

TOPS Commission

Prepared Testimony of

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U.S. Senate Health, Education, Labor, and Pensions Committee**

February 7, 2018

Chairman Morrish, Representative Carter, and Members of the TOPS Commission, thank you for the opportunity to testify this morning on the importance of state student financial aid and how it can be used to promote economic growth, educational opportunity, and racial and socioeconomic equity.

My name is Michael Dannenberg, and I am the Director of Strategic Initiatives for Policy at the Education Reform Now think tank affiliate of Democrats for Education Reform. I am a former senior level education policy aide to the U.S. Under Secretary of Education, former Senator Kennedy, former Senator Claiborne Pell, and other national political figures, but have a long history of advancing bipartisan and non-partisan initiatives aimed at increasing educational opportunity.

I have three basic messages: (1) all economic trend data indicates that nearly every young person is going to need at least some postsecondary education or training at some point in time; the tyranny of low education expectations for some has to be smashed; it's particularly harmful to women and racial minorities; (2) in supporting young people's education aspirations, we need to break free of the binary debate of scholarship aid based exclusively on family financial need vs. scholarship aid based exclusively on student test scores; Louisiana can and should have a TOPS program that makes use of a more nuanced definition of merit that rewards effort, progress, and academic results; and (3) long-term, Louisiana would be wise to redesign or augment its higher education support in a way that caps student loan debt for those from middle-income and low-income families who *earn* it; essentially a college promise plan that rewards responsibility.

Should Everyone Go to College?

There are a few threshold issues with the "should everyone go to college" question. The first is that those who sit at the intersection of policy and politics use the term 'college' as shorthand to refer to all postsecondary education – four-year colleges, two-year colleges, for-profit trade schools, a bachelor's degree in engineering, an associate's degree in advanced manufacturing, or short-term certificate programs in things like heating, ventilation, and air conditioning. We need to think of postsecondary education more broadly than traditional depictions or images of college.

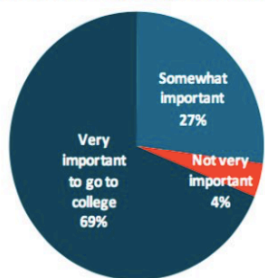
Nationally, nearly 75 percent of all students attend public colleges like Nicolls State and Baton Rouge Community College as opposed to non-profit private institutions like Tulane or Emory. Over 40 percent of all postsecondary students attend community colleges, which generally are open-admission. Around 10 percent attend for-profit trade schools from on-line behemoths like the University of Phoenix to mom and pop operations like Regency Beauty School, also generally open-admission.

Second, keep in mind when folks squint their eyes and ask, “does everyone *really* need to go to college,” they’re rarely talking about their own kids. The polling indicates 95 percent of parents say “college” is important for their own children, but only 42 percent say it’s important for all children. There are sizable gaps in perception among racial groups behind that data.

College: Despite strong consensus that it is important for their own child, parents feel less strongly that college is important for every child

African American and Hispanic parents say college is even more important than White parents for their own child and for all children.

(Parents Nationally) College for Their Child:



| | White | African American | Hispanic |
|--------------------|-------|------------------|----------|
| Very Important | 63% | 78% | 75% |
| Somewhat Important | 31% | 19% | 22% |

(Parents Nationally) College for Every Child:



| | White | African American | Hispanic |
|--|-------|------------------|----------|
| Important to go to college | 34% | 51% | 57% |
| Just as important to learn skill/trade | 65% | 44% | 41% |

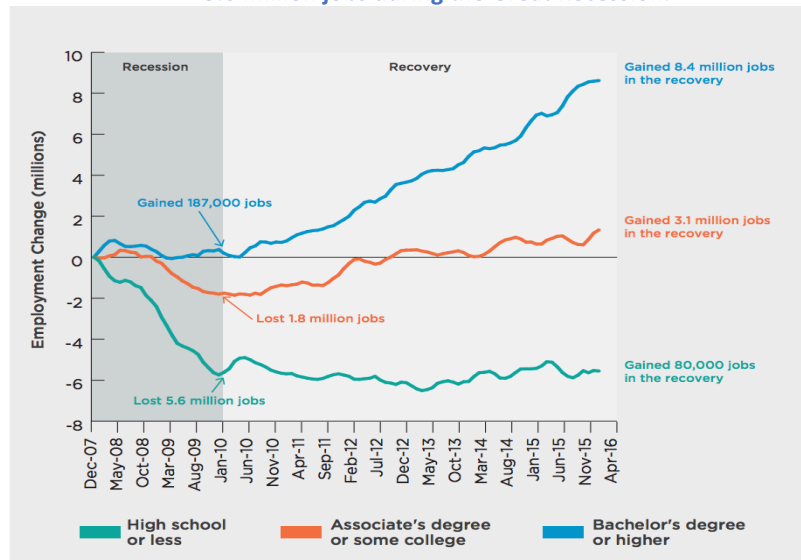
Source: Education Post Parent Attitudes Survey (2015)

