

HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

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House Bill 1722  
House Bill 1403  
House Bill 108

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House Education Committee

Main Capitol Building  
Room 60, East Wing  
Harrisburg, Pennsylvania

Wednesday, October 10, 2007 - 1:13 p.m.

BEFORE:

Honorable Lawrence Curry,  
    acting Majority Chairperson  
Honorable Thaddeus Kirkland  
Honorable Richard Grucela  
Honorable Jake Wheatley  
Honorable John Yudichak  
Honorable Jess Stairs  
    Minority Chairperson  
Honorable Daryl Metcalfe  
Honorable Duane Milne  
Honorable Bernie O'Neill  
Honorable Thomas Quigley

IN ATTENDANCE:

Honorable Tony J. Payton, Jr.

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32	Pennsylvania Commission for Community Colleges.)	
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1           ACTING CHAIRPERSON CURRY: Good  
2 afternoon. I'd like to call the Education  
3 Committee to order. This afternoon we're going to  
4 address the issue of college affordability and  
5 look at the issues raised in the three bills,  
6 House Bill 1722, Representative Payton; House Bill  
7 1403, Representative Pallone; House Bill 108,  
8 Representative Stairs.

9           Before we begin, I would like the  
10 Members to introduce themselves; and we'll begin  
11 here to my left.

12           REPRESENTATIVE STAIRS: Jess Stairs,  
13 Westmoreland County.

14           REPRESENTATIVE KIRKLAND: Thaddeus  
15 Kirkland, Delaware County.

16           REPRESENTATIVE PAYTON: Tony Payton,  
17 Philadelphia County.

18           REPRESENTATIVE GRUCELA: Rich Grucela,  
19 Northampton County.

20           REPRESENTATIVE O'NEILL: Bernie  
21 O'Neill, Bucks County.

22           REPRESENTATIVE QUIGLEY: Tom Quigley,  
23 Montgomery County.

24           REPRESENTATIVE MILNE: Wayne Milne,  
25 Chester County.

1                   REPRESENTATIVE YUDICHAK: John

2 Yudichak, Luzerne County.

3                   ACTING CHAIRPERSON CURRY: Thank you.

4                   To start us off, I'd like to ask Chris  
5 Wakeley to explain to us what's in the packet that  
6 you see this afternoon and we'll study after the  
7 hearing.

8                   MR. WAKELEY: The information in your  
9 packet concerns, obviously, the issue of college  
10 affordability.

11                   Some of this material will be gone over  
12 as part of the testimony, but we thought you would  
13 like to have this information as we move forward  
14 on this issue of both looking at these bills and  
15 also future initiatives concerning college  
16 affordability.

17                   First one is just some basic  
18 information on tuition rates at the various  
19 institutions of higher education in our state.  
20 That's the first sheet.

21                   Second sheet is just the broad-based  
22 merit scholarship programs which you'll be hearing  
23 about today, judge what other states are doing in  
24 this area.

25                   The third one is titled The Cost

1 Reduction Access Act. This is the new federal law  
2 you may have read in the paper the last few weeks.  
3 That was passed by Congress and signed by  
4 President Bush. Gives you kind of a quick summary  
5 in the first page and then kind of a more extended  
6 summary connected to that.

7           Next stop you'll be hearing testimony  
8 today on this Measuring Up 2006 report. This was  
9 put out late last, -- I believe late last year,  
10 2006 report. Put out by the National Center for  
11 Public Policy and Higher Education. It obviously  
12 deal with more than just portability, but deals  
13 with higher ed in general.

14           A Rising Tide, this was a report that  
15 was put out last year by the Education Policy  
16 Initiatives Center concerning college  
17 affordability. Dr. Zemsky will be speaking on  
18 that today.

19           And the final three are information  
20 from the College Board, which is also speaking  
21 today, basically talking about trends in terms of  
22 college cost trends in terms of financial aid as  
23 of 2006.

24           And then the final piece, which is  
25 something to always keep in mind, the educational

1 benefits of higher education for individuals and  
2 society. So as we go through this hearing, these  
3 will be touched upon and also take back with you  
4 and provide you some information. Thank you.

5           ACTING CHAIRPERSON CURRY: Thank you,  
6 Chris.

7           The first item on the agenda is hearing  
8 a little bit about each of the bills from their  
9 sponsors. Representative Payton, House Bill 1722.

10           REPRESENTATIVE PAYTON: Thank you,  
11 Mr. Chairman.

12           House Bill 1722, known as the New  
13 Scholarship Initiative, establishes a statewide  
14 merit-based scholarship program for residents of  
15 Pennsylvania.

16           Any child in the State of Pennsylvania  
17 that has a 90 percent attendance and receives a  
18 cumulative 3.0 in 10th, 11th, and 12th grades, any  
19 one of the 14 state schools will be free; we pay  
20 tuition and fees.

21           And if you wanted to attend another  
22 college or university in Pennsylvania, we would  
23 give you the average cost of one of the 14 state  
24 schools.

25           And this legislation was introduced in

1 July and it's modeled off of Georgia's Hope  
2 Scholarship Fund. And the economic benefits as  
3 well as the population increase that resulted in  
4 Georgia is I think one of the -- probably the  
5 reasons why we need to enact this legislation.

6 Thank you very much, Mr. Chairman.

7 ACTING CHAIRPERSON CURRY:

8 Representative Stairs, House Bill 108.

9 REPRESENTATIVE STAIRS: Yes, thank you,  
10 Mr. Chairman.

11 I will just very briefly talk about my  
12 proposed legislation. As we're very much aware,  
13 Pennsylvania has a great program for financial  
14 assistance, you know, based upon financial need.

15 The Legislature and the Governor have  
16 supported millions of dollars and, of course,  
17 PHEAA administers the programs for the  
18 Commonwealth. And we certainly try to address the  
19 financial need of the students and, of  
20 course -- and it's also depending upon what  
21 college they go to how much they receive.

22 So it's an excellent program to assist  
23 students on the financial end of it. But this  
24 legislation in 108 that I introduced takes it  
25 maybe not to decrease what we're doing now, but to



1 look at academic achievement.

2           And this was mentioned by  
3 Representative Payton. He's drafting legislation  
4 which also addressed academic achievement based on  
5 the Georgia proposal. So we're here today to  
6 learn.

7           And I'm happy that a lot of the people  
8 in higher education are here this afternoon. It  
9 shows interest in the subject matter of college  
10 affordability.

11           But we want to hear what comments on  
12 this. If indeed we hear good things, which I hope  
13 we do, at least we can maybe make changes as  
14 necessary to even make it better.

15           But we're -- like I say, financial need  
16 is a criteria now we have in the Commonwealth and  
17 this would expand that to academic achievement of  
18 students in high school and as well as maintaining  
19 that academic standard as they go through college  
20 with the fear of losing that if they didn't meet  
21 those standards.

22           So just to further enhance college  
23 affordability, rewarding those who achieve well at  
24 the high school level.

25           Thank you, Mr. Chairman.

1           ACTING CHAIRPERSON CURRY: Thank you,  
2 Representative Stairs.

3           Let's move on to our first testifier,  
4 Dr. Sandy Baum, College Board, to talk about the  
5 trends in college pricing.

6           DR. BAUM: Thank you. I'm happy to be  
7 here. I appreciate the opportunity to talk with  
8 you about these important issues of college access  
9 and affordability, and I'm pleased to see that you  
10 are all continuing to engage with these issues.

11           And I congratulate you in the State of  
12 Pennsylvania for your very successful need-based  
13 grant program, which is one of the most generous  
14 in the country. And it's been very important in  
15 terms of assuring that Pennsylvania students do  
16 have access to college.

17           I'm here representing the College  
18 Board. You have some materials in your folders  
19 that represent much of the research that I've  
20 done.

21           The College Board is a membership  
22 organization. Many of the colleges and high  
23 schools in Pennsylvania are members of the  
24 organization and we are dedicated to the issues of  
25 college access and success.

1           And one of the things that we do and  
2 what I do at the College Board is research and the  
3 provision of information about college prices,  
4 about student aid, and about other aspects of  
5 higher education; and much of what I'm going to  
6 say today emerges from the work that I have done  
7 in the reports that you have in front of you.

8           We're also engaged currently in a  
9 project called Rethinking Student Aid that we're  
10 really trying to come up with how should the  
11 student aid system be improved on a national scale  
12 in order to make it more efficient, more  
13 effective, more equitable.

14           And I think that it's really important  
15 in terms of thinking about student aid to first  
16 take a step back and think, you know, why do we  
17 have student aid policies in the first place. And  
18 we want to make sure that student aid policies are  
19 both equitable and efficient. So in other words,  
20 we want to be fair.

21           We believe in educational opportunity  
22 for students. We also know that it's inefficient  
23 from a social perspective to have the wasted  
24 resources of students who are unable to access  
25 college, unable to be successful in college. If

1 financial constraints are important in this, then  
2 we should be doing something about it.

3           If you look at historically at what has  
4 happened with college access on a national level,  
5 you see that over the past 30 years the percentage  
6 of high school graduates who go immediately to  
7 college has increased from under half to about  
8 two-thirds.

9           So we have very successfully increased  
10 the proportion of young people who do continue  
11 their education immediately after high school.  
12 One of the unfortunate truths, however, is that  
13 there are persistent gaps among socio-economic  
14 groups in these college enrollment rates.

15           So, for example, of the percentage of  
16 students from the upper fifth of the income  
17 distribution who go to college right when they  
18 finish high school is about 30 percentage points  
19 higher than the percentage of those from the  
20 bottom 20 percent of the income distribution. Big  
21 differences.

22           And even if you controlled for academic  
23 achievement, controlling for academic achievement  
24 diminishes those differences; but, um, they don't  
25 go away by a long shot.

1           So that affluent students who  
2 have -- who don't test well, who have low levels  
3 of academic achievement and low levels of  
4 preparation, if they're from affluent families,  
5 they're about as likely to go to college as the  
6 highest achieving students from low-income  
7 families.

8           So there is clearly an achievement gap  
9 that corresponds to income. But that's not the  
10 whole story. Money is clearly also an issue.

11           What causes the gaps in enrollment  
12 rates among people from different income groups  
13 is, of course, complicated. Part of it is money.  
14 Much of it is not money.

15           It has to do with educational  
16 opportunities at elementary and secondary levels;  
17 it has to do expectations, aspirations,  
18 information. But money is certainly part of the  
19 issue.

20           At the same time that we have increased  
21 the proportion of students who go to college,  
22 we've not been quite so successful in increasing  
23 the proportion of people who start college who  
24 actually complete their degrees.

25           And so one of the things that's very

1 important in terms of designing student aid  
2 policies is it to be focusing not only on access  
3 to college, but also on persistence to degrees.

4           And that's very important because there  
5 are a lot of people for whom we're not doing a  
6 favor by getting them to college, giving them some  
7 debt, and then they get out of college. So we do  
8 have access problems; we do have persistence  
9 problems. It is important that we focus on our  
10 student aid policies.

11           In trying to think in general, what I'd  
12 like to do is just talk a little bit about some of  
13 what it looks like nationally in terms of college  
14 prices, how to think about college prices, and  
15 student aid policies and how different kinds of  
16 changes in student aid policies have worked.

17           The first is price. And of course,  
18 prices make headlines all the time and, um, the  
19 price of college in Pennsylvania is higher than  
20 the average price of college nationally. That's  
21 true in all sectors of higher education.

22           But all across the country the price is  
23 rising much more rapidly than average prices of  
24 goods and services in the economy.

25           The first thing to note about that is

1 that when you have a price index, most prices  
2 either rise more rapidly or less rapidly than the  
3 average. So it's not quite so shocking that  
4 there's a price that rises more rapidly; however,  
5 it is problematic when it keeps rising faster and  
6 faster.

7           But this is a long-term problem. If  
8 you read what people were saying twenty years ago,  
9 they were saying, Oh, my God, the price of college  
10 is rising so rapidly. What are we going to do?  
11 The panic level was pretty much the same. It's a  
12 long-term problem.

13           In recent years, the prices of public  
14 four-year colleges around the country have  
15 increased quite rapidly by historical standards.  
16 For public two-year colleges and private four-year  
17 colleges, it's been pretty much the same as it has  
18 been for the last twenty years.

