

**Statement of Charles B. Reed, Chancellor
California State University System
Before the House Committee on Education and the Workforce**

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Good Morning.

Chairman Boehner, Ranking Member Miller, Subcommittee Chairman McKeon, and Subcommittee Ranking Member Kildee, thank you for having me here today to present the California State University's views on H.R. 4283, the College Access and Opportunities Act. I note that several provisions in this bill have been included in legislation authored by members on both sides of the aisle, and I commend the Committee for its attention to the important task of ensuring that every student that chooses to can pursue a postsecondary education.

Introduction – Few, if any, university systems can match the scope of the California State University (CSU) system. Nationally, about 1.25 million bachelor's degrees are awarded annually in the United States by about 2,000 colleges and universities with a combined student population in excess of 15 million. As the nation's largest four-year university system, the California State University's 23 campuses award more than 4.5 percent of those bachelor's degrees, giving the CSU a significant national presence. In California, a state boasting 372 public and private institutions, the CSU plays an even stronger role. It serves more than 400,000 students, twice as many as the University of California and more than all private colleges and universities in California combined. It accounts for almost half of the bachelor degrees granted in California, and a third of the master's degrees.

And those bachelor degrees are not narrowly focused. Because of the breadth of its offerings, which includes more than 1,800 degree programs, the California State University serves as the essential engine of California's skill-dependent economy. Its role in workforce preparation is unrivaled. It provides the majority of the state's new teachers, 40 percent of its engineering and nearly half of its business graduates, and more graduates in agriculture (California's number one industry), communications, health, and public administration than all other California colleges and universities combined. Our focus is on quality, access, and affordability. We are proud to say that the CSU is working for California.

H.R. 4283 would reauthorize Title IV of the Higher Education Act, which provides the lion's share of federal financial assistance to America's postsecondary students. In addition, it makes important changes to programs that aid developing institutions serving large numbers of disadvantaged and minority students. I will not comment on every aspect of this legislation, but will focus my remarks on the provisions that most affect the CSU, its students, and its future students.

Pell Grant Program – The Pell Grant program represents the foundation of federal student financial aid programs. As the most need-focused federal student aid program, a strong Pell Grant program is essential to closing the gap in college enrollment and completion that exists between low-income students and their more affluent peers. A continued commitment to the Pell Grant program, and to increases in the maximum Pell Grant award, are essential to ensuring access for disadvantaged students. Across the California State University System, 116,000 students receive \$316 million in Pell Grant

awards. The average CSU Pell Grant recipient receives \$2,700 per year from the Pell Grant program, and Pell Grants account for 23 percent of the funds awarded to CSU students. On behalf of CSU students across California, I would like to thank the members of the Committee for that.

Both H.R. 4283, the College Access and Opportunity Act, and H.R. 3180, the College Opportunity for All Act, contain provisions to allow students to receive a second Pell Grant in a given year for summer study, and I would like to thank Representatives McKeon and Miller for their support for this concept. Year-round study enables students to complete their academic degree in less time than might otherwise be required. This reduces the amount of time that a student spends in school, saves the student money (and reduces borrowing), and permits more efficient use of campus facilities and resources at a time when those resources are being stretched due to increasing enrollments and tight state budgets. Increasing enrollment demand will be a national trend for the foreseeable future, and we fully expect a number of institutions to utilize a year-round calendar as a resource management strategy. Such a move may also increase student persistence and graduation from college.

I strongly endorse efforts to provide additional Pell Grant funds to students for year-round study. However, I note that any such proposal has costs associated with it, and that attempts will be made to limit those costs. Care must be taken to ensure that in doing so, schools that are serving the most disadvantaged students be allowed to participate. For example, about one-half of CSU students are non-traditional students, many of whom do not attend college full time and are not able to graduate in four, or even five, years. One third of our students work full time, and many are parents who but for the CSU would be unable to earn a college degree. Our understanding is that in order to participate in year round Pell, H.R. 4283 would require an institution to have a four-year graduation rate of at least 30 percent. This will not work for institutions that serve large populations of non-traditional students, yet these are the students who would benefit most from the flexibility provided by a year round program. It is doubtful that such a provision would work well for students attending Historically Black Colleges and Universities (HBCUs) or Hispanic-Serving Institutions (HSIs) either. A proposed standard of at least 30 percent of students graduating within 150 percent of the normal time required for degree completion would better afford recognition of the non-traditional student population served by many institutions. If eligibility criteria are necessary, I urge you to be cautious in the criteria that are chosen, and offer the CSU as a resource as we go forward.

