NEW AMERICA
FOUNDATION

PREPARED REMARKS
FOR THE SECRETARY OF EDUCATION'S COMMISSION ON THE FUTURE OF HIGHER EDUCATION

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FEBRUARY 24, 2006

Thank you for requesting an oral briefing and subsequently my written remarks and recommendations regarding federal policy to increase higher education access. In the field of higher education policy, questions of access traditionally are limited to issues of expanded student financial aid. My remarks and recommendations will discuss some of those financial aid issues and two other higher education access issues that are not traditionally considered but merit attention as well: academic preparation and college admissions.

Academic Preparation

One out of three students entering post-secondary education requires a remedial mathematics or English course in college. In other words, one out of every three freshmen is not academically prepared to access college-level instruction. These students incur heightened post-secondary education costs, because they require additional coursework in order to attain a college degree. Because high school preparation is the number one indicator of college completion—more influential than race, income, or parent education—most students in need of remediation who enroll in a four year post-secondary program will fail to earn a bachelor's degree within six years of their initial enrollment. In sum, their costs are heightened. Their ability to complete a degree is compromised. As a consequence, too often their ability to repay college debt is fatally diminished.

RECOMMENDATIONS

1) **Extend No Child Left Behind Act (NCLB) Principles to High Schools.** Standards-based school reform is working, not as well as it could or should be, but it is working. Nationally, mathematics scores are up nearly two grade levels since the start of the standards-based reform movement in the early 1990s. While reading scores overall have not seen the same growth, the achievement gap in mathematics and reading has narrowed markedly. The Bush Administration has proposed extending NCLB testing and state-driven accountability to Grades 9 through 12. In principle, the extension of NCLB principles to high schools should be embraced <u>with</u> a concomitant extension of resources necessary to ensure that all students in Grades 3 through 12 to have a fair chance to

succeed. If more students graduate from high school meeting state academic standards, more incoming freshmen will be prepared to access college level instruction without the need for remedial instruction first.

2) **Hold States Accountable for Graduating Students Prepared for College.** NCLB holds schools and school districts accountable for making "adequate yearly progress," but it fails to hold states accountable for making adequate yearly progress toward any particular content level. This creates an incentive to lower state standards in order to claim proficiency. Tennessee, for example, recently reported that 87 percent of fourth graders are proficient in mathematics, as measured against state standards and the state's NCLB test. But only 28 percent of Tennessee fourth graders rank as proficient in mathematics, as measured by the more rigorous and universally highly regarded National Assessment of Educational Progress (NAEP). In its original NCLB policy proposal, the Bush Administration proposed holding states accountable for making adequate yearly progress in student proficiency according to NAEP results. Fearing national standards, a national test, and a national curriculum, Congress rejected that proposal. That was a short-sighted decision and this Commission should embrace the Bush Administration's initial proposal to hold states accountable.

Higher education has a vested interest in the rigor and success of secondary school programs. If the Secretary's Commission on the Future of Higher Education embraces the previously stated or other recommendations to improve secondary school education, it has the potential to contribute toward improved higher education access and integrated K-12 and higher education policy formation.

Admissions

Too often working class and low-income students who are academically prepared to access college instruction are thwarted from doing so at elite institutions by unfair or short-sighted college admissions policies. These include legacy preferences, binding early decision, and over reliance on SAT and ACT assessment results.

The most pernicious policy in college admissions is the "legacy preference," the common name for admissions bonuses conferred to the children of institution alumni. There are more white students admitted to top ten universities after having benefited from a legacy preference than African-American or Latino students admitted after having benefited from affirmative action policies. In some elite institutions of higher education, there are more white legacy students than African-American and Latino students combined. Virtually no legacy student is low-income. Unlike racial minorities, they do not contribute a valuable unique perspective to the academic environment. According to a Department of Education Office of Civil Rights 1990 report, the average legacy admitted to Harvard University is "significantly less qualified" than the average admitted non-legacy in all areas of comparison, except athletic ability. Indeed, eliminating legacy preferences in college admissions would open up access to as many as one in six spaces at elite colleges and universities for talented students of all races and income levels who currently are passed over in favor of less qualified applicants.

Colleges argue that they employ the legacy preference in order to raise money. But there is no study on its effectiveness or efficiency in that regard. In fact, the legacy preference is clearly an inefficient fundraising tool. It is both overbroad and under inclusive. It is overbroad in that students who are legacies receive an admissions preference irrespective of their parents' giving. It is under inclusive in that many students whose parents may contribute to an institution do not receive a legacy preference, such as a student whose parent is a blue-collar, non-faculty college employee. It would be a more effective and fairer fundraising strategy for colleges to auction off admission acceptances on e-bay than to retain the legacy preference.