19           And even in public four-year colleges  
20 what you tend to see is cyclical patterns. So  
21 every decade for a few years prices rise really  
22 rapidly. Tends to be associated with state  
23 appropriations for public colleges and  
24 universities. So it's not just an upward trend in  
25 terms of the rate of increase.

1           What's important when looking at these  
2 prices is that we tend to look at the headlines  
3 that say the prices of college went up by 6  
4 percent this year. And so that sounds like a big  
5 percent.

6           But it's important to think of a couple  
7 of things: (1), it's the dollar price that  
8 matters to the student and family. So it's the  
9 accumulated increases over past years that matter,  
10 not just what happens this year. And, of course,  
11 it's the dollars and not the percentage increase.

12           So if the percentage increase in public  
13 two-year college price is the same as the  
14 percentage increase in four-year private college  
15 prices, the dollars in public two-year colleges,  
16 that increase is of course much lower. And so  
17 it's really important to keep dollars in  
18 perspective, not just percentage increases.

19           Another issue is that we talk about  
20 averages quite frequently, but you really do have  
21 to look -- and I understand you have list in your  
22 folders of individual colleges in Pennsylvania.  
23 That's really important.

24           There is tremendous variation in prices  
25 of college. Tremendous variation between public



1 and private, between two-year and four-year,  
2 between Pennsylvania and California, but also just  
3 among institutions. So students have lots of  
4 choices.

5           One of the problems, in fact, is that  
6 the system is so complicated that students have  
7 difficulty making these choices. But there are  
8 lots of choices.

9           In the country as whole, in fact, a  
10 public two-year college on average costs about  
11 \$2300 in terms of tuition and fees. Which leads  
12 to another issue, which is that tuition and fees  
13 are actually a small part of this story.

14           So if you go to a public two-year  
15 college, you pay the tuition and fees; you still  
16 have to live. And your living costs are likely to  
17 be higher than the tuition and fees that you have  
18 to pay.

19           And some students can live at home with  
20 their parents. Many cannot. Even if you live at  
21 home with your parents, you have to eat, you  
22 probably need to have transportation, and you have  
23 to take time out of the labor market in order to  
24 be a successful student. And that's a huge cost  
25 of going to college.

1           So taking care of tuition and fees does  
2 not guarantee that college will be affordable for  
3 everyone, because it's much more than just tuition  
4 and fees.

5           Then there's the issue that in fact the  
6 public tuition and fees can be quite misleading,  
7 because many students get financial aid to help  
8 them pay this price.

9           Looking only at full-time college  
10 students in the United States, about two-thirds of  
11 them are getting some form of grant aid that  
12 reduces the price that they have to pay.

13           The net price that students pay after  
14 taking their grant aid and their tax credits and  
15 tax deductions into consideration, the net price  
16 that they pay is really what matters in terms of  
17 making college affordable, not just the sticker  
18 price. And the reality is that over time the  
19 trend in net prices has not exactly mirrored the  
20 trend in public prices.

21           So there are periods of time in recent  
22 years when, for example, federal grant aid and  
23 state grant aid have been generous enough that on  
24 average, even though the headlines tell you that  
25 the price of college is rising, the net price that

1 students actually pay doesn't rise consistently.

2           Now, in recent years it has been  
3 rising. But it's very important in terms of  
4 thinking about affordability to think about what  
5 is it that students are actually paying?

6           And the Federal government is just  
7 starting now to do a little bit better with their  
8 Pell Grants and giving more grant aid to  
9 low-income students; although that has been  
10 stagnant in recent years.

11           One of the problems, however, with the  
12 growth in grant aid over recent years -- and there  
13 has been a lot -- has been that the way we target  
14 the grant aid has been changing over time.

15           There is a lot of evidence on which  
16 students are likely to be sensitive to college  
17 prices, which students are likely to change their  
18 educational behaviors as a result of student aid.

19           Students from low-income families are  
20 much more likely than students from more affluent  
21 families to change their decisions in important  
22 ways as a result of receiving student aid.

23           So students from the bottom half of the  
24 income distribution may well be on the margin of,  
25 should I go to college? should I not go to

1 college? should I go to a two-year college? should  
2 I go to a four-year college?

3           For students from the upper half of  
4 distribution, that's just really not true. If  
5 they want to go to college, they intend to go to  
6 college, they want to go to a four-year college,  
7 they go.

8           Now, do they going to college in  
9 Pennsylvania or do they go out of Pennsylvania?  
10 That kind of decision can be influenced by making  
11 it much cheaper to stay in the State of  
12 Pennsylvania.

13           But the question of whether you're  
14 going to increase educational opportunities or  
15 not, educational opportunities can be increased  
16 for people in the lower end of the income  
17 distribution.

18           But at the upper end of the income  
19 distribution, there's just not that much price  
20 sensitivity and not that much restriction in the  
21 opportunities that they face.

22           So, you know, depending what a public  
23 policy is designed to do, if the idea is that  
24 you're gonna give people money to change their  
25 behavior, you really need to keep in mind whose

1 behavior can be successfully changed.

2           The federal government in recent years  
3 actually has started focusing less on low-income  
4 students. So federal grants -- the federal  
5 government has the Pell Grant Program, which is  
6 the basic grant program that low-income students  
7 receive.

8           And it's still there and it's very  
9 important, but it hasn't gone up much in recent  
10 years. Instead what the federal government has  
11 done or in addition what the federal government  
12 has done is to implement these tax credits and tax  
13 deductions.

14           So if you are paying college tuition  
15 and you have a tax liability, you get a reduction  
16 in your taxes as a result of paying that tuition.  
17 That doesn't help low-income students who don't  
18 have tax liabilities. It's not refundable.

19           So the federal government is putting a  
20 lot of money into those benefits that are from  
21 middle- and upper-income students. Tax credits go  
22 up to about a hundred and five thousand dollars of  
23 AGI and tax deductions go up to about a hundred  
24 and sixty thousand dollars. So those families are  
25 getting some assistance for sure from the federal

1 government.

2           State governments also have been giving  
3 more and more of their aid to students who have  
4 some characteristics that select them out for aid  
5 but who could afford to go to college without  
6 them. So Pennsylvania has to date much less of  
7 this nonneed-based aid than other states.

8           But certainly states like Georgia, as  
9 was mentioned earlier, have gone in the direction  
10 of nonneed-based aid. About a quarter of the  
11 state grant dollars around the country are  
12 distributed based on criteria other than need.

13           What we have seen in terms of the  
14 results of those programs is that some of them do  
15 increase -- they do increase the percentage of  
16 students who stay in state to go to school. Some  
17 of them increase measurably the percentage of  
18 students who go to college.

19           But, but, they tend to increase, not  
20 decrease, gaps in college enrollment. White  
21 students and middle- and upper-income students are  
22 disproportionately likely to get these grants  
23 because they are disproportionately likely to  
24 meet the academic criteria for these awards.

25           And so they tend to -- they clearly go

1 to a different group of people than the need-based  
2 grants go to.

3           In Georgia they found that car sales  
4 went up quite significantly when the Hope  
5 Scholarship Program went in effect because you  
6 have a lot of families who can afford the tuition  
7 and fees at a public four-year college.

8           And to encourage their children to  
9 enroll where it's free, you know, you only have to  
10 buy the car once and you have to pay for college  
11 for four years. So it's worth it to do that. So  
12 it's a judgment call about whether that program is  
13 accomplishing its goal or not.

14           What we do know about these programs is  
15 that they are well publicized, they are simple,  
16 they are straightforward, and there is  
17 considerable evidence that if you have a financial  
18 aid program where you say to people when they're  
19 in junior high, The money is there, it will be  
20 there when you get ready to go to college if you  
21 do -- and it doesn't have to be if you get a 3.0,  
22 it's going to be whatever.

23           If the money is going to be there and  
24 you know about it and it's simple to get, that  
25 makes a big difference. So that aspect of many of

1 these programs has been very important, and that  
2 is tremendously important to let students know  
3 that the money will be there.

4           Students from affluent families know  
5 that the money will be there because they know  
6 that their parents will pay. Not every student  
7 from every affluent family. But students from  
8 low- and moderate-income families don't know that,  
9 and they need to know that. So that's something  
10 very important in terms of student aid policy.

11           In the written testimony I included a  
12 table that shows what percentage of income is  
13 required by students from families at different  
14 income levels to pay for college.

15           There's a typo on the table. It's not  
16 1994/'95. It's 2003/'04. So these numbers are  
17 more recent than they look in the table.

18           But this is looking at net price. In  
19 other words, if you take students who are  
20 currently enrolled in college and you say let's  
21 look at the tuition and fees less grant aid that  
22 you had to pay, the net price you paid, let's look  
23 at the tuition and fees and let's look at the  
24 total cost of attendance, all the money you had to  
25 come up with to go to college, what percentage of



1 family income was required for you to do this?

2           If you look the highest 25 percent of  
3 the income distribution to go even to a private  
4 four-year college, 12 percent of family income for  
5 net tuition and fees, 19 percent for the total  
6 cost of attendance. That would include room and  
7 board and transportation and everything else.

8           And it's gone up a bit over time, but  
9 not much over time. And when you think about how  
10 does somebody come up with 19 percent of their  
11 income, talking about people with incomes a  
12 hundred thousand dollars or higher, and, of  
13 course, paying for college in one year is not  
14 feasible for most families.

15           What families can and should do is save  
16 in advance and borrow and pay over time for  
17 college. If we can do things to encourage  
18 families who can manage to do so to save, that can  
19 help a lot.

20           If you look at a public four-year  
21 college, tuition and fees are only 4 percent of  
22 family income for those families in the top  
23 quarter of the income distribution. 4 percent of  
24 family income doesn't seem like a very big issue  
25 for a college education.

1           But if you look at the lowest -- of the  
2 income distribution, at the 25 percent of families  
3 with the lowest family incomes, even a two-year  
4 public college, 37 percent of that already very  
5 low family income is required to pay the cost of  
6 going to college.

7           These are people who are enrolled. So  
8 it really begs this question of how are people  
9 managing it. At private four-year colleges, 83  
10 percent. I mean, how these families do it, you  
11 know, we don't really have the answer.

12           And the question, of course, is how  
13 many families are not managing to do it at all.  
14 And surely the families who for financial reasons  
15 are not managing to do it at all are coming from  
16 the lower half of the income distribution, not the  
17 upper half.

18           I think it's really important to see  
19 the difference in the financial burden for  
20 families in different parts of the income  
21 distribution. Nobody likes shelling out the money  
22 to pay for college.

23           But students by and large get a very  
24 significant private benefit from going to college.  
25 It's okay to pay for college. It's okay to borrow

1 money to go to college. You're going to earn a  
2 lot more money when you graduate. Education  
3 Pays -- that's in your folders -- has a lot of  
4 information about that.

5           So in terms of do we have an  
6 affordability problem, students in the upper half  
7 of the income distribution don't really have an  
8 affordability problem. They have priority issues,  
9 they have saving issues, they have to make  
10 sacrifices; but they can do it if they really want  
11 to. For students in the lower half of the income  
12 distribution, the situation is much more  
13 problematic.

14           So, you know, what should we do? There  
15 are lots of big problems. You're not going to  
16 solve them all for the students in Pennsylvania  
17 either. But to work in the right direction, I  
18 think we really need to look at what is causing  
19 the problems and where the problems are located.

20           And tuition and fees, you know, are a  
21 barrier; but they're a small part of the financial  
22 issues facing students from low- and  
23 moderate-income families. Students from low- and  
24 moderate-income families, their behavior really  
25 will be significantly changed by differences in

1 tuition and by differences in student aid.

2           The behavior of students from the upper  
3 end of the income distribution is much less likely  
4 to be affected in terms of the actual educational  
5 opportunities of which they take advantage.

6           So this is a really important issue to  
7 keep on the agenda. It is very important to  
8 continue thinking about new and different ways to  
9 provide resources to students and to meet the  
10 needs of the state and certainly to encourage  
11 preparation for college.

12           I think, when you're thinking about  
13 student aid programs, one thing to do is to think  
14 it's not just about money, but can we design these  
15 programs so that they will encourage students to  
16 be prepared? And for that to work, they do have  
17 to know in advance, well in advance that the money  
18 will be there for them. Thank you.

