Testimony: Vermont State Colleges
House Committee on Education: Student Debt
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House Resolution 27 calls on the federal government to address the crisis of existing student debt. As a state college system, our role in this conversation is really on the cost side, and in reducing that debt to begin with. So I will focus my remarks on: college cost, the impact of cost on the VSC and Vermont students, and on how federal financial aid could be reformed to reduce debt.

Cost:

From: "A Benchmark for Making College Affordable: The Rule of Ten," the Lumina Foundation, August 19, 2015.

- College prices have increased by 45% on average over the past decade, while household income has declined by 7% in the same period.

- At 2011-2012 prices, students taking four years to complete a bachelor's degree would pay a net price, on average between $59,400 (if they started at a community college and transferred to a public four-year institution) to $111,600 (if attending a private non-profit institution).

- While the higher prices at private institutions often garner media attention, prices have increased within public higher ed institutions, hindering families' ability to pay over time.

- Student loan debt is now more than $1 trillion nationwide. In 2011-2012, the average loan debt for completers (at all undergraduate degree levels) was $14,100, up from $6,400 in 1995-1996.

- The aggregate amount of student debt has grown as the number of students going to college has grown, the latter is a positive trend. However, decisions about whether and how to pursue college education -- particularly by first generation students and students of color -- is an issue with significant ramifications for attainment and equity.

Affordability of public higher education in Vermont:

The published, in-state tuition and fees for the VSC and UVM are the second highest in the nation.

2015-16 In-State Tuition and Fees at Public Four-Year Institutions by State and Five-Year Percentage Change

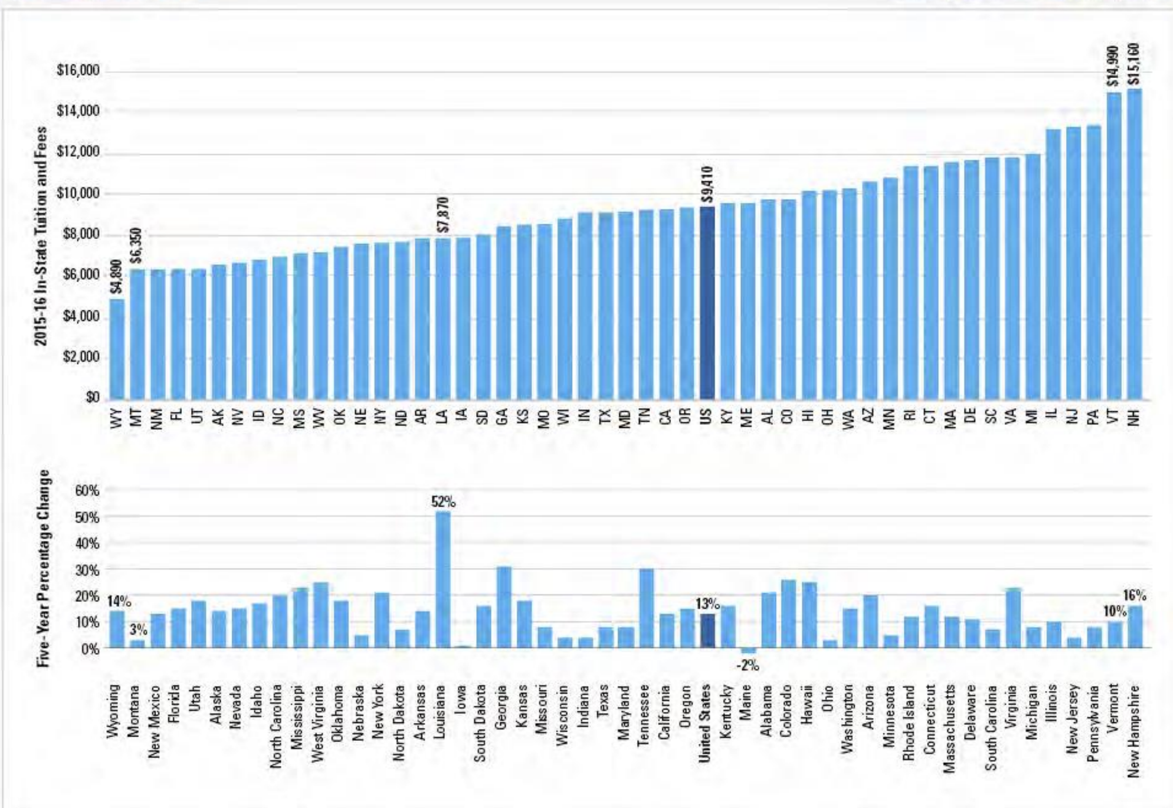
Other Data in this Topic

In 2015-16, average published tuition and fee prices for in-state students at public four-year institutions range from $4,890 in Wyoming and $6,350 in Montana to $14,990 in Vermont and $15,160 in New Hampshire.

