LOWERING COSTS AND INCREASING VALUE FOR STUDENTS, INSTITUTIONS, AND TAXPAYERS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT

OF THE

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

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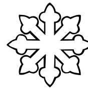

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LOWERING COSTS AND INCREASING VALUE FOR STUDENTS, INSTITUTIONS, AND TAXPAYERS

Thursday, July 27, 2023

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT,
COMMITTEE ON EDUCATION AND THE WORKFORCE,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:18 a.m., 2175 Rayburn House Office Building, Hon. Burgess Owens [Chairman of the Subcommittee] presiding.

Present: Representatives Owens, Grothman, Banks, Good, Moran, Chavez-DeRemer, Houchin, Foxx, Wilson, Takano, Jayapal, Manning, McBath, Courtney, Sablan, Bonamici, and Scott.

Staff present: Cyrus Artz, Staff Director; Nick Barley, Deputy Communications Director; Mindy Barry, General Counsel; Hans Bjontegard, Legislative Assistant; Solomon Chen, Professional Staff Member; Isabel Foster, Press Assistant; Daniel Fuenzalida, Staff Assistant; Sheila Havenner, Director of Information Technology; Meghan Heckelman, Intern; Claire Houchin, Intern; Amy Raaf Jones, Director of Education and Human Services Policy; Alex Knorr, Staff Assistant; Georgie Littlefair, Clerk; Hannah Matesic, Director of Member Services and Coalitions; Audra McGeorge, Communications Director; Gabriella Pistone, Legislative Assistant Oversight; Rebecca Powell, Staff Assistant; Mary Christina Riley, Professional Staff Member; Chance Russell, Professional Staff Member; Kent Talbert, Investigative Counsel; Maura Williams, Director of Operations; Amaris Benavidez, Minority Professional Staff; Nekea Brown, Minority Director of Operations; Ilana Brunner, Minority General Counsel; Rashage Green, Minority Director of Education Policy & Counsel; Christian Haines, Minority General Counsel; Emanual Kimble, Minority Fellow; Stephanie Lalle, Minority Communications Director; Madelyn Lucas, Minority Intern; Raiyana Malone, Minority Press Secretary; Kota Mizutani, Minority Deputy Communication Director; Veronique Pluviose, Minority Staff Director; Dhrtvan Sherman, Minority Staff Assistant; Banyon Vassar, Minority IT Administrator.

Chairman OWENS. The Subcommittee on Higher Education and Workforce Development will come to order. I note that a quorum is present, without objection, the Chair is recognized to call a recess at any time.

Deeply embedded in the American psyche is the idea that colleges and universities provide valuable education that offers the best pathway to realizing the American Dream. That in order to unlock a successful career, you must spend at least 4 years chasing a college career.

Historically, a college career was sought by aspiring professionals who needed a specialized education to enter fields like medicine, law, and the clergy. The expansion of the college programs has meant that some degrees inevitably have misaligned with professional opportunities, leaving graduates underprepared to enter the workforce.

Before college became a universal mandate thrust upon unwitting 17 year-olds, this idea was perhaps accurate. College was cheap, jobs were being filled, and students and taxpayers were all but guaranteed a return on investment.

That is not the case today. Outdated measures of quality, coupled with virtually zero transparency of value, have distorted the postsecondary educational market. The results? Families are forced to choose a college without knowing the full price, and the government peddles loans without regard to a student's ability to repay the principal or the predatory interest. Students and taxpayers are left to navigate making an expensive gamble with zero assurance that their bet will pay off.

Central to this market is a question of whether colleges can continue to provide value. For decades, we relied on accreditors to provide quality assurance by sending the public a signal of which institutions are high-quality. Similarly, the Federal Government has relied on metrics, such as the cohort default rate, to protect taxpayers' interests, while the states have been tagged to review colleges from a consumer protection lens.

Due to the ineffectiveness of these measures, one third of colleges now leaves students worse off than if they had never enrolled in the first place. Additionally, taxpayers are asked to write off hundreds of billions of dollars on loans for individuals who make approximately 1 million more than their non-college going peers.

The purpose of college remains—still remains. Like every voluntary exchange in a free market system, its purpose is to provide value to the consumer. Students pay for tuition, room, and board because they believe the cost today will be offset by a better job and higher salaries down the road.

The Federal Government then subsidizes the students' expectations. Unfortunately, the results of this investment have not, for decades, lived up to the expected returns. This generation is being overwhelmed by the economic and social realities of a college degree. The free market did not fail them. Overregulation of input and under delivery of outcome did.

This hearing today seeks to explain why 4-year college is increasingly no longer being viewed as the gateway to the American dream for so many students. This Committee will also explore solutions for which we recognize is a systemic issue.

We need to understand that the devaluation of 4-year college experience is only exacerbated by blanket Federal bailouts, one-size-fits-all debt relief schemes, and overburdensome regulations. Re-

storing the value of a college education requires a thoughtful, structural reform of the Higher Education Act.

I believe that there is an opportunity for a bipartisan discussion today. For far too long the Federal Government has doled out hundreds of billions of dollars to colleges without any sense of accountability. Presently, public funding and profit is based on the number of seats colleges fill, not on the students' performance or success. This has been a recipe for more students with more debt and worse outcomes.

This antiquated financial structure needs to be realigned so that the college success is linked directly to the student success. This will involve innovation. Funding based on outcomes, not inputs. It means skin in the game for colleges whose students take out loans. It should be a financial benefit to aiding in the graduate's educational success, building a career, and repaying their loan.

It also should be financial accountability when institutions do not live up to their promise to graduates. Presently, the burden of a student's debt is almost entirely shouldered by the taxpayer and the borrowers. It is time to think of colleges as stakeholders in their students' success, versus observers.

With a fresh, innovative mindset and a willingness for accountability, we can ensure that both students and taxpayers will receive a positive return on investment for their college. It is time America takes its place on an international stage of the greatest, post-secondary educational system in the world. With that, I look forward to the hearing today, and yield to the Ranking Member for an opening statement.

[The prepared statement of Chairman Owens follows:]

COMMITTEE STATEMENT

Opening Statement of Rep. Brugess Owens (R-UT), Chairman
Subcommittee on Higher Education and Workforce Development
Hearing: "Lowering Costs and Increasing Value for Students, Institutions, and Taxpayers"
July 27, 2023

(As prepared for delivery)

Deeply embedded in the American psyche is the idea that colleges and universities provide valuable education that offers the best pathway to realizing the American Dream. That in order to unlock a successful career, you must spend at least four years chasing a college degree. Historically, a college degree was sought by aspiring professionals who needed a specialized education to enter fields like medicine, law, and the clergy. The expansion of college programs has meant that some degrees inevitably misalign with professional opportunities, leaving graduates underprepared to enter the workforce.

Before college became a universal mandate thrust upon unwitting 17-year-olds, this ideal was perhaps accurate. College was cheap. Jobs were being filled. And students and taxpayers were all but guaranteed a return on investment.

That is not the case today. Outdated measures of quality, coupled with virtually zero transparency of value, have distorted the postsecondary education marketplace. The results?

Families are forced to choose a college without knowing the full price, and the government provides a loan without regard to a student's ability to repay the principal or the predatory interest. Students and taxpayers are left to navigate making an expensive gamble with zero assurance that their bet will pay off.

Central to this malfunctioning market is a question of whether colleges can continue to provide value. For decades, we've relied on accreditors to provide quality assurance by sending the public a signal of which institutions were high-quality institutions. Similarly, the federal government has relied on metrics, such as the cohort default rate, to protect taxpayers' interests, while the states have been tagged to review colleges from a consumer protection lens.

Due to the ineffectiveness of these measures, one third of colleges leave students worse off than if they had never enrolled in the first place. Additionally, taxpayers are asked to write off hundreds of billions of dollars in loans for individuals who make approximately $1 million more than their non-college-going peers.

The purpose of the college market remains. Like every voluntary exchange in a free market system, its purpose is to provide value to the consumer. Students pay for tuition, room, and board because they believe the cost today will be offset by a better job and higher salary down the road. The federal government then subsidizes the students' expectations. Unfortunately, the results of this investment have not, for decades, lived up to the expected returns. This generation is being run roughshod by the economic and social realities of a college degree. The free market didn't fail them; overregulation of input and overpromising of outcome did.

This hearing today seeks to explain why college is no longer realizing the American Dream for so many students. The Committee will also explore solutions for what we recognize is a structural issue.

We need to understand that the devaluation of the 4-year college experience is exacerbated only by blanket federal bailouts, one-size-fits-all debt relief, and overburdensome regulations. Restoring the value of a college degree requires thoughtful, structural reform to the *Higher Education Act*.

I believe there is an opportunity for a bipartisan discussion here today. For too long, the federal government has doled out hundreds of billions of dollars to colleges without any sense of accountability. Presently, public funding and profit is based on

the number of seats colleges filled, not on students' performance or success. This has been a recipe for more students with more debt and worse outcomes.

This antiquated financial structure needs to be re-aligned so that colleges cannot succeed without their students also succeeding.

This means innovative funding based on outcomes, not inputs. It means "skin in the game" for colleges whose students take out loans. And it means some responsibility for their graduate's educational success, their ability to build a career, and to repay debt. They should also take equal responsibility when their education platform does not live up to their promise to graduates.

Presently the burden of student debt is almost entirely shouldered by taxpayers and borrowers. It's time to think of colleges as stakeholders in their students' success.

However, accountability means more than just sanctioning. Colleges that promote economic opportunity through high-valued, successful postsecondary programs should be rewarded for doing so.

With a fresh, innovative mindset and a willingness for accountability, we can ensure that students will receive a positive return on their college investment.

America would, for years to come, succeed as the greatest postsecondary education system in the world.

Ms. WILSON. Thank you, Chairman Owens, and thank you to the witnesses for being here today, and thank you to all of the students, especially, in the audience and welcome to the Education Committee.

Let us be crystal clear; the evidence is everywhere in every segment of society that a college degree is the surest path to the American dream. This is especially true for students from disadvantaged backgrounds, like first generation college students who have not had the luxury of guidance from parents or family members that have attended college.

Students with bachelor's degrees earn nearly 1 million more over the course of their careers than those with only a high school diploma. To ensure students have access to the promise of higher education, the Department of Education must hold bad actors in higher education accountable for student success. Stronger accountability regulations in higher education saves students money and prevents them from wasting money on worthless degrees.

Under President Biden's leadership, the Education Department has done just that. In June, the Department put forth the strongest

gainful employment rule ever. This rule ensures that institutions truly prepare students for success in the workforce, protecting them from low-quality job training programs. The Defense Department has also worked to enforce borrower defense regulations, providing debt relief for borrowers defrauded by the institution.

As a result, the Biden administration has forgiven more than 13.3 billion for one million borrowers. Let us compare this to the work of the previous administration, who worked every day to repeal important accountability measures that were meant to protect students originally put in place by Democrats.

Stronger accountability regulations in higher education also saves taxpayers money and prevents Federal aid from going to predatory programs. Far too many tax dollars have gone to dishonest for-profit colleges that heavily rely on Federal student aid funding, and then they target underrepresented students, foolishly advocating for a free market approach to college accountability only lines the pockets of for-profit companies and CEOs.

The Biden administration's effort to safeguard students from sub-par institutions are saving taxpayers money. As we open up this hearing, I hope our colleagues from across the aisle will take accountability seriously, and work with congressional Democrats to protect students and improve college accessibility.

Taxpayers, students, and the economy as a whole stand to gain when improved accountability measures are put in place in higher education. With that, Mr. Chair, I yield back, and I look forward to a productive discussion. Thank you.

[The prepared statement of Ranking Member Wilson follows:]

OPENING STATEMENT

House Committee on Education and the Workforce
Ranking Member Robert C. "Bobby" Scott

Opening Statement of Ranking Member Frederica Wilson (FL-24)
Subcommittee on Higher Education and Workforce Development
"Lowering Costs and Increasing Value for Students, Institutions, and Taxpayers"
2175 Rayburn House Office Building
Thursday, July 27, 2023 | 10:15 a.m.

Thank you, Chairman Owens, and thank you to the witnesses for being here today and thank you to all of the students especially, in the audience and welcome to the Education committee.

Let's be crystal clear, the evidence is everywhere in every segment of society, that a college degree is the surest path to the American Dream.

This is especially true for students from disadvantaged backgrounds, like first-generation college students who have not had the luxury of guidance from parents or family members that have attended college.

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As we open up this hearing, I hope our colleagues from across the aisle will take accountability seriously and work with Congressional Democrats to protect students and improve college accessibility.

Taxpayers, students, and the economy as a whole stand to gain when improved accountability measures are put in place in higher education.

With that Mr. Chair, I yield back and I look forward to a productive discussion. Thank you.

Chairman OWENS. Thank you. Pursuant to Committee Rule 8(c), all members who wish to insert written statements into the record may do so by submitting them to the Committee Clerk electronically in Microsoft Word format by 5 p.m., 14 days after the date of this hearing, which is August 10, 2023.

Without objection, the hearing record will remain open 14 days to allow such statements and other material referenced during the hearing to be submitted for the official hearing record. I will now turn to an introduction of the four distinguished witnesses.

The first witness is Mr. Michael B. Horn, who is an Author and Co-Founder of the Clayton Christensen Institute for Disruptive Innovation in Boston, Massachusetts, and an adjunct lecturer at Harvard Graduate School.

Our second witness is Mr. Stig Leschly, who is President and Founder of the Postsecondary Commission, and is located in Boston, Massachusetts. Next, our third witness is Dr. Stephanie Cellini, who is Professor of Public Policy and Public Administration and Economics at George Washington University in Washington, DC.

Our final witness is Dr. Andrew Gillen, who is Senior Policy Analyst at the Texas Public Policy Foundation, located in Austin, Texas.

We thank the witnesses for being here today and look forward to their testimony. Pursuant to Committee Rules, I would ask that you each limit your oral presentation to a 5-minute summary of your witness statement. I also would like to remind the witnesses to be accurate, to be aware of their responsibility to provide accurate information to the Subcommittee.

I first would like to recognize Mr. Horn.

STATEMENT OF MR. MICHAEL HORN, AUTHOR AND CO-FOUNDER OF THE CLAYTON CHRISTENSEN INSTITUTE FOR DISRUPTIVE INNOVATION, LEXINGTON, MASSACHUSETTS

Mr. HORN. Thank you and good morning, Chairman Owens, Ranking Member Wilson, and distinguished members of the Committee. Thank you for giving me the opportunity to speak on this important topic. My name is Michael Horn. I am the co-author, or

co-editor of six books on education, and I teach at the Harvard Graduate School of Education.

In our current system of higher education, we pay for what we get. The government underwrites significant portions of the higher education system, it means that students and families are not the only customers of colleges and universities, taxpayers are as well.

There is a saying in efficient markets, the customer is always right. What they demand is ultimately met. In higher education what the government, and therefore the taxpayers are currently paying for, is enrollment of students. Not employment, not learning, not life outcomes.

Now combine that with four realities. One, higher education is an experienced good. It is hard to understand its value or utility until after it has been used. Two, the price of colleges and universities for individual students is opaque, as the actual price is often not revealed until after admission.

Once more, the price charged often changes from year to year. Three, the money from the Federal Government often has the feeling of being free to the student. Four, according to the data we collected for our book Choosing College, students attend college for a variety of nuanced reasons, many of which do not pertain directly to economic return.

The result of all these dynamics is that higher education has long been on an unsustainable cost trajectory. Since 1970, spending by public colleges and universities rose from nearly 104 billion in today's dollars, to 420 billion by 2020. Altogether postsecondary institutions now spend more than 670 billion per year, and for what? Completion rates remain poor, with nearly 40 percent of students failing to graduate from 4-year institutions within 6 years.

Nearly one-third of all institutions leave their students with zero economic return, after accounting for the cost of attendance. The Federal Government's answer to this quandary since 1965 has been accreditors, agencies that now play the role of gatekeeper to Federal financial aid.

Accreditors were not built to play a quality assurance role. They were designed originally as peer review organizations to determine what is a college, and to help institutions improve. They may do that well, but they are not good at focusing on student outcomes, nor does Federal policy incentivize them to do so.

According to a report from the postsecondary Commission, my colleague Stig here, low graduation rates, high loan default rates, and low median student earnings did not increase the likelihood that an accreditor would take disciplinary action toward a college.

Accreditation is an all or nothing game, once accredited, you get access to Federal dollars. Once you have access to Federal dollars, you can enroll students, and make them feel like the education is subsidized and significantly less expensive than it ultimately is. Indeed, the instinct to create regulations focused on how a college or university operates through mechanisms like regulating a school's contracts with third-party entities, instead of its outcomes, only exacerbates this problem.

The regulation of inputs how a college does its work, only locks institutions into set ways of doing things. It encourages compliance, not value, and colleges pass the cost of compliance onto students

in the form of higher tuition. The strategy has not worked. Policies should instead focus on student outcomes, and empower—yes, free up, schools to figure out the best ways to deliver value for students and taxpayers.

What would a better market look like? For starters, upfront price transparency so students knew what they would pay on the front end, and not have any surprises. What would better incentives look like? Congress could pass a policy to require that colleges share in the risk when student borrowers do not repay what they take out in loans.

That will result in schools and programs like Western Governor's University, EYU Idaho, and Georgia Tech's online Master of Computer Science program that are innovative, meaning lower costs and better economic returns to the student. To be clear, the taxpayer customers of higher education should not tolerate bad college programs be they online or brick and mortar, that offer miserable returns on investment for students.

This should be in the interests of traditional colleges and universities. At a time when their enrollments and reputations are both declining, they should want to do these things. Witness how traditional liberal arts colleges like DePaul University in Ohio, and Colby College in Maine have created what amount to employment guarantees.

The road ahead can be bright for students, schools, and American society, with a focus on outcomes and value, not inputs and empty promises. Thank you for your time today.

[The prepared statement of Mr. Horn follows:]

Good morning Chairman Owens, Ranking Member Wilson, and distinguished members of the Committee. Thank you for giving me the opportunity to speak on the topic of "Lowering Costs and Increasing Value for Students, Institutions, and Taxpayers" in higher education.

My name is Michael Horn. I'm the cofounder of the Clayton Christensen Institute, a nonprofit think tank; the author or co-editor of six books on education; and I teach part time at the Harvard Graduate School of Education.

In our current system of higher education, we pay for what we get. Because the government underwrites significant portions of the higher education system, it means that students and families are not the only "customers" of colleges and universities. Taxpayers are as well.

There's a saying in efficient markets for goods and services. The customer is always right. What they demand is ultimately met. If Apple doesn't offer an iPhone that delivers value, customers look elsewhere, and Apple has a choice: improve or wither.

In higher education, what the government—and therefore the taxpayer—is paying for is enrollment of students. Not employment. Not learning. Not life outcomes. Now combine that with four realities:

1) higher education is an experience good—it's hard to understand its value or utility until after it's been used;
2) the price of colleges and universities to individual students is opaque, as the actual price is often not revealed until after admission. What's more, the price charged generally changes from year to year;
3) the money from the federal government often has the feeling of being free to the student—the repayment terms for loans, for example, feel far off in what students assume will be a brighter future—and schools often use loans to imply that the price of the school is lower than it actually is; and
4) according to the data we collected for our book *Choosing College*, students attend college for a variety of nuanced reasons, many of which don't pertain directly to economic return.

The result of all this is, simply put, that there are far too few incentives in place for institutions to focus on student outcomes in terms of financial returns, employment, and learning. From the perspective of the taxpayer customer, that lack of focus on ultimate economic value to the student should be unacceptable.

The result is that higher education has long been on an unsustainable cost trajectory. Since 1970, spending by public colleges and universities rose from nearly $104 billion in today's dollars to $420 billion by 2020. Altogether, post-secondary institutions now spend more than $670 billion per year—and for what? Completion rates remain stagnant with nearly 40% of students failing to graduate from 4-year institutions within 6 years; significant outcomes gaps

persist; and nearly 1/3 of all institutions leave their students with zero economic return after accounting for the cost of attendance, according to the Postsecondary Value Commission.

The federal government's answer to this quandary since 1965 has been accreditors—agencies that now play the role of gatekeeper to federal financial aid. But accreditors were not built to play a quality assurance role. They were designed originally as peer-review organizations to determine what is a college and to help institutions improve. They may do that well, but they aren't good at focusing on student outcomes—nor does federal policy incentivize them to do so, as only one of the 10 standards that dictates what accreditors monitor pertains to outcomes. According to the report from the Postsecondary Commission titled "Oversight of Academic Quality and Student Outcomes by Accreditors of US Higher Education," "low graduation rates, high loan default rates, and low median student earnings did not increase the likelihood that an accreditor would take disciplinary action towards a college." What's more, only 11 percent of the 5,195 colleges in the report's sample experienced one or more disciplinary actions related to student outcomes or academic program quality.

Because accreditation is an all-or-nothing game, once you have access to it, you get access to federal dollars. And once you have access to federal dollars, you can enroll students and make them feel like the education is subsidized and significantly less expensive than it ultimately is. Indeed, the instinct to create regulations focused on inputs—how a college or university operates through mechanisms like regulating a school's contracts with third-party entities—instead of its outcomes, only exacerbates this problem.

The regulation of inputs — how a college does its work — only locks institutions into set ways of doing things. It inhibits innovation. It encourages a focus on compliance, not value. And colleges pass the cost of compliance on to students in the form of higher tuition. That's a downward spiral that, as can be seen plainly in the results of higher costs and poor outcomes, has not worked.

Policy should instead focus on student outcomes and empower—yes, free up—schools to figure out the best ways to deliver value for students and taxpayers.

What would a better market look like? For starters, up-front price transparency so students knew what they would pay on the front-end and not have any surprises.

What would better incentives look like? Congress could pass policy to require that colleges share in the risk when student borrowers don't repay what they take out in loans.

That will result in schools and programs like Western Governors University, BYU Idaho, Georgia Tech's online master's of computer science, the Quantic School of Business and Technology, and the University of Illinois' iMBA program that are actually innovative—meaning lower costs and better economic returns to the student.

To be clear: The taxpayer customers of higher education should not tolerate bad college programs—be they online or brick-and-mortar—that offer miserable returns on investment for students.

This should be in the interests of traditional colleges and universities. At a time where their enrollments and reputations are both declining, they should want to be freed from regulatory burden that doesn't support students and reinvigorate themselves by not just offering cheap marketing talk about their value for students, but by aligning their bottom-line interests with those of students. By way of example, witness how traditional liberal-arts colleges like DePauw University in Ohio and Colby College in Maine have created what amount to employment guarantees.

The road ahead can be bright for students, schools, and American society with a focus on outcomes and value, not inputs and empty promises. Thank you for your time today. I am excited that the Committee is taking this topic seriously to lower costs and bolster value for students, institutions, and taxpayers.

Chairman OWENS. Thank you. We would now like to recognize Mr. Leschly.

STATEMENT OF MR. STIG LESCHLY, PRESIDENT AND FOUNDER, POSTSECONDARY COMMISSION, BOSTON, MASSACHUSETTS

Mr. LESCHLY. Chairman Owens, Ranking Member Wilson, and members of the Subcommittee. Good morning and thank you for having me here. My name is Stig Leschly. I am the President and Founder of the Postsecondary Commission, and I teach entrepreneurship at Harvard Business School.

The Postsecondary Commission is an aspiring accreditor, seeking recognition from the Department of Education. We are governed by a bipartisan board. Our priorities as an accreditor are to hold institutions accountable for generating strong economic returns for their students, and for acting with transparency toward them.

If they do this, we will endorse them for access to Title IV aid, and grant them wide discretion to operate an innovate as they see fit. In my testimony today, I will describe four characteristics of our proposed model of accreditation. First, economic return. We are adamant that institutions should deliver strong, economic returns to their students.

Overwhelming majority of students in the U.S. describe a better job, a viable career, and higher wages, as their top motivations for investing in higher education. When measuring economic returns to higher education, we calculate the wage gains for the value-added earnings that institutions generate for their students.

We do this by comparing the actual wages that students earn after the exit an institution with an estimate of the wages of what they would have earned if never enrolled in the first place. When holding institutions accountable for these wage gains, we make sure they are large enough to compensate students in a reasonable timeframe for their costs of attendance.

This approach creates incentives for institutions to both lower costs, and to raise wages. We also insist on assessing institutions for the wage gains of all their entering students, whether they graduate or not, so that institutions have incentives to maintain high graduation rates.

Our approach to measuring wage gains controls importantly, for whether institutions enroll high need, or low need students. Student outcomes of any kind mean almost nothing until they are adjusted for the demographics and circumstances of the students in question.

Second, transparency. In addition to being almost fanatical about measuring precisely and evaluating fairly the wage gains that institutions produce for students, we provide transparency. We are unwavering in our demand that institutions reveal fully and proactively to students their outcomes, their prices and their designs.

Students and their families crave and deserve good information as they make lifechanging decisions about higher education. Third, accountability. When institutions fail to deliver adequate economic returns, or when they dodge transparency, we will intervene.

We will do it sensibly, and collaboratively, but pointedly. Fourth and last, innovation. Our sector of education needs innovation. It needs clever institutions, both existing ones and new ones that can

search out new groundbreaking models of higher education that costs less and produce more.

Our model enables this kind of searching innovation. We have clear and fair standards for economic returns and transparency. We intervene when needed. Then we give institutions in good standing wide discretion to operate, to experiment and to specialize.

We think this approach to accreditation, one that is tight on outcomes, and loose on means, enables and justifies innovation. In closing, I will observe again that our priorities as a new and aspiring accreditor, strong economic returns, full transparency, real accountability.

Responsible, well-monitored innovation are also the priorities of this Committee, and of a bipartisan movement in this capitol and in most states, toward better economic outcomes, and more innovation in U.S. higher education. Thank you.

[The prepared statement of Mr. Leschly follows:]

Testimony of Stig Leschly
Founder and President
Postsecondary Commission

Before the House Committee on Education and the Workforce
Subcommittee on Higher Education and Workforce Development

For a Hearing Titled "Lowering Costs and Increasing Value for Students, Institutions and Taxpayers"

July 27, 2023

Good morning, Chairman Owens, Ranking Member Wilson, and Members of the Subcommittee. Thank you for the opportunity to testify today.

My name is Stig Leschly. I am the President and Founder of the Postsecondary Commission. I also teach entrepreneurship part-time at Harvard Business School.

The Postsecondary Commission is an aspiring accreditor, which is seeking recognition from the US Department of Education.

Our intention as an accreditor is to hold institutions accountable for generating strong economic returns for students and for acting with transparency towards them in exchange for access to Title IV aid and for wide discretion to innovate.

We are a nonprofit organization, governed by a bipartisan board of commissioners.

In my testimony today, I will describe four essential characteristics of our proposed model of accreditation.

Our approach to accreditation endorses and implements many of the policy ideas favored by this committee on how to improve economic outcomes and encourage innovation in higher education.

FIRST, ECONOMIC RETURN

We are adamant that institutions should deliver sound economic returns to their students.

An overwhelming majority of students in the US describe a better job, a viable career, and higher wages as their top motivations for investing in higher education.

Most policy makers agree with students on this point and view our colleges and universities as vital engines of economic mobility in our society.

When measuring economic returns to higher education, we calculate the wage gains -- or value-added earnings -- that institutions generate for their students.

We do this by comparing the actual wages that students experience after they exit an institution with an estimate of the wages they would have experienced if they had never enrolled in the first place.

We insist on measuring wage gains for all entering students and on holding institutions accountable for the wage gains of both their completers and non-completers. Institutions should have incentives to maintain high graduation rates.

When deciding whether wage gains are adequate, we consider the prices that institutions charge. Institutions should produce wage gains that are large enough to compensate students in a reasonable time frame for their costs, and institutions need strong incentives to lower prices.

Our method for measuring wage gains also controls carefully for whether institutions serve high- or low-need students. In any institution, student outcomes mean little until they are adjusted for the demographics and circumstances – including the income level -- of the students served.

Our approach to sizing and judging the wage gains that institutions produce for their students has much in common with the earnings metric at the core of the PELL Act before this committee.

SECOND, TRANSPARENCY

In addition to being almost fanatical about measuring precisely and evaluating fairly the wage gains that institutions generate for their students, we prize transparency.

We are unwavering in our ask that institutions reveal fully and proactively to students their outcomes, their prices, and their designs.

Students and families crave and deserve good information as they make life-changing decisions about whether and where to enroll.

