

Testimony to the Senate Finance Committee

Jayne Caflin Fonash

Director of School Counseling

Loudoun Academy of Science

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Chairman Wyden, Ranking Member Hatch, members of the Committee,

Thank you for inviting me to testify at today's hearing on tax benefits for higher education: Less Student Debt from the Start: What Role Should the Tax System Play? I currently serve as director of school counseling at the Loudon Academy of Science, a public magnet school in the Loudon County, Virginia, Public Schools. In my eighteen years with the Loudoun school system I have also worked in two comprehensive high schools and witnessed the district's growth from 15,000 students in 1995 to over 70,000 when school opened in the fall of 2013, as well as a growth in our minority student population from 19.44% in 1998 to 45% in the fall of 2013. Of the members of the Class of 2013 from our 13 high schools, 63 percent of the graduates planned to attend a four-year college, while 27 percent said they would be attending a two-year school.

In relation to my work as director of school counseling, I am also a member of the Potomac and Chesapeake Association for College Admission Counseling (PCACAC), and of the National Association for College Admission Counseling (NACAC). These organizations represent more than 13,000 school counselors and college admission officers across the country who work with students and families to navigate the pathway to higher education. My involvement in these organizations has included service as PCACAC President and Government Relations Chair, and membership on NACAC's Government Relations Committee. This service has afforded me the opportunity to collaborate with college admission professionals from around the country and the world in our mission to serve students and their families in the transition to higher education, to share best practices, and to advocate for the needs of students, parents, and our institutions.

My objective today is to share my perspective as a school counselor on constraints that, in all likelihood, limit the effectiveness of federal initiatives, such as tax credits for higher education, in broadening access to and reducing the price of college.

In my experience, working with students in the college admission process is both challenging and rewarding – in what other job do you have the opportunity to shepherd a group of students each year in the pursuit of their dreams and aspirations? And yet this search must be done with a balance between dreams and reality – how do students find the right school at an affordable price?

My role in helping students and families to piece together information that can help with college access and affordability is an expectation of school counselors in more than 90 percent of schools, both public and private. However, NACAC research reports that nearly three-fourths of my colleagues have expressed a need for more information in order to feel confident about advising students on paying for college. As members of the committee may be aware, the process of applying to and paying for college is complex. There are more than 7,000 institutions of higher education eligible to participate in federal Higher Education Act Title IV programs. The federal government provides a wide range of financial assistance to help students and families pay for college, including need-based grants, federal Direct Loans (both subsidized and unsubsidized), parent loans, work study, and tax credits. In addition to federal programs, students and families can avail themselves of state grants, institutional aid from colleges and universities, private scholarships, and private loans.

As a counselor who is consistently and frequently available and allowed to provide direct services to my students and their parents, I am able to positively impact students' aspirations, achievements and financial aid knowledge. For many students and families, obtaining the information needed to navigate these complex and potentially confusing application processes begins with a school counselor. Research, as well as my experience, suggests that for many students, the difficulty of navigating these processes can serve as a deterrent to reaching a student's best fit college or perhaps any college at all.

School counselors are typically constrained from providing intensive, one-on-one support to students and families on the intricacies of paying for college. Consider that the average student-to-counselor ratio for public schools in the United States is 471 to 1; that school counselors in public schools are able to devote only about one-fourth of their professional time to assisting students with the college search and financial aid processes; and that access to school counselors is often most limited for the students who are most likely to be under-represented in higher education.

I would be remiss if I did not address several issues important on the front end of the college admission process that directly impact student loan debt. During the past five years, parents – and students - have become far more cautious about incurring large amounts of student loan debt. An increasing number of my students have chosen to matriculate at state colleges and universities in Virginia, a state where the articulation agreement between the community

college system and the four-year colleges and universities provides a financial incentive for students to begin their undergraduate education at the community college. When families are faced with the opportunity to finance their student's undergraduate education debt free in-state versus incurring the loans often required to pay for private or out-of-state schools, families are increasingly opting for the financially cautious path.

Despite these constraints, school counselors—and public schools in general—can be catalysts for disseminating information about resources that can help students and families. Three recurring challenges limit school counselors' ability to provide students and families with information about potentially useful federal resources for higher education.

Limited Awareness of Federal Resources for Higher Education in General

Federal resources for higher education, such as Federal Student Aid website, data resources like College Navigator and the Federal Shopping Sheet, and other initiatives like income-based repayment need much more dissemination effort than presently offered. Those of us in this room today are aware of these resources and are likely to share them liberally with our students and our colleagues. My experience, however, is consistent with NACAC data that suggests that for many federal higher education resources, it can take five years or more for a majority of school counselors to have even heard of a specific federal tool or resource for the college search. With a student caseload of 265 - far below the national average of 471 students - I have the time to develop a familiarity with these federal resources for use with my students and their families, which is not necessarily the case for counselors with higher student loads.

