AFFORDABILITY IN HIGHER EDUCATION: WE KNOW THERE'S A PROBLEM; WHAT'S THE SOLUTION?

HEARING

BEFORE THE

SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS

OF THE

COMMITTEE ON EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

July 10, 2003

Serial No. 108-24

Printed for the use of the Committee on Education and the Workforce

Available via the World Wide Web: http://www.access.gpo.gov/congress/house
or
Committee address: http://edworkforce.house.gov

U.S. GOVERNMENT PRINTING OFFICE

88-986PS WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

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C O N T E N T S

HEARING ON AFFORDABILITY IN HIGHER EDUCATION: WE KNOW THERE'S A PROBLEM; WHAT'S THE SOLUTION?

Thursday, July 10, 2003
U.S. House of Representatives
Subcommittee on 21st Century Competitiveness
Committee on Education and the Workforce
Washington, DC

The Subcommittee met, pursuant to notice, at 10 a.m., in room 2175 Rayburn House Office Building, Hon. Howard "Buck" McKeon [Chairman of the Subcommittee] presiding.

Present: Representatives McKeon, Isakson, Petri, Ehlers, Tiberi, Osborne, Cole, Burns, Kildee, Tierney, Kind, Holt, McCollum, Ryan, Payne, and Andrews.

Also present: Representatives Kucinich and Bishop.

Staff present: Kevin Frank, Professional Staff Member; Alexa Marrero, Press Secretary; Alison Ream, Professional Staff Member; Deborah L. Samantar, Committee Clerk/Intern Coordinator; Kathleen Smith, Professional Staff Member; Holli Traud, Legislative Assistant; John Lawrence, Minority Staff Director; Ellynne Bannon, Minority Legislative Associate; Ricardo Martinez, Minority Legislative Associate/Education; Alex Nock, Minority Legislative Associate/Education; and Joe Novotny, Minority Legislative Assistant/Education.

Chairman McKeon. A quorum being present, the Subcommittee on 21st Century Competitiveness of the Committee on Education and the Workforce will come to order. I mentioned to our witnesses that we are going to have a vote. And being omniscient, I was able to say that. But they said now that it might not happen for 10 or 15 minutes. So I think what we will do is go ahead and get started with our opening statements and get as much of that out of the way as we can so that when we get back from the vote we can turn the time to our witnesses.

We are meeting here today to hear testimony on affordability in higher education. We know there is a problem. What is the solution? Under Committee Rule 12(b), opening statements are limited to the Chairman and the ranking minority member of the Subcommittee. Therefore, if other members have statements, they may be included in the hearing record. With that, I ask unanimous consent for the hearing record to remain open 14 days to allow member statements and other extraneous material referenced during the hearing to be submitted in the official hearing record. Without objection, so ordered.

I will begin now with my opening statement.

STATEMENT OF HON. HOWARD P. "BUCK" McKEON, CHAIRMAN, SUBCOMMITTEE ON 21st CENTURY COMPETITIVENESS

Good morning. Thank you for joining us for this important hearing today to hear testimony on college affordability, discuss the effects of ever-rising college tuition, and debate some of the possible solutions to this problem. This is our eighth hearing examining issues that affect our nation's colleges and universities and the students they serve as the Committee continues to look at the reauthorization of the Higher Education Act.

In 1965, Congress enacted the Higher Education Act, which took on the central mission of ensuring that every low-income student in the country could be afforded the opportunity to pursue his or educational goals. Because of this commitment, our country has made great strides in ensuring that millions of eligible students can go to the college or university of his or her choice. However, thousands of highly qualified students cannot afford to attend college and fulfill their dreams because higher education institutions or states increasing their tuition and fees beyond the reach of students.

According to the Advisory Committee on Student Financial Assistance, which provided testimony last year, cost factors prevent 48 percent of all college-qualified, low-income high school graduates from attending a 4-year college, and 22 percent from attending any college at all. Students from moderate-income families do not fare much better. Forty-three percent are unable to attend a 4-year institution and 16 percent are unable to enroll at any college. At the rate we are going, by the end of the decade, more than two million college-qualified students will miss out on the opportunity to go to college.

As college prices have continued to rise, the Federal Government has repeatedly increased financial support for higher education. In the 4 years since the last reauthorization of the Higher Education Act, Federal student aid has grown by $23 billion. Last year, Congress also raised the maximum Pell grant to $4,050 a year. Student loan interest rates are at their lowest levels in the program's 38 year history.

I realize that the recent decisions of state legislatures to reduce their spending on higher education have exacerbated the problem. Appropriations have dropped in 14 states. At the same time, average tuition at 4-year colleges has increased by more than 10 percent in 16 states; in Iowa and Missouri, tuition has risen by more than 20 percent, and in Massachusetts it has jumped 24 percent. But that only tells half the story. It does not acknowledge that state support for higher education's operating expenses has grown by more than 60 percent over the last decade. And it does not explain why tuition and fees continue to rise even in years past when state coffers have overflowed with tax money.

I believe that it is time that we, the Federal Government, states, institutions of higher education, the lending community, parents, and students all take our role in addressing this crisis seriously.

There are some here in government and out in academia who will say that the Federal Government should not get involved in higher education. They say, “we are doing a great job and should do nothing more, just send more money.” There are some who say that all we need to do is to increase the Pell grant award and change the loan programs and that will solve the problem of college costs. I respectfully disagree. I think that we need reforms. We need them now because the rhetoric of the past decade has done nothing to stem the rapidly rising cost of college in America.

Earlier this year, I put forth a proposal to closely monitor tuition and fee increases by developing a college affordability index that will serve as a standard measure for institutions of higher education to measure increases in tuition and fees and a tool by which students and families can measure the extent of those increases in relation to the Consumer Price Index. The proposal would also create College Affordability Demonstration Programs for those colleges and universities that want to try new innovative approaches to improving higher education while reining in uncontrolled cost increases. Also, it would prohibit the denial of transfers of credit based solely on the accreditation of the institution from which the student is transferring, and encourage states to emulate Federal efforts to streamline red tape in the student aid system.

While the details have not been released yet, some people in higher education have even gone as far as to say that the proposal will result in Federal price controls and jeopardize institutional quality. While I do not argue with the fact that our higher education system is the best in the world, I do think that we can do a better job of making college more affordable and more accessible. The last thing that I want to do is tell colleges how to run their business. But I will not stand idly by as they continue to raise their costs each year to a level which has jeopardized students’ ability to have access to post-secondary education.

While this hearing is not on my particular proposal, I look forward to ongoing discussion on solutions that address the increase in college costs. There are many institutions developing creative ideas and taking action to stem the tide of ever growing crisis of rising college costs. Their students have not suffered a loss in services and, more importantly, have not suffered a decrease in quality. But many more higher education institutions must think outside the box to ensure that low-income families are not priced outside of the market.

With the Federal Government providing between 30 and 35 percent of all funding for higher education, which totals approximately $90 billion annually, it is a Federal issue and one where hard questions must be asked and solutions must be considered.

And so as this Committee continues its effort to reauthorize the Higher Education Act, we will examine the issue of college affordability. We know that there is a problem. Today, we will begin to find solutions.

[The statement of Mr. McKeon follows:]

STATEMENT OF THE HONORABLE HOWARD "BUCK" McKEON

CHAIRMAN

COMMITTEE ON EDUCATION AND THE WORKFORCE

SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS

July 10, 2003 Hearing On:

"AFFORDABILITY IN HIGHER EDUCATION:

WE KNOW THERE'S A PROBLEM; WHAT'S THE SOLUTION"

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In 1965, Congress enacted the Higher Education Act, which took on the central mission of ensuring that every low-income student in the country could be afforded the opportunity to pursue his or her educational goals. Because of this commitment, our country has made great strides in ensuring that millions of eligible students can go to the college or university of his or her choice. However, thousands of highly qualified students cannot afford to attend college and fulfill their dreams because higher education institutions or States are increasing their tuition and fees beyond the reach of students.

According to the Advisory Committee on Student Financial Assistance, which provided testimony last year, cost factors prevent 48 percent of all college-qualified, low-income high-school graduates from attending a four-year college and 22 percent from pursuing any college at all. Students from moderate-income families do not fare much better -- 43 percent are unable to attend a four-year institution and 16 percent are unable to enroll at any college. At the rate we are going, by the end of the decade, more than two million college-qualified students will miss out on the opportunity to go to college.

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Now, I realize that the recent decisions of state legislatures to reduce their spending on higher education have exacerbated the problem. Appropriations have dropped in 14 states. At the same time, average tuition at four-year colleges has increased by more than 10 percent in 16 states; in Iowa and Missouri, tuition has risen by 20 percent, and in Massachusetts it has jumped 24 percent.

But that tells only half the story. It does not acknowledge that state support for higher education's operating expenses has grown more than 60 percent over the last decade. And it does not explain why tuition and fees continued to rise even in years past when state coffers have overflowed with taxpayer money.

I believe that it is time that we -- the federal government, States, institutions of higher education, the lending community, parents and students -- all take our role in addressing this crisis seriously.

There are some here in government and out in academia who will say that the federal government should not get involved in higher education -- they say, we're doing a great job, and should do nothing but send more money. There are some who say that all we need to do is to increase the Pell grant award and change the loan programs and that will solve the problem of college costs.

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While this hearing is not on my particular proposal, I look forward to ongoing discussions on solutions that address the increase in college costs.

There are many institutions developing creative ideas and taking action to help stem the tide of the ever-growing crisis of rising college costs. Their students have not suffered a loss in services and, more importantly, has not suffered a decrease in quality. But many more higher-education institutions must think "outside the box" to ensure that low-income families are not priced out of the market.

With the Federal government providing between 30-35 percent of all funding for higher education, which totals approximately $90 billion annually, <u>it is</u>

a federal issue and one where hard questions must be asked and solutions must be considered.

And so, as this Committee continues its effort to reauthorize the Higher Education Act, we will examine the issue of college affordability. We know that there is a problem. Today, we begin to find solutions.

I now will yield to Congressman Kildee for any opening statement he may have.

Chairman MCKEON. I now yield to Mr. Kildee for his opening statement.

STATEMENT OF HON. DALE E. KILDEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. KILDEE. Thank you, Mr. Chairman. I am pleased to join you today at today's hearings on college costs. I know that both of us are looking forward to the testimony of today's witnesses. And I am hoping that the bipartisan spirit of the Teacher Quality and Loan Forgiveness bills that the House passed yesterday continues as we construct legislation on college costs. You and I did a great job in 1998 and look forward to writing a higher education bill as good as that bill and with the improvements we need today.

The title of today's hearing really is an appropriate means to start our discussion, "Affordability in Higher Education: We Know There's a Problem; What is the Solution?" As Mr. McKeon has noted, tuition and fees at post-secondary institutions have increased over the past three decades dramatically. The College Board has reported that tuition has risen by 38 percent over the past 10 years. The question for this Subcommittee should be why has this happened and what is the appropriate, and I stress appropriate response, indeed, is there a Federal response?

First, let me say that I share Chairman McKeon's concern over the rising sticker price of a college education. We certainly do not want the cost of a college education to deny even one student access to a post-secondary education. We know that an individual holding a bachelor's degree earns an average of 80 percent more than someone with just a high school degree. Over a lifetime, this earning gap for an individual with just a high school degree widens to over $1 million. These statistics are startling and make access to college education even more important today.

Much attention has been given to the proposal by Chairman McKeon to place Federal price controls on tuition at our colleges and universities. I know that Chairman McKeon is motivated by the financial impact that rising tuition is having on students. Unfortunately, this proposal may have exactly the opposite effect on students. It will bar the neediest of students from attending a university simply because state legislatures have cut higher education spending or endowments and charitable giving are down due to the souring economy. They will be denied Pell grants and student loans because of some fault beyond themselves, some reason beyond themselves, the economy, the state legislature or whatever.

In addition, it will likely lead to institutions reducing the amount of need-based grant aid and sacrificing high-quality programs and staff. This is likely to lead to the hiring of more adjunct professors rather than maintaining a seasoned, tenured faculty. Rather than creating new problems to solve an existing one, this Subcommittee should be considering what is the appropriate response to rising tuition. We should provide incentives to colleges and universities to hold down costs and to coordinate purchasing and administrative functions. It is critical to consider that most of our students receive some form of financial aid when they attend college. This impacts the actual price they pay to attend an institution. Also, we must remember that increasingly financial aid comes in the form of a loan rather than a grant too increasingly. We should reverse these priorities and increase the buying power of Pell grants and other forms of Federal aid and institutional grant aid.

Lastly, we must be mindful of the fact that the cost of college will never impact many of our most disadvantaged students who don't consider college a viable option regardless of cost.

This Subcommittee should be focusing our efforts on early intervention and other programs that ensure that all children realize the importance of a college education. Programs such as TRIO and Upward Bound are great programs to assist in that area.

In closing, I want to stress again that the focus on this Subcommittee on what assistance we can provide to students facing rising college costs is a sound focus. However, we should not be instituting proposals that will actually shrink resources and access for our most disadvantaged students.

We have an excellent panel of witnesses today, and I look forward to hearing their testimony. And I yield back the balance of my time.

Chairman MCKEON. Thank you, Mr. Kildee. As you said, we do have a very distinguished panel today, and I would like to begin to recognize them at this time. First, we will hear from Dr. Sandy Baum, who is a professor of economics at Skidmore College in Saratoga—Sarasota is in Florida, isn't it?—Saratoga Springs, New York. She studies and writes on higher education finance, particularly on access, affordability, aid policy, need analysis, and student debt. In addition, Dr. Baum directs the Trends in Student Aid and Trends in College Pricing Projects for the College Board.

I understand Mr. Petri would like to introduce our next witness on the panel today. And I now yield the time to the gentleman from Wisconsin, Mr. Petri.

Mr. PETRI. Well, I am delighted to introduce to the members of the Committee, Dr. Rolf Wegenke, who is the president and the chief executive officer of the Wisconsin Association of Independent Colleges and Universities, known familiarly as WAICU. He is a native of the Sixth Congressional District that I have the honor of representing, having grown up in Montello, Wisconsin and beautiful Markette County and graduating from the University of Wisconsin. And he has his doctorate degree from the University of Chicago. He has a distinguished career of public service in our state, having served in five Governors' administrations. And under his leadership, the Association of Independent Colleges in Wisconsin has undertaken a significant cost reduction project, which we are going to hear about today. So I welcome him to this hearing.

Chairman MCKEON. You notice he had no problem at all with that name. He said there are lots of Wegenkes in his district.

Next, we have Mr. Scott Ross, who is the executive director of the Florida Student Association, where he lobbies for over 240,000 students, big job, in Florida's state university system. Prior to his appointment, Mr. Ross was a practicing lawyer at College Legal Services, PA, a legal practice which focused primarily on cases dealing with college students.

Then we will hear from Dr. Patrick Kirby, who is the dean of student life, director of alumni and parent relations, vice president and dean of enrollment services at Westminster College in Fulton, Missouri. Dr. Kirby has spent over 37 years in higher education, holding esteemed positions such as director of Work Studies Programs at the University of Iowa and dean of student life and assistant professor at the United States International University, CalWestern.

And, finally, we will hear from Dr. Carol Twigg, who is the executive director for the Center for Academic Transformation and an internationally recognized expert in using information technology for instruction in higher education. Previously, Dr. Twigg served as vice president of Educom, a national association of colleges and universities dedicated to the effective use of information technology in higher education, as well as the associate vice chancellor for the learning technologies for the State University of New York and director of the Center for Learning and Technology.

As I mentioned earlier, we expect to have a vote at any time but by not waiting for the vote we have been able to make some progress. Before the witness begin their testimony, I would like to remind the members that we will be asking questions after the entire panel has testified. In addition, Committee Rule 2 imposes a 5-minute limit on all questions.

Now, the witnesses notice that we have some lights there before you. When we start with Dr. Baum, there will be a green light there you will see. And you have 5 minutes. We have your full testimony that will be inserted into the record. We would like you to just feel free to talk to us as you feel fit. And then you will see when you have a minute left the yellow light comes on and then finally when the world comes to an end, the red light goes on. But we would like to recognize now Dr. Baum to begin her testimony.

STATEMENT OF SANDY BAUM, PROFESSOR, SKIDMORE COLLEGE, SARATOGA SPRINGS, NEW YORK

Dr. BAUM. Chairman McKeon, Congressman Kildee, Committee members, I would like to thank all of you for giving me the opportunity to participate in your very important conversation about the vital issue of college access and affordability. I certainly share the concerns that have been voiced so far this morning. Prices are certainly out-pacing incomes, and we do need to worry about costs at institutions. And certainly there are ways that costs can be more effectively controlled. That said, the real issue, as has already been articulated, is the issue of access for low-income students. And the issue, the thing that matters for those students is the amount that they are asked to pay, not the posted sticker price so much. If we look at the evidence, I think that we can see pretty easily that the appropriate reaction is not one of panic. I do not believe it is one of imposing external monitoring of prices.

Let me just state a few facts that I think contribute to this conclusion. One, prices are increasing too rapidly but the increase over the last decade in real terms was slower than it was in the preceding decade. This is not an accelerating spiral.

Two, most students still attend colleges that have relatively low prices. About 6 million of the current 15 million college students are in 2-year public institutions that charge an average of $1,700 a year. Of those students who are enrolled in 4-year colleges, about

40 percent attend institutions with sticker-posted tuition prices of less than $4,000 a year.

Third, prices are increasing relative to incomes for lower and moderate income students but this is not true for more affluent students. For families in the upper 20 percent of the income distribution, the sticker price of a 4-year public college has been between 5 and 6 percent of income for at least the last 30 years. So the issue is what is going on for lower and moderate income students. And, in fact, in the latter part of the 1990's, as income started to grow at a more healthy rate, tuition stopped rising as a percentage of their incomes.

Most important is that it is the net price again that students are expected to pay that matters. In the year 2001, 2002, we distributed $35 billion in grant aid to college students. And, in fact, it is this grant aid that is significantly driving college budgets. At both public and private institutions, grant aid is the most rapidly growing component of the budgets. And institutional grant aid and state grant aid both doubled in real terms during the 1990's. This is very important because if we start monitoring college prices, what we will find is that they will be forced to lower the rate of increase and lower their spending even on need-based grants. So we really have to make sure that attention goes to the net price that is charged to students.

The proposal that we should penalize students who attend institutions that raise their sticker price too rapidly would have some very perverse results. For states, it would mean that they would have an incentive to cut their need-based grant budgets in order to hold tuition down. This would actually raise the prices charged to low and moderate income students. The same would be true of institutional budgets. They would have an incentive to reduce their need-based grant budget and therefore be able to lower their tuition to meet these guidelines. But that would actually hurt the low and moderate income students. It would hurt those students that the proposals are designed to protect.

Second, it is a problem just to look at the percentage increase in prices. In 2002, community colleges raised their tuition by about 8 percent. That was $127. We need to look at the diversity of prices at institutions and think not just about percentage increases. Already prices are much too high for low-income students to pay without assistance. Even if we froze prices forever, low-income students would not be able to enroll in college without considerable help in the form of grant aid.

And, finally, the idea of imposing price controls on an industry that is composed of diverse institutions, with lots of different characteristics and lots of different prices and where there is considerable competition is quite questionable from an economic perspective. There is a lot of competition. I think it is also useful to look at what is happening in terms of in-roads of the for-profit sector. And you can see there that that is making a big difference. That is going to have an impact in forcing institutions to control their prices.

I think that we should focus on net prices, on the tuition minus grant aid available to students. And I think we should focus on low and moderate income students. Given the scarce resources in our economy, it is important that those who can afford to pay are going to have to be asked to pay. We can only do that by charging different levels of tuition to different students.

We have shared goals of access and success for as many students as possible in high-quality institutions. And to that end, I think we should focus on providing incentives for institutions and states to enroll low-income students and providing information to students about the opportunities available to them, not on imposing external price controls.

There are more details in my written testimony. I am happy to answer questions. Thank you.

[The prepared statement of Dr. Baum follows:]

Keeping College Affordable

Testimony to the Subcommittee on 21st Century Competitiveness
House Education and the Workforce Committee

U.S. House of Representatives

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July 10, 2003

Chairman McKeon, Congressman Kildee, Committee Members:

I am honored to have the opportunity to discuss the vital issue of college costs with you. Let me begin by commending Chairman McKeon and the entire Subcommittee for your focus on college access and affordability. The financial barriers making it impossible for many college-qualified low-income students to continue their education after high school and the difficulties faced by middle-income students in financing college must be reduced. Without progress in this direction, we will be an inefficient economy, failing to use our human resources effectively, and an inequitable society, failing to provide widespread educational and occupational opportunities.

My comments will focus on recent trends in college prices, pointing out both reasons for concern and more positive developments. I am particularly interested in directing attention towards three issues: the importance of grant aid and the net price paid by students; the differences in the circumstances facing students at different income levels; and the potential role for the federal government in providing incentives to states and institutions to improve college access.