THIRD, ACCOUNTABILITY

When institutions fail to deliver adequate economic returns for students or when they dodge being transparent with them, we will intervene.

We will do it sensibly and collaboratively, but pointedly.

Our accreditation model calls for us to monitor institutions closely, to work with troubled ones during reasonable periods of remediation, and to tailor our sanctions to the level of distress in question.

FOURTH and LASTLY, INNOVATION

Our sector of higher education needs innovation.

It needs clever institutions, both existing ones and new ones, that can search out new, ground-breaking models of higher education that cost less and produce more.

Our accreditation model enables this kind of searching innovation.

We have clear and fair standards for economic return and for transparency. We intervene when institutions struggle.

And after doing that much, we prefer to stand back, to avoid micro-regulating, and to cede to institutions wide discretion to operate, to evolve, and to specialize as they see fit.

We think this approach to accreditation – one that is tight on outcomes and loose on means – enables innovation.

IN CLOSING, I want to observe, as I did at the beginning of my testimony, that the ideas that shape us as an aspiring accreditor – economic return, transparency, accountability, and innovation – are also the ideas of a growing policy movement, in this capital and in most states, towards better economic outcomes and a new era of innovation in US higher education.

Thank you.

I am happy to take your questions.

Chairman OWENS. Thank you. I will now recognize Dr. Cellini. Did I pronounce that correctly?

STATEMENT OF DR. STEPHANIE CELLINI, PROFESSOR OF PUBLIC POLICY AND PUBLIC ADMINISTRATION, AND ECONOMICS, GEORGE WASHINGTON UNIVERSITY, WASHINGTON, D.C.

Ms. CELLINI. Chairman Owens, Ranking Member Wilson, and members of the Committee. Thank you for the opportunity to testify today. For most students, getting a college education is one of the best investments they can make. Over a lifetime, the benefits of a college education typically far exceed the cost to students and taxpayers.

For some students, the costs may exceed the benefits, especially if they do not complete their degree, or if they attend programs that do not provide them with skills that are valued in the labor market. If higher education was a well-functioning, competitive market, poor performing programs would be forced to close as students realize the program's low value.

The reality is that the market for higher education does not operate like other markets. It exhibits several types of market failure that make government intervention imperative for protecting students and taxpayers. Among the most important market failures, and the one I will focus on today, is imperfect information.

Institutions have more information on school quality, costs and outcomes than prospective students. This imbalance is compounded by the fact that students have little way of knowing how well a program will meet their needs until after they have enrolled, and after they have taken on debt to attend.

Unlike most other products, the benefits of higher education accrue far into the future, making them difficult for students to predict. Prospective students face an array of complex choices, and these choices may be particularly challenging to navigate for students without a tradition of college going in their community.

Research shows that even very high achieving low-income students find it difficult to digest the mountain of complex information on colleges to find the best match. Since most students pick a college only once or twice in their lives, they have few opportunities to practice, and very little room for a mistake.

One market-based approach to solving problems of imperfect information is to simply provide more information to students. This approach is a necessary first step in addressing information issues, and efforts to enhance data availability like the college scorecard, and the College Transparency Act, are critically important.

A growing body of literature shows that information provision alone is not sufficient to protect students and taxpayers. As I document in my written testimony, past releases of government provided information, like the scorecard, have had little or no impact on the choices of the students who need it most, nor have they reduced college costs.

To ensure value for students and taxpayers, institutions must be held accountable for student outcomes with meaningful consequences for poor performing programs. In contrast to other mar-

kets, the Federal Government has access to excellent data on student outcomes by which to measure value.

It has more expertise to interpret performance than the average student. It also has the two rules authority, an obligation to set a minimum standard of value for taxpayer financed programs.

Legislators can address these market failures. First and foremost, the Department of Education's proposed gainful employment regulations must be implemented. GE is critically important for improving accountability and fulfilling a higher education act is imperative to ensure that career training programs lead to gainful employment.

The proposed GE rule is well targeted to hold accountable the programs that the data show are the most likely to leave students with heavy debt burdens and low earnings.

Nearly one-third of for-profit certificate programs would fail GE measures, compared to just 1 percent of programs in community colleges. For-profit institutions enroll disproportionate shares of low-income students, students of color, veterans, working students and single parents, while typically charging higher tuition, relying more heavily on Federal student aid, and generating worse outcomes for students than other sectors.

On average, earnings are lower, and debt is higher in the for-profit sector than in others. It is not surprising that over half of for-profit borrowers default on their loans over 12 years. New research shows that accountability systems like GE, that sanction or close poor performing, for-profit colleges, do not reduce college access, but instead cause students to attend colleges with better outcomes.

Although poor student outcomes are concentrated in the for-profit sector, they are not confined to it. Accountability policies should be appropriately designed to address the risks of different types of programs.

Should Congress move to expand Pell Grant eligibility to very short-term programs, any legislation must ensure that only the highest performing programs are eligible to participate in this critical taxpayer funded program.

Over the last two decades, a growing body of economic and policy research has generated new evidence of value in the market for higher education. Research has shown where the problems are concentrated, how students and institutions may be affected by various policy options, and which metrics might be most effective in measuring value?

I am grateful for the opportunity to share this research with you, and I hope it will help in your efforts to ensure value in higher education for students and taxpayers. Thank you.

[The prepared statement of Ms. Cellini follows:]

Testimony of Dr. Stephanie Riegg Cellini

Professor of Public Policy and Public Administration, and of Economics
The George Washington University

Faculty Research Associate, National Bureau of Economic Research

July 27, 2023

U.S. House of Representatives, Committee on Education and the Workforce

Subcommittee on Higher Education and Workforce Development

Hearing on “Lowering Costs and Ensuring Value for Students, Institutions, and Taxpayers”

Chairman Owens, Ranking Member Wilson, and Members of the Committee, thank you for the opportunity to testify today.

I am a professor at The George Washington University and I have been conducting research on higher education economics and policy for almost 20 years. I am privileged to teach benefit-cost analysis, economics for public decision-making, and higher education policy in the Trachtenberg School. I am also a faculty research associate of the National Bureau of Economic Research and I co-direct the Postsecondary Equity and Economics Research Project. I have previously served as an editor of *Education Finance and Policy* and as a nonresident senior fellow at the Brookings Institution. I am happy to be here today to describe some of the economics and policy research on value and affordability in higher education.

The Value of a College Education

For most students, getting a college education is one of the best investments they can make. Over a lifetime, the benefits of a college education—typically—far exceed the costs to students and taxpayers. We know this because education economists have measured some of the most important benefits of a college education, such as earnings gains and the increased likelihood of employment. They have also measured benefits to society in the form of additional tax payments, reduced reliance on social safety net programs, reductions in crime, and increased productivity to name a few.[1] Today, the median bachelor's degree recipient earns about $1.2 million over their lifetime—about double the earnings of a high school graduate.[2] About 12 years after graduation a typical bachelor's degree recipient will have earned enough to fully recoup their costs.[3]

But the benefits do not exceed the costs for all students. For some students, the costs exceed the benefits, especially if they do not complete their degrees or if they attend institutions or programs that do not provide them with skills that are valued in the labor market. In some programs, students may end up worse off than they would have been had they never attended college at all. These situations contribute to problems of affordability and losses for taxpayers, as borrowers find it difficult to repay their debt.

If higher education was a well-functioning competitive market, poor-performing institutions and programs would be forced to close as students discover the program's low value. But the reality is that the market for higher education does not operate like other markets. It exhibits several types of market failures that make this scenario unlikely. These market failures make government intervention imperative for protecting students and taxpayers from low-performing programs.

The Problem of Imperfect Information

Among the most important market failures, and the one I will focus on today, is imperfect information. Institutions have more information on school quality, costs, and student outcomes (like graduation rates, net cost, debt, earnings, and employment) than prospective students who are considering whether and where to enroll.

This asymmetric information is compounded by the fact that college education is an experience good. This means that the value of a product (i.e., college) cannot be fully known until after buying it (i.e., enrolling). Students have little way of knowing how well the institution will meet their needs until after they have enrolled—and after they have taken on debt to attend.[4] And unlike most other

products, the benefits of higher education accrue far into the future, making them difficult for students to accurately predict and value.

There are over 5,000 institutions of higher education in the U.S. that receive federal student aid[5] and many others that do not participate in Title IV programs. Each year, roughly 25 million students[6] try to make the best choices they can about whether and where to attend college, what degree to pursue, and which program to enroll in.

Prospective students are confronted with an array of complex choices. Students without a tradition of college-going in their family or community may find these choices particularly challenging if they lack access to reliable sources of information. Research shows that some students make sub-optimal decisions in the application process[7] and even very high-achieving low-income students find it difficult to digest what some economists have called a "mountain of complex information on college costs and attributes" to find the best match.[8] There is also evidence that students can face cognitive overload when deciding whether and how much to borrow.[9] From behavioral economics, we know that individuals are more likely to make sub-optimal decisions when choices are complex and when they make those choices infrequently.[10] Since most students pick a college only once or twice in their lives, they have few opportunities to practice and very little room for a mistake.

Transparency in Higher Education

One market-based approach to solving problems of imperfect information is to simply provide more information to students. This approach is a necessary first step to addressing information issues. Efforts to enhance data availability like the College Scorecard and the College Transparency Act are critically important for improving our understanding of the market and student outcomes. But a growing body of literature shows that information provision alone is not sufficient to protect students and taxpayers in higher education.

For example, in 2015 the Department of Education released the College Scorecard, which included information on student outcomes for virtually every institution that participates in the federal aid programs. One of the primary goals was to help prospective students with college choices by making information on student outcomes easy to access and digest. Economists who studied the causal impact of the Scorecard release, however, found that only some students changed their college application behavior in response. Those students were almost entirely from well-resourced high schools and they were disproportionately white and Asian. The Scorecard elicited no changes in college applications for students in high schools with high shares of low-income students and it had no significant impact on Black or Hispanic students' college choices. These results suggest that information provision alone is not enough to influence the choices of the students who tend to have the least information on college options. Absent other interventions, an information release alone could potentially even have the unintended consequence of widening gaps in college access and attainment by race, ethnicity, and socioeconomic status.[11]

Another study considered the effects of College Affordability and Transparency Center lists on institutional and student behavior. The lists, a requirement established during the last reauthorization of the Higher Education Act in 2008, were intended to inform students and "name and shame" institutions with especially high prices and large tuition increases into lowering their costs. The results were clear: Being included on the list generated virtually no changes in student

enrollment or tuition in subsequent years. The only institutional response appeared to be strategic, as institutions sought to revise their data to avoid being included, rather than lower their prices.[12]

Any information provided by the government must also compete with a vast array of rankings and information provided by countless outside sources whose motivations and methodologies are difficult to ascertain (just Google "best colleges" to see for yourself). It must also compete with information coming from the institutions themselves. For-profit institutions spend, on average, $400 per student on commercial advertising including TV, radio, print, and billboard ads, compared to just $14 spent by public institutions.[13] For-profit institutions also tend to spend their advertising dollars in local areas with high shares of military students and students of color.[14] In the sociology literature, case studies have documented predatory recruitment tactics of for-profit institutions targeted toward low-income students, military students, and students of color[15] and several high-profile lawsuits and investigations have found misleading advertising in the for-profit sector.[16] If the information provided by institutions is misleading or inaccurate, or simply more convincing than objective government-provided information on student outcomes, vulnerable students may unknowingly invest in an education that does not pay off.

While objective government-provided information can help improve imperfect information, when used alone, it is unlikely to solve problems of cost and value. We need a system that holds institutions accountable for student outcomes by enforcing meaningful consequences for poor-performing programs.

The Need for Accountability

In contrast to most other markets, the federal government has access to excellent data on student outcomes by which to measure program or institutional performance, such as completion rates, post-college earnings, debt and repayment, and student loan default. It has more expertise to measure and interpret performance than the average student. It also has the tools and authority to set a minimum standard of value for taxpayer-financed programs. And it has an obligation to protect students and taxpayers from investing in programs and institutions if they do not meet a reasonable minimum bar for performance or value.

First and foremost, the Department of Education's Gainful Employment regulations are critically important for improving accountability in higher education and fulfilling the Higher Education Act's imperative to ensure career-training programs lead to gainful employment. The current proposed rules will provide long-overdue consequences for poor-performing programs based on their graduates' outcomes. The rules would restrict Title IV funding from going to programs with high debt-to-earnings rates or those whose graduates earn less than the average high school graduate in their state. As I have written previously, an earnings premium metric provides a clear, simple, and intuitive framework—and one that is aligned with economic theory—to measure the value of education.[17] Similar approaches have been suggested by other economists.[18]

The data demonstrate that problems of value are most concerning in the for-profit sector: Nearly one-third of certificate programs in the for-profit sector fail GE metrics, compared to just one-percent of programs in community colleges.[19] The Higher Education Act specifically identifies for-profit programs and non-degree programs in other sectors as career-training programs subject to the gainful employment requirement, so it makes sense to start with these. We also know that the

incentives of for-profit colleges are different than in other sectors, where the interests of shareholders often outweigh those of students or taxpayers.

Financial aid-eligible for-profit institutions also tend to be highly reliant on federal funds, creating an incentive to bring as many new students as possible in the door. The latest data show that 473 for-profit institutions received more than three-quarters of their revenue from federal sources, some of them getting hundreds of millions of dollars a year.[20] In contrast to the large incentive to enroll students, however, there is currently very little incentive to ensure their success after enrollment.

Unfortunately, these misaligned incentives affect students who stand to benefit most from higher education. For-profit institutions enroll disproportionate shares of low-income students, students of color, veterans, older working students, and single parents, while typically charging higher tuition, relying more heavily on federal student aid, and generating worse student outcomes than other sectors. My own research using data on over 700,000 certificate students finds that even for students with similar demographics and pre-enrollment earnings, those in for-profit programs make about $2,100 less per year than students attending similar programs in community colleges. My coauthor and I also find that the increased earnings of for-profit certificate students are not enough to offset their debt and interest payments, leaving the average student with a net loss of about $1,200 over their lifetime.[21] It is not just my own research that finds concerning outcomes in this sector. There are about a dozen published studies of for-profit students' labor market outcomes in the economics literature, and the results are remarkably consistent: For-profit students' earnings are lower than—and at best, similar to—the earnings for students in other sectors.[22]

Coupling these earnings outcomes with the much higher tuition and increased debt that student take on, it is not surprising that student loan default rates are highest in the for-profit sector. Over 12 years, more than half of borrowers at for-profit institutions default on their loans, double the rate for borrowers in public two-year programs. And because for-profit students are much more likely to borrow, the default rate among all for-profit entrants is nearly four times that of public two-year entrants.[23] There is a real risk that if students choose the wrong school or program, they aren't just missing out on better opportunities; they could actually end up worse off than they were before enrollment.

How Might Accountability Affect Students and Institutions?

In the last few years, education economists and policy scholars have considered the question of how accountability measures, like the Gainful Employment rules, are likely to affect students and institutions. The evidence suggests that accountability systems that sanction or close colleges, do not reduce college access, but instead cause students to attend better colleges, improving their outcomes.

Research looking at a previous iteration of the Gainful Employment rules suggests that institutions proactively closed poor-performing programs and kept open high-performing programs in advance of potential sanctions.[24] When Cohort Default Rate restrictions were introduced by Congress in the 1990s, about 1,200 mostly for-profit institutions were threatened with the loss federal aid. My coauthors and I show that declines in for-profit enrollment due to these sanctions and closures were almost completely offset by increased enrollment in local public institutions.[25] Our results are consistent with previous evidence that students can and do find programs to fit their needs outside of low-value for-profit programs.[26] We also find that students borrowed less and were less likely to

default on their loans in the years after local for-profit colleges were sanctioned.[27] Our results suggest that student access may be maintained and loan outcomes may improve with similar accountability under Gainful Employment.

In understanding the effects of accountability measures, it is also important to remember that thousands of for-profit institutions offering certificates and non-degree career programs operate in the United States without access to federal student aid. Counting these non-Title IV providers would double the number of for-profit institutions in the U.S. and increase enrollment counts by about a third. Non-Title IV institutions also tend to charge lower tuition than nearly identical programs that participate in Title IV. In dollar terms, the average tuition difference is roughly equal to the value of a Pell Grant, suggesting that in the for-profit sector, institutions may raise tuition to capture taxpayer-financed aid.[28]

Under Gainful Employment regulations, the low earnings and high debt of many cosmetology programs make them more likely to fail than programs in other fields of study. Research shows that this is unlikely to be due to underreporting of tipped income[29] or student demographics,[30] but rather due to extremely high number of hours required for licensing combined with poor labor market outcomes.[31] In fact, the majority of cosmetology schools in the U.S. operate without access to federal financial aid – and graduates of those schools pass state licensure exams at similar rates, for a much lower price.[32]

In other fields, concerns that program closures will limit access to higher education options are similarly unfounded. Half of students in programs that fail GE metrics will find a program in the same broad field and credential level within the same institution, and more than 90 percent have at least one better-value option with access to federal aid in the same geographic area.[33]

Appropriate Accountability for All Programs

Although poor student outcomes are concentrated in the for-profit sector, they are not confined to it. Higher education in the U.S. is notable for its wide range of institutions, degrees, and programs. Accountability policy should be appropriately designed to address the risks of different types of programs.

In particular, new accountability tools may be needed to separately assess performance in online programs. We have seen an incredible rise in online learning. In 2019 (just prior to the pandemic) about 18 percent of students were pursuing postsecondary education exclusively online, up from just 2 percent in 2008;[34] and I expect that this figure has increased further since the pandemic.

Most studies show that students perform worse in virtual courses and programs relative to in-person instruction, all else equal.[35] Yet, in most government data that I am aware of, online programs are not separately identified from in-person programs in the same field, making it difficult for students to judge the quality of the online version of the program they are enrolling in.

Nowhere is this problem more evident than in debates over Online Program Management companies, or OPMs. OPMs are for-profit companies that run online programs within non-profit or public institutions, using the name of the non-profit or public institution. Again, we see imperfect information in this market: Students often have no idea that the named institution is not actually providing all or most of their education. Because of a loophole in the Education Department's guidance that runs counter to the incentive compensation ban that Congress put in place, OPMs that

bundle their services are permitted to share in the revenue from these programs. This revenue-sharing model generates an incentive to enroll as many students as possible. In some cases, OPMs are alleged to have used aggressive recruiting tactics in an effort to draw in more students.[36] Add to this the fact that students pursuing online learning are likely to experience worse outcomes than they would in-person, and that OPMs often operate graduate programs that are eligible for generous federal loans, and the severity of the problem becomes clear. The Government Accountability Office estimates that there were at least 2,900 OPM-supported educational programs as of 2021, but due to a dearth of data, even the precise number of OPM-run programs is unknown.[37] We need more data, more transparency, and more accountability for these programs.

Expanding Aid to High-Performing Programs

Just as policymakers should take away access to Title IV aid for poor-performing programs, they must also be cautious to avoid expanding aid to low-value programs. The Pell Grant is one of the most important tools we have to make college affordable, and I know that expansions of the grant to short-term programs are under consideration. Making high-quality short-term programs more affordable is an important goal, but many short-term certificate programs have questionable value. Policymakers must ensure that only the highest-performing short-term programs can access Pell Grants.

Recent research into short-term credentials in Kentucky found that even where there were positive returns to short-term programs, the benefits faded quickly – so students may trade off long-term financial stability for a small, short-term benefit.[38] In my own work, I have looked at outcomes for short-term credential programs (between 300 and 600 clockhours) that are allowed to participate in federal student loan programs, but are currently excluded from Pell Grants.[39] More than half of these programs had graduates with earnings below $25,000 per year (or about the average earnings of a high school graduate). Ninety-six percent of those low-earning programs were in the for-profit sector.

To extend Pell Grants to short-term programs is a risk—and that risk increases exponentially if the expansion of grant aid includes programs in the for-profit sector. In this sector, as I have mentioned, access to the Pell Grant may incentivize schools to raise tuition,[40] ultimately wasting taxpayer dollars, and increasing the chances that students invest their time and money in an education that does not pay off.

Conclusion

Over the last two decades, a growing body of economic and policy research has generated new quantitative evidence on value and affordability in the market for higher education. Unlike other markets, the market for higher education exhibits imperfect information and college choice is a complex decision. The federal student aid system today creates enormous incentives for institutions to bring students in the door, but little incentive to ensure their success after enrollment. Policies aiming to improve outcomes by simply providing information on a government website or identifying institutions on a watchlist, while a reasonable first step, are unlikely on their own to reach the students who would benefit from them the most and will do little to reduce racial, ethnic, and socioeconomic inequities in higher education. The federal government has the authority and the tools at its disposal to require that institutions provide a minimum value to students or face the loss of Title IV dollars. It can also ensure that any expansions of aid are limited only to high-performing

programs. Research has shown where the problems are concentrated, how students and institutions may be affected by various policy options, and even which metrics might be most effective in measuring value. I am grateful for the opportunity to share this research with you, and I hope it will help with your efforts to ensure value in higher education for students and taxpayers. Thank you and I look forward to your questions.

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[27] Cellini, Darolia, and Turner 2020.
[28] Cellini, S.R. and C. Goldin. 2014. "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges," *American Economic Journal: Economic Policy,* 6(4): 174-206.
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[40] Cellini and Goldin 2014.

Chairman OWENS. Thank you. Last, but not least, I would like to recognize Dr. Gillen.

STATEMENT OF DR. ANDREW GILLEN, SENIOR POLICY ANALYST, TEXAS PUBLIC POLICY FOUNDATION, AUSTIN, TEXAS

Mr. GILLEN. Chairman Owens, Ranking Member Wilson, and esteemed members of the Subcommittee, I would like to thank you for giving me the opportunity to testify on this important topic. The value of higher education is being viewed more skeptically right now than at any other time in my life.

I think there is a very good reason for that. In addition to all the categories of students Dr. Cellini just mentioned, if you just take the typical student, the benefits have been stagnant, the wage premium for going to college has not increased in 16 years, and prices on the other hand have increased pretty substantially.

The combination of these two trends of stagnant benefits, and rising prices, has slowly eroded the value of higher education. How can we increase the value? I see two promising paths. One is to encourage lower prices. That can be accomplished in a few ways, so one has already been mentioned, which is price transparency.

There is a recent Government Accountability Office report that found that about 91 percent of colleges obscure or mislead their students about the price of attending college. A new law that increased price transparency would increase student and parent awareness of the costs of college, and their increased resistance to paying those high costs would enforce a market discipline on the colleges.

Another method of lowering prices involves combating the Bennett Hypothesis, which is the tendency of colleges to increase their prices in response to financial aid.

As more and higher quality information on costs and quality, such as value-added learnings outcomes, and earnings outcomes are available, they will shift the nature of competition from reputation-based competition, which we have right now, which drives up costs, to value-based competition, which will drive down costs.

When determining a student's aid eligibility, we could also use the median cost of college. Right now, we use the cost of attendance, which the college is allowed to set by itself. The median cost of college would just be the median among the costs of attendance figures.

This would help sever the link between an increase in prices and an increase in aid eligibility, which would help defeat the Bennett Hypothesis. A second promising path to increase value is improving accountability. Historically we have tried several accountability mechanisms, such as cohort default rates, the 90 –10 rule, and gainful employment.

These have not worked very well. There are some market and outcomes driven performance accountability metrics that could accomplish much more. Two types of metrics have significant potential to improve accountability in higher education, and those are risk sharing, and the return on investment.

For risk sharing right now, if a student does not repay their loans, the taxpayer suffers huge losses, but the school gets to keep all of the money that they were paid upfront. Risk sharing would

change that by requiring the schools to reimburse taxpayers for any losses that they incur as a result of the education that they provided to their students.

The simplest version of risk sharing is to just have the college cosign the loan, so that when the student is unable to repay the college then gets a bill for it. Some colleges are already using a version of this, called loan repayment assistance program. Another way to implement risk sharing is to have the college reimburse the taxpayers for any realized losses.

The Congressional Budget Office currently estimates that the subsidy rate on student loans is about 18 percent. What that means is that for every dollar that the government lends out, they are losing—taxpayers are losing about 18 cents. The risk sharing would basically require the colleges to pay that 18 cents back.

The amount of reimbursements required of the colleges vary dramatically based on the outcomes for their students. If you look at the typical computer science, or the typical registered nursing degree, their earnings are high enough that they are able to repay their loans without imposing any losses on the taxpayers, so those colleges will not have to reimburse anything for those students.

If you look at the other end of the spectrum, a field like fine arts degree, the subsidiary rate for that discipline is about 69 percent. Colleges would be required to reimburse about 69 percent on average for those students.

In terms of return on investment, another sort of potential accountability metrics would be—return on investment would track basically benefits relative to costs. By taking account of both benefits and costs, ROI metrics get a much more comprehensive assessment of the value of the education.

For example, one of your certificate program that increases earnings by $2,000.00 would have a very high ROI if it only costs $1,000.00, but a very low, or even innate of ROI if it costs $100,000.00. ROI metrics can be used to supply carrots and sticks to colleges, for example colleges offering high value programs can be given performance bonuses.

In contrast, low value programs could pay sanctions, including losing access to Federal financial aid programs. Thank you for giving me the opportunity to testify, and I look forward to answering any questions you have.

[The prepared statement of Dr. Gillen follows:]

Statement Before the House Committee on Education and Workforce
On Lowering Costs and Increasing Value for Students, Institutions, and Taxpayers
Andrew Gillen, Ph.D.

July 27, 2023

Chairman Owens, Ranking Member Wilson, and esteemed Members of the subcommittee, thank you for giving me the opportunity to testify on this important topic.

The value of higher education is being viewed more skeptically right now than at any point in my lifetime. And for good reason. The disappointing reality is that too many students fail to get enough value out of their college education. In 2011, Richard Arum and Josipa Roksa published *Academically Adrift*, which documented that about 45% of college students don't improve their critical thinking or writing skills in college.[1] Other scholars' findings "closely parallel those of Arum and Roksa."[2]

Moreover, during the past few decades, costs have exploded while the benefits have not. Rising costs and stagnant benefits have naturally led more students, parents, and policymakers to ask whether college was worth it. For too many, the answer is no. But there is hope. Policy reforms could increase the value of higher education by reducing costs and holding colleges accountable.

The Decline in the Value of Higher Education

The value of something is essentially its worth relative to its price. Value is enhanced when worth increases or when the price declines. Unfortunately, value in higher education has been eroded by two trends: stagnant worth and rising prices.

Stagnant Worth

Since around 90% of college students enroll to improve their career and earnings prospects, worth in higher education is largely determined by the labor market outcomes for graduates. A college graduate earns about 80% more than a high school graduate. But while the premium increased from 40% in the 1970s to 80% by 2007,[3] it has since plateaued, remaining around 80% for the last 16 years as shown in the figure below.[4]

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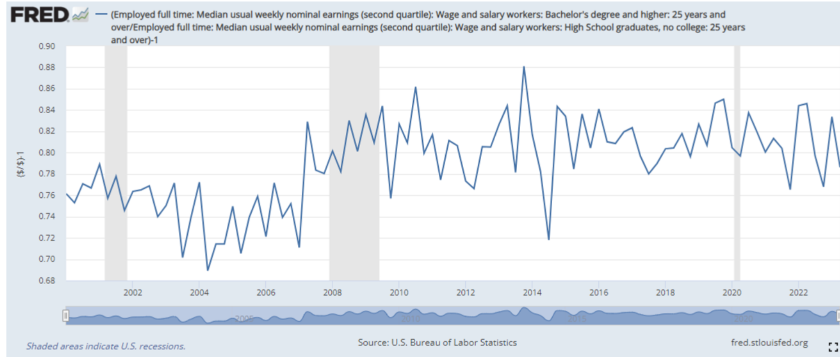
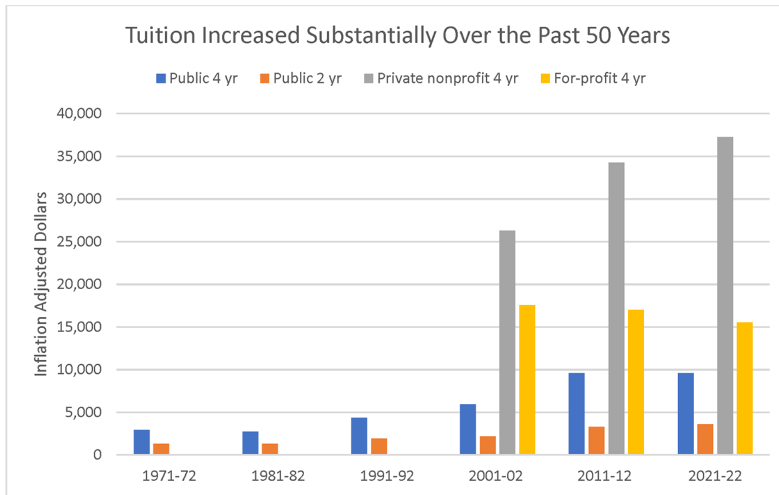
[1] Richard Arum and Josipa Roksa, *Academically Adrift: Limited Learning on College Campuses* (University of Chicago Press, 2011).
[2] Ernest T. Pascarella, Charles Blaich, Georgianna L. Martin, and Jana M. Hanson, "How Robust Are the Findings of Academically Adrift?" *Change: The Magazine of Higher Learning* 43, No. 3 (May 2011): 20-24, https://doi.org/10.1080/00091383.2011.568898.
[3] Jonathan James, "The College Wage Premium" (Federal Reserve Bank of Cleveland, 2012), https://www.clevelandfed.org/publications/economic-commentary/2012/ec-201210-the-college-wage-premium.
[4] This figure is an updated version of a figure in "Is college still worth it? Re-examining the college premium," *The FRED Blog*, July 9, 2018, https://fredblog.stlouisfed.org/2018/07/is-college-still-worth-it.