Working class and low-income students are also unfairly impeded in their ability to access selective institutions of higher education by the widespread use of binding early decision admission policies. Under early decision policies, in October of their senior year, students make a binding decision as to where they will attend college if accepted. As a matter of policy, students who are accepted early decision may not apply to other schools in search of a better financial aid package. From an upper-income prospective students' perspective, applying early is extremely valuable. Applying early is worth the equivalent of 100 added points on the SAT, according to a 2001 Harvard study of over 500,000 applicants to 14 of the top 20 colleges. Today at elite institutions, early decision enrollees comprise upwards of 50 percent of the student body.

But working class and low-income students, particularly first-generation college students, face two problems with the early decision option: (1) early decision is not practical, because they need to compare financial aid packages; and (2) they are unaware of it, because they have inadequate guidance in high school. Consequently, students who apply early decision are 50 percent more likely than regular decision applicants to be wealthy. At highly selective schools, the early decision pool is more than three times as white as the regular decision applicant pool. Like legacy preferences, binding early decision structurally impedes low-income student access to selective institutions of higher education.

Finally, in order to compare students from different schools and geographic regions, colleges rely on the SAT and ACT. But neither the SAT nor ACT is aligned with high school curricula and both are regularly gamed by upper-income students who take expensive commercial test prep courses like Stanley Kaplan and Princeton Review. Commercial test-preparation courses raise student scores an average of over 100 points, but charge students up to $1,000 each and are thus disproportionately utilized by upper-income students. Well-prepared working class students, particularly those who are not racial minorities and who can thus expect no benefit from an affirmative action policy, confront an overwhelmingly stacked deck when attempting to access our leading institutions of higher education.

RECOMMENDATIONS

3) **Require Colleges to Publish the Racial and Socioeconomic Breakdown of their Legacy Preference and Binding Early Decision Students; A "Name & Shame" Policy to Reform College Admissions.** President Bush, former Senator Robert Dole (R-KS), former Senator John Edwards (D-NC) have each called for an end to legacy preferences. Texas A&M, the University of Georgia, and University of California have voluntarily eliminated legacy preferences. Yale University, Stanford University, and University of North Carolina have eliminated binding early decision. More institutions need to be encouraged to do the same. Federal financial aid eligibility should be conditioned on an institution's disclosure of its use of the legacy preference and early decision in terms of the percentage of enrolled students benefiting from those policies,

disaggregated by race and class. Such a "sunshine proposal" allows legacy preferences and early decision to continue, but discourages their use.

4) **Increase Low-Income High School Student Access to SAT & ACT Test Preparation.** Modeled on a successful State of California program, several United States Senators have co-sponsored a legislative proposal contained in bill number S. 1793 that provides modest grant aid to local school districts and others supplying proven-effective test preparation courses to low-income students. The Senators' $50 million proposal was constructed after careful consultation with the representatives of local school districts and the Kaplan Corporation.

College Pricing and Financial Aid

Access to higher education is undermined by hidden college pricing policies and our opaque, inadequate federal financial aid system. With regard to the latter, the Advisory Committee on Student Financial Assistance's 2002 report, *Empty Promises: The Myth of College Access in America*, states:

> "Families of low-income, college-qualified high school graduates face an annual unmet need of $3,800, college expenses not covered by student [financial] aid, including work-study and student loans…. Due to record-high financial barriers, nearly one half of all college-qualified, low- and moderate-income high school graduates—over 400,000 students fully prepared to attend a four-year college—will be unable to do so, and 170,000 of these students will attend no college at all."

Because of the specter of unmet financial need, too many eligible students never apply for federal financial aid. They are discouraged from doing so because they vastly overestimate the cost of college and have little comprehension of how much financial aid is available. Universities and our financial aid system are in part to blame.

Universities mask their true price. They maintain high "sticker prices," but regularly and by differing amounts discount tuition. According to *The Chronicle of Higher Education*, eight out of ten private university students receive a tuition discount averaging almost 40 percent below an institution's published tuition price. Two out of ten public university students receive a tuition discount averaging almost 14 percent below sticker price. Low-income families especially have little idea of the magnitude of tuition discounts available or their ability to negotiate for larger discounts. When students do choose a school, they and their families typically have no idea what future year tuition will cost, since rate increases are established by institutions annually.