Figure 8: Average 2015-16 In-State Tuition and Fees at Public Four-Year Institutions by State and Five-Year Percentage Change in Inflation-Adjusted Tuition and Fees

Download Data in Excel

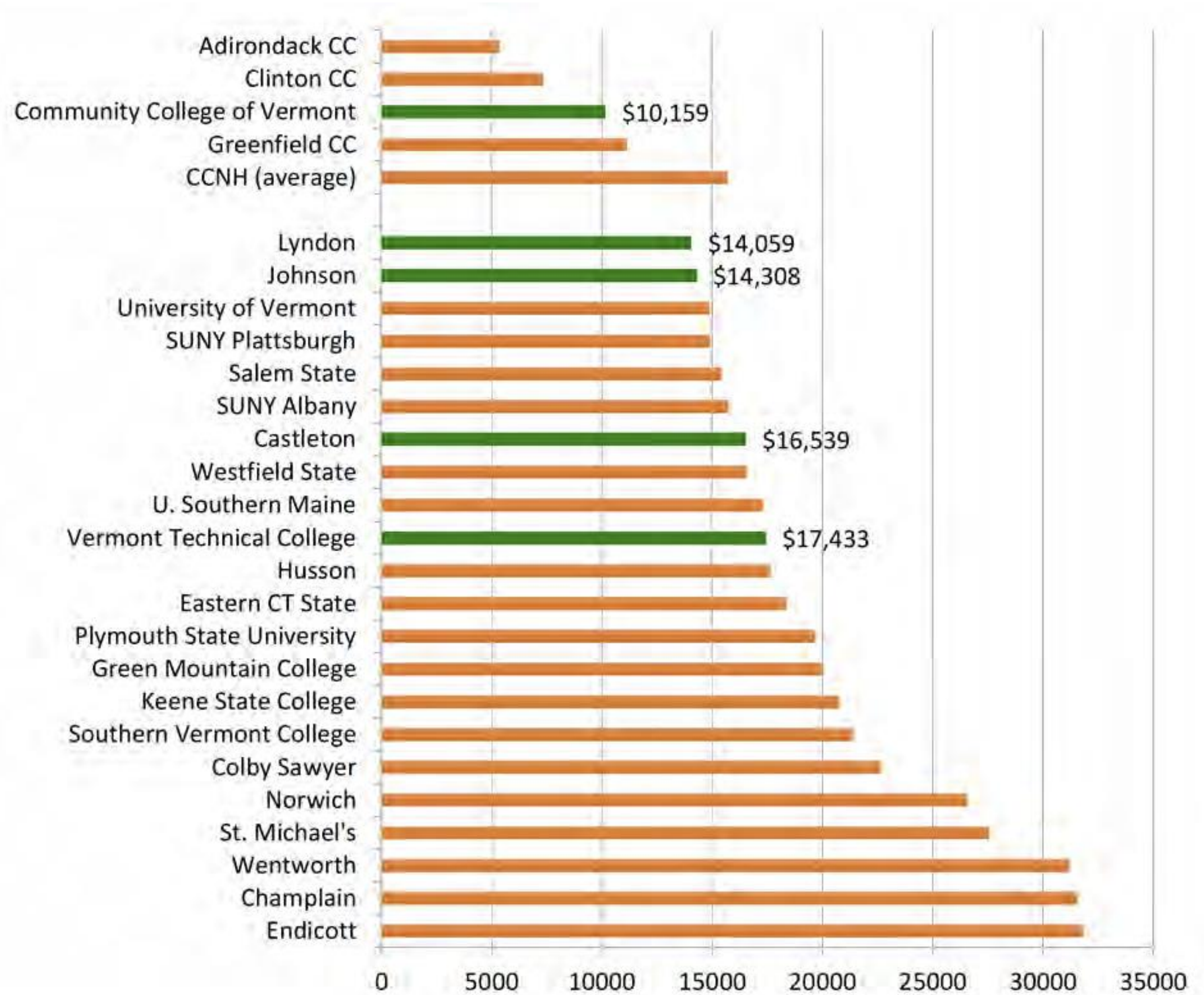
See Key Points See Also Important



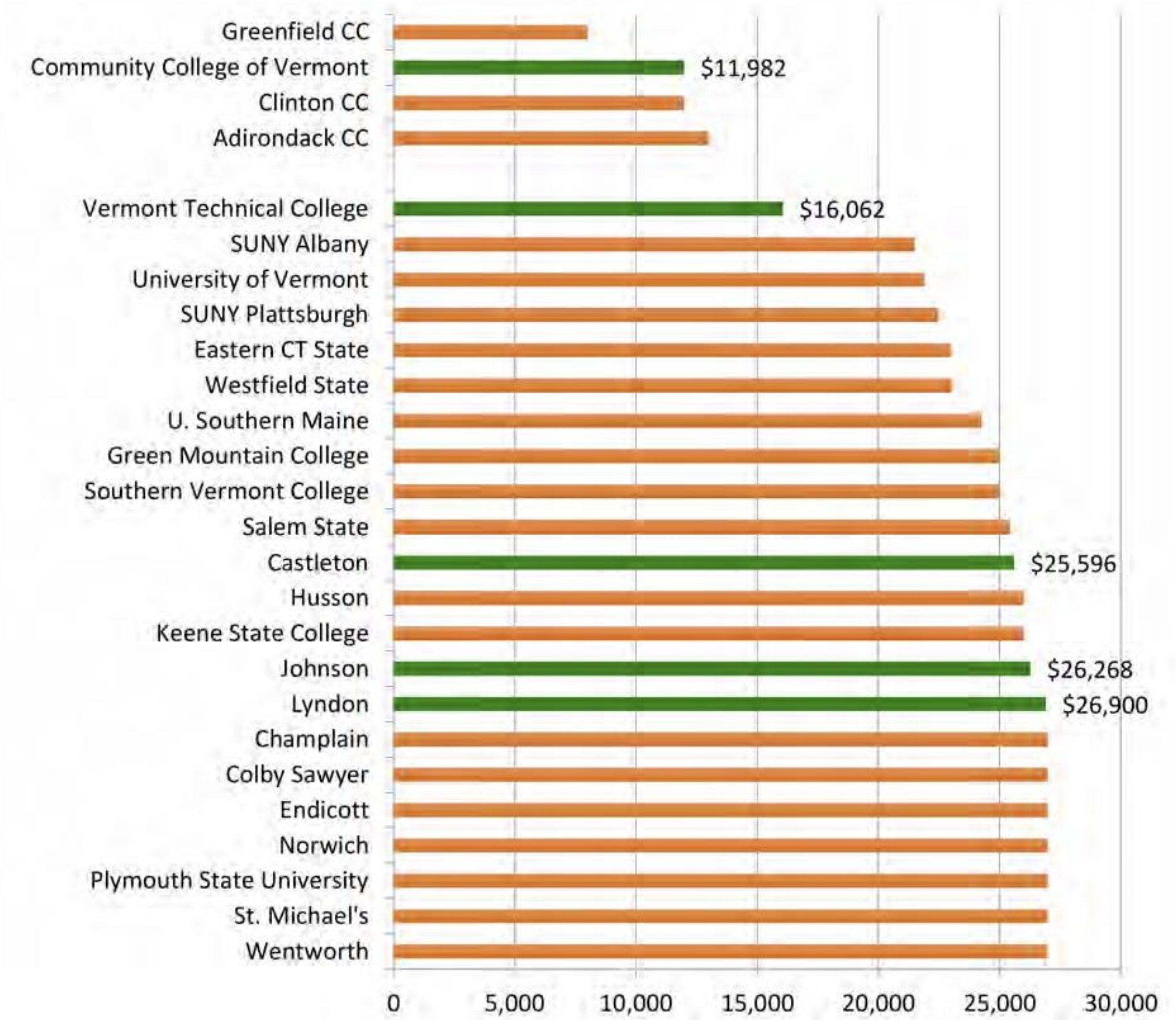
Notes & Sources

SOURCE: The College Board, Annual Survey of Colleges.

The VSC average annual cost of attendance for Vermont residents, however, is competitive with neighboring states, according to the U.S. Dept. of Education College scorecard. This measure reflects the total in-state cost minus grant and scholarship aid.



