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college
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Representative VanSingel and members of the committee: Thank you for the privilege of sharing my views on college affordability with you today. I am the senior advisor for Michigan for The Institute for College Access & Success. We are a non-profit, non-partisan source of research, design, and advocacy for student-centered public policies that promote affordability, accountability, and equity in higher education. We work to improve educational opportunity and outcomes so that more students complete meaningful postsecondary credentials without burdensome debt.

Although TICAS is new to Michigan, it is not a new organization: we are celebrating our 15-year anniversary in just a couple of weeks. Over its history, TICAS has been instrumental in enacting policies that put college in closer reach for all Americans, especially those from low-income families. As just one example, TICAS' Project on Student Debt developed the policy framework for Income Based Repayment passed by Congress in 2007. Most recently, TICAS championed bipartisan legislation to simplify the FAFSA and automate the recertification process for income-driven repayment, which was signed into law by President Trump.[i]

At the heart of our work is a belief that postsecondary education can be transformative for individuals and a powerful economic driver for states and communities. Few, if any, other Michigan institutions can match the power that our colleges, universities, and community colleges have to improve lives, promote equal opportunity, and raise living standards. But they cannot serve this mission if they are priced out of reach for far too many.

The State of College Affordability in Michigan

For many years, Michigan has helped put college increasingly out of reach by disinvesting in operating support for public institutions and scholarship aid at the same time that costs have increased for students and families. Excellent organizations across the state have worked hard to keep college accessible, from the Michigan College Access Network to the Detroit Chamber of Commerce. But that's hard to do when forty years ago, the state of Michigan provided 70 percent of the cost of tuition and fees through state aid but today, the reverse is true and over three-quarters of institutional operating dollars now come from students and families.[ii]

We all have a stake in helping more Michiganders graduate from college, yet over time we have shifted the burden of college financing onto students alone.

When students are asked to bear the bulk of the increasing cost of college, they respond in three predictable ways: by not enrolling at all, by working too much while studying - a strategy that diminishes the likelihood of graduation - and by borrowing more, which can lead to unaffordable levels of debt and, at worst, default.[iii]

The Great Recession, which decimated Michigan's economy, understandably led to substantial cuts to the postsecondary budget, as it did in most states. Yet, while the economy has largely recovered, the state's investment per student remains close to 15 percent below what we were spending in 2008[iv]. According to calculations by the Michigan Association of State Universities, it would take a $184 million increase in spending on state universities to get back FY2011 levels.

In fact, on virtually every measure, Michigan remains behind our neighbors and national peers. Recent research by The Century Foundation revealed that we spend only 4.1% of the state's budget on postsecondary education compared with 10 percent nationally. Our per-student investment ranks 12th lowest for four-year public colleges and 15th lowest for community colleges in the nation. Tuition and fees for public four-year schools is about $3,000 higher than national average. And our public universities charge higher tuition than any other state in the Midwest and remain the least affordable in the region for in-state students.[v] According to our research, the lowest income families in Michigan would need to commit over two-thirds of their income to cover the cost of attending a four-year public college and 43 percent to pay for community college.[vi]

The result? Graduating seniors from Michigan public and nonprofit schools take on more debt than students in neighboring states.[vii] Our graduates have the 10th highest average debt load in the country ($32,158) and 59 percent of students in the state borrow to pay for college.[viii]

While most borrowers who complete their degree will successfully pay off their loans over time, we have a "concentrated crisis" of debt nationally and in Michigan. Students who are unable to complete their programs, who enroll part-time, and students who have attended low-quality programs are much more likely to default on their student loans, a devastating outcome that can impact borrowers' lives for years. The experience of African American borrowers, in particular, is deeply disturbing. Judith Scott-Clayton of Columbia University estimated that 70 percent of Black borrowers may eventually default.[ix]

The Need for New Investment

Reversing these trends will be hard but we were pleased to see the state beginning to take steps; last year's small increase in operational support for public colleges and a proposed 2.5% increase this year are important. Even more critical are recent discussions to invest in new scholarship aid through the proposed Reconnect program, which would boost enrollment and completion for a population of older students who are currently left out of existing aid programs, but for whom postsecondary training and education is critical in today's economy.

