THE BROOKINGS INSTITUTION

MAKING COLLEGE AFFORDABLE:
STRENGTHENING STATE GRANT PROGRAMS

Washington, D.C.
Tuesday, May 8, 2012

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P R O C E E D I N G S

MR. CHINGOS: Good afternoon and welcome to Brookings. My name is Matt Chingos and I'm a fellow in the Brown Center on Education Policy here at Brookings. Thank you for joining us for what promises to be an enlightening discussion of an important and timely subject.

The issue of college affordability has been receiving a great deal of attention in the recent years as family incomes fail to keep up with the ever-rising cost of college. The focus of today's event is a new Brookings report on state grant aid written by the Brookings State Grant Aid Study Group, which includes 14 higher education researchers, policymakers and practitioners. We are fortunate to be joined by the study group's chair, Sandy Baum, as well as two authos of the report, John Hayek and Jane Wellman.

Sandy Baum is a senior fellow at George Washington University Graduate School of Educatino and Human Development. She was previously a professor of economics at Skidmore College. Sandy is a leading expert on student aid and is well known for authoring the annual College Board publications Trends in Student Aid and Trends in College Pricing. So when people say the cost of college is going up, the way we know that's happening is in large part because of Sandy's excellent reports. Sandy also co-chaired the Rethinking Student Aid Study Group, which issued comprehensive proposals for reform of the federal student aid system in 2008 and served as a model for the State Grant Aid Study Group that just issued its rperot today.

John Hayek is the senior vice president for Budget, Policy, and Planning with the Kentucky Council on Post-Secondary Educatino. He directs the bi-annual budget recommendation for post-secondary and adult education to the governor and General Assembly, and coordinates statewide planning efforts that align Kentucky's post-secondary and adult education system with the workforce and economic needs of the Commonwealth. John also directs a statewide educational policy agenda and an integrated accountability system for tracking statewide and institutional performance in advancing shot-term and long-term strategic goals.

Jane Wellman is the executive director of the Natinoal Association of System Heads, an organization of the presidents and chancellors of public multi-campus college and university systems in the United States. Jane is widely recognized for her work in public policy and higher education and is also the founding director of the Delta Cost Project, a nonprofit institution focused on ways to improve data about post-secondary revenues and spending. So once again, when people talk about the rising cost of college, the way that they can compare those data over time is because of the important work that Jane and her colleagues did at the Delta Cost Project.

So three panelists are going to offer comments on the report, which will be followed by remarks from our guest, Brit Kirwan. At the end all four of our speakers will be glad to take audience questions. And finally, those of you who tweet are invited and encouraged to tweet and use the hashtag bigrants, which appears on the screen behind me. So thank you and please join me in welcoming our panelists.

(Applause)

MS. BAUM: Thank you, Matt. And thank you all for coming. We're excited to have this report out today and to have an opportunity to talk with all of you about state grant policies. I want to thank everybody at Brookings who did a lot of work to make the website -- if you haven't see the website you should go to it -- possible, and the Lumina Foundation for Education that funded this project which I think is very valuable. We decided what we wanted to do was to get the best possible group of people together to talk about how to make state grant programs better. And we got this great group of people. You'll see their names all listed on the front of the report. And the first thing, of course, we had to do was to decide what does it mean to improve state grant programs. And that might sound simple but it's not simple. We know that state grant programs have multiple goals. Some of them some of us support more than others but the point is that we want the funds that are being used by states to help students to be as effective as possible and we decided that the way to summarize the goal, the main goal of state grant programs, is increasing educational attainment. We know there are other goals that states seek but that's the one we're focused on. States spend over $9 billion a year on grant aid and the amount that they spend on grant aid is an increasing proportion of the total state funding of education. Part of that is because, as we all know, state appropriations are not doing so well these days but actually state grant aid is increasing. And it's not just non-need based aid that's increasing; it's also need-based aid. Not in every state and not necessarily in the last couple of years but that's -- it's very important and it's an important tool for improving educational opportunity.

So then the question is, okay, if what you want to do is increase educational attainment, how do you have to design your state grant programs? And we know that ever state is different and we didn't think for a minute that we could come up with a blueprint for what the optimal state grant program would be like. We knew that all we could do would be to provide guidelines and principles with some specifics so that we could give some concrete advice to state policymakers.

So the first thing is that there is just so much evidence that low and moderate income students are much more price sensitive than more affluent students. So if you want to affect behavior then you have to target your aid on students who are financially constrained, who would not otherwise be able to afford to enroll and succeed in college. So that means what we now call need-based aid essentially because it looks at people's financial circumstances in determining who should get money. Now, that doesn't necessarily mean that everybody has to be low income. Median income for families of college-age students is now about $75,000, so you certainly don't have to be Pell eligible -- Pell grants don't go nearly that far up the income scale -- in order to be financially constrained. But we want it to be clear that aid should be targeted and giving it to people who will appreciate it but whose behavior won't change as a result is not going to be an effective use of state funds.

So we think that aid should be targeted at people with financial constraints but whose probability of success will be improved by receiving the aid. In other words, if you have no money but you have no chance of succeeding in college either because you're not interested or not motivated or because you've had such bad experiences coming up to this point in time that you're not in any way prepared, then the money isn't going to help you succeed. So we do think that it's very important to target the aid on students with financial need but to think about the prospects for success so that potential to succeed is a critically important part of what we have to say.

We also know that the state merit-based grant programs that proliferated for a while have some problems in terms of subsidizing lots of students whose behavior they don't change, but on the other hand because they are simple and transparent they have succeeded in increasing enrollment rates in states that have low college enrollment rates. So there's obviously some sort of a tradeoff. I mean, the simplicity -- there's lots of evidence that simplicity matters. Targeting matters, simplicity matters. And there's an obvious tradeoff. If you want to really target the money on people who need it the most you can do something very complicated to figure that out and then no one will understand it. And if you want it to be very simple then you can just say anybody who wants money, they can have it. Or use a GPA cutoff. And then it's simple but it's not targeted.

So we use an example of, for example, you could have a simple lookup table that says if your income is this level you get this much grant aid. That's a simple program that allows you to give more generous aid to lower income students and to cut the aid off as students get to higher levels. And we know that the tradeoffs -- so every state policymaker faces some sort of a tension between how do I make it simple? How do I make it targeted? And the tradeoffs are going to be different in different states. Georgia, for example, has -- doesn't have need-based aid. They only give merit-based aid. They happen to have relatively low incomes. In Vermont, they have a very complicated system for targeting need-based aid. It's a higher income state. So it's not surprising that they've made those choices because in Vermont, if you had a program like Georgia's, you would end up giving more money to higher income students. So we understand that the balance is going to be different in different states. However, the targeting and the simplicity are important and a reasonable balance is important for all states.

