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Combating the Student Loan Burden

The Center for Public Policy Priorities (CPPP) appreciates this opportunity to provide written testimony on the Senate Higher Education Committee interim charges exploring student financial aid and the issue of student loan debt Texas institutions of higher education.

On September 11, 2012, CPPP released a report on financial aid, [The Cost of College: How Texas Students and Families are Financing College Education](#). In our report we find that our state investments in financial aid are lagging behind student needs and that many of Texas' college students must rely on working during school and using loans to finance college. The report also highlights our recommendations for strengthening and improving the financial aid system in Texas to better serve students and families.

Strategies to Strengthen and Improve Texas' Need-Based Financial Aid Programs

Texas students face a multitude of financial and academic barriers to college completion. CPPP supports student success strategies that include a strong commitment from the state to reduce student dependence on loans and increase financial preparation for college. Specifically, we recommend strengthening our state financial aid programs to promote college access and success and we call on the Legislature to expand financial education and early financial preparation for college along the education pipeline.

Recommendations

- **Declare a statewide goal to reduce student loan dependence.** To prepare Texas' workforce and future leaders, state policymakers and institutions of higher education must work together to ensure a fair and balanced method of paying for postsecondary education. Loan dependence to finance a student's college education is linked to lower persistence and success compared to need-based grant aid. Increasing state investments in grant aid, and supporting early college financial preparation through matched college savings accounts, are two strategies the Legislature can use to reduce student dependence on loans and promote college attendance and completion.
- **Invest in State Financial Aid Programs to Reach More Community College Students:** To better address the needs of community college students balancing work, family, and post-secondary education, the Texas Legislature should increase investments in work-study and TEOG awards. Students with access to adequate financial aid to cover tuition, fees, books, and room and board will be better positioned to persist and complete their degree, while minimizing their reliance on work and loans to cover their total cost of attendance.
- **Reform TEXAS Grant eligibility criteria to serve non-traditional adult students.** The TEXAS Grant award eligibility should be expanded for non-traditional adult students wishing to pursue a four-year degree. Specifically, the Legislature should expand eligibility to students who graduated from a Texas high school before the 1998-99 academic year. This revision would further promote school

choice for low-income adult students who otherwise would be required to obtain an Associate's Degree before becoming eligible for a TEXAS Grant.

- **Build in financial aid incentives for college success:** The B-On-Time Loan program is a model example that enables students to cover college costs, while rewarding them for academic achievement. Even modest investments in the BOT Loan program, targeted at middle-income students, have benefited more than 13,300 college graduates since it began in 2004, with 6,700 meeting eligibility for loan forgiveness, and more than 6,600 receiving interest-free loans.ⁱ Overall, more than 36 percent of the first two BOT student cohorts in fiscal 2005 and 2006 benefited from loan forgiveness.ⁱⁱ While the four-year graduation rate is higher for BOT loan recipients, the Coordinating Board can make specific changes to strengthen and expand the program to further incentivize college completion:
 - The Coordinating Board should actively promote the BOT loan program through the College For All Texans website, and by engaging college-access organizations and other community-based organizations working with students and families to promote the loan program as a part of their college preparation activities, including promoting the loan along with information about other financial aid through student forums, college fairs, and other events that promote college access.
 - The BOT loan program should include an academic and loan counseling component to ensure students understand how the program works, what their responsibilities are associated with loan repayment if they do not meet the requirements for loan forgiveness, and strategies to avoid defaulting on their loan. Loan counseling and default prevention strategies should be modeled after similar programs used in federal loan counseling programs.
- **Increase work-study investments to reach more students:** The Texas Legislature should increase investments in work-study programs that have demonstrated positive college completion outcomes for award recipients. And supporting a student's need to work a reasonable and flexible work schedule to cover costs would lessen their dependence on loans and provide them with the opportunity to build job skills and responsibilities through college. The Texas Higher Education Coordinating Board and institutions of higher education also can craft programs to increase student engagement by emphasizing on-campus employment in work-study awards. In community colleges, where on-campus jobs may be limited, work-study should be expanded to place students into paid internship and apprenticeship programs in high-demand fields. These awards can be used to further expand existing and build new partnerships between community colleges, businesses and local workforce development boards.
- **Forward fund state financial aid programs.** In 2013, the Legislature should begin forward funding state financial aid programs to ensure that the Coordinating Board has sufficient time to allocate funds to institutions. To make this transition, the 83rd Legislature would need to fund state financial aid awards for 2013-14, 2014-15, and for 2015-16, with funds being committed by August 31, 2015. Thereafter, the Legislature would only need to fund the last year of the biennium and the first year of the following biennium, with funds committed prior to August 3 for the second year of funding.
- **Make college-access and community-based organizations a prominent and integral partner in college preparation activities:** Non-profit organizations working with aspiring college students across the state play an important role in preparing students for getting into college and succeeding in

their course of study. THECB should enhance collaboration with college-access organizations through existing Board committees, including P-16 councils, and other advisory groups designed to address college access and success efforts in the state.

THECB, in partnership with college-access organizations could further promote and expand current efforts to educate students and families about the college application process include information on state need-based financial aid eligibility requirements, as well as the availability of more affordable loan options such as the B-On-Time and HHCA loan programs that colleges and universities are prohibited from promoting. These collaborations should also ensure that students understand how to choose the right school and course of study based on their career goals.

- **Promote and fund matched savings accounts for college and other account-based scholarships for students—beginning no later than the 7th grade.**

Texas should take full advantage of recent policy changes to the state's 529 plans—the Texas College Savings Plan and the Texas Tuition Promise Fund—which establish a public-private platform for matched college savings accounts for low- and moderate-income students. The Texas Save & Match, yet to receive public funding, seeks to enhance college access and success for families and students with high financial need. By making a small investment, the Legislature and the Texas Prepaid Higher Education Tuition Board can leverage additional private sector dollars in order to provide “early financial aid” through incentivized college savings accounts. Through the Match the Promise Foundation, a nonprofit established to accept private donations, Texas philanthropists have a secure platform to match savings guaranteed to be used for legitimate college expenses.

- **Promote and fund early financial preparation strategies for college**, including FAFSA preparation and account-based financial education for every Texas student in the K-12 system. Texas can reach more aspiring college students by promoting FAFSA and TASFA completion more broadly among those most in need of resources to pay for college. Integrating FAFSA/TASFA preparation assistance into existing platforms such as at Volunteer Income Tax Assistance (VITA) sites, public school financial education courses and other VITA-type delivery platforms can reorient students who assume college is out of reach to learn how they can finance their education.
- **Ensure that Texas K-12 Grade Students Learn Strategies to Plan and Pay for College.** Texas should imbed postsecondary education financial preparation into the K-12 space to make it easier to transition into college and to encourage a college-going culture in the state.
- **Enhance student support services.** Student support services such as academic and financial aid advising play an integral part in guiding students through their degree plan, and helping students understand how best to navigate their financial obligations during and after college, including debt repayment, default prevention, savings building, and budgeting, as well as their earnings potential based on their course of study and career path.

Sincerely,
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ⁱ THECB, Records Request, November 14, 2011.

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For More Information

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About the Center

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