

**Senate Education Committee**  
**Hearing on SB 420—Middle Income Student Debt Reduction Act**  
**Testimony of Don Francis**  
**President, Association of Independent Colleges & Universities of Pennsylvania (AICUP)**  
**May 15, 2013**

Good morning and thank you for inviting me to testify on behalf of SB 420, the Middle Income Student Debt Reduction Act. The Association of Independent Colleges and Universities of Pennsylvania (AICUP) is comprised of 88 private colleges and universities throughout the Commonwealth. This private college sector enrolls over 296,000 students or 41 percent of all students, and awards 48 percent of all the bachelor's degrees and 65 percent of all the advanced degrees awarded in Pennsylvania. As the second largest private college state in the nation, Pennsylvania receives more than double the educational and economic benefit from its private college sector than the national average. And the presence of these private colleges and universities make Pennsylvania the #1 destination for out-of-state students, thereby bringing over \$1 billion in out-of-state spending to Pennsylvania each year.

The Association enthusiastically supports SB 420. Let me tell you why.

Most importantly, SB 420 addresses a real problem. In my conversations with college presidents over the last several years, I repeatedly heard concerns expressed about middle income students who were taking on more debt in order to pay for college. Several presidents noted that their institutional financial aid policies made it possible to enroll many low and moderate-income students, but middle income students were being squeezed despite efforts to assist them as well. While most private colleges provide institutional financial aid to middle income students based on need, these colleges have limited amounts of grant aid and it may not be enough to prevent those students from assuming significant loan debt.

A recent Robert Wood Johnson Foundation-funded study verified the anecdotes I had been hearing. This national study found that students with family incomes between \$60,000 and \$100,000 assumed the largest levels of student debt; and those with family incomes between \$100,000 and \$150,000 were right behind them. Surprisingly, the lower income families with incomes below \$60,000 had assumed less debt than the middle income families.

Now we must maintain support for our low-income students and make it possible for them to enter the middle class through higher education. And a large amount of the over \$2 billion in institutional aid provided by Pennsylvania's private colleges and universities annually to its students is directed to help this group. (By the way, the most recent data shows that Pennsylvania's private colleges and universities enrolled over 59,000 Pell students in 2010-11, trailing only the community colleges among higher education sectors in Pennsylvania.) Federal and state grant aid makes it possible for our private colleges and universities to graduate these students with reasonable levels of debt. A low-income student receiving a federal Pell and state PHEAA grant could receive a maximum of \$9,898 in 2012-13. SB 420 in no way would reduce funding for these students, and these students will continue to receive significant institutional grant aid from our private institutions.

Nonetheless, SB 420 has been constructed to target some state grant aid to students who currently receive very little help from the PHEAA State Grant Program. PHEAA has limited dollars to work with and rightfully spends the vast majority of its dollars on those with the greatest need. Most students begin to lose eligibility for PHEAA grants when they cross the \$80,000 income range. Therefore, SB 420 focuses its appropriation on students in the \$80,000 - \$110,000 range. In 2011-12, over 79,000 students in this income range applied for PHEAA grants, but only 15,000 received awards. Yet, these middle income students demonstrably have need as proven by the Robert Wood Johnson study. SB 420 would address this need.

I would like to make a few other observations about the benefits of this legislation.

1) State higher education funding has been stagnant for over a decade. There is no reason to believe that our state funding policy will shift dramatically in the near future. Therefore, we must use our limited state resources as wisely as possible. If we know that these middle income students are assuming the most debt, why wouldn't we want to target our resources to help this group?

2) One of the benefits of this proposal is that it allows students to attend the Pennsylvania institution of their choice. Pennsylvania is blessed to have numerous high quality public and private institutions that offer distinctive programs in geographic regions throughout the Commonwealth. In a state like Pennsylvania with a large private college sector providing almost half of the bachelor's degrees, it makes great sense to use this productivity by giving students choice. Students who select a private institution will ultimately cost the state taxpayer far less for their education.

3) The timing is right for SB 420. Thanks to a decline in high school graduates and a strengthening economy, applications for PHEAA grant aid have declined this year significantly. This allows the Agency to slightly increase the average and maximum awards for next academic year with the same amount of funding provided by the state in this fiscal year—even with an increase in college costs. This is rare and this opportunity should not be missed.

4) AICUP strongly supports SB 420's state appropriation of \$36 million to PHEAA in 2013-14 for a very important reason. This is the amount of the state appropriation cut from the PHEAA Grant Program in this fiscal year. PHEAA supplanted this state funding cut with Agency earnings to keep the PHEAA grant whole this year. But PHEAA earnings should be used to "supplement," not "supplant" the state appropriation. The state needs to restore last year's funding cut and let Agency earnings supplement student aid.

Thank you again for this opportunity to testify on behalf of SB 420. I would be happy to answer any questions you might have.