAA funded students graduate faster and at a higher rate than non-PHEAA funded students. And as **Chart# 10** shows, PHEAA students attending private nonprofit AICUP colleges have the highest graduation rate of all sectors--at 75%--which makes it even more imperative that these students have the resources needed to get to the finish line.

Second, fully fund PHEAA’s Ready to Succeed Scholarship (RTSS) Program. This program is for the middle income families with a maximum income up to \$110,000 and was specifically established to address the debt issue. The maximum award under this program is \$2,000. This program is funded at \$5.0 million for 2018-2019 and has been funded at this level since its inception. Last year only one-third of 3.25 minimum GPA, financially eligible students and their families received an RTSS grant.

These dollars were provided to help keep students and their families from assuming additional debt. Financial aid officers have relayed that students who receive an RTSS scholarship will swap out loans with the RTSS funds. While other higher education appropriations have received increases over the past few years, RTSS has been level funded at \$5.0 million.

Increasing support for Pennsylvania’s current programs will increase college affordability and lower student debt. The PHEAA state grant program and RTSS are programs with proven track records and they are the best mechanisms for getting resources to Pennsylvania students who have demonstrated the need for state support.

Third, encourage all higher education institutions to engage in collaborative approaches that save time and money. At AICUP, we sponsor 27 different efficiency programs that our colleges use. For example, almost all our schools buy all their Microsoft products through the statewide contract negotiated by AICUP, instead of negotiating one by one with them. Similarly, AICUP is about to become the fiscal agent for ten schools so they can hire one cyber security expert. Not one of these ten schools can justify the expense, but working together all ten will get maximum use at minimum cost from this venture. I include a two page summary of some of these efforts that show greater efficiency and collaboration between institutions at opposite ends of the state who share needs—and a joint

commitment to keep costs low for their students. These approaches are part of the reason that the 92 AICUP schools' average net tuition and fees has been stable at \$13,089 over the past five years (lower than at some publicly funded institutions).

Finally, include private non-profit colleges in any proposals to address student debt, whether it is free college or any other initiatives. Let me suggest four reasons why their inclusion is imperative.

- ✓ **AICUP schools educate 41% of all need eligible students in the state.** If you don't include these schools, it in effect penalizes these students. Don't exclude them.
- ✓ **AICUP schools have the highest graduation rates for all sectors and for all low income students.** This avoids those extra fifth and six year loans and keeps overall student debt lower.
- ✓ **AICUP schools have the lowest default rates, by far, of all sectors.** That is because they are getting jobs that permit them to repay their loans. And our default rates for AICUP schools in PA are almost 30% lower than the national average and 22% lower than for publicly funded institutions.
- ✓ **AICUP schools' net tuition is competitive with publicly funded institutions here and nationally.** That is the case even though they receive only about 10% of all the dollars PA commits to higher education (while serving 51% of all PA's bachelor degree seeking students).

The private non-profit sector in PA educates

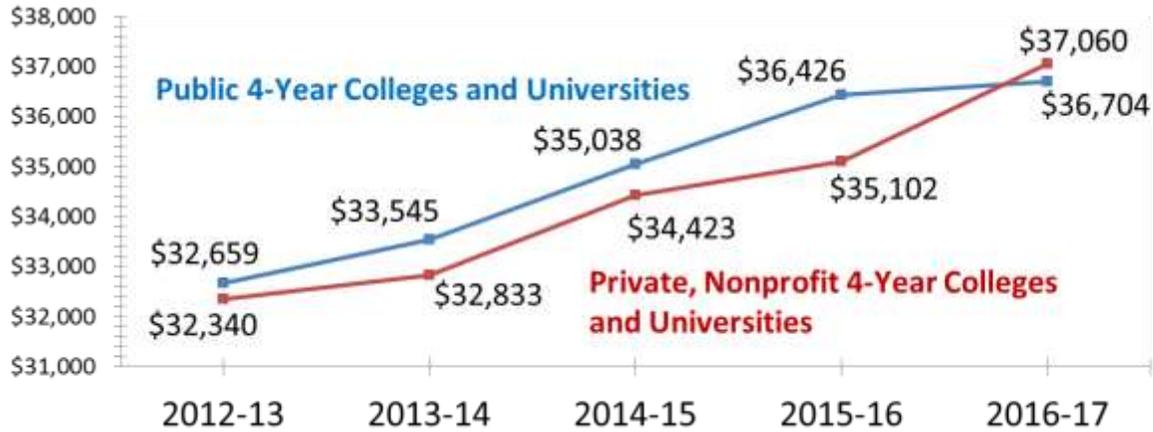
- ✓ 51% of all bachelor degree seeking students
- ✓ 53% of all students of color seeking BA degrees
- ✓ 48% of all mature students (25-64)
- ✓ 49% of STEM degree students
- ✓ 43% of all Pell eligible students
- ✓ 41% of all PHEAA eligible students.