These additional investments will yield benefits for more than just students and colleges alone. Education improves communities and economic vitality through greater productivity, increased tax revenue, reduced criminal behavior, improved health, higher civic participation rates, and more.[x] We urge the Committee to adopt these increases and go further if possible.

Overall, the evidence is clear that the most effective action states can take is to boost available need-based grant aid and maintain per-student investment in public colleges. But there are a range of other activities that could also make a difference for student borrowers in Michigan within the confines of limited or one-time resources.

Along these lines, there is a student loan refinancing proposal included in the budget at a one-time projected cost of $10 million. We applaud the intent of this proposal to relieve the burden of student debt for certain borrowers, but we have some concerns about the limited nature and impact of state refinancing proposals, which tend to help the borrowers already successfully repaying their debt. While we recognize that those payments may come at the expense of other desired economic activity, including purchasing homes or starting businesses, it is imperative that limited resources are leveraged to increase overall educational attainment and reduce student loan default. Our analyses suggest that to accomplish these goals, policies must target resources at students who otherwise would not be able to attend college at all and at borrowers who are struggling or failing to make monthly payments on unaffordable debts.

A broader way for the state to address student debt would be for the state to establish or grow existing student debt clinics that provide one on one, free assistance to help borrowers understand their loans and navigate their repayment options. Federal student loans come with robust protections, including access to income-driven repayment plans with monthly payments as low as $0 and forgiveness after 20 or 25 years of payments. They also come with deferment and forbearance options, public service loan forgiveness, Teacher Loan Forgiveness, and more. These benefits form a valuable safety net for Michigan's student borrowers and come at no cost to the state.

Over eight million federal loan borrowers are using income-driven plans to manage their payments today, but there remains significant confusion about this option. Recent coverage of the difficulties encountered by the first borrowers applying for public service loan forgiveness underscore how hard it can be to make optimal decisions about loan repayment. These debt clinics could deliver individualized support, helping borrowers work with their servicer to enroll in a repayment plan that works best for them and apply for other loan benefits they may qualify for.

The state could also run an information campaign aimed at demystifying college costs, as well as student aid and loan repayment processes. Financial aid offer letters, in particular, can be filled with jargon and confusing terms, and can obscure the net price – which, unlike a college sticker price, is the actual amount students will need to save, earn, or borrow to cover college costs.[xi] And as borrowing has become increasingly necessary to cover net price, it is critical that students understand the difference between loans and grants, as well as the differences between different types of loans. Clear information to support these decisions remains out of reach for too many students. Over half of borrowers who take out private student loans, which lack the benefits and protections of federal student loans, borrowed less than the annual maximum allowed for federal student loans.[xii]

Michigan could launch an information campaign aimed at showing families how they can compare and contrast the net price of specific colleges based on their actual economic and household information, as well as encourage completion of the FAFSA to access aid they qualify for, including federal loan options that are a far safer alternative than private loans that some turn to instead. By augmenting the terrific work being done around the state by MCAN, more students could understand that college is affordable, and that significant resources may be available to them.

And finally, Michigan could consider investments to support colleges through matching grants to implement evidence-based student success strategies, or for colleges to expand technology and staff to better track students and programs, and identify trends and use data to drive continuous improvement in graduation rates.[xiii] Across the country, data-driven efforts have led to remarkable gains in college enrollment and persistence. Institutions in Michigan are already innovating and are well positioned to use state support to identify, implement, and scale the highest return strategies to boost student success. Those results would pay significant dividends for the whole state.

Conclusion

For college to be affordable, students must be able to make ends meet while enrolled and to successfully repay their loans after leaving school. Unfortunately, for many Michiganders, one or both of those goals are not possible today. Financial barriers still keep many students from earning college degrees and—although the returns of college are high for those who succeed— there is a crisis for too many students who struggle with unaffordable loans. Thank you for your hard work addressing this critical issue and for your time this morning.

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