



Examination of Select Post-Secondary Financial Aid Programs

Testimony before the U.S. Commission on Civil Rights,
Office of Civil Rights Evaluation

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Thank you, Commissioners, for inviting me to share my statement. My name is Elizabeth Baylor. I am the Associate Director of Postsecondary Education at the Center for American Progress, or CAP, where I have worked for two years. Before coming to CAP, I served on the staff of the Senate Committee on Health, Education, Labor and Pensions under the leadership of Sen. Tom Harkin (D) from Iowa.

First, I wanted to share a little bit of information about the Center for American Progress. CAP is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country. As progressives, we believe America is a land of boundless opportunity where people should be able to climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity. And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

Today I am here to talk about my work at CAP on improving higher education access and affordability for all young Americans and, in particular, making sure that the educational opportunities for young Americans of color and first-generation college-going students allow them to attend high-quality programs that offer a reasonable chance for academic success. To make sure that our higher education system serves our country well, it is crucial that national policy choices ensure public colleges remain affordable and that student loan debt does not overburden individuals preparing for the workforce.

CAP recommends three policy ideas for improving America's higher education system so it better serves students of color:

- Increasing the federal and state investments in public colleges
- Guaranteeing that students receive financial aid to pay for college up front
- Making sure students are prepared to do college work and receive support to achieve their academic goals while in college

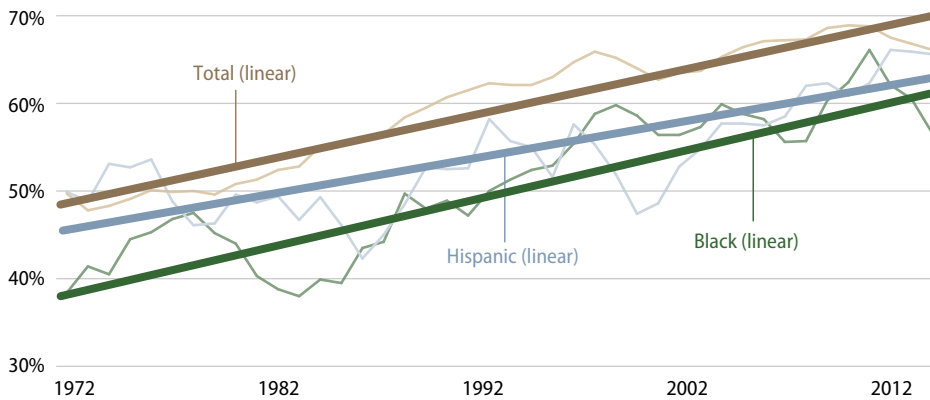
Earning a college degree can be life changing; it can set individuals on a course for economic mobility and stability throughout their lifetime. Postsecondary education builds the knowledge, skills, and abilities that are necessary in the 21st century workforce. Individuals who continue their education beyond high school have higher earnings and are less likely to be unemployed. In 2013, workers with a bachelor's degree or higher experienced an unemployment rate of 4 percent while 6 percent of workers with an associate's degree and 9 percent of workers who had completed high school were unemployed.¹ In fact, "this pattern of higher unemployment rates corresponding with lower levels of educational attainment also generally held across males and females for each age group from 2000 to 2013."² Similarly, median earnings increase as individuals attain higher levels of education. In 2012, the median salary for a young worker whose highest level of education was high school was \$29,960; the median salary for an individual with an associate's degree was \$35,720; and was \$49,950 for those with a bachelor's degree.³ Over their lifetimes, the median earnings of workers with a college degree are nearly \$1 million higher than the median earnings of workers with just a high school diploma.

It is important to note that access to education is not the sole remedy that will solve economic problems related to mobility and inequality, but one of many tools we must employ. And without a strong postsecondary education system, we will never make the progress we need.