These students have earned the right to be part of any legislative solution to address student debt. It is a mistake not to include them.

Thank you for your attention and if I can answer any questions, I will be happy to do so.

CHART 1

Average Student Loan Debt of Undergraduates in Pennsylvania By Higher Education Sector



Source: Data on student loan debt compiled by The Institute for College Access and Success and available from <http://college-insight.org>. Numbers are the average total education loans taken out by undergraduates receiving a degree from a 4-year college or university in Pennsylvania during the specified academic year.

Loan Default Rates (2015 cohort)

	<u>Pennsylvania</u>	<u>National</u>
4-Year Public Institutions	6.0%	7.1%
4-Year Private Institutions	4.7%	6.6%
Community Colleges	16.0%	16.7%
For-Profit Schools	17.3%	15.6%

Sources: Average amount borrowed is from The Institute for College Access and Success through College-insight.org. “Amount borrowed” is the average student loan debt from both federal loans and private loans for undergraduate students graduating in 2016-2017.

Loan default rates were prepared by the U.S. Department of Education, Office of Federal Student Aid and compiled by The Institute for College Access and Success, <https://ticas.org/content/posd/cohort-default-rate-resources>. The “default rate” refers to students graduating in 2014-2015 who defaulted on their federal student loan by 2018.

CHART 2

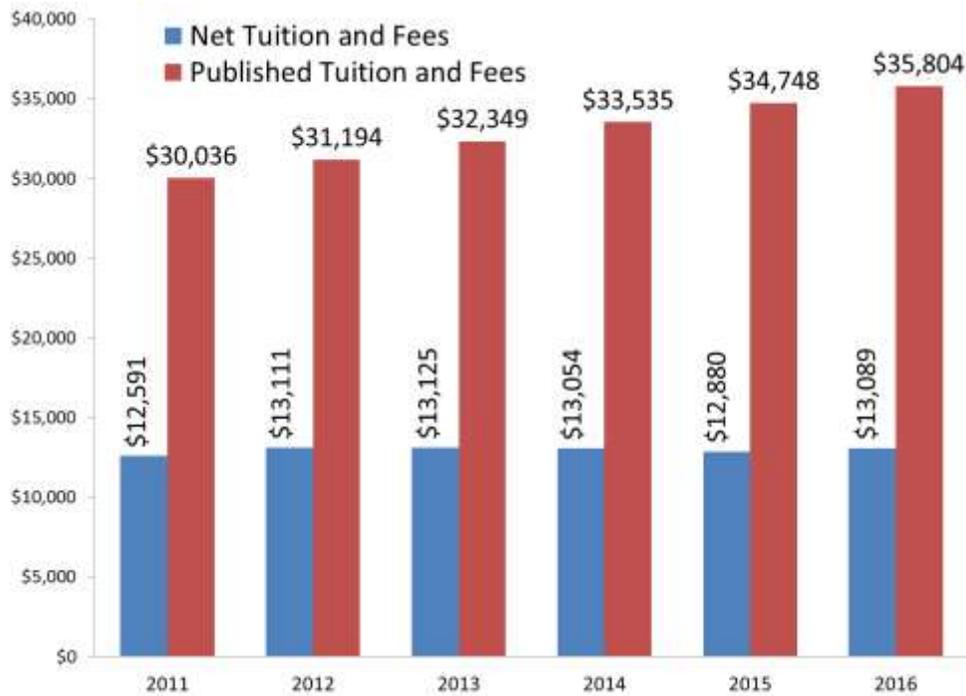
College Graduates in Pennsylvania by Size of Outstanding Federal Student Loans, 2018 (Undergraduate loans + Graduate loans)



Source: U.S. Department of Education, Office of Federal Student Aid

CHART 3

The average net price charged to needy students has changed little over the past 5 years as AICUP institutions have tried to respond to the financial need of students and families.



Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS) Tuition and Fees survey and Student Financial Aid survey.

CHART 4

U.S. Department of Education College Scorecard

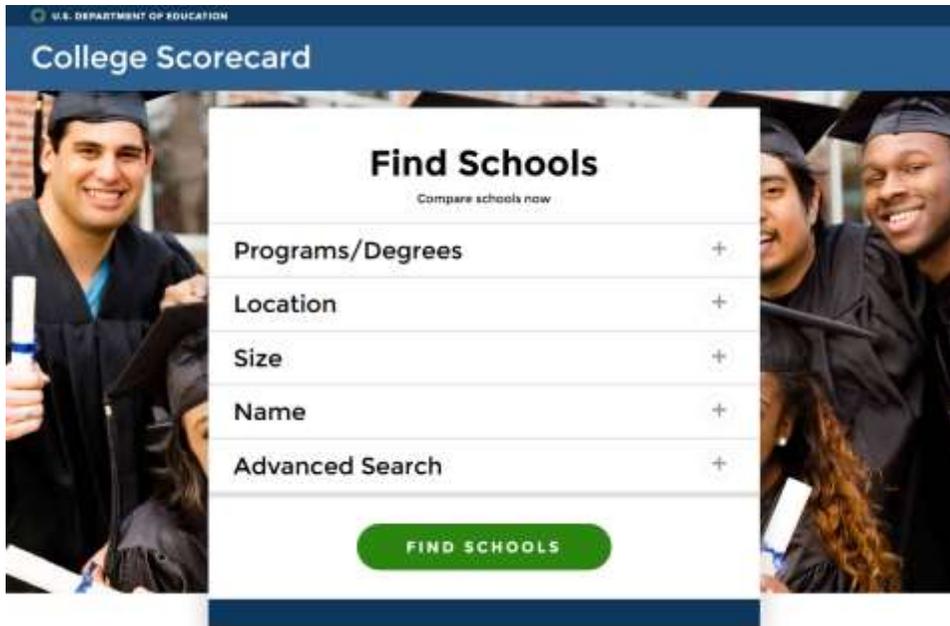


CHART 5

U.S. Department of Education College Scorecard Summary of Financial Aid, Debt, and Earnings