In other words, the worth of college, in terms of the boost in earnings potential for college graduates, has been stagnant.

Rising Prices

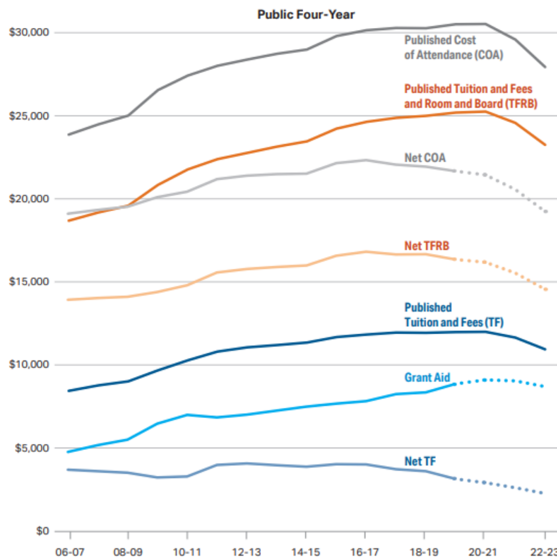
But the price of attending college has risen rapidly over the past few decades. As shown in the figure below, 50 years ago, published tuition and fees in today's inflation-adjusted dollars at public four-year colleges was under $3,000. Over the past half century, it has more than tripled to over $9,000.



Source: Digest of Education Statistics and Texas Public Policy Foundation.

However, these published or sticker prices can overstate costs for students and parents because financial aid programs often reduce the costs for students and parents.

The College Board's Trends in College Pricing series tracks both published prices, as well as the net prices, which subtract any grant aid the student receives.[5] Net prices provide the best measure of how much college really costs students and parents, and one of the College Board's figures showing net prices for public four-year colleges is reproduced below (the trajectories for public two-year colleges and private nonprofit four-year colleges are similar).



The story told by net prices is slightly better, in that the overall level of prices is lower due to the grant aid. But the trend is similar, showing a substantial increase over time.

The combination of these two trends has been detrimental to the value of higher education. Since prices have risen, worth needs to rise even faster to maintain value. But worth, in terms of labor market

[5] Jennifer Ma and Matea Pender, "Trends in College Pricing and Student Aid 2022" (College Board, 2022), https://research.collegeboard.org/media/pdf/trends-in-college-pricing-student-aid-2022.pdf.

returns, has been stagnant while prices have risen, leading to a decrease in the value of higher education.

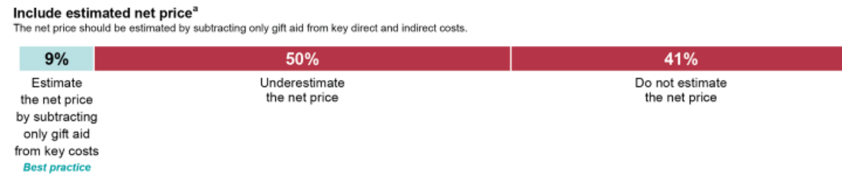
How Reducing Prices Can Increase the Value of Higher Education

One way to increase value in higher education is to lower prices. Lower prices would increase value even if quality remains unchanged (or even if worth declines at a slower pace than prices).

To figure out how to decrease prices, it is insightful to analyze why prices increased in the past.

Part of the reason may be due to borderline fraudulent behavior by many colleges when it comes to telling students the cost of enrolling. As the figure (reproduced from a recent Government Accountability Office report) below documents, 91% of colleges obscure or mislead students about the cost of attending.[6]

Figure 7: Estimated Extent to Which Colleges Do Not Estimate a Net Price in Financial Aid Offers



Source: GAO analysis of financial aid offers for school year 2021-2022 from a nationally representative sample of colleges. | GAO-23-104708

A common practice is to imply that student loans reduce the cost of attending, rather than giving students a method of paying that cost. Thus, one method of lowering prices might be to require price transparency. Increased price transparency would increase student and parent awareness of how much they have to pay, and their increased resistance to paying high prices would put pressure on colleges to reduce prices. One bill that would improve transparency is the *College Cost Transparency and Student Protection Act*.

But there are also more structural reasons for the increase in prices that can be addressed. There have been a host of plausible rationales offered, but most of them can explain very little of the increase in tuition. For example, many argue that tuition at public colleges has increased because states have been disinvesting in higher education by reducing funding. This is not the case. The long-term trend in state funding shows increased funding over time, not decreases, as shown in the (reproduced) figure below.[7]

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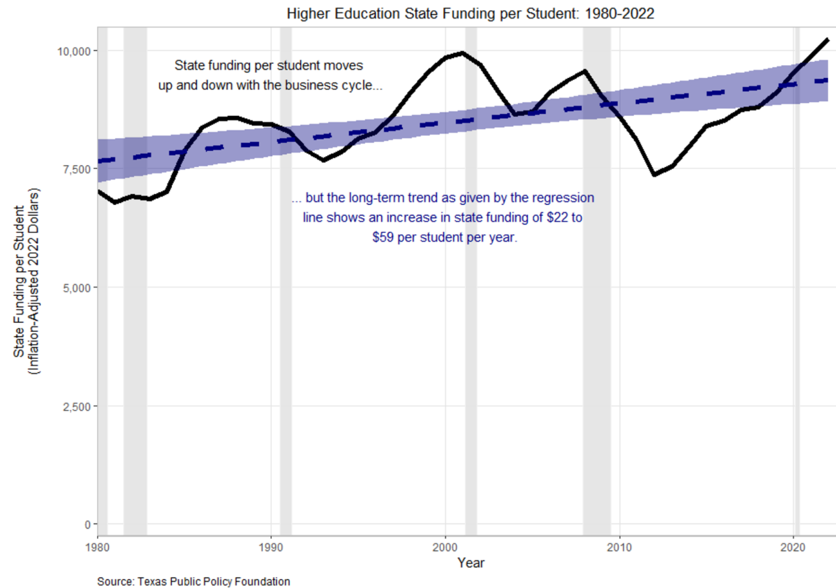
[6] "Financial Aid Offers: Action Needed to Improve Information on College Costs and Student Aid" (Government Accountability Office, 2022), https://www.gao.gov/products/gao-23-104708.
[7] Andrew Gillen, "Trends in State Funding of Higher Education 1980-2022" (Texas Public Policy Foundation, Forthcoming).



If state funding is increasing over time, then decreases in state funding simply cannot be the reason for increases in tuition.

Similarly, many scholars cite Baumol's cost disease as the reason for the increase in college expenditures. According to this theory, increases in productivity elsewhere in the economy put upward pressure on wages, even in labor intensive sectors like higher education that cannot increase productivity as much. When this occurs, colleges have to increase wages to keep professors from leaving for the more productive (and therefore higher wage) sectors. This combination of low productivity growth and rising wages means that per unit costs in higher education will continually rise, putting upward pressure on tuition. However, while Baumol's cost disease does have a grain of truth to it, it cannot explain much of the increase in tuition:

> Baumol's theory could explain an increase in costs of $568 between 1999 and 2015. But expenditures per student (total expenditures/enrollment) increased from $22,946 in 1999 to $28,502 in 2015, a difference of $5,556. In other words, almost 90% of the increase in costs between 1999 and 2015 would appear to be due to something other than Baumol cost increases.[8]

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[8] Andrew Gillen, "Does the Baumol Effect Explain Rising College Costs?" *Education Next*, July 18, 2019, https://www.educationnext.org/does-baumol-effect-explain-rising-college-costs.

Having studied higher education for many years, I've concluded that the best explanation for why costs (and therefore prices) increase in higher education is Bowen's laws. Put forward by Howard R. Bowen, there are five laws of higher education finance:

1. The dominant goals of institutions are educational excellence, prestige, and influence.
2. In quest of excellence, prestige, and influence, there is virtually no limit to the amount of money an institution could spend for seemingly fruitful educational ends.
3. Each institution raises all the money it can.
4. Each institution spends all it raises.
5. The cumulative effect of the preceding four laws is toward ever-increasing expenditure.[9]

Bowen's laws reverse the intuition policymakers should have when it comes to funding colleges. In other areas where the government wants to provide a subsidy, it is relatively straightforward to determine how much it costs to provide a good or service, and then determine how much of that should be paid by the government. Whatever subsidy is provided by the government will reduce the price to the consumer. But under Bowen's laws, government subsidies don't reduce the price to the consumer, because the subsidy allows the college to raise and spend more money. Under Bowen's laws, subsidies have the counterintuitive effect of increasing the cost of providing the good or service rather than reducing the price of the good or service for the consumer.

This pernicious outcome is most evident when colleges harvest financial aid dollars. When the government provides students with financial aid, it does so with the intention of reducing the cost of enrolling in college for those students. But once students receive this financial aid, colleges often respond strategically by raising prices or reducing the aid the college offers, which allows the college rather than the student to capture the benefits of the subsidy.

This phenomenon of college raising prices to exploit financial aid is called the Bennett hypothesis.[10] The Bennett hypothesis has been studied for close to three decades. While the early evidence was mixed, as better data and statistical methods emerged, there was a decisive turn, with almost all new high-quality studies finding evidence of the Bennett hypothesis (that colleges raise prices when students get financial aid). For example, one team of researchers found that for every $1 increase in aid, colleges tend to raise prices by 40-60 cents and reduce other aid to students by 20 cents, meaning that colleges harvest 60-80% of aid to use for their own purposes rather than allowing the aid to increase affordability for students.[11] Another set of researchers found that "prices went up approximately dollar for dollar with increases in federal loans" when the Grad PLUS program was introduced.[12]

The Bennett hypothesis is a behavioral response to a statutory relationship. Students fill out the Free Application for Federal Student Aid (FAFSA), which the Department of Education uses to estimate their expected family contribution (EFC), soon to be renamed the Student Aid Index. The EFC is then

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[9] Howard R. Bowen, *The Costs of Higher Education* (Jossey-Bass Publishers, 1980).

[10] Andrew Gillen, "Introducing Bennett Hypothesis 2.0" (Center for College Affordability and Productivity, 2012), https://files.eric.ed.gov/fulltext/ED536151.pdf.

[11] David O. Lucca, Taylor Nadauld, and Karen Shen, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs" (Federal Reserve Bank of New York, 2017), https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf.

[12] Sandra E. Black, Lesley J. Turner, and Jeffrey T. Denning, "PLUS or Minus? The Effect of Graduate School Loans on Access, Attainment, and Prices" (NBER, working paper 31291, 2023), https://www.nber.org/papers/w31291.

compared to the Cost of Attendance (CoA), which is determined by the college. In general, if a student's EFC is sufficiently below CoA, the student will receive financial aid to fill the gap. The problem is that this allows colleges to exploit aid programs by strategically changing prices. If they raise tuition by $1, CoA rises by $1, which means the student gets $1 more in financial aid. Thus, the statutory relationship is that an increase in prices will result in an increase in aid.

The behavioral response is how colleges respond to the statutory relationship. Since there is no limit to how much they can spend to improve education (Bowen's laws), colleges will face irresistible pressure to respond strategically to the statutory relationship by increasing prices.

So how can we defeat the Bennett hypothesis? Since the Bennett hypothesis is a behavioral response to a statutory relationship, we can fight it at both the behavioral and the statutory levels.

At the behavioral level, what is ultimately needed is to overcome Bowen's laws, which would entail changing the nature of competition in higher education. The low quantity and quality of information on both college costs and quality forces competition to be based on reputation and perceptions, which is a problem because under this type of competition, there is no limit to how much colleges will spend and charge. But if there was more and higher-quality information on costs and quality (e.g., value-added earning and learning outcomes), then competition would be based on value, placing market-driven limits on what colleges will spend and charge.

At the statutory level, new law could use the median cost of college (the median CoA across colleges) instead of CoA when determining aid eligibility. This would "neutralize the Bennett hypothesis… by severing the link between an increase in tuition and an increase in aid eligibility."[13] If a college raised tuition, its students would no longer automatically be awarded more aid, thereby reducing the incentive for colleges to raise prices to harvest financial aid funding. Using the median cost of college would have other benefits as well. It would dramatically improve price transparency, since students could be informed of their federal financial aid awards immediately upon completion of the FAFSA (as opposed to waiting for months for colleges to inform them of their aid offer). And it would encourage cost restraint at colleges by improving the competitive landscape, likely resulting in price reductions at some colleges.

How Accountability Can Increase the Value of Higher Education

Accountability provides another method of increasing value in higher education. By using carrots and sticks, an accountability system can reward colleges that improve worth or lower prices, while also withholding federal funding for programs that do not produce value for students and taxpayers.

Historical Accountability Metrics

There are three main accountability metrics that the federal government has used to hold colleges accountable.

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[13] Andrew Gillen, "The Case for Replacing Cost of Attendance With Median Cost of College" (Texas Public Policy Foundation, 2019), https://www.texaspolicy.com/wp-content/uploads/2019/10/Gillen-Replacing-Cost-of-Attendance.pdf.

- Cohort Default Rate (all postsecondary institutions)

The Cohort Default Rate (CDR) is the percentage of a college's students who default on their student loans within three years. A college loses eligibility for Pell grants and student loans if more than 40% of students default (or more than 30% for 3 years). Established in 1990 and amended in 2008, the Cohort Default Rate is the only federal accountability mechanism that applies to all postsecondary institutions. But CDR is being rendered obsolete by the income-driven repayment plans, which all but eliminate the possibility of default, even when students are making no payments.

- 90-10 Rule (for-profit institutions)

For-profit colleges are not allowed to receive more than 90% of their revenue from federal financial aid programs. The rationale for the rule was that it would ensure that colleges passed a market test since at least some of their revenue was being paid directly by students. However, since much federal aid like Pell grants are distributed based on financial need, the rule punishes colleges that enroll a high proportion of students from low-income households. For example, students who quality for an "Auto-Zero EFC" cannot afford to pay anything out of pocket. For-profit colleges are punished for enrolling these students, when they should be rewarded. There is also concern that the 90-10 rule encourages for-profit colleges to raise prices above the maximum level of federal financial aid, because they are not allowed to restrict how much federal aid their students receive. The recent inclusion of GI Bill benefits was another mistake, since GI Bill benefits are compensation for miliary service. There is no logical reason to count GI Bill benefits in the 90% but not the pay a GI earns.

- Gainful Employment (vocational programs)

Vocational programs have in the past been subject to additional accountability requirements and the Biden administration is proposing to issue new regulations soon. The previous iteration of gainful employment (under the Obama administration) focused on eliminating aid access for programs with excessive debt, defined as debt service payments in excess of a set percentage of postgraduate earnings. The basic idea (eliminating aid for programs with excessive debt) and the method of determining excessive debt (debt relative to income) are both promising approaches. But there are two main problems with how gainful employment was implemented. First, it only applied to programs at for-profit universities and non-degree programs at public and private nonprofit universities. This selective targeting captured only around 11% of all programs that leave their students with excessive student loan debt, meaning that 89% of programs with excessive debt escaped accountability.[14] The second problem with gainful employment is the inclusion of get-out-of-accountability free carveouts for politically favored sectors. For example, under the previous iteration of gainful employment, many graduate programs would fail the main debt-to-earnings test, so a second test that allowed many of these graduate programs to pass was introduced. And the Biden administration proposes ignoring the debt of many community colleges in their proposed iteration of gainful employment. Thus, while gainful employment was good in theory, its implementation has been repeatedly botched.

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[14] Andrew Gillen, "Lessons from Gainful Employment: Improvements to Replicate and a Mistake to Avoid" (Texas Public Policy Foundation, 2022), https://www.texaspolicy.com/wp-content/uploads/2022/02/2022-02-NGT-LessonsfromGainfulEmployment-AndrewGillen.pdf.

Market/Outcomes-Based Accountability Metrics

Under most current financing models, educational subsidies are largely universal, providing similar support to students in every academic field, college, or program. But some types of education have high value, while other types have low value. Paying colleges the same for low-value programs as for high-value programs leads to too many low-value programs being offered.

While the historical accountability approaches tried to weed out some of these low-value programs, they have been insufficient. Policymakers should consider augmenting/replacing them with new accountability metrics that utilize a market or outcomes-based approach.

This is the general principle behind many performance-based funding models—define an outcome of interest and base funding on a college's success in achieving that outcome. While historically performance-based funding models were neither performance-based, relying on outputs like graduation rates instead of outcomes like employment, nor funding (so called performance-based funding often amounted to a rounding error in total funding and often included a no-harm clause that ensured no college lost funding), this is gradually changing.

One of the best examples of performance-based financing is used by the Texas State Technical College (TSTC). Rather than being funded by state appropriations, like virtually all other public colleges, TSTC is instead paid based on how well it prepares students for careers. Specifically, the college is paid a share of the increase in state taxes that their students generate for the state.[15] When TSTC provides a valuable education that increases their students' earning substantially, both the state of Texas and TSTC benefit. But low-value programs that fail to increase students' career prospects are a drag on the college's finances and are quickly phased out.

Two categories of market or outcomes-based accountability metrics have significant potential to improve value: risk sharing and return on investment.

- Risk Sharing or Skin in the Game

One potential accountability metric to improve value is risk sharing or skin in the game. Right now, student loans are contracts between the taxpayers and a student, who uses the money to pay the college. If the education provided is of low value, both the taxpayers and the student lose. The taxpayers are never paid back while the student is burdened by unaffordable debt for years, hounded by collections agencies, and unable to obtain an affordable mortgage or car loan. But the college, which gets paid up front, faces no repercussions and gets to keep every cent.

This perverse incentive structure allows for colleges to profit from providing low-value education that leaves both the student and the taxpayers worse off. Risk sharing could remedy this problem by aligning incentives to ensure that colleges only benefit when students and the taxpayers do too.

One version of risk sharing would have the college co-sign the loan, so that when a student is unable to repay their loan, the college makes the payment for them. As co-signers for the loan, colleges would no

[15] Erin Davis Valdez and Jorge Borrego, "Outcomes-Based Higher Education Funding: A Case Study from Texas" (American Enterprise Institute, 2022), https://www.aei.org/research-products/report/outcomes-based-higher-education-funding-a-case-study-from-texas.

longer be able to profit by offering overpriced low-value education that leaves students and taxpayers worse off. Some colleges are already using a version of this, called Loan Repayment Assistance Programs (LRAP).[16] Making LRAPs mandatory would be one way to implement risk sharing. This would require another change in the law as well. Under current law, a college cannot reduce the amount a student can borrow (unless done on a case-by-case basis), but if a college is to be a co-signer, they need to have the ability to limit borrowing, along the lines of Representative Grothman's *Responsible Borrowing Act*.

Alternatively, risk sharing could be used to ensure that the federal government doesn't lose money on student loans. The Congressional Budget Office (CBO) routinely calculates the subsidy rate for student loans, and currently estimates that loans have a subsidy rate of 17.8%, meaning that the government will lose 17.8 cents for every dollar it lends.[17] A simple version of risk sharing would make colleges pay that 17.8 cents (or at least some portion of it).

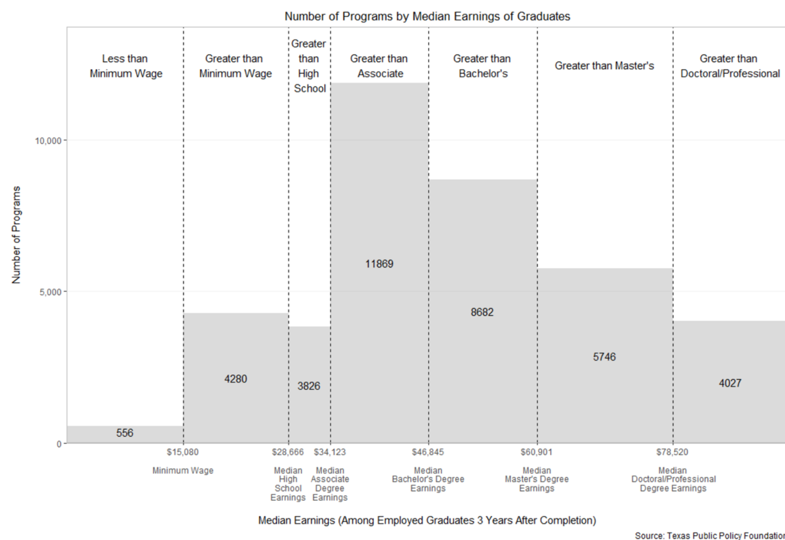
The risk sharing burden faced by any given college would vary dramatically based on the value of the programs offered. Colleges that offered only high value programs would not face much if any risk sharing. For example, even under the newly announced SAVE repayment plan, the subsidy rate for the typical graduate with a bachelor's degree in computer science or registered nursing is negative, meaning that the government doesn't lose money on these loans, and that the college would therefore not be required to make any payments to reimburse taxpayers for loses under a risk sharing system. In contrast, the typical subsidy rate for new graduates with a degree in fine and studio arts is 69%. Without risk sharing, the government would lose 69 cents of every dollar lent to the typical fine and studio arts student. But with risk sharing, the college would be on the hook for those losses, not the taxpayers.

By making sure that colleges do not profit from by offering low-value programs, risk sharing would help align the incentives of all the major decision makers – students, colleges, and taxpayers.

- Return on Investment

Another set of potential accountability metrics measure the return on investment (ROI) by tracking the benefits of an education relative to its cost. The higher the ROI, the better for the student. But negative ROI is also possible. In fact, as the figure below shows, there are almost 5,000 college programs in the country where the typical graduate earns less than the typical high school graduate, which implies a negative ROI even if the education only costs $1.

[16] Andrew Gillen, "One Way to Fix Students Loans: Mandatory LRAPs," *Minding the Campus*, May 12, 2023, https://www.mindingthecampus.org/2023/05/12/one-way-to-fix-students-loans-mandatory-lraps.
[17] "Student Loans Baseline—May 2023" (Congressional Budget Office, 2023), https://www.cbo.gov/system/files/2023-05/51310-2023-05-studentloan.pdf. The reported subsidy rate is the estimate based on the Federal Credit Reform Act (FCRA). The more appropriate fair-value subsidy rate estimate is 26%.



Preston Cooper estimated the ROI of bachelor's degree programs and found that over a quarter had a negative return on investment, meaning their cost is greater than the increase in lifetime earnings.[18]

One thing to note about calculating an ROI is that the returns should be evaluated on a value-added basis, meaning the increase in the student's earnings due to their college education rather than total earnings. Thus, if a college graduate earns $40,000 but would have earned $30,000 without going to college, the ROI should be based on the $10,000 increase in their earnings. Ideally, each student's counterfactual (non-college educated) earnings would be known and compared to their post-college earnings. However, this will often not be feasible, which leaves two reasonable methods. One is to use a specific dollar threshold, such as the typical earnings of those with less education (e.g., the counterfactual earnings for bachelor's degree recipients could be the median earnings of high school graduates). The second method is to rely on widely used measures like the poverty line. Many federal programs, including the income-driven repayment plans, establish cutoffs at 100% or 150% of the poverty line. To avoid unanticipated and counterproductive interactions with these programs, these poverty lines could be used as the counterfactual earnings.

Relative to the other potential accountability metrics, ROI metrics are much more comprehensive in determining whether an educational investment is worth it, because they account for (theoretically all) costs and benefits. Other potential metrics focus on just benefits (e.g., an earnings floor) or only the part

[18] Preston Cooper, "Is College Worth It? A Comprehensive Return on Investment Analysis" (The Foundation for Research on Equal Opportunity, 2021), https://freopp.org/is-college-worth-it-a-comprehensive-return-on-investment-analysis-1b2ad17f84c8.

of costs paid for with student loans (excessive debt or risk sharing metrics). The main hinderance to using ROI is that there is not a finite period over which to measure it. For something like a college education, which could yield benefits decades into the future, you could wait a lifetime to comprehensively sum up all the benefits, by which point any accountability carrots or sticks based on the lifetime ROI would be decades out of date.

A good approach is therefore to measure ROI several years after graduation, which is long enough to ascertain the likely ROI trajectory, but not so long that the carrots and sticks used based on the data are out of date. The metric in the recently proposed *Promoting Employment and Life-long Learning Act* strikes a good balance. The proposed metric essentially acts as an early-stage ROI by evaluating value-added earnings three years after students graduate relative to the cost of the program.

Carrots and sticks can then be applied to colleges based on these ROI metrics. For example, colleges offering high-value programs could be given performance bonuses. This would provide both a strong incentive for colleges to establish or expand existing high-value programs, as well as providing colleges with the resources to do so. In contrast, low-value programs could face sanctions, which would encourage colleges to phase out programs that don't benefit students. For example, programs with a low ROI could have higher risk-sharing burdens. If the value of a program is low enough, it should have access to the federal financial aid programs terminated.

Thank you again for the opportunity to provide this testimony, and I look forward to answering any questions you may have.

Andrew Gillen

Chairman OWENS. Thank you. Under Committee Rule 9, we will now question witnesses under the 5-minute rule. I will begin the process. Dr. Gillen, you noted in your testimony that when a loan is made colleges receiving financial benefit up front, zero downside risk, while students and taxpayers face the consequences when the education does not live up to its promise.

How would a market-based approach to accountability, like risk sharing, reverse this backward incident structure?

Mr. GILLEN. Yes. As an economist, the skewed incentives that we see under the current financing model is very disturbing. You could have a program that does not deliver a very good education, or it is just not well compensated in the labor market. The student loses out because they are financially devastated.

The taxpayers lose out because they have never repaid the loans, but the school still profits. To me, one of the great things about these market driven and outcome based accountability mechanisms, is that you can align those incentives so that the school only profits when the school—or when the student and the taxpayers do as well.

Chairman OWENS. Very good. Thank you. Mr. Horn, most students go to college to move up the economic ladder, yet when an accreditor is reviewing the quality of a college, the review is not focused on the student outcomes. This is partly because the Higher Education Act requires accreditors to evaluate students' access based on college inputs, such as facilities, equipment, supplies of the college.

However, we have seen accreditors set additional standards based on other inputs that they desire programs and institutions to pursue. This can include requiring an institution to prioritize political practices, or a litmus test, such as reading, diversity, equity and inclusive practices.

If accreditors set standards focused on student outcomes, instead of a variety of inputs, how would the colleges respond?

Mr. HORN. Yes, I think that you would see a clear focus on value for students, and you would see a lot more innovation. As Stig was speaking about, and as they set up an accreditor focused on outcomes, it would encourage institutions to try an array of ways to support students in different circumstances, to focus on what they do best, and not have the accreditors micro manage the missions of the institutions themselves, but instead free them up to serve the students along the dimensions that they most care about.

Chairman OWENS. Thank you. By the way, this is why I introduced recently an accreditation for college act called Act, ACE Act, which will prohibit accreditors from requiring colleges to accredit to meet any political litmus test, such as requiring adherence to DEI standards as a condition of accreditation.

Mr. Horn, earlier this year the Department of Education shocked most everyone in a postsecondary community, when it expanded the definition of a third-party service. As you know, colleges and universities of every type, partner with technology and instituting experts to develop course work outlined educational platforms, or provide retention and student success activities.

These partners are by no means financial aid services. Because of this vast criticism, the Department pulled back its guidance. Why are the Department actions regulating third party services—just one example of the misalignment focused on institutional inputs rather than outcomes?