Before going into some of our recommendations for strengthening America's higher education system, let me provide some context about attendance and enrollment and how students have financed their education over time. Since the 1970s, college-going rates have gone up by one-third—most significantly for low- and middle-income students, up 40 percent and 48 percent, respectively, since 1975.⁴ Among communities of color, attendance rates have also increased. The share of African American recent high school completers that enroll in college has increased 47 percent since 1972.⁵ Among Hispanics, the rate has increased 31 percent, about the same as the population overall.⁶

FIGURE 1A
Share of recent high school graduates immediately enrolling in college

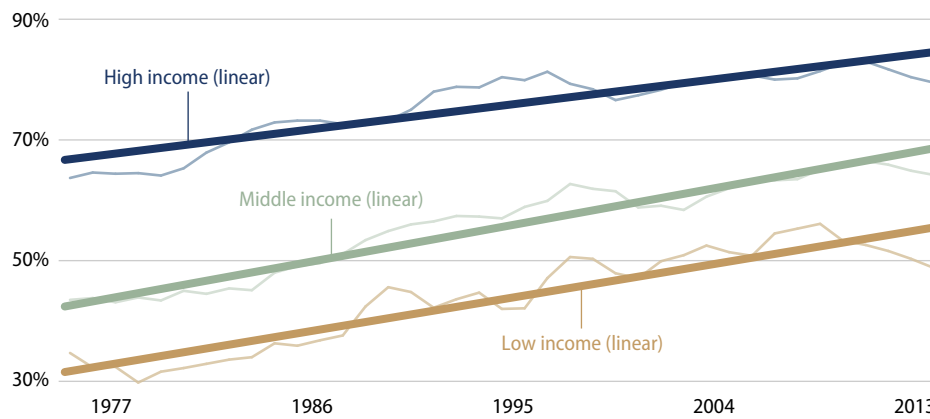
By race/ethnicity



Source: National Center for Education Statistics, *Table 302.20 Percentage of recent high school completers enrolled in 2- and 4-year colleges, by race/ethnicity: 1960 through 2013* (U.S. Department of Education, 2014), available at https://nces.ed.gov/programs/digest/d14/tables/dt14_302.20.asp.

FIGURE 1B
Share of recent high school graduates immediately enrolling in college

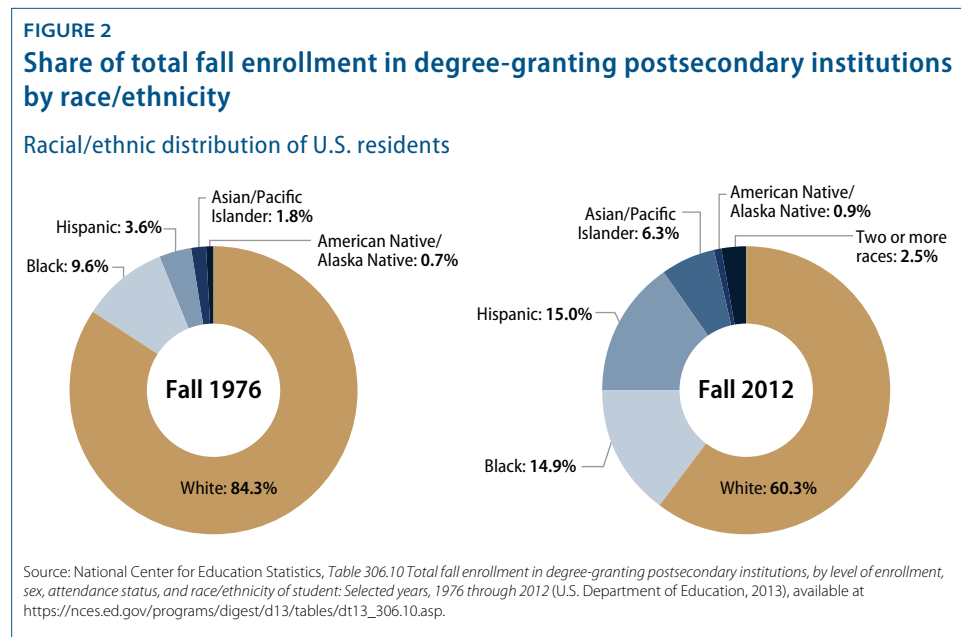
By family income



Source: National Center for Education Statistics, *Table 302.30 Percentage of recent high school completers enrolled in 2-year and 4-year colleges, by income level: 1975 through 2013* (U.S. Department of Education, 2014), available at https://nces.ed.gov/programs/digest/d14/tables/dt14_302.30.asp.