So the other thing is that, you know, all programs embody incentives. So we know that people just think, well, we'll give people money and what they need is money and so we're just going to give them money because that's their problem. But the fact is that the design of the program, even if it's not deliberately designed that way, is going to affect how students enroll, the intensity with which they enroll, the timing of their enrollment, and so on. And so we would really like states to be intentional and deliberate and thoughtful about designing their programs so that they encourage students to enroll as intensely as possible and to accumulate as many credits as possible. And there's considerable evidence that students do respond to financial incentives in terms of how many credit hours they take. So the state of Minnesota says if you take 15 credit hours you get the full grant and then it's prorated by every credit hour down. In West Virginia there's a merit-based program that requires that you complete 30 credit hours in a year and more students do that. The MDRC is engaged in testing some performance-based programs and they're finding positive results. Students change their behavior if you give them more money for enrolling more.

Now, this is obviously not the solution to all of our problems. And if the institutions aren't offering the courses and don't have the spaces for students to sign up, it doesn't matter what kind of incentive you provide to them; they're not going to be able to do it. So we're not suggesting for a minute that this is the solution to everybody's problems but we do think that targeting and simplicity and supporting behaviors that will increase the probability of completing on time are all very important.

So if you put all of this together, what we're really saying is that we don't think the current dichotomy between need-based and merit-based aid is very constructive. That's the way most people would divide and characterize state grant programs. And in fact, what we're saying is that state grant programs do have to meet financial need but they also have to think about and focus on student success. And we're not talking about past success. The idea is not exclude people who up until now have not performed as well as you might like; the idea is, think about how you can improve their academic success in the future and design programs that are most likely to do that. So that's a very different way of talking about these concepts and we hope that the conversation can change a bit in terms of that.

When we talk about the importance of keeping it simple despite having these competing goals, we don't just mean make it simple in the way the conversation is about simplifying the financial aid application have been carried on to date, we also mean don't have lots and lots of different programs. It's quite dramatic to look at the lists of state grant programs. How many states have multiple programs? They have maybe a need-based and a merit-based program. Maybe a program for public college students and a program for private college students. They have programs for foster children and programs for the National Guard and programs for people in nursing and people in teaching. And there's some reason why every one of those programs was implemented but it's very complicated. And we think that these programs should be consolidated.

In addition, there are institutional grant programs at public institutions, some of which are called tuition set asides. This is all about using state money to fund students. And while states don't think of them together, they really should be thinking about all the state money that's going into state grant programs. So our hope is that in this current environment where we know states are interested in budget cutting they'll do something smarter than first come, first serve, where they just cut off, you know, you're eligible but sorry, you applied a day too late. You don't get money. We think there are better ways that states can go about this and we talk about some of them in the report. We know that state grant aid is not by itself going to close the gaps in educational attainment across demographic groups but it's one of the few tools available. It has the potential to make a very big difference if it is appropriately coordinated with appropriation and tuition policies and if it integrates targeting students who need the money with support for success and we keep it simple. Thank you.

MR. HAYEK: Great. I'd like to thank Brookings as well for supporting this important project and thanks, Sandy, for pulling it all together. She's very thoughtful and always does such a great job on these projects. So thank you very much.

I'd like to use my time this morning to tell you a quick story and then kind of hit on three points. The quick story is about my father, and this might be a story that you might all be familiar with as well in terms of your own life. My father was a first generation college student. He grew up in Illinois as one of eight kids. His great, great grandfather was an immigrant from Europe. He was a good student in high school, thinks about going to college. He gets an American Legion scholarship to help cover some of the costs in his first year. How does he cover the rest of the cost during college? Well, he works two and three jobs during college -- this is during the '60s -- and he pays his way through college. He majors in accounting. He gets a job after graduating, gets married, has some kids. He moves from kind of basically living in kind of a poor neighborhood to moving into the middle class. This is a situation that's becoming more difficult to do these days in terms of the increasing cost of college.

So when I look at this report, first, I look at it in a little bit more holistic way. It's just not about state financial aid. For me, it's about looking at a tool, an investment tool to help build a strong middle class in a particular state or in the country. If you look back at some data in Kentucky, for instance, in 1970, a student making minimum wage -- so a student making minimum wage in 1970 could pay for a full year's tuition working six weeks during the summer. (Laughter) That's pretty starting. Minimum wage, full-time in the summer, six weeks. They can pay for a full year's tuition.

Move ahead to 2010. It would take that same student about 25, 26 weeks to pay for tuition. It just becomes very difficult to be a full-time student to get through when you have those types of financial constraints. And so again, from a holistic perspective, you know, I view this report as kind of -- it's a means, it's not an end. And, you know, it's a means to a higher quality of life. It's a means to a higher standard of living. Some of you may have read some of the reviews or read this book by Jim Clifton, *The Coming Jobs War*. You know, we're talking a lot about this in Kentucky in terms of how we can complete, you know, on a national basis, on a global basis. In this book he projects the global domestic product increasing from about $60 trillion to $200 trillion by the year 2030. You know, this is something that we want to capture a large part of in

Kentucky, and so this is why we're moving forward and this is why we have to be smart with our statewide investments on financial aid.

The second point that I wanted to hit was a report like this really from a state policy perspective gives us a chance to pause and reevaluate what we're doing in our state. As Sandy mentioned, part of the research indicated in the report stated that low net price for higher income students is not related to higher graduation rates, but lower net price for lower income students is. And so if there are financial aid programs in the state that aren't channeling those funds to students that have the financial constraints that are able to complete college, that's something that could be looked at in more detail.

So a number of states have these merit programs. You know, they will likely have to look at some type of income or need component if they're interested in maximizing the state investment. Likewise, states with need programs are going to have to take a look at some type of criteria that links the aid to staying on track to graduate. We know that -- to give you an example, in Kentucky we have a number of statewide programs. This is kind of related to Sandy's point in terms of trying to keep it simple. We have about 12 statewide grant and scholarship programs. We have an additional dozen state waiver programs related to reducing the price of college. So this notion of trying to keep things simple is very important for us. We spend too much money providing students -- providing aid to students without consideration of the financial constraints that they might have. We have a merit-based system where 40 percent of the scholarship recipients don't retain that scholarship into the second year. And so this is related to a lot of the work that's going on nationwide related to college readiness. Students have to come to college prepared for college-level work. So again, related to my second point, reports like this, because they're able to simplify some of the key principles of state financial aid policy, it does allow us a chance to kind of pause and reevaluate our situation.