Mr. HORN. Yes. It is a classic case of being overly broad and one might say creative, and changing the English language to expand the definition of the entities that the statute was meant to regu-

late, and the effect I think is pretty clear. It is going to crowd out innovative startups that might support colleges in better serving students.

It favors status quo incumbents. It creates more compliance costs that will actually raise, not lower the price of higher education, and it distracts from the ultimate thing that we need to be focusing on, which is a better framework for policy focused on outcomes and value for students and taxpayers.

Chairman OWENS. Thank you so much for that. Right now, I would like to recognize the Ranking Member, Ms. Wilson.

Ms. WILSON. Thank you. Thank you, Mr. Chair. Dr. Cellini, the Federal Government is uniquely equipped to provide oversight of institutions to ensure that they are not harming students or wasting taxpayer money. While it may not be the Federal Government's role to tell students where to enroll, it is essential that the government help to determine where not to go based on how institutions support their students.

Tell us why must the Federal Government, and not individual students take the onus of identifying low-quality institutions, and how does Federal accountability protect our taxpayers?

Ms. CELLINI. Thank you. Well as I mentioned, imperfect information is a problem in this market. Choosing a college is very complex, there is a lot of information out there. We know that just providing information may not get to the students who need it most. There is research on the College Scorecard, and other types of lists that identify high-cost programs that have not made a difference for students.

They have not reached students who might need that information the most. There are lots of taxpayer dollars at stake, billions of dollars, and we need to make sure that students at least know which programs have value. They should not have to take it on themselves to go through the mountain of information, complex information on college costs and attributes to decide for themselves which programs have value.

The Federal Government has data that it can use on student outcomes, and can at least ensure a minimum bar, so that students are assured that programs that they enter into will have value in the long run.

Gainful employment and other accountability metrics provide some of this assurance for students, to make sure that low performing programs cannot access Federal student aid.

Ms. WILSON. Thank you. Mr. Horn, the current cost of higher education puts a college degree out of reach for many. You mentioned in your written testimony the promise of loan risk sharing to address college affordability and accountability. However, some experts, including the Brookings Institution, have warned that if not crafted properly, risk sharing could harm disadvantaged students' access to higher education.

How can you promote this policy without adequately explaining how this policy could, if designed poorly, disincentivize enrollment of students deemed at risk?

Mr. HORN. Yes. I appreciate the question, and I think there are two sides that are important to balance here. One is the importance of accessibility for the socio-economic gains that you men-

tioned in the beginning in your remarks about the benefits that can construe to successful graduation, and placement into jobs.

When you craft these policies, obviously making sure you ensure the upside is critically important. The second thing that I would say is that Dr. Gillen, and their institute, have done a significant amount of work in thinking about the right way to structure these programs to balance the concerns of poor outcomes, the upside of really good outcomes that actually reset what the taxpayer is paying for around value for students, and the importance of focusing on that ultimate value.

Ms. WILSON. Okay. Dr. Gillen, if we are serious about promoting equality, accountability in higher education, we should focus on holding for-profit institutions accountable for pushing the false promise of a quality education. The National Center for Education Statistics reported that in a 6-year period only 29 percent of students at for-profits successfully completed their degree.

How can we promote for-profit institution places in higher education landscape when they continuously fail, continuously.

Mr. GILLEN. Low value education is a concern regardless of where it occurs. It occurs in the for-profit sector, it occurs in the public and non-profit sector too. I think that our role should be to identify where low value education is occurring, and stamp it out wherever it occurs, including the for-profits, including the publics, including the non-profits.

Ms. WILSON. I think I am out of time. I yield back.

Chairman OWENS. Thank you. I now recognize Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman. I appreciate each one of you talking about this very important subject today. Dr. Gillen, I want to talk to you a little bit about Texas State Technical College if you don't mind. You mentioned performance-based funding as a way to provide incentives for colleges to give high value education to students.

You point to the funding structure used by TSTC as a potential model for policymakers to follow if performance funding were to be incorporated into the Higher Education Act. Can you discuss a little bit more about how this model works in Texas, and what lessons this Subcommittee can learn from that model?

Mr. GILLEN. Yes, absolutely. The Texas State Technical College, it is a public college primarily vocational, and unlike almost all other public universities and colleges in the country, it does not receive appropriations upfront, so it does not get a check from the State government.

Instead, what the State does is it tracks all of Texas State Technical College students for several years after they graduate. It then calculates the value-added earnings, so the difference between what they think those students would have earned before attending the college, and what they earn afterwards.

It then calculates the increase in tax revenue for the State of Texas, and then it shares a portion of that tax revenue with the school. That is how Texas State Technical College is funded. It educates students. Those students then generate more tax revenue, and some of that tax revenue is given to the State, almost as like a performance bonus, in lieu of State appropriations.

This is a very innovative and great model. It has led to really great changes within Texas State Technical College and the State. Everybody in Texas is very, very pleased with this. The cities that do not have a campus want one. The cities that do have a campus are thrilled to have one.

This is a great model, and it also changed the culture of the administration of the university. Whenever you think about the traditional college, one of the hardest things to do is get rid of a department, right? Get rid of a major, get rid of a certificate program because it creates a lot of controversy.

That is not the case at Texas State Technical College because they are looking at the data for the earnings outcomes of their students, and if that data is not sufficient to justify the program, they just quietly close the program, and redirect those resources elsewhere.

That cultural shift is just a huge, huge benefit, I think.

Mr. MORAN. It sounds like part of that culture is really a culture of internalizing this notion of accountability. Self-accountability, both at the professor and administration level, and also at the departmental level. Would you agree with that?

Mr. GILLEN. Yes. Absolutely. I mean Texas State Technical College is definitely held accountable. If their students do not get good jobs, they do not get paid, which is completely the opposite way that we fund most colleges in this country.

Mr. MORAN. Yes. We spend a lot of time on this Committee talking about the substance of policies, or substance of things we do not like being taught in either early education, or institutions of higher education, but in truth, the proof is in the pudding.

Ultimately, we are developing individuals to go out in the workplace and to be beneficial parts of the workplace, and so this kind of model reinforces that, that hey look, let us see what kind of teaching leads to what kind of outcomes. Do you see any other institutions of higher learning that are using this kind of model?

Mr. GILLEN. There is a lot of tinkering I would say. I am only aware of Texas State Technical College using this exact model. There are a lot of performance-based funding programs throughout the country that sort of mimic this structure. The difference is this is all of Texas State Technical College's funding, whereas these performance base fundings it is typically a rounding error, so there is a hint of this model spreading, but it has not really spread.

Mr. MORAN. I want to switch gears and ask Mr. Horn really quick about a different topic because I am a father of four. I have got two seniors in high school that are looking to go to college, so we are looking at a whole lot of finances, and a whole lot of costs of colleges. I know firsthand how difficult the college shopping process could be.

How come colleges are not—how come we are not viewing it as a long-term investment, and we are not pricing it that way, and we are not holding our colleges and universities accountable for the transparency for the cost of certain programs, compared to their return on their investment. Can you speak to that?

Mr. HORN. Sure. First, good luck as you go through the process. Second, opacity right works in favor of the colleges in many cases. It obscures, it creates a social or emotional feeling of oh, I got a

scholarship when in fact they are net tuition discounting as they try to maximize the revenue in their class, and things of that nature.

I would argue it is a short-sighted part of the model as well because it is undermined trust in the institutions as the price tag has gone up over time.

Mr. MORAN. Yes. I appreciate that. Thank you all for your information today. I yield back.

Chairman OWENS. Thank you. I would now like to recognize Mr. Takano. I am sorry, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman. Dr. Cellini, when President Johnson signed the Higher Education Act, he said that it meant that a high school senior anywhere in this great land of ours can apply to any college, or any university, in any of the 50 states, and not be turned away because his family is poor.

He backed up that promise with the Higher Education Act, where the Pell Grant at that time covered about 80 percent of the cost of attending a State college. The other 20 percent could be made up with part-time jobs, summer jobs, and that kind of thing.

Is it still important for our democracy that all students have access to higher education?

Ms. CELLINI. Yes. Higher education is incredibly important. It has benefits not only to students, but also to society more broadly in the form of things like increased civic participation, increased productivity, reduced crime. Access to education is incredibly important for society. The Pell Grant is incredibly important for making college affordable for millions of students.

About 7 million students every year get the Pell Grant, and we know from the research that it is not only important for enrollment in college, but also for completion and in fact, it can even raise earnings of students. Some researchers have found that earnings effects alone from the Pell Grant make it pay for itself many times over. The Pell Grant is incredibly important.

Mr. SCOTT. Thank you. We have heard a lot about economic return on the investment. Is there inherent value in a 4-year on campus liberal arts degree that cannot be monetized?

Ms. CELLINI. Of course there is many benefits to a college education, some that can be monetized, some that cannot. As kind of a minimum bar to look at accountability and what students expect to receive is at least a small boost in earnings, in addition to some of those other non-pecuniary benefits.

Mr. SCOTT. If some degrees are easier to monetize than others because you have got readily identifiable job skills, others you just have a good education, and should Federal financial aid be limited to courses where a financial monetized financial return can be calculated? Or should financial aid be available to all college courses?

Ms. CELLINI. I think we need different types of accountability for different types of programs. The accountability needs to be appropriate for the risks of those programs. We know that many of the problems of value are concentrated in the for-profit sector, and things like gainful employment do take a look at those programs, and career programs are mentioned in the HEA.

Mr. SCOTT. Well in those programs the promise is that you take the course to get a specific job, and you are talking about consumer

protection, and you have been given a promise. If you are really not going to get a good job, you have been defrauded.

When the promise is that you will get a good education, that is kind of hard to monetize frequently, and the question is whether the Federal Government should be—Federal financial aid should be available for college courses, history, English or other things where you may not be able to monetize it.

Ms. CELLINI. Well, on average we see that students in 4 year college programs, at most institutions, as I mentioned for most students college does pay off in 4 year programs. We see that often in liberal arts for example, that students may not make quite as many earnings right out of the gate, but those earnings may increase over time, and they may also of course have non-pecuniary benefits of the education as well.

Mr. SCOTT. That is why we have to be careful about sticking just to being able to monetize the particular degree, but there is inherent value in a good education. One of the things that we have not discussed is why it costs so much to go to college. Where can colleges actually cut costs, or is providing an education just inherently expensive?

Ms. CELLINI. I think there are a lot of reasons why college costs have increased. I think there has been State disinvestment in higher education, and as a result, sometimes budgets are balanced on the backs of students at the State level, and tuition rises.

I think there are things that colleges can do to help students. Colleges can invest in institutional grants, or lower tuition to ensure that students do not take on huge amounts of debt.

Mr. SCOTT. Well, the fact is that states have traditionally several decades ago, paid two-thirds of the costs to the State college, now it is on average less than one-third. That burden has gone on the students. We are trying to get the costs of running a college down has been challenging. Thank you, Mr. Chairman.

Chairman OWENS. Thank you. I would now like to recognize the Chair of the full Committee, Dr. Foxx.

Mrs. FOXX. Thank you, Mr. Chairman, and I am interested in hearing what the Ranking Member has to say and finding that there really is a different world view as far as education is concerned. I thank our witnesses. Mr. Horn, in any well-functioning market, which education is, the price you see reflects the quality of the product being sold and is the actual price you will pay.

Unsurprisingly, that is not the case in our poorly functioning postsecondary education market. The rise of strategic tuition discounting has completely distorted the connection between price and quality, and the result in two identical students paying widely different prices simply because one indicated an interest in more than one school on his or her FAFSA.

In your testimony you highlight several colleges that have moved away from the opaque pricing scheme and toward models that are transparent for students and families. Can you elaborate on these alternative pricing models, including how they benefit students and institutions?

Mr. HORN. Certainly. We have seen four I would say, innovations in transparency and pricing. One is to move to a subscription model, so like Western Governor's University, which now serves

some 160,000 or so students with competency based online education. We have seen institutions move to guarantee a 4-year pricing model upfront, so that there is no surprise from year to year in what will change.

This was first popularized with scholarships and athletics. It has moved to the actual price tag itself. A third one has been tuition resets, so moving away from the net tuition discounting model that you mentioned, to say hey, let us actually move down to the actual price itself.

Then fourth, I will mention, is also a work college model, where you are partnering with employers so that students as they are working and gaining educational credit for that work are also getting wages that pay for the tuition, like Paul Quinn College.

Mrs. FOXX. Thank you. If we can learn anything from this hearing, it is that institutions can change for the betterment of themselves, students, and taxpayers. With that, I request unanimous consent to submit for the record testimony from the University of Dayton, which has been a leader in offering upfront guaranteed prices to students resulting in lower debt and increases in retention conflation and enrollment.

I ask unanimous consent to submit testimony from Lenoir-Rhyne University in North Carolina, which has committed itself to transparent pricing, and recently underwent a tuition reset. I commend President Fred Whitt, of Lenoir-Rhyne University, for his leadership in implementing transparent tuition prices.

Mrs. FOXX. Mr. Chairman.

Chairman OWENS. No objection.

[The information of Mrs. Foxx follows:]

University *of* Dayton

Enrollment Management

Jason Reinoehl
Vice President for Strategic Enrollment Management, University of Dayton
Regarding Subcommittee on Higher Education and Workforce Development hearing "Lowering Costs And Increasing Value For Students, Institutions And Taxpayers"

Chairman Foxx, Ranking Member Scott, and Committee Members:

My name is Jason Reinoehl and I serve as the vice president for strategic enrollment management at the University of Dayton (UD), a top-tier national Catholic research university. Founded by the Society of Mary (the Marianists) in 1850, we currently enroll 11,770 undergraduate, graduate and law students. UD's six-year graduation rate is 81%, well above the national average for private universities (63%) and public universities (56%). We are delivering on the promise of a bachelor's degree when more Americans are skeptical of the value of a four-year education. What does that promise translate to? Ninety-eight percent of University of Dayton undergraduates are employed, pursuing a graduate education or participating in a service program within six months of graduating.

Too many students cannot realize this promise due to the rising cost of college. More than three in four US adults noted in a recent national survey that they would find it difficult to afford a college degree. And 44% of undergraduates with student loan debt consider leaving college due to this financial burden. We must reduce the cost of higher education so all Americans can benefit from the power of a four-year degree. I am testifying today to show one way that we can make progress toward this goal, even mid-size institutions like ours with more limited resources than our peers. Since 2013, UD was one of the first (if not the first) institutions to commit to upfront financial aid transparency for all four years.

After all, a bachelor's degree is a four-year investment. Now, it seems like a simple principle. However, most colleges and universities only tell students the price for the first year of their education. With unexpected tuition increases and hidden fees, students often must come up with at least an additional $20,000 to earn their degree. Every unanticipated expense can make or break students' decisions to remain in school, especially those struggling under financial insecurity. Therefore, too many students drop out with debt and without a credential.

On the University of Dayton website, we boldly and clearly tell prospective students: *"You will understand the full four-year cost of your education up-front, and there are no fees or surcharges. That means there are no surprises, so you can be confident in our costs and plan for success."* We provide each admitted student their guaranteed net tuition cost for all four years, as well as projections for housing, meals and even costs like travel to and from campus. Many colleges and universities charge students course fees, lab fees, recreation fees, orientation fees, graduation fees, etc. At UD, we eliminated all of those surcharges. Each of those fees represents yet another barrier to affordability. Course materials can also substantially add to the cost of a degree. That is why we offer a $500 book scholarship each semester to students who visit campus and fill out the FAFSA. That more than covers the cost of textbooks for the average UD student—and signals that we know every expense counts. By incentivizing more students to fill out the FAFSA, we're ensuring they're not leaving any financial aid on the table.

As a sector, we owe it to students and their families to be transparent. If more schools followed this approach, more students could persist to graduation and finish with less debt. We are seeing that principle in practice here at Dayton, beginning with the first graduating class impacted by our commitment to tuition transparency.

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University *of* Dayton

Enrollment Management

Their student debt burden dropped by $10 million and the six-year graduation rate reached its highest point in school history (81.5%). Today, University of Dayton students on average graduate with $19,000 in federal and private student loans, less than half the national average. Fewer students are taking out loans they struggle to pay back after they graduate. Our students' default rate is 0.5%, a fifth of the national rate (2.3%).

When we commit to financial transparency, we also increase socioeconomic diversity and broaden access to students from lower-income backgrounds. At UD, we have doubled our Pell enrollment in the past eight years through a commitment to the American Talent Initiative, a collective of 137 schools with the highest graduation rates in the country. Just this spring, we were recognized as one of ATI's leading institutions for our work to enroll and graduate Pell-eligible students. Financial aid transparency is a cornerstone of that success, advancing our mission as a Catholic, Marianist university committed to the common good. All of higher education should take steps like these to ensure all students have access to opportunity.

Thank you for the opportunity to submit this testimony and ensure the promise of college is more accessible and affordable for Americans today.

Jason Reinoehl

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Testimony from Lenoir-Rhyne University

"LOWERING COSTS AND INCREASING VALUE FOR STUDENTS, INSTITUTIONS, AND TAXPAYERS"

Subcommittee on Higher Education and Workforce Development Hearing

Thursday, July 27, 2023 - 10:15 AM

Subcommittee on Higher Education and Workforce Development

Lenoir-Rhyne University respectfully submits the following written testimony for inclusion in the "Lowering Costs and Increasing Value for Students, Institutions and Taxpayers" hearing to be held Thursday, July 27, 2023.

Background

Lenoir-Rhyne University is a private, liberal arts university serving approximately 2,500 students on three campuses: the primary campus in Hickory, North Carolina and satellite campuses in Asheville, North Carolina, and Columbia, South Carolina. We offer more than 50 undergraduate majors and more than 20 master's degree programs and have more than 20,000 alumni living around the world. Lenoir-Rhyne is one of 36 private, nonprofit colleges in the state of North Carolina and one of 25 universities in the country affiliated with the Evangelical Lutheran Church in America.

Commitment to Increasing Value

Over the last decade, American families have increasingly begun to question the value of a college degree. A 2022 poll from nonpartisan research organization Public Agenda shows that, regardless of political affiliations, Americans are concerned with college access, rising costs, and return on investment.

Indeed, we see that concern in students and their families considering Lenoir-Rhyne. Our students have more demonstrated financial need than ever before. More of our students are first-generation college students, and they need more support to be successful in college. These factors, coupled with the impending demographic cliff---a significant drop-off in the number of college-aged students---mean that we must change how we share the impact of a college degree to continue to appeal to a new generation of students.

To be sure, we firmly believe that the investment in a college education benefits students and their families. Every year, we see our students graduate and join the workforce, providing financial stability for themselves and helping build our local and regional economy. And the data back this up. The report "The College Payoff," from the Georgetown University Center on Education and the Workforce found that the average lifetime earnings of a person with a bachelor's degree is 84 percent higher than a person with a high school diploma only—and that benefit has increased from 75 percent in 2002.

To communicate the value of a Lenoir-Rhyne University degree, we have implemented a multiprong strategy.

Lowering Costs and Adding Transparency

- **Tuition Reset**—College tuition at many private colleges is obfuscated. A high sticker price is posted but is lowered for most, if not all students, with discounts. As a result, families are confused about the actual cost, and some do not consider a college with a high published tuition because they assume they cannot afford it. To combat this concern at Lenoir-Rhyne, we lowered

our published tuition rate, beginning fall 2023, from $43,000 to $30,000. This clarity was well received by parents and students and has helped drive us to a 9% increase in incoming freshman for fall 2023.

- **Lenoir-Rhyne Promise**—In 2018 we began offering at least 50% off tuition for high school students in Catawba County, home of our main campus in Hickory, North Carolina, who have at least a 3.5 GPA. Thanks to its popularity, we expanded it in 2019 to all North Carolina students with the same qualifications, and in 2023 we expanded the program to all US domestic students. We advertise this program clearly and communicate it broadly so that students are aware of this benefit, and it contributes to our commitment to transparency.

Expanding Access

- **Bear Bound**—Lenoir-Rhyne enjoys strong relationships with our local and regional community colleges, and we heard from their leaders and their students that we needed to make transferring to Lenoir-Rhyne easier. In 2023, we launched Bear Bound, an initiative with 14 local and regional community colleges to encourage community college students to continue their education with a four-year degree at Lenoir-Rhyne. The partnership agreements have simplified the transfer process by ensuring credits will transfer, eliminating the need for additional admissions application in some instances, and housing on our campus for community college students to allow them to acclimate them to a four-year college experience.
- **Enhanced Financial Aid Packaging**—Community college transfers are now eligible for the Lenoir-Rhyne Promise. In addition, all Pell-eligible students now can apply their aid *after* the Lenoir-Promise is applied. Consider this example:

Student with associate's degree	
Lenoir-Rhyne Tuition	$30,000
Tuition after LR Promise Applied	$15,000
Tuition after full Pell Grant $7,395 applied	$7,605
Cost of 2 years//BA or BS degree at Lenoir-Rhyne	$15,210

These two initiatives have led to a 57% increase in transfer student enrollment for Fall 2023.

Return on Investment

- **Career Placement Rate—**The data shows that the Lenoir-Rhyne experience pays off for our students. 96% of the Class of 2021 was employed or in graduate school six months after graduation. For the Class of 2022, that rate increased to 97%. This is a significant increase over the national average of 84%, according to the National Association of Colleges and Employers First Destinations Survey.
- **Economic development—**Lenoir-Rhyne is committed to the economic development of our region. We have added new majors in the last two years that local employers have told us they need to fill open positions. These include engineering physics, business analytics, cybersecurity

and supply chain management. Engineering physics, for example, will help fill the incredible demand for automation engineers at local manufacturing companies. These graduates enjoy at 100% placement rate within six months of graduation and find themselves with high starting salaries.

- **Social mobility**—A college degree should be the ticket to a better paying job, a more stable future and social mobility, and for Lenoir-Rhyne students this is true. Our students graduate, they find employment and they build full and satisfying lives. US News and World Report recognized Lenoir-Rhyne for our success in social mobility, naming us #42 in the South in 2022. As US News notes, "some colleges are more successful than others at advancing social mobility by enrolling and graduating large proportions of disadvantaged students awarded with Pell Grants." On average over the past 5 years, 41% of our students, including 49% of the first-year incoming students, are Pell-eligible. The social mobility ranking factors in a number of critical success data, including retention and graduation rates, persistence rates for Pell-eligible students, debt of graduates and alumni giving.

Conclusion

The strategies we have implemented to date have helped to lower the out-of-pocket costs for students and their families, expanded options for low-income students, made a four-year degree more accessible, helped build the workforce in our region and increased the social mobility of our students. We believe that these initiatives will convince more and more students that the return on a college degree is well worth the investment.

But these initiatives will not be enough. As our students continue to evolve, so, too, will we. We cannot be complacent in today's marketplace and assume that we will continue to be successful. We will continue to analyze our data, look for trends and listen to our students, regional partners, employers and community to discover what they need. It is what we have been committed to since our founding in 1871 and we will continue to do for the next 132 years.

Respectfully submitted,

Dr. Fred K. Whitt

President, Lenoir-Rhyne University

July 26, 2023

Mrs. FOXX. Mr. Leschly, at the beginning of this Congress several Committee Republicans introduced the Pell Act. The bill extends Pell Grants to high-quality, short-term workforce programs. Do you have any feedback for this Committee on whether or not the Pell Act to earnings metrics serves as a strong measure of the program's effectiveness?

Mr. LESCHLY. Thank you. It is a very thoughtful, appealing piece of work, this earnings metric that has been drafted into the Pell Act. It looks at the actual wages that students experience and compares them to a baseline. In this case, it is a multiplier of the poverty line, but it essentially gets at initially this thing we have been talking about, value added earnings, and measures whether students do better economically because they go to college.

Then very importantly, it compares that wage gain to the price that students pay to go, and it polices underperformance on that metric, and very importantly sets incentives for institutions to both lower costs, and to drive up wages.

Mrs. FOXX. Thank you. I would like to highlight an analysis by the non-partisan Urban Institute that found that, "The Pell Act's economic value test would be a substantially higher bar for programs to clear than the draft GE rule." If my colleagues are serious about accountability, the Pell Act provides a stronger metric that can be applied to all programs.

I request unanimous consent to submit this analysis into the record also.

Chairman OWENS. No objection.

[The information of Mrs. Foxx follows:]

How Many Short-Term Training Programs Would Gain Access to Pell Grants under the New Proposal?

An Essay for the Learning Curve by Jason Cohn

March 2023

There has long been bipartisan interest in offering Pell grant aid to students attending short-term workforce training programs, but there have also been concerns about supporting low-value programs that do not pay off for students or taxpayers.[1] A new bill introduced by House Republicans would address these concerns by implementing an economic value test that sets a high bar for short-term program participation in Pell, with only one in five students in these programs able to access Pell grants.

Pell grants are the main source of federal grant aid for undergraduate students, providing up to $7,395 per year.[2] But many short-term workforce training programs do not have access to Pell grants because Pell has a minimum program length requirement of 600 hours over 15 weeks. Evidence suggests many programs that are not currently eligible for Pell grants because they require less than 600 hours to complete provide financial value to students, often at least as much value as programs that are Pell eligible.[3]

House Republicans on the Committee on Education and the Workforce recently introduced the Promoting Employment and Lifelong Learning (PELL) Act, which aims to provide Pell grant aid for short-term programs while addressing concerns about value by imposing eligibility requirements to gain Pell access.[4] To qualify for Workforce Pell grants, newly eligible programs would have to offer 150 to 600 clock hours of instruction, take place over 8 to 15 weeks, and charge no more in total tuition and fees than their "economic value," which is measured as the amount by which median earnings three years after completion exceed 150 percent of the federal poverty level.[5]

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[1] Lilah Burke, "Short-Term Pell Didn't Make It into August's CHIPS Act. Where Does It Go from Here?" Higher Ed Dive, September 9, 2022, https://www.highereddive.com/news/short-term-pell-didnt-make-it-into-augusts-chips-act-where-does-it-go-fr/631319/.

[2] "Federal Pell Grants," US Department of Education, Office of Federal Student Aid, accessed March 14, 2023, https://studentaid.gov/understand-aid/types/grants/pell.

[3] Sandy Baum, Harry Holzer, and Grace Luetmer, *Should the Federal Government Fund Short-Term Postsecondary Certificate Programs?* (Washington, DC: Urban Institute, 2020).

[4] Promoting Employment and Lifelong Learning Act, H.R. 496, 118th Cong. (2023).

[5] The proposal includes other eligibility requirements, such as minimum completion and job placement rates, but this analysis focuses on the economic value requirement.

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Offering Pell grants for short-term programs could lead to increased enrollment in and completion of these credentials.[6] But because many private for-profit institutions have historically offered short-term programs that led to poor labor market and student debt outcomes, there are concerns about providing Pell grant funds to institutions that offer low-quality programs that do not pay off.[7] Requiring short-term programs to pass an economic value test is meant to alleviate some of these concerns, but how tough is the PELL Act's proposed test likely to be in practice?

My analysis of data on the tuition and earnings of vocational certificate programs suggests that the PELL Act sets a relatively high bar for eligibility. Because of this requirement, most students in short-term programs—particularly those at private for-profit institutions—would not be able to access Workforce Pell grants because typical postcompletion earnings are not high enough to pass the proposed test for economic value.[8] The proposed eligibility requirement would also limit Pell access substantially more for women than for men.

Most Short-Term Programs Would Not Be Eligible for Workforce Pell Grants

The main components of the proposed economic value calculation are published tuition and fees, postcompletion earnings, and an earnings baseline (150 percent of the federal poverty level for a single individual). Earnings would be measured using median earnings in the third year after program completion, adjusted for geographic differences.[9] The amount by which earnings exceed 150 percent of the federal poverty level (or "value-added earnings," in the language of the PELL Act) is compared with tuition and fees, and a program passes the test if its tuition and fees are not greater than its value-added earnings. For example, because 150 percent of the federal poverty level is $21,870, a program that charges $10,000 in tuition and fees would need to produce postcompletion earnings of at least $31,870 to pass the test.

Because data on short-term programs are limited, this analysis uses 2015 tuition data and earnings data for the pooled 2014–15 and 2015–16 cohort of completers for vocational undergraduate certificate programs that currently qualify for Pell grants (see the appendix for details on data and assumptions). The most common fields of study among programs in this analysis are cosmetology, practical and vocational nursing, and allied health and medical assisting services. These three fields make up almost two-thirds of the sample.

