

Chairman Alexander, Ranking Member Murray and Members of the Committee, thank you for the opportunity to testify today.

My name is Rob Anderson, and I am the President of the State Higher Education Executive Officers Association.

For the first time in our nation's history, we are at the cusp of college students and their families paying the majority of college costs. In 2016, net tuition revenue accounted for 47.3 percent of total revenue in higher education, up from 36.7 percent ten years earlier. This increased reliance on tuition dollars most adversely impacts those students who can least afford it – our historically underserved populations. The combination of increased costs and stagnant wage growth has resulted in an increasingly large gap between the cost of college and a family's ability to pay for college.

There are several noticeable trends during economic downturns. First, state funding per student declines while enrollments increase as the newly unemployed enter higher education for upskilling and retraining. Consequently, institutional reliance on tuition revenue increases as do tuition rates. During periods of economic recovery, state appropriations generally increase and increases in tuition tend to moderate.

Unfortunately, the most recent higher education recovery has not been as robust as we have experienced in the past. State investment in higher education declined by 26 percent per student between 2008 and 2012. In constant dollars, this marked the lowest funding level per student since 1980. By 2016, funding had partially recovered but remained 15% below pre-Recession levels. Only four states report 2016 state and local funding that exceeds 2008 levels.

While state funding per student has declined, we also know that the situation is worse at the institutions where the majority of our underserved students reside. These institutions receive fewer state resources. A 2016 study by Bridget Terry Long notes that, while holding other factors constant, public research institutions received \$2,504 more per full-time equivalent student than other public four-year schools and \$5,227 more than public two-year colleges.

However, there is good news in that reducing these funding inequities can result in meaningful gains. Researchers David Deming and Christopher Walters found that, at community colleges, a 10 percent rise in spending increases associates degree completion by 10 percent and certificates by 23 percent – both within one year. Bachelor’s degree completion rose between four and five percent within three years. Similarly, the research is clear that directing increased aid to low-income students raises both enrollment and graduation rates.

With this context in mind, we must provide a targeted approach to address system inequities and inefficiencies. President Trump recently proposed a partnership that includes federal, state and local entities to address our nation’s infrastructure needs. I agree that this is a national imperative. A similar postsecondary partnership that incentivizes increased investment in students and institutions that are most in need would benefit us all and is of similar national importance. Funding should flow to keep tuition increases modest and predictable while expanding system-wide strategies resulting in increased college completion.

Additional resources should be targeted and focused on outcomes. Forty-one states now have attainment goals set at a level that matches workforce demands, and nine states have well-designed allocation models aligned to pay for outcomes, particularly the improved outcomes of underrepresented students. States and systems are also developing plans informed by data with campus-level completion goals and strategies to expand lower-priced options.

Members of the Committee, yes money matters and both the federal government and states will need to spend more if we want double digit improvement in outcomes over the next decade. But this is not just a matter of resources but also of leadership and alignment. This committee and the nation you represent should have assurances that state governments, higher education systems and their campuses are in lock-step regarding attainment goals, spending and strategies.

Thank you and I welcome your questions.