I would also note that probably the most beneficial year-round Pell grant provision, both for students and for institutions, would be to permit utilization of Pell Grants for students who enroll for summer study in order to complete their remaining degree requirements – even if they don't need to enroll full-time - rather than having them enroll for an entire term in the subsequent academic year. Such a provision should be open to students at any Title IV eligible institution, and I would urge you to add such a provision to the bill.

Finally, I note that the bill would eliminate tuition sensitivity within the Pell Grant program. While this particular provision does not affect the CSU, I urge that it be

enacted. Many CSU graduates begin their studies in the California Community College system. Because of tuition sensitivity, they are not eligible for the same maximum Pell Grant that most students receive. Repeal of tuition sensitivity would greatly benefit these students, and may reduce their level of indebtedness when they graduate.

Campus-Based Programs – The Campus-Based programs (Perkins Loans, Federal Work-Study, and Supplemental Educational Opportunity Grants (SEOG)) are vital to the CSU’s efforts to attract, retain, and graduate disadvantaged students. Unique to these programs is the flexibility they provide to financial aid administrators to package aid awards to best meet the needs of their students. In addition, these programs require an institutional match, which leverages the federal investment to provide even more aid to more students. The CSU knows that these programs work, and joins the higher education community in urging increased funding for them.

Campus-Based Funding Formula -- During reauthorization of the Higher Education Act, one of the highest priorities of the CSU is to correct inequities in the funding formula for the Campus-Based programs. Specifically, the CSU urges the elimination of the use of a “base guarantee” in allocating Campus-Based funding to institutions, and instead asks that all Campus-Based funds be distributed based on the institutional need of the institution as it relates to the institutional need of all participating institutions.

Currently, the Campus-Based funding formulas ensure that participating institutions receive no less than their “base guarantee.” For any institution that participated in these programs prior to 1985, this ensures that they receive at least what they received in 1985, regardless of whether their enrollment of financially needy students increased, decreased, or remained constant. This “hold harmless” provision drastically reduces the funding available to institutions that have seen dramatic increases in the enrollment of students from low-income families. Moreover, the base guarantee concept is especially unfair to new institutions or new campuses. For new institutions, the base guarantee is calculated using enrollment during the first 1-to-2 years of program participation. This “snapshot” of student enrollment generally does not reflect a mature campus population as the new campus adds both programs and students. The result is an artificially low Campus-Based allocation, a growing student body, and little new money to be distributed on a fair share basis. In response to increased enrollment demand in California, and at the direction of the state legislature, the CSU has added three new campuses since 1990. We are especially aware of the inequity of the current formula, and especially concerned for the students who will go underserved if the Campus-Based formulas are not changed.

H.R. 4283, as drafted, would begin the phase out of the outdated base guarantee, and I applaud that effort. The phase out approach provides time for institutions to plan for this change in the allocation formula, and I applaud that as well. However, as drafted, the phase out of the base guarantee will not be complete until 2015. I would urge that the timetable be accelerated, similar to the proposal the National Association of Student Financial Aid Administrators (NASFAA) has recommended, in order to ensure that scarce funding for the Campus-Based programs is more equitably distributed on the basis of student need. In addition, I would ask members of the Committee to consider adding a

provision that would increase Campus-Based Aid allocations more quickly to institutions that have begun operations since the base guarantee concept was implemented. Many of these campuses have tremendous need, and many of their students continue to be underserved. I should point out that I urge phasing out the base guarantee despite the fact that a number of CSU campuses stand to lose resources under this proposal.

H.R. 4283 contains a provision that would allow the Secretary to allocate a percentage of SEOG and Work-Study funds to campuses that have a 50 percent graduation rate of their Pell Grant recipients in a four-year period, and this concerns me. Such a provision could take needed funds from schools that serve large numbers of non-traditional students, and allocate them to schools serving students that can afford to pursue their education on a full-time basis. If special allocation provisions are to be included in the formula, they would be better used to increase allocations to new campuses that have been most disadvantaged by the base guarantee concept or to promote more community service in the Work-Study program.

