

Testimony before U.S. Senate Committee on Health, Education, Labor and Pensions
 Steven Leath, President, Iowa State University
 July 19, 2012

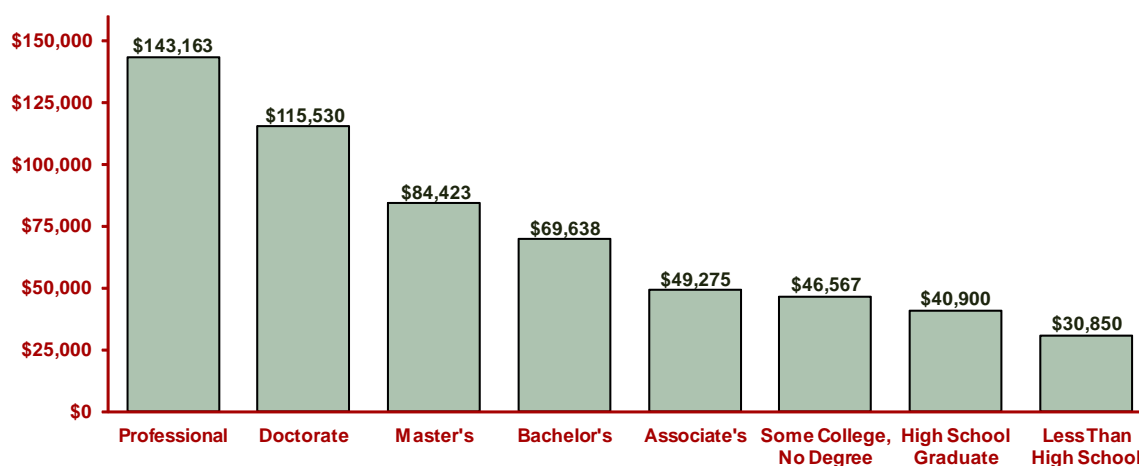
Good morning, Mr. Chairman and other distinguished members of the committee. I'm Steven Leath and I have the honor of being the 15th president of Iowa State University, which is Iowa's public land-grant university. I mention this because here in Washington and throughout the nation, we're celebrating the 150th anniversary of the passage of the Morrill Act that created land-grant universities, and Iowa was the first state in the nation to accept the terms of the Morrill Act. One of the main reasons land-grant universities were created was to make higher education accessible and affordable for the working classes. That makes our experience especially relevant to the topic we are discussing today: the rapidly rising cost of attending college and the resulting debt load that many of our young people carry, whether they graduate or not.

I, like many of you, worked to pay for my education. I attended three public universities in pursuit of my degrees, and I worked two jobs throughout college so I could graduate without debt. It was the best investment I ever made.

With that in mind, I want to begin by making a statement that I hope we can all agree upon: Higher education is a good investment for this nation.

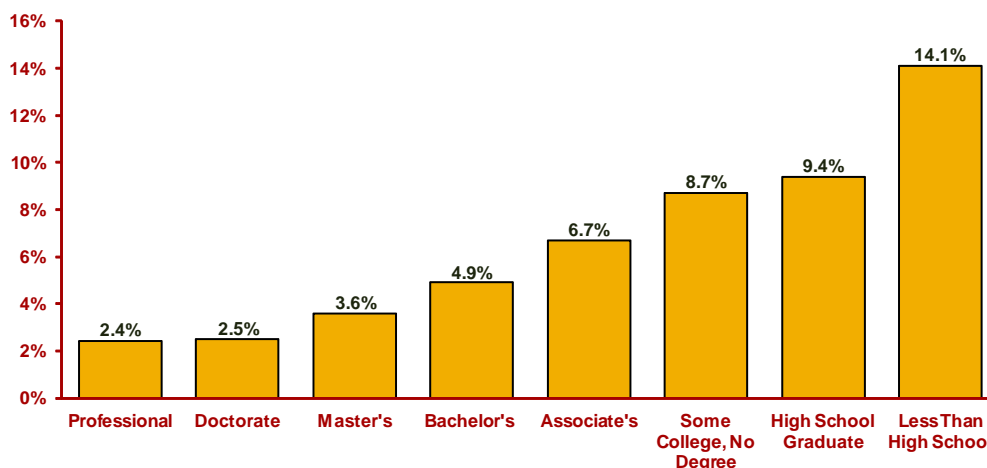
Our nation's place in this world – economically and as a world leader in social and humanitarian issues – depends on having a highly educated workforce and citizenry. We are in a knowledge-driven economy, and today's jobs are increasingly linked to the application of new knowledge to the marketplace. And from an individual standpoint, getting a well-paying, secure job is highly dependent upon continuing their education beyond high school, whether that's at a vocational school or at a college or university. The tables below show that not only are earnings higher for people with education beyond high school, but the unemployment rate is significantly lower, and the more education you have, the lower it is.