The third point that I wanted to talk about today is kind of related to this notion of trying to align our statewide policies with institutional aid policies with tuition policy and state appropriation policy. This is very easy to say but it's much, much more difficult to do. It's noted in the report that state aid now is a larger percentage of overall higher education appropriation than it used to be. In Kentucky, for example, in the late 1990s, our state financial aid as a percentage of our overall higher education appropriation was about five percent. Just over 12, 13 years, that's grown to about 17 percent. Almost 20 percent of our overall appropriation is now related to financial aid. And we have to figure out a way to make sure that it's being invested wisely.

In Kentucky's case we had been able to connect these various levers pretty successfully. You know, we had our recent report that looked at the improvements in educational attainment for 25- to 64-year-olds, for 25- to 44-year-olds looking at indicators such as graduation rates of students. Looking at completions. Kentucky was listed as the only state in the country to have the top five ranking in improvement in each one of those areas. And so I think it's a testament to if things are coordinated, if they're aligned, if you have a strong statewide coordinating policy board that's helping keep the state on point, on direction, you could actually make some progress in this area and move forward.

So with that I'll turn it over to Jane.

MS. WELLMAN: Well, thank you. And thank you, Sandy. Thank you, Lumina Foundation. Thank you, Brookings. Thanks for the opportunity to be here with colleagues who I always learn from and who -- they've said -- everything that I could say has been said. So I'll be very brief.

This is about increasing educational attainment and finding a financing strategy as a country that will help us get there. This is a very tough topic as you all know. Finding the ideal mix of public resources, private resources, federal resources, state resources, tuition revenues, appropriations. It gets very complicated very quickly. And we have a system that over time has become more complicated than it needs to be and much less strategic than it needs to be. So this is about taking a moment to try and come back to some first principles and ways to rerationalize these critical programs and these critical investments at a time when we so badly need them.

This is some of the most important money we have in higher education. The reason that we are seeing the need for it now and the growing importance of state aid in our funding strategies and our attainment goals are known to everybody in this room probably but we have seen a huge C-change in the last 20 years and rising demand for higher education. Huge expansion of our goals and needs to get more of our population to college and through college particularly the generation of students who haven't been in college before and who we haven't been successful with in the past who we most need to get both to college and to the finish line. That's grown enormously at the same time that our financing strategies for higher education have become increasingly fragile and challenged.

And so the state funding for public higher education, but also state funding for private higher education that used to be there when I put myself through school as a typist without taking out loans. I couldn't do that now. As John said, the strategies that worked in the previous generation aren't there now. And try as we might to justify new investments in higher education, and we can and should expect to see those investments, we can't expect the money to come back in the way that we need it to be here to meet our goals of increased attainment. So we're in an environment where we're going to see increased pressure on tuitions and that means we've got to make sure our financial aid programs are working well, both from a strategic investment perspective. They've got to be something that an investor, a state legislator or a governor, a system head, a president can make sure the investments are right, and a user perspective.

A friend of mine used to talk about financial aid as programs that were conceived by economists, designed by politicians, and implemented by regulators. Other than that they work great. These are programs that periodically need to be refreshed and rethought in order to get us back to those first principles. I comment to you, look at the website for this report and look at the mapping programs and states. Just -- there's a spreadsheet that accompanies this that gives an array of the programs. In our 50 states there are 248 programs. There's something about these programs. I experienced this working at a state legislative level. They're extraordinarily politically attractive. They're like Velcro for financial aid -- for state legislators who want to do something to make college affordable, who want to do something to help achieve state economic goals. Fixing finance is impossible. Federal student aid is incomprehensible. So they go to state aid. And they can design a program that meets a particular need. This is all legitimate. It's all understandable. But over time you get this array of programs that are thinly funded, poorly targeted, confusing to the consumer, and don't accumulate to the kind of strategic investment strategy we have.

One last comment I want to make, and that's just to underscore Sandy's comments about the need for looking at more encompassing purposes for state aid and for student aid, and that some of the traditional distinctions about access money and merit money and the other goals for student aid that I don't think is a language that's serving us particularly well. We need to be transitioning into thinking about aid as a strategy for investment in student success and the combination of financial need as a bedrock. It's got to be a bedrock for this to go primarily to students with financial need.

But also to enhance the probability of success for students who are best positioned for it. And that's -- getting that idea well understood and well implemented will potentially be tricky because we have a history of having a different frame for it. So I think it's very important that this not be seen as backing away from need, nor only about making this all outcomes oriented. This is a path to those outcomes, and a really critical one.

So I stop and we can hear from Brit who we always learn from. Yeah, pretty much always.

MR. CHINGOS: Thank you for those great comments and especially for staying in your time limits.

So we're fortunate today to be joined by Brit Kirwan. Dr. Kirwan is the chancellor of the University System of Maryland and previously served as president of Ohio State University and president of the University of Maryland at College Park. He is a nationally recognized authority on a wide range of critical higher education issues, including access, affordability and completion, cost containment, diversity, economic competitiveness, and innovation. A mathematician by training, Dr. Kirwan is a fellow of the American Academy of Arts and Sciences. He also serves the public in a variety of capacities at both the state and national level, including on the business higher education forum, the National Research Council Board on Higher Education in the Workforce, and the Governor's P20 Leadership Council of Maryland. Please join me in welcoming Brit Kirwan.

(Applause)

MR. KIRWAN: Matt, thank you very, very much for the introduction. As you noticed me climbing the stairs, I'm living proof that being chancellor of a 12-institution system is a contact sport. (Laughter) We've had a tough legislative session. Anyway, it's a pleasure to join all of you this afternoon for this roll-out of this report and I want to especially thank Sandy and Matt for the invitation to participate in the program.

Let me start -- I know you're waiting with baited breath. Let me start by noting that I am in general agreement with the recommendations in the Beyond Need and Merit Report. This report has an especially distinguished and knowledgeable group of authors and so we had every right to expect a thoughtful and useful report. They have met those expectations admirably. As we've heard, the basic thrust of the report, at least as I understand it, is that states should target state financial aid to needy students who have the best chance of succeeding in college. Consolidate and simplify state aid programs and reward students making progress towards a degree.

This all sounds so logical that the first reaction may be, "Why do we need a report to state the obvious?" But then you look at the plethora of different approaches and programs that states use to provide aid to college students, which is well documented in this report. And the need for this report becomes evident. If I have a regret about the report it is that at least for me it doesn't adequately convey a sense of urgency for implementing its recommendations. From my perspective, college completion has become the social equity issue of our time. A few decades ago, armed with a high school degree, a person could expect to find a reasonable job and build a successful career. This is much less likely today and there is no reason to believe that it won't become even rarer in the years to come.