Over three-quarters of all 18 to 25 year olds pursue some postsecondary education. They may go to a trade school to study medical imaging or community college to pick up a degree in welding, or they may take a year or two before finding their way back to school, but eventually they go. And they are right to do so.

A postsecondary certificate or degree is the same must-have job requirement for today’s young people as a high school degree was a generation ago. Yes, there are jobs you can get with only a high school degree. Good jobs – jobs that deserve our respect and appreciation – but many of those jobs are going away.

Coming out of the Great Recession, between 2010 and 2016, 11.5 million new jobs were created. Some 11.4 million required postsecondary education or training. We lost 5.6 million jobs requiring a high school degree or less during the Great Recession, but only 80,000 came back six and a half years out. That’s picked up a bit in the last couple of years, particularly in oil and gas, but most of those jobs are not coming back long-term.

In the first six years of the recovery 8.4 million jobs were created for workers with a bachelor's degree. Only 80,000 were created for workers with a high school diploma or less – paltry growth after having lost some 5.6 million jobs during the Great Recession.



Source: Georgetown University Center on Education and the Workforce analysis of Current Population Survey (CPS) data, 2007-2016.

The back breaking, hard-to-do but low-skill jobs that survived the Great Recession aren't jobs that are going to last for the next 45 years. Advances in artificial intelligence, self-driving transportation, robotics . . . these and more are going to wipe out hundreds of thousands of jobs and create new ones that demand postsecondary training. And it's going to happen fast.

https://www.youtube.com/watch?v=fKJYZry_aZA

Two years ago, Amazon used 45,000 robots. That was a 300 percent increase over four years ago. Today, every order is touched less than one minute by a human before it ships. And firms are pursuing drone delivery and self-driving trucks that are going knock out UPS drivers among others. The same is starting to happen in supermarkets. You're going to see it with Domino's delivery, UBER . . . the list goes on.

By 2020, two thirds of all jobs are going to require some postsecondary training. According to the Bureau of Labor Statistics, over the next decade, 16 of the 25 fastest-growing occupations will require the same. Of the nine that don't require postsecondary training (e.g. home health aides, bicycle repairists), only four pay a livable wage and they're heavily male dominated occupations in highly cyclical industries like oil and gas.

Economically, fiscally, and from an equity standpoint, it makes all the sense in the world to invest in higher education.

The question is how do we support families in paying the postsecondary education costs they overwhelmingly incur and will increasingly face?