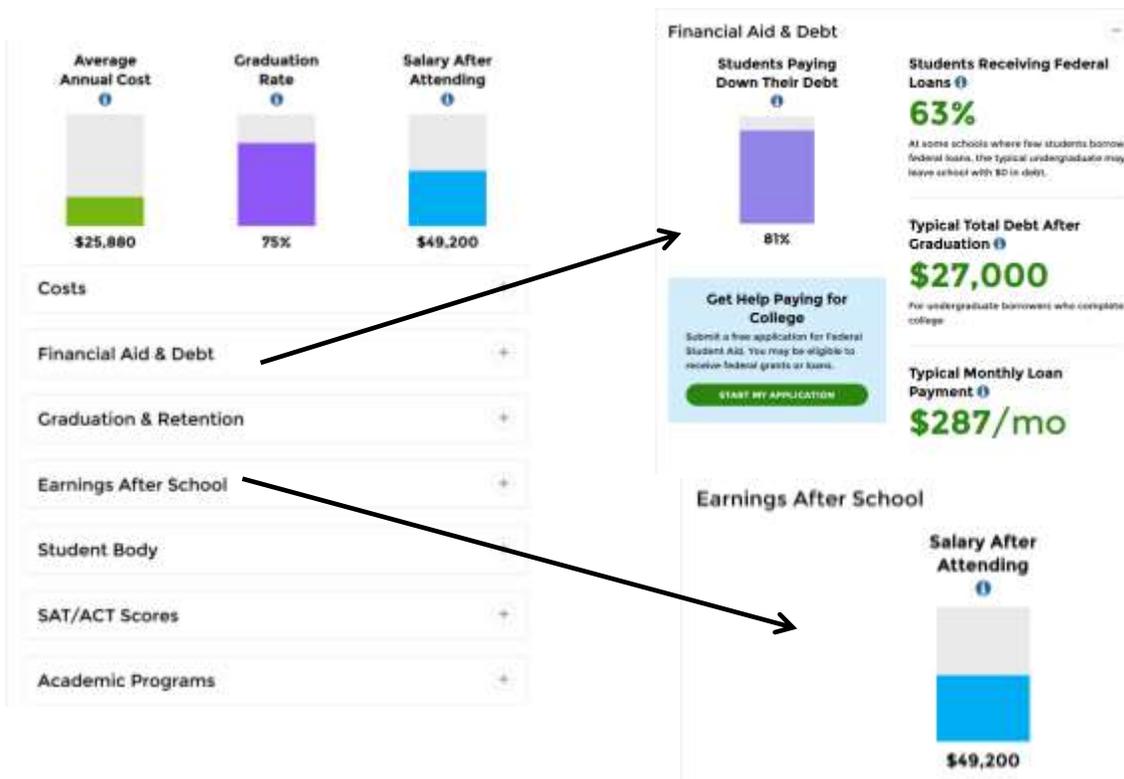


CHART 6

U.S. Department of Education College Navigator



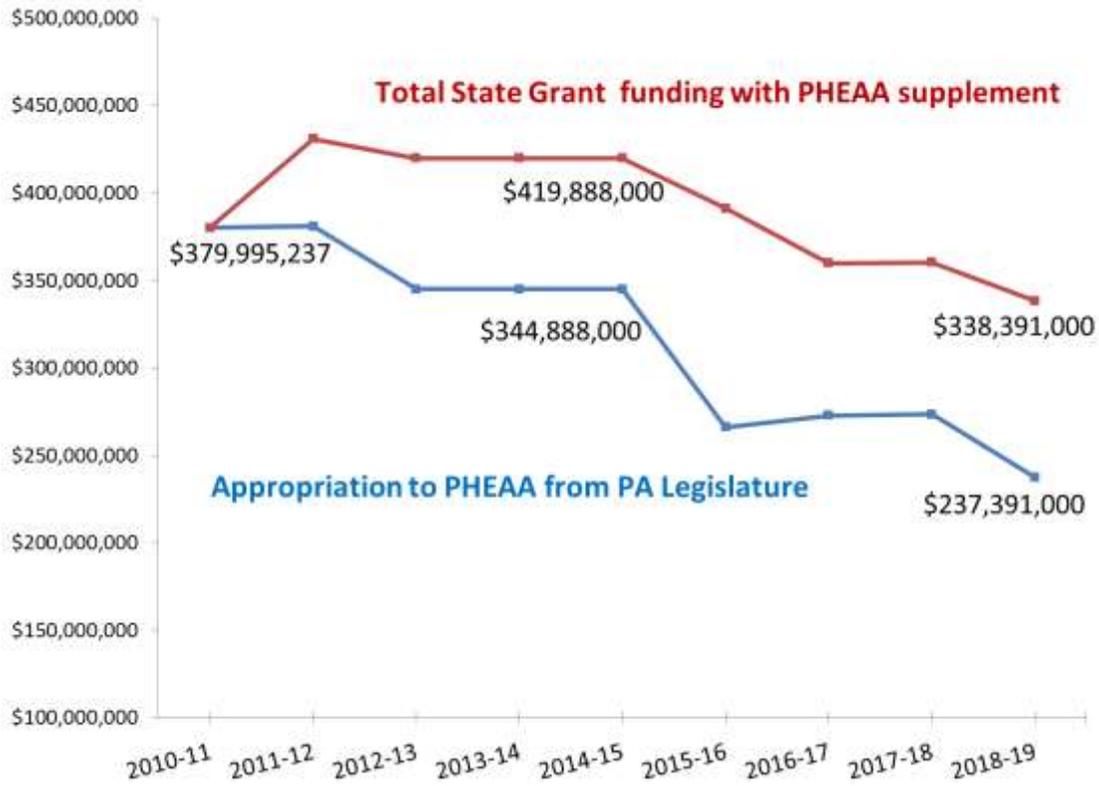
CHART 7

National Association of Independent Colleges and Universities University & College Accountability Network (U-CAN)



