

**House Education Committee Hearing on College Affordability
and Merit Scholarships**

**Testimony of Dr. Don Francis
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Good afternoon. As president of the Association of Independent Colleges and Universities of Pennsylvania, I am pleased to be here to speak with you about what I believe will be the most pressing issue for higher education in the coming decade.

I hope today's hearing will initiate an ongoing conversation on this topic because public policymakers, college and university administrators, business, civic and philanthropic leaders, academic specialists, parents, students, and taxpayers need to consider together how we as a Commonwealth and a nation can best address this very complex, difficult issue.

I do not believe there is a single, simple "solution" to this problem. Nonetheless, working together I believe we can keep college affordable for the next generations just as it was for ours.

This afternoon I do not want to cover ground that I frequently cover in one-on-one or small group conversations with legislators. This includes explaining why college costs rise faster than the Consumer Price Index or discussing how today's private college students enjoy a much richer educational experience than I had as an undergraduate at a small liberal arts college in the 1970s (the undergraduate research projects on display last week in the East Wing Rotunda provided a prime example of this).

In the short time allotted, I want to quickly do two things: 1) note a few of the stress points for college presidents and boards of trustees when confronting this issue of affordability and 2) suggest a few principles for state policymakers to consider as they address this issue.

Stress Points for Campus Administrators

#1—Efficiency vs. quality. Educating students is not like manufacturing cars, building homes, or making loans. Technology can enhance the education and in some cases even make it more efficient, but technology cannot completely replace people. College administrators constantly seek ways to make their operations more efficient and they have engaged in outsourcing services just as have businesses in the last several decades; yet the fundamental educational relationship between faculty and student is difficult to replace without harming quality.

#2—Student/parent expectations vs. willingness to pay. Students and parents today have ever greater expectations for what the institution should provide, especially in facilities, technology, and amenities. Yet, according to financial aid officers, parents are

simultaneously becoming less willing to pay for their children's education than previous generations. In other words, they want a lot, but they want someone else to pay for it.

#3—Keeping up with the Swarthmores (or Penn States) vs. maintaining a low tuition. Schools with large endowments, large fundraising capacity, and/or large state grants can afford to spend more on their students and set the bar very high for other institutions. These same institutions usually have far more applicants than available spaces and therefore can raise their tuition without market repercussion. No one is to blame for this reality, but it does put pressure on other institutions to try to provide similar levels of services to their students. Without the other sources of funding available to the wealthier institutions, others must rely more upon tuition. While not every college or university is competing with the market leaders, this same pressure point works its way down the chain of educational institutions. In other words, every institution would like to compete more effectively with some aspirant college or university that has more financial resources, which encourages the institution to seek additional revenue.

Principles for Encouraging Affordability

#1—Reward efficiency and quality (aka productivity). Efficiency alone is not enough. While an institution could become more efficient by doubling its class sizes, it might also see its retention and graduation rates plummet and employers begin to complain about the preparation level of its graduates. Access to higher education alone is not sufficient. The access needs to be to a reasonable level of quality education in order to have a productive higher education system. Therefore, state policymakers should seek ways to encourage college administrators to *combine efficiency with quality*.

#2—Keep expectations realistic in high school. Have you visited one of our suburban high schools lately? Have you seen the technology available to students? the million dollar artificial turf fields? the auditoriums and gymnasiums? Most students expect their college to offer more than their high school. State policymakers have had a role in raising student expectations for facilities, technology, and amenities on our college campuses.

#3—Don't feed the arms race. Facilities are a major factor in the college selection process, and public and private colleges are competing for the same students. State policymakers have an important role to play in ensuring that appropriate facilities are available for students at our public and private colleges and universities, but when you build a "Taj Mahal" facility on a campus, other competitor schools are forced to respond with higher cost buildings.

#4—Increase transparency of educational cost through cost-based tuition. Most people, including policymakers, have no idea how much it costs to educate a student at university X because this kind of information is usually not available. Whether attending a public or a private college or university, your education is subsidized beyond the tuition you pay. The amount and the sources of the subsidy may differ, but all students pay less

than what it actually costs to educate them. State policymakers can help educate the public by collecting better information on the true cost of education and by bringing the initial tuition price closer to this cost and then lowering the price based upon need (see below). Legislation that would freeze tuition prices would work against this principle because it would simply camouflage even further the actual cost of the education as well as limit an important source of revenue to maintain quality and pay for that true cost.

#5—Target a larger portion of state dollars on students with need, including middle-income students. If we had all the taxpayer money we needed to make college inexpensive for all, then we could keep tuition low for everyone—regardless of their need for that subsidy. But affordability is an issue and state policymakers therefore need to direct a higher portion of their dollars to those students who most need help to pay for college. I believe this group includes middle income students. Currently, many families who can afford to pay more for college education are taking advantage of the non-needs-tested subsidy provided to all who attend a public university and the state is leaving this money off the table, while simultaneously failing to provide enough for other students who either don't attend or take out too much in loans. How can we rectify this imbalance? I have two suggestions: 1) public universities could charge different tuition based upon the families' income or 2) increase state spending for need-based student aid at an accelerated rate over state institutional support. The AICUP Board has historically and consistently opposed merit scholarship programs because they violate this principle. Academic strength and higher income have long been correlated; thus, merit scholarships tend to provide additional taxpayer subsidies to those students who need the money less, would attend college regardless of this support, and are more likely to receive scholarship assistance from the institutions.

#6—Pennsylvania has more of a competitive marketplace than almost any other state—use it! Pennsylvania has a large number of both public and private colleges and universities, and they have competed effectively for well over a century. Your taxpayer cost per degree is much lower in Pennsylvania than most other states because you have such a large number of degrees (50%) coming from the private sector. Pennsylvania has also consistently been in the top 10 states for providing access to low-income students due to the strong student aid tradition in this state (\$450 million in state need-based aid and over \$1.3 billion in private institutional aid). State policymakers should promote policies that use the full array of public and private institutions.

Thank you for this opportunity to share these thoughts with you.