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Testimony

Senate Majority Policy Committee and Senate Education Committee

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Pennsylvania Commission for Community Colleges

Good morning Chairman Argall, Chairman Smucker, Chairman Dinniman, members of the Senate Majority Policy Committee and Senate Education Committee and guests. Thank you for the opportunity to discuss the efforts of my college, Butler County Community College, and those of the other 13 public community colleges in Pennsylvania to ensure college students and their families make informed borrowing decisions through improved financial literacy and transparency. I am Dr. Nick Neupauer, President of Butler County Community College and immediate past Chair of the Board of the Pennsylvania Commission for Community Colleges.

In the 2015-16 academic year, Pennsylvania's community colleges enrolled over 318,000 students from all of Pennsylvania's 67 counties in academic, workforce and noncredit programs. Taken collectively, Pennsylvania's community colleges are the largest provider of public post-secondary education in the state. The colleges are also the most accessible and least expensive public postsecondary option in Pennsylvania: this academic year, the average annual tuition and fees at a Pennsylvania community college is \$4,132 for students in sponsored districts, over \$3,100 less than the tuition at the state system, the second most affordable postsecondary option in Pennsylvania.

Students at Pennsylvania's community colleges reflect the diversity of our state. In Pennsylvania, the median age of a student at a community college is nearly 23 and the student body is nearly 60% female. The majority of students, 65%, attend college part time because they have to work full or part time to support

themselves and/or their families, and care for children or other family members. The average family income of our students who are dependents is \$35,760 – nearly \$20,000 below the state median income of \$55,000, barely half of the average family income of students attending state system universities, and \$43,000 less than those in state-related or 4-year private institutions.

Clearly finances are a barrier for our students who do not have the funds to cover tuition, fees, books, supplies, and living expenses associated with college attendance. In order to promote access, many community colleges have extensive scholarship and aid programs to assist students. The colleges also have extensive experience and expertise in providing financial counseling to students from. At Butler, the many strategies and efforts that we offer in financial literacy shine through with the following statistics: 70% of our May 2015 graduates graduated debt free from BC3. 60% of BC3 students enrolled Fall 2016 receive some form of financial aid.

Many Pennsylvania community colleges have scholarship programs and other initiatives to provide funding to allow students to enroll at no or a reduced cost. In commemoration of its 50th anniversary, CCP implemented a promise scholarship for graduates of the Philadelphia School District, and CCAC is marking its 50th anniversary by endowing 50 new full scholarships. HACC awarded its first-ever “full ride” scholarships last year, and just launched “Harrisburg Promise,” which will provide students from Harrisburg’s public housing developments with college and career readiness assistance from 7th grade through high school graduation. Students who participate in the program and matriculate to HACC will also receive scholarships. Lehigh Carbon has had a privately-funded promise scholarship for graduates of the Tamaqua School District since 2002, and just launched a promise scholarship this year in conjunction with the Allentown School District.

Community college students in Pennsylvania also rely on federal and state financial aid programs. The federal Pell Grant program is one of the most important sources of aid for low-income students. In Pennsylvania, 68,765 students received a Pell grant in 2014-15, the most recent year that statistics are available. That’s nearly 22% of the total students we served that year. In addition, more than 23,000 community college students received a Pennsylvania state grant in 2015-16.

Despite these and many other scholarship and financial aid programs available at our colleges, some students still need to borrow to support their education. Pennsylvania's community college leadership is keenly aware of our responsibility to ensure that our students make wise financial decisions, particularly when borrowing money for educational purposes. The colleges are committed to providing high-quality financial education to our students to ensure that they fully understand the consequences of loans on their future and principles of borrowing and debt management.

To achieve that goal, every community college posts information about tuition and fees on their website, including the net price calculator. The calculator provides students the ability to enter information to learn what students like them paid to attend the institution in the previous year, after grants and scholarship aid is applied. This information is also available on the US Department of Education's *College Scorecard*, and the National Center for Education Statistics' *College Navigator*. Earlier this month, Google announced it would post *College Navigator* information as a sidebar in the front page of search results when users google a postsecondary institution.

The colleges also offer a wide variety of education and counseling in an effort to promote financial literacy and improve student understanding of the financial obligations of attendance and student loans. At BC3, financial literacy content is covered in our "College Success Skills" class. We offer a Financial Literacy 101 class every semester, which teaches students how to create a budget, the importance of savings and how it impacts financial well-being, and gives students the opportunity to compare career choices with financial decisions. Student feedback from the course demonstrates the importance and value of the course as evidenced in the following quotes:

"You have taught me the importance of paying off loans and which loans to pay off first. I will take everything I have learned in this class with me for life."

-S. Stouffer

"With the addition of this class to my wealth of knowledge, I am sure that I will be more financially stable in the years to come."

-J. Belles

I've opened a saving account and am excited to start saving! Thank you for a great class and helping me with my future!"

-K. Smith

In addition, just this fall, BC3's Director of Financial Aid was asked to present information about the Financial Literacy course, the curriculum, the process of obtaining course approval, and student feedback at the statewide conference for Pennsylvania Financial Aid Administrators.

The BC3 *Beyond Financial Aid Brochure* is distributed to all faculty and staff and made available to students, providing resources for basic needs and supports. We conduct a "Financial Wellness Fair" with more than 200 participants each year that includes representatives from community organizations, the credit union, Financial Aid office, PHEAA, KEYS, JobCorps, and other partners.