As the cost of attending college continues to soar at rates far in excess of the CPI, we are at grave risk of becoming a two-tiered society where those born into poverty have little or no chance of every pursuing the American dream. If this is to be the legacy of the current generation of university officials and state and national policymakers, it will be a travesty and a total reversal of our national ethos as a land of opportunity.

I probably don't need to remind this audience that we've gone from being the nation with the highest proportion of adults with a college degree to 12th in this category. Surely, it is in everyone's interest, for every quality student, independent of family income, to earn a college degree. That's why this report is so important. It focuses on those with the ability to get a college degree but who are less likely to early one. Some of you may recall or be aware of the Ed Trust -- that Ed Trust issued a report a few years ago with data showing that a high ability, low income student is no more likely to earn a college degree than a high income, low ability student. Is that in American any of us wants our children or grandchildren to grow up in?

The report notes that some states allow tuition set aside programs whereby institutions redistribute some of their tuition revenue to grant aid. Maryland is one of those states. The report says that students would benefit if all aid came through the state in one program. Now, here I'm going to quibble just a little bit with the report. State financial aid programs are high dependent, of course, on state appropriations and are usually supported by the state general funds or the tax revenue that comes in to the state. When the economy tanks -- as it has starting with the great recession in 2008 -- state general funds declined, which then threatens state aid programs.

Now, we heard from the authors that actually state aid has increased during this recession but I don't recall the exact numbers. I'd rather doubt that they've kept pace with the increase in student tuition. Now, on the other hand, tuition dollars at institutions tend to rise in periods of economic downturn. So if an institution has a policy of redistributing tuition dollars to need-based aid, there is a built-in means of mitigating the tuition increases facing low income students. Let me be more specific by describing what has happened in Maryland in recent years and how our system policies have actually enabled the state to move towards some of the goals of this report.

When I became chancellor of the University System of Maryland in 2002, I was concerned about the growing national trend of institutions diverting institutional aid or state governments diverting institutional aid to merit scholarships and away from need. I appointed a commission to study the system's use of institutional aid and found that we were as guilty as many others of spending the vast proportion of our institutional aid on merit scholarships. As a result of this study, I recommended and the board passed a policy stipulating that low income students should incur debt at a rate that is at least 25 percent less than the average student debt across the system. This has forced institutions to direct much more institutional aid funds to needy students. In fact, because of this policy, need-based institutional aid has increased across the system since 2005 by 125 percent. USM now spends $38 million annually on need-based aid. That is 44 percent of the total need-based aid available to our students from institutional or state programs. I can assure you this amount of need-based aid simply would not have been possible without this system policy.

Second point I want to make is I read the report. A question occurred to me. And it may have been addressed in the report but I didn't actually see it. And that is this phenomenon that we all recognize that we have a flawed system of tracking students. I mean, IPEDS data -- I think I've got this right. If you look at all the students in post-secondary education today, my understanding is that IPEDS only capture about 40 percent of them. So in other words, 60 percent of the students in higher education are not part of the IPEDS database. That means that they didn't start in the fall semester as a full-time student. Or, more likely, they've transferred from one institution to another.

And so my question, and I wondered if this was looked at by the authors, do state aid programs adequately adjust and track students as they migrate from institution to institution? I suspect that they do in some states and they don't in others.

But I do think that this is a very important issue. And I actually would like to hear the author's comment on whether this was considered and whether or not they see this as an issue.

There's one final point I would like to make about the report. As sensible as this report is, it will have little impact if we don't find the means to stabilize tuition costs. We can have the most rational financial aid policies imaginable, but if tuition rates continue to rise in this decade at rates anything like they have in the past decade, these very sensible policies will have little impact. In fact, they would amount to nothing more than a better arrangement of the chairs on the Titanic.

Part of the answer to keeping college affordable for needy students, in addition to the policies proposed in this report, is for states to place a much greater priority on funding higher education, if and when the economy rebounds. In constant dollars, state appropriations on a per FTE basis nationally, have declined almost 13 percent since 2006. This is the single largest factor in the precipitous rise in tuition over this period. And tuition has increased almost 16 percent from 2006 to 2011, again, in constant dollars. Take out, if you put back in -- I mean, factor out the inflation, of course, it's much higher than 16 in actual dollars.

So point one is we've got to get tuition back under control, and the states have a responsibility to play in this regard. But higher education has an enormous responsibility here as well. As an enterprise, we simply must become more cost conscious and we must put much greater effort into finding lower cost means of delivering high quality higher education. So far, we, in higher education, are earning very low marks on both of these imperatives. At a time when essentially every other area of human endeavor is re-engineering itself to adjust to the new fiscal realities, higher education has been slow to react. Too many in higher ed keep waiting for things to rebound, the economy to rebound so that we can return to the good old days. I fear these colleagues are in effect waiting for Godot.

If we in higher education have any hope of restoring public trust and confidence, and meeting our responsibilities to society, we must do our part and take strong action to address our cost structure. Now, at risk of some immodesty, the University System of Maryland has avoided this vicious tuition spiral through efforts we launched some years ago at the end of the previous recession. So you remember the recession at the turn of the century? We look back on it now with a sense of nostalgia. It was wonderful in comparison to what we're going through. But it sure seemed bad at the time.

Through this systemwide effort, which is ongoing, we were determined to lower our cost structure without impacting the quality of our programs. We began taking a serious look at all of our academic and administrative operations and processes. Today, the fiscal and academic impacts of these efforts speak for themselves. We consolidated back office operations on our campuses. We began buying major commodities as a system and not as individual institutions. We limited degree programs to 120 credits. We required students to earn 12 credits outside the traditional classroom. We required on average a 10 percent increase in faculty-student contact hours. All told, we have removed more than $250 million in direct cost from our budget through these efficiencies. Academically, we're serving 15,000 more students than when we started. USM's four-year and six-year graduation rates are at an all-time high. Average time to degree is down from 5 to 4.4 years, and the rankings of our institutions have never been greater.

Perhaps the most compelling success story for these efforts can be seen in what has happened with tuition. Thanks to our cost containment efforts and the resulting state support -- which incidentally came as a result of the fiscal credibility we established because of our efficiency efforts -- thanks to these cost containment efforts in the state support, tuition has risen just a little over six percent since 2008. That's less than one percent a year.