19           ACTING CHAIRPERSON CURRY: Thank you.

20 Any questions? Representative Stairs.

21           REPRESENTATIVE STAIRS: Thank you,

22 Mr. Chairman.

23           Very good. You had a lot of  
24 information there. Early on in your remarks you  
25 made a statement -- and this is national average.

1 It was produced 30 years ago, I believe, you know,  
2 it was half of the graduates went to college and  
3 now it's two-thirds.

4 My question -- and let me go a step  
5 further -- of that two-thirds that graduate that  
6 go to college, what number actually graduated  
7 after four years?

8 I mean, this is something that maybe we  
9 don't hear too much about. We hear about  
10 everybody going to college or everybody wanting to  
11 go to college, but how about those who  
12 successfully finish college?

13 DR. BAUM: It's really difficult to  
14 have precise numbers about this because you have  
15 to define --

16 REPRESENTATIVE STAIRS: Six years  
17 ago --

18 DR. BAUM: I will refer you to  
19 Education Pays for details about this. But you  
20 take students at the top in terms of ability and  
21 in terms of socio-economic, about 75 percent of  
22 them will have a bachelor's degree after six  
23 years.

24 But if you go down the income scale,  
25 the percentage of students from lower income

1 families who have a bachelor's degree six years  
2 later -- of all students, not just the folks who  
3 start -- is, like, under 10 percent.

4 I don't have the exact numbers in my  
5 head. But it is not improving. It is much lower  
6 than it should be. We haven't done a better job  
7 of getting persistence rates up. And the gaps by  
8 income levels and by race and ethnicity are  
9 significant.

10 So we have been much better at getting  
11 students into college than we have at getting them  
12 through. And students who go to two-year public  
13 colleges, it's a great way for many students to  
14 start. It's cheaper. But the challenge we face  
15 is getting them transferring successfully into  
16 four-year colleges.

17 REPRESENTATIVE STAIRS: Without looking  
18 at your chart, you're saying -- I think you're  
19 right -- 75 percent of the students who have a  
20 higher academic ability or higher high school  
21 average or so forth will graduate --

22 DR. BAUM: 75 percent of those who have  
23 both that high academic achievement and come from  
24 affluent families.

25 REPRESENTATIVE STAIRS: Okay. Okay.

1 The money and the brains I guess.

2 DR. BAUM: Yes. So that's the maximum  
3 number. That's the happiest story. And all the  
4 other stories get sadder as you go down the list.

5 REPRESENTATIVE STAIRS: So graduation  
6 is determined by actual ability to do the college  
7 work plus the financial obligations of finishing  
8 college?

9 DR. BAUM: Yes.

10 REPRESENTATIVE STAIRS: Okay. And let  
11 me ask a second question then, if I may. You also  
12 mentioned about the cost rising. And, of course,  
13 that's not maybe a true indicator because there's  
14 grants out there in the system and so forth.

15 But is there -- and I don't know if  
16 you're an economist or not, but I'm --

17 DR. BAUM: Yes.

18 REPRESENTATIVE STAIRS: -- sure in  
19 Economics 101 we hear about supply and demand. If  
20 there's -- the price determined upon the supply  
21 and demand. Because if there's no demand, the  
22 price may come down. And a great demand, the  
23 price goes up.

24 Do you think colleges -- and this is  
25 maybe a naive question. But they probably

1 wouldn't do this. But they can ask for the price,  
2 so they charge it?

3 DR. BAUM: There is -- certainly supply  
4 and demand do work in the market. This is  
5 certainly not a perfect market. And there are  
6 some -- there are so many different institutions  
7 that it's hard to answer this as a general  
8 statement.

9 If you look at the most selective, most  
10 expensive colleges in the country, they  
11 charge -- you know, the ones that you read of it's  
12 \$50,000 a year to go to college, where a teeny,  
13 tiny percentage of students go, they have long  
14 waiting lists of people willing to pay that price.

15 And certainly if no one were willing to  
16 pay the price they'd find a way to lower the  
17 price. That's true.

18 For typical colleges, that's much less  
19 the story. Because for -- certainly for a public  
20 colleges and universities the price they charge is  
21 so much related to how much revenue they're  
22 getting from the state that it's not filling, by  
23 and large, filling their classes.

24 That's the issue. They have more  
25 students than they can possibly take. They're not



1 just trying to, you know, raise the price because  
2 students are willing to pay.

3           They're raising the price because the  
4 money that they're getting from other sources is  
5 not keeping up with the cost of educating all of  
6 those students. And the amount that the students  
7 pay is so much less than the price of educating  
8 them. That's a problem.

9           That, by the way, is true at these very  
10 expensive colleges too. The amount that they are  
11 charging is much less than the amount that it  
12 actually costs them to educate the students.

13           Almost every student -- not every  
14 student, but almost every student in the country  
15 is getting a subsidy, is paying less than the cost  
16 of their education.

17           So surely -- I mean, some people have  
18 argued that if we would just stop giving people so  
19 much financial aid there'd be less demand for  
20 college and maybe prices would go down.

21           You know, maybe that's true; but then  
22 people wouldn't be going to college either. So  
23 the point here is try to figure out how to get as  
24 many people as possible access to a quality  
25 education. Somebody's going to have to pay for

1 it.

2           REPRESENTATIVE STAIRS: Yeah. Just a  
3 comment on your last statement about, you know,  
4 the state schools. Of course, here in  
5 Pennsylvania there are -- our system is basically  
6 funded by the Commonwealth.

7           But we also have something that is  
8 unique that Pennsylvania has, a state related  
9 (phonetic). I don't know if any other state has a  
10 state related. If they do, they call it something  
11 else.

12           But just speaking for Penn State, each  
13 year they're getting less and less money from the  
14 Commonwealth. It's a ratio of, I mean, of their  
15 total cost. Their money goes up I guess 2 or 3  
16 percent each year.

17           But they're actual private source of  
18 funding versus public source, you know, I mean, I  
19 know Graham Standing (phonetic) once  
20 mentioned -- I don't know if he was serious when  
21 he mentioned it or not -- they were considering  
22 going to be a private school because the State was  
23 not helping them as much as they would like to  
24 see.

25           That may have been just an off-the-cuff

1 remark. But certainly even the state schools are  
2 having trouble in Pennsylvania and I'm sure  
3 nationwide receiving money from the Legislature  
4 because of the -- of all the places the money's  
5 needed.

6 DR. BAUM: That's absolutely true.

7 REPRESENTATIVE STAIRS: Thank you.

8 ACTING CHAIRPERSON CURRY: Thank you.

9 Representative O'Neill.

10 REPRESENTATIVE O'NEILL: Thank you.

11 Thank you for being here, Doctor. You  
12 had mentioned that Pennsylvania has the highest  
13 cost per student?

14 DR. BAUM: No, just higher than  
15 average.

16 REPRESENTATIVE O'NEILL: Higher than  
17 average? So it's higher than average of all the  
18 other public schools?

19 DR. BAUM: Yeah. Vermont and New  
20 Hampshire are -- Vermont has the highest tuition  
21 and fees at public four-year colleges, so...

22 REPRESENTATIVE O'NEILL: My question to  
23 you: Is that just the public and state related  
24 schools or does that include private schools as  
25 well?

1 DR. BAUM: You have to separate them  
2 out by sector. And for private colleges, I think  
3 Massachusetts is the highest. And, of course,  
4 there it's really an issue of what kind of private  
5 colleges are in the state. So they're high.  
6 They're higher than average.

7 REPRESENTATIVE O'NEILL: Were you  
8 primarily talking about the public schools?

9 DR. BAUM: Yes.

10 REPRESENTATIVE O'NEILL: Any studies  
11 done on the cost of education in Pennsylvania  
12 versus what it costs to educate a student in other  
13 states?

14 DR. BAUM: I think you're going to have  
15 to ask somebody from Pennsylvania that question  
16 because I don't know the answer.

17 REPRESENTATIVE O'NEILL: All right.  
18 Thank you very much.

19 ACTING CHAIRPERSON CURRY:  
20 Representative Yudichak.

21 REPRESENTATIVE YUDICHAK: Thank you  
22 very much.

23 I want to focus my question. As you  
24 mentioned in your testimony, this is a very  
25 complex system and there's a lot of moving parts.

1 But I want to focus on debt.

2           In your written testimony you mentioned  
3 about the increase in participation since 1974 and  
4 you attribute that to the availability of aid.

5           Is there other information that points  
6 to the increasing debt that students are taking,  
7 as that's a part of it as well?

8           Obviously, society has changed since  
9 1974 where it is not a luxury to go to college;  
10 it's a necessity to go to college if you want to  
11 as an individual increase your earning power. And  
12 as a society, we have perpetuated that notion: If  
13 you want to succeed, if you want to contribute,  
14 you're going to have to go to college.

15           What role does debt play in that as  
16 well as just the student aid?

17           DR. BAUM: First of all, I said that  
18 student aid contributes to the increasing  
19 participation rates, but it certainly does not  
20 fully explain them. There are all kinds of  
21 things, as you point out.

22           The rate of return to a college  
23 education has increased dramatically. It's very  
24 rational that more people go. Expectations, etc.  
25 So there are lots of factors in addition to

1 student aid.

2           The debt issue is an important one. We  
3 do know that students are borrowing a lot more  
4 money to pay for college than was the case a  
5 decade ago. But the debt problem is frequently  
6 exaggerated.

7           So on average, a student who gets a  
8 bachelor's degree now is borrowing -- a student  
9 who borrows -- about two-thirds of students borrow  
10 to get their degrees. And if they borrow, they  
11 graduate with an average of about \$20,000 in debt.

12           And \$20,000 sounds like a lot of money,  
13 but the fact is many of these students graduate  
14 and then they buy a car and they now owe twice  
15 that much.

16           Education debt is actually a relatively  
17 small portion of the debt that recent college  
18 graduates have. So for the typical student who  
19 goes and gets a bachelor's degree and gets a job  
20 that requires a bachelor's degree and has borrowed  
21 \$20,000, they're actually fine.

22           The problem is that an increasing  
23 minority of students are borrowing much more than  
24 the average and there are a lot of students who  
25 don't enjoy the benefit. In other words, going to

1 college is a good investment on average; but it's  
2 not a good investment for every single individual.

3           So there are some people who end up  
4 unemployed; some people who have personal  
5 circumstances that make it impossible for them to  
6 get a good job, etc.

7           So we have too many students now -- the  
8 newspapers always find that one student who  
9 borrowed \$80,000 for an undergraduate education.  
10 And that's a real problem and we should discourage  
11 people from doing that.

12           There aren't so many of them, but there  
13 are too many and the number is growing of students  
14 who are graduating with more debt than they can  
15 manage to repay. And that's a problem.

16           And it's particularly a problem for  
17 students from lower income families who don't have  
18 resources to fall back on. Their parents aren't  
19 going to help them pay the rent or pay back their  
20 loans or anything else.

21           REPRESENTATIVE YUDICHAK: What I'm  
22 concerned though -- and I don't want to exaggerate  
23 and I certainly don't want to dismiss this. You  
24 say \$20,000 is going to be the average.

25           There is I believe an alarming trend

1 that's developed where we have the potential to  
2 create the largest debtor generation in the  
3 history of our country.

4           You were talking about students that  
5 come out and have the immediate income being  
6 \$50,000. If that's the case and they have \$22,000  
7 that they have to pay back in their loans, they're  
8 probably looking at at least \$2,000 a year that's  
9 a manageable amount that they can pay back on that  
10 loan. Probably going to take 'em anywhere in the  
11 neighborhood of 15 years to pay that back.

12           What does that mean for the rest our  
13 economy? Is that taking a young entrepreneur who  
14 wants to invest and create a new business, a new  
15 software company, says I can't do that. I can't  
16 take that risk. I have this debt that I have to  
17 pay off. I have to stay in this job.

18           Or a young family that starts out.  
19 When you say you go out and buy a car, go out and  
20 buy a home. There's not too many homes that  
21 you're going to go out and buy and it's going to  
22 be less than \$800 a month in a mortgage payment.

23           So when you start adding that up, what  
24 impact does that have on the rest of our economy?  
25 And then that gets factored into the cost of the



1 education loan.

2           So I am concerned. And you certainly  
3 have made your issues with our student loan  
4 industry that has swept across the country. And  
5 you're seeing billions of dollars being made in  
6 that industry.

