

Tuition Relief Hearing
Testimony of Dr. Kathleen M. Shaw
Deputy Secretary
Postsecondary and Higher Education
Pennsylvania Department of Education

Thank you for the opportunity to describe the Tuition Relief Act to you. As you know, Pennsylvania families are suffering because of the national recession. In the coming months, thousands of families will sit at their kitchen table and make the final decision about whether they can afford to send their child to school this Fall. The legislation before you today can make the difference in what those families – your constituents – decide.

We have an immediate need for tuition relief, but make no mistake: its benefit will last far beyond the current national recession and help Pennsylvania adjust to the global economy our students are entering. In 1950, unskilled jobs that did not require a postsecondary credential made up 73% of our workforce. Today they make up only 24%. The workforce of today and tomorrow demands a postsecondary education. Yet national data indicates that in this decade alone, 2 million academically qualified students will not go to college because they cannot afford it. As a result, for the first time in our nation's history, our younger generation of workers is less educated than the previous generation. And what's more disturbing is that this trend is occurring at exactly the same time that the rest of the developed world is headed in the opposite direction and becoming more educated. The United States lags behind countries as diverse as Canada, Japan, Korea, New Zealand and Ireland in the percentage of adults age 25-34 who hold bachelor's degrees.

In Pennsylvania, a college education has become increasingly out of reach for too many families. In fact, Pennsylvania is the 6th most expensive state in which to go to college. Some basic statistics paint a grim picture. A third of our students in community colleges graduate with debt averaging \$7,000. Students in four-year colleges and universities graduate with an average of \$23,613 in student loans; and according to a recent survey, when all types of borrowing are accounted for, our students are leaving college with an average of \$34,000 in debt. But it gets worse. When the amount of money borrowed by parents is included—money borrowed using credit cards or using second mortgages on homes—the total debt a family takes out to put a child through college averages about \$48,000. This mountain of debt that threatens students' ability to earn a degree and find a well-paying job; and it threatens the financial well-being of their families as well.

A few months ago, the Pennsylvania State Board of Education held hearings around the state to collect public input on higher education affordability. Here's what they heard:

One college student said: "Now I sit here today \$42,940.72 in debts with still another year of school until I graduate. I have had to take time off school because I could not afford the difference between the cost of tuition and the amount I was receiving in loans."

Another college student explained: "I am currently balancing four jobs, along with 15 credits worth of school work while still maintaining a strong 3.7 GPA. When I graduate in May, I will

be thrown into a world where I am expected to pay off \$36,000 with a starting teacher's salary in our area that averages less than \$38,000.”

This situation has not happened overnight; the cost of college has been a growing concern across the nation and this commonwealth for at least the past two decades. Yet as the national economy has soured, the situation has taken a sharp turn for the worse. The rising unemployment rate is fast making a college education no more than a distant dream for too many families. As an increasing number of families operate in crisis mode just to make ends meet, they are watching the savings that they so diligently set aside for future college costs evaporate due to the foundering national economy. In fact, in Pennsylvania, college savings accounts for students who are just a year or two from graduating high school have seen double-digit losses in the last year. This crisis is having a real effect on college-going and subsequent employment decisions. Consider these facts:

- One in ten young adults in Pennsylvania report that they want to attend college but cannot—most often because of cost.
- Those who drop out of college in our commonwealth report that cost was the most significant factor in their decision to do so.
- In a 2008 survey of recent Pennsylvania college graduates:
 - 72% reported feeling overly burdened by their education debt
 - 55% reported having a difficult time paying back student loans
 - 48% reported that student debt led them to choose a career other than their most preferred career in order to repay their debt

In short, hundreds of thousands of Pennsylvanians are facing a financial emergency that is threatening their future as well as our economic future as a Commonwealth.

The Tuition Relief Act is designed to quickly and effectively address this crisis by making it possible for hundreds of thousands of Pennsylvania students to graduate from college free of debt. This bill will enact tuition relief to help families who have worked hard send their children to college and working adults return to college to boost their own economic opportunity.

Here's how the plan works:

- a. Over 170,000 students at our public colleges and universities – the State System of Higher Education and the 14 community colleges – will benefit when the program is fully in place. Plus, an additional 10,000 students will be able to go to college who otherwise could not afford it or will stay in-state instead of leaving Pennsylvania.
- b. Everyone pays something – but only what they can afford. We will eliminate the gap between what families can afford to pay and what they are forced to pay – often by borrowing tens of thousands of dollars.
- c. Many families earning under \$32,000 will pay just \$1,000 a year for tuition, fees, room, board and books at the State System.

- d. All other families that qualify for PHEAA grants will receive at least \$4,000 in additional grants at State System universities per year – equal to 75% of the cost of tuition – and in many cases far more, up to \$7,600 annually in emergency relief.
- e. For example, under the Tuition Relief Act a family that earns \$45,000 will pay 77% less if they send their child to a State System university, and will pay 15% less if they enroll their child in a local community college than if the Act does not pass.
- f. For a family that earns about \$75,000 a year, going to the State System will cost 35% less and attending a local community college will mean paying 28% less under the Tuition Relief Act than what a family would pay without this legislation.
- g. Families that do not qualify for PHEAA grants but who earn under \$100,000 a year will also benefit – more than doubling the number of State System students receiving state-funded financial aid grants. These families will receive a grant for half the cost of tuition – about \$2,700 in savings at the State System.

While laying the groundwork for long-term economic health, the Tuition Relief Act would also function as a critical component of our immediate economic recovery strategy by benefiting adults as well. Those who have never gone to college, or attended college years ago but never finished, can go back to pursue a certificate, associates degree or bachelors degree as a part-time or full-time student. The Tuition Relief Act will provide a pathway for our workforce to upgrade their training or gain additional education credentials so that they can successfully compete for living-wage jobs. And our economy will benefit, as Pennsylvania's workforce becomes stocked with the credentials and skills sought by the high-tech, high-paying employers we need.

In short, everyone benefits when we send more students to college. For example:

- A worker with a bachelor's degree is far more likely to be gainfully employed than someone who has only a high school diploma.
- In the latest Pennsylvania unemployment figures, the unemployment rate of college graduates was a little under 4%. For those with only a high school diploma, it was over 8%.
- A Pennsylvanian with a bachelor's degree will earn twice as much over the course of a lifetime as a person who has only a high school diploma – almost \$1 million more.
- A college degree means a person is less likely to commit a crime and less likely to need public assistance later in life.

And our economy benefits even more when our college graduates are free from the crushing burden of college debt. Graduates can save more money for their own children's education and buy a home sooner. And if families know from day 1 that the dream of a college education can become a reality for their children, we will see a ripple effect as parents and children focus more on k-12 education in preparation for college.

Thank you for the opportunity to testify at this hearing. I would be happy to answer any questions you might have.