Finally, I note that during the 1998 reauthorization of the Higher Education Act, Congressman McKeon, Congressman Miller, and members of this Committee took steps to increase fairness in the Campus-Based Aid funding formula. These efforts did result in an increase in the amount of money distributed on a “fair share” basis, and on behalf of the CSU and its students, I thank you for that.

Federal Work-Study Community Service Provisions -- Also of great interest to the CSU are the community service requirements within the Federal Work-Study Program. The CSU is committed to a culture of community service and service learning. Over 1,700 service-learning courses in a wide variety of disciplines are offered each year across the CSU, and additional courses that incorporate service learning continue to be developed. Approximately 135,000 of our students throughout the state perform a total of 33.6 million hours of community service annually. Within the Federal Work-Study program, in 2002-2003, CSU campuses devoted an average of 27 percent, or \$5.2 million, of their allocation to community service placements, well above the federal requirement of seven percent, or the national average of 14 percent in 2001-2002.

Despite the concerns of some in the higher education community, the CSU supports efforts to increase the amount of Work-Study that is devoted to community service placements. However, to the extent that such changes are considered, we urge that you put the interests of the student first, and bear in mind factors that might preclude some students from participation in service activities. Such factors may include geographic location, the nature of the student’s educational program, or the student’s economic situation. The CSU would be pleased to share the experiences of our campuses in this regard. The CSU also urges you to consider incentives for institutions to devote more of their Federal Work-Study allocation to community service. For example, additional funds could be allocated to campuses that exceed a certain threshold of service placements, or the federal matching requirement could be waived for Work-Study funds that are used for community service placements. I note that the Administration has proposed reserving 20 percent of Work-Study funds for community service placements

on a competitive basis, and I support this proposal. Alternatively, I submitted a similar proposal in my letters of April 2, 2003 to Chairman Boehner, Ranking Member Miller and Subcommittee Chairman McKeon and Subcommittee Ranking Member Kildee that could accomplish the same goal.

Federal Perkins Loan Program –We join the higher education community in thanking the Committee for its bipartisan support for maintaining a distinct Perkins Loan program. This program provides financial aid professionals with the flexibility to assist students with unmet need. This can be especially important for serving students in their first year of study, when grant and Work-Study aid is often insufficient to meet their need, and when limits for other loan programs restrict access to student loan capital.

H.R. 4283 makes two specific changes to the Perkins Loan program that I would like to comment on. The first is an increase in borrowing limits for both undergraduate and graduate students. I am supportive of this provision as it will give financial aid administrators even more flexibility in tailoring a student's aid package to his or her overall need. I know that some are concerned with increased debt burden on students, and I share that concern. However, I believe that the flexibility given to financial aid professionals to package these loans should mitigate this concern. The second provision that I'd like to comment on is the extension of Perkins Loan forgiveness to military personnel. Again, I fully support this provision. The men and women of our armed forces are making tremendous sacrifices for us, and this provision is one way to thank them for their service. In implementing this provision, I ask that you make certain that the funding is provided to carry it out. The men and women of our armed services deserve nothing less.

Early Outreach and Student Support Programs – The CSU joins the higher education community in support of both the TRIO and GEAR UP programs, and proposes that these important programs be expanded to serve an increased number of disadvantaged and low-income students. The TRIO and GEAR UP programs are vital to preparing underrepresented students for college, encouraging persistence and ultimately graduation. Skills gained through the TRIO and GEAR UP programs reduce the need for remediation, saving students and institutions time and money. And, while these programs complement each other, each has a unique purpose and each serves a unique cohort of students. Accordingly, the CSU supports the approach taken in the College Access and Opportunity Act to maintain these distinctly separate and complementary programs.

The CSU proposes three modifications to the TRIO and GEAR UP programs. First, the TRIO program should be expanded to include community-based organizations with experience in serving disadvantaged youth. Second, incentives should be created within both programs to encourage middle schools and high schools to form partnerships with colleges to develop college preparatory programs for disadvantaged students. Third, incentives within these programs should be created to encourage and prepare underrepresented students to pursue coursework and careers in fields such as science,

technology, engineering, and mathematics (the “STEM” fields). I would be pleased to work with you as the legislation moves forward to include such provisions.