There is no doubt that college access and affordability are problems. Tuition at both public and private four-year colleges and universities rose about 40% in inflation-adjusted dollars between 1991 and 2001, while median family income for households with heads between the ages of 45 and 54 grew only 8% in real terms. [1] Hundreds of thousands of low-income students are unable to enroll in college because of financial constraints and paying for college is a serious concern for most families.

Some additional perspectives are, however, helpful:

-- *The tuition increase of the 1990's was actually a slowdown after the 60% real growth of the 1980's.*[1]

-- *38% of four-year college students pay less than $4,000 in tuition and almost 70% pay less than $8,000.*[1]

-- *Tuition has grown significantly relative to the incomes of those at the bottom, but not at all relative to the incomes of families at the top of the income distribution.*

Average four-year public tuition grew from 40% of the average income of the poorest 20% of families in 1980 to 63% in 1996, but had declined to 58% by 2002. For middle-income families, the increase was from 12% to 17%, but the 17% figure has been stable since 1992. Improved income growth in the latter part of the 1990s changed the trend. For families in the top fifth of the income distribution, tuition has equaled between 5% and 6% of average income every year for at least thirty years. [1]

--- *The actual prices paid by college students have increased much more slowly than the posted tuition prices.*

According to the National Center for Education Statistics, while the tuition paid by full-time full-year undergraduates at public research and doctoral institutions rose 20% in real terms between 1992 and 1999, the net tuition (tuition minus grants) rose only 7%. There was no real increase for those in the lowest income quartile. The pattern was similar at other public four-year institutions and net price actually fell in real terms at private non-profit comprehensive and baccalaureate institutions.[2]

Together, these facts suggest that our concern over college costs should not lead to panic. They serve as reminders that we should focus more on the net price actually paid by students and less on the sticker prices. Students received $90 billion in student aid, including $35 billion in grants and $5 billion in tax credits, to help them pay tuition in 2002-2003. It is, in fact the net price of college – cost of attendance less student aid – which is most relevant to the conversation about college affordability.

These facts also highlight the need for concentrating on access to college for low-income students and appropriately targeting public subsidies. The lower a family is on the income distribution, the greater the problems the rising cost of college presents for them.

What Explains the Rising Tuition Levels?

The fact that we should not respond with panic does not imply that we should be sanguine about the rising price of college. Tuition is among the most rapidly growing components of the Consumer Price Index and its impact on our society is disproportionate to the dollars devoted to it. Why is tuition growth so rapid?

College tuition levels always rise faster than the Consumer Price Index. One major reason for this is the labor-intensive nature of the service being provided. Inflation is an inevitable result of increasing wages unless productivity increases. In the case of higher education, increasing the number of students per faculty member almost always involves a decline in educational quality rather than a meaningful increase in productivity. This explanation does not mean that no cost-cutting efficiencies are possible. Of course they are, and colleges and universities should pursue them vigorously.

It is useful to examine the ways in which the expenditure patterns of colleges have changed over time. Technology requirements, the rising cost of health care, and government regulation all contribute to rising college costs. Both the changing demographics of the student body and changes in the expectations among students about what colleges will provide have increased the cost of student services. But scholarships and fellowships are actually the most rapidly growing component of institutional budgets. At public degree granting institutions, this category went from 2.9% of current-fund expenditures in 1990 to 4.5% in 1999, while instruction, which consists primarily of faculty salaries, grew most slowly, falling from 34% to 31% of the budget. In the private, non-profit sector, scholarships and fellowships constituted 11.4% of current fund expenditures in 1995, up from 9.2% in 1990 and 7.5% in 1985. Total institutional grant dollars more than doubled in inflation-adjusted dollars in the decade from 1991 to 2001.

Almost all students are subsidized in college because even the full sticker price is considerably less than the actual cost of education. State appropriations in the public sector and private contributions in the non-profit sector allow virtually all institutions to charge prices that do not cover their costs. Tuition and fees covered only 13% of public college and university budgets in 1980, but because state appropriations have met less and less of the cost, that figure has risen to almost 20%. For public colleges and universities, where 77% of postsecondary students are enrolled, state appropriations clearly drive tuition. It is easy to see this relationship in announcements from states all across the country over the last few months. In a recent study from the State Higher Education Executive Officers, 17 states reported that reduced state appropriations have led to short-term tuition increases that are inconsistent with their long-term tuition setting philosophies.[3] Examination of long-term trends reveals a clear inverse relationship between tuition levels and state appropriations to colleges and universities.

Differences in tuition levels across states are partially due to differences in costs and quality, but philosophical underpinnings also vary. Most states use low-tuition to increase access. Other states have higher tuition and rely on need-based grant aid to increase access for low-income students. The biggest problem with recent changes is not that sticker prices are rising, but that state grants for low-income students are not keeping pace. Hoping to avoid this destructive pattern, New York State recently announced a startling 28% increase in tuition for 2003-2004. But this increase looks quite different when one recognizes that this is the first increase since 1995, and that state grants are being increased, hopefully holding harmless students from families with incomes under $50,000 a year. SUNY faces a 20% decline in appropriations, and even with the planned tuition increase, must cut $36 billion from its operating budget. The policy choice should not be judged just on the annual percentage increase in tuition. Rather, it is the actual cost to students and the quality of the education the university provides that matter most.

Tuition is rising at public institutions across the country not because one state is watching the others and deciding they have an opportunity now to raise tuition, but because state budgets are tight across the country. Tuition is rising at private institutions across the country, not because of any tacit agreement about prices, but because all face the same rising costs and similar declines in revenues from endowments and private giving. They are also compelled to increase their institutional aid budgets in order to increase the pool of students able and willing to pay their prices.

A Diverse System of Higher Education

Our system of higher education is characterized by a remarkable amount of diversity. Headlines about the high tuition levels at selective private colleges are disturbingly misleading to the public. Of the 15 million students enrolled in college, about 12 million are in public institutions, and almost half of those attend two-year colleges, where average tuition and fees are under $2,000 a year. According to the

College Board, average tuition and fees at four-year private colleges and universities in 2002-2003 were $18,273. This compares to $4,081 at public four-year institutions and $1,735 at public two-year institutions. There is considerable variation even within sectors. Four-year public colleges in New England average $5,484, but in the West, the average is $3,074. There is also a remarkable amount of diversity within sectors. This variation may be one of the explanations for the fact that people tend to significantly over-estimate both the posted price of college and the net price they will be expected to pay.

This price variation also makes our tendency to discuss price increases in percentage terms problematic. The 8% increase in public two-year college tuition levels between 1991 and 2002 amounted to $127. While $127 may be a significant problem for students at the very bottom of the income distribution, it is hard to imagine that it dramatically changes the life choices of middle-income students. The 6% increase for private four-year colleges, on the other hand, amounted to $1000. This warning is important in evaluating the tuition increases now being announced by states, where existing tuition levels vary significantly.

This diversity within higher education is totally compatible with our market economy. Some people choose large urban research universities while others prefer small rural colleges. Some choose occupationally specific programs while others want a broad liberal arts education. Some may wish to pay for elaborate athletic facilities, while others want only basic classrooms. The reality is that there are many people willing and able to pay the prices charged by the most prestigious private colleges. The public agenda should not be to prevent affluent families from paying for this product. It should be, rather, to assure that quality higher education opportunities are available to all who are qualified, regardless of their financial circumstances, and to facilitate choice among available alternatives.

Keeping College Affordable

There is no doubt that colleges and universities must find new and better ways to control their costs. The challenge is to accomplish this without significantly reducing the quality of the services being offered. For public institutions, it is important to examine the structure of state appropriation patterns. These systems frequently fail to reward institutions for keeping costs down. But the answer is changing the incentive structure within states, not imposing federal price controls.

It is vital for Congress to be concerned about college affordability. However, it would, in my view, be a serious mistake for Congress to try to control prices in a diverse market consisting primarily of state-run, state-funded institutions and private non-profit institutions, all of which heavily subsidize their "customers." Rather, Congress should provide adequate grant aid to low-income students, create incentives for states and institutions to increase access to college, and allow market forces to direct prices. The recent growth in the role of for-profit colleges is one visible indication of the effectiveness of market forces in this industry. These firms are making significant inroads into the limited areas of higher education in which it is possible to earn profits producing a service efficiently. The non-profit sector will be forced to compete with these market entrants.

Chairman McKeon's proposal for controlling college costs would punish students for the pricing policies of the institutions on which they are dependent. Perhaps the thought is that no institution would violate the price guidelines because of the severity of the penalty of loss of student aid. But what would happen in states where there simply are not dollars in the budget to fund state colleges to continue their educational mission? Holding the line on tuition would inevitably lead to reduced quality and or reduced capacity. Many students would simply be locked out of the opportunity for higher education. Low- and moderate-income students would be the losers under Chairman McKeon's proposal. There would be fewer spaces for them and they would be less able to pay for the spaces that are available.

There are alternatives. Given the current level of tuition relative to family incomes, the most important strategy is increasing the amount of aid available to students with very limited resources. Larger aid budgets are important, but more money for need-based aid does not necessarily require larger budgets. The federal government has historically played an important role in encouraging states to provide grants to needy students. The LEAP program (formerly SSIG) provides matching funds for state need-based grants. But that program has stagnated in recent years. States have continued to pour increasing amounts of money into grants for college students, but more and more of those dollars are based on criteria other than need. 26% of state grant aid is now non-need-based and that proportion is growing as more and more states follow Georgia's lead. There is strong evidence that programs like the Georgia Hope Scholarship program disproportionately aid white and middle- and upper-income students, leaving low-income and minority students in increasingly difficult situations. The federal government can have a significant impact on college access and affordability by designing policies to change the incentive structure facing states.

Similar problems with the distribution of student subsidies exist on the federal and institutional levels. The federal tuition tax credits provide significant help to middle-income students, but have little impact on low-income students. Both public and private institutions are devoting more and more of their aid budgets to competing with other schools for students with high test scores or other qualities, rather than on increasing access to their institutions for students with inadequate financial means. The federal government could provide incentives for schools to enroll low-income students and to provide support programs that improve retention and graduation rates.

The imposition of any form of price controls on colleges and universities is likely to put added strain on their budgets. Credit ratings, on which the cost of borrowing for long-term investments depends, would likely fall. A complex system would require additional bureaucratic costs for compliance and the possibility of losing student aid might necessitate provision for additional institutional scholarship funds.

Generally, price controls are imposed only when an industry has considerable monopoly power. Higher education is clearly not a perfectly competitive industry; there is extensive product differentiation – all institutions are certainly not alike. But there are thousands of institutions and all have strong competitors. It is not surprising that similar institutions have similar prices – price structures are similar and competition reduces price differentials.

Chairman McKeon's proposal ignores the importance of net price as opposed to sticker price. Given the budget constraints facing higher education institutions and the considerable gap that already exists between the sticker price and the actual cost of providing education, there is no chance that sticker prices will become affordable for the majority of students. We must and should continue to rely on need-based grant aid to allow students with different levels of financial resources to pay different net prices. Under the Chairman's proposal, an institution that held its tuition down by eliminating need-based grant aid would fare much better than one that raised tuition in order to lower net price for the majority of its students. The same would apply at the state level. A state that opted for a slightly higher increase in tuition in order to increase the amount of state grant funding for low-income students would be penalized, while a state that took appropriations from its grant funds in order to reduce tuition for all students would benefit. But the latter state would end up closing the door on low-income students. Surely this is not the intention of Congress.

The goal of Congress, like the goal of state governments and educational institutions, should be to provide access to high quality education and the opportunity for success to as many students as possible, regardless of their financial circumstances. Given the limited resources available for this endeavor, the only option is to ask those who can afford to pay to bear a reasonable portion of the cost of their education and to target subsidies on those with more limited resources. We should also work to simplify the student aid system and to make it more transparent to students, publicizing clearly both the importance of a college education and the extensive opportunities and subsidies that are available to students.

I would like to thank all of the members of the Subcommittee for giving me the opportunity to present these comments.

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[1] The College Board, *Trends in College Pricing, 2002*. Washington, DC: The College Board.

[2] National Center for Education Statistics, *What Students Pay for College: Changes in Net Price of College Attendance Between 1992-93 and 1999-2000*, U.S. Department of Education, NCES 2002-174.

[3] Christopher J. Rasmussen, *State Tuition, Fees, and Financial Assistance Policies, 2002-03*, State Higher Education Executive Officers, June 2003.

Chairman McKEON. Thank you. We will now take a 10-minute recess, which will give us time to go over and vote and get back. And then we will begin with the next testimony. Thank you.

[Recess.]

Chairman McKEON. The Subcommittee will come back to order. We will continue with the testimony of Dr. Wegenke.

STATEMENT OF ROLF WEGENKE, PRESIDENT, WISCONSIN ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Dr. WEGENKE. Thank you, Chairman McKeon, Representative Kildee, and members of the Committee. I appreciate the opportunity to be here today to talk to you about the WAICU Collaboration Project. Your question is what is the solution? I think in Wisconsin we have a solution for the issue of college costs.

WAICU, the Wisconsin Association of Independent Colleges and Universities, was organized 43 years ago for the purpose of promoting collaboration among Wisconsin's 20 private or independent colleges or universities. In 1992, the decision was made by our board, the presidents of these 20 colleges and universities, to change the way we do business, to see if through collaboration we could help control our costs. And beginning in 1992, we took some incremental small steps to purchase certain goods and services together, natural gas, for example, to see if in fact we could save money. We found, yes, we could do it.

In 1997, the presidents made the decision to put everything on the table. That is to look at all administrative support or back-office functions that these 20 colleges and universities provide and see if we could perform them on a collaborative basis with three objectives. The first objective being to save money. The second objective being to improve the quality of goods and services provided to our students, to faculty and staff. And, third, I think in line with what this Committee is doing, to serve as a national model we believe for how costs could be controlled.

In 1999–2000, with support from The Teagle and Bradley Foundations we undertook a feasibility study of our back-office operations to see where the potentials were for us to collaborate. And we identified some of our biggest cost drivers. The conclusion of that feasibility study was that we could collectively, among these 20 institutions, save on an annual basis between $17 and $46 million a year. And for us that is significant money.

And so we began with the assistance of some Federal money, which we received with support of Representative Petri and Kind and Representative Obey, all of Wisconsin. We began last July 1, 2002 with what we have called the WAICU Collaboration Project. And it works.

In just 1 year we have, for example, organized a cooperative health plan. The estimated first year savings of this cooperative health plan for our faculty and staff, the savings potential, I should be careful to say, is $3.4 million. It did not just happen. You cannot go to your local discount store and get a cooperative health plan organized. We had to have all of our members come together and agree on a level of benefits. We actually improved benefits to our faculty and staff under this plan. We had to agree on a third-party administrator, stop-loss insurance, rating, in other words, how we are going to price this so we have the necessary reserves, and compliance with all state and Federal laws. I would like to come back to that question a little later.

We have nine of our 20 members participating in the first year. I expect another six to come in within the next 3 years. And between September 1st and January 1, 2004, we will be enrolling our faculty and staff in the health plan, which we are calling the WAICU Benefits Consortium and thereafter the savings will be realized, that first year of savings will be realized by January 1, 2005.

The other major cost driver identified is information technology. I should say identified in our feasibility study. And we are assisting our members right now to migrate to a common administrative academic system. This is the great computer in the sky. We are moving them to one system, which we intend to operate off-campus at an application service provider environment. That is the jargon these IT people have. And we expect to save in the millions of dollars on this on an annual basis. We will also provide common IT staff for our members who will circuit ride virtually and literally among the colleges and universities, again to save money. Again, this is not easy. We have identified 40,000 what we are calling decision points that our members have to come to an agreement on before we can go out with a RFP to vendors to purchase a common administrative system. We are in the process of achieving those 40,000 points of agreement right now. So, again, it is not easy.

Other things that are not underway but we think have high potential is, one, administration of Federal financial aid. There are a number of savings to be had there but we have not had the resources to proceed. There are recommendations and things we have learned as we have proceeded. One is it takes money to save money. Our members did not have the money for the startup costs. And, two, again regulations need to be addressed if in fact we are going to be able to proceed because there has been opposition, not only from government regulators but also, frankly, from the vendor community who do not like to see the consumer organized. But we are on track to saving money. It is working. We believe it can work for others with appropriate resources.

I will be happy to answer any questions.

[The prepared statement of Dr. Wegenke follows:]

COMMITTEE ON EDUCATION AND THE WORKFORCE

SUBCOMMITTEE ON 21ST CENTURY COMPETITIVENESS

TESTIMONY

by

Dr. Rolf Wegenke, President

Wisconsin Association of Independent Colleges and Universities (WAICU)

July 10, 2003

I

I am pleased to have the opportunity to speak to this distinguished committee about the important issue of college costs and about a revolutionary undertaking, the *WAICU Collaboration Project*, which is a national model showing great promise for actually doing something about college costs.

The issue of college costs has been raised not only by the Congress in the 1998 National Commission on the Cost of Higher Education, but also by students and their families. Although it is less frequently publicized, the leadership in higher education is also concerned about college costs. Higher education should not be—or appear to be—defensive about the issue of college costs. Affordable, quality education is a priority for individual citizens, for government, and for educators, and we all must do our part, working together. In fact, when I was elected to the presidency of WAICU in 1992, the presidents of the 20 private colleges and universities who constitute the Board of WAICU charged me to give priority to addressing this issue. This was the genesis of the *WAICU Collaboration Project.*

Before going further, it might be useful to the subcommittee if I would address how colleges and universities—or at least private colleges and universities—view the economics of higher education.

Private, or independent, colleges and universities in most states, including Wisconsin, receive no operating support from the taxpayers, but function as a public service for students of every race, creed, and economic status.

When the presidents of WAICU-member institutions lie awake at night worrying about the economic future of their college or university, they have essentially three options: (1) they can raise tuition; (2) they can raise more money through private philanthropy; or (3) they can change the way they do business. Despite what many think, raising tuition is a last resort for private colleges and universities. Sixty-five percent of our revenue comes from tuition. If tuition is raised too much, students will be driven to taxpayer-subsidized institutions, and we actually lose money. Securing more private gifts in good times is never easy, but in the current economy is even more problematic. Last year, for the first time in fifteen years, private giving to education actually dropped. So, changing the way we do business is our choice, but this does not mean cuts in instructional quality. We are unwilling to compromise the quality of the educational experience. However, until now, savings on the administrative side of the house have been hindered by the small size which otherwise is our virtue.

II

This is the genius of the *WAICU Collaboration Project*. It controls costs and protects quality.

The *WAICU Collaboration Project* is a comprehensive initiative to perform all administrative support (back office) functions of Wisconsin's 20 private colleges and universities on a collaborative basis. The objectives are to save money, to improve the quality of services to students, faculty, and staff, and to serve as a national model for controlling college costs. This project moves beyond incrementalism. Never before in history have private colleges and universities considered as extensive a consolidation of functions short of an actual merger. It sends a message to the entire nation that something transformative has taken place. Our project in Wisconsin is modeled on the consolidation of back office functions which has taken place in the banking and other industries. Back office operations for colleges and universities include functions such as health care plans, purchasing, information technology, and financial aid administration.

In its 1998 report, the National Commission on the Cost of Higher Education was highly critical of the way higher education operates and recommended that colleges and universities "...conduct efficiency self-reviews to identify cost-saving steps that are relevant to institutional mission and quality improvement... The commission [also] recommends greater institutional and regional cooperation."

The seeds of the *WAICU Collaboration Project* were sown in 1992, when WAICU launched its first collaborative ventures. By the time of the formal launch of the project in 2002, the Association was already managing the WAICU Life and Disability Program, the WAICU Risk Management Program, the WAICU Energy Pool, and the WAICU Study Abroad Collaboration, along with numerous other group purchases, in addition to the WAICU admissions initiatives (Guidance Counselor Workshops, Private College Week, Private College Fairs), and IPEDS coordination. These incremental collaborations have saved hundreds of thousands of dollars for WAICU members and enabled them to extend their reach in ways they could not have done on their own.

These incremental efforts also functioned as "confidence builders" for the 20 colleges and universities in Wisconsin. They learned that they could work together and save money without loss of quality or independence and without compromising their unique missions.

In 1997, the WAICU Board voted to consider consolidating all back office functions. A feasibility study was conducted by Grant Thornton LLP, funded with support from the Teagle Foundation in New York and additional support from the Lynde and Harry Bradley Foundation of

Milwaukee. The study, completed in 2000, estimated that it would take four years of intensive effort at a cost of $4.7 million for these colleges and universities to organize a comprehensive back office collaboration, and that at the end of this period, the project would be self-supporting and annually save between $17 and $46 million for these colleges and universities and their students.

The major functions to be performed on a collaborative basis include:

- Joint health plan
- Information technology
- Cooperative purchasing
- Travel management
- Collections
- Federal student financial aid administration
- Billing
- Environmental health and safety
- Training
- WAICU student loan program
- WAICU tuition payment plan
- Re-engineering of college purchasing functions
- Legal counsel
- Extension to other states: the Association Collaboration

III

This collaboration is working. *The WAICU Collaboration Project* is ahead of schedule and exceeding expectations. WAICU has kept as its priorities the principal drivers of college costs—i.e., the major projects have addressed health care costs, technology, and financial aid.