Our financial aid system includes no guarantee that sufficient aid will be available from one year to the next. In fact, students in high school have little idea of the breadth and depth of assistance available. If they did, more would aspire to college, apply for financial aid, and take their high school academic preparation for college more seriously.

RECOMMENDATIONS

5) **Embrace Truth-in-Tuition.** As a condition of federal financial aid eligibility, institutions of higher education should be required to: (i) disclose in their application

materials data on the extent and average amount of tuition and fee discounts from base "sticker price," and (ii) set multi-year tuition and fee levels for each cohort of students at the beginning of a cohort's freshman year. Tuition and fee costs could increase from one year to the next, but each year's cohort of students and families should know in advance how much of an increase they will confront on an annual basis. They need to plan. Illinois adopted a model "truth-in-tuition" law in 2002.

6) **Create a "College Access Contract" for Every 8th Grader.** All 8th graders and their parents who sign a College Access Contract will be guaranteed all financial aid necessary to pay for a public two or four year college education, if they demonstrate college readiness. No longer will any student have "unmet financial need" when it comes to accessing a public two or four year college.

7) **Link Campus-Based Financial Aid ($2 Billion in SEOG, College Work Study, and Perkins Loan Capitalization) to the Number and Percentage of Low-Income Students Enrolled at Each Institution of Higher Education.** The federal campus-based aid distribution formulas have only a limited connection to institution need. Campus-based aid should be tightly attached to each institution's Pell Grant student enrollment, and in the case of graduate students, the number of subsidized Stafford loan students enrolled. Wealthy colleges would have an incentive to increase their low-income student enrollment, increase their own institutional need-based financial aid, and reduce their utilization on non-need based, merit-only financial aid policies. Less well-endowed colleges that currently serve a high proportion of Pell Grant recipients would receive more assistance in filling the current unmet need of many of their students.

8) **Increase Grant Aid at No Taxpayer Cost by Increasing Competition in the Student Loan Program**. Federal law prohibits Federal Family Education Loan (FFEL) providers and the Direct Loan program from offering colleges inducements for student loan business. That makes little sense, particularly in the case of the Direct Loan program, which is vastly cheaper for taxpayers. The Commission should embrace a bipartisan, bicameral proposal that would reward colleges with increased financial aid if they use the more taxpayer-friendly Direct Loan program *and* go further in authorizing FFEL student loan providers to do the same insofar as offered financial rewards: (i) are made available to all colleges on an equal proportionate basis, (ii) supplement existing institutional aid levels, and (iii) are dedicated to needy students. The Congressional Budget Office estimates the existing proposal of Congressman Tom Petri (R-WI), Congressman George Miller (D-CA), Senator Edward Kennedy (D-MA), and Senator Gordon Smith (R-OR) would generate up to $3 billion a year in increased grant aid at zero taxpayer cost.

9) **Eliminate Wasteful Taxpayer Subsidies to Student Loan Banks and Grow Campus-Based or Leveraging Educational Assistance Partnerships (LEAP) Student Financial Aid by the $1.6 Billion a Year Necessary to Fill the "Unmet Need" Gap.** Federal grant aid could be increased directly by simply reducing student loan bank subsidies. Literally billions of taxpayer dollars are wasted on student loan bank subsidies each year, according to the Office of Management and Budget, Government Accountability Office, Congressional Budget Office, and Congressional Research Service. Graduate student loans are so lucrative that to attract university business, student loan providers like Sallie Mae and Nelnet currently offer some graduate schools a "school-as-lender kickback" of up to 8 percent of graduate student loan borrowing in

exchange for funneling students their way. It is an admission of excess government subsidies. Reducing the federal subsidy to banks making graduate student loans by 8 percent over the life of each loan would generate approximately $1 billion per year. Additional student loan spending offsets are available through heightened lender risk-sharing and elimination of "exceptional provider" designation. Eliminating university earmarks in Congressional Appropriations legislation would generate between approximately $600 million and $1 billion in savings each year. Both offsets should be embraced and dedicated to increased student financial aid to fill the "unmet need" gap.

Conclusion

This Commission has a special opportunity to influence the current Administration and others with respect to their views of higher education policy. I urge you not to be cowed by political considerations or constituencies and instead simply to put forth your recommendations to improve higher education quality, access, affordability, and diversity without fear or undue favor. Thank you again for the opportunity to share my views.