I mentioned a moment ago that in constant dollars, tuition at public universities has risen nationally by about 16 percent since 2006. In Maryland, again in constant dollars, tuition has actually decreased by 3.4 percent, a swing of almost 20 percentage points compared to the rest of the nation. As a result, Maryland has moved from having the sixth highest tuition in the nation down to the 26th highest. Now, we got a lot of help from other states. (Laughter)

As you may have noticed, presidents and chancellors are given to hyperbole and hype. Have you noticed that? But in this case there is third-party validation of our efforts. A few years ago Steven Pearlstein, who I think is a brilliant writer, wrote a long article in op-ed, was devoted to what we have done at the University System of Maryland in holding down costs. It was entitled "A Cost Conscious College." John Marcus wrote a lengthy article in the Washington Monthly a couple years back entitled "A Mid-Atlantic Miracle." And President Obama, in a press conference one day to our great joy but surprise, challenged university leaders to "follow the example of the University System of Maryland.

So in sum, I applaud this report. Its recommendations are simple but profound. Now, that's a very powerful combination. With my one quibble set aside, it sends exactly the right message on how state-based financial aid should be managed. But even if fully implemented by all 50 states, we will not get to where we need to where we need to be as a nation in terms of college access and completion unless higher ed also steps forward with complementary policies on institutional need-based aid and with serious efforts to control costs. Thank you very much.

(Applause)

MR. CHINGOS: So thank you, Brit, for those terrific comments. I just wanted to start by giving our panelists, other panelists a chance to respond to some of the points you raised. You raised a question about transfers and this broader point about the need to control tuition levels if state grant programs are going to be able to do anything.

MR. KIRWAN: And also, the point about -- and I don't know that it was a big issue in the report so I don't want to overstate it -- but the idea of having complementary institutionally-based need programs if they have a need-based -- a strong need-based component.

MR. CHINGOS: That's a great question. And sort of in the report I think we raised the issue of the dovetailing of state grant aid and also direct aid to institutions. But have states gotten that balance right?

MR. HAYEK: Let's see here. That's a good question. I think states are in different places. I think what this report does to me is it does, like I mentioned earlier, it allows us to have a chance to pause and a number of state aid programs have been put in place over the last five years, 10 years, 15 years, and some of them had very specific objectives. Some of them were a little less clear in terms of their goals and objectives. For instance, a state -- Kentucky's merit-based program is called the Kentucky Educational Excellence Scholarship. It's called KEES. It was put in place in the late 1990s. Now, the maximum dollar amount on that grant, on the scholarship was $2,000 in 1998. Well, guess what the maximum scholarship today is? It's $2,000. So we went from a situation where the purchasing power of that merit scholarship, which is actually in terms of how it's set up, a very solid program in terms of early awareness especially to parents and students. The purchasing power has gone from about 80 percent of tuition at a four-year institution down to about 25 percent. And so I think, you know, kind of going back to the question do we have institutional aid versus state aid right, I think we really have to -- it's going to be on a case-by-case basis across the states but I do think the current budget environment and reports like this give us a chance to pause and think, you know, are we set up strategically to advance our agenda?

MS. BAUM: I just want to be clear that we didn't say do away with institutional grant aid in public institutions by any means. What we said was that this is something that has to be looked at carefully and the balance will be different in different states at different types of institutions. And certainly institutional grant programs that are given to students who don't have financial need can work across purposes to the state grant programs. And the fact is that the majority of institutional grant dollars given out by public institutions in this country are beyond financial need. So we think that everybody should look at those carefully, but clearly having some discretion on college campuses about where the money goes is advisable.

So we didn't say do away with that. We are -- there is a little box in the report about these tuition set aside programs. And your point is, Brit, well taken. Obviously there is right now a very big political problem that people think it's tuition money and people think that some students are subsidizing others. And actually, all these students are being subsidized. So figuring out the politics of this is very important. And the politics are going to be different in every state, I think.

MS. WELLMAN: I'd just say the short answer to the question, are institutional aid programs and state aid programs aligned to support the agenda of student transfer and mobility recognizing that's the pattern? And the answer is probably not. I don't think we looked at it as carefully as you would have had us do. It's something that deserves a little more thought but these are very stovepipe programs and they tend to be scattered. In the states that have robust state aid programs they are portable across institutions so they support the goal. But I don't think it's something that's all that well done.

The issue of cost containment, you're absolutely right and it's a hobbyhorse of mine. One of the challenges Sandy had in navigating the group of people around the table was in finding the right focus for what could easily have become a report about higher ed finance writ large. And we struggled a lot with that because this is a piece of a much larger economic and political puzzle. And we came out I think where I felt we had to which is clearly focused on as coherent and clear a subset of topics. There's a lot of other things that easily could have been part of this and are part of how we need to be talking about it going forward.

MR. CHINGOS: So both Jane and Sandy touched on sort of the politics of all this. You know, these state grant programs are the pet projects of individual legislators enacted over the years. They have the political support of the families who are getting a check from the state government when their kids are in college. So what are the politics reforming these programs? How do we get legislators to care more about making good policy?

MS. BAUM: That's a good question. I think it's going to be tough. I mean, in an ideal world you have a state leader, governor's office, a coordinating system leader who can make this a legislative priority to work with leadership and to come forward with perhaps a student aid consolidation kind of proposal where there is agreement that can be struck over multiple bodies. I think if I was approaching this tactically from a legislative perspective, I think something like that is the best way to try and go after it. You need leadership to be behind it and you need it to come from both the legislature and the governor and the institutions.

MR. KIRWAN: Matt, let me add a comment on that. I think Maryland is an interesting example of this. There's a very, I think, useful chart in the report that shows, you know, lists all the states and what proportion of the state program goes to need-based aid. And there are some where it's zero, and there are some where it's 100. So I was anxiously going down the column to see where Maryland was. And we were, I think, at 96 percent need-based for state programs. And I thought, hmm, what's that four percent? And then I remembered. We have in Maryland a scholarship program where each of the delegates gets to give out a scholarship to a local constituent at their disposal. This is an outrageous program. But I'm telling you, it's going to be very difficult to eliminate because you can imagine they see this as some huge personal and practical value to them.

So what we have done as a system is we have tried picking off members of the General Assembly one by one and basically going to them and making the case that they should let the system manage -- we'll give it to someone in their district and they'll get all the recognition for it and, you know, we'll have a little celebration when we give that scholarship, but we'll manage it to be sure it's going consistent with our aid program. And I'd say we've gotten maybe 40 percent of the members of the General Assembly to buy into this, but that last 60 percent, folks; is going to be a slog.

MR. CHINGOS: So today we're talking about grants but what's been in the news lately in higher ed is loans. So, you know, would states be better off using some of their grant funding to subsidize loans?

MS. WELLMAN: That's Sandy's department. My answer is no.