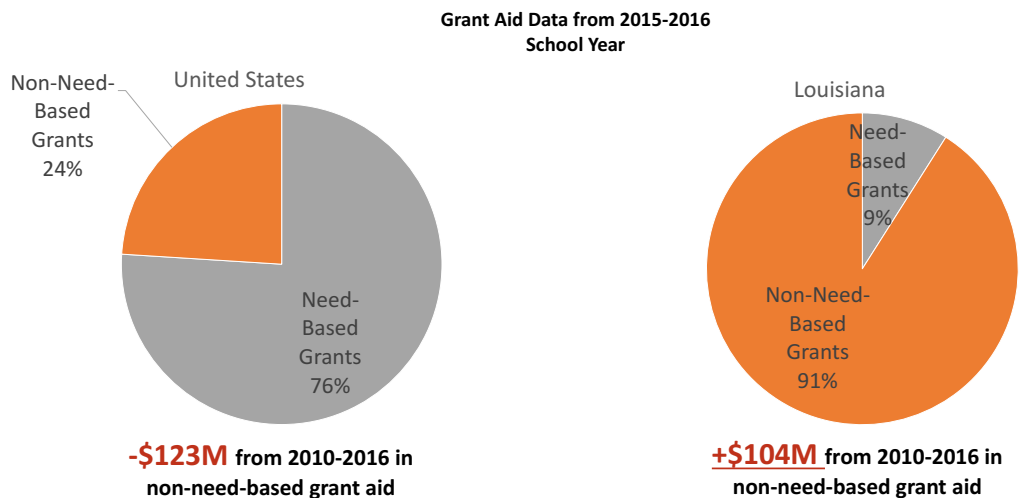
How to Triage TOPS in the Short-Term

Nationally, the debate surrounding state student financial aid programs has centered on two issues: size and design. Because of state balanced budget requirements and the amount of state spending

dedicated to health care, specifically Medicaid, corrections, and K-12 education where there are strong interest groups, state funding for higher education is often on the chopping block in tight budget times. Louisiana is no exception.

Likewise, in allocating ever pressured and scarce state student financial aid resources, there's an ongoing debate with regard to distributing aid based on merit (as measured by student test scores) versus distributing aid based on need (as measured by family income). Nationally, 75 percent of all state student financial aid is distributed on the basis of need and need alone. Louisiana reflects the other extreme; over 90 percent of state student financial aid is distributed on the basis of test scores alone.

Most state financial aid programs are distributed 100% on the basis of family financial background. Louisiana takes no consideration of family circumstances in distributing TOPS aid. Go Grants go exclusively to low-income students.



Source: National Association of State Student Grant & Aid Programs, 44th Annual Survey Report, 2015-16 data.

Best is to distribute state student financial aid based on a combination of need and academic performance. A meaningful assessment of academic achievement should take into consideration what a student has overcome. Consider how the TOPS program looks when that meaningful assessment is absent from consideration, and then how it looks when included.

Current TOPS Program

TOPS Honors

3.0+ GPA, 27+ ACT

\$7,500 per student + \$800 stipend

TOPS Performance

3.0+ GPA, 23+ ACT

\$6,000 per student + \$400 stipend

TOPS Opportunity + TOPS Tech

2.5+ GPA, 17+ ACT

\$4,000 per student

Source: Education Reform Now analysis of Louisiana Office of Student Financial Assistance & Cowen Institute data (2018)

Our staff reviewed data from the Louisiana Office of Student Financial Assistance and the Cowen Institute and made the following TOPS scholarship size and distribution estimates. The current TOPS Honors grant that goes to those with a GPA of 3.0 or higher and an ACT score of 27 or higher provides approximately \$8,300 to each recipient on average. The current TOPS Performance grant that goes to those with a GPA 3.0 or higher and an ACT score of 23 or higher provides approximately \$6,400 per recipient on average. The TOPS Opportunity and Tech grants that go to those with a GPA of 2.5 or higher and an ACT score of 17 or higher provides approximately \$4,000 per recipient on average.

Families with incomes in the top 20 percent of Louisiana account for 45 percent of all TOPS undergraduate recipients. Families with incomes in the middle 40 percent of Louisiana families account only about 26 percent of TOPS undergraduate recipients. Those in the bottom 40 percent of family income account for almost 30 percent of all recipients.

Governor's TOPS Proposal (\$58M Budget; 80% Across-the-Board Cut)

| | Low Income (\$0-\$49,999) | Middle Income (\$50,000-\$99,999) | High Income (\$100,000+) |
|--|------------------------------|--------------------------------------|-----------------------------|
| TOPS Honors \$1,500 per student + \$160 stipend | 2,088 (4.5%) \$3.5M | 2,833 (6.1%) \$4.7M | 6,269 (13.4%) \$10.4M |
| TOPS Performance \$1,200 per student + \$80 stipend | 3,219 (6.9%) \$4.1M | 3,381 (7.2%) \$4.3M | 5,814 (12.4%) \$7.4M |
| TOPS Opportunity + TOPS Tech \$800 per student | 7,986 (17.1%) \$6.4M | 6,045 (12.9%) \$4.8M | 9,165 (19.6%) \$7.3M |

The Governor’s budget would cut all TOPS grants by 80 percent across-the-board. Instead of \$8,300, TOPS Honors undergraduates would get on average just under \$1,700 a year. TOPS Performance recipients would see a more than \$5,000 cut on average. And TOPS Opportunity and TOPS Tech grants would drop from an estimated average of \$4,000 to approximately \$800. I don’t want to see anyone cut, but students from families in the top 20 percent of income are better able to absorb those cuts. Those in the bottom 40 percent may be forced to drop down to a community college, part-time status, or worse drop out of higher education all together. For those low-income students who are TOPS Honors recipients, the policy failure would be especially shameful.