Mean earnings in 2010 by education level:



Source: *Postsecondary Education OPPORTUNITY*, May 2012

Unemployment rate in 2011 by education level:



Source: *Postsecondary Education OPPORTUNITY*, May 2012

That means we must continue to make higher education accessible to all people who wish to pursue it. And being accessible means being affordable, without being burdened by an unmanageable debt load, which unfortunately is the case for many today.

This is an especially important issue for us at Iowa State, because for students who graduate with debt, the state of Iowa has the third-highest average debt load in the nation. We are working very hard to lessen the debt load for our students using an aggressive four-pronged approach.

The first part of this effort is to hold down costs.

We have a responsibility to do everything we can to reduce the “overhead” for the education we provide – everything from lights to computing to administrative and support positions. Due to state budget cuts and the need to reduce our costs, we have eliminated hundreds of positions and gained substantial efficiencies by combining and consolidating colleges and departments, reorganizing administrative offices, merging major administrative computing systems, and finding more cost-effective ways of providing services, such as student email. We are saving tens of millions of dollars annually thanks to these measures, and we are proud that our tuition is the lowest among our peer group.

The second part of this approach is to provide better financial counseling and financing options for students and their families.

Our financial award notice letters to students now include – very prominently – their current indebtedness and how much their payments will be after graduation based upon their borrowing trends. The notice also emphasizes that the loans are optional and encourages the use of other methods to pay for their education.

We also help our students make better financial decisions. Iowa State is one of only five major universities with a full-service Financial Counseling Clinic, which offers individual counseling,

workshops and courses on personal finance – such as budgeting and the responsible use of credit. Participation in these courses and programs has more than doubled in recent years, but the number is still too low, so we are stepping up our efforts to attract more students.

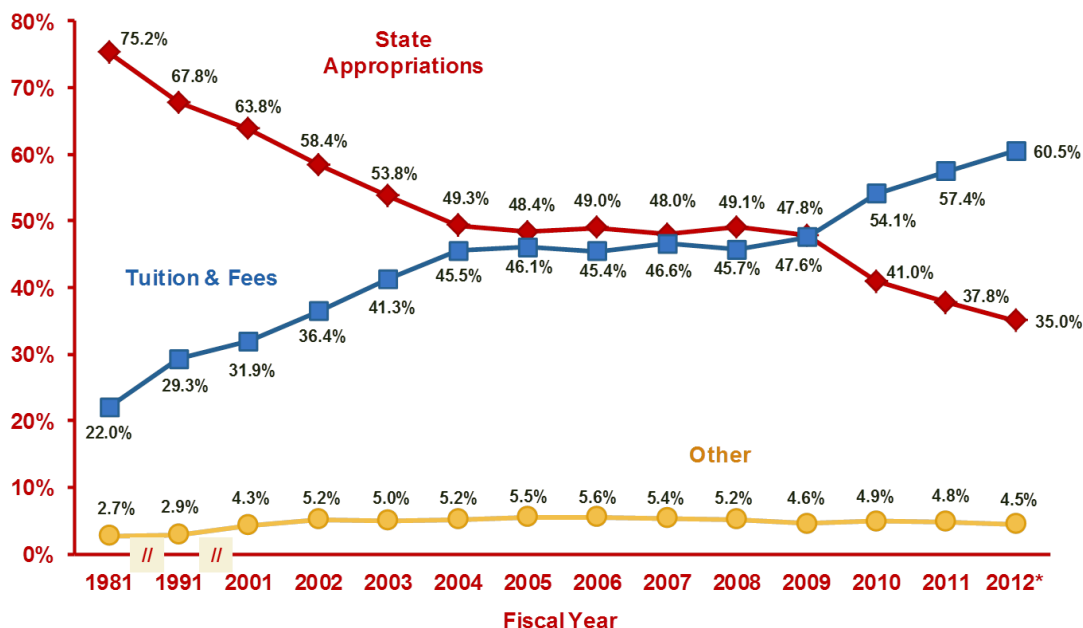
The third part of this effort is to be more creative in helping students find alternative and lower-cost paths to a college degree.