MS. BAUM: Are you suggesting that states should cut their grant funds and use some of the money to -- lend some of the money to students or to subsidize the lending? I think the answer to that is no. States don't have such overly generous grant programs. And I mean, the evidence is that grants make a much bigger difference than loans, which is not to say that every dollar of grant aid is more efficient than every dollar of loan aid because you hope that a dollar of loan aid will actually get paid back. And it won't be a dollar. But let's leave the loans to the federal government and not add to the loan burden. And if we're going to make more -- I mean, there are states with loan programs and some of them may be very helpful for students but I wouldn't propose funding them out of state grant programs.

MR. CHINGOS: So, on the federal question, so really once again we're talking about state policy in terms of grants, but is there anything the federal government could do to coordinate among states or aid states, support states in efforts to better design these programs or state out of it?

MR. KIRWAN: As the least informed person about, really, I mean, these are the experts here, I have always felt -- and I want to hear them comment on this -- that if you look at the allocation of Medicare funds, the federal government puts up a certain amount of money, and if states want to tap into it they have to match it. And it just seems to me that there ought to be a lesson from that to leverage more need-based aid out of our states. Now, I think there was a program that attempted to do that some years ago and it wasn't very successful, but I'd love to hear what you all have to say. Is there some merit and is it worth even considering that kind of an approach?

MS. BAUM: Absolutely. I mean, the program, the lead program that leveraged --

MR. KIRWAN: That was it, lead.

MS. BAUM: I mean, in the beginning when it was implemented most states didn't have need-based state grant programs. And then they all developed them.

What happened was that the lead program became so small that it didn't do much good because it wasn't enough money to make a difference. There is considerable evidence that one of the issues in states budgets, I mean, why do we fund Medicaid if the more money you put into Medicaid the more federal money you get. And it doesn't work that way with education spending. And certainly the federal government could influence the behavior. Not dictate but influence behavior of states. But it has to be in a way that makes a difference to the states so that they will -- there has to be enough money there to motivate the states to do it properly but certainly there is room for that.

MS. WELLMAN: It should be done. But that's analogous. You know, consolidating state scholarship programs is going to be tricky. Getting the states and the feds to agree on one more matching requirement for federal aid to states is going to be, I think, very difficult. The states are going to resist it. If I was a state finance person I'd resist it. I've already got the feds eating up my budget. I don't need another. So I think we'd have to come up with an effective political strategy to make that happen. Conceptually it makes all the sense in the world. No question. The reason state budgets are being cut is because it's the single largest discretionary area where there isn't a match requirement that keeps the skin in the game from the states. So it deserves to happen.

MR. HAYEK: And to add to that, I think something certainly that the federal government can do is to continue the work on simplification of FAFSA. There has been some progress in that area. I think there's been some tremendous benefits from that just from the simplification that we've had so far. Kentucky was recently part of a pilot project from a number of states that was trying to -- Sandy was involved in this and some of her colleagues -- to look at what would be the impact of dramatically simplifying the FAFSA. And we saw for our state aid programs it was very minimal but the upside was dramatic in terms of the additional individuals that would have access to something like that. So I think that's something certainly that the federal government could continue to do in terms of helping make it easier to gain access to Pell grants.

MR. KIRWAN: What is the status of the simplification? We keep hearing about it but is anything actually happening?

MS. BAUM: Maybe there's somebody from the Hill here who is going to tell us the answer to that. People were talking about it still. There's a lot of support for it.

MR. CHINGOS: So let's give the audience a chance to jump into the conversation here. I think we have some microphones going around. And a couple of ground rules. One is tell us who you are before you ask your question. And number two, ask a question, preferably la short question. And that's not just a question mark at the end. It has to be a question. So let's start here in the fourth row.

MR. WATSON: Hi, I'm Christopher Watson, AAAS policy fellow serving at the National Science Foundation. And I didn't hear in any of your comments suggestions to distinguish grant funding based on institution, say community college, branch campus versus flagship institutions or private colleges. I was wondering if that was intentional and why.

MS. BAUM: There was no such proposal. There are obviously many states that have different programs for different kinds of institutions. We -- you can obviously have different grant limits for people at different types of institutions and we didn't address that question of how grant aid should be related to the cost of an institution. That said, certainly having price sensitive programs that give you more as the price of your institution goes up is problematic in terms of incentives to keep prices down. And the issue of choice, I mean, I think you were saying don't you want to give people more money so they can choose among institutions? And the basic idea here is there's not enough money in these state grant programs to create access for people and the idea of, I mean, choice is very important but it's not clear that the state grant programs are the way to generate that choice.

MR. CHINGOS: Here in the red shirt.

MR. ALTMAN: Hi, I'm Fred Altman. My question concerns the rise in tuition. And I wondered what percentage of that cutback in states is due to a lot more students going to college versus the states cutting back on the amount of money available?

MS. WELLMAN: Both. It's both. I mean, I've looked -- if you look at overall state funding not adjusted for student enrollments, just straight cash, it has gone up over time but it has declined as a share of state budgets. And if it is further adjusted for enrollments, what starts off as a modest but nonetheless rapidly turns into a reduction. So if higher ed enrollments in the last decade have grown by close to I think -- I'm going to get my number wrong but something like 80 percent and state funds have increased by 10 percent. So do the math. I mean, it's overwhelmingly, the states are just not keeping up with demand but they are also reducing their funding.

MR. HAYEK: I think to follow up on actually both those questions. Something that we did talk a lot about early on in our discussions on the report was trying to get states to understand where they are today on their whole funding spectrum for higher education. I mean, just a realization of saying, okay, in Kentucky we have fairly strong state support, we have about average tuition for a four-year institutions, and we have a pretty strong financial aid program. All right. So I've mapped that out. I know basically where I stand. Now can determine where do I want to go? You know, where do we want Kentucky to be in 2020 or 2030 related to educational attainment? And then I can think through some strategies, some statewide strategies and some institutional strategies to help us get there. But I think a number of states, you know, are having a challenge of just trying to figure out and deciding kind of where they are today and putting that information on the table to have a good discussion about where to move forward.

SPEAKER: Hi, I'm (inaudible) and I'm the director of the Hispanic-Serving Institutions division at the U.S. Department of Education. And I had a question pertinent to your recommendation to focus resources on students whose chances of enrolling and succeeding will be most improved by the grants. And I'm wondering what the parameters for determining what those chances of success are going to be? Is it just GPA? And are you taking into consideration, you know, cultural differences, issue of immigration, and so forth when you're talking about success?