We have many procedures and programs in place to improve student understanding of the financial obligation of attending college, including efforts to ensure that students make informed decisions related to borrowing. For example, federal regulations require review when students first borrow, but BC3 requires review every time. Our Financial Aid office does not "auto-package" loans. We require students to complete a separate loan request form and use that opportunity to educate about borrowing. Our goal and success is that student's understand what their actual costs are and what they need to borrow. Pre-certification of loans at the community college tuition rates can allow much more loan debt than needed based on Cost of Attendance tiers. Also, we find without the pre-certification/auto packaging of loans our students realize they don't even need to borrow as opposed to just accepting whatever is on the award notification due to lack of understanding. The Financial Aid staff gives presentations on Financial Literacy and FAFSA workshops to juniors and seniors at our primary feeder high schools. Once students are enrolled, information about loans is included in new student advising and registration sessions.

Similar efforts occur across the state, where community colleges encourage students to exhaust all federal eligibility before applying for the alternative/private loans to ensure that a student receives the best loan and interest available.

Bucks County Community College offers a range of financial education opportunities and counseling for students, with checkpoints to ensure that students are informed before a loan is certified or processed. In addition to resources on the Bucks webpage, video sessions and financial literacy workshops at all campus locations, Bucks conducts loan information sessions so that students have the opportunity to know what they have borrowed and what they will owe when they leave the college. During those sessions, Bucks provides computers on which students can view their outstanding loan balance and loan services and learn how to access the National Student Loan Data System where this information is housed.

Other colleges integrate financial literacy into their introductory College Success classes, including Reading Area Community College and Northampton Community College. Many colleges offer FAFSA assistance and workshops, scholarship workshops, financial awareness workshops, and “Lunch and Learns” on financial literacy. At BC3 we work closely with our PHEAA representative and present at local high schools regarding the college application and financial aid process. Area high school teachers recognize the importance of financial literacy and invite BC3 into their classrooms to help prepare their students for college choices and cost.

The colleges also work with community partners to disseminate financial information and education to students. Reading Area Community College recently hosted the Berks Community Action Program, a program designed to help low- and moderate-income students to become more self-sufficient. The Community College of Allegheny County partners with the Urban League of Pittsburgh in educational programs which educate students on the benefits of bank accounts, as well as help students stabilize their finances so that they can move forward in obtaining their degree or credential. CCAC’s Men of Merit, Women on a Mission and Perkins Program participants are also exposed to financial literacy components. At Northampton, HACC, CCP and RACC, the on-campus credit union, PSECU, offers a financial workshop to students.

The colleges also work closely with students to ensure that they understand the impact of student loans on their finances. As I mentioned earlier, federal regulations require a review of loans by first-time borrowers. At the Community College of Allegheny County, students who are repeat borrowers are informed of what

they've borrowed already and they are provided the federal limits on borrowing. Students who are attempting to borrow using private alternative loans are counseled one-on-one about their options and provided literature on the various types of student loans and loan repayment. Northampton Community College's Financial Aid Office contacts students before loans are dispersed to review alternatives and other options, and to ensure that students understand the obligations, terms and stipulations of accepting the loans.

Despite these efforts, some students borrow too much or default on student loans. Yet the problem is not confined to community college students or individuals with low incomes – a report issued by the Federal Reserve Board in May 2016 found that 46% of adults surveyed said that they did not have the funds to cover a \$400 emergency expense, or would either borrow money or sell something to come up with the money. Improved financial literacy and financial education is needed across the population.

From our perspective, financial literacy education and counseling is most effective when it is tailored to individual student circumstances. And while the communication being mandated in Nebraska and Indiana is tailored to individual student circumstances, a letter may not provide the appropriate context to improve student decision-making and may have unintended consequences. A study by Montana State University showed that after receiving information similar to what has been implemented in Indiana and Nebraska, 2% of students informed of their high student loan debt switched their major. The most common switch in the study was a move out of the health professions and into the business field.¹ So for some students, in addition to taking on less debt, they switched their majors to what they perceived to be a more lucrative profession. With interest among some of our noblest and in demand professions – such as health care and teaching – declining in Pennsylvania, we need to ensure that new initiatives do not discourage students from pursuing in-demand occupations in their areas of interest.

Student loans, when used appropriately, can open the door to a better future for many students, particularly those who do not have extensive financial resources. The benefits of post-secondary credentials are

¹ Schmeiser, Maximilian, et al. "Student Loan Information Provision and Academic Choices." *American Economic Review*, Vol. 106, No. 5, May 2016, pp. 324-28.

well-documented; students who complete an associate degree earn, on average, \$500,000 more throughout their lifetime than those who only have a high school diploma. A 2015 Lumina Foundation study found that the benefits of degree attainment go far beyond earning potential; individuals with a postsecondary credential are more likely to remain employed and to have a job that provides health insurance and retirement benefits. On a personal level, they are more likely to report they are in good health, more likely to vote, more likely to volunteer and donate to charitable causes, and their children are more likely to continue their education past the high school level. These are powerful returns that should not be overlooked. Millions of students have sought opportunity and achieved their career goals with the help of all types of financial assistance.

So while it is critical to educate students about financial aid and its implications, it is just as important to tailor the education to local circumstances and individual students, be cognizant of the possible unintended consequences, administrative burdens on colleges, and impact on students and parents. From our perspective, additional funds to ensure that community colleges have the staff and resources to provide financial education and individual counseling to families and students is the most effective way to improve student financial literacy and decision-making. Mandating a letter such as has been done in other states – particularly without context – may not be the solution and may have unintended consequences.

Certainly the community colleges share the same goal as policymakers: to ensure that students make wise financial decisions in pursuing and ultimately completing their postsecondary study. One of the most important predictors of student success is whether students can attend college full-time. For many of our students, student loans are the lifeline that allows them to attend college full-time, instead of juggling a part-time job, part-time schooling, and family responsibilities. I encourage the General Assembly to consider and balance all of these factors when determining the need and scope of any legislative action.