A key component of the costs of a labor-intensive enterprise such as higher education is the cost of employee health insurance. Colleges and universities, like other organizations, are experiencing annual increases of 30 to 60 percent. In its first ten months (not the two years originally projected), WAICU organized a joint self-funded health plan with a net savings potential of $3.4 million below current costs for the first year alone. Nine of WAICU's 20 members are participating in the first year, and I expect another six to join in the years ahead. The outside funding was used only to cover the organizational costs (actuaries, legal counsel, etc.). Ongoing administrative costs are the responsibility of the participating members.

It is important to recognize the amount of effort required in organizing this initiative. Joint health plans cannot be found on the shelf at your local discount store. WAICU staff brought our members together to agree on a common benefits package, select a third-party administrator, rate (price) the coverage, purchase co-insurance, and hire consortium administrators. Between September and January we will enroll faculty and staff. These are huge undertakings. We not only want to save money, we also want to do the right thing—in terms of our moral obligations to our employees, and in terms of the law of the land.

In the area of information technology, we are assisting our members to migrate to a common administrative/academic system which would be operated off campus at an application service provider (ASP). There are over 40,000 "decision points" on which we must agree before we can proceed to construct an RFP, select a vendor, and implement a joint system. In conjunction with this project, we expect to hire IT staff who will circuit-ride, literally and virtually, among the colleges and universities. I mention this to illustrate the interconnectedness of the cost drivers of education. Technology is a growing cost, but so is staff (especially IT staff). WAICU expects to have a recommendation on a common system to its members by January 2004, with installation beginning in July of that year. Because negotiations with vendors have not yet begun, the precise level of savings has not yet been calculated, but it is expected to be in the millions of dollars.

Student financial aid is the third driver, and the feasibility study for the *WAICU Collaboration Project* identified administration of federal student aid as a major opportunity for cost savings. Sixty-five percent of the cost of student aid administration at WAICU members is attributable to compliance with federal regulations and meeting federal reporting requirements. There are approximately 7,000 federal regulations related to student aid filling three large file drawers at each college. Participating colleges and universities would retain professional judgment (decision-making authority) and counseling functions. The routine, duplicative functions would be outsourced and consolidated, much as financial institutions have outsourced routine functions to companies such as Metavante and Fiserv. Estimated savings approach $2 million a year. This project is not yet underway because we have not had funding sufficient to undertake a task which, because of the extensive federal regulations, is more complex than either health care or information technology.

WAICU has also begun to extend these collaborative opportunities to other states. Again, because these projects are complex and our startup funds are limited, we have not moved as fast as we would have liked to aid the rest of higher education.

IV

You may well ask why, if we are having such a high level of success, we cannot immediately self-fund the startup costs for collaboration. First, in the current economic climate, our members do not have the discretionary income to invest in complex undertakings for which there may or may not be an immediate payoff. Second, not all WAICU members will participate in every collaborative opportunity; it is not appropriate for one independent college or university to subsidize another. Put another way, self-support means funding of, by, and for the participants. Third, there is the issue of time. Enrollment in the joint health plan will not be completed until January 2004. It will be January 2005 before the savings are realized by the participating colleges and universities.

V

As I said, we set our priorities for collaboration based on what our feasibility study showed to be our major "cost drivers." What are our "cost drivers?" The first one is the cost of quality faculty. Education—even if "technology-mediated" or online, if done correctly—is labor-intensive. A second driver is technology itself—both administrative information technology and educational technology in our laboratories. The equipping of our science students must not only keep pace with industry; it must, in some ways, exceed it if education is going to undergird the knowledge economy. A third driver is financial aid. Every year, students come to us with more financial need, and every year we provide more privately raised grants to meet that need. In fact, financial aid is one our fastest-growing expenses. In the case of Wisconsin's 20 private colleges and universities, 94 percent of full-time first-year students receive financial aid, the majority of which is provided by the institutions themselves. During the 2001–2002 academic year, our colleges and universities raised and distributed, on their own, $183 million in grant aid, an increase of almost $17 million from the year before. By way of contrast, federally funded grant aid for our students in the same year totaled slightly more than $23 million.

In fact, when you take financial aid into consideration, college costs take on a whole new light. Take the case of the 54,000 students enrolled in my member institutions. The average price for tuition and fees at a Wisconsin private college or university during the 2001–2002 academic year was $16,116. At the same time, the average financial aid package was $12,055, leaving net tuition costs of just $4,061. Nationally, taking into account institutional aid, net tuition at private colleges (a student's out-of-pocket costs once grant aid is subtracted from an institution's list price) has actually grown less than the Consumer Price Index (CPI). From 1992–1993 to 1999–2000, private college net tuition increased 17.3 percent, while the CPI grew 18.7 percent. With inflation taken into account, **net tuition at private colleges and universities actually dropped during the 1990s.**

VI

WAICU has learned some very important lessons from our ten years of incremental effort and our one year of experience with the more comprehensive *WAICU Collaboration Project*:

1. It takes visionary leadership to bring about change. Without the unanimous commitment of Wisconsin's 20 private college and university presidents, we would still be operating as higher education has for four hundred years. Change is not easy. There must be high quality, enterprise-wide leadership to make these things happen.

2. Colleges and universities **can** reduce their operating costs by working **collaboratively,** without compromising quality or independence.

3. Colleges and universities cannot undertake collaborative savings on their own. If it were simple, everyone would be doing it. On-campus staff already have full-time jobs and lack the specific expertise to structure the kind of complex projects that will have significant fiscal impact.

4. Colleges and universities also lack the financial resources to fund collaboration. For example, WAICU spent tens of thousands of dollars in fees for legal counsel and actuaries to establish our health plan. As the plan becomes fully operational, these ongoing expenses are borne by the participants. Without outside support, WAICU could not have accomplished its record of success.

5. There are many roadblocks to collaboration. Vendors resist in a variety of ways the loss in market share and the loss of profits that collaboration threatens. Then, too, government regulation is an obstacle to collaboration. State governments, for example, require public universities to do their purchasing through state agencies rather than through cooperative agreements with similar institutions. In just the last few days, we have learned of additional state regulations which will cost us thousands of dollars more in legal fees in the organization of our health plan. In the case of federal student aid, you have the 7,000 regulations I mentioned. They are complex enough for one institution to manage, but multiply that complexity by 20 and you have a sense of the magnitude of the challenge. I want to be clear, WAICU is sensitive to the good public purpose behind these regulations. The question is, can we achieve that purpose in a more cost-effective way by collaborating? The answer is yes.

6. At the same time, ownership—or, said another way, participation—is essential to success. Faculty and staff on the front lines are in the best position to judge their needs and what will, or will not, work. Mandates constructed in the abstract will end up, in reality, increasing costs.

7. Independence is essential. Private colleges and universities are not interchangeable parts of a whole; they have distinct missions and meet the needs of different populations of students. WAICU has no expectations that every college and university will save money on each collaborative opportunity. For example, some of my members have already told me that, should WAICU take on federal financial aid administration, they would still spend the dollars saved, but on more counseling for students. Independent decision-making authority also keeps the pressure on the Association, the managers of the collaboration, to make sure that the collaborative opportunities are of the highest quality.

8. Openness to risk is essential. I have detailed the many successes of the *WAICU Collaboration Project*, but not everything will work, and not everything will work well. There must be a recognition in higher education and in the Congress that if we want to break the cycle of spiraling costs, we cannot continue to do business as usual.

9. WAICU is not in the insurance business or the information technology business, but in the education business. We support controlling costs to expand educational opportunity. We must not, and will not, be distracted from our core mission and objectives.

10. Collaboration works because of the "magic of large numbers." Because WAICU has no profit motive, we are able to reduce costs. Moreover, the larger the number of participants or the larger the volume of the product, the more that unit costs will inevitably be reduced.

VII

As the subcommittee continues to focus on the costs of higher education during reauthorization of the Higher Education Act, I strongly urge that you consider ways to facilitate and encourage collaborative efforts like the *WAICU Collaboration Project.* I have two recommendations: First, fiscal resources must be provided to enable colleges and universities to work in collaboration and for one collaborative effort to partner with others. Because of the complexity of these undertakings, I can say, without equivocation, that the only way to save money is to invest money. The equivalent of venture capital is essential for collaborative, cost-saving measures to be organized. Second, the subcommittee should continue its commendable efforts to reduce costly regulation and, especially, those regulations that are obstacles to collaboration.

WAICU is the Wisconsin Association of Independent Colleges and Universities, a 501(c)(3) corporation organized 43 years ago. WAICU's mission is to:

- Advance the interests and promote the development of independent colleges and universities in Wisconsin.

- Articulate the values and purposes of independent higher education and educate the public about these values and purposes.

- Advocate equitable public policy affecting higher education in Wisconsin and cost-effective allocation of public funds to assure freedom of choice for students in selecting an institution of higher learning.

- Administer joint ventures, resource sharing, the exchange of information and scholarship, and mutual consultation and cooperation among the twenty independent colleges and universities in Wisconsin.

WAICU's Board of Directors are the presidents of Alverno College, Milwaukee; Beloit College, Beloit; Cardinal Stritch University, Milwaukee; Carroll College, Waukesha; Carthage College, Kenosha; Concordia University Wisconsin, Mequon; Edgewood College, Madison; Lakeland College, Sheboygan; Lawrence University, Appleton; Marian College, Fond du Lac; Marquette University, Milwaukee; Milwaukee Institute of Art & Design, Milwaukee; Milwaukee School of Engineering, Milwaukee; Mount Mary College, Milwaukee; Northland College, Ashland; Ripon College, Ripon; St. Norbert College, De Pere; Silver Lake College, Manitowoc; Viterbo University, La Crosse; and Wisconsin Lutheran College, Milwaukee.

Chairman McKEON. Thank you very much.
Mr. Ross?

STATEMENT OF SCOTT L. ROSS, EXECUTIVE DIRECTOR, THE FLORIDA STUDENT ASSOCIATION, INC.

Mr. ROSS. Good morning. Mr. Chairman and distinguished Committee members, I would like to thank you for inviting me here to testify today. It is an honor to appear before this Committee and such a distinguished group of representatives.

I would also like to take the opportunity to introduce the chairman of the Florida Student Association who came with me today, Mr. Patrick Sullivan. Patrick currently serves as the Student Government Association president at Florida State University and he was recently elected as the chairman of the Florida Student Association by all of the voting student body presidents in the State of Florida. I am proud to have Patrick with me today because he puts a face on the issue. The people who are affected by this issue of college affordability are the students, and I think that that is important to remember. I have the unique opportunity to represent the 240,000 students in the state university system of Florida, and I am proud to do so.

I would like to thank the Committee again for bringing this important issue of an affordable quality education to the forefront. As I said before, my name is Scott Ross and I represent the Florida Student Association, which is a student issues group formed in 1976 to represent the students in our state university system. The Florida Student Association is composed of the student body presidents of the state universities and their respective staffs. FSA coordinates the collective efforts of each of our member institutions and each of our member student governments, helping to provide a cohesive and unified voice before the Florida Department of Education, the Florida Board of Education, the Florida legislature, the Executive Office of the Governor, and the respective university boards of trustees. FSA advocates for student concerns before these and other policymaking bodies, ensuring that the students have a voice in the state decisionmaking. With a full-time staff in Tallahassee, FSA has proven to be an extremely effective tool in advocating for student concerns.

I would like to begin by presenting you with some numbers that may seem staggering. These numbers reflect educational costs in the state of Florida. Please note that these figures do not include the 8.5 percent tuition increase for in-state resident students passed by our legislature this year.

Since the 1995/96 fiscal year, tuition has increased by approximately 39.2 percent. Student fees have increased by an additional 25.7 percent. The cost of books another 30.4 percent. The cost for a student's room and board has increased by 54.2 percent for a total increased cost of education of almost 150 percent.

During our most recent legislative session, the Florida legislature, as we previously stated, called for an 8.5 percent across-the-board tuition increase for in-state undergraduate students. The legislature also allotted for an additional 6.5 percent of flexibility for the local boards of trustees to set graduate tuition, as well as non-resident tuition. By allowing for this flexibility on the local level, the legislature is almost ensuring astronomical tuition increases.

In its nationwide report on public 4-year, post-secondary institutions with the largest tuition increases, research noted that the top 10 nationwide tuition increases were all set on the local level, albeit by a standard local board. Further, in a report released by the nonprofit College Board in 2002, it showed that the tuition and fees at 4-year public institutions now average $4,081 for a rise of approximately 9.6 percent. Tuition and fees at private 4-year colleges increased an average of 5.8 percent, reaching an average cost of $18,273.

While FSA's primary work is done within the State of Florida, I would like to note that tuition is increasing at a fast rate on the national level. Research that has been compiled by our staff shows the following. In studying the 50 states, the average increase in tuition will reach approximately 12 percent, with some states rising at the alarming level of more than 30 percent.

Some may argue that a tuition increase is nothing more than an adjustment or an increase in the cost of living. I would like to note that while it is true that consumers face yearly price increases for products and services, if you factor in the increase in the costs of housing, books, et cetera, you will see that there has been almost 21.9 percent increase per year. If such an increase were on a consumer's insurance rates, their rent, or any other necessary goods and services, the consumer would more than likely be apt to find other goods and services.

In Florida, our students are very fortunate to have a program known as Bright Futures, which rewards the best and the brightest students. This program was in jeopardy over the course of our legislative session. But we were able to save it based on the fact that it is important to keep the best and brightest students in our state.

You will see the cost of college skyrocketing. You will see more and more students taking student loans, some of these loans reaching over $100,000 in debt if you include graduate school. We are sending our students out into the workforce with a monumental amount of debt with no way to pay it back.

Some may say that the tuition increases are only small percentages. However, if you consider for those students the increase with the interest, you will see that we are sending our students out in a situation where it is very difficult for them.

I think I am out of time. I will be happy to answer any questions. Thank you.

[The prepared statement of Mr. Ross follows:]

FLORIDA STUDENT ASSOCIATION, INC.

21st Century Competitiveness
July 10, 2003
Provided by:
Scott L. Ross, Executive Director
The Florida Student Association, Inc.

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FLORIDA STUDENT ASSOCIATION, INC.

What is the Florida Student Association?

The Florida Student Association, Inc., is a student issues group formed in 1976 to represent the students of the State University System of Florida. The Florida Student Association is composed of the student body presidents of the state universities and their respective staffs. For the 2002-3003 Fiscal Year, membership includes: Florida Agricultural and Mechanical University, Florida Atlantic University, Florida Gulf Coast University, Florida International University, Florida State University, New College of Florida, the University of Central Florida, the University of North Florida, the University of South Florida, and the University of West Florida.

FSA coordinates the collective efforts of each of our member student governments, helping to provide a cohesive and unified voice before the Florida Department of Education, the Florida Board of Education, the Florida Legislature, the Executive Office of the Governor, and University Boards of Trustees. FSA advocates for student concerns before these and other policy making bodies, ensuring that students have a voice in state decision making. With a full-time staff in Tallahassee, FSA has proven to be an extremely effective tool in advocating for student concerns.

In addition to serving as an effective governmental relations organization, FSA holds monthly meetings where student leaders can interact with their peers from other institutions, sharing ideas and hoping to improve the effectiveness of each individual student government (SG). At these monthly meetings, student body presidents, vice presidents, directors of student lobbying, senators and other SG officials share ideas, receive legislative updates, and formulate policy for the statewide association.

FSA further communicates with other student associations nationwide, helping students across the United States in key areas that effect student life. Through greater communication, both within Florida and throughout the country, it is our goal to improve the quality of education received by students, as well as provide greater opportunities for every student to succeed.

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FLORIDA STUDENT ASSOCIATION, INC.

The Executive Director of the Florida Student Association, Inc.

The Executive Director of the Florida Student Association, Inc. is responsible for the day to day management of the Association, as well as serving as the student's chief liaison to the Florida Legislature, the Executive Office of the Governor, the Florida Board of Governors, as well as the individual University Boards of Trustees. The Executive Director is a full-time employee of the Association and is a registered lobbyist in the State of Florida.

Scott Ross began his tenure as the Executive Director of the Florida Student Association in January, 2003.

Prior to his appointment, Scott was a practicing Attorney, at College Legal Services, P.A. He received his Bachelor of Arts Degree in Creative Writing from The Florida State University in Tallahassee, Florida, and his Juris Doctorate Degree from Nova Southeastern University.

At FSU, Scott was involved in many aspects of campus life, including his fraternity, where he served two terms as chapter President, the Interfraternity Council, where he served as Executive Vice President, and the Student Government Association. Scott was selected the 1997 Interfraternity Council Greek Man of the Year, and he was one of eight graduating seniors selected for induction to the prestigious Garnet and Gold Key Senior Hall of Fame.

Scott also has a strong background in higher education. While pursuing his law degree at Nova Southeastern University, he was employed by the Office of Student Activities and Leadership Development where he served as the university's Greek Life Advisor. In this capacity, Scott advised students in all areas of organizational management and leadership development.

In his spare time, Scott enjoys watching sports, reading, and spending time with his family.

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Revised July, 2003

Florida Student Association (FSA)
Position on Tuition Increases

Florida students are an integral part of each university community and must have a meaningful say in the setting of annual tuition rates, as well as helping prioritize how student-generated dollars will be spent at each institution.

In 2002 The Division of Colleges and Universities is reporting that Florida is 48 out of 50 in the nation for in-state resident post-secondary public undergraduate tuition and fees. They cite the "Washington State Higher Education Board National Comparison Survey on Tuition and Fee Rates for 2000-2001". The survey does report Florida as 48th; however, the survey only takes into account six of the State University System institutions.

☑ Along with the rising costs of tuition, students also have to balance the costs of health care, transportation, living expenses, incidentals, insurance, textbooks & supplies, room & board, and other costs of instruction. For example in 2000-2001, the cost of attendance at the University of Florida is approximately $11,000 per year, far exceeding the $2,256 in tuition and fees. Leaving nearly $8,700 a year (or 80%) a student still has to fund in order to pursue their education *(University of Florida, Office of Student Financial Assistance 2001).*

☑ On a yearly basis, consumers face price increases for products and services. However, if these following alarming numbers (a 21.09% increase per year) were insurance rates or country club dues, the consumer would definitely consider alternative products or services. Since 1995-1996: (This does not include the 8.5% tuition increase for resident students, as well as an up to 15% increase for non-resident and graduate students for the 2003-2004 school year).

Tuition has increased by*	39.2%
Student Fees have increased by*	25.7%
Books have increased by*	30.4%
Room & Board has increased by*	54.2%
Total increase	**149.5%**

* Calculated on a 30 credit hour academic year

☑ The College Board reported that a record 90 Billion Dollars in Financial Aid was awarded in 2001-2002. It noted that more than 54% of that Financial Aid was awarded in the form of Student Loans. Large increases in tuition are forcing our students to take on large debt loads in order to attend college, and in some cases these debt loads become unmanageable upon graduation. In a report entitled, *Empty Promises: The Myth of College Access in America,"* formulated by the Advisory Committee on Student Financial Assistance, it stated, "...due to record high financial barriers, nearly one half of all college qualified, low and moderate income high school graduates—over 400,000 students fully prepared to attend a four year college—will be unable to do so, and 170,000 of these students will attend no college at all."

☑ In difficult economic periods, state funding tends to fall not only for public institutions of higher education, causing tuition to rise, but also for student aid programs resulting in decreasing financial aid for students. This causes a double shock for many students as they face increased tuition and decreased aid. The government must become creative and full fund higher education, so as not to balance a budget crisis on the backs of students and their parents.

☑ Across the nation, many public post-secondary students faced alarming tuition increases for 2002-2003. A majority of these universities have one common denominator – tuition is not controlled by the legislature, the state or local board approves tuition (the Chronicle of Higher Education data reports 80 percent of the largest tuition increases were set by local or state boards of trustees). If tuition control is given to university boards of trustees, students and parents can expect sizable tuition increases over the next few years.

FSA

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2002-2003 Top 10 National Tuition Increases

Public 4-Year Postsecondary Institutions

The Chronicle of Higher Education recently released its nationwide report on public 4-year postsecondary institutions with the largest tuition increases (by percentage and overall dollar amount). Upon surveying the institutions and state governing boards, FSA research noted that the top 10 nationwide increases were all set on the local level -- albeit a state or local board.

FSA supports the current process of tuition setting by the Florida Legislature, with the check and balance system of gubernatorial veto. Without fiscal constraint, postsecondary access for eligible students will be minimized.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Governor's State University	$3952.00	55.2%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Purdue University	$5580.00	34.0%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
University of Hawaii-Hilo	$2060.00	31.9%		X	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Harris-Stowe State College	$3760.00	29.9%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
University of Hawaii-West Oahu	$2560.00	29.4%		X	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTE: Information gathered from the Chronicle of Higher Education, "Public-College Tuition Jumps at Highest Rate in 10 Years", Public 4-Year Colleges with Largest Rate of Increase, November 1, 2002.

