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IMPROVING FEDERAL STUDENT AID TO BETTER MEET THE NEEDS OF STUDENTS

WRITTEN TESTIMONY  
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Thank you, Chairman Guthrie, Ranking Member Davis and Members of the Subcommittee for inviting me to appear before you today as you consider ways to strengthen federal student aid to better meet the needs of students.

My name is Youlonda Copeland-Morgan. I am the Vice Provost for Enrollment Management at the University of California, Los Angeles (UCLA). My professional dedication to college affordability and access long preceded my time at UCLA, but I am here today to share some of the University of California's (UC) successes and make recommendations to improve the federal student aid system.

UCLA is an academically prestigious institution and has a consistently strong record of admitting, enrolling and graduating low-income students. Last year, The Washington Monthly ranked UCLA fourth in the nation in promoting social mobility. In fact, all of UC's ten campuses are equally committed to college affordability and access. A New York Times study in 2015 called the UC system "California's social mobility engine."

UC's core philosophy is to ensure that all students who are eligible for admission can enroll at any of our campuses and that a UC education can be affordable. We have succeeded, as demonstrated through these facts:

- UC enrolls far more Pell Grant recipients than any other top research university in the country. In 2013-14, 40 percent of our undergraduates were Pell Grant recipients compared to 22 percent at other comparable public universities.
- Forty-two percent of UC's undergraduates are the first in their families to attend college.
- More than half of our California undergraduates pay no tuition.
- UC has one of the most generous financial aid programs of any college in the country.
- Almost half of our students graduate with no debt – and of those who do, the average cumulative debt is \$20,900, well below the national average of \$30,100.
- Within five years of graduating, those students, on average, make more money than their family's total income when they enrolled at UC.

We recognize that admitting and enrolling low-income students is not enough; we need to see them graduate. In this respect, UC is also succeeding. UC Pell Grant recipients' 6-year graduation rates are nearly identical to those of their middle- and upper-income peers.

UC's success is largely the result of its partnership with the federal government and the state of California. In 2015-16, UC undergraduates received:

- \$376 million in Federal Pell Grants;
- \$12 million in the Supplemental Educational Opportunity Grant (SEOG) program;
- \$22 million in Federal Work-Study;
- \$25 million in Perkins Loans from our institutional revolving fund;
- \$841 million from California's "Cal Grant" program; and
- \$734 million from the University of California's own need-based grant program.

This strong network of financial assistance that UC offers covers the cost of tuition for 58 percent of our California resident undergraduates, and helps the lowest income students with other expenses – including food, housing, books and transportation – that are part of the total cost of attendance.

At UC, students and parents are part of this partnership as well. Parents are asked to contribute based on their ability to pay and all students have some skin in the game through a combination of savings, part-time work and student loans.

In considering the importance of these programs to our students, and in looking toward the upcoming reauthorization of the Higher Education Act (HEA), UC believes it is critically important that Congress increase its investment in the federal financial aid programs, assure that federal student aid and subsidies are targeted to students with the most financial need and improve the programs so they are easy for students and their families to understand and access.

The following are UC's policy recommendations to the Subcommittee to consider:

***Congress must provide robust and sustained funding for the Pell Grant Program***

The Federal Pell Grant program is the foundation of need-based financial aid at colleges and universities across the nation, and the program has significantly expanded access to college for students who would not have been able to enroll in postsecondary education. Unfortunately, however, the purchasing power of the Pell Grant has declined to where the maximum award covers the lowest share of college costs since 1972, when the program was authorized. The average Pell Grant, at \$3,724, now covers just 19 percent of the annual cost of attendance at an in-state public university.

More troubling is President Trump's recently released budget plans for next year, which would cut more than \$50 billion from non-defense discretionary appropriations, leading to devastating cuts to all federal education programs and essentially eliminating the opportunity for any significant increases in the federal investment in education for a long while.

Especially at a time when a growing number of jobs is expected to require some postsecondary education and training, Congress must reject these cuts and reaffirm its commitment to invest in higher education. Congress must recognize college success and completion as a public good that benefits society by preparing students from families across the socio-economic spectrum to compete and succeed in a global economy.

To meet today's educational challenges, the University of California recommends that Congress provide strong, sustained and increased funding for the Pell Grant program to:

- Increase to the maximum award;
- Continue the annual inflationary adjustment to the award;
- Restore year-round Pell Grants for eligible students;
- Provide a Pell bonus to students who take increased credits to accelerate their time-to-completion; and
- Support rewards to institutions that enroll large numbers of low-income students, offer significant institutional aid and graduate Pell students at the same rate as all their students.

### ***The Campus-Based Aid programs must be strengthened***

Federal campus-based aid – the Federal Perkins Loan, Federal Work-Study and Federal Supplemental Education Opportunity Grant (SEOG) Program – are critical tools for assisting students in pursuing postsecondary educational opportunities.

These programs are unique because the federal funds are distributed to institutions, not students. Institutions provide significant matching funds so these programs offer more bang for the federal “buck,” and demonstrate institutions’ buy-in. Institutions have the flexibility to target students with the greatest financial need and they can use some of the funds for graduate students who have few other federal aid options.

At UC, more than 15,000 undergraduates benefit from SEOG. Our campuses receive nearly \$12 million dollars and provide eligible students with an average award of \$753.