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[6] Jaime Thomas, Naihobe Gonzalez, Nora Paxton, Andrew Wiegand, and Leela Hebbar, "The Effects of Expanding Pell Grant Eligibility for Short Occupational Training Programs: Results from the Experimental Sites Initiative" (Washington, DC: US Department of Education, Institute of Education Sciences, National Center for Education Evaluation and Regional Assistance, 2020).

[7] Wesley Whistle, "Short Memories Lead to Long-Term Consequences: Lessons from Three Decades of Short-Term Programs in Higher Education Policy" (Washington, DC: New America, 2021).

[8] This analysis uses data released by the Department of Education with a discussion draft of the gainful employment (GE) rule. Data are available at https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/index.html.

[9] The PELL Act proposes to adjust program-level median earnings using the Bureau of Economic Analysis's state and metropolitan area regional price parities.

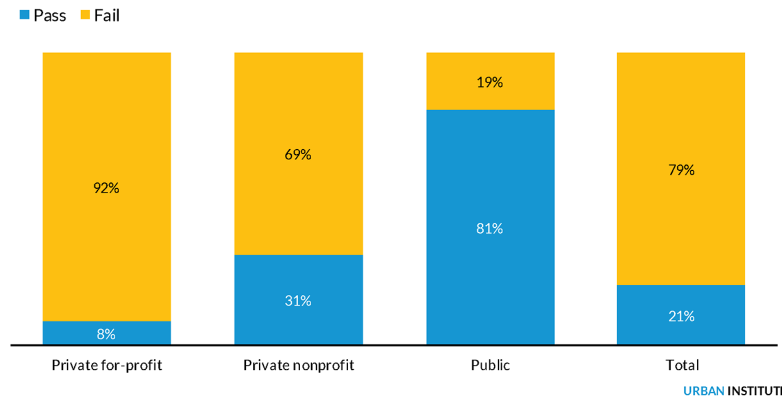
The average tuition and fees charged for programs included in this analysis is $12,473.[10] The average earnings, after adjusting for geographic variation, are $24,268, and the average value-added earnings are $5,533.[11] This value-added earnings measure suggests that the typical program would have to charge no more than $5,533 in tuition and fees to be able to access Workforce Pell grants.

An analysis of individual programs' tuition and earnings levels suggests that 79 percent of vocational certificate programs would not pass the economic value requirement included in the PELL Act and would not gain access to Workforce Pell grants as a result (figure 1). Just 8 percent of programs at private for-profit institutions would be able to pass this test while 81 percent of programs at public institutions (mainly community colleges) would pass. Private for-profit institutions offer 80 percent of the programs I analyzed, so this sector drives the overall results.

FIGURE 1

Most Short-Term Programs Would Not Be Eligible for Workforce Pell Grants under the PELL Act

Share of programs passing and failing the economic value test, by sector



Source: Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the Bureau of Economic Analysis.

Notes: The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities. Programs at private nonprofit institutions make up less than 5 percent of the sample.

[10] Because many of these programs are longer than 15 weeks, this is likely an overestimate of the typical tuition and fees for short-term programs between 8 and 15 weeks, as program length is positively correlated with tuition and fees.

[11] Earnings data are reported in 2019 dollars, so this analysis uses the 2019 federal poverty level for single-person households ($12,490) for the value-added earnings calculation.

The average tuition and fees for programs at public institutions is under $7,000, compared with an average of more than $13,000 at private for-profit institutions. But this difference only partially accounts for the difference in failing rates across sectors. Postcompletion earnings are also much higher for programs at public institutions ($34,000) than at private for-profit institutions ($22,000). These sector differences may also affect patterns by program type. Nearly all cosmetology programs (99 percent) and most allied health and medical assisting programs (88 percent), which are primarily offered at private for-profit institutions, would fail the economic value test. Two-thirds of practical and vocational nursing programs, more than half of which are offered at community colleges, would pass.

An important limitation is that this analysis is based on data on programs that are already Pell eligible, most of which are longer than 15 weeks. Because tuition levels are correlated with program length, it is reasonable to assume the typical program included in the PELL Act would have lower tuition and fees than that of this sample. To provide context around how these potential differences in tuition levels affect the results, I use programs' earnings to determine what share of programs would pass the economic value test given several hypothetical tuition levels that I hold constant across the sample.

I find that even if all programs charged $0 in tuition and fees, 35 percent would still fail this test because their postcompletion earnings are not above 150 percent of the federal poverty level, resulting in ineligibility for Workforce Pell grants (table 1).[12] Fifty-five percent of programs would have postcompletion earnings below the minimum required level if they charged $4,000 in tuition and fees, and 69 percent would have insufficient earnings if they charged $8,000.

TABLE 1

One-Third of Programs Would Fail the Economic Value Test, Regardless of Tuition Level

Share of programs with insufficient earnings to pass economic value test, by tuition level

Hypothetical tuition and fees	Share of programs with earnings below minimum
$0	35%
$2,000	46%
$4,000	55%
$6,000	63%
$8,000	69%
$10,000	73%

Source: Urban Institute analysis of data from the US Department of Education and the Bureau of Economic Analysis.

Notes: The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities.

[12] Postcompletion earnings vary by sector: 39 percent of programs at private for-profit institutions result in earnings below 150 percent of the poverty level, compared with 12 percent of programs at community colleges.

Proposed Eligibility Rules Could Lead to Large Gender Disparities in Pell Access

When designing an accountability or eligibility system, policymakers must balance protecting students from low-quality programs with maintaining access for all population groups. Because of labor market discrimination, wage inequality, and differences in number of hours worked, designing an accountability or eligibility system around an earnings threshold can lead to disparate outcomes for programs based on the types of students they enroll. In some cases, low-quality programs may disproportionately enroll disadvantaged students in a predatory fashion. But programs that do provide value to their students can appear to lead to inadequate earnings if they enroll students who face barriers in the labor market. For example, because women earn less than men even at the same education levels, programs that enroll more women could be less likely to meet an earnings threshold than programs of similar quality that enroll more men.[13]

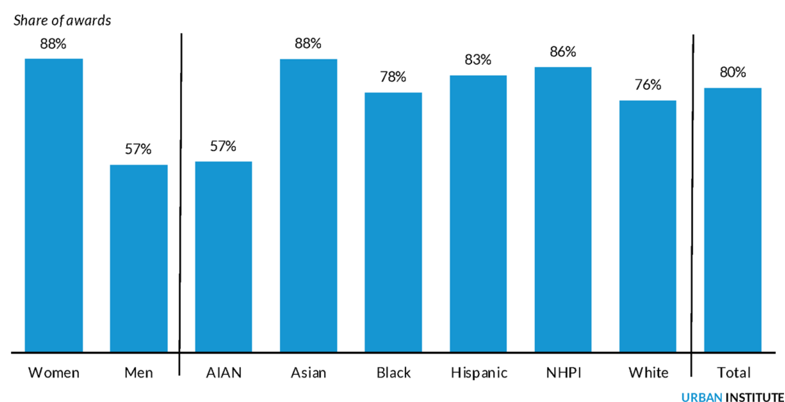
I find that gender disparities in Pell access are likely to occur under the eligibility requirements proposed in the PELL Act. Specifically, 88 percent of women completing vocational certificates were enrolled in programs that would fail the economic value test, compared with 57 percent of men (figure 2). There are also differences in these programs by race and ethnicity, but the gaps are much smaller, with the exception of American Indian or Alaska Native students, who appear to be much less likely than other racial and ethnic groups to complete certificates at programs that fail the economic value test. Asian and Native Hawaiian or Pacific Islander students are the most likely to attend programs that fail the test.

[13] Kristin Blagg, "Disparities by Gender Complicate Proposed Accountability Metrics," *Urban Wire* (blog), Urban Institute, April 25, 2022, https://www.urban.org/urban-wire/disparities-gender-complicate-proposed-accountability-metrics.

FIGURE 2

The Economic Value Test Would Limit Access to Workforce Pell Grants More for Women Than for Men

Share of awards completed at programs that would fail the economic value test, by gender and race



Source: Urban Institute analysis of data from the US Department of Education, the Integrated Postsecondary Education Data System, and the Bureau of Economic Analysis.
Notes: AIAN = American Indian or Alaska Native; NHPI = Native Hawaiian or other Pacific Islander. The economic value test requires that a program's median earnings three years after completion exceed 150 percent of the federal poverty level by an amount greater than or equal to published tuition and fees. Earnings are adjusted for geographic differences in program location using regional price parities.

Cosmetology programs, which enroll many more women than men, are the most prevalent among those that fail the economic value test. But I find that even after excluding cosmetology programs from the analysis, the share of awards at failing programs is still skewed, with 70 percent of awards to women occurring at failing programs, compared with 48 percent of awards to men. Although program type may have some effect on disparities by gender, it does not fully explain the gaps under this proposed eligibility requirement, which is unsurprising, as occupational representation explains just 15 percent of the gender pay gap.[14]

Policy Implications

As Congress considers expanding Pell grant access to short-term workforce training programs, I find that the eligibility requirement for economic value included in the PELL Act would allow relatively few students to access these grants and would limit access more for women than for men. If policymakers

[14] Claudia Goldin, "Hours Flexibility and the Gender Gap in Pay" (Washington, DC: Center for American Progress, 2015).

are to use this framework for a test of economic value, lowering the threshold required to pass could allow more programs to gain eligibility for Pell grants. But a lower threshold would still result in large gender disparities in Pell access and could allow more low-payoff programs to access Pell grants.[15]

An economic mobility measure that compares students' preenrollment earnings with their postcompletion earnings could more accurately assess programs' financial value.[16] Because the economic value test uses a benchmark relative to the federal poverty level, it does not account for actual differences between students' earnings pre- and postenrollment. That is, the test's implicit assumption is that the average student's earnings counterfactual—what they could earn without attending the program—is equal to 150 percent of the federal poverty level. But if a student earns less than that amount before accessing the program, the program's value may be greater than what a test based on a fixed reference amount implies.[17]

Under a mobility measure that compares pre- and postenrollment earnings, programs would be evaluated based on how much they improve their own students' earnings, which would also reduce the effect of labor market discrimination and pay inequality on whether a program has access to Workforce Pell grants. Constructing this measure would require policymakers to link postcompletion earnings data with preenrollment earnings, which are already collected on students' financial aid applications.

I analyze data on vocational certificate programs that are similar in many ways to programs that would be covered by the PELL Act, but the short-term programs that are not currently eligible for Pell may differ in ways that lead to different outcomes on the economic value test. Further, this analysis focuses on existing programs, but the expansion of Pell access could result in providers designing new programs likely to pass the test because a new source of funds will be available, which could result in a larger share of overall programs gaining access to Workforce Pell grants.

But the PELL Act requires programs to pass the economic value test to gain Pell access for the first time, so a new program could not immediately access Pell grant funds. It must wait until it can provide the postcompletion earnings data required for the economic value test, though it can provide an alternate, comparable earnings measure if median third-year earnings are unavailable. Because of these limitations, if short-term programs do gain access to Pell grants, it will be important to monitor whether current programs' prices and outcomes change and to monitor the number of new programs that arise and gain eligibility.

The US Department of Education is also developing its own test of program quality for the gainful employment (GE) rule, which is likely to be released this year and will apply to all Title IV vocational

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[15] A threshold requiring earnings to exceed 150 percent of the federal poverty level by at least half as much as tuition and fees would result in 35 percent of programs passing the test. Gender gaps would not narrow, with 78 percent of awards to women occurring at failing programs, compared with 38 percent of awards to men.

[16] Kristin Blagg and Matthew M. Chingos, "Toward an Economic Mobility Ranking of U.S. Colleges" (Washington, DC: Brookings Institution, 2015).

[17] Fifty-eight percent of independent undergraduate certificate students in 2015–16 had incomes below 150 percent of the federal poverty level, according to their Free Application for Federal Student Aid. See PowerStats table wjijbh.

programs.[18] The PELL Act's economic value test would be a substantially higher bar for programs to clear than the draft GE rule, under which about half of undergraduate certificate programs would fail.[19]

Because there is no clear indication that certificates currently eligible for Pell grants provide greater value than the short-term programs included in the PELL Act, it may make more sense for policymakers to require short-term programs of less than 15 weeks to pass the same outcomes test as vocational programs already eligible for Pell grants. Congress could design its own test of program quality and apply it to all vocational programs (replacing the GE rule), or it could adopt the same standard the GE rule uses for short-term programs. In either case, a consistent set of eligibility requirements would hold each program to the same standard and prevent programs from manipulating their length requirements to be held to a different quality assurance standard.

Appendix: Data and Assumptions

This analysis uses tuition and earnings data on undergraduate vocational certificate programs. Tuition data are from 2015 and are pulled from the Integrated Postsecondary Education Data System (IPEDS). Earnings data were provided by the US Department of Education as part of 2022's negotiated rulemaking for GE regulations. Earnings data are from the pooled 2014–15 and 2015–16 cohort of completers and are reported three years after completion and in 2019 dollars.

IPEDS provides program-level tuition data for vocational programs. Because the program-level tuition data do not specify credential level, I cannot be 100 percent confident I have matched the program reporting in the GE data with the correct program reported in IPEDS. I therefore exclude programs with an institution–Classification of Instructional Programs combination that occurs at more than one credential level to avoid making an incorrect match. After these exclusions, I have 1,888 certificate programs in the GE data that have earnings information. I can match tuition data for two-thirds of these programs in the GE data, resulting in 1,285 programs.

Though most of the programs in these data are longer than 15 weeks, they are the shortest programs for which data are available and offer a reasonable proxy for the short-term programs included in the PELL Act.[20] They are also vocational, and many are in the same fields of study as are common among short-term programs, particularly those in health care fields. According to the Adult Training and Education Survey, the most common fields for certificates overall are health care and mechanical studies, with 14 percent of students in each of these fields enrolling in programs from 160 to 479 hours—and another 25 and 16 percent, respectively, enrolling in programs from 480 to 959 hours—

[18] Meghan Brink, "Biden Pushes Gainful Employment to Spring," *Inside Higher Ed*, June 23, 2022, https://www.insidehighered.com/news/2022/06/23/gainful-employment-other-regulatory-matters-pushed-spring.

[19] Jason D. Delisle and Jason Cohn, "A Newly Proposed Earnings Standard for Higher Education Is Surprisingly Tough," *Urban Wire* (blog), Urban Institute, April 5, 2022, https://www.urban.org/urban-wire/newly-proposed-earnings-standard-higher-education-surprisingly-tough.

[20] Programs included in these data range from 5 to 107 weeks. Twenty-five percent of programs are 39 weeks or less, 50 percent are 39 to 52 weeks, and 25 percent are more than 52 weeks.

meaning a substantial share of these certificate types would fall within the program length requirement in the PELL Act.[21] The most common types of programs analyzed in this essay are cosmetology, practical and vocational nursing, and allied health and medical assisting services.

Under the PELL Act, median earnings would be adjusted using state and metropolitan area regional price parities from the Bureau of Economic Analysis. It is unclear which programs would be subject to an adjustment based on their state as opposed to their metropolitan area. It is possible that only programs not located in a metropolitan area would have their earnings adjusted based on their state; for programs located in a metropolitan area, it may depend on whether the state regional price parity measure is greater than or less than that of the metropolitan area. For simplicity, I adjust median earnings using only Bureau of Economic Analysis state-level regional price parities.

Jason Cohn is a research analyst in the Center on Education Data and Policy at the Urban Institute.

[21] Baum, Holzer, and Luetmer, *Should the Federal Government Fund Short-Term Postsecondary Certificate Programs?* The available program length categories do not correspond exactly with the range proposed in the PELL Act, which is 150 to 600 hours.

Acknowledgments

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Mrs. FOXX. Dr. Gillen, under the Department's proposed gainful employment rule, a hypothetical career education where graduates earn $35,000.00 and owe $110.00 per month on their loans would be considered to have affordable debt and receive a pass under the Biden administration's own GE rule.

Under the new income driven repayment plan, the $35,000.00 in loans is somehow now unaffordable debt that needs to be canceled. The new IDR plan would allow some borrowers to pay just $9.00 per month, and ultimately get his or her loans canceled. Do you think these rules are inconsistent?

Mr. GILLEN. Yes. I think that is an accurate assessment. The problem is that they are using different poverty line cutoffs, so the new student loan repayment plan uses a cutoff of 225 percent of poverty line, whereas gainful employment is likely going to be using 150 in the final version.

They are trying to measure the same thing, affordable debt, and so having two different baselines is illogical.

Mrs. FOXX. Thank you. I yield back, Mr. Chairman.

Chairman OWENS. Thank you. I now recognize Mr. Takano.

Mr. TAKANO. Thank you, Mr. Chairman. My Republican colleagues claim that they want to lower costs and increase value for students and institutions in higher education, yet those same colleagues vehemently opposed President Biden's proposal for free universal community college under his America's College Promise Act.

If we are serious about lowering costs for students, universal free community college would have lowered costs for students across the board. In my own home State of California, community college fees are essentially free for low-income students.

I want to remind folks that community colleges are not just entities that serve as steppingstones to 4-year institutions and transfer education, many students complete their associate degrees, or even shorter-term certificates, say in culinary arts, for a fraction of the cost that that same culinary arts program might cost at a for-profit institution.

I know because I had a student that tragically was saddled with tens of thousands of dollars in debt when he could have done that probably for free at the community college with his Pell Grant. Given the fact that free community college was stripped from the reconciliation package, we have to look at other ways to address costs for students and institutions.

The average debt for a college graduate from my public university is roughly $32,000.00 nationally. The average amount of debt for a graduate of a for-profit college is roughly $60,000.00. Now Dr. Cellini, at the Cal State San Bernardino, a public college from the Cal State system in my own home State, is making strides to ensure that students are graduating with manageable debt.

Does it surprise you that the average undergraduate debt load for a CSUSB student that receives Pell is roughly $10,000.00?

Ms. CELLINI. It does not surprise me that public institutions, particularly in California, are doing a good job of keeping costs down for students. That sounds like pretty low debt for a public 4-year degree for a bachelor's recipient overall. We know that in other sectors it's much higher as you mentioned.

Mr. TAKANO. I mean obviously the California taxpayers support and subsidize this education, but it is possible to I think produce an affordable undergraduate experience. Can you share the highlights of your research regarding the Bennett Hypothesis?

Ms. CELLINI. Sure. I have looked at the Bennett Hypothesis in the for-profit sector in particular, and that is where we see most of the evidence to be strongest on the Bennett Hypothesis. My research with Claudia Golden looked at non-Title IV programs, and Title IV programs.

We looked at similar programs, similar length, as apples to apples as we could get, programs that have Title IV and programs that did not have Title IV, both for-profit sector programs. The ones that got Title IV had tuition that was about 80 percent higher than the ones that did not participate in Title IV programs.

We see it in the for-profit sector. In other sectors my reading of the research is that it is more mixed. One study recently by Luca, in fact, found that in the for-profit sector, the tuition increase and its response to Federal student aid in cost was four times higher in the for-profit sector than in the public sector. I think that is where I see the research that it is just much stronger in the for-profit sector than others.

Mr. TAKANO. It is important to understand that the Hypothesis, the Bennett Hypothesis really provides us with a stark insight into the for-profit sector. It is a bit more questionable when we apply it to other sectors of higher ed.

Ms. CELLINI. Yes.

Mr. TAKANO. I am committed to strengthening the accountability for this for-profit sector, and providing strong data on student outcomes to prevent unrepresented students from being targeted by this unscrupulous sector. Now my Republicans colleagues often decry that focused oversight of the for-profit sector as a witch hunt.

However, the research shows, and your research shows why we need to be concerned. The for-profit programs are often significantly more expensive, as you said, what was it? Four times as much? Four times as much than similar programs offered at public schools, and my experience with that culinary program at the community college level is that the case in point.

College completion rates for for-profits are consistently lower than those in lower sectors. I have got to tell you. It just really broke my heart when my student told me how much debt he was in because he comes from a low-income family, and we could have provided that same training, that same experience at a community college for just a fraction of that cost, and maybe even free. Madam Chair, or Mr. Chair, I yield back.

Mrs. FOXX. Thank you, Mr. Takano. I would like to welcome a group of very young learners who have joined us today. Would you all stand up so we could see you and applaud you for joining.

[Applause]

Mrs. FOXX. We are so pleased to have you here, and we will be on our P's and Q's to make sure we behave. Mr. Grothman, you are recognized for 5 minutes.

Mr. GROTHMAN. Yes. We will start off with Dr. Gillen. A common argument we hear with regard to rising prices is because of State disinvestment in postsecondary education. You mentioned in your

testimony how State funding has actually gone up over time. Can you elaborate on this, and in fact as I understand it states have increased this funding, so who is the culprit when it comes to tuition and inflation we have seen over the last few decades?

Mr. GILLEN. Yes. A lot of people, when you focus on public universities, will argue that tuition has to go up to make up for cuts in State funding. If you adjust for inflation, State funding has actually gone up. There is a very influential report out that that does not adjust for inflation. Everybody sort of cites that.

Mr. GROTHMAN. Over what period of time?

Mr. GILLEN. This is from 1980 to today, so four plus decades. Once you adjust for inflation using any of the kind of standard metrics, it is either flat or up, so State disinvestment is not a cause of rising prices, which raises the question what is.

All of my research is pointing me to what is called Bowen's Laws. I mentioned them in the written testimony, but the cliff notes version of it is colleges will raise and spend as much money as they can because they have got a never ending goal to pursue educational excellence, prestige, influence.

As a result of that, whatever revenue source they can grab revenue from they are going to, whether that be tuition, whether it be State funding, whether it be research dollars, whether it be commercialization, whether it be athletics. They are going to try to maximize revenue from any given revenue stream they have regardless of what is going on with the others.

Mr. GROTHMAN. In other words, if they have access to money they will spend it?

Mr. GILLEN. Yes.

Mr. GROTHMAN. Okay. Just a general question. This even goes back to when I was in college. It seems to me that a relatively high percentage of people who work for colleges, and I am talking the white-collar jobs, not maintenance and that sort of thing, are what I call non-teaching personnel.

Could you comment on what is going on over time there, and the percentage of people we have working in colleges, not doing research either, other source of advising sort of jobs, that sort of thing?

Mr. GILLEN. Yes. There has been a bit of a brewing rebellion over what is called the administrative bloat over precisely this issue. It has been a problem for a very long time, and I think it is very real. There is actually some evidence the number of non-teaching staff on university now outnumbers the number of teaching staff, which is bizarre for an educational institution to have that kind of staff ratio.

Mr. GROTHMAN. Right.

Mr. GILLEN. Yes, I think it is definitely concerning.

Mr. GROTHMAN. Could you repeat that? Just you are saying that there are some studies who have shown that in some universities the number of non-teaching personnel outnumber the number of teaching personnel. I will believe that. I just want you to repeat it.

Mr. GILLEN. Yes. Yes. That is correct.

Mr. GROTHMAN. Okay. I will now ask Mr. Horn. One of the biggest problems that students face today when they decide to go to college or not, is they do not fully understand the financial respon-

sibility they are embarking on. You mentioned how students can use student loans as free money, and quite frankly at least some college advisers encourage that.

Free money instead of something needing to be repaid. Before committing to a student loan, students must see the whole picture on how much money an average graduate from the school must pay back, and how much money they are likely to earn in the future. What could be done to give students the opportunity to make sure that borrowing choices are the right ones for them academically and financially?

Mr. HORN. Yes. There are two components of this, right? One is on the student side, and there is lots of documented evidence that colleges mislead students with a variety of linguistics on admission's letters to confuse them around the actual price that they will be paying, and the obligation.

One is sorting that out. Second, frankly colleges, as Dr. Cellini was saying, have a much more macro view of the future of students in many cases. They can see things and have more perspective than students coming into higher education often do. Having colleges sign up for risk sharing on those loans as Dr. Gillen has laid out, would make a lot of sense because it would align incentives so that they are working with students and taxpayers on this, and not misleading them.

Mr. GROTHMAN. I have talked to, in my district, leaders in the field, and do you find any effort being made by the colleges to discourage students from taking out any more debt, or are they even legally able to do that?

Mr. HORN. Colleges often talk about how students take out more debt than they wish that they would, but they do not actively take a role in helping them think through those—what those commitments will mean in the future.

Mr. GROTHMAN. Okay. Thank you.

Mrs. FOXX. Thank you, Mr. Grothman. Ms. Jayapal, you are recognized for 5 minutes.

Ms. JAYAPAL. Thank you, Madam Chair, and thank you to our witnesses for being here today. A degree can be the key to economic mobility for low-and middle-income families, but years of systemic discrimination has made it harder for black and Latino students to afford tuition, which is why 90 percent of black and 72 percent of Latino students take out student loans.

For a whole host of reasons, these communities struggle to repay, with black borrowers being five times more likely to default than white borrowers. All students, including black and Latino, could realize the full benefits of a degree if we eliminate cost barriers for all of those who want to go to trade school or college.

To fully address those disparities, Congress should take steps to ensure that postsecondary programs do not leave students in a worse economic position. Dr. Cellini, I was moved by the testimony that you submitted, including in the need for accountability where you focus on for-profit colleges, in particular, for-profit schools.

For-profit schools are notorious for abusing taxpayer funds and peddling ineffective degree programs. We can learn a lot about a program's effectiveness by looking at default rates for socially dis-

advantaged students. How likely is a black or a Latino student to default at a 4-year for-profit college?

Ms. CELLINI. Well, some of the best data on default rates by race and institution type is done by Judith Scott-Clayton. She looks at data on student default over 12 to 20 years, so long-term patterns that other data cannot get at. She finds that about 58 percent of black students, whoever attended a for-profit college defaulted on their loans within 12 years.

Then that number was 41 percent of Hispanic students were defaulting on their loans within 12 years.

Ms. JAYAPAL. Wow. Now we have to compare those default rates to default rates for black and Latino students who have never attended a for-profit, and how they fare at other 4-year colleges. Do you know what those rates are?

Ms. CELLINI. Yes. From her paper, what I am remembering is that the rate for black students in the never for-profit category, who had not attended then, that rate was cut about in half, about 28 percent. For Hispanic students that went way down to about 11 percent, about a quarter.

Ms. JAYAPAL. That is really remarkable data. It is deeply concerning that there is a real risk for black and Latino borrowers at for-profit colleges to default, more than any other sector. I also find it alarming considering that for-profit colleges enroll nearly twice as many black students as public colleges, and a disproportionate share of Latino students, despite being more like to have them default.

Why are students of color overrepresented at for-profit colleges?

Ms. CELLINI. Well one big reason is that for-profits can spend a lot of money on advertising and recruiting. They spend about $400.00 per student on advertising, compared to about $14.00 per student in the public sector, and this does not even include a lot of social media advertising, and internet advertising.

I also have some research with Latika Chaudhary that shows that for-profits disproportionately tend to spend this advertising money in local areas with higher shares of black and Hispanic students.

There is less data on recruiting numbers, but some evidence suggests that for-profits may spend around $4,000.00 per student on them. We also know that these institutions tend to locate in higher poverty areas, where students are more eligible for aid.

Ms. JAYAPAL. For-profit colleges are aggressively marketing specifically to low-income black and Latino students, and on average for-profits spend $400.00 per student on commercials compared to public colleges spending just $14.00 per student. You talked, you mentioned aggressively recruiting and there being less data, but there is some data to suggest that they are aggressively recruiting these low-income students as well.

For-profits are clearly aware that their programs fail low-income black and Latino students, but they are aggressively marketing to them because they want the Federal student aid dollars, which is really disturbing. I am glad that the Department of Education finalized the gainful employment rule to ensure that students are better off than having a high school diploma.

What can Congress do to better protect students from predatory recruitment and economic devastation?

Ms. CELLINI. Well one thing that I think that Congress could do is to really require disclosure of things like advertising, recruiting, marketing and lobbying expenditures of institutions. Make that separate from student services in data sources like the IPEDS, so that we can actually take a look at what colleges are spending.

They might also consider restrictions on the use of Title IV funds for those types of activities, but really, I think the new GE proposal is incredibly important. I would also think about if Congress is thinking about expanding the Pell Grant program, to really make sure that that is not extended to very low value, short-term programs, potentially in the for-profit sector, so to be careful of the risk.

Ms. JAYAPAL. Thank you so much. I think it is important to protect students and taxpayers, and Madam Chair, I ask unanimous consent to enter into the record this article called The Biden Administration Wipes Out 130 Million Dollars of Debt for Students Misled by Colorado Career College.