Revised July, 2003

NOTE: The figures represent tuition and required fees charged to first-time, full-time undergraduates based on a nine-month academic year of 30 semester hours or 45 quarter-hours. They were collected as part of "The Annual Survey of Colleges of the College Board." The lists exclude private, for-profit colleges, institutions in Puerto Rico, and institutions classified by the Carnegie Foundation for the Advancement of Teaching as theological seminaries and other specialized faith-based institutions.

Compiled by: Elizabeth Kennedy, December 9, 2002

Revised July, 2003

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2001-2002 Top 10 National Tuition Increases

Public 4-Year Postsecondary Institutions

The Chronicle of Higher Education recently released its nationwide report on public 4-year postsecondary institutions with the largest tuition increases (by percentage and overall dollar amount). Upon surveying the institutions and state governing boards, FSA research noted that eight out of the top ten (80%) largest increases set tuition on the local level – albeit a state board or local board.

FSA supports the current process of tuition setting by the Florida Legislature, with the check and balance system of gubernatorial veto. Without fiscal constraint, postsecondary access for eligible students will be minimized.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Southern University	36.9%	X		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Arkansas State University	35.1%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oregon Health & Science Univ.	30.8%		X	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alabama A&M University	28.6%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Clemson University	25.1%			X
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTE: Information gathered from the Chronicle of Higher Education, "Tuitions Rise Sharply, and This Time Public Colleges Lead the Way", Public 4-Year Colleges with Largest Rate of Increase, November 2, 2001.

Revised July, 2003

Summary

The Florida Student Association, Inc., is a student issues group formed in 1976 to represent the students of the State University System of Florida. The Florida Student Association is composed of the student body presidents of the state universities and their respective staffs. FSA coordinates the collective efforts of each of our member student governments, helping to provide a cohesive and unified voice before the Florida Department of Education, the Florida Board of Education, the Florida Legislature, the Executive Office of the Governor, and University Boards of Trustees. FSA advocates for student concerns before these and other policy making bodies, ensuring that students have a voice in state decision making. With a full-time staff in Tallahassee, FSA has proven to be an extremely effective tool in advocating for student concerns.

As previously stated, since 1995-1996, tuition has increased approximately 39.2%. When adding this years 8.5% increase, you see that tuition has increased almost 50% over the course of an eight year period. When adding the additional fee increases, as well as the cost of living increases, one can see that student cost has increased more than 150% over the course of this period.

In 2002, the College Board released a report showing that the average tuition and fees for a four year public institution stood at $4,081. This was a rise of approximately 9.6%. Tuition and fees at private institutions increased an average of 5.8% to $18,273.

In the aforementioned report by the College Board, it stated that a record 90 Billion Dollars in student financial aid was handed out during 2001-2002. The most alarming part of this statistic was that 54% of the student aid came from loans. In a report titled, "The Burden of Borrowing," published by the Higher Education Project of the State Public Interest Research Groups, it found that an estimated 39% of student borrowers are graduating with "unmanageable levels of student loan debt." The report also found that in the past eight years, the average debt among student borrowers has nearly doubled to $16,928

In a report entitled, "Empty Promises: The Myth of College Access in America," compiled by the Advisory Committee on Student Financial Assistance, it stated. "due to record high financial barriers, nearly one half of all college qualified, low and moderate income high school graduates—over 400,00 students full prepared to attend a four year college—will be unable to do so, and 170,000 of these students will attend no college at all.

State		RESIDENT TUITION INCREASE
Arizona		38%
Alabama	up to	16.25%
Alaska		10%
Arkansas	up to	8.40%
California		32%
Colorado	up to	9.00%
Connecticut	up to	14.50%
Deleware	up to	7.40%
Florida		8.50%
Georgia		15%
Hawaii		7.50%
Idaho		10%
Illinois		13%
Indiana		5%
Iowa		17.60%
Kansas		20.30%
Kentucky		14.40%
Louisiana		3%
Maine		15%
Maryland		14%
Mass.	up to	19.50%
Michigan		10%
Minn		15%
Mississippi		0%
Missouri		19.80%

Montana		4.70%
Nebraska		15%
Nevada		7.60%
New Hampshire		8.80%
New Jersey		9.90%
New Mexico		4.90%
New York		21.80%
North Carolina		5%
North Dakota		16.50%
Ohio		9%
Oklahoma	up to	10%
Oregon		23%
Pennsylvania		5%
Rhode Island		5.70%
South Carolina		15%
South Dakota		5.80%
Tennessee		14%
Texas		22%
Utah		4.50%
Vermont		4.70%
Virginia		7.50%
Wisconsin	up to	18%
Wyoming		2.50%
West Virginia		9.50%
Washington		9%
AVERAGE		12.05%

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Oral Testimony
Congressional Subcommittee on 21st Century Competitiveness
Prepared by Scott L. Ross, Executive Director

Mr. Chairman and distinguished committee members, I would first like to thank you for inviting me to testify today. It is an honor to appear before this committee and such a distinguished group of representatives. I would also like to introduce the chairman of the Florida Student Association, Mr. Patrick Sullivan. Patrick currently serves as the Student Government Association President at the Florida State University, and was recently elected as the Chairman of FSA. We are very proud to have Patrick with us today, representing the more than 240,000 students of the State University System in Florida.

I would also like to thank the committee for bringing this important issue, the issue of an affordable quality education to the forefront. My name is Scott Ross, and I am the Executive Director of the Florida Student Association. The Florida Student Association, Inc., is a student issues group formed in 1976 to represent the students of the State University System of Florida. The Florida Student Association is composed of the student body presidents of the state universities and their respective staffs. FSA coordinates the collective efforts of each of our member student governments, helping to provide a cohesive and unified voice before the Florida Department of Education, the Florida Board of Education, the

Florida Legislature, the Executive Office of the Governor, and University Boards of Trustees. FSA advocates for student concerns before these and other policy making bodies, ensuring that students have a voice in state decision making. With a full-time staff in Tallahassee, FSA has proven to be an extremely effective tool in advocating for student concerns.

I would like to begin by presenting you with some numbers that may seem staggering to you, and these numbers reflect educational cost in the state of Florida, and please note these figures do not include the 8.5% tuition increase for in state resident students passed by our legislature this year. Since the 1995-1996 fiscal year, tuition has increased by approximately 39.2%, Student fees have increased by 25.7%, the cost of books has increased by 30.4%, and the cost for a student's room and board has increased by 54.2%, for a total cost increase of almost 150%

During our most recent legislative session, as previously stated, the Florida Legislature called for an 8.5% across the board tuition increase for in state undergraduate students. The Legislature also allotted for an additional 6.5% of flexibility for local boards of trustees to set graduate tuition as well as non-resident tuition. By allowing for this flexibility on the local level, the legislature is almost ensuring astronomical tuition increases. In its nationwide report on public 4-year postsecondary institutions with the largest tuition increases, research noted that the top ten nationwide increases were all set on the local level—albeit a state or local board.

Further in a report released by the nonprofit College Board, released in 2002, it showed that tuition and fees at four year public institutions now average $4,081. This was a rise of approximately 9.6%. Tuition and fees at four year private colleges increased an average of 5.8% reaching an average cost of $18,273.

While our primary work is done within the state of Florida, I would like to note that tuition is increasing at an astronomical rate on the national level. Research that has been compiled by our staff shows the following: In studying 32 states, the average increase in tuition will be approximately 12.6% with some states rising at the alarming level of more than 30%.

Some may argue that a tuition increase is nothing more then an adjustment or increase in the cost of living, I would like to note while it is true consumers face yearly price increases for products and services, if you factor in the increase in the cost for housing, books, etc. you will see that there has been an almost 21.09% increase per year. If such an increase were on a consumer's insurance rates, rent, or any other necessary goods and services, the consumer would more than likely be apt to find alternative goods and services.

In Florida, our students are very fortunate to have a program known as the Bright Futures Scholarship Program. During the course of the past legislative session, this program's survival was in jeopardy because there was a question as to whether our state could afford to further fund the program. This program rewards the best and brightest students in the state of Florida with either a partial or full tuition scholarship depending upon the academic levels they reach in high school. The program was jeopardized because of its direct tie to tuition and fees; as tuition increases, the cost to fund this program increases with it. This program was an integral factor in minimizing the amount that the state of Florida was able to increase tuition. We are very proud of the fact that in Florida we have a program that keeps the best and brightest students in our state to pursue their collegiate dreams, while at the same time serves as a regulator for tuition increases. When talking to students, one of the reasons they felt it was so important to preserve this program was because of the potential student loan debt that many of these students would have undertaken if they did not receive bright futures. You see, with the cost of college skyrocketing, many families can not send their children to college anymore, and these students are forced to undertake huge amounts of debt to finance their college education. In the aforementioned report by the College Board, it stated that a record 90 Billion Dollars in student financial aid was handed out during 2001-2002. The most alarming part of this statistic was that 54% of the student aid came from loans. What this means is that we are sending our graduates out into the work force, in many cases with more debt than they are able to handle. Consider the fact that

In this day and age, many students are finding it difficult to obtain employment with only a bachelor's degree. In order to remain competitive these students are attending graduate school and in some cases obtaining more than $100,000 in student loan debt. While recent increases in Pell Grant appropriations have helped to stabilize overall loan-grant balance in the aid system, the purchasing power of the Pell Grant remains far below what it used to be. The Pell Grant was initially intended to be the foundation of Federal Student Assistance, however today the Pell Grant covers only approximately 39% of fixed costs at four year public schools and about 15% at four year private colleges.

In a report entitled, "Empty Promises: The Myth of College Access in America," compiled by the Advisory Committee on Student Financial Assistance, it stated. "due to record high financial barriers, nearly one half of all college qualified, low and moderate income high school graduates—over 400,00 students full prepared to attend a four year college—will be unable to do so, and 170,000 of these students will attend no college at all.

What I have given you is just a brief overview of some of the issues the Florida Student Association has faced in its representation of the students of the State University System in Florida. This brings forth the question, what are the solutions and how can the Federal Government help. Unfortunately, we realize there are no easy answers to this question. One of the suggestions that we had heard was made by Congressman McKeon; in a bill that would create a "College

Affordability Index," to serve as a standard measurement for institutions of higher education whose tuition and fees increase beyond reasonable rates. This is a great start, as it would once again prevent institutions of higher learning as well as the states from balancing their budget crisis on the backs of students and their parents. A majority of the citizens of this country will tell you that they do not want any new taxes, and as an Association we agree with that principle, however, if you look at the core of these exorbitant tuition increases, they are nothing more than taxes disguised as fees on these students. If we are going to live on the principle of living within our means and keeping the people's money in the people's pockets, then we must promote that principle to all the people, including the students of our great nation. Ladies and Gentleman, it is a matter of prioritizing, we stand in a committee today for 21st Century Competitiveness, and I submit to you, that if we price some of our best and brightest out of the game before the game even starts, there is no way that we as a nation, and as a people can remain competitive in the future. We live in the greatest nation on earth, we are afforded all of the freedom and opportunity that any person could want or desire, but to remain strong, we must continue to build upon our children. I want to thank this committee for affording me the opportunity to be here today, and I would like to offer my Association's support in tackling this important issue. Thank You!

Chairman McKEON. Thank you.
Dr. Kirby?

STATEMENT OF PATRICK T. KIRBY, VICE PRESIDENT AND DEAN OF ENROLLMENT SERVICES, WESTMINSTER COLLEGE, FULTON, MISSOURI

Dr. KIRBY. Good morning. My name is Pat Kirby and I am the dean of enrollment services at Westminster College, a private, traditional, liberal arts and sciences college located and founded in 1851 in Fulton, Missouri, a town of 12,000 people. Many people remember our college as the site of Winston Churchill's famous Iron Curtain speech in 1946. And we are now the home of the Winston Churchill Memorial and Library.

A large portion of our students come from Missouri, Arkansas, Illinois, Kansas, Oklahoma, Tennessee, and Texas. International students make up 5 percent of our enrollment. To put some faces on our students, we have our current student body president, Sara Goss from Arkansas and Sara Weir from Kansas, who is our 3-year soccer player, captain of the soccer team. But she pointed out to me that she is really an avid Nebraska football fan, which surprised me a great deal. In any event, they put faces on who we are and they are doing internships here with the Children's Defense Fund and Homeland Security. They are having a fabulous experience, and I appreciate their being with me here today.

Thank you again for this invitation to share some views on this topic of great mutual interest, affordability. Your Subcommittee has identified one of the greatest issues facing many college students and their families today and, in turn, the colleges and universities. It is my hope that our recent experience with a successful tuition reduction plan at Westminster will serve the Subcommittee as a helpful case study of one possible path toward the types of solutions you are seeking.

In the past decade, Westminister, like many private colleges has struggled with the same issues as what your Subcommittee is now focused. If we could make our college more affordable, could we enroll more students and simultaneously provide more choices to these students who are seeking a post-secondary education.

In October 2002, we announced our tuition reduction program for new students planning to enroll for the fall 2003 semester. In my written testimony, I have submitted more background and details about the research and mind-set we used in our approach to this decision. Here are some of the underlying guiding principles that were necessary for this tuition reduction program to work at Westminster College: One, an ability to grow our enrollment and keep students as our top priority; two, an ability to be more cost-effective without sacrificing quality; and, three, a financial commitment to a diverse student body from all walks of life.

For example, Westminster College was fortunate to have the room to grow carefully our enrollment and to be more cost-effective when utilizing our facilities, our personnel, and programs, all while staying committed to more student diversity and retaining the academic and personal social advantages that a small college offers to its students, faculty, and staff.

By making our college more affordable, we thought we could increase our enrollment and broaden the socio-economic backgrounds of our students on campus. Thus far, that is exactly what is happening for our fall 2003 enrollment. We are now expecting the largest enrollment in our college's 152 year history, bolstered by a much larger, more diverse freshmen class. And this is in the midst of a tough economy for many students and their families.

Frankly, our tuition reduction program will probably not work for most public colleges and universities. Most of these state institutions have full enrollments and serious budget challenges. But here is a somewhat unique perspective and question to consider: What if just a portion of the 1,800 private colleges and universities could absorb some of these students and relieve some of the burdens faced by public universities? It might allow public universities to reduce their budget problems, as private colleges and universities absorb more of these students. It could be a win/win for everyone.

We are only one private college but we serve as a leading example of what private colleges have to offer. Our 16 to 1 student/faculty ratio keeps classes small, interactive, and seminar-oriented. Students can get the classes they need and they graduate in 4 years, not five or six. Our faculty members are full-time and extremely dedicated, whose priorities are excellent teaching and a thoughtful personalized approach to advising. Of course, our faculty members do some research and write books and journal articles but teaching and their students are their top priority. We also sponsor additional resources on our campus, such as our Center for Teaching Excellence and the Center for Leadership and Service.

In the last 3 years, Dr. Fletcher Lamkin, our current president and a retired brigadier general and former academic dean at West Point, has helped the college to refine its core mission in higher education and has taken an unapologetic approach to emphasizing the importance of leadership, character, and values-based educational opportunities throughout our college. Our hallmark values are integrity, fairness, respect, and responsibility. Morever, we expect our graduates to become leaders of character, to pursue lives of success, significance, and service.

One of the greatest strengths of the American system for higher education has been its diversity of institutions, around 4,000 of them. Almost half of them are private. If many students cannot seriously consider various types and sizes of college, we are all disadvantaged. Making all colleges and universities more affordable is perhaps unlikely. But to the extent we can journey closer toward that goal for a larger proportion of our students, our entire country will benefit. There is no greater insurance for our freedom and way of life than educated citizenry.

Thank you for making college affordability a high priority for your Subcommittee. And thank you for this opportunity to share what Westminster College has done to make higher education more affordable to prospective students while improving the College's economic situation and enrollment trends.

I will be happy to answer your questions. Thank you.

[The prepared statement of Dr. Kirby follows:]

To: Subcommittee on 21st Century Competitiveness
% Committee on Education and the Workforce
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515-6100

From: Patrick T. Kirby, Ph.D.
Vice President/Dean of Enrollment Services
Westminster College
501 Westminster Avenue
Fulton, MO 65251

Date: July 10, 2003

RE: **"Affordability in Higher Education: We Know There's a Problem; What's the Solution?"**

Good Morning! My name is Pat Kirby. I am the dean of enrollment services at ***Westminster College***, founded in 1851 in Fulton, Missouri, now a town of 12,000 residents. Many people remember our college as the site of Winston Churchill's famous "Iron Curtain" speech in 1946, and now the home of the Winston Churchill Memorial and Library. Westminster is a **liberal arts and sciences college**, nationally recognized by organizations such as the Carnegie Commission, *U.S. News and World Report* and the *Washington Post.* In fact, the *Washington Post* just recently listed Westminster as a Top 20 "hidden gem" among U.S. colleges and universities. A large portion of our current students come from Missouri, Arkansas, Illinois, Kansas, Oklahoma, Tennessee and Texas. International students make up 5% of our enrollment.

Thank you again for the invitation to share some views on this topic of great mutual interest: AFFORDABILITY. Your Subcommittee has identified one of the greatest issues facing many college students and their families today, and, in turn, colleges and universities. The ramifications of ever-increasing costs for higher education are certainly far-reaching and multi-layered. It is my hope that our recent experience with a successful tuition reduction plan at Westminster will serve this Subcommittee as a helpful case study of one possible path toward the types of solutions you are seeking.

In the past decade, Westminster, like many private colleges, has struggled with the same issues on which your Subcommittee is now focused. If we could make our college more affordable, could we enroll more students and simultaneously provide more choices to these students who are seeking a post secondary education? We felt strongly that if we addressed and solved the affordability issue, we could accomplish these over-arching goals and likewise reap positive benefits for the College. So, we embarked upon some targeted research, detailed planning, and admittedly, some calculated risks. That preparation resulted in our October 2002 announcement of our Tuition Reduction program, which took effect for any new Westminster students planning to enroll for the upcoming Fall 2003 semester.

Following is an overview of some of the major elements we considered, the mindset we utilized, and the milestones we encountered. First of all, here are some of our underlying guiding principles that were necessary for this Tuition Reduction program to work at Westminster College:

(1) An ability to grow our enrollment and keep students as our top priority;

(2) An ability to be more cost effective without sacrificing quality; and,

(3) A financial commitment to a diverse student body from all walks of life.

For example, Westminster College was fortunate to have the room to carefully grow our enrollment and to be more cost-effective when utilizing our facilities, personnel and programs, all while staying committed to more student diversity and retaining the academic and personal/social advantages that a small college offers to its students, faculty and staff. Westminster College's new $18 million, 80,000 square foot Wallace Coulter Science Center gives us the academic space to grow our enrollment. We have the physical space for new housing for students. The support from our 44-person Board of Trustees and 8,000+ alumni has allowed our College to weather the financial challenges that most colleges and universities are facing today.

Initially, the idea for a Tuition Reduction program came from Kurt Kindschi, a consultant from the higher education consulting firm of Noel-Levitz. After examining our enrollment and financial aid data for the previous three years, Kurt's conclusion was, despite the good things the college had to offer, many people had the impression that Westminster was overpriced and thus not affordable to as many students as we wanted (and needed) to enroll.

We also knew, from follow-up surveys with students who did not choose Westminster College, that their primary reasons were "affordability" and "size." Sticker shock was mentioned too often; we could not ignore these warning signs. Further, a study commissioned in the spring of 2002 by the Art and Science Group, a research company in Baltimore, found that the economy had an effect on the decision of 50% of college students looking at four-year private colleges and universities.

By making our College more affordable, we thought we could increase our enrollment and simultaneously broaden the socio-economic backgrounds of our students on campus. Thus far, that is exactly what is happening for our Fall 2003 enrollment! We are now expecting the largest enrollment in our College's 152-year history, bolstered by a much larger freshman class. And, this is in the midst of a tough economy for many students and their families!

Over the past ten years, the rise in college tuition has outpaced increases in both family earnings and the Consumer Price Index. Most research states that "costs" are reducing student's options for higher education and that most private schools are not affordable for most families.

Simultaneously, state financial aid programs have not kept pace with the cost of living changes. In our state of Missouri, for example, the Bright Flight Scholarship that goes to academically outstanding students regardless of financial need, has been $2,000 for nearly 15 years. Likewise, the Missouri Gallagher Grant, for students who <u>do</u> have financial need, has been $1,500 for nearly 20 years. The federal Pell Grant program -- much appreciated by so many needy students -- is now at a maximum of $4,050...and has also not kept pace with inflation since its inception.

Admittedly, eligibility for federal and state financial aid programs impacts students differently. But what has occurred in the past decade is that students and their parents must use more of their own resources to finance the student's education. That would be okay if families have those resources, but a large proportion of families do not. Many more students now borrow funds from state and federal loan programs to meet their costs. And many private colleges and universities, in their ever-challenging need to maintain enrollment numbers and operating income, feel compelled to use more financial aid to offset higher tuition for students.