As important as the college-going rate is, the sheer increase in the numbers of students attending our nation's colleges and universities has been stunning: Enrollments in degree-granting institutions have nearly doubled, increasing from 11 million in the mid-1970s to nearly 20.6 million in fall 2012.⁷ Total enrollment for the 2011-12 academic year exceeded 28 million.⁸

Enrollment at institutions of higher education has also become markedly more diverse. (see Figure 2) In 1976, the share of students enrolled in degree-granting institutions that came from a minority background totaled 15.7 percent of all students: 9.6 percent were black; 3.6 percent were Hispanic; 1.8 percent were Asian/Pacific Islander; and less than 1 percent were American Indian/Alaska Native.⁹ In 2012, students that came from a minority background comprised 39.7 percent of the student population: 14.9 percent were black; 15 percent were Hispanic; 6.3 percent were Asian/Pacific Islander; 2.5 percent were two or more races; and less than 1 percent were American Indian/Alaska Native.¹⁰ As our system is increasingly comprised of students of color, it is imperative that the system serves these communities well.



Without the investment in Federal Pell Grants, federal student loans, and other federal programs such as the Federal TRIO Programs, or TRIO, and institutional aid programs, the increases in college-enrollment and -going rates—particularly among students from low- and middle-income families—would not have been possible. Today, more than 13 million students rely on some form of federal student aid¹¹, with 8.6 million students relying on Federal Pell Grants to cover a portion of their college costs.¹² Nearly 785,000 students participate in the Federal TRIO Programs, which help low-income, first-generation college students to enroll and succeed in college.¹³ Another 312,438 African American students—more than 10 percent of all African American students in higher education—are enrolled at one of the nation’s historically black colleges and universities¹⁴ that receive vital support from the federal government’s institutional aid programs that also assist institutions that enroll substantial numbers of low-income students who are Hispanic, Native American, Alaska Native and Native Hawaiian, and Asian and Pacific Islander.¹⁵ These kinds of supports have been critical and will continue to ensure access and success for the most vulnerable students.

As more Americans, particularly students of color, pursue education beyond high school, we need to make sure that they have the financial resources needed to pay for college. Pell Grants are awarded to those students who possess the greatest financial need; however, the buying power of this grant has decreased sharply over the last generation. In 1975, the Pell Grant covered 67 percent of average college costs.¹⁶ Today, the buying power of the Pell Grant program has decreased 40 percentage points, covering only 27 percent of the average cost of college.¹⁷

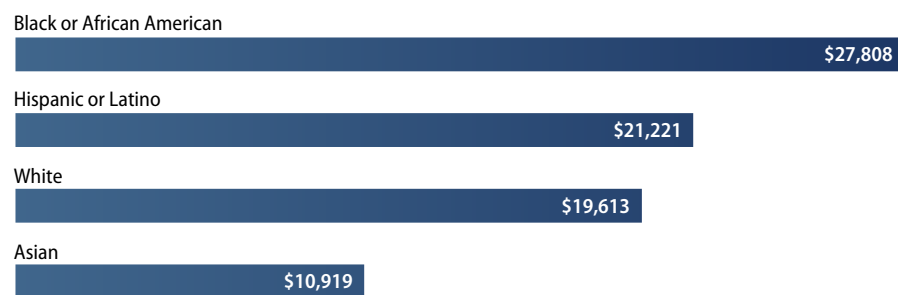
This decrease makes college less affordable particularly for students of color, who disproportionately rely on Pell Grants to pay for college. During the 2011-12 school year, 41.3 percent of all undergraduates received a Pell Grant while 61.9 percent of African Americans, 54 percent of American Indian or Alaska Native students, and 50 percent of Hispanic students received a Pell Grant.¹⁸ Asian—at 33.3 percent—and Pacific Islander—at 39.3 percent—students were less likely than all students to receive a Pell Grant.¹⁹