I think this is really important in terms of where students are, and how we repair some of the damage that has been done.

Mrs. FOXX. Without objection.

[The information of Ms. Jayapal follows:]

POLITICOPRO

Biden administration wipes out $130M of debt for students misled by Colorado career college

By Michael Stratford

07/25/2023 04:14 PM EDT

The Biden administration announced on Tuesday it would forgive the federal student loans owed by 7,400 former students who attended the Colorado campuses of a chain of career colleges, citing sweeping misconduct by the school's owner.

The Education Department said it would automatically discharge $130 million of debt owed by borrowers who attended CollegeAmerica's Colorado-based locations from January 2006 to July 2020.

Education Department officials said they determined the school's owner — the Center for Excellence in Higher Education — engaged in "pervasive and widespread misrepresentations" over job placement rates, graduates' salaries, private loan products, and the school's educational offerings.

For years, the college advertised "inflated and falsified" job placement rates of 70 percent when the actual internal figure was 40 percent, according to the department.

"These borrowers were lied to, ripped off, and saddled with mountains of debt," President Joe Biden said in a statement on Tuesday. "While my predecessor looked the other way when colleges defrauded students and borrowers, I promised to take this on directly and provide borrowers with the relief they need and deserve."

The Biden administration is canceling the loans on the grounds they are "not legally enforceable," a senior Education Department official told reporters on Tuesday.

The official said the department was relying on the same legal power the Biden administration used to erase the debts owed by students who attended Corinthian Colleges and ITT Tech, two defunct for-profit college chains. That authority is a provision of the Higher Education Act that gives the secretary of education the power to "compromise, waive, or release" debt owed to the agency.

The Biden administration is separately using that law to create a new student debt relief program after the Supreme Court struck down its first attempt to cancel up to $20,000 of student debt for tens of millions of borrowers.

Student loan borrowers from the Colorado campuses of CollegeAmerica will receive the relief, as well as refunds for past payments on their loans, without having to take any action, the department said. The agency plans to begin notifying borrowers next month.

CollegeAmerica's owner, the Utah-based Center for Excellence in Higher Education, has long sparred with the Education Department as it ran into regulatory and accreditation problems until its collapse in 2021. The company previously operated Independence University, Stevens-Henager College, and California College San Diego.

Rich Cordray, the department's student aid chief, said the relief for borrowers was the result of collaboration with state law enforcement that he's prioritized over the past several years. He said the department's investigation examined evidence gathered by the Colorado attorney's general office, which previously sued the company for misleading borrowers in state court.

A Colorado judge ruled in favor of the state in 2020, ordering the company to pay a $3 million penalty for misleading students about their job prospects and future earnings. An appeals court partially reversed that ruling the next year, though the Colorado Supreme Court earlier this year ordered the appeals court to reconsider parts of its ruling.

Eric Juhlin, now the company's acting CEO, pushed back on the department's latest action on Tuesday. "The department's proffered justification for this forgiveness is a lie," he said in an email. "The verdict in the Colorado case was reversed upon appeal in August 2021."

The Biden administration in April 2021 suspended Juhlin, then the company's chief executive officer and board chair, from federal contracting. Juhlin and the company, which was founded by Carl Barney, have long been outspoken critics of the department. The Center for Excellence in Higher Education sued the federal government in December, accusing the department of pursuing a decade-long political vendetta against the company.

A senior department official said the agency has $20.8 million in an escrow account that was funded by the company before it closed down its schools. That money can be used to cover liabilities that the company owes to the Education Department, though it's not yet clear precisely how it will be used.

Phil Weiser, the attorney general of Colorado, praised the federal relief for borrowers who he said were taken advantage of by the company. "This has been a long road to get to this day," he said. "Our office has been at this for over a decade."

The Education Department encouraged other state officials with evidence of college wrongdoing to share that with federal officials. The Biden administration's new "borrower defense" regulations make it easier for state attorneys general or others to submit group applications for student debt relief based on a college's misconduct.

"We can't talk about pending investigations but there will be more and you should stay tuned," Cordray told reporters on Tuesday.

Ms. JAYAPAL. Thank you, Madam Chair. I yield back.

Mrs. FOXX. Thank you. Mr. Banks, you are recognized for 5 minutes.

Mr. BANKS. The average cost of a 4-year degree has tripled over the last four decades. Meanwhile, in 2021 Harvard University grew its endowment by 10 billion dollars. Dr. Gillen, why have not schools flush with cash like Harvard, used a small piece of their profits to lower tuition cost?

Mr. GILLEN. I think it fundamentally has to do with the nature of composition in higher education, and we have got two Harvard teachers right here, very distinguished ones I might add. The way you become Harvard is you accumulate a massive endowment, and the goal is to create the perception and hopefully the reality of high academic excellence in every field.

The way you do that you accumulate the endowment. You do not spend, or you do not admit everybody. You are very selective about who you let into the college, and so you combine this, and you have got basically a very rich institution that is kind of cream skimming the best students, and then we all kind of agree that it is a great school because of that. No offense to you guys, but that might not be the case. There might be a community house out there.

Mr. BANKS. 53.2-billion-dollar endowment. I mean is that absurd? I mean.

Mr. GILLEN. Yes, there is——

Mr. BANKS. I am baffled by it. Why could not that money be used to lower tuition costs?

Mr. GILLEN. Harvard absolutely could just waive tuition for all their students if they wanted to. They could probably waive tuition for all students in Boston if they wanted to.

Mr. BANKS. Maybe throughout the entire United States of America, 53.2 billion dollars, so why should Harvard be entirely exempt from paying any Federal income taxes on that 53-billion-dollar endowment?

Mr. GILLEN. That is a great question. I do not know. There was a small change to an endowment tax essentially, on the return on investment. I think it is 1.4 percent that applies to some endow-

ments. I do not know if Harvard is caught up in that or not, but that law could be updated.

Mr. BANKS. Really crazy. Relatedly a 2021 Heritage Foundation report found that the average U.S. university has 45 full-time staff dedicated to DEI. Some schools pay full-time salaries to over 150 DEI staff, meanwhile the average cost of a 4-year degree has tripled over the last four decades. That is even accounting for inflation.

Mr. Horn, how can policymakers make sure that universities use Federal funds to prepare their students for the workforce instead of wasting tax dollars on DEI offices.

Mr. HORN. Well, the increase in DE and I offices is really part of a larger trend, right? Of the administrative overhead that Dr. Gillen spoke to earlier. Administrative costs as complexity, and trying to be all things to all people, and all priorities, and so forth have caused colleges and universities to accumulate costs and spending.

If we had a more coherent policy framework on the front end that prioritized outcomes and value for students and taxpayers, then colleges and universities would prioritize investments that focused on those things, and I think we would see some real gains in terms of student outcomes and value over time.

Mr. BANKS. According to the same report, universities now have 1.4 times more DEI personnel than tenured or tenured track history professors. Are academic departments today forced to compete with DEI offices for resources?

Mr. HORN. As a history major, I do not know the answer directly, but I think there is no question again that the support structures and administrative accumulation around colleges and universities has just driven up the spending problem. It is very popular to talk about tuition pricing and costs onto the student, but that is fundamentally a symptom of costs at the university, and a spending addiction that continues to snowball.

Mr. BANKS. Yes. I think the answer is obviously yes. Dr. Gillen, you mentioned how schools see virtually no limit to the amount of money they spend on this kind of stuff. Non-teaching, administrative, DEI staff have especially benefited with many of them making over $300,000.00 annually before bonuses.

Why do colleges feel justified in tacking on these kinds of programs when they are not tied to measurable learning outcomes?

Mr. GILLEN. Well, I think that the last part is the key, is that we do not know the quality of colleges in most instances. As a result, whatever faction is most powerful on any given campus, is going to have an advantage when it comes to divvying up the resources, so on some campuses it is going to be the DEI offices.

On some campuses it is going to be the football team, and so whichever faction is most powerful gets the biggest slice of the pie.

Mr. BANKS. At least the football team is bringing revenue in for the school. With that, Madam Chair, I would like to enter this report from the Heritage Foundation titled Diversity University DEI Bloat in the Academy from July 27, 2021, into the record.

Mrs. FOXX. Without objection.

Mr. BANKS. My time has expired.

[The information of Mr. Banks follows:]

BACKGROUNDER
No. 3641 | JULY 27, 2021
CENTER FOR EDUCATION POLICY

Diversity University: DEI Bloat in the Academy

Jay P. Greene, PhD, and James D. Paul

KEY TAKEAWAYS

Promoting diversity, equity, and inclusion (DEI) has become a primary function of higher education, with DEI staff making up an average 3.4 positions for every 100 tenured faculty.

But data show that colleges' vast DEI bureaucracy has little relationship to students' satisfaction with their college or their personal experiences with diversity.

State lawmakers should examine DEI efforts more closely to ensure public university resources are used effectively and appropriately.

The promotion of diversity, equity, and inclusion (DEI) on college campuses has become a central concern of higher education. Universities have created administrative and staff positions tasked with developing programming and offering services related to DEI. While it is widely understood that universities have devoted significant resources and attention to DEI goals, there has been little systematic examination of the scope of DEI staffing in the academy. Similarly, it is unclear how DEI staffing varies across institutions and how levels of DEI personnel compare to other staffing priorities.

University DEI Staffing

This *Backgrounder* presents information on DEI personnel at 65 universities representing 16 percent

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

of all students in four-year institutions in the United States.[1] After reviewing publicly accessible websites, these authors found that the average university they sampled listed more than 45 people as having formal responsibility for promoting DEI goals. DEI staff listed by universities totaled 4.2 times the number of staff who assist students with disabilities in receiving reasonable accommodations, as required by law. DEI staff levels were 1.4 times larger than the number of professors in these universities' corresponding history departments. Moreover, the average university had 3.4 people working to promote DEI for every 100 tenured or tenure-track faculty members.

Certain universities had strikingly large numbers of people officially labeled with DEI responsibilities. At the University of Michigan, for example, 163 people were identified as having formal responsibility for providing DEI programming and services. At the University of North Carolina at Chapel Hill (UNC), there were *13.3 times* as many people devoted to promoting DEI as providing services to people with disabilities. At Georgia Tech, there were *3.2 times* as many DEI staff people as history professors. At the University of Louisville, the ratio of DEI personnel to history faculty was 2.9. The University of Virginia had 6.5 DEI staff for every 100 professors.

DEI Organization and Staffing. DEI staff are organized somewhat differently but tend to follow some common patterns. Most universities have units that cover the entire university with general responsibility for developing policies, programs, and services to enhance the diversity, equity, and inclusion of the institution. These central offices are led by people with titles like Senior Associate Vice President for Diversity and Equity (Louisville), Vice President for Diversity, Equity, Inclusion, and Community Partnerships (Virginia), Vice Provost for Diversity and Inclusion, Chief Diversity Officer (Ohio State), and Vice President for Diversity and Inclusion (Iowa State).[2]

These central offices have numerous subordinates. For example, at the University of Michigan there is a Deputy Chief Diversity Officer and Director of Implementation for the DEI Strategic Plan; at Virginia Tech the Assistant Provost for Diversity Education and Programs is supported by a Director of Diversity Education Programs and a Director of Diversity Engagement.[3] Almost all of these central diversity offices are further supported by directors of communication, program assistants, and administrative assistants.

Identity-Focused Units. In addition to these general diversity, equity, and inclusion offices, most universities have several units focused on providing services and programming related to particular gender or ethnic identities. Almost all universities have something like a Multicultural

Affairs Center, but most also have Women's Centers, LGBTQ Centers, and Hispanic/Latino Centers. Asian Centers are less common, as are African American Centers, as issues related to African Americans tend to be the focus of Multicultural Centers. These centers have directors, assistant directors, program assistants, graduate and undergraduate interns, and administrative staff. At universities with larger DEI staffing, the general diversity offices and these ethnic/gender centers tend to be replicated within a number of colleges. DEI staff at the college level are most common for engineering, medicine, and business.

DEI Bureaucracies and Student Satisfaction. The data collected show that DEI efforts involve a vast bureaucracy. In addition, based on a review of climate surveys administered to students at many of these same universities, the size of the DEI bureaucracy bears little relationship to students' satisfaction with their college experience, in general—or with their diversity experience, in particular.

DEI bureaucracies appear to increase administrative bloat without contributing to the stated goals of diversity, equity, and inclusion.[4] Employing dozens of DEI professionals—in the form of chief diversity officers, assistant deans for diversity, and directors for inclusive excellence—may be better understood as jobs programs subsidizing political activism without improving campus climate. In light of these findings, state legislators and donors who fund these institutions may wish to examine DEI efforts more closely to ensure that university resources are used effectively.

Methodology

To collect information on the size of DEI bureaucracies in higher education, these authors examined the 65 universities that are members of the five "power" athletic conferences: the Atlantic Coast Conference, the Big 10, the Big 12, the PAC 12, and the Southeastern Conference. The focus was on these universities because they tend to be large, public institutions chosen by many students simply because of geographic proximity. These universities tend not to be highly selective institutions with explicit DEI missions intended to attract ideologically aligned students.

Instead, Power Five universities tend to be mainstream institutions that students select—and state legislatures support—without much thought to their political and cultural aims. These 65 universities serve over 2.2 million students, representing about 16 percent of all students enrolled in four-year universities, thereby presenting a broad picture of higher education.

Web Search. This study began by searching for central office DEI personnel. These authors looked for a tab on each university's main Web page titled "diversity" or queried the term "diversity" using an internal site search. This process usually yielded a central DEI office staff list. Afterward, other terms were searched for, such as "Multicultural Affairs," "African American Culture," "Asian Culture," "Latino Culture," "Native American Culture," "Women's Center," and "LGBTQ Center." A given university might not have all of these offices, but searching for these terms seemed to produce an exhaustive set of central DEI organizations. Each DEI page commonly listed "our team," "people," or "staff"; which allowed the authors to record relevant names and titles.

After identifying central office DEI staff, a similar search was conducted for DEI personnel at the college level. Universities sampled typically had between 12 to 24 colleges, such as a College of Arts and Sciences, College of Engineering, and College of Law, etc. The authors expected that the reach of DEI bureaucracy would extend beyond the central office and into lower levels of university structure—and, indeed, that is what they found. In total, search procedures found nearly *3,000 people* listed as having DEI responsibilities in these 65 universities.

Excluded Categories. Certain categories of people were excluded from the count. For example, Title IX, equal employment opportunity, or other staff listed as primarily having responsibility for ensuring compliance with legal obligations were not included. The study's count of DEI personnel is meant to capture the effort that these institutions *want to* devote to DEI, rather than what they *must* devote. In contrast, staff tasked with disability accommodations are needed to satisfy legal requirements of the Americans with Disabilities Act and other related legislation.

This study also excludes sexual violence and rape counseling personnel who may be listed in Women's Centers because their main responsibilities are to provide health services rather than promote DEI. Nor were the faculty and staff in academic centers dedicated to researching and teaching about ethnic and women's issues counted. For example, the count *does not* include professors of gender studies. Such researchers were viewed as having traditional academic goals, even though they also likely engage in the promotion of DEI. Finally, although universities and academic units maintain numerous DEI advisory boards, councils, and task forces, the study did not count participants in these voluntary organizations, which may require minimal DEI-related responsibilities.

In short, the DEI personnel count is likely an *underestimate* of universities' commitment to DEI. This study included only personnel listed on DEI organization websites; there may be additional staff who are not listed on those pages. Certain staff who may have limited DEI obligations were not included. For example, deans of housing and students likely devote significant time to DEI goals without having such responsibility designated in their job titles. These authors also acknowledge that this search method may miss some DEI-related units, and that universities may not be consistent in what they list on their websites. Finally, rather than searching through entire university systems, relevant personnel only from flagship campuses were identified.

Thus, this *Backgrounder* is an undercount of the true extent of DEI activities at universities. Nevertheless, this study contributes baseline data on the amount and variation of DEI efforts in higher education.

The faculty numbers presented were obtained from the Integrated Postsecondary Education Data System data set compiled by the U.S. Department of Education.[5] Counts of all tenured and tenure-track faculty are included in the most recent year available, 2019. The data on history faculty were obtained by searching websites of history departments at each university and counting the number of tenured and tenure-track faculty.

Results and Ratios

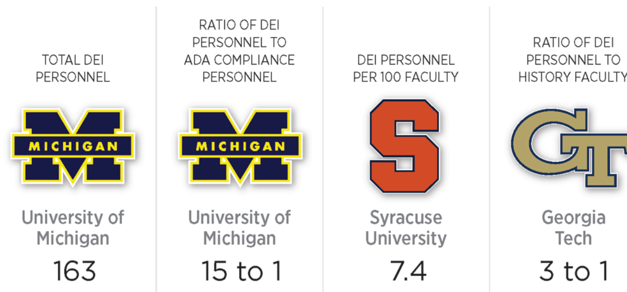
These data collection efforts resulted in a first-of-its-kind compendium of DEI staff at major universities. From this dataset, it is possible to calculate measures of the magnitude of DEI efforts on an absolute scale, as well as relative to other priorities of universities.

Total DEI Personnel. The average university has 45.1 people tasked with promoting diversity, equity, and inclusion. Some universities have many more. For example, the University of Michigan has 163 DEI personnel. Nineteen of those people work in a central office of DEI, headed by a Vice Provost for Equity and Inclusion & Chief Diversity Officer, who is subsequently supported by three people with the title Assistant Vice Provost for Equity, Inclusion & Academic Affairs. Five people are listed in the Multicultural Center, another 24 are found in the Center for the Education of Women, and the LGBTQ Spectrum Center has 12 people. Eighteen people are listed on the Multiethnic Student Affairs website with another 14 found at the Office of Academic Multicultural Initiatives. Moreover, colleges and departments at the University of Michigan have their own DEI staff.

FIGURE 1

Overloaded With Diversity Staff

These four universities have some of the highest levels of diversity, equity, and inclusion (DEI) staffing among major colleges.



SOURCE: Author's research.

BG3641 heritage.org

The University of Virginia and Ohio State University also have large DEI infrastructures, each with 94 people. The Universities of California at Berkeley and Virginia Tech follow, with 86 and 83 DEI personnel, respectively. Stanford University has 80 DEI staff, while the University of Illinois and the University of Maryland each have 71. Syracuse University and the University of Colorado at Boulder round out the top ten with 65 and 62 DEI personnel, respectively.

Some universities have small DEI staff. Baylor University and Texas Christian University each list only seven DEI personnel. Mississippi State University has 12. Auburn University and West Virginia University each has 20 DEI personnel, while the University of Arkansas has 21. The University of Miami and University of South Carolina list 23 DEI personnel. There are two dozen DEI staff at Wake Forest University; the University of Mississippi has 25. For a complete set of DEI staff counts ranked from largest to smallest, see Table 1.

DEI Personnel Relative to Disability Services Staff. It may be difficult to gauge the magnitude of DEI personnel by simply looking at raw counts. To put these figures in perspective, information was also collected on the number of people listed on university websites with responsibility for providing services to people with disabilities.

TABLE 1

Diversity, Equity, and Inclusion (DEI) Personnel at Major Universities

	University	DEI Personnel
1	Michigan	163
2	Virginia	94
2	Ohio St.	94
4	California	86
5	Virginia Tech	83
6	Stanford	80
7	Illinois	71
7	Maryland	71
9	Syracuse	65
10	Colorado	62
11	Utah	60
11	Washington	60
13	Arizona	59
13	Iowa	59
15	Duke	57
15	Minnesota	57
15	Wisconsin	57
18	North Carolina	53
18	Rutgers	53
20	Northwestern	52
21	Indiana	51
21	Michigan St.	51
23	Louisville	50
23	Penn St.	50
25	Oregon	49
25	UCLA	49
27	Iowa St.	47
28	Texas A&M	46
AVERAGE		**45.1**
29	Texas	45
30	NC State	44
31	Purdue	43
32	Texas Tech	42
33	Georgia Tech	41
34	USC	39
35	Georgia	38
35	Vanderbilt	38
37	Missouri	37
37	Nebraska	37
37	LSU	37
40	Tennessee	36
41	Oklahoma	35
42	Pittsburgh	34
42	Boston College	34
44	Washington St.	32
45	Clemson	31
45	Alabama	31
45	Florida St.	31
48	Florida	29
49	Arizona St.	28
50	Kansas St.	27
50	Kansas	27
52	Oregon St.	26
52	Oklahoma St.	26
52	Kentucky	26
52	Notre Dame	26
56	Mississippi	25
57	Wake Forest	24
58	Miami	23
58	South Carolina	23
60	Arkansas	21
61	West Virginia	20
61	Auburn	20
63	Mississippi St.	12
64	Texas Christian	7
64	Baylor	7

SOURCE: Author's research.

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Universities are required by law to provide reasonable accommodations under the Americans with Disabilities Act (ADA) and other legislation, so the number of ADA compliance staff can be understood as universities fulfilling something they are *required* to do. In contrast, the number of people universities devote to promoting DEI goals is something they *want to* do. (Recall that data exclude Title IX and other legal compliance personnel from DEI counts. The ratio of how many people are tasked to DEI relative to ADA goals is therefore illuminating with respect to the energy universities wish to devote to DEI.)

The average university examined has 4.2 DEI personnel for every one ADA compliance person. From the data:

- The University of Michigan lists 14.8 people tasked to promoting DEI for every one person responsible for providing services to students with disabilities.

- The University of North Carolina at Chapel Hill has the second-highest ratio of DEI to ADA personnel at 13.3.

- That ratio at the University of Virginia is 10.4, while at the University of Louisville it is 10.0.

- Boston College lists 8.5 people devoted to promoting DEI for each ADA compliance staffer.

- At the University of Iowa, the ratio is 8.4.

At the other end of the spectrum, Baylor University and the University of Minnesota were the only schools to list more ADA compliance personnel than DEI personnel. For a complete set of DEI/ADA results, see Table 2.

DEI Personnel Relative to Tenured or Tenure-Track Faculty. Another way these authors evaluated the magnitude of DEI staffing is by comparing DEI staff levels to the number of tenured or tenure-track faculty at each university. Those with tenure (or eligible to receive tenure) are core faculty with responsibility to conduct research and teach a broad spectrum of subjects deemed appropriate and necessary. DEI personnel, on the other hand, are likely there to convey a narrower, ideologically motivated range of content and values. DEI staffing relative to tenured faculty may signal how a university prioritizes adherence to DEI relative to the broader, more traditional aims of higher education.

The average university has 3.4 DEI personnel for every 100 tenured or tenure-track faculty. Some institutions have a much higher ratio.

- Syracuse University: 7.4 people devoted to promoting DEI for every 100 core professors to teach and research all academic subjects.

- University of Virginia: 6.5.

- University of Oregon: 6.2.

TABLE 2

DEI Personnel Compared to ADA Compliance Personnel

	University	DEI Personnel	ADA Personnel	DEI/ADA Ratio
1	Michigan	163	11	14.8
2	North Carolina	53	4	13.3
3	Virginia	94	9	10.4
4	Louisville	50	5	10
5	Boston College	34	4	8.5
6	Iowa	59	7	8.4
7	Northwestern	52	7	7.4
8	Iowa St.	47	7	6.7
9	Vanderbilt	38	6	6.3
10	LSU	37	6	6.2
11	Miami	23	4	5.8
12	Indiana	51	9	5.7
13	Missouri	37	7	5.3
13	Nebraska	37	7	5.3
15	Oklahoma St.	26	5	5.2
15	Duke	57	11	5.2
15	Colorado	62	12	5.2
18	Georgia Tech	41	8	5.1
19	Washington	60	12	5
20	Stanford	80	17	4.7
21	Virginia Tech	83	18	4.6
21	Washington St.	32	7	4.6
23	Kansas St.	27	6	4.5
24	Clemson	31	7	4.4
24	NC State	44	10	4.4
24	Oklahoma	35	8	4.4
27	California	86	20	4.3
27	Utah	60	14	4.3
AVERAGE		**45.1**	**13.4**	**4.2**
29	UCLA	49	12	4.1
30	Maryland	71	18	3.9
31	Penn St.	50	13	3.8
31	Rutgers	53	14	3.8
31	Pittsburgh	34	9	3.8
34	Oregon	49	14	3.5
35	Florida St.	31	9	3.4
35	Syracuse	65	19	3.4
35	Ohio St.	94	28	3.4
38	Texas Tech	42	14	3
38	Texas	45	15	3
48	Mississippi St.	12	4	3
41	Kentucky	26	9	2.9
41	Notre Dame	26	9	2.9
43	USC	39	14	2.8
44	Kansas	27	10	2.7
44	Purdue	43	16	2.7
46	Alabama	31	12	2.6
46	Texas A&M	46	18	2.6
48	Mississippi	25	10	2.5
48	Wisconsin	57	23	2.5
50	Oregon St.	26	11	2.4
51	Wake Forest	24	11	2.2
52	Arkansas	21	10	2.1
52	Florida	29	14	2.1
54	South Carolina	23	12	1.9
54	Arizona	59	31	1.9
54	Georgia	38	20	1.9
57	Illinois	71	40	1.8
57	Michigan St.	51	29	1.8
59	Tennessee	36	21	1.7
60	Auburn	20	14	1.4
60	Texas Christian	7	5	1.4
62	West Virginia	20	15	1.3
63	Arizona St.	28	28	1
64	Minnesota	57	64	0.9
65	Baylor	7	10	0.7

SOURCE: Author's research.

- University of California at Berkeley: 6.1.
- University of Michigan: 5.8.
- Virginia Tech: 5.6.

For a complete set of DEI personnel per 100 core faculty, see Table 3.

DEI Personnel Relative to History Faculty. These authors also compared each university's DEI infrastructure to its number of history professors. History is a core academic subject that helps students understand their place in the world, as well as how to put current events in appropriate context and understand how citizens should engage in civic life. The ratio of DEI personnel to history faculty is an indicator of how much universities prioritize the narrower, particular narratives of DEI relative to the broader narratives traditionally covered by history faculty.

The average institution examined lists 1.4 times as many DEI personnel as tenured or tenure-track history professors.

- Georgia Tech: 3.2 people promoting DEI goals for every history professor.
- University of Louisville: 2.9.
- Syracuse University, Virginia Tech, the University of Utah, the University of Michigan, the University of Arizona, Iowa State University, and the University of Iowa all have more than *twice* as many DEI personnel as history faculty.

Some universities do devote more people to teaching and studying history than to promoting DEI goals. For example:

- Baylor University: three times as many history professors as DEI staff.
- Mississippi State University and Texas Christian University: at least twice as many history professors listed relative to DEI personnel.
- Rutgers University, the University of California Los Angeles, the University of Florida, the University of Texas at Austin, the University of South Carolina, the University of Kentucky, the University of Mississippi, Vanderbilt University, Auburn University, and Notre Dame University all list more history professors than DEI staff.

TABLE 3

DEI Personnel per 100 Faculty

	University	DEI Personnel	Faculty	DEI per 100 Faculty
1	Syracuse	65	884	7.4
2	Virginia	94	1,454	6.5
3	Oregon	49	796	6.2
4	California	86	1,402	6.1
5	Michigan	163	2,827	5.8
6	Virginia Tech	83	1,490	5.6
7	Boston College	34	619	5.5
8	Stanford	80	1,502	5.3
8	Louisville	50	943	5.3
10	Maryland	71	1,372	5.2
11	Colorado	62	1,212	5.1
12	Georgia Tech	41	852	4.8
13	Vanderbilt	38	816	4.7
14	Iowa	59	1,326	4.4
15	North Carolina	53	1,278	4.1
15	Missouri	37	903	4.1
17	Illinois	71	1,777	4
18	Kansas St.	27	697	3.9
19	Iowa St.	47	1,224	3.8
19	Washington St.	32	834	3.8
19	Arizona	59	1,547	3.8
19	Northwestern	52	1,367	3.8
19	LSU	37	975	3.8
19	Ohio St.	94	2,484	3.8
19	Texas Tech	42	1,116	3.8
26	Utah	60	1,618	3.7
26	Oklahoma	35	944	3.7
28	Indiana	51	1,418	3.6
29	Nebraska	37	1,059	3.5
30	Duke	57	1,676	3.4
30	Wake Forest	24	710	3.4
AVERAGE		**45.1**	**1,341**	**3.4**
32	Clemson	31	950	3.3
33	NC State	44	1,377	3.2
33	Tennessee	36	1,132	3.2
35	Rutgers	53	1,687	3.1
35	Alabama	31	1,005	3.1
37	Oklahoma St.	26	864	3
37	Oregon St.	26	871	3
39	Wisconsin	57	1,949	2.9
39	Notre Dame	26	892	2.9
41	UCLA	49	1,774	2.8
41	Michigan St.	51	1,851	2.8
43	Mississippi	25	940	2.7
44	Florida St.	31	1,172	2.6
44	Minnesota	57	2,171	2.6
44	USC	39	1,494	2.6
44	Arkansas	21	806	2.6
48	Texas	45	1,795	2.5
48	Purdue	43	1,751	2.5
50	Georgia	38	1,647	2.3
50	Kansas	27	1,180	2.3
50	Miami	23	1,018	2.3
53	Texas A&M	46	2,079	2.2
53	West Virginia	20	923	2.2
55	Pittsburgh	34	1,616	2.1
55	South Carolina	23	1,114	2.1
55	Washington	60	2,910	2.1
58	Arizona St.	28	1,383	2
59	Auburn	20	1,070	1.9
60	Kentucky	26	1,505	1.7
60	Mississippi St.	12	720	1.7
60	Penn St.	50	3,027	1.7
63	Texas Christian	7	466	1.5
64	Florida	29	2,178	1.3
65	Baylor	7	702	1

SOURCE: Author's research.