7           And so I'm concerned when I hear from  
8 folks that are a part of the higher education  
9 system and that work in the higher education  
10 system that tells us, well, that's really not an  
11 issue. Even though it may be a small portion of  
12 someone's overall debt, no one's going to argue  
13 that it's a good investment.

14           But I'm not sure if it's a good trend  
15 and it's a good debt as you mentioned in your  
16 testimony. I don't know if I could subscribe to  
17 that notion.

18           DR. BAUM: I would say that we have a  
19 personal debt problem throughout the economy in  
20 all kinds of debt and, you know, at all age  
21 levels. So there is a problem that is much bigger  
22 than the student loan problem.

23           In terms of student loans, however, I  
24 mean, if you think about it, the return to a  
25 college education's very high. So if you graduate

1 making \$50,000 a year, okay, so suppose you have  
2 to live as though you were only making \$27,000.

3           You know, you might have to buy a less  
4 expensive car and you might have to wait a year to  
5 buy a house and there will be some things that you  
6 can't do, obviously --

7           REPRESENTATIVE YUDICHAK: Let me give  
8 you another story. You're sticking on the  
9 luxuries. Let me give you another story.

10           Say a nice young legislator who barely  
11 makes over that 80 income, by the way, and he  
12 marries a young attorney. The young attorney has  
13 student debt for about 30 years that they're going  
14 to have to pay off.

15           Now, they have a home, they're going to  
16 have some children, they start a TAP account on  
17 the birth of their first child and they notice  
18 that if they want to go to one of those  
19 state-related institutions in Pennsylvania that  
20 it's going to be about \$283,000 for four years of  
21 that institution.

22           There's no way that that family, which  
23 by your charts would be certainly above the  
24 median, there's no way that that family can save  
25 enough money to send three kids to that

1 state-related school.

2 DR. BAUM: I think that there obviously  
3 are lots of different stories about families in  
4 different circumstances.

5 And the decision that you all have to  
6 make and I get to just talk about and not make is,  
7 you know, where to put the priorities and who's  
8 going to subsidize whom and which taxpayer money  
9 -- where is taxpayer money well used and who's  
10 going to pay for it --

11 REPRESENTATIVE YUDICHAK: You're making  
12 some suggestion. You mentioned simplification of  
13 the financial aid system. I agree with that. I'd  
14 like to learn more about specific suggestions on  
15 how you simplify that.

16 And I'm looking at it. Are we getting  
17 to the point we're giving out the small grants,  
18 the small state grants that we provide through  
19 PHEAA that students may be able to secure that are  
20 usually small grants, is that for the TAP Program  
21 itself? Is that not the right direction for  
22 paying for higher education?

23 Because I'm starting to think that if I  
24 have to pay in the neighborhood of almost \$800,000  
25 to send my kids to school, that maybe I should

1 start saving to help them pay back their loans  
2 rather than saving for tuition.

3           And so if I'm trying to get my hand  
4 around that, because it's not just a handful; we  
5 have a lot of constituents that come into our  
6 office. You know, the median income in my  
7 district is probably in the neighborhood of about  
8 23, \$24,000.

9           We have one of the lowest educational  
10 attainment levels and certainly in terms of higher  
11 education. And a big part of that is parents look  
12 at that system and they look at the price tag and  
13 they look at the complexity of the financial aid  
14 system and they say, It's just not available to  
15 me. And they move on.

16           And so even those that can't afford and  
17 give their children a start, what we're seeing is  
18 that huge amount of debt no matter what they pay  
19 toward that tuition and that child is carrying  
20 debt on forward.

21           So as a parent, as a policymaker, are  
22 we making the right choices in terms of student  
23 aid? Should we be coming up with something new to  
24 control the cost of higher education?

25           DR. BAUM: Yes, we should come up with

1 some new ideas.

2 REPRESENTATIVE YUDICHAK: Thank you.

3 ACTING CHAIRPERSON CURRY: Thank you  
4 very much for your testimony.

5 One of the things you mentioned is that  
6 the availability of aid changes behavior. Can you  
7 talk a bit more about that, because, you know,  
8 some of the things that you mentioned, certain  
9 things that were thought to change didn't change  
10 at the levels they were supposed to.

11 Could you talk a bit about how, you  
12 know, if we were to do something like that, how we  
13 could encourage the behavior to change in order to  
14 do what it was originally designed to do?

15 DR. BAUM: Well, part of the issue is  
16 just -- I mean, mostly it's -- if you think  
17 logically about people's different circumstances  
18 and what you would expect to change their  
19 behavior, it turns out that that's what happens.

20 So that, for example, I mean, when you  
21 look at students making decisions about where to  
22 go to college, um, if you say when my kids decided  
23 to go to college, there's no way in the world that  
24 they thought, oh, this school is \$22,000 and that  
25 one's \$21,000. I'm going to go to the \$21,000

1 school. That just wasn't for them -- now, I mean,  
2 if one were a hundred thousand dollars, that would  
3 make a difference.

4           But that small price difference to them  
5 wasn't going to determine where they went to  
6 school.

7           Whereas if you take people who come  
8 from families making -- living on 10, \$15,000 a  
9 year, that thousand dollars a year is gonna be  
10 very significant in the choices that they make.  
11 That's logical; it's gonna happen; it's does  
12 happen.

13           So if you give every student in the  
14 State of Pennsylvania a thousand dollars, you're  
15 obviously gonna have a much bigger impact on the  
16 decisions of those students from the thousand  
17 dollars really changes their financial resources  
18 than on other students. So that's really one of  
19 the issues.

20           And the choices on the table, the fact  
21 is that even though there's a lot of conversation  
22 of concern about how will I pay for my kids to go  
23 to college, you're from the top half of the income  
24 distribution, you pretty much -- I mean, people  
25 make difference choices; but if you're a student

1 who is, you know, thinking in that direction,  
2 you're probably gonna go to college.

3           You might go to a two-year public  
4 college, you might go to a different kind of  
5 college; but you're not going say, Oh, my God,  
6 it's too expensive to go to college.

7           The people who say it's too expensive  
8 to go to college are people who really don't have  
9 resources, who really don't understand, don't know  
10 people who've gone to college, don't understand  
11 fully the benefits, don't know how to go about the  
12 process. So those people are gonna have their  
13 behaviors much more affected.

14           So it's figuring out who those students  
15 are and figuring out what could you do for those  
16 students that would really get them across the  
17 barrier. And part of it is money; but part of it  
18 is, you know, this issue of do you have the  
19 information? Is it too complicated? What more  
20 can we do for you to make the system work for you?

21           ACTING CHAIRPERSON CURRY: Thank you.  
22 Representative Kirkland.

23           REPRESENTATIVE KIRKLAND: Thank you,  
24 Mr. Chairman, and thank you for your testimony.

25           Something -- and correct me if I'm

1 wrong. Something in your testimony kinda jumped  
2 out at me. You please correct me if I'm wrong.  
3 37 percent of the low-income family's income goes  
4 towards college tuition for one student, correct?

5 DR. BAUM: Um-hum. That's not -- that  
6 37 percent is not just tuition and fees though.  
7 That's tuition and fees, room and board,  
8 transportation. The whole cost of attending  
9 college, not just the tuition and fees.

10 REPRESENTATIVE KIRKLAND: My concern is  
11 that it's frightening because, for example, if  
12 there are two students, if there is a  
13 student -- two students and they're a year apart  
14 and they're now going to state college, we're now  
15 talking close to 74 percent of a single parent's  
16 income going to towards education.

17 And you just got finished talking about  
18 is it too expensive to go to school today. I  
19 mean, in low family -- for example, I come from a  
20 family of eight. And I'm just thinking about the  
21 burden which was put on my mother when all eight  
22 of us went to college and graduated.

23 I'm thinking about my gosh, the  
24 percentage that -- no wonder she worked so many  
25 jobs.



1           The other thing is, the question  
2 leading into that is pertaining to the legislation  
3 that my colleagues, both Representative Stairs and  
4 Payton have put in place. I don't know if you had  
5 a chance to peruse it or what.

6           But that is so many low income  
7 families -- I kinda equate low-income families  
8 with poor performing school districts. And if  
9 that is the case, how -- and I support the  
10 legislation. But how does the legislation of my  
11 colleagues help when you have poor performing  
12 school districts and I see in your legislation  
13 it's partially based on GPAs?

14           DR. BAUM: You're pointing out a very  
15 significant problem. Obviously, no amount of  
16 financial aid to high school graduates is going to  
17 solve all of the problems of the elementary and  
18 secondary school system.

19           And I don't have an answer to how to  
20 solve those problems. But you're absolutely right  
21 that in order to be prepared to go to college,  
22 students do need to have that kind of preparation.  
23 And that's a critical problem to solve.

24           In terms of the price of going to  
25 college for families with multiple

1 children -- this is sort of an esoteric  
2 issue -- but the fact is that the system is much  
3 nicer to people who have twins than it is to  
4 people who have students four years apart.

5           So the system, the financial aid  
6 systems says, oh, you have two kids in college.  
7 We understand you can't pay two times what you  
8 would pay if you only had one kid in college.

9           So it's not quite as bad as that of  
10 multiple children, but it is a very significant  
11 problem. It much easier to look at paying for one  
12 child than it is to look at paying for two or  
13 three or four or certainly eight children.

14           The percentage of income that's  
15 required has been going up over time a lot for  
16 low-income families. And this doesn't mean that  
17 every low-income family is spending that  
18 percentage of their income.

19           Obviously some of them, the less -- you  
20 know, those with fewer resources are going to  
21 cheaper schools. People are living at home.  
22 People are doing all kinds of things to make it  
23 up.

24           Also, many students work while they're  
25 in college. And that's another issue. And one of

1 the problems with persistence is that many  
2 students work more than they should and,  
3 therefore, they can't study well enough.

4           But you're right that the problems that  
5 low-income students face are huge. And they can  
6 be helped by giving them more grant aid to go to  
7 college, but they certainly can't be solved by  
8 just giving them more grant aid when they graduate  
9 from high school.

10           REPRESENTATIVE KIRKLAND: And  
11 unfortunately right now I'm too old and too  
12 unwilling to work on twins at this stage in our  
13 lives. Thank you, Mr. Chairman.

14           REPRESENTATIVE YUDICHAK: That's good  
15 news for me.

16           ACTING CHAIRPERSON CURRY: Thank you  
17 very much.

18           DR. BAUM: Thank you.

19           ACTING CHAIRPERSON CURRY: Christine  
20 Zuzack, Vice-president, State Grant and Special  
21 Programs of PHEAA.

22           And we have been joined by  
23 Representative Daryl Metcalfe.

24           MS. ZUZACK: Thank you, Representative  
25 Curry and Members of House Education Committee for

1 this opportunity to address you on the proposed  
2 REACH Scholarship Program.

3 I'm Chris Zuzack, Vice-president for  
4 State Grants and Special Programs with the  
5 Pennsylvania Higher Education Assistance Agency,  
6 PHEAA.

7 PHEAA was created by an act of the  
8 Pennsylvania General Assembly in 1963 with the  
9 purpose of improving postsecondary educational  
10 opportunities for residents of Pennsylvania and  
11 identifies its core mission as creating access to  
12 education.

13 PHEAA is supportive of financial aid  
14 programs that contribute to this mission. The  
15 Reliable Educational Assistance for College  
16 Hopeful Scholarship represents a program that  
17 supports excellence and encourages students to  
18 remain within the Commonwealth during both  
19 postsecondary school and for four years after  
20 graduation.

21 Gift aid, financial aid that does not  
22 have to be repaid or earned through employment,  
23 comes in two basic forms: Grants that are based  
24 on financial need and scholarships that are based  
25 on merit, affiliation, talent, or some other

1 characteristic.

2           PHEAA currently administers a number of  
3 grant and scholarship programs for both the  
4 Commonwealth and the federal government. The  
5 agency also assists other entities and foundations  
6 in the operation of their scholarship efforts.

7           From these experiences, PHEAA has  
8 acquired a certain level of expertise in how to  
9 administratively structure financial aid programs  
10 so that they are both operationally efficient  
11 while still meeting program goals.

12           My comments today will focus on such  
13 efficiencies and the best practices that can be  
14 incorporated into successful scholarship programs,  
15 especially if they relate to REACH.

16           PHEAA receives over 450,000 free  
17 applications for federal student aid forms each  
18 year. This form serves as the application for the  
19 Pennsylvania State Grant Program as well as being  
20 a REACH requirement.