We recommend a different design that prioritizes students based on a combined assessment of academic achievement and family background. Think of it as a TOPS “Extra Effort” award. It’s harder to be an “A” student and get a 27 on the ACT when you live in a poor household and go to a poor school with other poor kids than when you don’t.

| TOPS "Extra Effort" Prioritization | | |
|------------------------------------|--|--|
| PRIORITY | DESCRIPTION | NEW NAME |
| 1st | Low-Income, Academically Advanced | TOPS Honors "Extra Effort" |
| 2nd | Low-Income, Academically Promising | TOPS Performance "Extra Effort" |
| 3rd | Middle-Class, Academically Advanced | TOPS Honors "Extra Effort" |
| 4th | Middle-Class, Academically Promising | TOPS Performance "Extra Effort" |
| 5th | Wealthy, Academically Advanced | TOPS Honors "Extra Effort" |
| 6th | Low-Income, Academically Ready | TOPS Oppty + TOPS Tech "Extra Effort" |
| 7th | Middle-Class, Academically Ready | TOPS Oppty + TOPS Tech "Extra Effort" |
| 8th | Wealthy, Academically Promising | TOPS Performance "Extra Effort" |
| 9th | Wealthy, Academically Ready | TOPS Oppty + TOPS Tech "Extra Effort" |

Accordingly, we would prioritize funding to TOPS Honors and TOPS Performance students from the bottom 40 percent in family income. Next we would prioritize TOPS Honors and Performance students from middle-income backgrounds; next those TOPS Honors students from wealthy backgrounds, followed by TOPS Opportunity and Tech students from low and middle-income backgrounds, and last TOPS Opportunity and Tech students from wealthy backgrounds.

In the event of insufficient funding, we recommend a sliding scale based on this more nuanced assessment of merit that takes into consideration effort, progress, and achievement. The scale is “dialable.” Here are two examples:

TOPS “Extra Effort” Prioritization – Sliding Scale (Example 1)

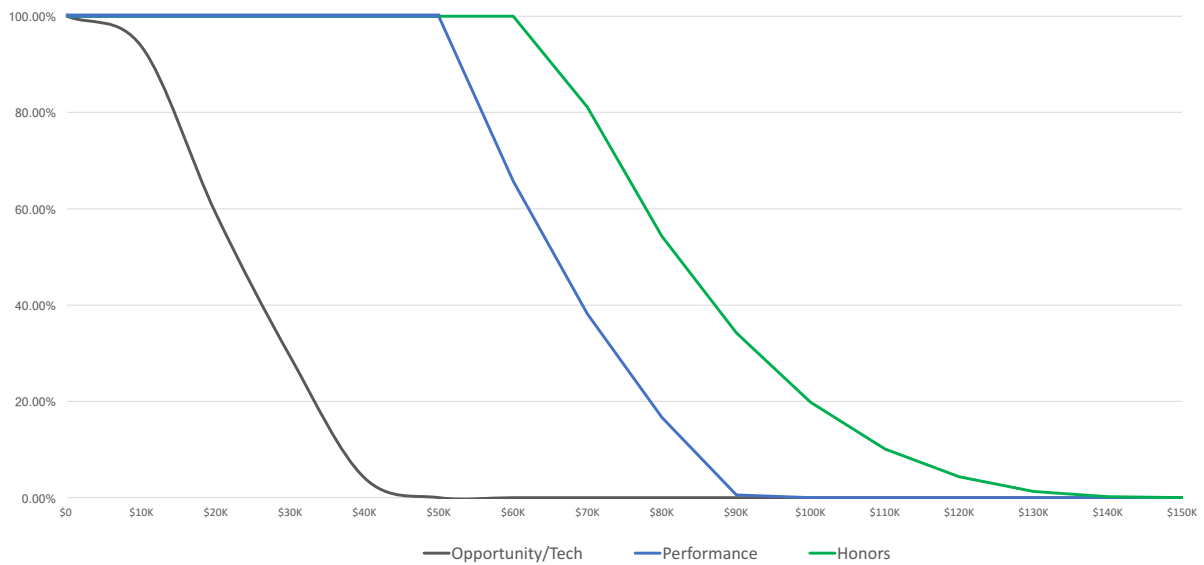
| Household Income | Opportunity/Tech | Performance | Honors |
|------------------|------------------|-------------|---------|
| \$0 | 94.20% | 100.00% | 100.00% |
| \$10K | 66.00% | 100.00% | 100.00% |
| \$20K | 41.60% | 100.00% | 100.00% |
| \$30K | 20.60% | 100.00% | 100.00% |
| \$40K | 2.90% | 100.00% | 100.00% |
| \$50K | 0.00% | 70.50% | 100.00% |
| \$60K | 0.00% | 46.30% | 81.40% |
| \$70K | 0.00% | 26.90% | 57.10% |
| \$80K | 0.00% | 11.80% | 38.30% |
| \$90K | 0.00% | 0.50% | 24.10% |
| \$100K | 0.00% | 0.00% | 14.00% |
| \$110K | 0.00% | 0.00% | 7.10% |
| \$120K | 0.00% | 0.00% | 3.00% |
| \$130K | 0.00% | 0.00% | 0.90% |
| \$140K | 0.00% | 0.00% | 0.10% |
| \$150K | 0.00% | 0.00% | 0.00% |

