



*Shaping New York State public policy
for people in need since 1872*

Written Testimony submitted to the Senate Higher Education Committee

January 15, 2008

**Karen Schimke, President and CEO
Schuyler Center for Analysis and Advocacy**

Today's hearing concerns the needs of middle-income New Yorkers – specifically, their struggle to afford rising tuition costs in the state's colleges and universities.

Dr. Jacob Hacker of Princeton University, a noted political scientist and economist, keynoted SCAA's 135th anniversary conference. He spoke quite eloquently of the insecurity faced by middle-income Americans today. His central point is that America is in the midst of a great "risk shift," in which the economic risks that used to be spread among large institutions, such as corporate employers and the federal government, are now being shifted to ordinary Americans. We agree with Dr. Hacker, and we believe that the college cost crunch on middle-income families is both real and a legitimate subject for state intervention.

We would like to make three basic points. First, New York has invested in need-based financial aid for many years. That investment serves our state's economy well, and we should improve that system rather than abandon it. Second, New York has a public higher education sector that we should cherish and support. Third, there are ways to provide tuition relief to low- and middle-income families that bring us together as a society.

Need-Based Financial Aid and the New York Economy

Any means-tested government program is vulnerable to being labeled as a "welfare" program. New York's Tuition Assistance Program is means-tested: the lower your income, the higher your financial aid benefit. Yet TAP has nothing in common with welfare. While TAP provides a great service to low-income New Yorkers, it provides an even greater benefit to the state's employers and plays a vital role in the New York economy.

In today's knowledge-based economy, in which low-skill jobs are either automated or moved to China, New York's employers need highly skilled workers. They don't just need a steady and affordable supply of skilled workers; they need a continually expanding supply of skilled workers. TAP allows New Yorkers who otherwise could not afford to attend college to enroll and graduate with the skills employers need. Every person who graduates college because they received a TAP grant is an asset to the state economy and a contributor to our tax base.

If we invest the state's tax dollars in high-income families, on the other hand, we do nothing for the state's employers. Nearly 100% of the children of high-income families attend college regardless of subsidies. Providing tuition assistance to these families may improve their financial solvency, but it will not help employers meet their need for a skilled workforce. The existing TAP system is a tremendous asset to New York's economy, and we should build on it to help New Yorkers who still have difficulty affording college.

In August of this year, SCAA and the Center for an Urban Future issued a report, entitled *Working To Learn, Learning To Work: Unlocking the Potential of Adult Students*. Our report found that very few working adults attend college in New York, and the rate of adult college attendance actually dropped by 20% from 1995 to 2005. That is an extremely damaging trend for New York. Over the next ten to fifteen years, the Baby Boom Generation will retire, at the same time that the number of high school graduates is projected to drop by about 10%. If our employers are having trouble finding skilled workers now, they will be experiencing a serious crisis just a few years down the road.

We strongly urge the State Senate to focus on ways to assist New York's employers and adult workers. If middle-income workers lose their jobs, they certainly will not be able to afford expensive college tuition bills.

Supporting New York's Public Higher Education System

New York has a tremendous asset in higher education: the City University of New York and State University of New York systems. These two networks of public higher education provide New Yorkers with the opportunity to receive a high-quality education for an affordable cost.

The Commission on Higher Education delivered its preliminary recommendations last month. Those recommendations called for ending years of underinvestment in our public institutions of higher education. We fully endorse that goal. If the State Senate also endorses full investment in New York's system of public higher education, it is essential that any new financial aid proposals direct most of their benefits to CUNY and SUNY. We urge you not to propose new financial aid concepts that direct the lion's share of benefits to private institutions. Columbia University has a \$5 billion endowment. New York University has a \$2 billion endowment. They do not need new subsidies from the State of New York. But CUNY and SUNY, struggling after years of cutbacks and short-sighted penny-pinching, need new subsidies very much. And the state will benefit from investing in these public institutions.

Tuition Relief Strategies that Help Low- and Middle-Income Families

SCAA believes that New York's policymakers should help struggling middle-income families. They should provide relief in ways that bring us together as a society: low-income and middle-income, employers and employees. We propose here three strategies that we believe will lift all the boats in the harbor of higher education:

- 1) **Improve TAP benefits to provide greater assistance to middle-income families.** Today, TAP provides a grant up to \$80,000 net taxable income, roughly \$96,000 in adjusted gross income. The median household income in New York, excluding retirees, is about \$43,000 NTI. So middle-income families are already eligible for TAP. They currently receive only about \$500, but the state could reasonably expand benefits for all families up to the \$80,000 limit.
- 2) **Provide a matching tax credit for companies that contribute to the educational needs of their employees.** Several states and localities have experimented with Lifelong Learning Accounts (LILAs), employer-matched, portable individual education and training accounts. The concept is similar to a 401(k) retirement account, but workers can use the funds to invest in education and training continuously through their lifetimes. LILA funds are valuable for employees at any income level, and to companies wishing to encourage employees to improve their job-related skills.
- 3) **Improve financial aid for working adults.** Working adults who wish to attend college do not presently enjoy all of the benefits of TAP received by recent high school graduates. Unlike younger students, working adults usually cannot attend college full-time. But New York has a poorly-structured part-time TAP program. That system needs to be expanded; an even better reform would be to move TAP itself to a credit-based system, as proposed by the presidents of New York's community colleges. New York should also improve TAP benefits for students on the independent schedule, as proposed by the Commission on Higher Education. Such reforms would help low-income and middle-income students, as well as their employers.

Mr. Chairman, we thank you for convening today's hearing. We share your concerns about the tuition burden upon middle-income families, and we welcome any follow-up questions you may have.