21           It would be expected that this number  
22 of applications would increase with the influx of  
23 REACH applicants who may not have previously  
24 considered applying for need-based financial aid  
25 programs. Some of these individuals would find

1 that they would be eligible for the State Grant  
2 Program awards as well.

3           The Pennsylvania State Grant Program is  
4 need based and it will serve about a hundred and  
5 sixty-six thousand full-time and part-time  
6 students this year.

7           The program is supported through a  
8 general appropriation of \$386 million for 2007/'08  
9 along with a \$75 million supplement provided  
10 through PHEAA through its business earnings. The  
11 maximum award for this year is \$4700. The  
12 proposed REACH maximum award would be roughly  
13 \$6200 per year.

14           The Federal Robert C. Byrd Honor  
15 Scholarship is a merit award for high school  
16 seniors who are in the top 5 percent of their  
17 graduating class, have a combined score of 1150 on  
18 the Scholastic Aptitude Test math and critical  
19 reading tests, and have an overall 3.5 grade  
20 average during their senior year in high school.

21           Approximately 3,000 Byrd applications  
22 are received each year from qualified students;  
23 however, due to limited federal funding, only  
24 about 290 new applicants are selected each year  
25 through a lottery process.

1           This is a \$1500 annual award that is  
2 renewable for up to four years of study at any  
3 federally approved postsecondary school in the  
4 United States.

5           Students who receive a Byrd  
6 scholarship -- who are qualified to receive a Byrd  
7 scholarship but are not selected through the  
8 lottery process are evaluated for their  
9 eligibility for an Academic Excellence Scholarship  
10 which is funded through PHEAA's revenues.

11           The AES Scholarship does incorporate a  
12 financial need requirement and students must  
13 attend a school within Pennsylvania. It also  
14 provides for \$1500 per year for up to four years  
15 of study and there are approximately 650 new  
16 recipients who are selected for this program each  
17 year.

18           Many of the administrative and  
19 processing requirements inherent in the  
20 Pennsylvania State Grant Program, the Byrd  
21 Scholarship, and the AES Scholarship are found  
22 within the design of the REACH Program. These  
23 similarities can help in the establishment of the  
24 administrative operation of the REACH Program.

25           The high school attendance,

1 disciplinary, academic, and residency records are  
2 a critical component of establishing initial  
3 eligibility for the REACH Program. These criteria  
4 identify the students in each graduating cohort  
5 who will be considered for potential REACH  
6 Scholarships.

7           In our current environment,  
8 confidentiality of nonpublic, personal information  
9 has become of critical importance. The highly  
10 sensitive nature of the disciplinary and  
11 attendance records may give some pause as to  
12 sharing this information from over a thousand  
13 Pennsylvania high schools and home study programs  
14 from across the Commonwealth with PHEAA.

15           It is not only the confidentiality of  
16 this information that raises concern, but also the  
17 process for its communication from the high  
18 schools to PHEAA.

19           A better procedure might be for each  
20 high school to evaluate all graduating seniors for  
21 the REACH criteria and to communicate to PHEAA  
22 only those students who meet all of the  
23 eligibility parameters.

24           This removes the public concern of  
25 sensitive information being released while also



1 addressing some of the information transmission  
2 issues.

3           Pennsylvania community colleges offer a  
4 low cost option for either a terminal two-year  
5 degree program or access to a bachelor's degree  
6 through college transfer programs. Inclusion of  
7 this group of postsecondary institutions for REACH  
8 eligibility would seem appropriate.

9           Further examination of the annual  
10 40-hour community service obligation would need to  
11 be investigated in regard to federal tax laws.  
12 There are some prohibitions about required  
13 volunteerism in exchange for reimbursement; for  
14 example, the Scholarship Fund.

15           And this type of requirement may lead  
16 to a scholarship being considered as taxable  
17 federal income for tax purposes.

18           REACH requires that each recipient  
19 achieve a 3.0 grade average at the end of each  
20 semester while in college. It is more common  
21 practice to evaluate the college grade point  
22 average at the end of each academic year rather  
23 than after each semester.

24           The conclusion of the fall semester may  
25 be only a few days before the beginning of the

1 spring term, and that's allowed very little time  
2 for the 3.0 grade average review to occur.

3           Students who may lose their spring  
4 semester REACH award due to not meeting this  
5 criteria would have very little time to react to  
6 find alternative financing for the scholarship  
7 funds that they may have just lost.

8           Having this requirement as an annual  
9 review also allows for the adjustment of freshman  
10 and transfer students to the new academic  
11 environment during their first term of attendance.

12           On an informational note, legally  
13 binding Master Promisory Notes would be required  
14 of all applicants since the potential for the  
15 scholarship to turn into a loan would have to be  
16 ascertained at the very beginning of the  
17 application process.

18           This would cover the written agreement  
19 that is referred to in the proposed statute. The  
20 promisory note would outline in detail all of the  
21 rights, responsibilities, repayment terms and  
22 conditions and any other legal requirements  
23 inherent with this program.

24           The administrative requirements of the  
25 REACH Program would entail substantial start-up

1 efforts to receive and process applications, to  
2 evaluate eligibility, communicate awards to  
3 students and schools, review appeals from rejected  
4 applicants, reconcile disbursements, monitor  
5 continued eligibility, and verify Pennsylvania  
6 residency for four years following graduation from  
7 postsecondary school.

8           Sufficient implementation time must be  
9 provided so that all these steps in the process  
10 can be successfully managed.

11           Currently, PHEAA receives no direct  
12 appropriation from the General Assembly for the  
13 administration expenses for the many financial aid  
14 programs that we administer so that every dollar  
15 designated for financial aid goes directly to  
16 students.

17           I thank you for your attention to this  
18 information. I'd be happy to answer any questions  
19 that you might have at this time on REACH or any  
20 other programs that we have.

21           ACTING CHAIRPERSON CURRY: Thank you.  
22 Yes, Representative Stairs.

23           REPRESENTATIVE STAIRS: Yes, thank you,  
24 Mr. Chairman. Thanks, Mrs. Zuzack, for your  
25 comments. And, of course, nothing is every easy.

1 But you mentioned lots of administrative  
2 requirements and changing the time frame of  
3 reporting and so forth.

4           But let me -- and I know you've  
5 probably talked to almost every financial aid  
6 officer in the Commonwealth at one time during the  
7 year. Do they ever express -- of course, right  
8 now the thrust of helping is financial aid or  
9 needs-based product.

10           Do you recall or, you know, in your  
11 discussion with the financial aid people and  
12 people in schools that you meet with the need to  
13 maybe funnel more money towards a merit procedure  
14 rather than a needs, you know, a needs basis?

15           Or does that subject never come up and  
16 they're happy with what they have right now and  
17 don't want to see any changes?

18           What do you hear from college people  
19 that you deal with?

20           MS. ZUZACK: Well, the issue of  
21 need-based aid versus merit-based aid is a very  
22 big philosophic question for many individuals:  
23 Aid administrators, taxpayers, whatever.

24           Many people believe that they'd rather  
25 see money focused on need-based programs because

1 the student who has a financial need and can't  
2 afford to go to college may not have the  
3 opportunity --

4           REPRESENTATIVE STAIRS: Wouldn't be  
5 able to go.

6           MS. ZUZACK: Right. Where someone who  
7 is wealthier and, as Dr. Baum spoke of, students  
8 in high income, high achieving families would go  
9 to college regardless of financial aid  
10 availability.

11           So giving them funds as a reward for  
12 their excellence. But focusing money there, it's  
13 not going to deny them the opportunity to attend  
14 school given their financial circumstances of  
15 their families.

16           REPRESENTATIVE STAIRS: Yeah, I realize  
17 that. It is a philosophical thought. And, you  
18 know, one thing that Representative Yudichak  
19 mentioned about the debt burden, certainly if you  
20 graduate from college and get in a decent job -- I  
21 say decent job, you know, something that it's  
22 worth going to college for, you know, it's, you  
23 know, car payments, house payments, and family  
24 payments. It's -- you know, it's a challenge.

25           But on the other hand, as Dr. Baum

1 mentioned, there's a large number of students who  
2 start to college and do not graduate but during  
3 that one or two or three years they do acquire  
4 probably some debt. Maybe not the full 20,000 on  
5 the average, but they do acquire debt.

6           And here they get out of -- they leave  
7 college prematurely and maybe not -- I mean, I  
8 don't know, but probably assume they don't get a  
9 good job and the percentage may be even greater  
10 than a person with a higher debt.

11           So it's a more serious problem. And,  
12 of course, the poor student having a merit  
13 program, a poor student may not have the advantage  
14 of going to college; but at least a student on a  
15 merit program having higher grades may have a  
16 better chance of graduating.

17           So it's a philosophical question, no  
18 doubt about it. It's beyond my thought, my  
19 reasoning level. So, but...

20           MS. ZUZACK: And there are folks who  
21 believe merit and both of those both have their  
22 place.

23           REPRESENTATIVE STAIRS: I guess where  
24 there's an adequate supply of money you can have  
25 the best of both worlds. But when money is tight,

1 you have to make that choice that you don't like  
2 to make. And that's right; it makes it difficult,  
3 yeah. So yeah, okay. Thank you.

4           ACTING CHAIRPERSON CURRY: Thank you.  
5 Thank you.

6           MS. ZUZACK: Thank you.

7           ACTING CHAIRPERSON CURRY: Now a team:  
8 Mary Benner, Kaitlyn Benner, Diane Simmons.

9           REPRESENTATIVE PAYTON: Mr. Chairman,  
10 these are some constituents of mine who had read  
11 about the bill and decided to contact me and  
12 wanted to testify.

13           MS. M. BENNER: Hi. I'm a little  
14 nervous. But my daughter came to me when she  
15 found an article about REACH in an area paper, so  
16 I just wrote something that I'd like to read to  
17 you.

18           "If we believe it, we can achieve it."  
19 This statement was part of a speech which I  
20 directed to my senior class in 1986. Twenty-one  
21 years later, I stand before you with my daughter  
22 in her own senior year believing with all that I  
23 am that these words still ring true.

24           My daughter first learned of REACH  
25 Program through an article in a local paper.

1 Kaitlyn took it upon herself to spread the word of  
2 REACH by making flyers and handing them out at  
3 cheerleading practice. Even her school guidance  
4 counselor was impressed and congratulated her  
5 efforts in support of the program.

6           This is a topic which has stoked the  
7 political interest of the average teenager, a  
8 platform they can directly relate to and benefit  
9 from.

10           I never dreamed that an opportunity  
11 such as REACH would be possible for our children;  
12 however, after doing my homework, I learned that  
13 the implementation of REACH would not only ease  
14 the burden of tuition costs to family, but  
15 encourage economic growth as well.

16           Personally, coming from a family with  
17 eleven children, college was a dream with  
18 full-time employment as the reality. I've always  
19 regretted not obtaining a degree, and I promised  
20 my husband, myself, and my daughters that some day  
21 my time will come.

22           For now, the goal is making sure that  
23 my daughters and others like them get the  
24 education they desire and the degree that is a  
25 necessity.



1            Nothing in life is free. This is a  
2 lesson we teach other children beginning at a very  
3 young age. We also instill the belief that hard  
4 work is rewarded. This program offers individuals  
5 the incentive to work hard, behave, and attend  
6 school regularly.

7            The payoff is that we keep our students  
8 off the streets, in the classroom, and finally  
9 graduation; we keep our well-educated graduates  
10 within the Commonwealth so that they may enter the  
11 local work force and offer continuous support as  
12 residents, as taxpayers, as voters.

13           By educating our residents, we have the  
14 ability to boost our local economy and ease the  
15 burden of supporting our increasingly growing  
16 senior population.

17           Look at our southern neighbors in  
18 Georgia and you'll see that this program can work.  
19 Georgia's general population has increased since  
20 the implementation of their own Hope Program. The  
21 number of businesses has risen, and the housing  
22 industry is busy in an effort to accommodate the  
23 increased need for local residential development.

24           Let us offer this opportunity. Let us  
25 give hope to all who are willing to grab it.

1 Please let us REACH. After all these years, I  
2 still believe that if we believe, we can  
3 achieve it. And with your support, I know we  
4 will.