At Westminster College, using more and more of our financial aid to offset higher tuition was a double-edged sword. Increasing financial aid led to higher tuition – which in turn created the need for more financial aid. The result was an endless spiral of increased costs, much of which was absorbed by parents and students. By reducing tuition, we have made the college more affordable to more families, and simultaneously increased our enrollment. For Fall 2003, our Tuition Reduction program works for most students applying to Westminster College because the annual comprehensive costs (tuition, room, board and fees per year) are now about $3,800 less than last year's costs (i.e. before our Tuition Reduction program). The per-student decrease in tuition revenue for the College is offset by the overall revenue increase from a larger enrollment. In other words, we made up the difference by increasing our volume.

Frankly, our Tuition Reduction program will probably not work for most public colleges and universities. Most of these state institutions have full enrollments and serious budget problems. But, here is a somewhat unique perspective and question to consider: what if just a portion of the 1800 private colleges and universities could absorb some of these students and relieve some of the burdens faced by public universities? It would allow public universities to reduce their budget problems as private colleges and universities absorbed more of these students. There is no question all colleges and universities must reexamine our missions, goals and responsibilities to our "publics" and to become more cost effective. We must all make better use of the limited resources available to us.

We are only one private college, but we serve as a leading example of what private colleges have to offer. Our 16:1 student/faculty ratio keeps classes small, interactive and seminar oriented. Students can get the classes they need and graduate in 4 years, not 5 or 6! Our faculty members are full-time and extremely dedicated, whose priorities are excellent teaching and a thoughtful, personalized approach to advising. Of course our faculty members do research and write books and journal articles, but teaching (and their students!) is their top priority. We have no graduate students or Teaching Assistants on our campus. Westminster College's strengths are its people – the students, faculty and staff, and the relationships they build together that are mutually beneficial.

We also sponsor additional resources on our campus, such as the Center for Teaching Excellence and the Center for Leadership and Service. In the last 3 years, Dr. Fletcher M. Lamkin, our current president and a retired Brigadier General and former Academic Dean at West Point, has helped the college refine its core mission in higher education and has taken an unapologetic approach to emphasizing the importance of leadership, character and values-based educational opportunities throughout our college. Our hallmark values are ***Integrity, Fairness, Respect and Responsibility***. Moreover, we help our graduates to become "leaders of character" who pursue lives of ***Success, Significance and Service.***

I am a graduate of a large public university, but I remain convinced that smaller private colleges and universities have as much, if not more, to offer to students for their undergraduate education. And we could be role models for being more cost effective!

One of the greatest strengths of the American system of higher education has been its diversity of institutions -- around 4,000! Almost half of them are private institutions. If many students cannot seriously consider various types and sizes of colleges, we all are disadvantaged. Making <u>all</u> colleges and universities more affordable is perhaps unlikely.

But, to the extent we can journey closer toward that goal for a larger proportion of our students, our entire country will benefit. There is no greater insurance for our freedom and way of life than an educated citizenry.

Thank you for making "college affordability" a high priority for your Subcommittee. And, thank you for this opportunity to share what Westminster College has done to make higher education more affordable to prospective students, while simultaneously improving the College's economic situation and enrollment trends. I will be happy to answer your questions.

[Attachments to Dr. Kirby's statement have been retained in the Committee's official files.]

Chairman McKEON. Thank you.
Dr. Twigg?

STATEMENT OF CAROL A. TWIGG, EXECUTIVE DIRECTOR, CENTER FOR ACADEMIC TRANSFORMATION, RENSSELAER POLYTECHNIC INSTITUTE

Dr. TWIGG. Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify. I am executive director of the Center for Academic Transformation at Rensselaer Polytechnic Institute. A key goal of our center is to demonstrate how effective use of information technology can both improve student learning while reducing instructional costs. Our focus is on undergraduate higher education.

Now, in my view, higher education has a productivity problem. Unlike other industries where information technology has been used to change the way in which we do business such that we can both reduce costs and improve quality of services, higher education by and large has not been able to do this. But I say this can be done in higher education as well. And, like my colleagues, we have a solution, not the solution to the problem.

For the past 4 years, our Center has managed a national program in course redesign, whose purpose is to demonstrate how colleges and universities can change the way they do business in teaching and learning to both improve learning and reduce costs. As part of this program, 30 institutions from around the country have each designed one large enrollment course. Collectively, these 30 courses impact about 50,000 students each year.

What are the results that we have achieved thus far? All 30 institutions have reduced their instructional costs by 40 percent on average, with cost-savings ranging from a low of 20 percent to a high of 84 percent. Collectively, the 30 redesigned courses produce a cost-savings of about $3.6 million a year. And that is just 30 courses using these techniques. Now reducing instructional costs by 40 percent in higher education is by itself a significant achievement, especially when just about everyone in higher education says this can't be done.

But what about quality? Each of the 30 participating institutions has conducted a rigorous evaluation focused on student learning, comparing the outcomes from the traditional way of teaching to these new methods of teaching. And the results of these evaluations show that 22 of the 30 projects have demonstrated significant improvements in student learning, statistically significant improvements in student learning. The other eight have shown equal quality. They have also shown improved retention. Fifteen of the 30 projects have shown improvement in course completion rates, reducing the numbers of drops, failures, and withdrawals.

Now I wanted to say a bit more about the program. All of these redesign projects focus on large enrollment introductory courses, the freshmen level course, a kind of key part of student success because these courses have the potential to effect large numbers of students and generate substantial cost-savings. If you do a study of undergraduate enrollment in the United States, you will find that just 25 courses generate 50 percent of the enrollment at all community colleges, and 35 percent of the enrollment at 4-year colleges. Taken together these 25 introductory courses make up about 42.5 percent of undergraduate enrollment. So this is why we selected these courses as a focus. In addition, completion of these courses is critical for student progress toward a degree. But failure rates in these intro courses, which range from about 15 percent in research universities to 30 to 40 percent in comprehensive state colleges and as high as 50 percent in community colleges, contribute heavily to overall institutional dropout rates between the first and second year. So if we can make improvements in these courses, we will directly contribute to overall student retention in our institutions.

Now to say a bit about the institutions participating. We have all kinds of institutions; research one universities, like the University of Wisconsin and Penn State, comprehensives, like the University of Southern Mississippi or the University of Southern Maine, community colleges, Riverside Community College in Los Angeles and Tallahassee Community College, and private institutions like Fairfield University and the University of Dayton because we are trying to demonstrate that these techniques can be used across the board in higher education.

The projects are in all disciplines, in the humanities, natural sciences, mathematics, and social sciences. My written testimony details the techniques that we have used to achieve these accomplishments. I am happy to answer questions.

Let me just say there are four key ideas in this redesign program. The first is these projects move students from a passive learning role, which is the norm in most freshmen courses, and frequently the cause of high failure rates, to active engagement in learning. The second thing they do is use interactive, high-quality instructional software, where appropriate, in the learning process. The third thing is that they enable good pedagogy to scale because it is easy to have a high-quality course with 10 students in it. But how do you have a high-quality course with 500 students in it? You need to think about how you can scale those techniques and technology can be an assistance. And then, finally, what the redesign process does is encourage college faculty and administrators to think outside the box, to really sit down and examine who does what and why and where can we make changes that will lead to better student learning and reduce instructional costs.

And I would be happy to answer questions.

[The prepared statement of Dr. Twigg follows:]

Center for Academic Transformation

Testimony of Dr. Carol A. Twigg

Executive Director

Center for Academic Transformation

Rensselaer Polytechnic Institute

House Subcommittee on 21st Century Competitiveness
of the Committee on Education and the Workforce

July 10, 2003

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to testify. I am Executive Director of the Center for Academic Transformation at Rensselaer Polytechnic Institute. The Center manages a national program in higher education course redesign. Its goal is to demonstrate how effective use of information technology can improve student learning and reduce instructional costs.

American colleges and universities continue to be challenged by the need to increase access to higher education, to improve the quality of student learning, and to control or reduce the rising cost of instruction. These issues are, of course, interrelated. As tuition costs continue to rise, access is curtailed. If the quality of the curriculum inhibits students from successfully completing courses and programs, promises of increased access become hollow.

Solutions to these challenges appear to be interrelated as well. Historically, either improving quality or increasing access has meant increasing costs. Reducing costs, in turn, has meant cutting quality, access, or both. In order to sustain higher education's vitality while serving a growing and increasingly diverse student body, it must find a way to resolve this familiar —and seemingly intractable--trade-off between cost and quality.

Many colleges and universities are also discovering exciting new ways of using technology to enhance teaching and learning and to extend access to new populations of students. For most institutions, however, new technologies represent a black hole of additional expense. This is because the majority have simply bolted new technologies onto an existing set of physical facilities, a faculty already in place, and an unaltered concept of classroom instruction.

Under these circumstances, technology becomes part of the problem of rising costs rather than part of the solution. In addition, comparative research studies show that, instead of improving quality, most technology-based courses produce learning outcomes that are only "as good as" their traditional counterparts—what has come to be known as the "no significant difference" phenomenon. By and large, colleges and universities have not yet begun to realize the promise of technology to improve the quality of student learning, increase retention and reduce the costs of instruction.

Supported by an $8.8 million grant from the Pew Charitable Trusts, the Program in Course Redesign (http://www.center.rpi.edu/PewGrant.html) was created in April 1999 to address the issues discussed above. Managed by the Center for Academic Transformation (http://www.center.rpi.edu/) at Rensselaer Polytechnic Institute, the program is supporting colleges and universities in their efforts to redesign instruction using technology to achieve quality enhancements *as well as* cost savings.

Selected from hundreds of applicants in a national, 30 institutions each received a grant of $200,000, awarded in three rounds of 10 per year. Participating institutions include research universities, comprehensive universities, independent colleges, and community colleges in all regions of the United States. Detailed descriptions of each redesign project can be found on the Center Web site.

All 30 redesign projects focus on large-enrollment introductory courses that have the potential to affect significant student numbers and generate substantial cost savings. Why focus on such courses? Because undergraduate enrollments in the United States are concentrated heavily in only a few academic areas. In fact, just 25 courses generate about half of all student enrollments in community colleges and about a third of enrollments in four-year institutions.

The topics of these courses are no surprise and include introductory studies in disciplines such as English, mathematics, psychology, sociology, economics, accounting, biology, and chemistry. Successful completion of these courses is critical for student progress toward a degree. But typical failure rates in many of these courses—15 percent at research universities, 30 to 40 percent at comprehensive universities, and 50 to 60 percent at community colleges—contribute heavily to overall institutional drop-out rates between the first and second year.

The insight that these figures point to is simple and compelling: In order to have a significant impact on large numbers of students, an institution should concentrate on redesigning the 25 courses in which most students are enrolled instead of putting a lot of energy into improving quality or cutting costs in disparate small-enrollment courses. By making improvements in a restricted number of large-enrollment prerequisite or introductory courses, a college or university can literally affect every student who attends.

The Program in Course Redesign has produced many different models of how to restructure such courses to improve learning as well as to effect cost savings. In contrast to the contention that only certain kinds of institutions can accomplish these goals, and in only one way, the program is demonstrating that many approaches can achieve positive results. And to counter the belief that only courses in a restricted subset of disciplines—science or math, for instance—can be effectively redesigned, the program contains successful examples in many disciplines including the humanities, math and statistics, the social sciences, and the natural sciences. In each case, the *whole course* rather than a single class or section is the target of the redesign.

Here is a breakdown of the thirty participating institutions by curricular area:

QUANTITATIVE (13)

- Mathematics: Iowa State University; Northern Arizona University; Rio Salado College; Riverside Community College; University of Alabama; University of Idaho; Virginia Polytechnic Institute and State University
- Statistics: Carnegie Mellon University; Ohio State University; Pennsylvania State University; University of Illinois at Urbana-Champaign
- Computer Programming: Drexel University; University at Buffalo

SOCIAL SCIENCE (6)

- Psychology: California State Polytechnic University, Pomona; University of Dayton; University of New Mexico; University of Southern Maine
- Sociology: Indiana University–Purdue University Indianapolis
- American Government: University of Central Florida

HUMANITIES (6)

- English Composition: Brigham Young University; Tallahassee Community College
- Spanish: Portland State University; University of Tennessee, Knoxville
- Fine Arts: Florida Gulf Coast University
- World Literature: University of Southern Mississippi

SCIENCE (5)

- Biology: Fairfield University; University of Massachusetts, Amherst
- Chemistry: University of Iowa; University of Wisconsin–Madison
- Astronomy: University of Colorado at Boulder

[For specific descriptions of each project, please see the case studies at http://www.center.rpi.edu/PewGrant/ProjDesc.html.]

Each of the 30 participating institutions is conducting a rigorous evaluation focused on student learning, comparing the outcomes of redesigned courses with those of courses with the same content delivered in a traditional (pre-redesign) format. Preliminary results show improved student learning in 20 of the 30 projects, with the remaining 10 showing no significant difference. Each institution has also developed a detailed cost analysis of both the traditional and redesigned course formats, using a spreadsheet course-planning tool (http://www.center.rpi.edu/PewGrant/Tool.html) developed by the Center.

Preliminary results show that all 30 reduced costs by 40 percent on average, with cost saving ranging from 20 percent to 84 percent. Other positive outcomes associated with redesigned courses include increased course-completion rates, improved retention, better student attitudes toward the subject matter, and increased student satisfaction with the new mode of instruction. Collectively, the 30 redesigned courses impact more than 50,000 students and produce a cost savings of $3.6 million each year--while improving student-learning outcomes and increasing retention at the same time.

Quality Improvement Strategies and Successes

The redesign projects have effected significant changes in the teaching and learning process, making it more active and learner-centered. The primary goal is to move students from a passive, "note-taking" role to an active-learning orientation. As one math professor involved in the project put it, "Students learn math by doing math, not by listening to someone talk about doing math." Lectures are replaced with a wide variety of learning resources, all of which involve more active forms of student learning or more individualized assistance. In moving from an entirely lecture-based to a student-engagement approach, learning is less dependent on words uttered by instructors and more dependent on reading, exploring, and problem-solving undertaken actively by students.

Many of the projects show statistically significant improvements in overall student understanding of course content as measured by pre- and post- assessments that examine key course concepts. For example, at the University of Central Florida, students enrolled in a traditionally configured political science course posted a 1.6-point improvement on a content examination, while the average gain of 2.9 points for students in the redesigned course was almost double that amount. The University of Tennessee, Knoxville found a significant and favorable 5-point difference between student scores on a redesigned course exam in Spanish and the scores of students enrolled in traditional sections.

Other projects demonstrate statistically significant improvements in student understanding of course content by comparing the performance of students enrolled in traditional and redesigned courses on commonly administered examinations. Redesign-course students in statistics at Penn State, for example, outperformed traditional students on a content-knowledge test, with 60 percent correct answers in the traditional format and 68 percent correct in the redesigned classes. At Carnegie Mellon University, the performance of redesign-course students in statistics increased by 22.8 percent on tests of skills and concepts, and redesign-course students also demonstrated an enhanced ability to identify the appropriate statistical analysis to employ in a given real-world problem situation. At Florida Gulf Coast University (FGCU), the average score achieved on a commonly administered standardized test by students enrolled in the traditional fine arts course was 70 percent; in the redesigned course it was a significantly higher 85 percent.

Many of the projects also reported significant improvements in their drop-failure-withdrawal (DFW) rates. At the University of Southern Maine (USM), a smaller percentage of introductory psychology students dropped the redesigned course or received failing grades, moving the DFW rate from 28 percent in traditional sections to 19 percent in the redesigned course. At Virginia Tech, the percentage of students completing a redesigned linear algebra course and achieving grades of D- or better improved from an average of 80 percent to an average of 87 percent. At the University of Idaho, the percentage of students earning a D or failing was cut by more than half. Drexel University reduced its DFW rate in computer programming from 49 to 38 percent, FGCU from 45 percent to 11 percent in fine arts, Indiana University-Purdue University Indianapolis (IUPUI) from 39 to 25 percent in introductory sociology, and the University of New Mexico from 42 percent to 25 percent in psychology.

What techniques have the projects found to be the most effective in improving student learning? The most prominent are the following:

- *Continuous Assessment and Feedback:* Shifting the traditional assessment approach in large introductory courses, which typically employ only midterm and final examinations, toward continuous assessment is an essential pedagogical strategy in these redesigns. Many of the projects include numerous computer-based assessments that give students almost instantaneous feedback on their performance. Automating assessment and feedback enables repeated practice as well as providing prompt and frequent feedback--pedagogical techniques that research consistently has proven to enhance learning.

Students are regularly tested on assigned readings and homework using short quizzes that probe their preparedness and conceptual understanding. These low-stakes quizzes motivate students to keep on top of the course material, structure how they study and encourage them to spend more time on task. Online quizzing encourages a "do it till you get it right" approach: Students are allowed to take quizzes as many times as they want to until they master the material.

Quizzes also provide powerful formative feedback to both students and faculty members. Faculty can quickly detect areas where students are not grasping key concepts, enabling timely corrective intervention. Students receive detailed diagnostic feedback that points out why an incorrect response is inappropriate and directs them to material that needs review. Since students are required to complete quizzes before class, they are better prepared for higher-level activities once they get there. Consequently, the role of the instructor shifts from one of introducing basic material to reviewing and expanding what students have already been doing.

- *Increased Interaction among Students:* Many redesign projects take advantage of the Internet's ability to support useful and convenient opportunities for discussion among students. Students in large lecture classes tend to be passive recipients of information, and student-to-student interaction is inhibited by class size. Through smaller discussion forums established online, students can participate actively. Central Florida and IUPUI create small online discussion groups in which students can easily contact one another in their redesigned American government and introductory sociology courses. Students benefit from participating in the informal learning communities that are created in this manner. Software allows instructors to monitor the frequency and quality of student contributions to these discussions more readily and carefully than would be the case in a crowded classroom.

- *Continuous Support:* A support system, available around the clock, enables students to receive help from a variety of sources. Helping students feel that they are a part of a learning community is critical to persistence, learning, and satisfaction. Active mentorship of this kind can come from a variety of sources, allowing students to interact with the person who can provide the best help for the specific problem they have encountered.

  Many of the redesign projects replace lecture time with individual and small-group activities that take place in computer labs staffed by faculty, graduate teaching assistants (GTAs) and/or peer tutors. In several instances, increasing lab hours has enabled students to get access to more one-on-one assistance. Students welcome the reduction in lecture time and the opportunity to work in groups to apply what they have learned. Collaboration also triggers peer pressure within groups, which can be a powerful incentive for students to keep up with their work.

- *Online Tutorials:* In redesign courses, Web-based resources—either commercially produced or developed by colleges and universities—that support greater student engagement with the material replace standard presentation formats. Such resources may include interactive tutorials and exercises that give students needed practice; computerized or digitally recorded presentations and demonstrations; reading materials developed by instructors or in assigned textbooks; examples and exercises in the student's field of interest; links to other relevant online materials; and individual and group laboratory assignments.

  Ideally, materials like these are modularized and tailored to incorporate examples drawn from a variety of disciplines to match the learning circumstances of students with different professional and personal goals. Using modularized materials also allows changes in content or format if students are having difficulty understanding a particular part of the course.

The University of Wisconsin at Madison and Virginia Tech are among the most sophisticated users of online tutorials. Building on substantial experience in using and developing interactive materials, Wisconsin had developed 37 Web-based instructional modules in chemistry by July 2001. Each module leads a student through a particular topic in six to 10 interactive pages. When the student has completed the tutorial, a debriefing section presents a series of questions that test whether the student has mastered the module's content. Students especially like the ability to link from a problem they have difficulty with directly to a tutorial that helps them learn the concepts needed to solve the problem.

Virginia Tech uses a variety of Web-based course-delivery techniques like tutorials, streaming video lectures, and lecture notes as tools for presenting materials in a linear algebra course. Consisting of concrete exercises with solutions that are explained through built-in video clips, such tutorials can be accessed at home or at a campus lab. In redesigned courses, tutorials have taken over the main instructional task with respect to transmitting content: 84 percent of the students enrolled in Virginia Tech's linear algebra course reported that the computer presentations explain the concepts effectively.

- *Undergraduate Learning Assistants (ULAs):* Both the University of Colorado-Boulder (UC) and SUNY at Buffalo (UB) are employing ULAs in lieu of Graduate Teaching Assistants (GTAs). Both universities have found that ULAs turned out to be better at assisting their peers than GTAs because of their understanding of the course content, their superior communication skills, and their awareness—based on their own recent experience–of the many misconceptions that undergraduate students often hold.

  In Colorado's redesigned introductory astronomy course, the instructor meets weekly with the ULAs and discusses in detail what is working and where students are having difficulty. Feedback from these weekly meetings gives the instructor a much better sense of the class as a whole, and of the individual students in it, than would otherwise be possible with a class of more than 200 students.

People who are knowledgeable about proven pedagogies that improve student learning will find nothing surprising in the above list. Among the well-accepted *Seven Principles for Good Practice in Undergraduate Education* developed by Arthur W. Chickering and Zelda F. Gamson in 1987 are such items as "encourage active learning," "give prompt feedback," "encourage cooperation among students," and "emphasize time on task." Good pedagogy in itself has nothing to do with technology, and we've known about good pedagogy for years. What is significant about the faculty involved in these redesigns is that they were able to incorporate good pedagogical practice into courses with *very large numbers of students*—a task that would have been impossible without technology.