Aid for Institutional Development and Developing Hispanic-Serving Institutions – A number of CSU campuses are active members of the Hispanic Association of Colleges and Universities (HACU), and the system supports HACU’s efforts to strengthen Hispanic-serving Institutions and to reach out to Latino students. The CSU is generally supportive of HACU’s legislative agenda. In particular, I would like to highlight a few initiatives that are particularly important to the CSU, and other institutions that serve large numbers of Hispanic students.

Title III and Title V of the Higher Education Act contain provisions that expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of institutions that serve large numbers of disadvantaged and minority students. Support for these programs is essential if we are to close the educational achievement gap. The CSU applauds Congress’ and the Administration’s efforts to increase funding for minority-serving institutions in general, and Hispanic-serving institutions (HSIs) in particular. The CSU urges continued funding increases for these programs.

Additionally, the CSU supports proposals put forward by the Hispanic Association of Colleges and Universities (HACU) to create a new competitive graduate education component for HSIs under Title V of the HEA. This new initiative would be a distinct funding source to improve graduate programs at Hispanic-Serving Institutions, and would be similar in nature to the Strengthening Historically Black Graduate Institutions program under Part B of Title III. I note that such a proposal was included in H.R. 3180, the College Opportunity for All Act, and I urge you to include a similar provision in H.R. 4283.

A number of CSU campuses are also strongly supportive of provisions included in the College Access and Opportunity Act that would eliminate provisions requiring that the population of Hispanic students at an institution be at least 50 percent low-income in order to receive a grant under Title V, and requiring that an institution that has received a grant under Title V must wait two years before being eligible for a subsequent grant. In making these changes, I note that the bill would require that eligible institutions continue to demonstrate financial need, and I support this approach. It is important to remember that the purpose of Title V is to provide support to developing institutions, and to remain true to that purpose. I would also like to highlight a developing problem with the 50 percent eligibility rule, which this legislation would correct. In selecting new grant applications, I understand that the Department of Education is now requiring applicants to provide detailed documentation for each low-income Hispanic student on their campus. In some instances, they are expected to comply within one to two weeks of the Department’s request. This is tremendously burdensome and expensive for a developing institution, and I would ask that the Committee work with the Administration to develop a more efficient method for determining eligibility until new financial need criteria can be enacted.

Finally, there are a few new allowable uses of Title V funds contained in the bill that will be beneficial to a number of HSIs, and would increase overall flexibility within the Title V program. The first is a provision that allows grantees to use Title V funds to improve their electronic infrastructure, and expand distance education opportunities for their students. This is a good provision and should be maintained. The second is a provision added by Representative Pete Hoekstra (R-MI), which would allow HSIs to work with elementary and secondary schools to better prepare disadvantaged students for college. This is a good fit with efforts that CSU campuses are already undertaking to prepare and recruit students, reduce the need for remedial education, and ultimately graduate an increasing number of students who might otherwise slip through the cracks. Again, I applaud this addition, and ask that it be maintained as the bill moves forward.

Student Loan Programs – The federal student loan programs are extremely important for CSU students. For the 2002 – 2003 award year, over 123,000 CSU students or their parents took out loans for a combined value of \$731.3 million. Clearly, without these vital programs, access to our institutions would be severely reduced.

The College Access and Opportunity Act proposes some important changes to these programs. For example, the legislation would gradually reduce student loan origination fees from their current level of three percent to a more reasonable one percent. This would provide more money for students when they truly need it. I note that in the past, Representative Miller has also authored provisions and advocated for the elimination of origination fees, and I strongly support any movement in this direction.

H.R. 4283 would also increase the amount first and second year students could borrow, while maintaining aggregate borrowing caps in order to prevent overall student debt from increasing. For students in their first year of study, loan limits would increase from \$2,625 to \$3,500, and, for students in their second year of study; loan limits would increase from \$3,500 to \$4,000. While we are all acutely aware of, and concerned with, the increasing debt burden that students face, I believe that the proposed increases will improve overall flexibility for needy students and may reduce reliance on more costly alternative loan programs. While I understand and appreciate that a number of student organizations, including the California State Student Association (CSSA), place the highest priority on increased grant support, ensuring that students – those from middle income as well as low-income families - have access to low-cost loans is also important to the goal of providing access and opportunity.