5 Thank you for letting me speak.

6 MS. KAITLYN BENNER: Hi. I'm Kaitlyn.  
7 Um, my name is Kaitlyn Benner, and I'm a high  
8 school senior. It is an honor and an awesome  
9 responsibility to be here and represent not only  
10 myself, but the thousands of high school students  
11 throughout the State of Pennsylvania.

12 As a senior, I am faced with many  
13 decisions concerning any future. In choosing a  
14 college to attend for the next four years, one has  
15 to consider both the pros and cons.

16 Needless to say, the level of  
17 education, location, and studies available are  
18 important and necessary qualities for any college  
19 or university; however, the biggest obstacle in  
20 the way of many students is the price tag on that  
21 all important degree.

22 I first learned of the REACH  
23 Scholarship Program while reading the local Metro.  
24 The short article didn't provide much detail, so I  
25 asked my mom to call Tony Payton's office tomorrow

1 morning.

2           Once we learned the details surrounding  
3 REACH, I knew I had to do my part to raise  
4 additional public awareness and support. I began  
5 spreading the word inside the classroom and out.  
6 I personally went to friends and family telling  
7 them what I had learned and telling them to look  
8 it up.

9           I also made flyers outlining REACH and  
10 providing the number to Mr. Payton's office. The  
11 more I talked about REACH, the more I discovered  
12 the growing interest and support behind it is  
13 immense. This bill is important to many families,  
14 our economy, and our future.

15           We are in an age where it is imperative  
16 to obtain a college education in order to be a  
17 viable candidate in the employment field. I have  
18 never wavered in my desire to continue my  
19 education.

20           Again, the biggest obstacle is the cost  
21 of the higher education. Through the opportunity  
22 that REACH provides, students would have a chance  
23 to ensure a bright and brilliant future.

24           My peers and I are the next generation.  
25 We are the next working class, and we are now able

1 to vote. We are willing to work hard and rise to  
2 the challenge. Please give us a chance. We are  
3 worth the investment.

4 I hope to some day speak to other high  
5 school students as a teacher. Once again, I'd  
6 like to talk about REACH. What I hope to say is  
7 that because of REACH I was able to obtain my  
8 degree and make a difference. I want to tell them  
9 that you believed I was worth the investment. I  
10 want to tell them that they are too.

11 Thank you.

12 ACTING CHAIRPERSON CURRY: Thank you.

13 MS. SIMMONS: Hello. My name is Diana  
14 Simmons, I'm a Philadelphia native, and I've  
15 worked for PECO/ENERGY for 29 years. I'm the  
16 mother of Arielle, 17, a senior at Cardinal  
17 Dougherty High School, and Trent, a 7th grader at  
18 Immaculate Conception in Jenkintown, Pennsylvania.

19 My husband and I have always valued  
20 education and decided that our children's  
21 education would be one of our top priorities. We  
22 planned our children and I had my children five  
23 years apart so they would not be in college at the  
24 same time.

25 We planned everything except for my

1 husband dieing of brain cancer at the age of 46 on  
2 September 10th, 2002. Although my children were  
3 devastated, they both had successful school years.  
4 My daughter had perfect attendance that year and a  
5 91 average and my son missed one day and had  
6 straight As.

7           I promised them that if they did what  
8 they were supposed to do I would continue to make  
9 sure that they were in schools that would give  
10 them the best education that I could afford.

11           I never thought I would be a single  
12 mother. I thank God for a stable job and their  
13 social security benefits that have enabled me to  
14 keep my promise to my children to pay their  
15 tuition and extra activities.

16           However, I have not been able to save.  
17 And my daughter's last check will be July of 2008  
18 when I will be planning to send her to whatever  
19 university that she would be planning to attend.  
20 This is the first time I'm afraid I cannot keep my  
21 promise to my daughter.

22           My best friend lives in Atlanta,  
23 Georgia, and her daughter has taken advantage of  
24 the Hope Scholarship in their state. When I heard  
25 Representative Payton on the radio speaking about

1 the REACH Scholarship Program, I was thrilled and  
2 emailed his office to offer my support.

3           There are so much negativity reported  
4 about decisions that many of our elected officials  
5 make that our children need to know that you  
6 support them so that their dreams -- so they can  
7 accomplish their dreams.

8           Most of my friends are in the same  
9 position I am in. I cannot co-sign for my  
10 daughter and then be overextended so that I  
11 wouldn't be able to assist my son.

12           My daughter will be out of school  
13 heavily in debt just for her undergraduate studies  
14 because I make just money enough money that we  
15 will not qualify for many of the grants once I do  
16 my FASA form.

17           This program is needed in our state.  
18 The dropout and attendance rate in our public  
19 school system is why I had to make the decision to  
20 send my children to Catholic school. Our children  
21 need hope and something to strive for.

22           I believe that if many students knew  
23 they had a chance for higher education they would  
24 become better students and have a reason to come  
25 to school every day. I know this is an expensive

1 bill, but there should be no price tag on our  
2 children's future. Thank you.

3 ACTING CHAIRPERSON CURRY: Any  
4 questions?

5 Representative Quigley.

6 REPRESENTATIVE QUIGLEY: Thank you,  
7 Mr. Chairman. No real question. I just want to  
8 thank the three of you for coming out today and  
9 testifying.

10 Miss Simmons, I'm particularly touched  
11 by your testimony and I think that's the other  
12 equation that you have to put in here is that we  
13 want to try to help our constituents, people in  
14 our Commonwealth who are trying to help  
15 themselves -- and you're trying to do that.

16 And Kaitlyn, I'm glad to hear that our  
17 young people are involved in the political process  
18 and, as a State Representative, to hear there is  
19 good out there and our younger people are paying  
20 attention and are involved.

21 REPRESENTATIVE PAYTON: Thank you all  
22 for your testimony.

23 ACTING CHAIRPERSON CURRY: Don Francis.

24 DR. FRANCIS: Good afternoon, and thank  
25 you for holding this hearing today. I'm Don

1 Francis, the President of the Association of  
2 Independent Colleges and Universities of  
3 Pennsylvania and I am very pleased to be here  
4 today to talk about higher education  
5 affordability.

6 I think -- I'll reference the  
7 legislation in the context of my remarks; but  
8 primarily I do want to focus on the whole topic of  
9 higher ed affordability because I think this is  
10 going to be the big topic.

11 I think Dr. Baum was talking about it  
12 being a big topic twenty years ago. It's probably  
13 going to be a big topic for the next twenty years  
14 and we're going to be having a number of  
15 conversations about it.

16 And I think this Committee should be  
17 applauded for initiating this conversation today,  
18 and I hope to be involved as you proceed.

19 I am not going to talk about some of  
20 the things that I frequently talk about when I am  
21 meeting with individual legislators or small  
22 groups of legislators having to do with such  
23 things as why does higher education cost exceed  
24 the CPI.

25 Those are good questions. I actually



1 included in with my testimony a one-page column by  
2 an economist Allen Linder (phonetic) that I think  
3 gives an excellent explanation for that. So I  
4 will leave that for another day.

5           What I would like to do pretty quickly  
6 is just focus on two things: One is to try to  
7 have you think like a college administrator might  
8 think or a member of the board of trustees as to  
9 what are the stress points for those people as  
10 they set their prices from year to year?

11           What are they thinking about, because  
12 they are under immense pressure to try to keep  
13 their tuition, their living costs as low as  
14 possible but at the same time attract students?  
15 And secondly, I'd like to suggest a few principles  
16 for state policymakers to consider as they address  
17 this issue in the future.

18           The first point that I'd like to make  
19 in terms of the stress points for campus  
20 administrators has to do with the issue of  
21 efficiency versus quality, because those two  
22 points are at tension with one another.

23           And we know that educating students,  
24 whether it's in the basic education system or the  
25 higher education system, is not the same as

1 financing loans or -- I mean processing loans or  
2 building a home or building a car.

3           This is a personal attention and  
4 personnel intensive industry that takes a lot of  
5 attention. And quality, we can do a lot of  
6 outsourcing and we do a lot of outsourcing.  
7 Colleges are doing more and more in the way of  
8 outsourcing.

9           My association does a lot of  
10 outsourcing for individual campuses to try to help  
11 them save money. But when you get to the  
12 classroom, when you're talking about the  
13 relationship between faculty and students, it  
14 really is very difficult to push that efficiency  
15 line too far.

16           The second issue is student and parent  
17 expectations versus willingness to pay. Students  
18 and parents have higher expectations today than  
19 they did 20 years ago or 15 years ago or even 5  
20 years ago.

21           Those expectations continue to go up  
22 and campus leaders have to address those  
23 expectations and at the same time recognize -- our  
24 campus financial aid officers are telling us all  
25 the time that parents have a lot of expectations

1 but they would really prefer not to pay for all  
2 that they would like for their student or for  
3 themselves, whether if they're going back to  
4 attend to receive. In other words, they want a  
5 lot; but they want someone else to pay for it.

6           The third is keeping up with the  
7 Swarthmores, or Penn States, versus maintaining a  
8 low tuition. I'm not picking on Swarthmore, which  
9 is a member of my association, or Penn State,  
10 which apparently will be some day.

11           But in either case, these are market  
12 leaders in the State of Pennsylvania. One  
13 private, smaller college; one large, public  
14 university. But they're market leaders.

15           And they have significant resources,  
16 whether it be in large endowments, whether it be a  
17 large number of applicants, strong fundraising  
18 ability. They have significant resources or state  
19 grants, for that matter.

20           They have significant resources to  
21 spend on students; and other institutions must  
22 compete with them and, therefore, must come up  
23 with the revenue. It puts pressure on those  
24 institutions.

25           I think someone earlier was talking

1 about that, that they don't have maybe the  
2 endowment; but they have to still maintain a  
3 quality similar to those institutions in order to  
4 compete.

5           Now, you might say, well, not all the  
6 institutions are going to compete with those  
7 market leaders. That is true. But higher  
8 education is a marketplace and it does have a food  
9 chain, if you will, and everybody is somewhere on  
10 that food chain and is competing with someone.

11           They have an aspirin (phonetic)  
12 institution that has more resources than they do  
13 that they are competing with. And so that  
14 constantly puts pressure on those institutions to  
15 be able to attract students and to compete with  
16 the market leaders.

17           Now, having noted those three pressure  
18 points that the administrators deal with, I'd like  
19 to talk a little bit about principles that you may  
20 want to consider as you try to consider how do you  
21 address this issue of higher ed affordability.

22           The first is reward efficiency, and  
23 quality. Try to combine them into what I like to  
24 think as of as productivity. Efficiency alone  
25 will not do what you want it to do.

1           We can all make ourselves more  
2 efficient by doubling the class sizes. Every  
3 institution in the state could do something like  
4 that. But what that would do is cut our retention  
5 rates, cut our graduation rates, make the  
6 employers who hire our graduates very unhappy.

7           It would be less expensive, but we  
8 would have some disastrous results if we just  
9 became efficient. So you've got think about not  
10 just efficiency, but also quality.

11           Your challenge is to think of policies  
12 that can encourage institutions to combine those  
13 things. We must have access to higher education;  
14 but there has to be a core, reasonable level of  
15 quality that we are providing access to.

16           Secondly, and I'm -- by the way, I  
17 intentionally tried to pick things -- I didn't  
18 want to come here and just talk about more money,  
19 which we do and I'd be happy to talk about that.  
20 We could use more. That is definitely something  
21 that higher ed is in need of.

22           But I want to talk about things that  
23 not necessarily involve more money. Keeping  
24 expectations realistic in high school is one of  
25 those things. Because when I was talking about

1 the pressure points for our administrators,  
2 expectations is a big pressure point.

3           And those expectations, if you've been  
4 on a suburban high school campus lately, you will  
5 notice those expectations are increasing for many  
6 students in terms of the technology, the  
7 facilities, more and more high schools are putting  
8 artificial turf fields on their sports fields.

9           These things cost money, and all high  
10 school students expect their colleges to offer  
11 more than they received in high school. So then  
12 the colleges have to compete and they have to  
13 provide those same kinds of amenities.

14           And this is particularly noticeable  
15 when you're looking at recruiting. Students are  
16 looking at such things as the facilities, the  
17 technology, and these other amenities.

18           The third one is a similar one in terms  
19 of don't feed the arms race. Facility competition  
20 is significant between all institutions. Public,  
21 private, they're all competing with one another.  
22 When it comes to facilities, it's a major factor  
23 in recruitment.