Nearly 13,000 UC undergraduates receive Federal Work-Study funds, averaging \$1,700 per student, from total campus awards of \$22.2 million.

The Perkins Loan Program has not received new federal funds in more than a decade, yet UC could loan nearly \$25 million to financially needy students from its revolving funds. This year is the last year when schools are authorized to make new Perkins Loans, so when Congress reauthorizes the HEA, UC will look for ways to support changes to the Perkins Loan program that would allow institutions in good standing with the Department of Education in the operation of their Perkins Loan accounts to be authorized to continue to use their revolving funds to make these important loans to our neediest students.

The campus-based programs provide critical support to very low-income students to help them enroll in college, persist and graduate. Without this aid, these students would have to borrow more or work additional hours outside of school, which could affect their academic success. UC

urges Congress to protect campus-based aid, and support increased funding to expand these programs.

### ***Federal Student Aid Programs should be expanded and improved***

#### Free Application for Federal Student Aid (FAFSA)

There has long been discussion about the FAFSA and how it can be simplified, and it is worth noting that several positive changes have been made in recent years to simplify the need-analysis process for families, such as the automatic-zero expected family contribution (EFC), and development of the Data Retrieval Tool (DRT), where families who file taxes electronically can check a box and let the IRS share income and asset information with the Department of Education. UC supports these improvements, which have simplified the application process and allowed families to more easily and accurately relay their financial information.

UC sees FAFSA simplification as a desirable way to increase the number of very low-income students and families who will apply for financial aid, and to help students and families understand college costs and the aid they may be eligible to receive. However, UC believes that federal aid should be targeted to the most financially needy families and would have some concern if assets and savings are no longer considered in federal need analysis.

In California, for example, like in many other states, the family financial information from the FAFSA is used to award state aid, and UC uses these same data for awarding institutional grants. Without the information currently provided by the FAFSA, the state and UC would have to develop new forms to gather this information or require applicants to pay for the College Scholarship Service Profile that many private colleges use to discern families' financial need.

#### Federal Student Loan Programs

Improving the federal student loan programs is a high priority in HEA reauthorization for UC, particularly because our students and parents rely on the federal educational loan programs – including subsidized and unsubsidized Direct Loans, Parent PLUS, Grad PLUS and Perkins Loans – to help cover some of their costs of education. UC's philosophy is to make sure that the total amount that students borrow remains manageable given what we know about our graduates' earnings. A strong federal commitment to the federal loan programs and a sustained investment in these federal student loans is critical to our ability to maintain the manageability of our students' debt.

There is a lot of discussion about "simplifying" the loan programs, which often means reducing the number of borrowing and repayment options for students or eliminating other critical benefits. UC strongly opposes this approach. For example, the "one loan" proposal that has been offered as a possible option in HEA reauthorization would eliminate the undergraduate in-school interest subsidy, representing a total estimated loss to student borrowers of \$41 billion, as well as eliminate Grad and Parent PLUS loans. Congress must reject proposals like this and instead support changes that enhance student benefits and improve how student loans are administered, disbursed, serviced and repaid.

In fact, UC *strongly* supports maintaining the in-school interest subsidy for needy undergraduates, which for UC students is valued at over \$50 million last year alone. Further, since students and borrowers repay their loans with interest, the federal government should not generate revenue from them, even if the funds are redirected to other aid.

In legislation to improve the federal student loan programs, UC would like to see:

- Increased outreach and communication to borrowers about all repayment plan options;
- Options for payroll deduction and IRS tax filing for loan collection;
- Restoration of the in-school interest subsidy for graduate student borrowers;
- Return of the in-school interest subsidy for undergraduate borrowers during a post-graduation grace period;
- Increased transparency for borrowers, including more information about how interest accrues while a borrower is in school;
- The ability to refinance higher interest loans;
- Elimination of origination fees charged to students;
- A standard and uniform Department of Education interface between borrowers and servicers to assure consistent and excellent customer service; and
- Increased availability of loan forgiveness programs for public service, and efforts to promote awareness of these programs.

In addition, UC supports a strong, continued commitment to improving income-based repayment plans. While we recognize that it may sound simple to eliminate multiple repayment options, we would rather keep the current set of options, despite potential confusion, than offer a single plan that is financially worse for our student borrowers

UC will also support increased annual loan limits in the Direct Loan programs. Annual loan limits for undergraduate students have not been increased in more than a decade and the caps set for freshmen and sophomore students is unrealistically low. Similarly, graduate and professional borrowing limits under the Direct Loan program should be increased.

Finally, we recommend maintaining the federal loan options for graduate and professional students, as well as the Parent PLUS loans. These are all critical tools for many of our students and families as they complete advanced degrees, and helps them avoid potentially costlier private loans.

Again, thank you for this opportunity to testify. The University of California looks forward to working with you to reauthorize the Higher Education Act to expand and improve the law.

I appreciate your interest in hearing our views on how the federal-state-institutional partnership we now have in American higher education can be strengthened to make quality college education available to all Americans.

I have attached for the record two documents: an overview of student aid and outcomes from UC's Office of Student Financial Support and UC's At a Glance fact sheet.

If you have any questions, or would like additional information about UC's recommendations, please contact the UC Washington office at 202-974-6300.