For a complete set of results on the ratio of DEI personnel to history faculty, see Table 4.

Relationship Between DEI Staff and Diversity Climate. One of the central purposes of DEI efforts is to create a more positive and welcoming environment for students. Many universities that were examined administered surveys to students to collect information on their perceptions of campus climate.

If larger DEI staff numbers are beneficial in achieving the goals of a positive, welcoming environment, one should see more positive responses at the universities with more DEI personnel. In general, however, this is not what was observed. While these authors are constrained in making these comparisons by the fact that universities do not ask identical survey questions at the same time and in the same way, there appears to be little relationship between DEI staffing and the diversity climate on campus.

For example, the University of Michigan has the largest DEI staff on multiple measures. It has the most people working on DEI, and it has the highest ratio of DEI personnel to ADA compliance staff. In a recent climate survey, 72 percent of University of Michigan students report being satisfied or very satisfied with the campus climate.[6] Among under-represented minority students, that figure drops to 62 percent for undergraduate students, and 55 percent for graduate students.

These climate outcomes are not much different from Mississippi State University—an institution with far less DEI infrastructure. In a recent survey administered by Mississippi State, students were asked whether they felt "accepted, respected, and appreciated," which is arguably a tougher bar to meet than simply being satisfied with the climate.[7] Despite having a higher standard and significantly smaller DEI staff, 72 percent of Mississippi State students report being accepted, respected, and appreciated by students different from them. Among African American students, 68 percent reported being accepted, respected, and appreciated by students different from them—scarcely different than the overall result. Among Hispanic students the figure is 78 percent—higher than the overall Mississippi State result.

The lack of relationship between DEI staff and climate is also evident when comparing other schools. The University of North Carolina at Chapel Hill has a large DEI emphasis, with the second-highest ratio of DEI personnel to ADA compliance staff among the institutions sampled. In a campus climate survey, UNC students were asked whether they agreed that they "felt a sense of belonging to this campus."[8] Overall, 73 percent agreed with this statement, but among African American students the figure drops to

TABLE 4

DEI Personnel Compared to History Faculty

	University	DEI Personnel	History Faculty	DEI/ History Faculty Ratio
1	Georgia Tech	41	13	3.2
2	Louisville	50	17	2.9
3	Syracuse	65	25	2.6
4	Virginia Tech	83	33	2.5
5	Utah	60	26	2.3
5	Michigan	163	72	2.3
7	Arizona	59	27	2.2
8	Iowa St.	47	22	2.1
9	Iowa	59	29	2.0
9	Virginia	94	48	2.0
11	Colorado	62	32	1.9
11	Kansas St.	27	14	1.9
11	Oregon	49	26	1.9
11	Illinois	71	38	1.9
11	Oregon St.	26	14	1.9
16	Stanford	80	44	1.8
16	Washington	60	33	1.8
16	California	86	49	1.8
19	Maryland	71	42	1.7
19	Missouri	37	22	1.7
19	Nebraska	37	22	1.7
22	Duke	57	36	1.6
23	Oklahoma St.	26	17	1.5
23	Washington St.	32	21	1.5
23	Ohio St.	94	62	1.5
26	Georgia	38	27	1.4
26	Purdue	43	31	1.4
26	NC State	44	32	1.4
26	LSU	37	27	1.4
26	Pittsburgh	34	25	1.4
AVERAGE		**45.1**	**33.2**	**1.4**
26	Texas Tech	42	31	1.4
32	Minnesota	57	44	1.3
32	Tennessee	36	28	1.3
32	Texas A&M	46	36	1.3
35	Clemson	31	25	1.2
35	Miami	23	19	1.2
35	Northwestern	52	44	1.2
35	West Virginia	20	17	1.2
35	Penn St.	50	43	1.2
35	Indiana	51	44	1.2
35	Michigan St.	51	44	1.2
42	Alabama	31	27	1.1
42	Florida St.	31	27	1.1
42	USC	39	35	1.1
42	Arkansas	21	19	1.1
42	Wake Forest	24	22	1.1
42	Oklahoma	35	33	1.1
48	Boston College	34	33	1.0
48	North Carolina	53	53	1.0
48	Kansas	27	27	1.0
48	Arizona St.	28	28	1.0
48	Wisconsin	57	59	1.0
48	Rutgers	53	55	1.0
54	UCLA	49	56	0.9
55	Florida	29	36	0.8
55	Texas	45	58	0.8
55	South Carolina	23	30	0.8
55	Kentucky	26	34	0.8
55	Mississippi	25	33	0.8
60	Vanderbilt	38	55	0.7
60	Auburn	20	29	0.7
62	Notre Dame	26	45	0.6
63	Mississippi St.	12	24	0.5
64	Texas Christian	7	17	0.4
65	Baylor	7	21	0.3

SOURCE: Author's research.

54 percent. Again, having many people with job responsibilities to promote DEI does not seem to close the gap between African American and other students in terms of their feeling of belonging on campus.

The diversity climate at Baylor University, which has the smallest diversity staff on multiple measures, is more favorable than at North Carolina.[9] At Baylor, 76 percent of undergraduate students describe the campus climate as good or very good. That figure drops, but only slightly, to 69 percent among minority students. In general, student reports on campus climate are no better—and often worse, especially for minority students—at universities with larger DEI staff levels.

Discussion

Universities—especially those that are publicly funded—should be welcoming to all students, and it is admirable that inclusion is a priority for so many institutions of higher education. Having said that, this research suggests that large DEI bureaucracies appear to make little positive contribution to campus climate. Rather than being an effective tool for welcoming students from different backgrounds, DEI personnel may be better understood as a signal of adherence to ideological, political, and activist goals.

Administrative Bloat. In addition, high DEI staffing levels suggest that these programs, like many other administrative initiatives at universities, are bloated relative to academic pursuits.[10] It is fair to wonder whether reducing administrative bloat and reducing costs would do more to promote college access and inclusion than the best efforts of any diversity officer.

Programming Content. It is also troubling that much of the programming DEI personnel offer tends to lack diversity of viewpoints—and may have the effect of dividing more than including. Further research on the content of this programming and the potentially unintended negative consequences it may have for legitimate diversity and inclusion goals could shed further light on how universities might structure diversity staff more efficiently.

Criteria for Success. This *Backgrounder* does not advocate for the elimination of DEI programs. Nonetheless, the data suggest that DEI efforts should be proportionate to other goals of higher education and be designed to achieve legitimate goals. Perhaps there should be stated criteria by which success of these programs, offices, and personnel can be measured.

DEI's Public Funding. Without evidence that DEI initiatives are meeting goals that are broadly supported by the legislators, donors, and tuition-payers who fund universities, it is unclear why these stakeholders

should indulge narrowly focused ideological and divisive efforts favored by the people who run universities and a small number of activist students. Given how cash-strapped many of these states are, legislators should consider reducing and restructuring DEI staffs to achieve legitimate goals at substantially lower cost.

Policy Recommendations

In light of the data, university stakeholders at all levels should take the following actions.

- **State legislatures, boards of higher education, and university trustees** should investigate the extent of resources devoted to DEI personnel at the universities they oversee and subsidize.
- **Stakeholders** should demand evidence about whether DEI resources are necessary and effective for achieving appropriate goals.
- **Those same stakeholders** should insist that the content of programs and services offered by DEI staff actually include a diversity of *perspectives*—and be designed to be inclusive of all students.

Conclusion

Continuing to hire more people with sophisticated, corporate-sounding titles seems unlikely to help students feel welcome and learn from each other—nor will creating new units with more administrators advancing political agendas that may be at odds with the preferences of those who pay and subsidize tuition. Such approaches have more to do with the increasingly imbalanced ideological nature of universities than with actual promotion of diversity, equity, and inclusion.

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APPENDIX TABLE 1

Outcomes by University, Listed Alphabetically (Page 1 of 2)

	TOTALS					RATIOS		
University	**Total Enrollment**	**DEI Personnel**	**ADA Personnel**	**Faculty**	**History Faculty**	**DEI/ADA Ratio**	**DEI per 100 Faculty**	**DEI/ History Faculty Ratio**
Alabama	38,100	31	12	1,005	27	2.6	3.1	1.1
Arizona	44,577	59	31	1,547	27	1.9	3.8	2.2
Arizona St.	53,286	28	28	1,383	28	1	2	1
Arkansas	27,559	21	10	806	19	2.1	2.6	1.1
Auburn	30,460	20	14	1,070	29	1.4	1.9	0.7
Baylor	18,033	7	10	702	21	0.7	1	0.3
Boston College	14,747	34	4	619	33	8.5	5.5	1
California	43,185	86	20	1,402	49	4.3	6.1	1.8
Clemson	25,822	31	7	950	25	4.4	3.3	1.2
Colorado	37,883	62	12	1,212	32	5.2	5.1	1.9
Duke	16,686	57	11	1,676	36	5.2	3.4	1.6
Florida	52,407	29	14	2,178	36	2.1	1.3	0.8
Florida St.	42,450	31	9	1,172	27	3.4	2.6	1.1
Georgia	38,920	38	20	1,647	27	1.9	2.3	1.4
Georgia Tech	36,302	41	8	852	13	5.1	4.8	3.2
Illinois	51,605	71	40	1,777	38	1.8	4	1.9
Indiana	33,084	51	9	1,418	44	5.7	3.6	1.2
Iowa	31,240	59	7	1,326	29	8.4	4.4	2
Iowa St.	33,372	47	7	1,224	22	6.7	3.8	2.1
Kansas	27,552	27	10	1,180	27	2.7	2.3	1
Kansas St.	21,719	27	6	697	14	4.5	3.9	1.9
Kentucky	29,402	26	9	1,505	34	2.9	1.7	0.8
Louisville	21,670	50	5	943	17	10	5.3	2.9
LSU	31,756	37	6	975	27	6.2	3.8	1.4
Maryland	40,743	71	18	1,372	42	3.9	5.2	1.7
Miami	17,811	23	4	1,018	19	5.8	2.3	1.2
Michigan	48,090	163	11	2,827	72	14.8	5.8	2.3
Michigan St.	49,809	51	29	1,851	44	1.8	2.8	1.2
Minnesota	51,327	57	64	2,171	44	0.9	2.6	1.3
Mississippi	21,617	25	10	940	33	2.5	2.7	0.8
Mississippi St.	22,226	12	4	720	24	3	1.7	0.5
Missouri	30,014	37	7	903	22	5.3	4.1	1.7
NC State	36,304	44	10	1,377	32	4.4	3.2	1.4

SOURCE: Author's research.

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APPENDIX TABLE 1

Outcomes by University, Listed Alphabetically (Page 2 of 2)

	TOTALS					RATIOS		
University	**Total Enrollment**	**DEI Personnel**	**ADA Personnel**	**Faculty**	**History Faculty**	**DEI/ADA Ratio**	**DEI per 100 Faculty**	**DEI/ History Faculty Ratio**
Nebraska	25,390	37	7	1,059	22	5.3	3.5	1.7
North Carolina	29,877	53	4	1,278	53	13.3	4.1	1
Northwestern	22,448	52	7	1,367	44	7.4	3.8	1.2
Notre Dame	12,683	26	9	892	45	2.9	2.9	0.6
Ohio St.	61,391	94	28	2,484	62	3.4	3.8	1.5
Oklahoma	28,079	35	8	944	33	4.4	3.7	1.1
Oklahoma St.	24,079	26	5	864	17	5.2	3	1.5
Oregon	22,517	49	14	796	26	3.5	6.2	1.9
Oregon St.	31,719	26	11	871	14	2.4	3	1.9
Penn St.	91,427	50	13	3,027	43	3.8	1.7	1.2
Pittsburgh	32,686	34	9	1,616	25	3.8	2.1	1.4
Purdue	45,500	43	16	1,751	31	2.7	2.5	1.4
Rutgers	50,173	53	14	1,687	55	3.8	3.1	1
South Carolina	35,364	23	12	1,114	30	1.9	2.1	0.8
Stanford	17,249	80	17	1,502	44	4.7	5.3	1.8
Syracuse	22,850	65	19	884	25	3.4	7.4	2.6
Tennessee	29,460	36	21	1,132	28	1.7	3.2	1.3
Texas	51,090	45	15	1,795	58	3	2.5	0.8
Texas A&M	68,726	46	18	2,079	36	2.6	2.2	1.3
Texas Christian	11,024	7	5	466	17	1.4	1.5	0.4
Texas Tech	38,742	42	14	1,116	31	3	3.8	1.4
UCLA	44,371	49	12	1,774	56	4.1	2.8	0.9
USC	48,321	39	14	1,494	35	2.8	2.6	1.1
Utah	32,852	60	14	1,618	26	4.3	3.7	2.3
Vanderbilt	13,131	38	6	816	55	6.3	4.7	0.7
Virginia	25,012	94	9	1,454	48	10.4	6.5	2
Virginia Tech	36,383	83	18	1,490	33	4.6	5.6	2.5
Wake Forest	8,495	24	11	710	22	2.2	3.4	1.1
Washington	47,576	60	12	2,910	33	5	2.1	1.8
Washington St.	31,607	32	7	834	21	4.6	3.8	1.5
West Virginia	26,839	20	15	923	17	1.3	2.2	1.2
Wisconsin	44,257	57	23	1,949	59	2.5	2.9	1
AVERAGE	**34,324**	**45.1**	**13.4**	**1,340.6**	**33.2**	**4.2**	**3.4**	**1.4**

SOURCE: Author's research.

Endnotes

1. National Center for Education Statistics, "Table 303.25: Total Fall Enrollment in Degree-Granting Postsecondary Institutions, By Control and Level of Institution: 1970 Through 2019," Digest of Education Statistics, https://nces.ed.gov/programs/digest/d20/tables/dt20_303.25.asp?current=yes (accessed July 19, 2021).
2. See University of Louisville, "Office of Diversity and Equity," https://louisville.edu/diversity/about-us/meet-the-staff/office-of-diversity-and-equity (accessed July 19, 2021); University of Virginia, "Kevin G. McDonalds," https://dei.virginia.edu/who-we-are (accessed July 19, 2021); Ohio State University, "ODI Senior Leadership," https://odi.osu.edu/vice-provost-and-chief-diversity-officer (accessed July 19, 2021); and Iowa State University, "Office of the Vice President for Diversity and Inclusion," https://www.diversity.iastate.edu/who/staff/reginald-stewart-phd (accessed July 19, 2021).
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Mrs. FOXX. Thank you. Ms. Manning, you are recognized for 5 minutes.

Ms. MANNING. Thank you, Madam Chair. I would like to address the idea that Congress should impede students from accessing fields of education that some may deem unprofitable. An idea that has been raised both at this hearing, and during other hearings held by this Committee.

In fact, the proposed Responsible Borrowing Act for example, would allow colleges to limit the amount of Federal loans a student can borrow based on factors like the average salaries for program completers, and what programs students choose.

There has been an enormous emphasis from some on this Committee that taxpayer dollars should only be used for students to attend programs that give them tangible job skills to make sure they are employable after they graduate.

I am concerned that this attitude supports the devaluation of a liberal arts education. Mr. Horn, what kind of undergraduate degree did you get?

Mr. HORN. I received a history major.

Ms. MANNING. An undergraduate history degree from Yale I believe, and you seem to be gainfully employed. Did that liberal arts degree give you tangible job skills?

Mr. HORN. You bet, and this is why I think that liberal arts frankly we have over indexed at colleges, in having students opt not for the liberal arts in many cases.

Ms. MANNING. Mr. Leschly, what kind of undergraduate degree did you get?

Mr. LESCHLY. Comparative literature degree from Princeton.

Ms. MANNING. A BA in competitive literature from Princeton. Did that give you tangible job skills?

Mr. LESCHLY. Maybe.

Ms. MANNING. Did it help you get your J.D. and your MBA from Harvard?

Mr. LESCHLY. Maybe.

Ms. MANNING. At least it got you accepted there, did it not?

Mr. LESCHLY. Fair enough, yes.

Ms. MANNING. Okay. Dr. Cellini, what kind of undergraduate degree did you get?

Ms. CELLINI. A public policy degree.

Ms. MANNING. A BA in public policy from Stanford, and did that give you tangible job skills?

Ms. CELLINI. Yes, it did.

Ms. MANNING. Thank you. Dr. Gillen, now you have got a degree that some people might assume gave you tangible job skills because you have got a BBA in business. Is that true?

Mr. GILLEN. That is correct.

Ms. MANNING. Even though it was from the Ohio State University.

Mr. GILLEN. Yes, "The."

Ms. MANNING. Okay. I think we have at least three, maybe four examples of people who got liberal arts degrees that stood them in good State, and you all seem to be gainfully employed.

Do we not want good students from poor families to have some of the same fulsome liberal arts education that each of you got? Dr. Cellini, would you agree with that?

Ms. CELLINI. Yes. I would agree with that.

Ms. MANNING. Okay.

Ms. CELLINI. The access to high-quality programs is very important.

Ms. MANNING. Right. Now Pell Grants, when they were first enacted, covered 70 to 80 percent of the cost of college, yet today Pell Grants cover only around 30 percent of the cost of college. This means that students on Pell Grants today have to piece together a variety of loans, some subsidized, some non-subsidized.

They often have to work sometimes 20 hours a week to afford college. That can certainly impact the student's ability to take a full course load and graduate in anything close to 4 years. Dr. Cellini, would increasing the Pell Grant to keep pace with inflation, or even doubling it, would that be an effective way of helping students who have no family financial support succeed in college, or perhaps even graduate in 4 years?

Ms. CELLINI. I think expansions of the Pell Grant to keep pace with inflation and costs of tuition would be really important for students to be able to access high-quality education.

Ms. MANNING. I want to take a moment to highlight the proposed budget cuts being made by my colleagues on the other side of the aisle, which have historically served to address skyrocketing costs of education were discussing cutting—fully eliminating the Federal work study program, Federal supplemental educational opportunity grants, childcare access means parents in school program grants.

The current budget proposal would slash funding for the Office of Federal Student Aid, and of course it goes without saying it would not double, or help the Pell Grant keep pace with inflation. Dr. Cellini, do you think that cutting these programs would make

it more difficult for students with no family financial assistance to graduate from college?

Ms. CELLINI. Yes. It would make it much more difficult for students to afford college.

Ms. MANNING. Now we have heard a suggestion that we could impose a system of risk sharing on colleges. I am wondering what changes you would expect a college to make if they were going to share the risk of a student graduating and getting a good job. Would you expect, for example, colleges and Dr. Cellini, I will stick with you.

Would you expect colleges to implement a better and more accountable counseling program for students?

Ms. CELLINI. I am not entirely sure how risk sharing would change their behavior, but I do not think taxpayers should fund low performing programs, even if there is risk sharing.

Ms. MANNING. Dr. Gillen, what kind of—I think you are the one who mentioned risk sharing. What kinds of changes would you expect a high-quality college to make if they were to take on this risk sharing opportunity?

Mr. GILLEN. I think the best example of the behavior that we would see from colleges is what happened at Texas State Technical College, which is they focused very clearly on whether or not the programs that they are offering provides students with valuable careers. So——

Ms. MANNING. You do not think that a lot of students could benefit from things like better counseling?

Mrs. FOXX. Ms. Manning, Ms. Manning your time is up, and you keep asking questions.

Ms. MANNING. I apologize. I yield back, and I would love to get answers to that question, perhaps in writing. I yield back. Thank you, Madam Chair.

Mrs. FOXX. Thank you. Mr. Good, you are recognized for 5 minutes.

Mr. GOOD. Thank you, Madam Chairman. Mr. Leschly, our office has received examples of accreditors cracking down on the sincerely held religious beliefs of higher education institutions who are going through the accreditation process.

I am sure know, the President of Sachs, the accreditor for schools like UNC, North Carolina, announced the desire to investigate that school for its decision to create the School of Civic Life and Leadership, which had been unanimously supported by their board of trustees for its emphasis on free expression.

Just last year, the ABA adopted a new standard for accreditation that requires law schools to provide curriculum on bias, cross cultural competency racism education. They also adopted a non-discriminatory policy that includes gender identity and sexual orientation.

Then the Liaison Committee on Medical Education, which accredits medical schools as you know, has DEI requirements in place, and faculty and institutions, if they are in danger if the program is failing to meet accreditation requirements if they object to these.

Do you think it is proper for an accreditor to threaten institutions seeking to operate according to their sincerely held religious

beliefs by forcing political litmus tests on them through DEI requirements, gender identity, non-discrimination requirements, things like that?

Mr. LESCHLY. Accreditors should not run colleges. They should regulate the outcomes of colleges fairly and precisely. I talked about that in my testimony. Accreditors, and I think all regulators at the State and Federal level should be very precise and very determined to make sure that institutions produce the outcomes that matter most.

Then after that, they should leave colleges alone to specialize, to evolve, and very importantly, to serve with enormous variety and almost infinite interest among student populations in colleges with varying interests, priorities and designs. Since we believe in that, we would also not micro regulate the issues that you described.

We would not require a college to have a DEI policy, or would we object if they had one. It is their business.

Mr. GOOD. Within the boundaries of the law, of course, a college should be somewhat free to be the kind of college that it wants to be, that attracts students and parents helping their students make decisions, focuses perhaps on academic excellence, and academic outcomes. The accrediting institutions should be focused on those.

Changing gears for a moment, moving toward the cost of higher education, and this will be toward Dr. Gillen, rather. Dr. Gillen, a 2022 GAO study found that direct loan program has cost taxpayers approximately 200 billion since its inception, largely due to the generous forgiveness and repayment options for borrowers in the IDR plans.

80 percent of parents report that 4-year schools cost too much, and 50 percent say 4-year schools are inaccessible to middle class Americans. A Wall Street Journal survey this year found that 56 percent of graduates from college were not worth the cost due to lack of job skills obtained, and the high debt in return.

The Biden administration, of course, is doubling down on their student loan transfer scheme. Congress voted to end that. The Supreme Court declared it of course, unconstitutional, and yet he is trying to do it through other mechanisms as we know.

This, despite the fact that a 2017 study showed that an economist at the New York Federal Reserve found that colleges raised tuition costs by 60 cents for every dollar in increased Federal loan subsidies.

To you Dr. Gillen, does loan forgiveness—has it been demonstrated to decrease costs, or would it decrease costs? What have you found or seen?

Mr. GILLEN. No. I think it would do the opposite actually. If you have the anticipation, or the actuality of widespread loan forgiveness, that is going to do a couple things. On the student side, students are going to borrow as much as possible.

Right now, most students actually do not borrow because most students are going part-time, and so the majority of students that borrow, that is going to change. If nobody has to repay loans, everybody is going to borrow, and they are going to borrow as much as they can.

At the same time, the school is going to look at the students with all this cash, and they are going to say well, we could use some of

that, and so they are going to raise prices, and they are going to cut their other aid.

The loan forgiveness is basically going to exacerbate the student loan debt problem in the sense that we would have even higher debt until right after it was forgiven, because it would so skew the incentives of both the students and the schools.

Mr. GOOD. I think you are exactly right, and the President's plan thankfully overridden by the Supreme Court, despite his efforts to try to find other avenues there. 60 percent of the people in my district don't have college degrees.

His student loan transfer scheme to them would have to pay for it would apply to families making up to $250,000.00 a year, which is far beyond the average income within folks in my district, and most districts throughout the country, I am sure. With that, I yield back, Madam Chairman.

Mrs. FOXX. Thank you, Mr. Good. Mr. Courtney, you are recognized for 5 minutes.

Mr. COURTNEY. Thank you, Madam Chairwoman, and thank you to the witnesses for being here today. Again, I think this topic is the highest relevance to this Committee.

I have been on it for a while, and I was around in 2007 when the College Cost Reduction Act, a bipartisan bill that was signed into law by President Bush was signed, that cut the interest rate from 6.8 percent to 3.4 percent over a 5-year period, established the Loan Forgiveness Program, as well as the income-driven repayment program.

Five or 6 years later in 2013, again, another bipartisan effort, the Student Loan Certainty Act was passed. Congresswoman Foxx's predecessor, John Kline and I were in the oval office when President Biden—sorry, President Obama signed that measure into law, which blocked what would have been a jump to 6.8 percent interest on Stafford loans and set the new 10 year note index that is in place here today.

I say that because we are right now on the brink of a cliff. Starting on October 1, despite all of the talk about President Biden's—it was only a partial loan forgiveness measure, whatever. I mean, all those student loans are going to snap back.

Some of them with very high legacy interest rates on October 1st, and also incoming freshmen who are about to start their college careers, are looking at 5.5 percent interest rates on Stafford loans for this year.

Again, with the 10-year notes going up plus two, which is the formula that is in place today, and so we are really, we are just going to start this treadmill for borrowers in October for both old borrowers and new borrowers.

It is incumbent, I believe for us, to act as a congress, and certainly this Committee has an essential role to doing that. If you look at a kid who's at 5.5 percent interest, the average student loan debt is about $26,000.00 on average.

Across where it is today, in terms of the portfolio that exists, that is about 7,800 bucks of added costs per interest. That is money that goes into the Federal treasury. That is a windfall for the government. It was never the intent of Senator Stafford, that this was going to create an income generating program for the treasury.

I think it is time for us to get off that treadmill. Again, the problem is who takes the head? The student who pays the interests, or the taxpayers that would take the head if you eliminate interest because obviously that hole has to be filled.

Well today, myself and Senator Peter Welch in the Senate, are introducing the Interest Elimination, Student Loan Interest Elimination Act, which again basically zeroes out interest across the board. It is paid for, however, and not with taxes. What it does is establish a trust fund where principal balance payments are deposited.

Again, administered by a board of trustees, and that would then be invested in low interest, low risk securities to generate enough income that would again pay the costs of not having interest payments going into the treasury.

It is a model which exists today for the railroad retirement fund, which is a completely solvent pension program using exactly that type of approach, and that program by the way is solvent for the next 25 years in terms of doing that.

It has other mechanisms in terms of accountability, in terms of restricting eligibility for colleges and universities to get grants if their tuitions rise above an unacceptable level. If it generates a surplus, then there is actually a provision in the bill to divert and invest that money into Pell Grants that are there.

This gets us off this train of interest. It does not excuse, it is not loan forgiveness, you know, people still have to pay their principal levels in terms of their loans, but it gets us out of this interest trap, which again with the interest recapitalization metastasizes the costs, the level of debt for students to a point where they owe more than the loans they actually took out.

With my limited time Professor Cellini, maybe you could just sort of comment in terms of this issue of interest.

Ms. CELLINI. Yes. It sounds like a very interesting proposal. Yes. We know that students will face a cliff when they start to repay. I would just caution that thinking about which programs have access to those loan programs, just to make sure that taxpayers do not pay for, even with no interest, that they do not pay for low performing no value programs.

Mr. COURTNEY. That is exactly the intent of this.

Ms. CELLINI. That is right.

Mr. COURTNEY. We did it very carefully to avoid that dynamic, which in the past has always been how you pay for it. We are not doing that with this, and I would ask again, USA Today article on this program, this bill, be introduced into the record please, Madam Chairman.

Mrs. FOXX. Without objection.

[The information of Mr. Courtney follows:]

Student loan interest crisis? New bill could eliminate rates for many borrowers

Alicia Wong
USA TODAY

Tens of millions of Americans who have student loan debt are expected to resume making payments in the fall. The interest that comes with that debt will kick in again, too.

