



Testimony to the Advisory Committee on Student Financial Assistance  
Hearing on Higher Education Act Reauthorization

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Thank you for the opportunity to testify today on an issue that affects most American families: the high price of college attendance. I have spent the last 15 years researching the challenges facing today's undergraduates as they pursue postsecondary credentials. Based on that work I believe that college is unaffordable for as many as 75% of all families, and that the high price of college is the single biggest problem we face in higher education today.

In the upcoming reauthorization of the Higher Education Act, policymakers must take bold action to counteract destructive trends. Talented young people from families with modest incomes are turning away from college at higher rates than ever. Single parents with small children who seek to provide their offspring with a better life are finding that college is not an option. Millions of people are starting college, many lured by the promise of financial aid if only FAFSA is completed, only to face insurmountable challenges of paying \$8,000 a year or more for a single year of public higher education. Promising that opportunities emerge when people attend college and then putting the price of attendance out of reach is a bait and switch that betrays the American Dream.

The first big challenge we face is a pervasive myth seems to grip Washington: "College—at least community college—is already free or nearly free for low-income students." This is a falsehood, plain and simple. In order to focus energies on school and succeed in completing degrees, students must have the funds to cover the entire cost of attendance each and every year. After all grants and scholarships are provided, Pell recipients today are left with out of pocket costs of

\$8,000 to \$12,000 a year or even more—in the public sector. Actions must be taken to dispel this myth and force Congress to face the truth: After FAFSA, college is unaffordable. This system does far too little to keep college costs down and financial aid robust enough to produce a reasonable price for families. The system has been broken for decades but only recently, in the face of declining real family income and a weak economy are the consequences clear.

One reason has to do with the failures of a policy approach that many have believed in deeply for decades: means-testing. Seeking equitable rates of college completion, many advocates and policymakers focus on giving the most financial aid to the poorest individuals. The problem is that doing this requires a complicated, bureaucratic, expensive system that the very people being targeted have a hard time trusting. We spend an inordinate amount of time and money *administering financial aid* by gatekeeping who gets dollars and who does not, alienating those who cannot get through the gates and those who are deemed not needy of support. Our adherence to *equitable inputs* is helping to generate *inequitable outputs*.

Yes, among the financial aid distributed using the federal needs analysis, the majority of dollars flow to the bottom of the income distribution not the top. But directing dollars one way does not ensure their purchasing power if it does not also control costs and ensure that other subsidies remain. It also does not ensure that the system is reliable, trustworthy, or even remotely transparent. The Pell Grant is targeted but it does nothing to ensure that state appropriations are focused on the institutions serving low-income students and it does nothing to keep college costs in check. It is insufficient.

If we want to ensure that students from low and moderate-income families attend college and are not scared off by the price, and that they complete degrees we must face the affordability challenge head on. Here are five recommendations:

1. Simplify and target the entire system, not just a single piece. Focus on eliminating the price of the first degree of value—the associate degree. Those who teeter on the margin of not attending college or pursuing the associate degree are the people who are really being left behind. It is unwise to borrow for an associate degree, which is the first initial experience in higher education. Focus on helping students concentrate on their studies during this period, removing the price barrier as fully as possible. After getting that degree under their belts, students can make reasoned decisions about next steps.

2. To ensure that college costs are completely covered, take actions to align current social programs with educational programs. Require the U.S. Department of Education to work closely with Housing and Urban Development and Health and Human Services and the U.S. Department of Agriculture to align financial aid eligibility with social benefits programs, provide subsidized housing to undergraduates, and create and implement a free and reduced price lunch program in the nation's community colleges.

3. Colleges and universities face too many administrative burdens. Relieve them of one burden – calculating living costs for off-campus students. Our work indicates that many institutions are inaccurately reporting these costs, leading students to face an unexpectedly high price they cannot cover. Amend the definition of “cost of attendance” to task the U.S. Department of Education with calculating living costs for off-campus students using existing federal data.

4. We need to make it possible for students to work their way through college. The implicit tax on students' earnings penalizes student employment. In 2014, U.S. Senator Tammy Baldwin introduced The Working Student Act (S.2796) in an effort to enact an across-the-board, 35-percent increase in the income protection allowance (IPA) for students. This was a good start. It should be higher, to allow students to keep more of their money, work less and finish school

5. The Federal Work-Study program is in desperate need of an overhaul. Economist Judith Scott-Clayton finds that just 23 percent of current work-study students come from families earning less than \$30,000, while 20 percent come from families earning more than \$100,000.<sup>1</sup> The current formula rewards older and more expensive institutions and should be revised to focus on serving Pell recipients.<sup>2</sup> Work-study is, in the words of Lumina Foundation president Jamie Merisotis, a “jobs and education program” and it could be a much better one. States should be incentivized to develop their own programs to complement the federal effort.

In short, Congress needs to take the problem of making college genuinely affordable very seriously. It is not enough to simplify the FAFSA—the entire process of means-testing should be reconsidered. We cannot continue to focus on tuition and fees when the costs of living while in college – the costs of focusing on school rather than work—increasingly present the main barrier. And we can no longer afford to pretend that only low-income Americans are kept from college degrees because of the price—this is a problem that affects the majority. I urge you to ensure that our children and grandchildren do not pay the price for seeking educational opportunities – we need their active participation in the economic and social life of this nation far too much.

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<sup>1</sup> Scott-Clayton, J. “A Jobs Program in Need of Reform.”

<sup>2</sup> Setzer, R. & O’Sullivan, R. “A Federal Work Study Reform Agenda to Better Serve Low-Income Students.”