In the traditional general chemistry course at the University of Iowa, for example, 21 GTAs used to be responsible for grading more than 16,000 homework assignments each term. Because of the large number of assignments, GTAs could only spot-grade and return a composite score to students. By automating the homework process through redesign, every problem is graded and students receive specific feedback on their performance. This, in turn, leads to more time on task and higher levels of learning. Applying technology is not beneficial without good pedagogy. But technology is essential to move good pedagogical practice to scale, where it can affect large numbers of students.

Cost Reduction Strategies and Successes

There are a variety of ways to reduce costs. As a result, there are also a variety of strategies for pursuing instructional redesign, depending upon institutional circumstances. For instance, an institution may want to maintain constant enrollments while reducing the total amount of resources devoted to the course. There are two primary ways an institution can decrease costs per student even though the number of students enrolled in the course remains unchanged. First, it can use technology for those aspects of the course where it would be more effective, engaging faculty only in tasks that require faculty expertise. Second, it can transfer other tasks that are less academically challenging to those with a lower level of education. This approach makes sense when student demand for the course is relatively stable.

But if an institution is in a growth mode or has more demand than it can meet through existing course delivery, it may seek to increase enrollments while maintaining the same level of investment. Many institutions have escalating demand for particular subjects like Spanish or information technology that they cannot meet because they cannot hire enough faculty members. By using redesign techniques, they can increase the number of students they enroll in such courses and relieve these academic bottlenecks without changing associated costs. The University of Tennessee, for example, has been able to increase by one-third the number of students served by the same instructional staff in introductory Spanish.

Another way to reduce costs is to decrease the number of course repetitions due to failure or withdrawal, so that the overall number of students enrolled each term is lowered and the required number of sections (and the faculty members to teach them) are reduced. At many community colleges, for example, it takes students about two-and-a-half tries to pass introductory math courses. If an institution can move students through in a more expeditious fashion by enabling them to pass key courses in fewer attempts, this will generate considerable savings--both in terms of institutional resources and in terms of student time and tuition.

As noted earlier, 13 of the 30 projects have thus far reported a noticeable decrease in DFW rates, ranging from 10 to 20 percent. As an example of the levels of resources that can be saved, Central Florida has calculated the savings resulting from a 7 percent increase in course retention in its American government course. Applying this rate to 25 redesigned sections results in a one-course-section reduction, amounting to a $28,064 cost savings each time the course is offered.

Not surprisingly, many of the redesign projects are trying several of these approaches to saving resources simultaneously. All intend to reduce course repetitions. In each case, a translation of the savings to cost-per-student can be used for comparative purposes.

What are the most effective cost-reduction techniques used by the redesign projects? Since the major cost item in instruction is personnel, reducing the time that faculty members and other instructional personnel invest in the course, and transferring some of these tasks to technology-assisted activities are key strategies. Some of the more predominant cost-reduction techniques used by the projects include:

- *Online Course-Management Systems*: Course management systems—software packages that are designed to help faculty members transfer course content to an online environment and assist them in administering various aspects of course delivery--play a central role in most of the redesigns. Some projects use commercial products like WebCT and Blackboard; others use homegrown systems created centrally for campuswide use or specifically for the redesigned course. Still others use instructional software that includes an integrated course-management system. Sophisticated course-management software packages enable faculty members to monitor student progress and performance, track their time on task, and intervene on an individualized basis when necessary.

  Course management systems can automatically generate many different kinds of tailored messages that provide needed information to students. They can also communicate automatically with students to suggest additional activities based on homework and quiz performance, or to encourage greater participation in online discussions. Using course-management systems radically reduces the amount of time that faculty members typically spend in nonacademic tasks like calculating and recording grades, photocopying course materials, posting changes in schedules and course syllabi, sending out special announcements to students—as well as documenting course materials like syllabi, assignments, and examinations so that they can be used in multiple terms.

- *Automated Assessment of Exercises, Quizzes, and Tests.* Automated grading of homework exercises and problems, of low-stakes quizzes, and of examinations for subjects that can be assessed through standardized formats not only increases the level of student feedback but also offloads these rote activities from faculty members and other instructional personnel. Some of the projects use the quizzing features of commercial products like WebCT. Others use specially developed grading systems like Mallard at the University of Illinois. Still others use quizzing software like TESTPILOT, while additional projects take advantage of the online tests that are available from textbook publishers.

  Online quizzing sharply reduces the amount of time faculty members or GTAs need to spend on the laborious process of preparing quizzes, grading them, and recording and posting the results. Automated testing systems that contain large numbers of questions in a database format enable individualized tests to be easily generated, then quickly graded and returned.

- *Online Tutorials:* Modular tutorials are designed to lead a student through a particular topic that is presented through interactive online or CD-Rom-based materials. When students have completed the tutorial, they are presented questions that test whether they have mastered the content of the module. Online tutorials at Wisconsin help structure subsequent discussion sections by raising the probability that students will come to class prepared to ask questions. This means less preparation time for GTAs.

  Virginia Tech's use of similar online course delivery techniques in its linear algebra course has enabled radical reductions in teaching staff. Individual faculty members are no longer required to present the same content through duplicative efforts. Nor do they need to replicate exercises and quizzes for each section. Interactive tutorials can replace part—and, in some cases, all--of the "teaching" portions of the course.

- *Shared Resources:* When an entire course (or more than one section) is redesigned, faculty must begin by analyzing the amount of time that each person involved in the course spends doing each activity. This highly specific task analysis often uncovers instances of duplicated effort and can lead to shared, and more efficient, approaches to course development. The often substantial amounts of time that individual faculty members spend developing and revising course materials and preparing for classes can be reduced considerably by eliminating such duplications.

  For example, Penn State has constructed an easy-to-navigate Web site for its introductory statistics course that contains not only material on managing the course but also a large number of student aids and resources, including solutions to problems, study guides, supplemental reading materials for topics not otherwise treated in the text, and student self-assessment activities. Putting assignments, quizzes, exams and other course materials on a community Web site for the course can save a considerable amount of instructional time.

- *Staffing Substitutions.* By constructing a support system that comprises various kinds of instructional personnel, institutions can apply the right level of human intervention to particular kinds of student problems. Highly trained (and expensive) faculty members are not needed to support all of the many tasks associated with delivering a course. The University of Colorado, SUNY at Buffalo, Virginia Tech, and Penn State are employing ULAs in lieu of GTAs as a key cost-saving device. By replacing expensive faculty members and graduate students with relatively inexpensive labor, an institution can increase the person-hours devoted to the course and at the same time cut costs.

Although the employment of ULAs was in these cases originally driven by the need to reduce costs, ULAs have also proven more effective than most GTAs, as noted earlier. Another solution, implemented by Rio Salado College, is to employ a "course assistant" to address the many nonacademic questions that arise as any course is delivered—questions that can characterize up to 90 percent of staff interactions with students. This frees the instructor to handle more students and to concentrate on academic interactions rather than logistics.

- *Reduced Space Requirements:* Using the Web to deliver particular parts of a course as a substitute for face-to-face classroom instruction enables institutions to use classroom space more efficiently. Because one of the goals of its redesign was to reduce the amount of rented space needed, the University of Central Florida delivers portions of its American government course via the Web. Two or three course sections can be scheduled in the same classroom where only one could be scheduled before. Central Florida is the only project that detailed the specific cost savings that resulted from better use of space, but any of the projects that reduced contact hours generated space savings as well.

With regard to cost savings, the redesign methodology is an unqualified success. Redesigned courses are reducing costs by an average of 40 percent, with specific savings ranging from 20 percent to 84 percent. Collectively, the 30 courses are expecting a savings of about $3.6 million annually. Some are saving more than they planned to; others less. Round I projects planned to reduce costs by about 37 percent, with a range of 20 percent to 71 percent. They actually reduced costs by 33 percent on average, with a range of 16 percent to 77 percent. Round II projects planned to reduce costs by about 44 percent, with a range of 20 percent to 84 percent. They actually reduced costs by 43 percent on average, with a range of 25 percent to 74 percent. Round III projects are on track in their plans to reduce costs but final results are not yet available.

Why is there such a large range in cost savings across the projects? Differences are directly attributable to the different design decisions made by the project teams, especially with respect to how to allocate expensive faculty members. Redesigns with lower savings tended to redirect, not reallocate, saved faculty time: They keep the total amount of faculty time devoted to the course constant, but they change the way faculty members actually spend their time (for example, lecturing versus interacting with students.)

Others substantially reduce the amount of time devoted to the course by non-faculty personnel like GTAs, but keep the amount of regular faculty time constant. Decisions like these reduce total cost savings. By radically reallocating faculty time to other courses and activities, in contrast, Virginia Tech shows cost savings of 77 percent in its redesigned linear algebra course. But most of the other projects *could* have saved more with no diminution in quality, if they had made different design decisions.

By using technology-based approaches and learner-centered principles to redesign their courses, these 30 institutions are showing us a way out of higher education's historical trade-off between cost and quality. Some of them rely on asynchronous, self-paced learning modes, while others use traditional, synchronous classroom settings but with reduced student/faculty contact hours. Both approaches start with a careful look at how best to deploy *all* available instructional resources to achieve the desired learning objectives. Questioning the current credit-for-contact paradigm of instruction, and thinking systematically about how to produce more effective and efficient learning, are fundamental conditions for success.

Implications for the Future

Now that it is clear that redesign *can* produce substantial savings, a natural next question is who should benefit from these savings? Legislators would probably prefer to see some, if not all, of the savings passed on to the public or consumers—by reducing tuition, for example. If the institution retains some or all of the savings, though, how should those funds be reallocated? Should the resulting extra resources, for example, be reinvested in the ongoing course development? Perhaps the academic unit should capture the savings to reinvest in further course redesign. Or should the savings be returned to the institution to be reallocated for other uses?

If the savings are captured by the department or institution, there are relatively few incentives for faculty members to improve productivity by increasing enrollment or improving retention. Some project participants therefore believe that the faculty members involved in the redesign should benefit directly as reward for increased productivity. If the individual instructor captures the savings in the form of faculty time, it may mean she or he has more time to do research or more time to pursue personal interests. How an institution rewards faculty and staff for increased productivity is thus an important consideration in building the case for academic restructuring.

The 30 institutions participating in the Program in Course Redesign intend to use the savings generated in many different ways. In descending order of popularity (counts of projects provided in parentheses), cost savings in the 30 participating institutions will

- stay in the department to support continuous improvement of the course and/or for the redesign of other courses (9);
- be used to underwrite a greater range of course offerings at the upper division or graduate levels(9);
- allow the institution to accommodate greater numbers of students with the same resources (4);
- stay in the department to reduce teaching loads and to provide more time for research (3);
- allow the institution to redesign similar courses outside of the original department (2);
- enable the institution to offer distance learning courses that were previously impossible due to resource constraints (1);
- allow the institution to reduce rental expenditures as a result of the reduction in face-to-face class time (1); and
- be used to improve the training of part-time faculty (1).

Once institutions start creating pools of surplus instructional resources in this manner instead of just consuming everything available, we will be forced to rethink many of our assumptions about planning and budgeting. A host of institutional policy issues about who gets what and for what will be involved, as well as numerous practical matters like ensuring continuous investment to support the innovations that will be needed to keep on generating such cost savings.

Higher education has traditionally assumed that high quality means low student-faculty ratios, and that large lecture-presentation techniques supported by cheap labor constitute the only viable low-cost alternatives. But it is now clear that course redesign using technology-based, learner-centered principles can offer higher education a way out of this historical trade-off between cost and quality. New models demonstrate that it is indeed possible to improve learning and reduce costs at the same time. For the first time, we can have our cake and eat it too.

Additional Resources

For additional information about how information technology can be used to improve learning and reduce cost, please see the following monographs on the Center for Academic Transformation Web site at http://www.center.rpi.edu/ResMono.html.

Twigg, Carol A. *Innovations in Online Learning: Moving Beyond No Significant Difference*, Troy, New York: The Pew Learning and Technology Program, 2001.

Twigg, Carol A. *Improving Learning & Reducing Costs: Redesigning Large-Enrollment Courses.* Troy, New York: The Pew Learning and Technology Program, 1999.

Mingle, James R., Heterick, Robert C., Jr. and Twigg, Carol A. *The Public Policy Implications of a Global Learning Infrastructure.* Washington DC: EDUCOM, 1998.

Twigg, Carol A. *Academic Productivity: The Case for Instructional Software.* Washington DC: EDUCOM, 1996.

[Attachments to Dr. Twigg's statement have been retained in the Committee's official files.]

Chairman MCKEON. Thank you. This has been very enlightening. As I mentioned in my opening statement, this is a problem. We all understand the seriousness of the problem. But it is one that we all have to come together to grapple with, Federal officials, state, local officials, parents, students, lending institutions, everyone involved in the higher education system. But since I have talked about my proposal of affordability, I have heard lots of negative, why it can't work, how it is going to be terrible for quality. Very few people have come forward with anything positive about what we could do to cut the costs. So when I hear of these things that are happening, I really feel good about the potential and what we can do as we move forward.

Dr. Baum, in your testimony, you equate holding the line on tuition costs to reducing educational quality. Why must reduced quality be an automatic results of institutions reducing the cost?

Dr. BAUM. I would not say that all cost reductions automatically reduce quality. That is certainly not what I intended to say. I think that the examples that we have heard today of cost-cutting efforts are terrific. We should absolutely find ways to encourage institutions to innovate and cut costs.

However, it is also true that there are many cost-cutting measures that do cut quality. And there is a limit to the extent to which we can go with this. We should always expect that tuition will rise more rapidly in the consumer price index because productivity increases are very difficult to come by without threatening quality. And it is certainly possible that some courses can be offered on a larger scale and cut costs.

But the fact is that having instructors teach more students is not really the solution to the tuition problem. So that cost-cutting efforts are very important, but that doesn't mean that if you say you can't raise tuition more than a certain percentage, you are going to be able to do that certainly in a rapid way that is not going to have serious impact on the quality of the educational opportunity that is provided.

Chairman MCKEON. Thank you. Dr. Wegenke, you mentioned in your testimony that nearly 7,000 Federal regulations impede you from cost savings in the Student Financial Aid Program administrative function. What do you estimate your cost savings to be if the regulations were streamlined and eased without compromising the integrity of the student aid programs?

Dr. WEGENKE. I have a two-part answer to that, if I might. One, our feasibility studies show that when it comes to Federal financial aid, 65 percent of our cost is attributable to Federal regulations and Federal reporting requirements. So we have some documentation when we are talking here, it is not just made up. We estimate if we could consolidate those and do the back office functions through the association instead of having each college duplicate it, we would save our 20 colleges in the neighborhood of $2 million a year.

But beyond that, I think what we could do is actually improve the quality of administration and the level of accountability for the Federal Government. For example, when the functions are dispersed, and say you have a student is forthcoming, say, on their marital status, which can affect your student aid, if you have a central clearinghouse for doing the checks, you can catch errors more at a higher rate and make sure that people are truly qualified. So it is not only the $2 million we could save.

But it is also, I think, a level of accountability we could offer to the Federal Government if those regulations could be waived, consolidated, given a serious look. I know you have made particular efforts in addressing regulatory issues, and we salute you for that. We would like the opportunity to do more.

But, again, we have not had the support; 7,000 regulations fills three file drawers, and multiply that times 20. It would take a lot of staff time, a lot of legal talent, which we as an association, frankly, cannot afford to proceed. So it is one of the things that inhibits us is again resources. But we are committed to taking it on as soon as we can get the resources.

Chairman MCKEON. Well, that is great. Are you are familiar with Fed Up?

Dr. WEGENKE. Yes.

Chairman MCKEON. And the attempt we made there. We have not been able to get that bill finalized yet. But, again, we need some resources to finish that one up. When we get that, we will get that done. That was just a start.

Dr. WEGENKE. Yes.

Chairman MCKEON. So we want to work on addressing, getting rid of those regulations.

Dr. WEGENKE. Thank you.

Chairman MCKEON. Mr. Ross, what do students in Florida believe to be the reasons that college costs are rising? What do the students believe are the costs? What can be done to address those cost increases?

Mr. ROSS. Well, there is a couple of reasons. First and foremost, the students are concerned about the fact that the legislature has posted severe cuts to the university system as a whole.

Chairman MCKEON. The state legislature?

Mr. ROSS. The state legislature, yes. I will make that clear. The state legislature has posted severe cuts to the university system, which has forced the universities to make up the revenue somehow. It has forced them to basically balance their budget crisis on the backs of students. That is one of their major concerns.

As far as solutions, one of the most productive ways, I mentioned the Bright Future Scholarship. And the Bright Future Scholarship, 7 cents from every lottery dollar that the state receives goes toward a merit scholarship for students. Students in the Florida Academic Scholars, those who have a 3.5 GPA with a 1270 SAT score coming out of high school, receive 100 percent of their tuition and those with a 3.0 GPA and a 970 or above will receive 75 percent.

What this does is twofold. First, it keeps the best and brightest students in the state university system, in the state, because they can utilize that at private institutions as well. And, second, it serves as kind of a regulator on tuition because it is tied directly to tuition and fees. So if tuition were to go up much further, Bright Futures would cost more and they would not have the funding. It kind of serves as a check and balance. So I think that is why students in Florida are such big supporters of the program.

Chairman MCKEON. Thank you. My time is up. Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman. Mr. Ross, we will continue with you. In your testimony you mentioned that the McKeon proposal is a good first start. Can I take that to mean that you support this proposal even though the proposal would actually deny students with Federal financial aid to attend certain colleges and universities, namely, those colleges and universities where tuition has increased by twice the rate of inflation for two consecutive years? Would they not be locked out from those universities?

Mr. ROSS. Well, I think that one of the important things to remember is that what they are attempting to do is to regulate tuition from increasing at that astronomical rate. And it is going to force universities as a whole to get creative in their thinking and in their budgeting process. If universities know at the beginning that this is an effect of increasing their tuition at monumental levels, I think it will force them and their state legislatures and whoever is funding them to get creative in their budgeting process. So I will think it will serve kind of as a defense at the beginning rather than the effect on the back-end.

Mr. KILDEE. So you say pass this law and we will never have to use it?

Mr. ROSS. You never want to say "never," but I think it would act as more of a deterrent, so to speak.

Mr. KILDEE. Well, this is a very serious business we are in right here. And just to hang a thread out there and hope that Damocles Sword is never going to drop is probably not the best legislative approach. And I do worry about that. In effect, what you are saying is that pass the law and—

Mr. ROSS. Well, I mean I think what we have seen is that there has to be something done because in the end students aren't going to attend those colleges anyway. If the cost becomes too high, they are not going to go there. And all of a sudden we are going to have students who have an inability to go to any college. So what we are doing in turn is we are giving the universities an opportunity to say, hey, we are going to step back, we are going to find a creative way to budget, and we are no longer going to balance our budget crisis on the backs of our students.

Mr. KILDEE. First of all, the State of Michigan is in dire shape right now and the state legislature is right now trying to write a budget. We know the universities and colleges, public universities and colleges of Michigan are either going to be frozen or cut. This is a very difficult time. So to say that this bill will help the legislature not do what it is going to have to do and will do, I think is unrealistic.

Dr. BAUM. I just wanted to comment that if you think about, for example, a state like Florida or any of the states with huge tuition increases this year in a very low inflation time, twice the rate of inflation is pretty low now. And in the State of New York, the State of Massachusetts, the State of Florida, many of these states, students could easily be locked out of state institutions. And they are not going to have many other alternatives if that happens. Even 1 year, it would be an incredibly serious problem.

Mr. KILDEE. I really think that one thing Congress has to do is I know Mr. McKeon is worried about the fact that maybe the Federal role of being a third-party payer in higher education may be the factor in tuition rates going up. I do not hold that. But I think that if we are going to make sure we do not keep students from going to college, that we have to think of such things as, for example, we have a $5,800 authorized level for Pell grants. And yet today on the House floor we are going to pass a bill for $4,050 rather than $5,800. Now if we had it at $5,800, a lot of students would be able to have some choices, either to go to college period or which college they wanted to go to. I think this Congress has the ability to assist so many students to go to college if it would increase the Pell grants. I am worried about loans. Students are really taking on a great deal of debt, a great deal of debt.

Mr. KIND. Will the gentleman yield for a question?

Mr. KILDEE. I will be happy to yield.

Mr. KIND. I think the gentleman from Michigan is raising a very serious issue because this twice the rate of inflation rate that will go into effect in cutting off financial aid for institutions and what Dr. Baum just indicated, the inflationary rate is incredibly low right now. And in the last fiscal year it was just 1.6 percent. And this year it is hovering right around 2 percent. So if you have a tuition increase of 4 percent even at state colleges and universities, students are out. They are just out of luck under this proposal.

So I would hope that there are some more creative ways of being able to address this issue than just relying on what the inflation is right now and tuition increases.