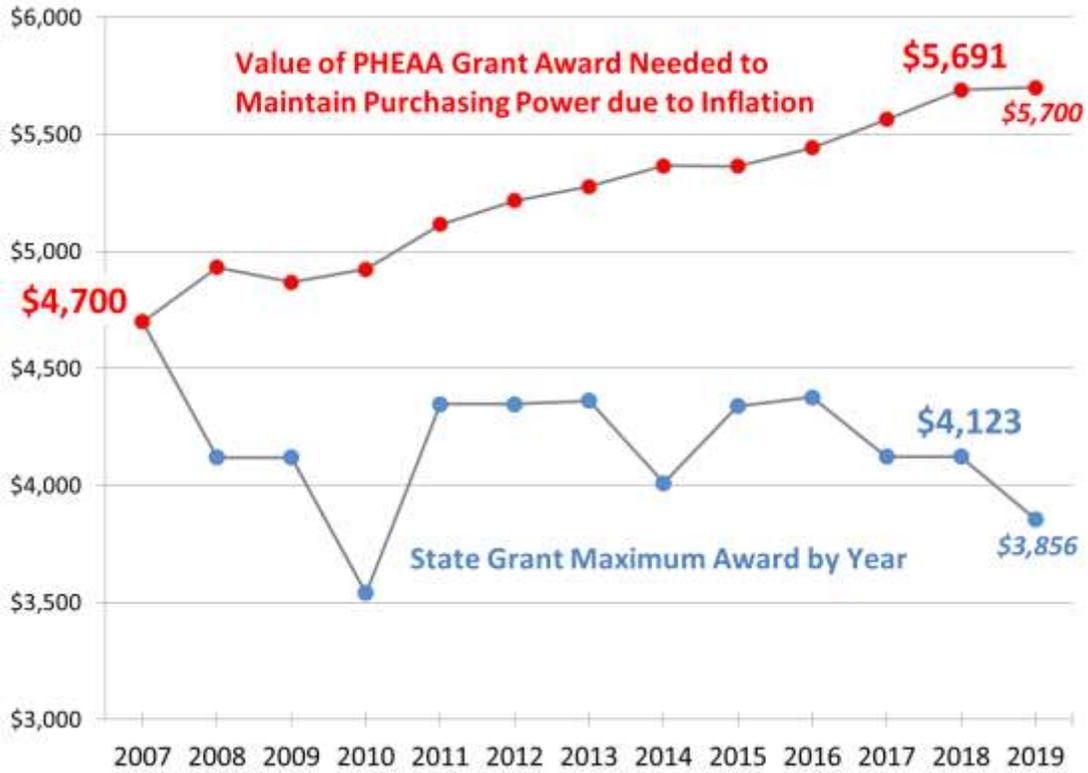
CHART 8

Legislative Support for Student Aid, 2010-2018 Value of PHEAA Grant Funds Including Agency Supplement



Source: 2017-18 Pennsylvania State Grant Program, Year-by-Year and Institutional Statistics Report. Pennsylvania Higher Education Assistance Agency. Table 1.

