NEW AMERICA

Please see answers to the questions for the record.

1. Ms. Laitinen, you represent New America, a think tank that has supported various loan forgiveness policies. Can you explain why so many colleges continue to hire armies of administrators and reduce teaching loads for professors, while pushing the costs onto students through massive, unsustainable loans?

New America has supported targeted debt-relief programs that provide relief to borrowers who did not get a return on their higher education investments, such as those that forgive the loans of students who were defrauded by their schools; efforts to ensure borrowers do not get trapped in student loan default for decades, especially when the government has low recovery rates among these borrowers—likely a reflection of widespread financial hardship; and the Public Service Loan Forgiveness program, signed into law by President George W. Bush.

Furthermore, evidence shows that "administrative bloat" is not the primary driver of rising college costs. Over the last several decades, the share of institutional spending devoted to administration has remained relatively stable, while the biggest changes have come from declining state support, necessary increased spending on student services that help students complete their programs, and rising costs associated with labor-intensive instruction.[1]

As colleges and universities compete for a shrinking number of prospective students, one area worth continued exploration is how much they are spending on marketing and recruitment, an area worth addressing. For example, the Senate Health, Education, Labor, and Pensions (HELP) Committee's 2012 investigation found that major for-profit colleges spent an average of 22 percent of their revenue on marketing, advertising, recruiting, and admissions, 19 percent went to profit, and just 18 percent went to instruction.[2] Similar trends have continued since the publication of the report and have spread across nonprofit and public institutions as enrollment competition has intensified.[3]

Sometimes spending that looks like administrative bloat in the aggregate, actually has a high return on investment and shares strong bipartisan support. In your state, the Accelerated Study in

[1] https://fivethirtyeight.com/features/fancy-dorms-arent-the-main-reason-tuition-is-skyrocketing/

[2] https://www.help.senate.gov/dem/newsroom/press/harkin-report-reveals-troubling-realities-of-for-profit-schools

[3] https://hechingerreport.org/with-competition-up-enrollment-down-colleges-are-spending-billions-on-marketing-and-advertising/

Associate Programs (ASAP) at the City University of New York (CUNY) increased college completion rates and paid for itself.[4] If you just look at non-faculty staffing, it can look like administrative bloat, but these programs require people to run the program, counsel students, and more.

In short, rising costs are driven by structural and competitive pressures. Reducing college costs and student debt—and ensuring the financial burden of college isn't increasingly shifted onto students and families—will require restoring public investment; increasing transparency about institutional revenue, spending, and student costs; and ensuring that the majority of revenue go toward instruction and student success, particularly revenue received through the aid programs.

2. How do you justify a system where tenured faculty often teach only two courses per semester, while students are saddled with six figures of debt for limited classroom Instruction?

Six-figure federal loan balances are not the norm. The median amount owed by student loan borrowers is less than $25,000.[5] In fact, current federal limits cap what dependent and independent undergraduates can borrow (aggregate caps of $31,000 and $57,500, respectively).[6] High balances are typically associated with graduate/professional study—including law and medical school, for example—or Parent PLUS borrowing (although the recent reconciliation bill imposed additional limits on these borrowers).

3. Do you acknowledge that the federal loan system, as currently structured, enables colleges to raise tuition unchecked, knowing the government will foot the bill, regardless of whether the degree actually leads to a job?

The idea that colleges use the availability of federal loans to increase costs is often referred to as the "Bennett Hypothesis." However, the available research and evidence does not support the idea that the federal student loan system results in colleges raising tuition. The best evidence shows limited or mixed pass-through in most nonprofit and public sector schools, with the most consistent tuition effects concentrated in the for-profit sector (and in some cases among higher-priced/nonselective programs).[7] One study showed a positive effect of the availability of Graduate PLUS loans: shifting borrowing from private to federal loans, which generally offer more protections and more favorable terms.[8] So while there is evidence of pass-through in for-profits, the claim that federal loans let all colleges raise prices "unchecked" is not what the literature finds. That is why New America has long

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[4] https://www.newamerica.org/education-policy/edcentral/sustaining-evidence-based-practices/

[5] https://www.federalreserve.gov/publications/2025-economic-well-being-of-us-households-in-2024-higher-education-and-student-loans.htm

[6] https://studentaid.gov/help-center/answers/article/how-much-money-can-i-borrow-federal-student-loans

[7] Cellini, Stephanie Riegg, and Claudia Goldin. 2014. "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges." American Economic Journal: Economic Policy 6 (4): 174–206. DOI: 10.1257/pol.6.4.174; https://www.sciencedirect.com/science/article/abs/pii/S157406922300020X

[8] https://www.nber.org/papers/w31291

supported outcomes-based accountability. The policy solution is targeted transparency and accountability for low-value programs because colleges should be held to account if their programs leave graduates in debt that does not justify their earnings.

4. Would you support limiting federal loan eligibility for programs that repeatedly show poor outcomes for graduates in terms of earnings and employment?

Yes. As I explained in my testimony, New America has consistently supported the notion that programs that don't provide value or leave students worse off should not be eligible for federal student aid, including specific metrics that account for debt relative to earnings and earnings overall. [9] We supported the earnings thresholds in H.R. 1 (119th Congress), and encouraged Congress to strengthen accountability even further.[10] We also strongly supported the Department's 2023 Gainful Employment (GE) rule's earnings threshold and debt-to-earnings measure.[11] Under the final rule, programs must show that typical graduates' loan payments are ≤8 percent of annual earnings or ≤20 percent of discretionary earnings, and that graduates earn more than typical high-school workers; programs that fail metrics in two out of three years lose Title IV eligibility. The Department estimated ~1,700 programs enrolling ~700,000 students would fail at least one metric—evidence that targeted limits would protect students and taxpayers.[12] As explained in my testimony, H.R. 1 was an important step towards improving accountability in higher education, but it fails to address the problem in three ways: 1) excluding certificate programs from the earnings threshold, 2) not holding programs accountable for unmanageable debts, and 3) not including loss of Pell eligibility in the sanctions for failure.

That's the right approach: limit or remove aid for chronically low-value programs, while preserving access to programs that deliver real earnings gains without leaving students with unmanageable debt.

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[9] https://republicans-edlabor.house.gov/UploadedFiles/Amy_Laitinen_Testimony_FINAL.pdf

[10] https://www.newamerica.org/education-policy/edcentral/dont-stop-at-earnings-why-congressional-republicans-must-tackle-student-debt-in-reconciliation/

[11] https://www.newamerica.org/education-policy/edcentral/final-gainful-employment-rule/

[12] https://www.federalregister.gov/documents/2023/10/10/2023-20385/financial-value-transparency-and-gainful-employment