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Rep. McKeon's Plan to Penalize Colleges for Steep Tuition Increases Is Criticized in House Hearing

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Washington

The chairman of the U.S. House of Representatives' principal subcommittee on higher education appears to be having trouble building support for a proposal that would penalize colleges that raise their prices too high by preventing them from participating in the federal government's student-aid programs.

The difficulties experienced by Rep. Howard P. (Buck) McKeon, a California Republican, in rallying support for his proposal were on display on Tuesday, when three of four people invited to testify at a subcommittee hearing on college costs blasted the plan.

At the hearing, the three panelists -- a public-college president, a state higher-education executive, and a higher-education analyst -- joined the subcommittee's Democratic lawmakers in warning that any plan to impose price controls on colleges would inevitably lead to a deterioration in the quality of their educational programs. The speakers also warned that Mr. McKeon's proposal would ultimately harm the needy students the congressman is trying to help by depriving them of student-aid funds.

"A federal foray into controlling the prices charged by institutions would be unwise and potentially destabilizing," said Jamie P. Merisotis, president of the Institute for Higher Education Policy, a Washington-based research group.

Mr. McKeon acknowledged that his proposal had come under heavy attack but said that he would not back down. "We can talk and talk and talk about this problem, but I think the time has come to stop talking and to start acting," he said.

"The fact is, the consumers of higher education -- students and parents -- are losing patience," he added. "Parents are scared that they may not be able to send their children to college. Students dread the day when their student loans will be due."

Mr. McKeon said he intended to introduce a bill to carry out his plan sometime in the next two weeks. He said that the legislation would be "a starting point" and that he is open to suggestions on how to improve it.

In fact, he said, he had already made some big changes in the plan in response to criticism.

For example, under his original proposal, which he unveiled in March, colleges that increased their cost of attendance by twice the rate of inflation or more for two years in a row would face penalties,

including a possible loss of eligibility to participate in all of the federal student-aid programs.

At Tuesday's hearing, Mr. McKeon said that, under the latest version of the plan, students at colleges that were penalized would not lose eligibility for Pell Grants or federal student loans. Students at those institutions, however, could still lose money from other federal aid programs, such as the College Work Study and Supplemental Educational Opportunity Grant Programs.

In addition, under the new version of the plan, colleges that have exceeded the pricing threshold would have more time to come into compliance. Final details have not been worked out, but a draft plan that has been circulated on Capitol Hill indicates that colleges would be given at least three years to come under the cap before they would be penalized.

One of the witnesses at the hearing pointed out another potential problem with the plan: Its reliance on percentage increases in the cost of attendance as gauges of compliance could produce misleading results. "A small dollar increase may well be reflected in a relatively large percentage increase at lower-tuition institutions," said F. King Alexander, president of Murray State University. For example, he said, Murray State raised its tuition and fees by \$398 last year, but that works out to be a 15-percent increase.

"A policy based on an indexed percentage tuition growth would simply give high-tuition, high-expenditure, and more-inefficient colleges and universities a perpetual economic advantage over the institutions that have done a better job at controlling student tuition costs and per student expenditures," he said.

Mr. McKeon said that he was aware of the problem. "It's something we're going to need to address," he said.

One witness at the hearing cheered Mr. McKeon for taking on colleges. Jessica Hanson, a senior at Florida State University, said that universities are too quick to raise their prices when they are in a financial bind. "We must hold our university administrations accountable and ensure that they do not engage in wasteful spending," she said. "We must ensure that it is no longer an option to balance their budgets on the backs of students."