For many borrowers, that interest has been the obstacle to paying off their loans. Advocates say the return to payments, for which the Education Department is now preparing after the Supreme Court struck down President Joe Biden's sweeping debt forgiveness plan, could be catastrophic financially.

But new legislation written by Rep. Joe Courtney, D-Conn., and Sen. Peter Welch, D-Vt., aims to get rid of that interest for current borrowers while capping it based on a sliding scale for future borrowers. The bill, unveiled and shared exclusively Thursday with USA TODAY, also would devise a means of paying for the lost interest – one that wouldn't leave taxpayers covering those costs.

Not just student loans: Interest overwhelms borrowers

Student loan payments, which have been on hold since the start of the pandemic, will be due starting in October.

It's not just payments that have been on pause. The interest that comes with them, cut to 0% for more than 3 years, also will resume starting Sept. 1. For many borrowers, that looming expense is just as bad as – if not worse – than the principal owed.

Interest rates on federal student loans are fixed based on the year borrowers take them out, but the interest is often added to the principal right away and accrues every day. While most borrowers generally don't have to start paying down their loans until six months after they graduate, interest does add up if they go into forbearance.

Interest also continues to accrue for borrowers on income-driven repayment plans even when their principal amounts are reduced. Often it's collected not just on the principal but on the administrative fees charged.

"My government is making money off of me," said Lisa Rapaszky, a grassroots organizer who recently earned her master's degree and says she has more than $30,000 in student loan debt, in an Education Department hearing recently. The hearing was meant to gather feedback from

members of the public as the department works with experts to change federal law and allow for widespread forgiveness.

Rapaszky, 50, emphasized that student loan interest reform would go a long way toward helping her pay off her loans, remain in her public service research field and save for retirement. Once payments resume, she said, her estimated accrued interest will cost nearly $5 a day. “It's just too much,” she said, noting her interest rate is 5.28%. “That is not a good interest rate – and in this case, it's coming from my government.”

Federal student loan interest, which is typically fixed, is set at 5.5% for undergraduates this upcoming school year. For graduate students, it’s 7.05%.

Trust fund approach

There have been a number of attempts to address the interest on student loans. One new repayment option from the Biden administration will cut borrowers’ payments from 10% of discretionary income to 5% and forgive balances after 10 years of payments – far less than other income-based plans. When it comes to interest, borrowers on this new so-called SAVE plan won’t be charged for unpaid monthly interest, so a borrower’s loan balance can’t grow as long as they are making payments, even if their payment is cut to $0 because they earn a low wage.

Other legislation has been introduced to tackle interest, too. One bill introduced last month by Republicans in Congress would, among other prongs, cap interest for borrowers who are going through income-driven repayment. Another would forgive existing interest owed on federal student loans while setting the new rate to 0%.

But this, the bill's sponsors say, would be the first bill to address the interest question as a whole – and to create a mechanism for covering the resulting costs. That mechanism: a trust fund that would be created with borrowers' principal payments and then invested in various bonds.

This trust fund approach is "a very novel," said Courtney, who co-sponsored the bill.

"The beauty of this bill is that it gets rid of the added burden of borrowing, which in really bad instances can metastasize and increase people's debt levels to even above their initial principal balance," Courtney said. "And it does it in a way that does not add to the deficit and does not shift the burden to taxpayers."

This is similar to how the Railroad Retirement Trust Fund works. That trust fund invests any revenue in excess of railroad workers' benefit payments in a mix of government securities and private equities. The Congressional Research Service projected the system will remain solvent for at least the next 25 years.

"It shouldn't be this expensive to get an education, and it shouldn't be this hard to pay off your debt," said Welch, who is also introducing the bill, in a statement. "We can – and should – keep pushing for debt forgiveness, but we also need to make college more affordable for future generations and avoid saddling students with additional debt from high interest rates."

A solution for future students?

The legislation would set the interest for current borrowers to 0%, clearing that obligation entirely.

But using the trust fund, it would also eliminate or reduce interest for future borrowers. Interest would be capped at a maximum of 4%, the rates set to a sliding scale depending on the borrower's household income. Most borrowers wouldn't have to pay any interest.

(The idea behind the sliding scale is that students who have the means to cover some or all of the tuition don't take advantage of the federal aid program and take out loans just to borrow at 0%.)

This "innovative solution of investing students' principal repayments to earn a return is the first plan that addresses the cost of the student loan program," said Bob Hildreth, president of the Hildreth Institute, in a statement. "It comes at a critical time as students must renew payments this fall without the benefit of cancellation."

The Hildreth Institute, a research and policy center focused on improving access to higher education, helped the lawmakers develop the legislation's model.

Bipartisan appeal? No unfair burden on taxpayers

It also comes at a time when the public remains divided on the merits of broad forgiveness and of Biden's latitude when it comes to providing it. Biden "is maxing out the executive branch authority that he has," Courtney suggested.

The Hildreth Institute "is very sensitive to the political reality that if you don't have a pay-for, then you're basically asking other taxpayers who aren't participating in student loans or whose kids aren't participating in student loans to foot the bill for eliminating interest rates," Courtney said.

Whether the bill will gain any traction is hard to say. Similar proposals have languished amid fierce partisan fights over full-blown cancellation.

But "I think the fundamental attraction to this bill – whether you're a Republican or Democrat or Independent – is that the government should not be making money on the student debt program," Courtney said. And the way the parameters are set up now, Congress is the only entity with the authority to change that.

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Mrs. FOXX. Ms. Houchin, you are recognized for 5 minutes.

Ms. HOUCHIN. Thank you, Madam Chair. Thanks to the witnesses for testifying before us today. I appreciate your time. In alignment with this Committee's continued effort for innovation in the higher education policy space, I want to hear from some of you about the ideas that this Committee is considering in their Higher Education Act reauthorization.

Dr. Gillen, I really appreciated your testimony that you submitted in writing. I can relate to that as both a parent of a college student, and as a former graduate student who took out some student loans to afford my graduate education. When I submitted the paperwork to get a student loan I was asked a question, how much does it cost?

Then the answer is oh, we will pay whatever the cost is. I am harkening to your Bowen's Law that you referenced, in the quest for excellence, prestige and influence, there is virtually no limit to the amount of money an institution could spend for a seemingly fruitful educational end.

Under Bowen's laws, government subsidies do not reduce the price to the consumer because the subsidy allows colleges to raise and spend more money. Under Bowen's law, subsidies have the counter intuitive effect of increasing the cost of providing the good or service, rather than reducing the price of the good or service for the consumer.

That has certainly been my experience, both as a student loan borrower, a parent, and a taxpayer, so thank you for your research. I do want to ask you about the Plus Loan program. The Plus Loan program allows graduate students and parents of undergraduate students to borrow nearly unlimited sums as the only cap on the amount of loans someone could take is whatever the college says it costs to go there.

And surprisingly, multiple studies conducted by economists and policy experts across the political spectrum conclude that these loans have substantially contributed to the rapid inflation of college

prices over the last few decades. The result has been billions in loan forgiveness for graduate students, and financial ruin for some low-income parents.

What, if any, justification is there to continue the Plus Loan program.

Mr. GILLEN. I do not think we need the Plus Loan program because it is duplicative of the Stafford Loan program. We have already got the Stafford Loan program. If we want to make some changes to that we can. The Stafford Loan program is better. It has got annual and aggregate limits.

It has got safeguards. That is completely lacking for the Plus, both on the grad and the parents' side. I have seen some people argue that Parent Plus was originally only designed to allow people to borrow up to expected family contribution. That got lost by the wayside.

Then originally, grad students could not take out Plus Loans, but then they were allowed to because we thought it would create money we could then spend. That has not worked out either. This has kind of been a disaster of a program from the start.

Ms. HOUCHIN. I am glad that you mentioned the Stafford Loan program. If we were to eliminate the Plus program, what reforms to borrowing limits under the Stafford Loan program should we examine?

Mr. GILLEN. Right now, a graduate student can borrow up to $20,500.00 from the Stafford Loan program. There are probably a few cases where that is not enough, so I think it is something like medical school tends to be very expensive. You might want to increase the borrowing limit in special cases like that.

I would also recommend just an aggregate limit based on the credential as well.

Ms. HOUCHIN. Okay.

Mr. GILLEN. It does not make sense to me to have the $138,500.00 limit for a doctoral degree, which can take up to a decade, and also a master's degree, which some of them will only take a year.

Ms. HOUCHIN. Okay. Thank you. Then do you think the potential elimination of Plus Loans for graduate students would make higher education less accessible for low-income students looking to further their education? If we eliminate Plus Loans for graduate students, would that make the education less available to low-income students?

Mr. GILLEN. I do not think so. Only about a sixth of graduate students even take out grad Plus Loans, so most of the borrowing is already done in the Stafford Program, so you are not going to see much decline in access there. Particularly for graduate students, the Plus Loans, or the parent Plus Loans are not an issue.

If there is any decline in access due to getting rid of Parent Plus, that can be easily remedied.

Ms. HOUCHIN. Finally, Dr. Leschly, or Mr. Leschly, it is not often we hear of a new accreditor forming. What were some of the reasons you decided to create the Postsecondary Commission?

Mr. LESCHLY. A lot of the motivation originated in my colleagues, and I observing and being frustrated by the lack of attention paid

to magnificent open admission institutions that served high need students.

In these places remarkable results can hide in plain sight unless we pay attention carefully to measuring their contributions. The inverse is when selective institutions are reflectively applauded for the outcomes of their students, even though that may have mostly to do with these very particular admissions offices that they have.

The original of this idea, Congresswoman, was to take very seriously how to measure fairly and precisely the contributions that institutions make to this thing that almost every student needs so desperately, which is a better economic future. Nowhere is that more important than in institutions that serve high need students.

Ms. HOUCHIN. I agree. Thank you so much, Madam Chairman, I yield back.

Mrs. FOXX. Thank you. Mr. Sablan, you are recognized for 5 minutes.

Mr. SABLAN. Thank you very much, Madam Chair, and good afternoon and welcome to all our witnesses. An educated society, from all time improves everybody's lot in life. It promotes relationships, it promotes economies, it promotes very smart people get together and discuss very difficult things, right?

That is what an education strives for, whether it is a difficult thing, of how to connect with the number in this corner, or clinical applications of your education. I would think that we all benefit from the programs, the Federal student aid programs that are available to those who qualify, who need the program to move forward and get a good education.

Of course, not everybody goes to, you know, gets a good education, but as many as we can. One of those programs is the Pell Grant, and I am a true supporter. I am a strong supporter of the Pell Grant because it is important as we can see all throughout the country, such that we—I supported the increasing the maximum award of Pell Grants twice in the last 2 years, and because the Pell Grant is so, so, very important to my district, where about 1,000 students attend the community college there, and typically covers the cost of tuition.

If we were to sort of tear down some of the programs because, like the majority, my Republican colleagues here are proposing to, next year, cut student budgets by the President's submission of Fiscal Year 23 budget. It is going to get level funding, or actually it is even going to get a modest decrease.

What happens to the programs, I mean besides continuing resolution, what happens to the programs. The agencies that administer those programs, for example the FSA, those agencies who collect this debt. We have seen it before. I was here before in 2013, there is a problem.

What happens to those, and moreover, what happens to those students who want to go to school, who should go to school, and yet do not have the resources to do it because we have all these new ideas of how to reduce their funds, their student aid program. What happens to our community, the investments we have done so far that made us the greatest nation on earth?

It was not just from legacy admissions in colleges, was it? There must have been—we must have done something right, and I think

we did something, we are doing some things right. We should not do very much to hurt it. Dr. Cellini, I do not know if you have an idea of what I am trying to say, but what would it look like to schools if there is no, for example, just one, Pell Grant were reduced, or the value removed?

Ms. CELLINI. I think that would be really devastating for millions of students if Pell Grants were removed. They are incredibly important for low-income students to afford college.

Mr. SABLAN. Even institutions, right? There are institutions who absolutely—they are profit institutions, for-profit colleges that make a lot of money.

Ms. CELLINI. In the for-profit sector, that is where we see problems predominantly, but not exclusively. I think we—it is incumbent upon policymakers to ensure that the Pell Grant does not go to programs that have very low value. That is very important.

Mr. SABLAN. Thank you. I yield back, Madam Chair.

Chairman OWENS. Thank you. I would like to now recognize Ms. Chaves-DeRemer.

Mrs. CHAVES-DEREMER. Thank you, Chairman Owens. It is nice to see you holding this important hearing and thank you to the witnesses for being here today. Today's hearing highlights a serious issue, which current and former students have known for a very long time.

Our universities have become complacent. The current system has rewarded their bad behavior, and graduates have been paying life-altering consequences as universities raise and raise and raise their prices. Why would they not? The loan system is built to benefit the universities, not the students. It might have well been designed by the financial departments really at the schools.

These institutions do not have to pay any consequences for loading young students with an insane amount of debt. Rather, it is the students and taxpayers who are forced to shoulder the burden of mounting debt, even though colleges are directly responsible for the cost and quality of the education they provide.

Graduates are delaying starting families and cannot save up to buy homes because of the predatory practices of universities charging students exorbitant amounts for degrees, with really little to no financial value.

I believe universities know full well that engineering students will graduate with higher paying jobs, than maybe say an English major. Just like the University of Columbia knows that piling nearly $200,000.00 in debt onto film majors making $30,000.00 a year, it really is not commensurate, and it is really criminal.

Tuition should reflect the expected return on investment that the degree provides graduates in the workforce, not some arbitrary number that boosts colleges bottom line. If it did, maybe it would not be the case that a quarter of the bachelor's degrees, and nearly half of master's degrees leaves students worse off if they ever enrolled even in the first place.

Dr. Gillen, in your testimony you mentioned that the return on investment metrics, such as those in the Pell Act, could be used to determine the extent to which colleges should be financially responsible, or financially rewarded for their students' outcomes. Can you

please elaborate to me, specifically, on this concept or risk sharing for student loans?

Mr. GILLEN. Yes. You can tie in a return-on-investment metric with risk sharing, and that will basically allow you to evaluate whether a program is high return, low return, and then either provide performance bonuses if it is high return, or sanction it if it is low return.

The risk sharing you can do on its own, but you can also tie it into this return-on-investment metric.

Mrs. CHAVES-DEREMER. Okay. Could we require these same universities for programs with low returns on investment to take on a percentage of the graduate's debt?

Mr. GILLEN. Yes. You could actually do that, and this is sort of what we had in the college co-sign the loan is all about. It is something the college co-signs the loan, they are on for 100 percent, but you could set the percentage at whatever you want.

You could say okay, the college is on the hook for 50 percent of whatever the student does not repay.

Mrs. CHAVES-DEREMER. Ensuring that these schools have to pay similar consequences if they continue to force financial hardships on the students, would that ensure that?

Mr. GILLEN. Yes.

Mrs. CHAVES-DEREMER. What would be the impact on tuition if something like this were put in place?

Mr. GILLEN. I think we would like to see tuition decline at some schools and some programs, and the reason for that is if you are a college that is offering a program that is just on the cusp of being a higher return or a low return, you have got a lot of leeway. You could probably cut a little costs, you can cut some staff if you need to.

Particularly low return programs would likely see a decline in price. We might see students shift into higher return programs, so like once this information is out there, students might say well I am going to go into this higher return program instead of the lower return.

Depending on the capacity, that could have price implications for the higher return programs, but as time goes on competition would kind of ensure that prices remained pretty reasonable.

Mrs. CHAVES-DEREMER. Okay. That is good. I feel confident then in saying that a large group of us on this Committee agree with what you have said today, so Mr. Chairman, I yield back. Thank you.

Chairman OWENS. Thank you. Thank you so much. I would like to recognize Ms. Bonamici. Thank you.

Ms. BONAMICI. Thank you, Mr. Chairman. I have some specific questions, but first I want to point out a couple of fundamental big pictures issues I think that we can use when we frame this conversation. The first is education a public good or commodity? The second is are we going to eliminate, or further blur the difference between education and job training?

Both important, but not the same. I also want to challenge the notion that was brought up earlier in this hearing that for some reason diversity, equity and inclusion might not be relevant to preparing students for the real world of work. I want to dispute that

because DEI programs are often used for example, first generation students, for veterans with PTSD, for students with disabilities.

DEI programs can help. Here is a great explanation. Encourage critical thinking, help students learn to communicate effectively with people of varied backgrounds, which I suggest people in this building could benefit from as well. I want to push back on the notion that they are somehow not related to preparing people for the real world.

I want to followup on Representative Grothman's question to you, Dr. Gillen. You have a paper in which you wrote that states disinvestment in higher education as you called it, a myth. Dr. Gillen, do you agree that disinvestment in this context means reduction of financial resources?

Mr. GILLEN. Yes, in the conventional wisdom, yes.

Ms. BONAMICI. Right. Okay. In 2022, 28 states provided less funding for students at State universities than they did in 2008. Ten of those states funded higher education at least 20 percent below 2008 levels, so if we go back a little further to 2001, 36 states have reduced their level of funding in today's dollars. These states clearly reduced their investments in higher education in the past 20 years.

If 36 states have reduced their funding for public universities and inflation adjusted dollars. Does this not meet the disinvestment definition?

Mr. GILLEN. 2001 was—before this year, it was the peak funding, and you generally do not want to kind of compare a peak to some other random because random——

Ms. BONAMICI. Well, my point is that many states have disinvested, and from 2008 to 2018 4-year public college tuition rose on average 38 percent in inflation adjusted dollars. Your research claims that there is no direct relationship between this disinvestment by states and increases to tuition. I strongly disagree with that, particularly as a former State legislator.

Research from the non-partisan State Higher Education Executive Officers Association, SHEEO shows the opposite, they've held a direct correlation between decreasing education revenue and tuition. So according to SHEEO, the states that, excuse me, the student's share of an institution's revenue increased from 28.9 percent to 42 percent, and including—or excuse me, excluding Federal stimulus funding.

This is what the report said. Do to declines in education appropriations and net tuition revenue increases, this data clearly shows that colleges relied on tuition revenue increases to recoup losses suffered by declines in State funding. Again, I served in the State legislature. I saw universities forced to raise their tuition after State disinvestment.

Right now, at the beginning of this year, my State was number 39 out of 50. I just want to make clear that your data may be hurting students, institutions, and taxpayers, who rely on State funding to support a strong higher education system.

Dr. Cellini, why is it important to address State disinvestment? Why should that be part of what we are talking about to discuss issues of costs to students and institutions, and how do claims of disinvestment hurt students, institutions and taxpayers?

Ms. CELLINI. Yes. Well, we know that states are primarily responsible for funding community colleges, which are very low-cost institutions that have generally——

Ms. BONAMICI. I am a community college graduate myself.

Ms. CELLINI. Better yes, better earnings outcomes than programs in, for example, the for-profit sector. My own research has shown that the earnings gains in community college programs are much higher than the earnings gains in for-profit programs for similar programs, for similar students, looking at similar students with similar prior earnings.

We know that those are great investments, and low-cost options for students.

Ms. BONAMICI. Thank you, Dr. Cellini. I want to agree with the Ranking Member Scott that often times there is value that cannot be assessed or measured in higher education. I want to make clear I do not agree with the notion that whether a student got a good education should be measured by their post-graduate earnings.

If someone joins the Peace Corps, or works for a non-profit organization, or becomes a teacher, they are not necessarily going to have high earnings, but they are doing incredibly valuable work. That does not mean that they did not get a good education. That being said, Dr. Cellini, you talked about imperfect information. I support the bicameral bipartisan College Transparency Act.

How could Federal policymakers better promote communication of outcomes data that is privacy protected, and includes multiple measures of student success, including completion rates. Are there successful examples either in the public or private sectors that we could model when it comes to good consumer information?

Ms. CELLINI. Well, I will mention that in the new Gainful Employment proposal by the Department of Ed, there is a new requirement to have information available on high debt, low earning programs that students will need to acknowledge, and this is across beyond just the non-degree programs, and career training programs.

Ms. BONAMICI. Thank you. I am being gaveled down, so I yield back. Thank you, Mr. Chairman, sorry I went over.

Chairman OWENS. Thank you so much. I would like to now recognize Mrs. McBath.

Mrs. MCBATH. Thank you so much, Chairman Owens, and Ranking Member Wilson, and to all of your staff for this really inciteful hearing today. Thank you to all of our witnesses for taking your time to give us information and knowledge.

Like the title of today's hearing suggests it's so important we really take action to increase the value of higher education, even further and to ensure that taxpayers are getting the quality return on their investment by ensuring that these Federal programs are focused in the areas, that are proven, and to get the students where they want to be, which is to get good careers, good salaries, and a better quality of life for themselves and for their families.

I am very excited about the discussions that we have been having here on the hill about this very thing, about expanding Pell eligibility to short-term credentials, and certification programs, like those that are offered at Gwinnett Technical College, which is in my district, Georgia's 7th congressional District.

We need to make sure that this expansion is done right. We need to really take our time and make sure that we are doing our students justice, and that what we do solves the problems that we are trying to address today. We must ensure that any expansion be targeted to outcomes that are—that they are based in programs that are actually proven to work, that they are efficient and effective for our students going forward.

One of the main reasons that we are actually having these conversations is because our current system is not addressing the needs of our students, or businesses who need to be able to hire the specialized workforce.

If we do not ensure that those investments are targeted programs that are proven to work, you know we truly risk doubling down on the strategy that is not producing the workforce that we are going to need going forward to compete globally in the 21st Century.

If we are going to expand the number of programs that are eligible for Pell, we also need to make sure that there are ample resources to go around to provide for this increased demand. We need to be increasing the maximum award as well as expanding Pell's eligibility for short-term programing, and I will be working to make sure here on the Hill, going forward, that we take into account these kinds of things in the final products when they are signed into law.

Again, I am very excited that Chairwoman Foxx, and Ranking Member Scott, and the Committee are taking steps to address this issue, and I hope that we continue to go forward in a bipartisan manner to do the very same because we need to make sure that a larger authorization of the Workforce Innovation and Investment Act.

And so, Dr. Cellini, my questions are basically for you today. You have done extensive research on short-term career focus programs. Your work has highlighted that with current accountability oversight, many short-term programs are not adequately preparing students for gainful employment.

It is particularly concerning that without targeted outcome-based financing, the short-term programs outcomes are worse for students of color and low-income students. Given the various proposals to expand the Pell Grants, some were talking about this all the time on the Hill, expel Pell Grants to short-term programs that we are considering.

Why is it important for Congress to consider trends in student outcomes, and what specific accountability measures do you believe are essential when we are considering oversight of these short-term programs?

Ms. CELLINI. Thank you. I think Congress should ensure again that only the highest performing short-term programs can access the Pell Grant. My research has been on some of these short-term programs that currently are actually eligible for Federal student loans, and I found that half of those programs had earnings below the average earnings for high school graduates, which might be a counter factual against to measure what they might have made in the absence of that program.

Most of those programs that were below that high school average threshold, 96 percent of those were in the for-profit sector. Currently, there is something called a 70/70 requirement that requires 70 percent completion rates, and 70 percent job placement rates to be eligible for those loan programs, and that's simply not enough accountability.

Both of those metrics can be manipulated by institutions, and there are just not adequate protections. I would advocate an earnings premium type metric that compares the earnings of students in those short-term programs to a counterfactual of what it might have been had they not gotten something like a high school earnings benchmark.

Mrs. MCBATH. Well, thank you very much. You know, I live in the State of Georgia. I represent the State of Georgia, and we have just had millions of dollars that have been cut from our university and college system, and so I am very, very concerned about the education of our students.

They will have needs, and I am really glad that we are talking about this today because we have to find organic, holistic ways to make sure that our students needs are met, so that we can globally compete, and that they too, have the ability to be economically viable through academics. Thank you, and I yield back.

Chairman OWENS. Thank you. I want to once again thank the witnesses for a remarkable opportunity to hear from you, the innovators. I would like to recognize Ms. Wilson for her closing remarks.

Ms. WILSON. Thank you, Mr. Chair. As we close this last Education Committee hearing until after August recess, let us review what we have accomplished so far. This year we have held 20 hearings. 20. We sit here after 20 hearings, after doing absolutely nothing to address school shootings. There have been 23 school shootings so far this year alone, and this is just July.

We are the Education Committee, and we have done nothing to ensure that hungry students in our classrooms and college campuses have access to food so that they can learn and not worry about going hungry.

Since food is necessary to live, it should be free for all students who cannot pay. We are the Education Committee in Congress, and we have done nothing to empower teachers or address the dangerous teacher shortage that is looming. My bipartisan American Teacher Act with 75 cosponsors would solve that problem, but it is not on the calendar.

We are the Education Committee, but we have done nothing to address college affordability in ways that are proven to make college more affordable. Instead, we as a Committee, have chosen to attack anyone giving students the relief they deserve. I introduced the LOAN Act, precisely to make college more accessible and affordable. It is not on the calendar.

Yes, we are the Education Committee, but we have done nothing to protect the American people and the workforce from exploitation and multi-national corporations that overwork and underpay them. I joined the Ranking Member, Mr. Scott, on the PRO Act, which would protect people's right to organize.

Yes, we are the Education Committee, and we have done nothing to address the minimum wage since 2009. Can you believe that the Federal minimum wage sits at $7.25? Disgraceful. You cannot even go to McDonalds and get a big Mac combo with that level of compensation.

Democrats on the other hand, continue to push on $17.00 an hour minimum wage. You see, this is the Education Committee. Instead, what has this Committee focused on? We have antagonized the very students we are tasked with protecting from students of color to LBGTQ+ students.

We have brought our students from the freedom to pursue their intellectual passions, through book bans, and restricting their educational curriculum. We have focused on culture wars that will not do a damn thing to help any hard-working Americans, or our students, all just to please a small group of extreme MAGA Republicans who funnel money into Republicans pockets at the expense of everyday Americans who cannot afford to purchase a politician.

In September, Mr. Chair and Committee, I genuinely hope we address the needs of our country because they are immense, and we do not have time for two more years of culture wars while our students and American workforce needs our support. I yield back.

Chairman OWENS. Thank you. First of all, I want to thank you. This is probably one of the most important phases of changing the trajectory of our country that we have. That is our education. Our founders understood the importance of that. It was Thomas Jefferson who said, "Ignorant and free can never be."

They began our country understanding that only an educated and engaged people can be a free people. I was blessed. I was raised as a child in Florida, and my dad was a college professor for 40 years. I did see his frustration though, about 30 years ago when he recognized the poor preparation of kids coming into his classrooms and the pressure of deans to pass them through regardless of that.

Because he had an option of being an entrepreneur, he decided to leave industry. I do want to say this, once put back in place, let us focus on getting our kids to think, to be optimistic, to be thankful for the opportunities. We will get our Nation back. I have lived it.

I watched in the 40's, 50's and 60's when the black community during the segregated days, because we believed in education as a gateway. We believed that entrepreneurship and thinking and engagement would give our community a way of being respected, and it was, as we led the country, and we grew the middle class.

We led the country in college with a percentage of entrepreneurs, all because we were a thinking people. I was excited to see and hear different words today because what we need to do is realize our education system is broken. Thank goodness for innovators like yourself, those who are not just willing to go along.

We have pushed the boundaries to figure out how can we get our kids really thinking again and successful again. To hear words like transparency, innovation, risk taking, which was never heard back in education, performance based, which you never heard about in education.

How about cosigning loans? My goodness. Declining tuition, ejecting non-profit courses, and a level playing field. I know that my colleagues on the other side of the aisle like to glean profit colleges, just know all we are asking for across the board is a level playing field.

Use the same standards. Whatever those standards are for success, profit and public should have the same opportunity to prove that they are the best in the game. If they cannot pull their weight, then you do something else that is across the board. Our kids should be our priorities.

I am excited to have these conversations. I am excited by the fact that thank goodness the Republican party now is the majority conference, so these kind of things will be happening, and we will be focusing on how our kids can make sure that instead of going in the direction it has been the last two decades, that we are going to get our act together, and have them when they leave whatever decision or way they want to be education, they can go out and succeed in that area.

I want to thank you again for your expertise, your time taking out, continually please to share with us your innovation. We now have a Congress that wants to legislatively be innovative in that process. We need your help to do that. Thank you so much for that.

I would like to again thank the witnesses for taking the time to testify before the Subcommittee today. Without objection, there being no further business, the Subcommittee stands adjourned. Thank you so much.

[Whereupon at 12:29 p.m., the Subcommittee was adjourned.]