TOPS “Extra Effort” Prioritization – Sliding Scale (Example 2)

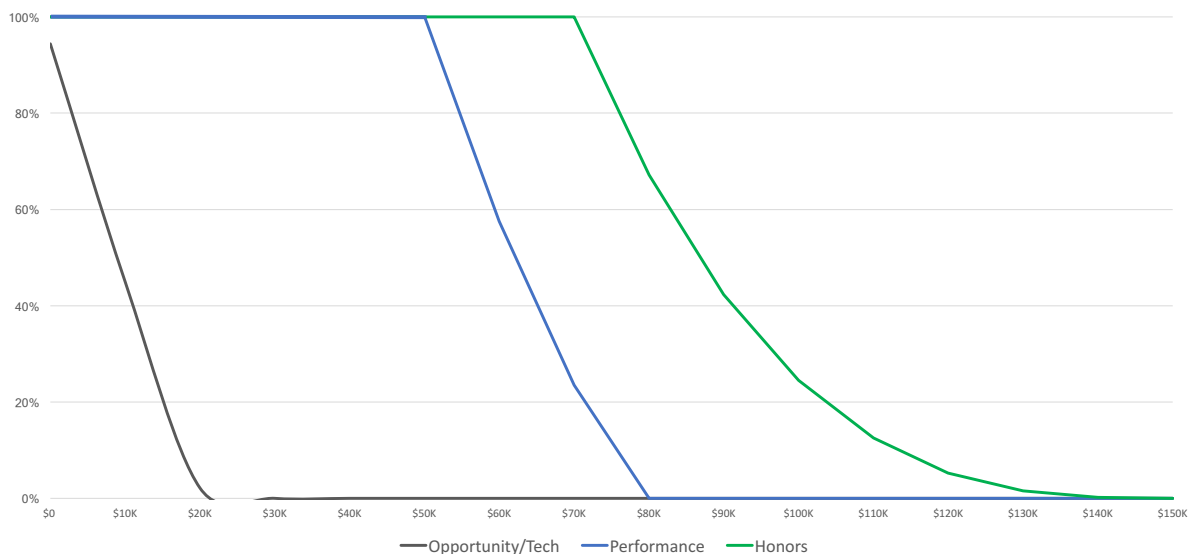
| Household Income | Opportunity/Tech | Performance | Honors |
|------------------|------------------|-------------|---------|
| \$0 | 94.40% | 100.00% | 100.00% |
| \$10K | 45.00% | 100.00% | 100.00% |
| \$20K | 2.10% | 100.00% | 100.00% |
| \$30K | 0.00% | 100.00% | 100.00% |
| \$40K | 0.00% | 100.00% | 100.00% |
| \$50K | 0.00% | 100.00% | 100.00% |
| \$60K | 0.00% | 57.60% | 100.00% |
| \$70K | 0.00% | 23.60% | 100.00% |
| \$80K | 0.00% | 0.00% | 67.20% |
| \$90K | 0.00% | 0.00% | 42.30% |
| \$100K | 0.00% | 0.00% | 24.45% |
| \$110K | 0.00% | 0.00% | 12.50% |
| \$120K | 0.00% | 0.00% | 5.30% |
| \$130K | 0.00% | 0.00% | 1.4% |
| \$140K | 0.00% | 0.00% | 0.20% |
| \$150K | 0.00% | 0.00% | 0.00% |