CHART 9

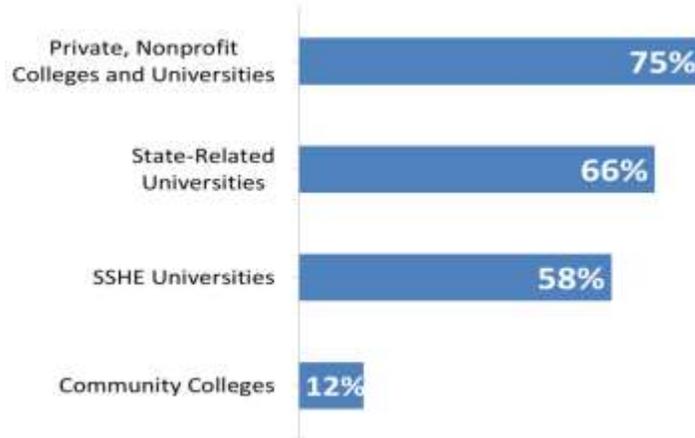


Source: 2017-18 Pennsylvania State Grant Program, Year by Year and Institutional Statistics Report, Table 1, and Pennsylvania State Grant 2018-19 Program Manual, page 7. Numbers for 2019-2020 are estimated.

CHART 10

Low and moderate-income Pennsylvania students receiving a PHEAA grant and attending a private, nonprofit college or university in the state are more likely to graduate than PHEAA students enrolled in any other higher education sector.

Graduation Rate of PHEAA Students by Higher Education Sector



Note: Percentages are for PHEAA students entering college in the 2010-2011 academic year and enrolled full-time and graduating within 150 percent of normal time.

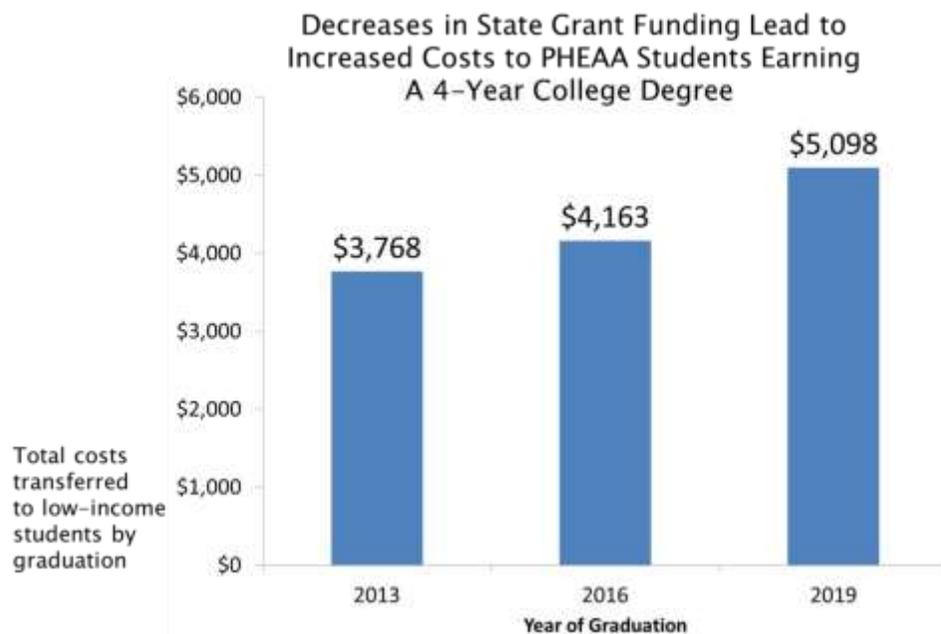
Source: *The Pennsylvania State Grant Program Outcomes Study, 2010-11 State Grant Cohort*. Pennsylvania Higher Education Assistance Agency. February 2018. Page 12.

CHART 11

Smaller PHEAA Grant = Increased Costs for Students

Academic Year	Year	Actual Maximum PHEAA Grant	Grant Amount Needed to Keep Pace With Inflation	Additional Cost Transferred to Low-Income Students Each Year
2007-2008	2007	\$4,700	\$4,700	\$0
2008-2009	2008	\$4,120	\$4,932	\$812
2009-2010	2009	\$4,120	\$4,869	\$749
2010-2011	2010	\$3,541	\$4,924	\$1,383
2011-2012	2011	\$4,348	\$5,115	\$767
2012-2013	2012	\$4,348	\$5,217	\$869
2013-2014	2013	\$4,363	\$5,278	\$915
2014-2015	2014	\$4,011	\$5,366	\$1,355
2015-2016	2015	\$4,340	\$5,364	\$1,024
2016-2017	2016	\$4,378	\$5,443	\$1,065
2017-2018	2017	\$4,123	\$5,564	\$1,441
2018-2019	2018	\$4,123	\$5,691	\$1,568
2019-2020	2019	\$3,856	\$5,700	\$1,844

