

**House Gaming Oversight Committee
Hearing on Tuition Relief Act**

**Testimony of Dr. Don Francis
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May 21, 2009**

Good afternoon Mr. Chairman and members of the House Gaming Oversight Committee. Thank you for giving me the opportunity to testify on behalf of the 87 private colleges and universities in the Association of Independent Colleges and Universities of Pennsylvania (AICUP). Pennsylvania is the second largest private college state in the nation. We enroll 41 percent of the students, award 50 percent of the bachelor's degrees and 63 percent of the advanced degrees, and we do this while receiving only 15 percent of the state funds devoted to higher education.

First, I want to applaud Governor Rendell for making higher education affordability an issue through his Tuition Relief Act proposal. Everyone supports the Governor's goal of providing tuition relief for Pennsylvania's families. Affordability is a serious problem that private colleges and universities are seriously addressing through institutional financial aid to their students. In 2006-07 (the latest data available), 87 percent of our freshmen received financial aid, with institutional grants comprising 60 percent of this aid. While our sector's average tuition that year was \$25,049, the average net cost to students after federal, state and institutional grants was subtracted, was \$5,799. We recognize that we must keep tuition affordable or students won't attend our universities.

While I applaud the Governor's goal of increasing college affordability, the Tuition Relief Act's proposal to create a new grant program designated only for students attending the community colleges and the state system universities is bad public policy that is unfair to many Pennsylvania families, communities, and the state taxpayer.

Let me provide just a few reasons.

1. Current inequities in state support for Pennsylvanians' higher education costs are made severely worse. According to the Joint State Government Commission, in 2007-08 students attending a state system university received on average \$4,580 in instructional subsidy from the state taxpayer through the institutional appropriation. If this same student attended a Pennsylvania private college, she would receive approximately \$300 dollars in instructional subsidy through the Institutional Assistance Grant program. If this student were eligible for a PHEAA grant, then she would receive about \$760 more for attending a private institution. Obviously, the state assists the student selecting the state system university much more generously. By now offering an additional grant up to \$7,600 to the student to attend the state university, the Governor's proposal dramatically increases the inequity in state support for selecting a state system university.

2. Existing capacity in the private college sector will be wasted while already full community colleges and state system universities will be further overcrowded. By drastically reducing the price only at the community colleges and state system institutions, the Governor expects to enroll 20,000 more students in these two sectors next year. This would make some sense if we needed additional capacity to serve an increasing number of students. However, the Department of Education projects that the number of Pennsylvania high school graduates will decline each year over the next decade, so why would we want to expand capacity in the public sector and waste the existing capacity in the private sector when fewer students are likely to be enrolling at our institutions?
3. This proposal will result in additional cost to the state taxpayer in both the short and long-term. Community colleges and state system universities will need to build additional classroom space and other facilities and they will need to hire additional faculty and staff to accommodate the new students. State capital funds, operating funds, and pension contributions will be required. It currently costs the state taxpayer \$21,691 to produce a degree at the state system universities. It costs only \$3,602 to produce a degree at a Pennsylvania private college or university. (These numbers do not include capital expenses.) By increasing enrollment in the more expensive sector (to the state taxpayer) and decreasing enrollment in the least expensive sector (to the state taxpayer), this policy will erode the \$450 million in annual savings the Commonwealth currently receives from the more than 150,000 Pennsylvania students educated in the private colleges and universities.
4. By encouraging students to only attend the public university system, this proposal is also creating economic hardship for many state-related and private institutions and the communities in which they are located. Some state-related branch campuses and private colleges could close if their student populations are significantly cut by this policy. This means a loss of jobs and economic stimulus in communities where these institutions are frequently one of the largest employers. Indeed, this proposal would essentially shift a number of jobs away from the private sector (Pennsylvania's private colleges and universities currently employ 71,000 people) into the public sector where the taxpayer will pick up more of the cost.
5. Using state money to reduce choice will result in a reduction of academic quality as well. The competition between private and public universities makes all of our institutions better. When public universities and community colleges know that students have an overwhelming incentive to attend their institutions, they will be less conscious of quality because they will have a monopoly in the marketplace.

All of the distribution problems with the Tuition Relief Act can be remedied with one simple amendment. Use all new revenue to grow the PHEAA Student Grant program. If the Administration's revenue projections are accurate, the Student Grant program would more than double in size from its current funding level of \$407 million. This would mean much larger grants for low and moderate-income students and it should allow many more middle income families to obtain PHEAA grants. Increasing the Student Grant program would 1) reduce the current inequities in state funding support to students;

2) distribute students to all sectors and use all of our current educational capacity; 3) reduce cost to the state taxpayer; and 4) enhance competition and thereby quality in both public and private colleges and universities. Pennsylvania's Student Grant Program is one of the best in the nation. It is entirely need-based and it provides access and choice to the vast array of public and private colleges and universities throughout Pennsylvania. Sending an infusion of additional dollars to this program would use a "tuition relief" program that is equitable, proven, and effective.

Finally, I want to comment upon a few of the arguments Rendell Administration officials have been using to advocate their position.

1. "Pennsylvania is the sixth most expensive state for higher education tuition." This may be true but it ignores the amount of both state and institutional need-based aid delivered in the Commonwealth to make college affordable. In the February issue of *Postsecondary Education Opportunity*, Tom Mortenson ranks Pennsylvania first in the nation for college participation rate by students from low-income families.
2. "Student loan debt is too high." Newspaper writers usually report on the small percentage of students who assume too much undergraduate debt. National data suggests that less than ten percent of students assume more than \$40,000 as undergraduates. The latest data available (2006-07) shows that Pennsylvania's private college graduates who have debt owe \$23,846 and the state system graduates owe \$19,589. While we should monitor carefully any growth in loan debt, these amounts are about what a new sedan costs, and I would argue that the economic benefit on a college education (\$1 million over a life time) is well worth this investment.
3. "The high cost of college is keeping students from attending." The Rendell Administration commissioned a report on college access in 2006 (*A Rising Tide*) which carefully documented that less than 8 percent of young adults "indicated that cost was a factor preventing them from attending a postsecondary institution." These students—largely either living in rural areas or urban minorities—need attention, but they do not need the large scale plan encompassed in the Tuition Relief Act.
4. "We need to let families know that college is affordable." I agree. However, the state could advertise the benefits currently provided for low and moderate-income students through the combination of Pell Grants and PHEAA Student Grants for much less cost than this proposal.
5. "We need to help middle class families making up to \$100,000." Again, I agree. I even think the state should provide grant aid for families making much more than \$100,000, and I think devoting additional revenue through PHEAA will more effectively accomplish this goal.
6. "We are targeting only the community colleges and state universities with this aid because we can control their costs. There is nothing to stop private colleges from raising their tuition to capture more grant aid if we give the additional dollars to PHEAA Student Grants." While it is true that the Governor has more control over the state system universities, it is not true that private colleges can raise their

tuition to capture more PHEAA Grant aid. The PHEAA formula has a cap on the total cost of education (tuition, fees, room, board, books, etc.) recognized. This year's cap is \$27,000, which is below the total cost of almost all private colleges. Thus, increasing costs will not help private colleges secure additional grant aid.

Thank you for giving me this opportunity to share my concerns about this legislative proposal and share my recommendation for amendment. I would be happy to take any questions.