For those who prefer graphs, here are those same two examples presented graphically.

TOPS “Extra Effort” Prioritization – Sliding Scale (Example 1)



TOPS “Extra Effort” Prioritization – Sliding Scale (Example 2)



The takeaway is we have come up with a compromise TOPS formula that in the event of insufficient funding guarantees some scholarship aid to high achieving students at virtually all income levels *and also* guarantees at least some financial aid to economically disadvantaged students at all current scholarship achievement levels.

Our compromise proposal rewards most the students who work the hardest to come the furthest as opposed to those who work the least to get to the same spot. It’s the difference between equality and equity.

My colleague Konrad Mugglestone and I have published a technical description of the formulas at work here on the Education Reform Now website, www.edreformnow.org. The concept is mine, but execution of the formula goes to Konrad. To be clear though, our preferred *short-term* recommendation is for TOPS to be fully-funded and there not be a need to triage funding.

We also recommend that this Commission and Louisiana think about a long-term redesign that doesn't just prioritize scholarship aid, but uses funds to do two things: (1) leverage broad high school improvement and (2) push institution of higher education commitment to and accountability for improved postsecondary student outcomes. Absent systemic change that affects the incentives of students and colleges alike, TOPS will be like a dog chasing its tail.

A Real College Promise for the Long-Term

Families and secondary school students tend to underestimate how much financial aid they can get, overestimate college costs, and, this is crucial, under prepare academically. Ultimately they enroll, so demand is high. The colleges know families can and will borrow whatever it takes to pay, so tuition and fees are not as constrained as they otherwise would be. That would not be so bad if students completed, but too often they do not because they are under prepared, under supported financially, and the colleges do not prioritize completion.

A better design that addresses all these shortcomings builds on what Tennessee, Indiana, four other states, and over 200 local communities and individual colleges have done, which is create an overriding "college promise" guarantee. If you want to be Governor some day, put forth a clear promise to students and families. Imagine being able to tell a sixth grader, "If you are responsible, if you work hard in high school, we will *guarantee* that you can go to a four-year public college of your choice in this state without incurring any new debt. Or with an interest-free loan or with a cap on your student loan debt."

Ideally, this is accomplished with a lump sum provided to colleges to ensure financial need gaps are filled and institutional resources are devoted to improved student outcomes with accountability for meeting the cost promise to families (i.e. constraining tuition and fee growth), generating better completion results overall and for disaggregated subgroups.

The reason the college promise design is being embraced in so many communities and proposed in 16 more states is because it is polls highly, is cheaper than most think because folks underestimate existing financial aid and overestimate college costs, and most importantly, because it's getting results. High school students are better preparing in places like Kalamazoo, Michigan. College access is way up in Indiana. Completion is up in Tennessee. *On-time* completion, particularly for Black students, has skyrocketed at places like North Carolina's Chapel Hill.

College promise policy design is important. A real college promise to families and taxpayers should be measured against five key questions.