In addition, H.R. 4283 requires student loan holders to report student loan payment to all major credit bureaus. Currently, such information is generally only reported when a student is delinquent or in default. This provision will help diligent borrowers build stronger credit ratings, which may help when they purchase their first home or car. I also note that the bill would allow borrowers who are having financial difficulties to make interest-only payments for up to two years. While I support efforts such as this to help ease repayment for those who need it, I urge that it be used only sparingly, as borrowers

who take advantage of this flexibility will also pay more in interest over the life of their loan.

Finally, the College Access and Opportunity Act would reinstate two provisions that are important to the CSU, and important to colleges and universities across the nation. These provisions allow institutions with student loan default rates of less than 10 percent to waive delayed disbursement and multiple disbursements of student loan proceeds to borrowers in their first year of study. First enacted in 1998, these provisions allow students to receive funds when they most need them, at the beginning of the school year. They have the added advantage of allowing the financial aid office to operate more efficiently, saving scarce resources in times of tight budgets and growing enrollments, and they provide incentives for institutions to keep their default rates low. I am pleased to say that for the most recent year for which data are available, the CSU's system wide default rate is a mere 3.7 percent, well below the national average of 5.5 percent, and no CSU campus has a default rate that is above 5.4 percent. Needless to say, at the CSU we work hard to keep our default rates down. Reinstatement of these provisions would make a nice reward for those efforts.

Loan Forgiveness for Teachers – During the 1998 reauthorization of the HEA, a provision was included to help address the severe teacher shortage by providing loan forgiveness to teachers serving in underserved areas. H.R. 4283 increases the amount of loan forgiveness available to math, science, special education, and reading teachers. The CSU supports these needed provisions, and advocates expanding the provision to address the severe nursing shortage we now face by allowing similar mandatory loan forgiveness for nurses serving in shortage areas.

Distance Education – When the Higher Education Act was first enacted in 1965, the opportunities for distance learning that we have today, let alone the Internet, were inconceivable. By the time of the last reauthorization, in 1998, it was becoming apparent that the way we teach, and the way we promote access to individuals, especially in remote locations, was fundamentally changing. However, in 1998, no one knew quite how to deal with this new challenge, or how to embrace it without increasing fraud and abuse in the Title IV programs. In 2004, we, the accrediting agencies, and the Department of Education have more experience with this medium, and thanks to initiatives such as the Distance Education Demonstration program, we also have a higher comfort level with distance education. H.R. 4283, which eliminates the 50 percent limitation on courses offered and students enrolled in distance education courses, would remove a cumbersome monitoring requirement on the part of institutions as they increasingly turn to technology assisted instruction in order to meet demands for courses and programs by non-traditional students and those without easy access to traditional campus instructional programs.

Need Analysis Provisions – The CSU joins in support of efforts to simplify the financial aid application process by expanding the availability of a simplified needs test to applicants and families who have already demonstrated need by virtue of their eligibility for other means-tested federal benefit programs. Efforts to simplify the application form

– both paper and electronic versions – should remove the perceived barrier to access that the FAFSA presents for many low-income families. We also believe that the bill’s other need analysis provisions will provide for more equitable treatment of students and families by protecting a large amount of a dependent student’s earnings and by ensuring that families who save through qualified tuition plans are not penalized for their advance planning to meet college costs.

Consumer Information – H.R. 4283 takes steps to make more useful information available to students and to parents as they make important choices as to which institution fits them the best. The goal of the legislation is to do this using information that schools are already reporting, and the CSU support these efforts. Already, we are taking steps to ensure that families have the information they need to prepare for a CSU education, and to ensure that they know who we are, what we provide, and what they can expect for their investment. One such effort is our web-based CSU Mentor student application program. While supporting these initiatives, I must caution against the temptation to require institutions to report more than they already do. Such reporting is time consuming, costly, and ultimately prevents schools from applying themselves to their primary mission, which is to educate students. Some of the reporting requirements contained in the bill are causing a great deal of unease within the higher education community. I urge you to work with us and with the community to provide useful information without increasing bureaucratic red tape.

Pell Data Match – I note that the bill contains a provision sponsored by Representative Sam Johnson (R-TX), which would require the Department of Education to match income data provided on the financial aid application form with IRS records. The primary purpose of this provision is to reduce fraud and abuse in the Pell Grant program, and to direct Pell Grant funding to those with true need. However, if done correctly, this could also make the aid application process simpler for students and families. Please feel free to use the CSU as a resource in this regard.

That concludes my testimony. Thank you for the opportunity to present the views of the California State University on this legislation.