June 24, 2014

The Honorable Thomas Richard Harkin
Chairman
Senate Health, Education, Labor, and Pensions Committee

The Honorable Lamar Alexander
Ranking Member
Senate Health, Education, Labor, and Pensions Committee

Dear Chairman Harkin and Ranking Member Alexander:

With the upcoming reauthorization of the Higher Education Act (HEA), Congress has an opportunity to reshape our system of postsecondary education for a generation, and ensure that all students are afforded the opportunity to participate in that system, regardless of economic circumstance. As organizations representing the concerns of middle and low-income students, parents, and taxpayers, it is our view that a successful HEA reauthorization is one in which concrete steps are taken to reinvest in our system of higher education and bring down the net cost of college so **that students from low-income and middle-class families can attend college without taking on ANY debt**.

Earning a four-year degree almost certainly requires borrowing today—but it was not always this way. **Until the mid-1990s, fewer than half of all bachelor's degree recipients had borrowed to finance their education**. Now, nearly 70 percent of bachelor's recipients take out loans to finance degrees, and average debt for those students has risen to over $29,000. This is due to the interaction of rising net cost of college and stagnant wage growth for most working Americans. In an era in which a postsecondary degree or credential is highly correlated with economic success, the United States must ***return*** **to a system in which a debt-free college degree is the norm, not the exception,** by reinvesting in public colleges and bring down costs to students**.**

Low-income and middle-class households are the ones feeling the squeeze, and it has only gotten worse. Incomes in the middle class and below have stagnated (or declined) over the past few decades, meaning increases in college costs have exploded in relation to most households' ability to pay for school. Predictably, the recession has only made this problem worse. In 2007-08, low-income students were expected to pay 68% of their parents' income in college costs. In 2012-13, in the aftermath of the recession, they were expected to pay over 100% of parental income to do so. Compare this to those in the top income quintile, who are only required to pay 15% of family income.

Federal financial aid has failed to keep pace. There is clear evidence that grant aid is the mechanism that most helps students attend, afford, and complete college. Unfortunately, the purchasing power of the Pell Grant has declined dramatically; Just 25 years ago (in 1987-88), the maximum Pell Grant covered half of all college costs at public universities. In the 1970s, it covered over 70% of the cost. Today, it covers less than one-third (31%).

Student loans have filled the gap. In 2012, student borrowing made up over three-quarters of tuition revenue at public institutions, and the total dollars borrowed at public institutions increased by nearly 147% over the past decade. While student loans are often defined as "financial aid," they are entirely different from grants and scholarships, and there is little evidence that loans impact the ability of low- and middle-income to attend or complete college.

The burden of student loans is not shared equally. In 2011-12, 88% of bachelor's degree recipients who received a Pell Grant while in school still needed to borrow, compared to just over half (51%) of non-Pell Recipients. Likewise, 84% of black college graduates borrowed to fund their bachelor's degree, compared to 68% of white college graduates.

The federal government must offer states incentives to continue investing in higher education.

The major driver of the college affordability crisis is state disinvestment in higher education. Nearly 3 in 4 students attend public colleges and universities. Unfortunately, state appropriations for higher education have declined by 26 percent since 1980, and by 31 percent over the past two decades alone. Institutions have used tuition and fees to make up for the loss in state funding. Net tuition per full-time student at public institutions has increased by 101% over the past two decades. Whereas tuition made up less than a quarter (23%) of educational funding per student 25 years ago, it now makes up almost half (47%). In short, we are in danger of losing public higher education as a public good.

In order to return to a system in which student debt is the exception, not the rule, we must ensure that states are encouraged to reinvest in their public institutions. Rather than short-term solutions that do nothing to address the underlying problem of state disinvestment, we ask Congress to create new incentives for states to reinvest in public higher education. These incentives should be structured such that federal and state funding complement each other and lead to tuition that is low enough and need-based financial aid that is high enough to make **college a debt-free proposition for low-and middle-income families.**

Sincerely,

American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)
American Federation of Teachers
Demos
League of United Latin American Citizens
United States Students Association
National Education Association
Service Employees International Union (SEIU)

Cc: Members of the Senate Health, Education, Labor, and Pensions Committee