In addition, CAP analysis has shown that student loan debt has disproportionately affected communities of color. For students who graduated in the 2011-12 school year, for example, African American and Hispanic bachelor's degree recipients borrowed 37 percent more and 5 percent more, respectively, than the median for bachelor's degree recipients; white students borrowed 3 percent less.²⁰

FIGURE 3

Cumulative student loan debt for bachelor's degree recipients by race and ethnicity

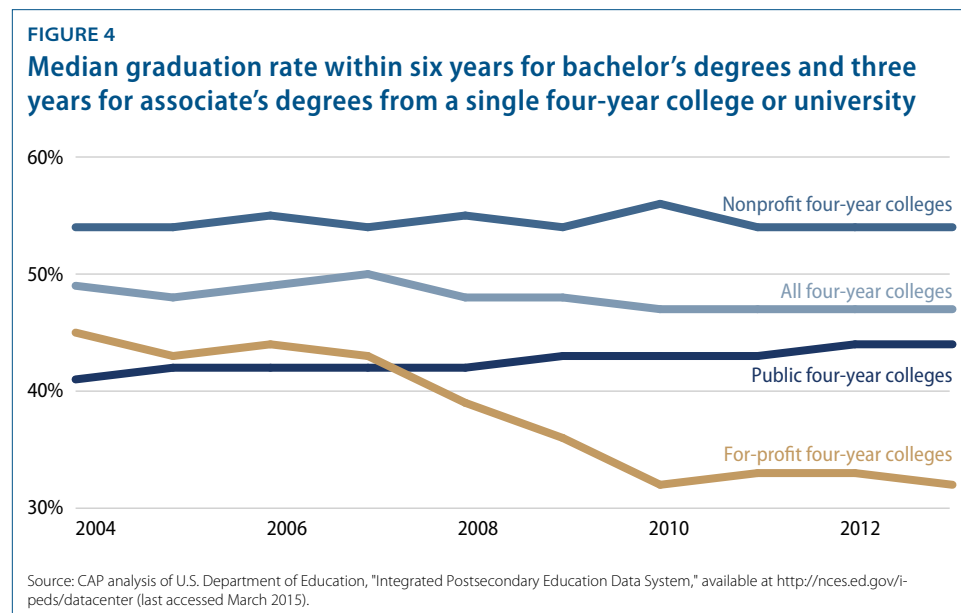
Bachelor's degree



Source: Data are from the 2011-12 National Postsecondary Student Aid Study. See National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS)," available at <http://nces.ed.gov/surveys/npsas/> (last accessed August 2014).

Given the rapid expansion in postsecondary education opportunities, it is surprising that college completion rates for students attending a single institution have been flat. Indeed, you would expect completion rates to decline as more students—frequently those less prepared for the rigors of higher education—entered college in large numbers.

However, that did not happen. And if we were able to look at the success of students who transferred among institutions, we would see that graduation rates for students who begin postsecondary education at some types of institutions, such as community colleges, would be substantially higher if data on the performance of the higher education system overall were available.



In order to prepare our citizens to be successful in the 21st century economy, we need to do more. A recent study by the Center on Education and the Workforce at Georgetown University found that there will be a shortfall of 5 million college-educated workers by 2020 when 65 percent of all jobs will require bachelor's or associate's degrees or some other education beyond high school.²¹

This is particularly true in the fastest growing occupations: science, technology, engineering, and mathematics, or STEM; health care; and community service. In fact, 23 percent of those STEM jobs will be middle-skill jobs that require education past high school but do not require a bachelor's degree or higher.²² In order to meet these workforce demands, policymakers should make investments through the various pathways within higher education to strengthen it.