- 1. Does the plan leverage improvements in high school academic preparation and college selection or is it only focused on financial aid?**
- 2. Does the plan cover both two-year and four-year public colleges or does it channel students into one public sector over the other?**

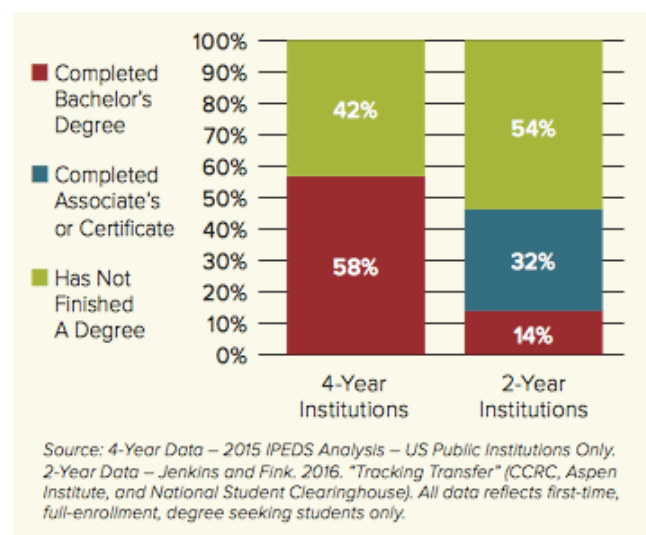
3. **Does the plan cover all college costs, including room and board living expenses, books, and supplies or does it only cover tuition and fees?**
4. **Does the plan support college efforts to boost completion and hold colleges accountable for results? Or, is it just a student aid increase?**
5. **Does the plan cover all families, provide additional aid to only middle-income families, or target those from poor families?**

Why those questions?

First, because high school academic preparation is more predictive than any other pre-college characteristic of completion. High school rigor in particular is important. Today, one in four rising freshman – those attending college directly after high school – has to take a non-credit bearing remedial course in college. Nearly half of them are going to four-year schools, not community colleges. Nearly half of them are from middle class and upper-income families. They are 74 percent more likely to drop out of college than their peers. Among those that graduate, they take 11 months longer to complete their programs.

Second, many recently adopted promise plans focus largely on the costs of attending a two-year institution under the assumption that bachelor's seeking students can start at a community college and then transfer to a four-year institution after completing two years. While two- to four-year institution transfer pathways may work for some students and carry intuitive appeal from a cost efficiency perspective, the research suggests beginning at a two-year college with the intention of completing a four-year degree *decreases* the likelihood a student will get a bachelor's degree by approximately 30 percentage points. Peer effects, inadequate on-campus student support services, and the difficulty of transferring credits all combine to derail completion, never mind on-time completion.

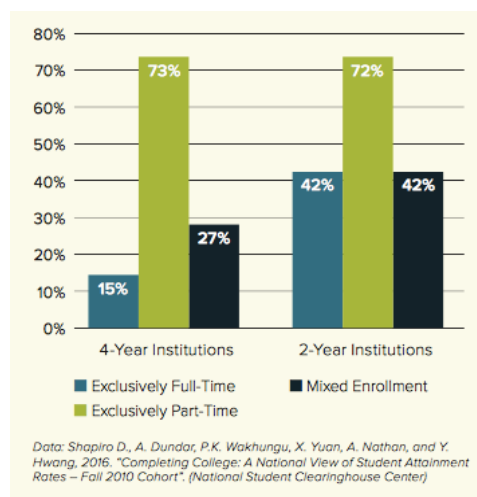
Four-Year vs. Two-Year College Completion Rates



For those who wish only to pursue an associate's degree or non-degree certificate, a full free community college promise combined with quality secondary school preparation and institution of higher education capacity building is sound policy. But the research does not support funneling students into community college as a cost-effective way to support bachelor degree attainment. Part-time students complete at barely a fifth the rate of full-time students.

Third, attending college requires far more than paying tuition and fees. Room and board, books, and supplies all need to be financed in order to meet degree attainment goals and typically cost *more* than tuition and fees. When college costs beyond tuition and fees are unmet by financial aid packages, students typically work self-defeating amounts, borrow large sums, or both. Once a student works more than an average of 15-20 hours a week, their academic performance undergoes a sharp decline. In fact, students who attend postsecondary institutions part-time are nearly five times more likely to drop out as their peers who attend full-time.