I appreciate the gentleman yielding.

Mr. KILDEE. Mr. Kind has well used the rest of my time.

Chairman MCKEON. Thank you. The gentleman's time has expired.

I think before we focus too much on the Chairman's proposal, which has not been submitted yet, we ought to probably focus on the problem of the cost of education and the students that are not able to attend school. Once we get the bill dropped, then we will have plenty of time to pick it apart and talk about it. We ought to focus on really what the problem is before us here today. I now yield to the gentleman from Wisconsin, Mr. Petri.

Mr. PETRI. Thank you. I wonder if I could address a question to two of the panel members, Dr. Twigg and Dr. Wegenke. Just as kind of an open-ended question is whether either of you, based on your experience in wrestling with the issue of maintaining or improving quality and at the same time lowering cost, improving access to education, are those at war? Are we condemned to basically keep on sending the bill to the general community so that life goes on as usual? Could you comment on this, is this a false dichotomy or is this a real problem that we have to assume as a given that the cost will go up inevitably higher in education than in other areas?

Dr. TWIGG. No, I believe very strongly it is a false dichotomy. I think it is what most people in higher education believe because traditionally the way that we have increased quality is to in essence throw money at the problem. And so if you are a well-endowed institution, you have more money and you have a better quality program. And that has been the common assumption.

But what our program has demonstrated, beyond the shadow of a doubt, and we call it a proof of concept, is that if you redesign the way in which you conduct education and take advantage of the capabilities of information technology, you can indeed both improve the quality of student learning. As I noted, we have statistically significant improvements in learning while reducing the cost of instruction. But the key idea is to re-think the way in which you are conducting instruction.

There is an editorial in the New Yorker by the financial editor, who says that you can achieve greater productivity in the public sector. And he uses as an example that college professors, it still takes them an hour to lecture. Well, if all you do is lecture for an hour, you are never going to change anything. But if you change the method of instruction and have more open-ended lab experiences for students and different sorts of personnel providing assistance to them, not only single faculty members, you start to think about it in a completely different way, and that is what makes this possible.

But just one other thing that I would add is that I think many people in higher education firmly believe that there is a direct correlation between quality and cost. I think that part of what we are trying to do is teach them that there are other ways to think about it because without models that can demonstrate that it is possible, I think the kind of status quo is going to persist. But we firmly believe it can be done.

Dr. WEGENKE. I think there are ways to square the circle here, that you can go too far. I think everyone knows that. We could make it very cheap and worth nothing. Or we could do it the right way. Let me give you a couple of examples. As our friend from Westminster indicated, Wisconsin's private colleges also emphasize the small class size and graduating in 4 years. Our average class size is just 17 students; so it is quite small. But a lot of our savings, the things that we are trying to do collaboratively are to maintain that level of class size. We have already a collaboration where we are using technologically mediated means to share courses.

So most of them at the advanced level, a little different from what Dr. Twigg said. But sharing advanced language courses, which are often under-enrolled. And so we have been able to do that and keep up the quality. We do find it labor intensive when you are offering courses on the net, we have a number of full degree programs on the net. It actually takes more time than less. Savings and accessability is possible. As I indicated, our low-range estimated for savings is $17 million a year.

Last year, our 20 members raised and distributed $183 million in financial aid to our students. That was an increase of coincidentally of $17 million. If we can save money, we can give more financial aid to our students and maintain affordability. With the financial aid, if we can take over that administrative costs, our presidents have indicated that what we would do, many of them would do, not all, would be to increase counseling, not necessarily reduce tuition but provide more counseling to help students manage their loan costs and other financial aid costs. There are ways to control costs and to maintain quality or even improve quality but it has to be done discreetly.

Chairman MCKEON. Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman. I would like to thank each of the witnesses for very provocative testimony. I would like to thank you for your continuing diligence in calling attention to this problem of skyrocketing college costs. I must say that fundamentally I disagree with the notion of any explicit or implicit price controls emanating from the Federal Government. I think there are voluminous problems with that. And I think that that policy prescription, whether or not it is in the chairman's eventual proposal, needs to be avoided because it mis-identifies the problem.

Dr. Baum, I wanted to come back to some of the things that you said. I think I read in your testimony that if you look at net tuition, which you define as the top-line tuition minus grants but not minus loans, that in the last 7 years the real increase in net tuition on the average has been 7 percent in the aggregate, correct? So it is 1 percent per year in real terms, did I read that correctly?

Dr. BAUM. Yes, you did. The National Center for Education Statistics did studies that indicated that the price students are paying has not increased significantly.

Mr. ANDREWS. And that net figure does not take into account loans or work?

Dr. BAUM. No, it does not.

Mr. ANDREWS. It is purely grant. The second fact that I read in your testimony is that for both private and public institutions a significantly larger share of the university budget is going into scholarship aid that the university provides. In the case of the publics, it went from 2.9 percent of their budgets in 1999 to 4.5 percent in 1998. In the case of the private institutions, it went from 7.5 percent in 1985 to 11.4 percent in 1995. That means a bigger piece of the pie is really cross-subsidy, if I understand it correctly. You are taking tuition paid by some students and using it to offset the cost of tuition for other students. Is that a fair characterization?

Dr. BAUM. That is true except that virtually every college student in the country is being subsided, not paying the full cost of their education.

Mr. ANDREWS. I appreciate that.

Dr. BAUM. That is important.

Mr. ANDREWS. I think that a more precise statement of the problem is middle class squeeze. I think a more precise statement of the problem is that people in the second, third, and fourth income quintiles or the second and third income quartiles are seeing their net tuition go up rather considerably because it is an average that we are looking at here. Do you have any data on that? What is the net tuition increase for people in the second and third—

Dr. BAUM. This same study divided it by income levels and that does not appear to be the case actually. I know that people think that because there is maybe less financial aid available to middle income students but the fact is that state, Federal, and institutional grant aid are going much more now toward middle and upper income students than they were a decade ago. So actually, that is not so much the case as people might think.

Mr. ANDREWS. Well, let me ask you this question, though, because it appears to me that you can account for anywhere from 30 to 40 percent of the real increase in tuition to this cross-subsidy that I talk about. If you do the rough math. If the average share of the pie that is devoted to cross-subsidy has gone from 1 percent to 3 percent, from 1.5 percent to 3 percent, that increase that has taken place, about a 3 percent increase in the share of the pie. If you divide three into seven, it accounts from anywhere to a third to 40 percent of the real increase in cost, which leads me to this question. If the Pell grant were worth today what it was in 1980, in 1980 the Pell grant was worth about I think 85 percent of the average cost at a public institution. Today, it is down below 45—well below 45. If the Pell grant were worth 75 or 80 percent of the average cost of public tuition, how do you think institutions would respond to that and what do you think that would do to that cross-subsidy increment of the cost increase?

Dr. BAUM. If Pell grants were higher, than institutions would not have to provide as much need-based grant aid to students. There has been a lot of study of the question about whether this Federal aid drives tuition. In the non-profit private and public sectors there is absolutely no evidence that it does.

Mr. ANDREWS. So it is fair to draw the conclusion that if institutions did that, and the Pell covered the cross-subsidy institutions are now providing, you subtract maybe three points out of that 7 percent increase, that 7 percent real increase, that the increase over the last 5 years will be very close to the rate of inflation. By my calculation it would be about 4 percent in real terms, which is less than 1 percent per year. Is that a fair conclusion?

Dr. BAUM. I have not done the numbers in the way you have but the logic is correct.

Mr. ANDREWS. I would suggest to you that the most powerful tool I believe in holding the fort on net tuition increases for students is an increase in the Pell grant. It is astonishing that within the next two or 3 hours, they are going to do exactly the opposite on the House floor. I see my time has expired. I thank the witnesses.

Chairman MCKEON. Mr. Osborne?

Mr. OSBORNE. Thank you, Mr. Chairman. I would like to thank those of you who have come to testify today. I spent 36 years in an institution of higher learning, and I did see some tremendous increases in cost. I believe that Mr. Ross stated that the average tuition increase nationally this year was somewhere around 12 percent, is that correct?

Mr. ROSS. Yes, sir.

Mr. OSBORNE. And the cost of inflation I believe is somewhere less than 2 percent. So however we juggle the numbers, that is 600 percent. It was my experience in a university that the cost of going to that school considerably out-paced tuition by multiples. And mathematically at some point, that breaks down. You cannot increase by two, three, four times each year and not eventually hit the wall. And so I think certainly universities have been very creative in how they have tried to address the problem.

The other thing that I would like to mention, and again no matter how we juggle the numbers, we would have to say that students are leaving school with more debt today than they did 10 years ago or 15 years ago. And that is even adjusting for the cost of inflation. We see kids who are now leaving school who have no way of paying that off until they are in their 30's or maybe their 40's and that is really unfair to do that.

I was impressed, Dr. Wegenke and Dr. Twigg, in your mentioning some cooperative ventures because the traditional model in universities and colleges is competitive rather than cooperative. And so by cooperating in IT, cooperating in health care, and in instruction, I think you are doing some things outside the box that make sense. And you are talking about private schools in your case that are natural competitors. This is not part of a state system. I think those are excellent ideas.

Dr. Kirby, I was impressed by the fact that you mentioned that your students graduate in 4 years. The average public institution is probably five, five and a half years, some places six. And when you start throwing that in there, the cost of attendance at a public institution becomes very high. And that load increases tremendously.

So anyway, those are just some comments. I might also mention this, that my experience at a public university was that ofttimes the highest price professors have very little interface with the students. They write books. They do research. This is a tremendous cost if you are looking at actual instruction to the students. Universities feel they have to do this I guess for prestige purposes. But for instructional purposes, it does not really serve much of a purpose. So anyway, those are my observations.

Dr. Baum, I would like to ask you a question and that is you mentioned that the net cost, the only thing that is significant is tuition minus the grants. You did not address housing costs, which I think have increased. The grants come from somewhere. And so my point is that we can increase Pell grants. We can increase grants. We can do all these things, but somebody pays for it. And if the total numbers keep going up by multiples of the cost of inflation, somebody, it is either the taxpayer, it is the students or somebody that pays for it. I think this is what the Chairman is trying to get at.

I would also like to emphasize that I do not think he has thrown out a mark yet. We do not know what we are talking about here. We are trying to get information. So if you could address that issue as to who is going to pay for it, I would appreciate that.

Dr. BAUM. One thing is I would like to say is that net price is most important but I think that sticker price does matter too, particularly because there is sticker shock for students. I think students do not apply because they see how the tuition is. So I do not mean that it is not important.

Someone does has to pay. And I think that there are shared responsibilities among the various constituents but one of the issues that is absolutely reality is that students who cannot afford to pay, students get a significant part of the benefit of their education and those who cannot afford to pay do have to bear a significant portion of the cost. And I think that we have to be careful that we do not ask the Federal Government or the state governments to pay too much of the tuition for students from families who really can pay. The costs have to be shared among all of the beneficiaries.

Mr. OSBORNE. So you are suggesting some type of means testing, which I think—

Dr. BAUM. Which we do.

Mr. OSBORNE.—as Mr. Andrews suggested, I think that does go on subtly. Sometimes people are not aware of it, but it does happen.

My time is out, Mr. Chairman, and I yield back. Thank you.

Chairman MCKEON. Thank you. Mr. Kind?

Mr. KIND. Thank you, Mr. Chairman. Mr. Chairman, I want thank you and commend you for holding this very important hearing today. I apologize for any pre-emptive questions that we might have had in regards to the Chair's mark but we are trying to influence the process every opportunity we have here. I want to thank the witnesses for your testimony. It is thought-provoking. There are a variety of solutions being offered here today. Mr. Wegenke, I appreciate what you have done in our home state in Wisconsin since your election in 1992 as WAICU president. Your leadership has been exemplary. And, in fact, Dr. Medlin of Viterbo University in my home town has been an active participant in the Collaboration Project too, and I commend your work.

And of the 54,000—I don't know if you mentioned this in your testimony or not, but of the 54,000 students in the independent colleges and universities in Wisconsin, they are coming from a socioeconomic background which is on average less than the public university students, too. So when you are taking a look at setting up this Collaboration Project, I guess you have got a few options to look at. One was the increased tuition, which wasn't a good option for the students who you are servicing. Another is to raise more private funds or focus on the costs, which you have decided to do through this Collaboration Project. And I concur. I think this is an excellent model, one that other universities and colleges nationwide need to take a look at and see whether or not it works. In fact, it is my understanding that the National Association of Independent Colleges and Universities have taken this up on their national agenda, in trying to develop a similar type of project on a national scale.

Mr. Ross, I want to thank you for your testimony as the voice and representative of the students out there. You are after all the ones who are most adversely impacted by these rising costs and rising tuition and state budget issues. Again, in my home state in Wisconsin, the average university student is looking at a college loan debt of about $16,000 debt. And it is particularly difficult with the tough job market we have now for the students.

I cannot help but draw the analogy, since Mr. Kirby is here, that I hope that we are not creating a new Iron Curtain in this country, making it more difficult for students to gain access to post-secondary education. Yet, the way tuition increases are going and the way budgets at the Federal and state level are heading, we are creating that Iron Curtain, which I think is going to be adverse to the national interest and to future prosperity and growth opportunities in this country. And that is what this Committee has to focus on during the course of this reauthorization program.

But, Mr. Wegenke, let me go back to you again and ask you whether or not what you have done in the private college and university format is something that can be transferred into the public university and college setting? And maybe you can relate this back to the university system in Wisconsin. Because it is my understanding there is some type of prohibition, which makes it either impossible or difficult for them to establish the same type of collaboration model that you have done at the independent level. Could you respond to that?

Dr. WEGENKE. I think it is generally true, not just the University of Wisconsin but nationwide. Very often public institutions are required to do their purchasing, for example, through the state government agencies. And often they are buying a different range of goods and services. And they don't exactly fit educational needs and the pricing often isn't always the best for a college or university. Dr. Kathryn Lyle, the president of the UW system, has had discussions with me and said she wished she could be part of WAICU and I told her just take the university private, and we would be glad to have her as a member. But, yes, there are inhibitions.

And also, as I tried to say in my oral remarks too, this takes an enormous amount of work. You just cannot go to a discount store and get a cooperative health plan. And there is a lack of resources on campuses to do the organizational work, to hire the legal—we spent hundreds of thousands of dollars on legal counsel and actuaries for our health plan. And colleges, despite what you may think, do not have that kind of discretionary funds to organize that, especially if the benefit goes to a lot of other colleges besides their own. So there is a lack of resources that inhibits people. And there are special inhibitions for public institutions.

Mr. KIND. Thanks again for your testimony today and the work you are doing. Let me shift quickly with what time I have remaining to Dr. Twigg, because I have been intrigued with your testimony of finding some cost-efficiency on higher ed is delivered to the students. In the health care sector, at least back home in western Wisconsin, we have got a collaboration between some private industries and health care providers to train the health care providers with Six Sigma techniques, trying to find cost efficiencies on how they are delivering health care. It sounds like it is something somewhat comparable to what you have been looking at and recommending for universities. Are you familiar with Six Sigma and some of the work being done?

Dr. TWIGG. No, I am not.

Mr. KIND. It is a very popular program, a lot of Fortune 500 companies have been using it to try to reduce their per unit costs and that. And now they are trying to transfer that into the health care arena, because obviously they are being impacted. And I am just wondering if that might be something applicable to the post-secondary education market as well, as far as training, to get them to break down their department costs in delivering the education product that they are, as a way to contain costs?

Dr. TWIGG. I can see the analogy. One of the roles that our Center played in this process was helping institutions break down their instructional cost, just as you are talking about. And so we developed a spreadsheet-based, we call it the course planning tool, which asks people to sit and analyze how do you spend your time, both in developing a course and in delivering it. Where is there unnecessary duplication? Where is there something that maybe a professor is doing that software could in fact do better?

To give you a concrete example, at the University of Iowa, in their introductory chemistry course, they would pose something like 16,000 problems to students in the course of a semester. But because human beings could not possibly grade all those problems, all they could do was spot check and not give particular feedback. By using instructional software, they are able to grade all 16,000 problems, pinpoint student weaknesses, point them to a place where they can work to improve their learning.

And so it is an example of the technology being used in a way that is appropriate that really gives students better, higher quality feedback and then the faculty are free to do other kinds of things. So doing that kind of analysis, just as in Wisconsin, they are doing it on the administrative side, you can go through that process on the instructional side.

Mr. KIND. Right, thank you. Thank you all again. Thank you, Mr. Chairman.

Chairman MCKEON. Thank you. Mr. Isakson?

Mr. ISAKSON. Thank you, Mr. Chairman. I consider myself an expert in the rising costs of higher education. From 1989 to 1999, I sent three kids to college. They were bright enough to get in great schools and my wife and I were successful enough to not qualify for financial aid, so I paid for all of it. I was in the state senate at the same time when Georgia passed and executed the Georgia lottery, which pays for all tuition, books, and fees to students in Georgia attending the 34 units of the university system of Georgia. The largest increase that we experienced in tuition from the state universities was the first year of the lottery inception. I have a fundamental belief, more in public universities than in private, that cost tends to chase available dollars in the climate of the university system. And I do not say that in a harsh way but I say from a great deal of experience. And I associate myself with the questions of Mr. Petri and the remarks of Mr. Osborne to that end. Because it is terribly expensive and it is terribly critical that higher education be available to all children and to all young people. And, in particular, probably an even higher priority as availability of resources goes down rather than up.

I want to commend Dr. Twigg. I did not get the chance to hear your testimony. I have quickly gone through it. And I just make a statement and I would like for you to amplify it if I am wrong. We did the Web-Based Education Commission here a few years ago. Your examples are replete with examples where technology has been used to change the model, lessen the labor intensity, improve the efficiency, and improve the delivery system. And it appears to me, as the bubble of students goes through the systems over the next number of years, as the Baby Boomers' kids become parents themselves and the trailing population is less, you have got an even greater problem in affordability of higher education. But it seems to me that although technology's cost appears high now because it is a spread over a relatively small basis of revenue, as it has expanded, its efficiency should be great in the operational sense of the university and the delivery sense of the professor, and in the management sense of student information and student finance. Would you elaborate—there is some great information in here, and I commend you for what you have done.

Dr. TWIGG. Thank you. Let me start by commenting about what my colleague from Wisconsin mentioned, that online education is more expensive and more labor intensive. That is certainly true the way many colleges and universities practice it because there is a belief among many institutions that you need to have a small online class in order to be able to interact with every student. So that is one way of using technology. Our way is fundamentally different than that because we are trying to see where you need to use technology versus where you can use other kinds of techniques in combination.

Let me give you an example. One of the reasons for the 6-year graduation rate is that students face bottle necks because they cannot take the courses that they need in order to finish their degrees. And a typical area of bottle neck is Spanish, because it is hard to find enough Spanish instructions at the collegiate level.

Well, three universities in our project, the University of Illinois, the University of Tennessee, and Portland State University redesigned the way they teach introductory Spanish by moving all those things that could be done online, such as grammar, exercises, vocabulary, things that students inevitably have to practice, they do all that online, reserving their in-class time for things like speaking in conversation. And the result of those changes has been that they have been able to double and even triple the number of students that one instructor can handle. Because, again, the technology is handling what can be handled by the technology, reserving the professor's time for those things that require face to face interaction.

It really is a kind of re-thinking of these different functions rather than assuming that every class has to be one faculty member with 25 students or whatever the ratio happens to be.

Mr. ISAKSON. I appreciate that example. I read the Tennessee example, they reduced their cost by a third. My time is running out, but I want to re-state what I said before. I believe that, and I appreciate your statement about cost because it is a correct statement in the timeframe we are in now and in the usage that technology is being utilized in our universities, but as they really take advantage of the opportunities that technology offers, that cost plummets because of the base upon which you spread that. I think as a false belief in the American public today, particularly in higher education, that technology is too expensive and that we can do it better the same old way. I do not think that is correct. I am all for lecture. I am all for relationships. I am all for interaction and intellectual stimulation. But I am telling you so much of the cost component in universities has nothing to do with that cost. And there are a lot of things that they can do and a lot of things that the accreditation agencies can do, I might add, to provide incentives for that to take place.

I am sorry I went over my time.

Chairman MCKEON. Thank you. Ms. McCollum?

Ms. MCCOLLUM. Thank you, Mr. Chair. This is a very important discussion because it is not only the future for our children, it is the future for our Nation as to whether or not our technical, vocational, and higher education institutions are reaching and functioning in a way that allows for increased productivity. Mr. Chair, I am just going to make a couple of comments about some of the things that we have done, and I say the collective "we" because some of these laws were passed before I was elected. But they were impacts that I felt when I served in the Minnesota statehouse.

With some of the funding cuts that took place in the 90's, the University of Minnesota saw their medical school have dollars cut. Well, it is expensive to train doctors and it is expensive to have research. But it is even a challenge to keep expenses down in a teaching hospital. Those funds had to be replaced somewhere. And when the state decided that it could not afford to pick up all the Federal cuts, university had to pick them up.