Consider that although the states in this region have the benefit of lower student-to-counselor ratios with Virginia at 315 and Maryland at 357, I have colleagues around the country with far greater challenges. Consider the public schools in Philadelphia, PA, where through the first six weeks of this school year, 16 "itinerant" counselors were responsible for 48,000 students in 115 of the district's schools – an average of 3,000 per counselor. Consider California, where the student-to-counselor ratio of 1,016 to 1 means that they might be one counselor in each school. Serious local conversations about budget priorities are needed to resolve these problems on a long-term basis, but in the meantime the federal government can take a leadership role in disseminating financial aid resources more broadly. While counselors would like to have more time to spend with each student, easy access to up-to-date information would make the limited time we have that much more productive. Students and parents who have had the opportunity to develop a trusted relationship with a school counselor are more likely to consult with that counselor when questions arise about information available in the massive market for higher education/financial aid advice. A larger government presence in that space to capture attention of students, families, and professionals would provide an additional trusted source.

Little Awareness Among Students and Families about Tax Benefits

Many families may be unaware of the tax benefits available to help families mitigate the cost of post-secondary education. I know as a taxpayer with two grown children that these tax credits can directly reduce the amount of federal income tax for returns. That being said, I have never had a conversation with a student about the potential impact of future tax credits on affordability of attendance, nor have I been asked a question by a parent about tax credits. Based on my colleagues' reports, I am not alone in that regard. It is common practice for those of us on the high school side to ask our college financial aid officers to do presentations for our parents about the financial aid process, but it has been my experience that it is rare for a question to arise about tax credits. It has been my experience that that financial aid professionals shy away from giving any information that could be construed as tax advice. If questioned, they may mention that tax credits do exist and that families should consult a tax professional for more information about how that might affect their personal situation. A concise, one-page document to share with parents and students on the availability of tax benefits and resources to consult for additional information would open the door for a conversation in an area that families are often reticent to discuss – their financial situation.

Without more information and education about the impact of tax credits, families may not see much financial difference in the decision to enroll. Any refund for which they qualify won't show up until almost a year after the first tuition bill is due. Families for whom two thousand dollars is the difference between a child enrolling in college or not may not be able to wait that long for the additional funds. Families with the means to send their children to college anyway may be more likely to see the benefit of and take advantage of the tax relief at the end of the academic year.

Disconnect Between Direct Student Aid and Tax Benefits

Unlike direct financial assistance like grants and loans, tax credits are not necessarily well-placed in the sequence of paying for college. For instance, student financial aid award letters include information on direct student aid, including Pell Grants, Direct Loans, specific university and state grants, and work-study programs. Tax benefits are not part of this process, which, as I noted earlier, takes them a step further outside of families' consideration in the process of cutting the college tuition check and taking out loans. In addition, families need to be aware that tax credits are governed by ceilings on adjusted gross income levels, that multiple types of credits cannot be used for the same student in a single year nor may these credits be combined with tax-free withdrawals from education IRAs. Under the current system, tax benefits add steps to getting aid, which is counter to the current Congressional efforts to simplify the financial aid process.

That doesn't mean it isn't worthwhile and very helpful for families making that investment, but it may not make a difference between students enrolling in college at all and not.

Recommendations

Based on what I have observed in my work with students and families, there are a few recommendations that I submit to committee members for their consideration.

1. Disseminate Educational Resources More Broadly

Since school counselors and other college advising professionals are spread so thin, and given the current low level of awareness of federal tax benefits for higher education, providing educational resources for professionals, students and families is essential if these programs are to succeed. Students and families have to navigate a thicket of information, and can be misled by unscrupulous players in the market. Ensuring that they receive trusted information from the federal government, whether directly or by way of a school counselor, is critical.

2. Utilize Regular School Communications to Convey Eligibility

Schools and colleges communicate regularly with their students and families about federally-supported programs, such as the annual application for free and reduced-price lunch in K-12 education and financial aid award letters in postsecondary education. Incorporating information about federal tax benefits for higher education into these communications would, at a minimum, ensure that students and families receive the information annually. It may have the added effect of raising awareness of these important benefits, and potentially increase participation over the long-term.

3. Address the Indirect Effect of Tax Benefits

Since tax benefits accrue on a different schedule than college enrollment, and may not affect the amount of money a student must pay to enroll, how much loan money they have to borrow, and what their loan repayment amount will be, consider ways to ensure that tax benefits for higher education can be brought to bear when the money is most needed.

Thank you again for inviting me to testify at today's hearing. I will be glad to respond to questions from the committee.