Unfortunately, VSC students graduate with a higher debt load than our neighboring peers.



So, we have competitive costs of attendance but very high debt loads. This reflects our students' need to finance the bulk their education through borrowing.

In fact, Vermont families pay the highest family share of total college costs for public education in the nation. On average, Vermonters pay for 82% of their college costs.

TABLE 5

Highest Family Share	
Vermont	82%
New Hampshire	81%
Delaware	73%
Colorado	73%
Pennsylvania	72%
Rhode Island	70%
Michigan	70%
Alabama	64%
South Carolina	63%
Ohio	63%
Young Invincibles' Analysis of State Higher Education Executive Officers' SHEF Report	

TABLE 6

Lowest Family Share	
Wyoming	15%
California	22%
Alaska	26%
New Mexico	32%
North Carolina	34%
Hawaii	34%
Florida	35%
New York	36%
Nevada	36%
Idaho	38%
Young Invincibles' Analysis of State Higher Education Executive Officers' SHEF Report	

So, what are the pressures on our tuition rates? Rising cost of personnel and health care, slow demographic growth among college-going students, increased price competition among regional peers, and the continued decline in the percentage of our budget provided by the State.

Why do we worry about all of the above?

- Impact of cost on Vermonters' decisions about college-going and college completion.
- Out-migration of young Vermonters who cannot afford their in-state public college tuitions and may receive more generous aid packages out of state.
- Increasing gap in enrollment in Vermont between economically-disadvantaged students and their non-disadvantaged peers. In 2014, 58.4% of non-ED students enrolled in college after high school, and only 37.3% of their ED peers enrolled -- the second lowest rate in New England.
- Impact on degree attainment. If 60% of the jobs in Vermont in 2020 require some level of post-secondary attainment, and the state has set a goal of 70% attainment by 2025, the cost barrier needs to be addressed.
- The burden of student debt on our graduates.

We are focused on keeping college as affordable for our students as possible through increased collaboration among our colleges, raising more funds for financial aid, innovative textbook programs and many other initiatives. Our cost of delivering instruction is going down, not up, by 14.5% from 2014 to 2015.

Recommendations from our financial aid offices:

1. Bring down the federal interest rate. The interest rates charged by the Dept of Education for student and parent Direct Loans are indeed higher than what the market would indicate, and the feds are definitely making money off the program. (4.29% for direct loans. 5.84% for unsubsidized loans graduate or professional students. 6.84% for PLUS loans for parents and graduate students.). Banks in the US borrow money from the federal government at .75%. The federal government makes an average of $.36 for every dollar it lends, and takes in an average of $34 billion annually from student loans.

2. Increase funding for PELL and the Supplemental Educational Opportunity Grants. Many of our students do need to borrow to cover their cost of their education because Congress has not substantially increased the funding for federal grants (Pell, Supplemental Opportunity Grant) and work study for decades.

3. Reconsider allowing students the ability to borrow the maximum amount. While grant programs have been cut, Congress has increased the amounts students can borrow each year. Important to note that if the student demonstrates eligibility under the federal regulations, the financial aid office cannot refuse to approve the maximum amount (for example, a CCV student may qualify for the maximum amount, but only be enrolled half time; they aren't allowed to pro-rate it.

3. Allow more federal loans to flow to qualified borrowers. Although the feds have increased what students can borrow in the federal program, they are capped at an annual amount, so students and families turn to private loans with variable rates, needing a cosigner, and less

repayment options.

4. Increase state higher education funding. State funding for Vermont public higher education institutions has lagged, so student loans have been used to cover the gap.

5. Colleges must up their game on financial literacy. The financial aid staff and others at the VSC colleges work very hard to advise students on the use of federal and private student loans, the student rights and responsibilities, and repayment options. We do this at their entrance to the college and when they graduate/separate. We also talk about other payment options/methods to help reduce the reliance on student loan debt. Although we counsel students, the repayment seems very far out on the future horizon, and their financial literacy is limited.

6. Reinstate the ability of non-profits like VSAC to originate federal loans. When Congress mandated the Direct Loan Program in 2010, VSAC could no longer originate new loans or help students understand their repayment options. Vermonters lost a valuable service. The national servicers do not take their time to work with students who are delinquent to help them understand the multiple and complex repayment options.

7. Adding bankruptcy protection to student debt would perhaps create a whole other set of issues – such as more students declaring bankruptcy to reduce or eliminate their loan debt. The devil would be in the details.