We have had hearings in higher education here, dealing with our folks who come from all over the world because the world sees us as having some of the best higher education institutions. We felt, and rightly so, that we needed to make sure that we had accurate accounting for international foreign students. But did the Congress supply the college the money that was needed in order to do the tracking? No. The money had to come from somewhere and it came from tuition.

In Minnesota, we have done mergers. We have what is called MINSCU, our state university 2-year colleges and even our technical colleges are merged together. We have done some of these cost-savings and yet we still see tuition increase.

When I was on the Higher Education Committee, I firsthand toured facilities with leaky roofs, bad buildings, elevators that didn't work. They are still there today. Buildings that could not be wired to provide some of the technology that you are discussing.

The private systems in Minnesota have done some different but some collaborations. I represent St. Paul where we have many private colleges. I am a graduate of St. Catherine's. I took my social science blocks at the University of Hamlin. There is actually a shuttle bus that goes around trying to save money. So many colleges and universities have been struggling with this.

But I would like to—because we are going to come up with a program that is going to be one-size-fits-all. That is what happens with programs up here. And each state has looked at doing different collaborative models. What do we do about states that have postponed building maintenance? What do we do about states 15 years ago when they went through budget shortfalls, did not cut higher education and have never gotten those institutions back to the current inflation level today? And when a state like Minnesota had a surplus for 10 years, continued, continued to cut higher education.

Mr. Chair, and I know we do not have a bill in front of us, I do not want to be punishing by a Federal approach a one-size-fits-all. Students in my state, the children that I know that are adults now in college that are friends of my children, I do not want to punish them for the actions of a state legislative branch and a Governor that I did not agree with. And that is what I am afraid, Mr. Chair, if we do not craft this carefully, that is what we are going to do. Maybe people deserve the government that they elected. But many of these young adults, 18, 19, and 20, they did not vote. They did not have a vote. They did not have a say. And now they are trying to deal with tuition increases and that.

Mr. Chair, some of the responsibility does lay at our doorstep here with some of the choices that we have made not to be collectively responsible to support higher education.

Chairman MCKEON. The gentlelady yields back. Mr. Burns?

Mr. BURNS. Thank you, Mr. Chairman. I appreciate the panel and their input today. I would like to associate myself with Mr. Isakson's comments. I spent 20 years in the university system of Georgia. I was on the faculty at the university system school in Statesboro. I taught at the College of Business as recently as a little over a year ago. I am very close to the challenges that you face. I also have educated two sons in the last 10 years or so. And successfully through the Hope program in Georgia, which is an excellent program and we are fortunate, but, yet, because of the requirements of that program, we do lose probably 50 percent or more of those students as they go from their freshmen to their sophomore and senior years because of the academic requirements.

I want to go back to something that Mr. Isakson was focusing on. I think that in our business of education, especially higher education, we are dealing with unique students and ones who are generally motivated, who are very focused, who have a career objective, who are looking to gain a skill and expertise. I do believe that technology is the option. I have taught distance learning. I have taught Web-based courses. I have been involved in those things, and I am convinced that you can have quality and affordability. I acknowledge the fact that if we are spreading the cost over a small pool of people, that is not going to work very effectively. But I will tell you that in my recent experiences in the classroom with classes of 250 students in introductory courses and information management, I could supplement lectures exceedingly well with technology—not replace it, but supplement it.

Again, I appreciate the input from the panel, especially on technology, Dr. Twigg, which you have done. I would like to recognize that we have a shared responsibility. I would also say that our budgets in Georgia were cut dramatically. Tuition increases were significant, ranging from just $75 or so in a 2-year college to over $200 in a university level school. We are seeing tremendous increases in tuition costs in our state alone. That is going to put a burden on the student, the family, as well as our Hope Program. We have got to control costs. We have got to manage costs.

But it is a shared responsibility between the student, the institution, and then certainly the government, both state and Federal. Most concerned about low-income students because they are the ones, like you suggested, Dr. Baum, tend to have sticker shock and they will not necessary consider a school that might have a tuition cost. What can we do to ensure that all of our students have access to the top-quality schools in our states and in our Nation and not be as concerned about that sticker shock?

And, again, I am not a debt fan. I do not think that we need to encourage our students to burden themselves with an excessive amount of debt or debt at all. I would like to see our students go through their undergraduate, at least their undergraduate curriculum with no debt. What can we do to ensure those low-income students have access to quality education? Yes, Mr. Ross?

Mr. ROSS. Well, I think first and foremost programs like the Hope Scholarship in Georgia and Bright Futures in Florida are a good start because regardless of income or regardless of socio-economic levels, it is based on pure numbers as to how they do in school. So that is a good start, I think. Merit-based financial aid I think is always a good start.

The second, they had mentioned potential increases to the Pell grant. I think that that is also something that we can look at.

Mr. BURNS. Do you see that as a solution?

Mr. ROSS. I do not think that alone is a solution.

Mr. BURNS. I agree.

Mr. ROSS. I think that it is part of a solution because I do not think that there is one Band-Aid that you can come with that is going to fix the problem. I think it is a matter of institutions getting with their state governments, as well as with the Federal Government and getting creative and finding ways to create aid for these students because I think there are some students where you are talking about in the lower economic levels that regardless of what the tuition is, regardless of where it is at, they just forever reason they cannot afford it. I think that we need to find ways as far as more merit-based financial aid based on purely how they do in school. Because if you give the children the incentive when they are in high school to perform and say that you do have opportunities if you do the work and you raise that bar, one thing that we have found in Florida especially is as you raise the bar, students meet that challenge.

And I think that that is something. We are very big supporters of merit-based financial aid because it gives students, regardless of what their parents do or who their parents are, it gives them a chance on their own merit and who they are to get to that next level of education.

Dr. BAUM. Could I just add that the fact is that these merit-based programs in states have been studied extensively. They go disproportionately to middle and upper income and non-minority students. I think we have to be very careful about how these programs are targeted. The fact is that many low-income students, because of the realities of our society, do not have access to those programs. And so they may in fact be hurting low-income access.

Mr. BURNS. I know my time has expired but may I have just a moment. I agree with you. I think that is a challenge that we face. We have to find a way to correct that problem. I will tell you also that one of the best things that I have seen, as I work in my district, is where I have secondary schools that are integrating technology in at those middle grade levels and those high school levels, especially in low-income communities where they provide a laptop computer to a seventh grader and say, “Take it home. Use it. Get familiar with it. Make your friend. Now you can play video games if you like but you can also do your homework and research your assignments via the Internet.” I think as we see more of that technology going down at that level, we are going to see a much better prepared student at the university level who would then be able to perform at a much higher level of proficiency.

Thank you. Thank you, Mr. Chairman.

Chairman MCKEON. Mr. Payne?

Mr. PAYNE. Thank you very much. Unfortunately, I had a conflict and was unable to hear the testimony, although I think this was a very extremely important topic. I did want to though talk about the concept, I do think that there should be certainly some way to try to put a limit on the increase in the cost of education. Education is very key to the growth and development of our nation. I formerly taught school in a local elementary and high school.

And so I realize the importance of education. And paid for tuition for my children to go through college. And the goal was simply to have them debt-free, and that happened. So I feel good that I have accomplished that much.

But I do have a question about the recipient of the penalty of no financial aid to a university will be those students who need financial aid. So I can't see how this proposal is going help the young people that need the aid the most. As a matter of fact, I have even heard the Georgia Lottery program touted because merit-based and Mr. Ross talks about the merit business. And it is great because many very wealthy youngsters, parents who are very wealthy are now saying send my kid to maybe Princeton or the University of Maryland or somewhere else but I am going to allow them to stay right here, we have got pretty good schools in Georgia. But the top thing is that I don't have to pay anything.

And I am not denigrating or bringing down merit-based. I think merit is the way we do it in the country. However, especially the point Mr. Ross was bringing up that it is a good incentive and the kids—said students can meet the challenge if they are motivated and all that. When I taught in schools in Newark, the schools I taught in had 40, 41, 42 children in the classroom. The science high school even up to about eight or 9 years ago had no actual laboratory, no Bunsen burner. You didn't have the test tube that you fiddled around with.

So, Mr. Ross, tell me how will some youngsters who have substitute teachers in the important subjects because people would rather go to the easier to teach schools, I mean it is not your problem. We debated this a couple of weeks ago when we had Title 1 and those kind of programs come up.

Mr. ROSS. Right.

Mr. PAYNE. And so I know that you are on a higher ed and you wish all these kids were given great opportunities. So when they come to your institutions, it will be easy to give them this higher education. But because we have such differences and the disparate impact of what they get in those elementary and secondary schools certainly impact on the merit business. Do you have any idea how we can assist or some plan that would somehow have a more level playing field? Because I fear that if it is going to be strictly merit, you simply have—all kids are bright. They are all born intelligent. It is the exposure that they have to develop their intelligence quotient.

Mr. ROSS. Absolutely. Well, first and foremost, I think that you had a good start with discussing loan forgiveness for teachers. One of the things that I found when I was in college, and now as the director of the Florida Student Association dealing with a lot of students, a lot of students don't want to go into education because they are in school based on college loans. And let's face facts. When they go and they teach, starting out they cannot make enough money to pay back their college loans. I think when you talked about loan forgiveness for people who go teach, especially giving them incentive to go teach in maybe areas where there is a lower socio-economic demographic, in offering loan forgiveness, I think that will give students when they graduate an incentive to teach. I think you will get better and brighter teachers in the classroom. I think that that is a start.

And I did not mean to imply that merit-based financial aid was the end-all, be-all solution because I think that failing to address need-based financial aid would just be negligent. I think that that is something that needs to be discussed, and I think that we need to also find ways to get more need-based financial aid so we are able to compensate for those students who maybe just missed the bar or maybe for whatever reason did not meet the actual grades to get the top scholarships. I think that if we are creative in our states and in our Federal Government, we can find the money to make education a priority. I think it is just a matter of doing that, just being creative.

I think it starts—you said that I am on the higher education level and that is true. But I think education starts from K through 12th. And I think that if we miss the boat in kindergarten, starting in kindergarten, then we are never going to get the best students to the higher education level.

Mr. PAYNE. Thank you very much. My time has expired. But your point is well taken about loan forgiveness. I made a proposal that Title 1 teachers, people going into Title 1 schools, stay in the system for at least 5 years, that they be given loan forgiveness. Of course, it was defeated. We are never going to get people—you have got to give some incentive. Why teach in a tough school, where it is tough to teach, kids don't come as prepared, the first opening comes, I am getting out there. And so you are going to constantly have the answer was we just simply didn't budget enough money.

But if we are going to leave no child behind, we are going to have to get serious about education. I don't think making it punitive to kids who need financial aid at an institution, the victim becomes victimized again. And I think that we really need to take a very serious look at the differences. And Jonathan Kozol, the great author, talks about these disparities in education. So I hope that we can come up with something, but I am not sure the punitive approach is the way to go.

And, actually, on the floor yesterday and today we are going to reduce Pell grants this year. Trillions of dollars we spend, we spend close to $1.2 billion a day for defense, but we cannot—and we need to have a strong defense, don't get me wrong. But we can't keep—we had to reduce Pell grants this year because we have got to budget, and the budget is tight. It makes no sense to me.

I yield back the balance of my time.

Chairman MCKEON. Great sense of humor. We have a new member of our full Committee this year, Mr. Bishop, from New York, who is not on this Subcommittee, but he has great interest in what we are doing in higher education because of his background. And he has very patiently sat through this hearing. And by tradition—I do not know if it is tradition or rule—but if we have members that are on the full Committee and not on the Subcommittee, they have to wait until the end for their testimony. I want to thank Mr. Bishop for his patience and for the things that he is lending to this discussion, and turn the time to him for his questions.

Mr. BISHOP. Thank you, Mr. Chairman. And thank you for allowing me to participate in this hearing. I should say by way of background that I spent 29 years as a college administrator, so I thank you all for the work that you are doing. I can say without exaggeration that there was not a single day during those 29 years that I didn't grapple with the issue of student costs and didn't work with an individual student or family in trying to get them to meet the costs. There was a period of time, Dr. Kirby, in which I had your job. Let me just simply say that I would much rather be sitting here than where you are sitting.

I have a question for Dr. Baum. In your written testimony, you talked about the three factors that are driving increased cost. And you cited them as increased cost of operation, which presumably are largely personnel costs and fringe benefits costs, and I would guess instructional, technology costs, and scientific instrumentation, and so on. You talked about the decline in revenues from philanthropy and from endowment. And you talked about the increase in institutional student aid budgets. Can you either factually or impressionistically assign a relative weight to those three? In other words, which, if we were truly, if we were going to try to attack the issue of cost, which of those three would we attack first?

Dr. BAUM. Well, it is a little complicated by the fact that the student scholarship and fellowship budgets are growing most rapidly. But, of course, part of why they are growing is because the other costs are growing, driving tuition up. Clearly, personnel costs are huge. Health care are a very, very significant factor. And if you can solve that problem, that will be a major accomplishment. I think given the reality that state budgets—state institutions are the issue that we are most concerned with, looking at state budget formulas and trying to give states incentives to—many of these formulas do not provide any incentive for the institutions to control costs and that is obviously a problem. Any entity reacts to incentives. And so state budgets are an important factor there, in looking at those formulas. But, in fact, this issue of inadequate student aid is a very, very significant one.

Mr. BISHOP. So would it be reasonable to conclude then, at least from the work that you have done, that if we were successful in increasing external aid available to students, either in the form of Federal dollars or state dollars, that rather than cost chasing available dollars, as some believe, that having increased student aid dollars, external to the institutional aid budget, would in fact have an inhibiting influence on tuition increases?

Dr. BAUM. I am quite sure that it would. It would not solve all the problems—

Mr. BISHOP. I am not suggesting that, either.

Dr. BAUM. But, yes, absolutely.

Mr. BISHOP. It would inhibit the rate at which student tuition rises?

Dr. BAUM. Yes.

Mr. BISHOP. OK. Dr. Kirby, I am interested in how replicable your experience at Westminster is. And I have some personal experience here. We modeled several times exactly what you did. We couldn't find a way to make it work. And so I am interested, if you would be willing to share with us some specifics, the extent to which you had excess capacity, size of your endowment, so therefore the extent to which you had a cushion, if your experiment failed, your ability to cut student aid budget, and what proportion your student aid budget is of your revenue? So could you expand on some of those things?

Dr. KIRBY. We were fortunate that we had just received a huge gift that allowed us to double our science center, which really allows us to grow from about 800 to 1,200 students in terms of having our academic space. And we have plenty of space on campus for housing for additional students. So that really was a criteria for us in making our decision.

In some ways, I think what we are doing is applicable to the public universities. And in some ways, as I sit here listening to all the testimony, and you think about what has happened over the last decade and over the last 10 years, it is like anywhere from our individual families to our institutions, our organizations, we have in all ways perhaps lived beyond our means. And these days it is like there is not enough Federal money available. There is not enough state money available. It is like every family, every organization, every college and university I think has a mandate almost to examine what they are doing and figure out a way to do it a little bit differently along the lines of what some of my colleagues here have suggested.

I think in some ways, and I am a product of a state university, graduate, et cetera, I still follow big time football, et cetera, but I think that if the state colleges and universities place students as a higher priority for them than they do, along the lines of what Dr. Osborne was saying, is that I think that they could find ways to make colleges a little bit more affordable, a little bit more reasonable for students. But I think in some ways that maybe the Federal Government you are going to be the daddy or the leverage that is going to force all of us to make some changes.

The other analogy, I think, was one he was talking about, if you had this kind of proposal, then the states would respond. I think the analogy is when the Federal Government threatened to withhold funds from the Transportation Department for highways and roads, requiring states to up their drinking age to 21 or whatever, everybody abided by it, everybody raised the drinking age whether they agreed with it or not because they could not afford to lose the Federal funds. In some ways, I think the same analogy applies for colleges and universities in terms of the kinds of funds that we get through the Pell grant, the loan programs, et cetera. We are all dependent on them.

What I think is the important thing about this Committee, frankly, is figuring out ways to take what a small college has done and to do with lots of other organizations. And I think the priority has to be how do we make our student's lives better and make their education a higher priority than I think does exist in some schools.

Mr. BISHOP. I know my time has expired. I would just say that I agree that we need to put the focus on students. I guess though what I am struggling with is that I would guess that the vast majority of students—pardon me, the vast majority of institutions, particularly private institutions, don't have the flexibility or the capacity or the ability to take the risk that your institution did and did so successfully. And I think we have to find ways to help those institutions and the students who attend them.

Thank you, Mr. Chairman.

Chairman MCKEON. Thank you. Mr. Ryan?

Mr. RYAN. I do not have any questions at this point, Mr. Chairman. Thank you.

Chairman MCKEON. And that gives every member a chance to ask their questions. I wanted to ask Dr. Kirby about that, so I am glad that you finally got to tell us how you had done in lowering your tuition and increasing the number of students and keep the quality up and give more people an opportunity. That I think is one of the things that we are trying to do with this.

Do you have a closing statement? And then I will make a closing statement.

Mr. KILDEE. Sure, I will make a closing question statement. As you probably can tell, I have been working in this business for 27 years, trying to help more young people go to college. And both Buck and I have a great record on that. We have a little disagreement maybe on how we are going to approach this, but in 1998, we wrote one of the best higher education bills in the history of the country. We brought interest rates down to the lowest they have been in 17 years—

Chairman MCKEON. Thirty-eight years.

Mr. KILDEE. Thirty-eight years, OK.

Chairman MCKEON. Ever.

Mr. KILDEE. But it was a great bill. But I do have—my dad had to in my family pick out one of his five children to send to college. And for some reason, I happened to be the one. I tell the others that they should have been. But he could pick one. That was before we had Pell grants. And my dad was buying his house and a land contract. But we shouldn't make those—anyone who is really qualified for college should be able to go to college.

But I have serious reservations about the Federal Government sticking its oar in keeping down college costs. Because I am familiar with the Federal Government. I have been here for 27 years. And I have enough problems with the state legislature doing what they are doing back home. But I do have a serious problem. I am wondering if there is any carrot that could be used to encourage colleges to be used to keep the cost down rather than the stick, particularly when the stick is directed really at the students because students are going to be denied the right to go to certain colleges. That is under one of your proposals. Everything is in flux, I know. Don't let me deter you from that approach anyway. But if you have any ideas of maybe some carrots rather than sticks, that would be helpful. But I won't require an answer at this time. I let you conclude the meeting, Mr. Chairman.

Chairman MCKEON. I think this has been a good hearing. I think we all understand there is a very serious problem. And I think we are in total agreement with the fact that many students are not now able to attend college because of the cost. And when we did the last reauthorization, we did some really good things. And we did fix the interest rate so that it is now the lowest that it has ever been. But still when a college student graduates and has a mortgage on their back, without a house to go along with it, that is not right. And I see that happening.

This is going to give my age away but our first home was $17,850. And students are graduating now with a loan of about an $18,000 average. Now what we did on reducing interest rates, 10 years ago they were paying over $4,000 of interest because they were paying 9 percent loans. Now they are paying less than 4 percent with the latest adjustment. With an $18,000 loan, they are still paying about $4,000 interest. But that is $22,000 that they have to repay. Now, granted, they do a lot better in the economic field because of having that education and there are other benefits that come from education other than just financial. I think it is important. And we need to have a full open society. Everybody needs to have the same opportunity to go to school.

There have been some things that were mentioned, that we are cutting Pell grants. Let me just set the record straight. We have a bill on the floor this afternoon. The Pell grant maximum will be kept at $4,050, which was the same as it was last year. By the way, when I became Chairman of this Subcommittee in January 1995, the Pell grant was a little over $2,000. So we have doubled it in the last 8 years. I think that is important to know. We also are increasing Pell grant money this year by $885 million. While the top level will be held at $4,050, $850 million is being put into Pell grants so more people will have the opportunity to use a Pell grant to go to college, which is one of our goals is increasing accessability.

There has been talk about my proposal. In a few weeks, we will find out what my proposal is. And in the meantime, we are learning more about what should be in that proposal. I hope that we can continue to do that. I hope that we can work on this in a bipartisan way, that this does not become a partisan issue because this is too important to become a partisan issue. It is something that, as I said in my opening statement, all of us have to come to the table, the Federal Government, state government, parents, students, and, yes, the lending institutions. All of us are going to have to come to grips with this.

And what we finally do in the final passage of Higher Education Reauthorization will be a result of your input, the things that you are doing. I was really impressed with some of the positive things you are doing to lower costs. I hope that the education community around the country is listening because up until this point. I have heard a lot of negatives of we cannot make any changes. All we want to do is keep things the way they are and send us more money.

To say, my good friend, that the Federal Government should not put an oar in, we have a big oar in. We pay 30 to 35 percent of the cost of education. We have a big stake in it, and it is important that we do keep involved and make it possible for all young people to have a college education.

With that, I would like to thank the witnesses, and ask you to stay closely working with us as we go through this process of higher ed reauthorization because you have a lot to offer.

With that, we will now adjourn this Committee. Thank you.

[Whereupon, at 12 p.m., the Subcommittee was adjourned.]