24           And you have a role to play in ensuring  
25 that there are appropriate facilities on our

1 college campuses. Mostly public has been your  
2 role, also private. We need reasonably good  
3 facilities on these campuses.

4           However, when a very, one might  
5 say -- Taj Mahal is the term I used. If you build  
6 a very expensive facility on one campus, it can  
7 have an impact on other campuses that are trying  
8 to compete with that institution.

9           And I've seen it. I've seen examples  
10 of an institution, for instance, a private  
11 institution, regional institution who had to delay  
12 plans for an academic building to build kind of  
13 like a fitness center because the local State  
14 institution had built a fitness center, a very  
15 nice fitness center, and they were seeing an  
16 effect on their enrollment because of that.

17           The fourth item is increased  
18 transparency of educational cost through  
19 cost-based tuition. I think one of the Members  
20 raised the question about how much does it  
21 actually cost to educate a student on one of our  
22 campuses. And the truth is I don't think many of  
23 us knows.

24           A matter of fact, I'm not sure that  
25 anybody knows about what it costs to educate

1 students on our college campuses this day because  
2 we don't really collect that information.

3           It is important to keep in mind that  
4 students don't pay the cost of their education.  
5 No matter whether they attend a public or a  
6 private institution, there are subsidies going  
7 into that education.

8           And what we need to do, in my opinion,  
9 is have a better understanding of what the actual  
10 cost is and have tuition that is set closer to  
11 that true cost and then subsidize students based  
12 on their ability to pay, which is the next item  
13 that I'd like to talk about.

14           One last comment about this last point  
15 though is that a tuition freeze, which some states  
16 have implemented, basically violates that  
17 principle of trying to get the actual tuition  
18 closer to the cost of the education.

19           Because once you freeze the tuition,  
20 you are artificially locking in a rate for one of  
21 the -- there are basically three ways that  
22 education's paid for:

23           It's paid for through the tuition; it's  
24 paid for through state, and whether it be state or  
25 federal, government subsidies; and it's paid for



1 through the fundraising of the institutions  
2 through their endowment earnings and through the  
3 fundraising that the institutions do.

4           If you freeze one of those three, the  
5 other two are gonna have to pick up the payment.  
6 And that might include other students that have to  
7 pick up the payment for that frozen tuition for  
8 the ones whose tuition has been frozen.

9           The next item is target a lower portion  
10 of state dollars on students with need. And that  
11 would include middle income students. I think  
12 that's one of our problems is that we need to  
13 recognize and I think the folks who spoke here  
14 prior to me were addressing that.

15           Many middle income students feel that  
16 they are not receiving sufficient aid from the  
17 State from the current policies that we have in  
18 place. And I think we need to find a way to  
19 target those monies more on those who need that  
20 help, including the middle income.

21           We need to need keep in mind that, if  
22 you did raise your tuitions to what it was closer  
23 to the cost and then targeted your dollars more  
24 carefully, you would be then accessing dollars  
25 that some students are not currently paying.

1           Because of the artificially lowered  
2 tuition rate at a public institution, you would be  
3 raising tuition dollars from those students and  
4 then using money, your state money, more for  
5 targeting dollars.

6           Now, there are two ways you can do this  
7 in which you can try to target your subsidies  
8 better. One would be to have the public  
9 universities charge different tuition based on the  
10 family's income. That's probably going to be very  
11 controversial and not very popular with a lot of  
12 people.

13           The second way, which I think would be  
14 less controversial, would be to increase your  
15 state spending for your need-based student aid at  
16 an accelerated rate over your state institutional  
17 support.

18           That would mean not only directing more  
19 dollars for needy individuals, which we need to  
20 direct more dollars to our lowest income students,  
21 but also directing more dollars to middle-income  
22 students through need-based aid.

23           The merit scholarship proposals, I  
24 would just have to reiterate with what Dr. Baum  
25 had said earlier, is that the issue there is that

1 because of the strong correlation between high  
2 income and meeting those merit criteria, you're  
3 then basically going in the opposite direction  
4 with the Merit Scholarship Program.

5           Using those dollars to help  
6 middle-income students that are meritorious is  
7 wonderful, low-income students is wonderful; but  
8 it becomes more problematic in terms of state  
9 policy at the upper income level.

10           And finally, I just would like to  
11 remind -- and I would be remiss if I didn't,  
12 because Pennsylvania has the second largest  
13 collection of private institutions in the United  
14 States, because 50 percent of your degrees come  
15 from the private sector -- that you want to use  
16 the competitive marketplace that exists in  
17 Pennsylvania in your policies as you try to  
18 address these issues.

19           I'd be happy to take any questions.

20           ACTING CHAIRPERSON CURRY: Thank you.

21           Any questions?

22           (No audible response.)

23           ACTING CHAIRPERSON CURRY: Thank you.

24           Brendan Boyle, President, Philadelphia  
25 Policy Institute.

1           MR. BOYLE: Thank you, Mr. Chairman.

2           I'm here to express my full support for  
3 creating the REACH Scholarship Program here in  
4 Pennsylvania.

5           The REACH Scholarship is legislation I  
6 helped write with Representative Tony Payton as  
7 well as two of his hard working staffers: Dan  
8 Ludese (phonetic) and Tom Linehart.

9           The REACH Scholarship is a merit-based  
10 program that would provide a full scholarship  
11 covering tuition and fees to all high school  
12 students regardless of their economic background,  
13 gender, race, and/or religious affiliation.

14           Every public, private, and parochial  
15 student school student who meets the base criteria  
16 would be eligible for the REACH Scholarship. All  
17 high school students in Pennsylvania who achieve a  
18 3.0 GPA and have at least 90 percent attendance  
19 would be eligible for the REACH Scholarship.

20           So, clearly, this is not a giveaway  
21 program. Rather, it is a merit-based system that  
22 would reward those students who work hard, play by  
23 the rules, and simply want to further their higher  
24 education.

25           Now, there are many reasons to support

1 the REACH Scholarship. We've heard a number of  
2 them already this afternoon. But I think that  
3 most of the reasons can be put into three major  
4 categories:

5           First, Pennsylvania's families need us  
6 to make college more affordable; second, it is in  
7 our best interest to do so; and third, the REACH  
8 Scholarship is a practical and achievable  
9 solution.

10           Now, with respect to the first point,  
11 Pennsylvania's families desperately need help  
12 paying for college. Our state currently has one  
13 of the most expensive state school systems in the  
14 nation. At this moment, I believe it's the second  
15 most expensive with Vermont being the most  
16 expensive.

17           The cost of attendance at our state  
18 colleges continues to increase far greater than  
19 the rate of inflation. In a ten-year period  
20 between 1987 and 1997, tuition at Pennsylvania's  
21 public colleges and universities increased 132  
22 percent. Average family income certainly did not  
23 increase by that same rate during the same period.

24           In this decade, college tuition has  
25 continued to rise greater than the rate of

1 inflation. Higher education has simply become  
2 unaffordable for many families here in  
3 Pennsylvania.

4           This is not right. As Americans, we  
5 believe in meritocracy: The idea that you can go  
6 as far as your talent and your work ethic will  
7 take you.

8           So we cannot allow the bright and hard  
9 working students to become shut out of higher  
10 education because they lack or their parents lack  
11 their financial resources to do so, especially in  
12 a time now more than ever in which a higher  
13 education is necessary for many jobs of today and  
14 of the future.

15           Now, moving to the second  
16 point -- actually, put aside everything that I  
17 just said in terms of the equity and fairness  
18 argument and let's look simply at what is in our  
19 best interest as a state.

20           It is actually in the best interest of  
21 all Pennsylvanians that the REACH Scholarship be  
22 enacted. Studies have consistently proved that  
23 one's level of educational attainment is directly  
24 related to income.

25           More Pennsylvanians with a college

1 education means more Pennsylvanians with better  
2 jobs, which means more tax revenue for our state.

3           Furthermore, the high cost of college  
4 tuition at public schools here in our state is a  
5 major contributing factor to students leaving the  
6 state to attend college elsewhere.

7           When these students graduate, they  
8 often become employed outside of the state as  
9 well. They then lay roots there and do not  
10 return. This is our future tax base that is  
11 leaving.

12           By giving Pennsylvania's best and  
13 brightest an incentive to stay in the Commonwealth  
14 both during and after college, the REACH  
15 Scholarship will create a stronger tax base of  
16 young professionals, which will encourage economic  
17 growth and combat the looming demographic crisis  
18 that threatens the State's financial future.

19           With respect to the third and final  
20 point, the REACH Scholarship is a practical and  
21 achievable solution. This is not some  
22 pie-in-the-sky idea. While this is a bold idea  
23 and new for us, it is actually not a new idea.  
24 Many other states already have a similar program.

25           Georgia was the first state to start

1 such a program in 1993. Since then, more than  
2 750,000 Georgians have attended college  
3 tuition-free.

4           And importantly, in the 14 years  
5 between the Hope Scholarship starting there and  
6 where we are now, we've had time -- academics have  
7 had time to conduct numerous studies. And many of  
8 them have linked the success of the Hope  
9 Scholarship to that State's robust economic growth  
10 since 1993.

11           And since then, Florida, New Mexico,  
12 West Virginia and other states have followed  
13 Georgia's lead in creating a statewide merit-based  
14 scholarship program. So the REACH Scholarship  
15 would add Pennsylvania to the list.

16           In closing, the REACH Scholarship is  
17 both the right thing to do and the best investment  
18 that we can make in our state's future. Thank  
19 you.

20           ACTING CHAIRPERSON CURRY: Thank you.  
21 Any questions?

22           Representative Wheatley.

23           REPRESENTATIVE WHEATLEY: I wasn't  
24 going to say anything today, but I came in late  
25 and everything. But I have a couple questions



1 that I would just like to understand better.

2           In Georgia with the Hope Scholarship,  
3 do you know how that impacted those students,  
4 particularly lower income African American  
5 students? Did that increase the number that had  
6 started to go to their institutions and how did  
7 it -- was it a motivating factor for more  
8 graduations of students?

9           MR. BOYLE: With respect to the racial  
10 breakdown, I'm not sure offhand. I do know that  
11 since nineteen ninety -- actually, Representative  
12 Payton I think knows this.

13           REPRESENTATIVE PAYTON: 34 percent  
14 increase.

15           REPRESENTATIVE WHEATLEY: In which way?

16           REPRESENTATIVE PAYTON: It was a 34  
17 percent increase in minorities who attended  
18 college.

19           REPRESENTATIVE WHEATLEY: African  
20 Americans?

21           REPRESENTATIVE PAYTON: Yes.

22           REPRESENTATIVE WHEATLEY: And were  
23 these African Americans -- the reason I'm asking  
24 is that I'm struggling with the -- I'm on hold.  
25 I'm in agreement that we could offer as many

1 opportunities to make college affordable for all  
2 our students.

3           The question is are most of our  
4 students -- before they're getting to even the  
5 opportunity of higher education, are they getting  
6 type of education that leads them to higher  
7 education?

8           So can this type of program incentivise  
9 children who are maybe underperforming or not  
10 performing to the level that we want them to?  
11 Does that act as incentive to get them to produce  
12 more?

13           MR. BOYLE: I don't want -- I can make  
14 just two points on that and then hand it over to  
15 Representative Payton.

16           But from the experience in Georgia with  
17 the Hope Scholarship, first, there's been a  
18 dramatic increase in college attendance and the  
19 number of people who have graduated with degrees  
20 in college since -- in Georgia since 1993. So  
21 that's the first point.

22           The second point is the number of  
23 graduating high school students who reach that  
24 level, both the attendance benchmark and the GPA  
25 benchmark, that has also jumped. So what it shows

1 is you're doing -- with the statewide merit-based  
2 scholarship program, you're doing two things:

3           First, you're opening the door of  
4 college to those who may have qualified beforehand  
5 but didn't have the money to go; but you're also  
6 now with this incentive out there improving  
7 academic performance in the high schools in the  
8 first place so that now they can move on.

9           Once that kind of carrot is out there,  
10 it's a great incentive to improve academic  
11 performance in the schools.