MS. BAUM: So that's obviously something that deserves a lot of attention to actually figure out how you can decide who has the potential for success is something, you know, important and complicated and beyond the scope of our report. Our issue here is that -- so we're not saying who are the students -- we definitely are saying don't look at the students with the highest high school GPAs and give them the money. That's obviously not the issue. The issue is are there students who are constrained in ways that we can do something about it and that therefore helping those students is going to improve their circumstances. By and large those are going to be students with the most limited resources. But the reality is that, I mean, that we wanted to qualify the neediest students because if you just say whoever has the least money, they get everything, they're going to be -- when you look at the success rates now, the reality is that there are lots of reasons that people are not succeeding in college. And these state grant programs are not going to solve all of these problems. And so we want to be sure that -- I mean, there are some students who, for example, don't know what else to do and so they say, hey, I'll just go. There's the money. I'll go to college. I mean, we don't know how many people that is but think of a student like that. That's not the student at whom you want to throw the money. There may be other things you can do for those students to improve their chances, but we just wanted to say that we want to improve the prospects for students. We know the students whose prospect we can most improve are the students who need the money the most. Right? But they also need to have some other characteristics. Exactly defining what that would mean is something --

MS. WELLMAN: Let me take a stab, too.

MS. BAUM: Excuse me. Go ahead.

MS. WELLMAN: I'm sorry, Sandy.

MS. BAUM: No, no. I'm sorry. Go ahead.

MS. WELLMAN: I think that the judgments about students' success and what students are able to be successful are academic judgments. I think we need to have policies that enhance the preparation of students for success in college, like the Common Core State Standards that many people are working so hard to implement. This is not intended to be a substitute for admissions policies. This is not intended to be a substitute for a whole host of decisions. I think we are saying that at the margin for a student who is not otherwise in a position to be successful, investment of financial aid is likely not going to make a difference. And so we want it to be attached to an investment strategy that is most likely to get students to make a difference. And increasing student success for students, recognizing that academic judgments about the students are made appropriately someplace outside of the student aid office.

MS. BAUM: Maybe, I mean, one thing that I think I didn't say clearly was that we're not talking about what did you do in high school; are you good enough to get a grant? That's clearly not it. The question is are you making any progress in college? And if we're giving you money and you're not making any progress, then the question is do we need to keep giving you infinite amounts of money or do we need to say here's more money to help you make progress but if you don't make progress then maybe you're going to lose the money. So that's a very different thing from looking backward and say how did you come to this point and excluding people on the margin of college enrollment. And we say like six times the goal is not to exclude people on the margin of college enrollment; it's to give people support to succeed once they're there.

MR. CHINGOS: Let's hear from Ben Wildavsky.

MR. WILDAVSKY: Thanks, Matt. I'm Ben Wildavsky with the Kauffman Foundation and also a guest at Brookings.

I wanted to raise something I've actually been debating on Twitter over the last 20 minutes or so, which is the tradeoff between need, the direction of the report targeting better, and merit aid. And I wanted to really ask Brit about this. I some ways it's a philosophical question and also a political question. I live about 20 minutes down the street, down the Beltway from the University of Maryland College Park, Flagship. A very good university. A lot of the kids in my daughter's high school graduating class are going to Maryland. In some cases they're going to Maryland having been accepted at very top sort of elite private universities, very expensive. They go to Maryland in part because some of them get a free ride. And that's because Maryland, as I understand it, is trying to get really the best and the brightest. It already has a pretty high overall standard but it really wants some of the super achievers.

Now, if you're a middle class, upper middle class parent down in the suburbs you think that's pretty good. It's a nice deal. Maryland is not that expensive to begin with by the standards of, you know, the crazy prices we see at private schools. And not only that, but if your kid really does really well they can get, if not a free ride, they can be in the honors program. They get various benefits. So is the thrust of the support that that all should be scrapped because it isn't equitable and it's quite true, a lot of these people would go to college anyway. Probably all of them would go to college somewhere. So strictly speaking you could say why are we spending taxpayer dollars if we have a social imperative to improve access? Which I agree with. And I agree with targeting by and large. But I'm wondering if there's some room for a balance, whether we need to incentivize, if you'll excuse the word, excellence. And actually I think it's all public. Sara Goldergrad at Wisconsin just sort of said, well, you're already incentivizing achievement because graduating from high school and getting to college is an achievement if you're a low income kid in many cases, a first generation kid. But I don't think that answers the question. It seems to me there is something lost, at least potentially. So I wanted to throw that out.

MR. KIRWAN: Sure. Well, I think there are a couple of thoughts about your very good question and it's one I've wrestled with for many years. When I first became president of College Park I was a huge advocate of merit scholarships but as I've matured and thought about the -- I think the dynamics and circumstances in our country have changed over this period of time and I think the need, the importance of reaching down and providing access to college for low income students has taken on to me sort of -- it's a national crisis. That's one thought.

Secondly, I think the report really wasn't talking -- although maybe they would say that they weren't really making a difference -- but they were talking about state programs, not about institutionally driven programs. So, you know, what I've come to terms with is that institutions will set aside a certain amount of their aid to help attract very high ability students. And you know, I think there's an argument for that because keeping really smart students in the state is good for the state. Let's face it. I mean, if a student goes out of state to college, the odds of them coming back and working in the state -- I don't know what -- I've seen the data before, it's very low.

So having some amount of money to reward high ability students, keep them in the state, it makes the institution better. I mean, and more attractive for other high ability students who might not get aid. If the smartest kid in the high school is going to College Park, then the third or fourth smartest kid says, well, you know, it's all right to go there. So I mean, I think there is an institutional strategy. But you said the word that I think is absolutely critical and it's the balance. And as I said when I first came back to Maryland, we were out of balance. Too much aid was going into Maryland. That's why we changed this policy. And we've made a huge flip. Need-based aid has grown 128 percent as I said since we instituted this policy. So I think that, you know, I've come to terms with some embedded merit-based aid at the institution for legitimate purposes but it has to be balanced with the larger responsibility and social need for a much greater investment to needy students.

MR. CHINGOS: Do either of you folk want to comment on this?

MS. WELLMAN: Well said. I mean, I think that one of our biggest challenges is the stratification of higher education and the growing concentration with low income students and institutions that have the least to invest in their success who have some of the greatest academic challenges that keep them from success and the concentration of revenues and resources in institutions that are serving a diminished share. And it would be a tragedy if our public institutions and our public research universities in this scramble for money went tipping too far away from serving the population of people in their states who need help. It would also be a tragedy if they stopped attracting the best and the brightest, and where places where students who have options to attend some of the most elite institutions would not go to a public institution because of a perception that it's lower in quality. So I think the balance is critical. But this is targeted at the state level. From the state perspective. That's their responsibility.