Source: 2017-18 Pennsylvania State Grant Program, Year by Year and Institutional Statistics Report , Table 1, and Pennsylvania State Grant 2018-19 Program Manual , page 7. Numbers for 2019-2020 are estimated.





Business Efficiency Programs at AICUP

Consistent with its tri-fold mission of advocacy, research and collaboration, AICUP has developed (over the past two decades) 27 Board-endorsed, business efficiency programs in areas of compliance, employee benefits, facilities management, finance, student services, technology, telecommunications and procurement. Each of these programs has a distinct history and narrative, however all of these Board-endorsed programs:

1. Leverage the consumer strength of the AICUP membership, reducing price and improving terms for the purchase of services and goods.
2. Encourage suppliers to recognize this sector (private higher education) as a distinct market, worthy of preferred marketing coverage, pricing and service delivery.
3. Develop a necessary, minimum critical mass for contract aggregation.
4. Identify unique and strategic business efficiencies opportunities that are best suited for a state-level association and not otherwise offered by individual members or groups of member colleges on a regular basis.

Member participation in these programs is voluntary and varies; but it is fair to say that some programs (such as software licensing) touch almost all of our members while most programs operate with a solid 20% - 40% penetration of the membership (92 private college/university members in PA). Programs are reviewed continuously and pricing/terms are reviewed periodically to maintain a competitive market position. The Association's Member Services Committee, IT Working Group, HR Working Group and Corporate Affiliate Working Group all provide guidance and expertise in these reviews.

Notably, the Association is currently launching two new programs with a small number of colleges: first, aggregating cyber-security needs through a shared employee resource; and second, aggregating retirement benefits to lower expense ratios and increase employee services. Each of these programs may lead to further aggregation and volume discounts available to the entire AICUP membership. Part of our mission is to identify business efficiencies as distinct services to our AICUP members, efficiencies that allow our campuses to work together, transact together and/or purchase together.

Examples of Successful Programs:

AICUP's Endorsed Software Licensing Program currently engages almost all of its 92 AICUP members – resulting in a growing \$5-6 million contract across the membership. In 2018, over \$1 million in annual savings was documented within the Microsoft component of that program alone.

AICUP's Endorsed Environmental Self-audit Program generated hundreds of thousands of hard dollar savings (and millions of dollars in avoided EPA fines) when campuses worked together to improve EPA compliance in a program approved by and hailed by the EPA Region III as an example for other campuses/Associations around the country. Today, this program has been repackaged as a software/tablet application and Web-Portal for the small price of roughly \$7,200 per year – a small fraction of just one EHS professional FTE.

AICUP's Endorsed Bond Finance Program, provides small borrowers and large colleges alike with a market-tested program recognized as one of the most efficient access points to fixed and variable rate financing (tax-exempt and taxable). Over the years, more than 40 AICUP members, borrowing greater than \$1.1 billion have enjoyed substantial savings in issuance expenses through this program – many returning to use the program multiple times over the years

AICUP's Endorsed Purchasing Card Program serves almost 40 members, generating almost \$1.8 million in rebates across a \$111 million purchase volume. This program, and previous iterations of it, provides participating campuses with revenue that can exceed two-time, three-times and (in some cases) more than 10-times the dues these institutions pay to be members of AICUP – and reducing/eliminating paper-based transactional costs of traditional credit card programs.

AICUP's Endorsed Broadband Program serves a small but meaningful group of 12 members in western PA, aggregating their common Internet services under a single provider, managed and supported by Carnegie Mellon University. This program has saved these member thousands of dollars but more importantly, serves as a platform for new initiatives in 1) business continuity planning, 2) cyber-security and 3) website protection/consent management.