Key to this effort is working with community colleges. Fully one-fifth of our new students are transfers from community colleges, and an increasing number of high school students come to us having already earned college credits – also mostly from community colleges. Both paths speed a student's time to graduation, lessen the overall cost, and debt load.

At Iowa State, we have established formal articulation agreements with every community college in Iowa, and in fact, we now offer what we call an Admissions Partnership Program in which community college students who plan to continue their education at Iowa State can enroll simultaneously at Iowa State. By doing so, they have access to all of the benefits that Iowa State has to offer, such library materials, student services and advising – making their transfer to Iowa State seamless.

The fourth part of our effort is maximize revenue streams other than tuition to support our academic mission.

The precipitous decline in state support for public higher education across the nation must stop. The table below shows that in 1981 in Iowa, state appropriations covered 75% of the cost of an education at Iowa State, and tuition covered 22%. Last year, the state figure was 35% – less than half of what it was in 1981. The most precipitous decline occurred from 2008 to 2011 when Iowa State lost about 25% of its state support. Fortunately, we will receive a modest increase for the coming year, so we hope the downward trend has slowed or stopped. States need to realize that it is in their best interests to invest in higher education for their people if they are to capitalize on the knowledge-driven economic opportunities that lie ahead.



The federal government also has a role to play. Pell grants have long been an important part of financing a student's education, especially lower-income students where affordability is critical to access. Pell grants need to keep pace with inflation, and I applaud congress' efforts to increase Pell grants for the 2013-14 academic year. I would also add that holding down interest rates on federal student loans is also critical to making higher education more affordable, which was recently accomplished, so again, I applaud your efforts.

We as institutions also have to do more to provide funding to help students pay for their education. Iowa State recently completed a major fund-raising campaign that brought in more than \$867 million in gifts, pledges and commitments. More than a quarter of that – \$236 million – was for student scholarships, creating 832 new scholarship programs and expanding many others. Most of this funding goes into endowments that fund scholarships in perpetuity, so to put it in perspective, the campaign increased annual scholarship dollars for ISU students from \$9 million in FY2004 to \$21 million in FY2011. Soon, we will be launching a new private fund-raising initiative with student scholarships as its primary target.

Overall, thanks to institutional efforts like these and some federal programs, scholarships and grants have increased over the past decade by 10%. As a result, total borrowing – by both students and parents – is 10.4% less than a decade ago. Loans borrowed in the student's name have dropped by 18.2%. These are good trends, but more needs to be done because the debt is still unmanageable for many.

We didn't get into this student debt dilemma overnight. It's taken decades of cost increases, state tax support decreases and poor financial decision-making to reach this critical debt level. And we won't get out of it overnight. But with all stakeholders working together – states, the federal government, colleges, and students – I know we can make real progress toward making college more affordable and, therefore, more accessible.

Thank you. I'd be happy to answer any of your questions.