MR. KIRWAN: Can I just -- one real quick insertion. Actually, a lot of the merit aid at flagship institutions is coming from private donors, not from the state budget. Not all of it but a lot of it. College Park is about to complete a billion dollar campaign. The largest single component of the campaign was scholarship support, and the vast majority of that scholarship support, you know, people, donors give to -- they want to give to high ability students and so they give to these merit scholarships. So I think that's another way in which balance can be achieved is you're getting funds that otherwise wouldn't come to the institution to support this desire and important need of having, you know, of attracting very high ability students. But reserving the state instructional resources more for the need-based aid.

MR. CHINGOS: I think this hand here has been up for a while.

MR. CRAWFORD: Steve Crawford, George Washington University Institute of Public Policy. And my question sort of tries to combine this concern about, you know, using aid to incentivize student completion and academic success and policies that will promote institutional seriousness about cost containment and productivity. And I'm thinking actually, Ben, of an article in a book you recently edited called Reinventing Higher Education, which talks about activity-based cost accounting. And it occurred to me that if we're going to have cost containment, it helps to know where those costs are occurring in the institution. Right now, as far as I can tell, we really don't know.

MS. WELLMAN: I do.

MR. CRAWFORD: You may but, you know, you know, salaries and line item things, but do you know how much the library costs and when the accrediting agency says, you know, you need to have -- if you're going to have a nursing school you can't -- online won't do. You have to have bricks and mortar. And do we really know what the costs --

MS. WELLMAN: Yes and no.

MR. CRAWFORD: So the question is -- whether it's for this type of cost containment or some other kind -- is state student grant policy an appropriate instrument for trying to incentivize not only sort of student behavior but institutional cost containment perhaps including activity-based cost accounting?

MS. WELLMAN: Well, my answer would be that -- I think that we need much greater transparency about how resources are used, whether that gets down to the gnat's eyelash level of knowing how much you spent on a volume of a book versus the patterns and the institution. I'm more of a pattern person. We don't even know the patterns as much as we should. And so the answer, yes, we need much greater transparency. I think that's part of what Brit did in Maryland and his colleagues. By being more willing to talk about efficiency and effectiveness it helps to build public trust and goodwill. It's essential. We need to do it.

I think that all states should as a condition of appropriating funds to institutions, set expectations for transparency about spending. I wouldn't condition it on student aid alone. No reason student aid programs should be the lever for everything. And one of my pet peeves is the way that we use Title IV to try and accomplish all kinds of policy and regulatory things that have nothing to do with aid. It's part of why the Title IV programs are so overregulated.

So absolutely. The goal of transparency and greater transparency about spending should be doing it. I think you can do that with existing data without getting too technical in a way that would be enormously helpful and I wouldn't tie it just to student aid.

MR. CHINGOS: So in the back of the room. Right here in the middle.

Red blazer.

MS. KLINE: Hi, Andrea Kline.

I have a question for Mr. Hayek. With regard to students in higher education, what is the Council's strategy for those students that are going to be the most difficult to be successful with regard to vocational training and then will there be funds available to take them on to that higher endeavor? And then what is the strategy including for-profits?

MR. HAYEK: How much time do we have again? (Laughter)

Let me see here. How do I answer that? Those are a couple of complicated questions. I'll try this.

When we think about finance and higher education, particularly related to the price, setting tuition, for instance, we try to use -- in Kentucky we have a policy that is -- we try to balance several objectives, one being adequate funding, adequate resources for our institutions to achieve the goals that the state has outlined that we want them to help us achieve in terms of degree attainment for all types of individuals. The second is shared responsibility. I think we've talked a little bit about that today. It's shared responsibility in terms of cost containment on the institutional side. It's shared responsibility for the students to make sure, you know, try to put some money away for college and make sure that they're being prepared to go to college. So there's shared responsibility there.

We also look at access and affordability issues related to the amount of loans that students are taking on. Are they able to get jobs and pay back those loans? We also take a look at talent development. Are we pricing our institutions in a way to attract students and individuals from other states into Kentucky? And are we also pricing our institutions, whether it be our community colleges, our comprehensive institutions, or research institutions in a way to maintain that we're holding onto our best and brightest.

And the last thing that we look at is really effective use of resources. This is again going back to, you know, are institutions utilizing the resources that they have and maximizing them in ways that we want them, whether it's increasing research, whether it's increasing degree production, et cetera. And so it's not exactly answering your question but I mean, we try to use a balanced approach in looking at the pricing structure to make sure that we're able to attract all of the folks that we want into higher education. Particularly, for recently, for low income students, underrepresented minority students, students that are underprepared, you know, we've recognized the challenges of not doing so well with some of these groups and we've put up special statewide performance metrics to do a better job of tracking those students and making sure that we're trying to close those achievement gaps as we move forward.

MR. CHINGOS: Was there a question over here before?

MR. TANNER: I'm afraid the question may be a little long for the time we have left but I want to come back to Brit Kirwan.

Michael Tanner from the APLU.

What we've seen is the states and budgetary circumstances withdrawing and we've seen tuition going up. So the net revenues about offset that. The interesting question is what are the roles of the institutional aid, the state aid, and the federal aid in achieving the goals that many have said we as a nation ought to be achieving for educational attainment? Because we sort of wandered into it. I think it's safe to say that the state additional aid to the students has not offset the loss of the state direct support of the institutions. So in filling that gap, how do we see the balance between institution state and the federal government?

MR. KIRWAN: Well, I think my colleagues here have probably a better handle on that because my lens is through the state of Maryland. And as I mentioned, we haven't had big tuition increases. So my concern -- I don't have the data to back this up, they probably do -- I think the recent developments in most states have been very harmful to low income students. I think they've been greatly disadvantaged. We all know the federal aid is basically constant, inches up a little bit. But basically constant. I don't think state aid has, I mean, it's grown but I think I saw my colleagues nod that it hadn't nearly kept up with inflation. And I seriously doubt if institutional aid is. So I think the worst fears are taking place. That's my belief. That people really being com promised are the needy students and whose needy is rising up the income level. But, you know, you all can comment on that in a more informed way than I can.

MS. BAUM: I think that's right. And I think though that, I mean, the federal grant program, I mean, the federal government many of us believe has the responsibility to assure -- for a baseline assurance that college is affordable for low income students around the country and everywhere. So the Pell grant program, everybody needs that program. But in different states the circumstances are very different. So if you have a high tuition state, then low income students are going to need more of a supplement to the federal grant. And if you have lower income students, I mean, it depends on the cost of living. So it's good that we have something that the states have discretion over that they can tailor to the circumstances in their own states. Some states do a better job than others of appropriately tailoring that so that it will increase educational opportunities. But I don't think that the idea that it should all be in one place makes any sense at all. But state grant aid certainly is a supplement, not a replacement for federal grant aid.

MR. CHINGOS: So we're out of time but I want to thank all of you for coming, for the terrific questions, and thank our panelists.

(Applause)

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