Dropout Rates of Part-Time vs. Full-Time Students

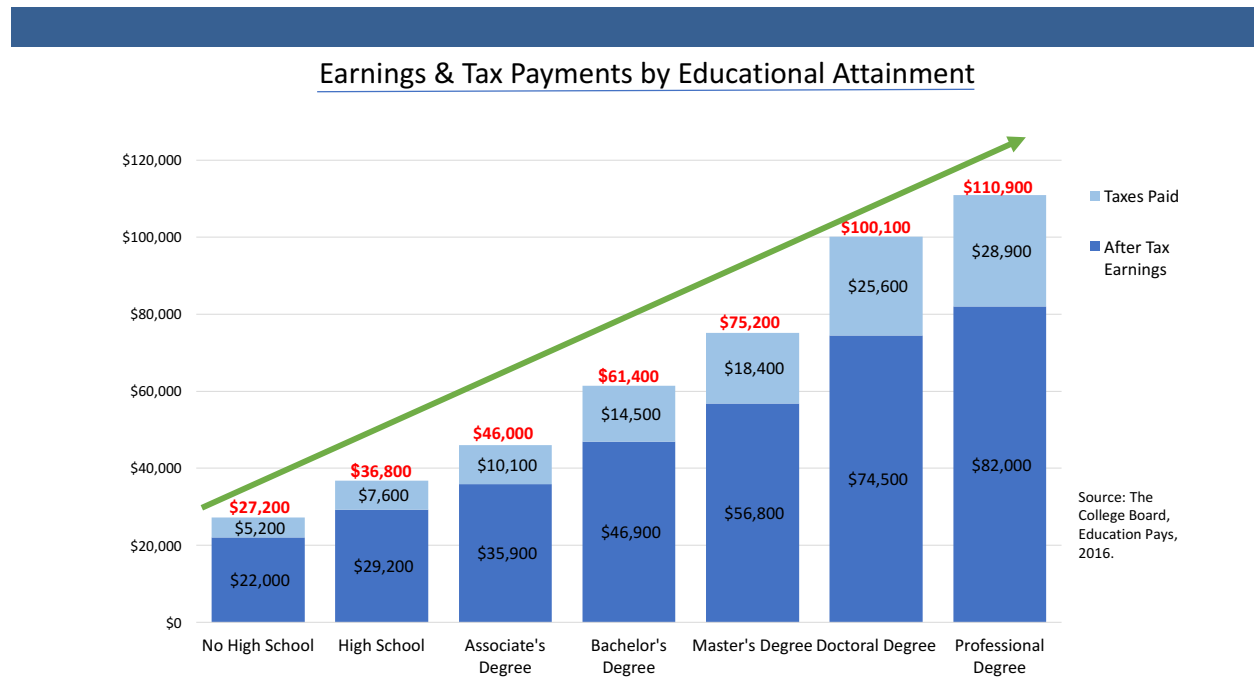


Fourth, similar colleges serving similar students often generate widely dissimilar results. Michigan State graduates only 3 in 20 Black students on-time. Florida State, which has a similar incoming class in terms of GPA and median SAT score, has zero completion gap between white students and under represented minorities. We see these kinds of differences among scores of colleges, because some like Florida State, Georgia State, and California State Fullerton prioritize completion while their peers do not. Some ensure student support services, like emergency childcare. But to a large degree, colleges have improved completion rates because they have removed bureaucratic hurdles in the way of students, like making sure required classes are available to students who need them.

Finally, it is better to provide a much larger, progressive, need-based package of college affordability and completion support than a small, regressive package available to all students. The latter is less likely to result in successful completion, and could lead to great long-term harm to a

number of students, if not taxpayers, in the form of heightened dropout levels and increased student debt.

This kind of promise program – again, more rigorous and complete than most current statewide college promise programs and universal – would cost in the range of \$500 million a year in a state like Massachusetts. But those costs can be triaged, much like you are considering for the TOPS program.



Regardless, investing in a better college promise program and timely college completion is a sound long-term investment.

Today, your typical bachelor's degree recipient takes five years to complete instead of four. Those earning an associate's degree take three years instead of two. It isn't just families, but taxpayers who pay for that extended time.

And when students drop out, as a majority of postsecondary students in Louisiana do, that dramatically reduces the taxpayer's return on investment. Your typical bachelor's degree recipient pays approximately \$7,000 a year more in taxes. If Louisiana could increase its college completion rate by 10 percent, it would mean over \$200 million more in tax revenue each year.

Churchill was the first politician to say, "Never waste a crisis." As this Commission considers the future of the TOPS program, with modesty, I say the same.