States have long played a primary role in providing access to affordable higher education through systems of public community colleges and four-year colleges and universities. These institutions enroll nearly three out of every four students in college today.²³ However, direct state funding for public institutions has failed to keep pace with increased enrollment in nearly every state, leading to a decrease in direct support

per student. Over the past five years, we have seen 20 states decrease direct investment by more than 20 percent per student, and 18 states decreased their direct investment between 5 percent and 20 percent per student. Only four states increased direct support by more than 5 percent per student.²⁴

At the same time that states were decreasing funding, public colleges and universities experienced an increase in enrollment, particularly at community colleges, which surged 20 percent compared to 10 percent at public four-year colleges. As a result, community colleges in 45 states decreased funding on a per-student basis, and the magnitude of the cuts were more severe than at public four-year colleges. The higher amount of states cutting funding to two-year institutions and the greater severity of the cuts are problematic because students attending two-year institutions are much more likely to be low-income students, first-generation students, and/or students of color. Nationwide, people of color made up 37 percent of the total population and 38 percent of undergraduate fall enrollment in 2009, but 50 percent of community college enrollment.²⁵

In a CAP case study of public universities that serve high numbers of Pell Grant recipients and where students of color graduate at high rates, the universities studied credited need-based aid and student support services—programs aimed at improving student performance and attainment—with increasing graduation rates and closing graduation gaps by income and race. The support services include summer bridge programs, first-year transition programs, and learning communities. These targeted programs and state need-based aid are critical to addressing success and completion among first-generation and minority students but are threatened by state disinvestment in higher education.²⁶

Here is a summary of the proposals that the Center for American Progress has made over the past year to strengthen postsecondary education in the United States.

Restoring state funding in higher education

To combat the erosion in state support of higher education, CAP has called for the creation of a Public College Quality Compact that would ensure that students have access to an affordable education and are able to earn credentials or degrees. Under the compact, the majority of funds would be allocated to states based on support for low-income students and military veterans, measured by the share of Pell Grant and GI Bill beneficiaries.²⁷

Participating states would be required to create reliable funding streams to provide at least as much as the maximum Pell Grant per student in indirect and direct support to public colleges and universities to ensure that students and prospective students can prepare for and enroll in postsecondary education with certainty. States would also be required to: ensure that college is affordable by guaranteeing that low-income students who pursue an associate's or bachelor's degree would receive grant aid from the compact

to cover their enrollment at public institutions; improve performance by setting outcome goals for institutions—such as increased graduation rates—and by implementing proven, successful strategies that improve student performance at the institutional level; and remove barriers and state and institutional policies that stand in the way of college completion by standardizing transfer-credit and admissions requirements and by raising K-12 learning standards to align with readiness for postsecondary entry-level courses.²⁸

President Barack Obama’s proposal to make the first two years of college free at our nation’s community colleges is an important step forward. It begins the process of restoring public support for our most critical of public colleges: community colleges. CAP’s research has shown that these institutions bore the brunt of the spending cuts in public support while they continued to provide much-needed access to the kinds of education and training that are necessary to grow our nation’s economy and strengthen the middle class.²⁹

College for All

In 2013, CAP convened a global Commission on Inclusive Prosperity composed of American and international policymakers, economists, business leaders, and labor representatives. The commission was charged with developing new and thoughtful solutions to spur middle-class growth aimed at establishing sustainable and inclusive prosperity over the long term in developed economies. The report of the commission provided an outline of a College for All plan to make education beyond high school universally available in the United States without students or families having to come up with the funds to pay tuition and fees prior to enrolling either at a community college or at a public four-year college or university.³⁰

The goal of College for All is not to say that everyone who graduates from high school in the United States must go on to get a bachelor’s degree. Rather, everyone should have the opportunity to achieve the highest level of education that they want for themselves without financial barriers.