12           REPRESENTATIVE WHEATLEY: Sure. Thank  
13 you.

14           REPRESENTATIVE PAYTON: Adding to that,  
15 some of the numbers, the percentage of Georgia's  
16 population living in poverty fell by 28 percent.  
17 And in addition, from 1993 to '99, the number of  
18 students that are eligible for Georgia's Hope  
19 Scholarship funds increased 48 percent to 65  
20 percent. So it does increase the level of  
21 achievement.

22           With that being said, we still have an  
23 educational system K through 12 that is  
24 fundamentally flawed based on the way that it's  
25 funded. And that's something that we need to

1 address in another session.

2 REPRESENTATIVE WHEATLEY: Sure.

3 ACTING CHAIRPERSON CURRY: Thank you.

4 Any other questions?

5 (No audible response.)

6 ACTING CHAIRPERSON CURRY: Thank you.

7 Rob Zemsky, Professor and Chair of The  
8 Learning Alliance for Higher Education, University  
9 of Pennsylvania.

10 MR. ZEMSKY: Thank you. Thank you,  
11 Mr. Chairman and Members.

12 I actually come before you with a whole  
13 set of battle ribbons. And given the testimony  
14 I'm about to give, you'll understand why the  
15 battle metaphor.

16 But I was a member of the Spellings  
17 Commission; I'm a long-time faculty member at the  
18 University of Pennsylvania, as the Chair has  
19 indicated; but I'm also a trustee of Franklin and  
20 Marshal College. So I've really seen this in all  
21 kinds of ways.

22 But the reason I think I was invited  
23 today or assume that I was invited today is that I  
24 was the principal author of the report, A Rising  
25 Tide, which Donna Cooper and others sort of got us

1 to do. Also has Ron Cowell's fingerprints all  
2 over it.

3           And the interesting thing, we were  
4 asked to sort of study what is the status of  
5 higher education in Pennsylvania. And we did the  
6 study, we had a good time doing it, but mainly  
7 what it was was that we saw all kinds of things  
8 that we didn't expect to see.

9           So my testimony today is going to go  
10 against a lot of conventional wisdom that you've  
11 been hearing because it may be the conventional  
12 wisdom's not right. I want to make three basic  
13 points and then entertain whatever questions you  
14 have of me.

15           The first is we've gotta unpack the  
16 emotion on the affordability argument. There's a  
17 lot of talk about it; relatively little looking at  
18 two things that I think are important.

19           One is actually the behavior of people  
20 in the market. Francis is right; this is a  
21 market. And one of the fascinating things about  
22 the market, it's a market that people are shopping  
23 up in, not down in.

24           And generally speaking, when you have a  
25 market that is unaffordable, people look for

1 bargains. You all know that in your sort of  
2 personal life.

3           What we see when we really looked at  
4 enrollment statistics is people, whatever their  
5 options, often, way more often than you would  
6 expect choose the higher priced option as opposed  
7 to the lower priced option.

8           The second thing is, is that -- so you  
9 can look at market behavior. The second thing you  
10 can do is actually you can go out and ask people.  
11 And that's what we did as part of A Rising Tide.

12           And I'd like to think we got the two  
13 best pollsters in Pennsylvania to do it: Yost and  
14 Terry Madonna out of the Keystone Poll. They did  
15 519.

16           They came back really clearly. I mean,  
17 there's no ambiguity in their findings. And sort  
18 of when you get it all down, there is a  
19 Pennsylvania problem with affordability. About 8  
20 percent really feel, genuinely feel they're being  
21 shut out.

22           On the other hand, that's 92 percent  
23 that says the system seems to be working. And  
24 they asked all kinds of questions, including, Was  
25 your choice of institution shaped by the price of

1 the institution? Got relatively low numbers  
2 saying yes to that question.

3           They focused particularly on Penn  
4 State. And the pass sheet and some of the  
5 questions, Is it worth the price? 80-some percent  
6 said it was worth the price, which is, again, if  
7 you look at these kinds of statistics, that's very  
8 high numbers. So there is a kind of basic  
9 satisfaction in Pennsylvania.

10           But there is a problem. And the reason  
11 I give the testimony this way is I think what I  
12 would have you do is as a citizen of the  
13 Commonwealth is I'd have you invest in the problem  
14 and not invest in everybody.

15           You don't have enough money to invest  
16 in everybody, and you have some people who really  
17 do need help. And that's just really just plain  
18 and simple an argument for targeted aid as opposed  
19 to general aid. That's my first point.

20           My second point is, it isn't clear to  
21 me what the public purpose here is. I think the  
22 public purpose -- and I think the last person who  
23 testified, he and I would agree on it -- is to get  
24 more people to go to college.

25           Pennsylvania needs a higher

1 participation rate. Although, interestingly  
2 enough, over the decade that we studied, the  
3 participation rate for everybody was rising. So  
4 it isn't that we're falling off. We're actually  
5 doing better.

6           We're not closing the gap between  
7 majority and minority, however. But we asked the  
8 question, we did a lot of statistical analysis  
9 saying, What would you have to do to increase the  
10 participation rate?

11           And the answer really surprised me.  
12 You know, I've lived this game. I'm there all the  
13 time. I was just amazed at the answer. First  
14 thing if you really wanted to increase  
15 participation, you have to increase your community  
16 college portals.

17           And this has been known in Pennsylvania  
18 for a long time, but we have a really pretty good  
19 community college system. I always call  
20 Pennsylvania bicoastal even though Pittsburgh is  
21 on a river rather than -- but so is Philadelphia.

22           But it's the middle of the state that  
23 those kids are shut out. They do not have access  
24 to a risk-free, relatively low-cost portal. And  
25 when you do actually the fancy statistics, it says



1 that's a terribly important thing.

2           Second is I think what some of the  
3 questions you all were asking recently gets at,  
4 You one want to increase participation? Improve  
5 the high schools.

6           I mean, Pennsylvania is one of the few  
7 states that actually has the 11th grade No Child  
8 Left Behind test. And if you have never seen it,  
9 you ought to go look at it. It's posted on the  
10 Pennsylvania Department of Education Website.

11           It gives the results school district by  
12 school district. Unfortunately, it gives the  
13 results in a lot of detail that we don't really  
14 need. But the other fortunate part is it's a  
15 rather opaque Website, so not many people wander  
16 there.

17           But when you get there, what you  
18 discover is how well a school district's rising  
19 juniors do on that test, particularly the reading  
20 test. It's a remarkable predictor of how many  
21 students from that school district is going to go  
22 to college. And the results of the tests are  
23 terrible.

24           We have a large number of school  
25 districts that have a large number of rising

1 juniors -- remember, a rising junior in all  
2 probability's going to graduate. This is not the  
3 dropout issue -- who are not able to pass the  
4 basic reading test at a satisfactory level.

5           And as a 41-year member of a faculty, I  
6 will tell you if you can't read, you're not going  
7 to succeed in college. And it doesn't matter how  
8 much financial aid you get or how much counseling  
9 you have, you know, we've known all along reading  
10 is the ultimate learning tool.

11           And if you have school districts in  
12 this Commonwealth whose students aren't at the  
13 reading level, you're going to depress the thing.  
14 So my gratuitous advise to you is, if you have  
15 money, extra money to invest, invest in secondary  
16 schools. That's where the bottleneck is.

17           One last observation. Pennsylvania  
18 really is successful. It's successful for a lot  
19 of reasons, not the least of which it is, as you  
20 were told, it has this one wonderful  
21 public/private mixture going.

22           And you might think, if you had some  
23 ways of making it work, it's working on that more.  
24 I made this pitch actually to my fellow trustees  
25 at Franklin and Marshall. We had done the study.

1 In fact, I told 'em what the study said.

2           And I said, You know, we have all these  
3 liberal arts colleges in the middle of nowhere in  
4 Pennsylvania. I don't know if you know that, but  
5 they are not in pockets of population.

6           But it also turns out those are the  
7 very areas that we have depressed participation  
8 rates. And you have a pretty good spread of Pashy  
9 (phonetic) schools all through the Commonwealth.

10           So actually what F&M is doing is  
11 teaming with Dickinson, itself, and Millersville  
12 really bringing programs into high schools to  
13 essentially upscale the high schools in a  
14 nonproprietary way.

15           More I think you could get that going.  
16 Again, you could spend money in lots of ways. If  
17 the goal is to increase participation, to increase  
18 opportunity, and to increase the economic power of  
19 the Commonwealth, that's what I would have you do.  
20 Thank you.

21           ACTING CHAIRPERSON CURRY: Thank you.  
22 Questions? Representative Wheatley.

23           REPRESENTATIVE WHEATLEY: You bring an  
24 interesting perspective to -- and I think we've  
25 all kinda struggled on how to do that practically.

1                   What you are doing with Franklin and  
2 Marshall and Millersville and Dickinson, how would  
3 you suggest we could duplicate that type of model  
4 throughout the Commonwealth and what's the cost  
5 right now for your cooperation right now?

6                   MR. ZEMSKY: Well, it's a cost that the  
7 Jack Kent Cooke Foundation pays. I'd have you  
8 listen to what Don Francis said, because a lot of  
9 this, we fund innovation out of the foundation  
10 world; and the foundation world's getting very  
11 strange.

12                   But I think this is about incentives.  
13 This is saying to sets of colleges, We'll pick up  
14 half the cost; you pick up the other half. I  
15 wouldn't give it away. I think that if the  
16 college is doing it out of its own resources  
17 that's not good either.

18                   But very few colleges have the margin  
19 to bear the whole cost. Somebody has to step up  
20 and help. So you create incentives; you create  
21 awards; you create attention. And then, just so  
22 nobody misunderstands how crazy I am, you actually  
23 measure the results when you get all done.

24                   You know, one of the other things that  
25 happens in this game is we have all these good

1 ideas and we put all these programs in place and  
2 nobody measures the results afterwards.

3           You can have lots of problems with No  
4 Child Left Behind. And I understand that. But  
5 one thing it does, it does measure some results  
6 and it doesn't just let you just wave your hand  
7 and say we're trying hard.

8           And I think that if you were going to  
9 go in this direction you would certainly have to  
10 say we want to see increased participation in  
11 college. That ought to be one of the benchmarks  
12 that the various institutions promise they could  
13 get done.

14           REPRESENTATIVE WHEATLEY: Thank you.

15           REPRESENTATIVE PAYTON: I have a quick  
16 question. You said that if we had resources, to  
17 invest in secondary schools because of the reading  
18 scores in the 11th grade.

19           I'm just curious as to why not early  
20 childhood education, because that's where you  
21 build your foundation for reading in life?

22           MR. ZEMSKY: How crazy do I want to be?

23           I think you're right. Sure, it is. I  
24 mean, the oldest rule for education in the world  
25 is you spend your first three years learning to

1 read, and then after you read to learn.

2           And it is highly probable, not  
3 perfectly, that school districts with very low 3rd  
4 grade reading scores are gonna still have low  
5 scores at high school, for the obvious reason.

6           The reason I don't push it, to be  
7 honest, I think people want results faster. They  
8 don't want to -- that was one of the things that  
9 happened with the early childhood programs is they  
10 seemed to be working but they didn't seem to have  
11 any impact out here because people from here  
12 hadn't gotten there yet.

13           I actually think there are things that  
14 can be done in secondary school. And better to do  
15 it in secondary school than admit a youngster to  
16 college and then put him in a remedial or her in a  
17 remedial track with all of that involved.

18           But my choice is for secondary school.  
19 But that's why. But you're right: If you had all  
20 the money, put it in the beginning.

21           REPRESENTATIVE PAYTON: Thank you very  
22 much.

23           ACTING CHAIRPERSON CURRY: Thank you  
24 very much.

25           MR. ZEMSKY: My pleasure.

1           ACTING CHAIRPERSON CURRY: We also have  
2 submitted testimony by the Pennsylvania Commission  
3 for Community Colleges, and there are some samples  
4 of that on the table.

5           This ends the hearing for today. Thank  
6 you.

7           (The proceedings concluded at 2:59  
8 p.m.)

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C E R T I F I C A T E

I, Deirdre J. Weyer, Registered Professional Reporter, Notary Public, duly commissioned and qualified in and for the County of York, Commonwealth of Pennsylvania, hereby certify that the foregoing is a true and accurate transcript of my stenotype notes taken by me and subsequently reduced to computer printout under my supervision, and that this copy is a correct record of the same.

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Dated this 10th day of October, 2007.

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Deirdre J. Weyer, RPR  
Notary Public