A key element of College for All is making a commitment of federal aid to families when their children are entering high school. The commitment would cover the cost of attending a public college in the child’s home state through a mix of loans and Pell Grants based on their family’s long-term economic circumstance.

Today, a family’s income in just the calendar year immediately prior to enrolling is used to determine the amount and types of federal aid a student will receive. This assessment may or may not bear any relationship to the long-term economic health of the student’s family. Looking at the long-term economic health of families would enable grant funds to be better targeted.

Also, the current system often leaves significant gaps in the amount of aid provided to cover the cost of attendance. In the 2011-12 school year, for example, students from the bottom income quintile faced average costs not met by grants and loans at public four-year colleges of nearly \$6,700, or 58 percent of the average income of this group—discouraging many low- and middle-income students from pursuing degrees so that they instead opted for the less expensive, lower quality options.³¹

Much of the aid that is provided today must be repaid. That would continue to be true under College for All. But repayment would be based on the graduate's income and would be collected primarily through wage withholding, as the Internal Revenue Service does today for Social Security taxes. Former students who are struggling economically would not be required to make payments until their earnings are adequate. Repayment terms could be more generous for low- and moderate-income borrowers than the income-based repayment options available today, and those borrowers would be required to repay only for a specified period of time—for example, 20 years.

CAP will be releasing additional details on College for All in the coming months, and we firmly believe that the reforms we are proposing will help more students enter prepared for the rigors of the postsecondary education they are embarking on and will ensure that they have the financial resources necessary for success. But this plan will only work if states reinvest in higher education.

What does value look like in higher education?

The final issue I would like to touch on briefly this morning is quality assurance as it relates to the various ways that the federal government provides support to institutions of higher education.

In order participate in the federal student aid systems, institutions must be able to demonstrate that they have provided students with opportunities to improve their economic circumstances. These opportunities include providing quality programs that have a role in our economy, adequate investment in delivering the education, and a reasonable expectation of student success.

In the federal student aid system, the federal government relies primarily on accrediting agencies and states to ensure that participating institutions of higher education are delivering quality educational programs. Given the workforce demand for the skills and knowledge learned beyond high school and the degree attainment rates of most institutions (see Figure 4), it is time to think again about how quality is assured at institutions where students use the federal support that they receive—whether or not it is under one of the programs supported under the purview of Congress.³²

In 2014, CAP released a column that discussed the creation of a new accountability system for federal investment in higher education. Such a system could operate like the Moody's rating system with institutions placed in large categories reflecting their performance against key metrics. Among the key metrics that would need to be included in the accountability system are whether the institution provides access to underserved populations; whether the institution is affordable—after the consideration of federal, state, and institutional grants—to students from low- and middle-income families; whether the institution retains and graduates students from low- and middle-income families on time—two years for an associate's degree and four years for a bachelor's degree; and whether graduates successfully go on to graduate school, professional education, or enter the workforce and earn an adequate amount to meet the needs of their families and comfortably repay their student loans, either through service or regular monthly payments.³³

As CAP conceived it, the new accountability system would operate in conjunction with the existing federal student aid systems, including being authorized to offer a postsecondary education by a state and being accredited by an agency recognized by the U.S. secretary of education. In this instance, institutions that perform poorly on all measures, or that provide access but do not achieve good outcomes for their students, would be ineligible to participate in the various systems of federal aid. However, such a system could also be used to decouple accreditation from eligibility for federal benefits, permitting current institutions—and potentially new providers—to participate in the federal programs based on the outcomes they produce.

Conclusion

Let me close by thanking the commissioners for the opportunity to appear before you today. One of the single best ways that we can expand opportunity for all Americans is to commit to an investment in the next generation of students. I am happy to answer any questions you may have.

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