



## TESTIMONY ON LD 1412

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Maine Committee on Education and Cultural Affairs

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Co-chair Hackett, Co-chair Frazier, and members of the Commission,

My name is Joe Horvath, and I am a visiting fellow at Opportunity Solutions Project (OSP). OSP is a non-profit, non-partisan advocacy organization that seeks to restore the path to self-sufficiency by removing barriers to work.

This bill helps Maine address a growing problem in the United States. As of September, student debt totaled more than \$1.7 trillion dollars, equivalent to roughly eight percent of the nation's Gross Domestic Product (GDP).<sup>1-2</sup> The average Maine graduate's student debt, specifically, is more than \$30,000, totaling more than \$5.6 billion in total.<sup>3</sup>

Until presidential and congressional action that artificially reduced default rates on student debt, it was defaulted on more commonly than any other kind of personal debt.<sup>4</sup> Accrual of student debt is, at times, an unavoidable cost of attaining a degree, but can also be the result of a simple lack of awareness of personal finances and economics, as well as a failure to plan ahead.

LD 1412 would help young Maine students by increasing access to important information on the cost of college, other training opportunities, and potential earnings data. This information will be delivered directly to its intended audience. It is smart, it is practical, and it is necessary. The end result is a connection: students are connected with the kind of information they need to make informed decisions about school, work, and their futures.

How many of us really knew what college would cost when we left high school? How many of us knew what our monthly student loan payments would be, or even had an approximation? How many of us knew what the most in-demand jobs were in the state, what they paid, and what kind of schooling was required? We may have had vague ideas about all of these at best. Teenagers already suffer from too many obscurities in life—something as important as school and career development should be crystal clear.

Too many young people are forced to make one of the biggest decisions of their lives not only with an incomplete plan—but often with no semblance of one. “College is how you succeed in America now. Figure it out when you get there” is not good enough. Students can take out tens of thousands of dollars in loans with little more than a signature, without any real idea of how to pay off that loan.

Many eventually struggle, particularly those who do not graduate in a timely manner, or those who do not graduate at all. Between 2014-2016, nearly four million undergraduates with student loan obligations dropped out, not realizing any income increase from college but suffering much of the debt.<sup>5</sup> Today, the estimated dropout rate for students at four-year institutions is 56 percent.<sup>6</sup> Unfortunately, those who do not graduate have a default rate three times higher than those who do.<sup>7</sup>

There are a multitude of opportunities available to young people, and there are ways to optimize the education experience and keep costs as low as possible. They just need to know about them. There are also opportunities outside the four-year, bachelor's degree process. With the cost of college growing at a rate almost eight times faster than wages, now is as appropriate a time as any to explore those options.<sup>8</sup>

This bill is about raising up Maine students, helping get the word out on our institutions of higher education, and partnering with employers in the state. But it also helps to align Maine's higher education system with its job market. By publishing the state's most in-demand positions, in concert with the pathways to get those jobs, Maine can help keep young people in the state, working good jobs. And, equally important, with this bill helping to align Maine's institutions of higher education with its real job market, employers will have an easier time filling their open positions.

LD 1412 will help connect students with the right school, graduates with the right job, and businesses with the right worker. This bill is pro-transparency, pro-growth, pro-education, and pro-student. I applaud what this policy would do to make the cost of education more transparent and provide young Mainers with the information they need to make a plan and decide their future.

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<sup>1</sup> Federal Reserve, G.19 Report, Nov. 2020. <https://www.federalreserve.gov/releases/g19/current/default.htm>.

<sup>2</sup> Bureau of Economic Analysis, "Gross Domestic Product (Third Estimate), corporate profits (Revised), and GDP by industry, Third Quarter 2020," <https://www.bea.gov/news/2020/gross-domestic-product-third-estimate-corporate-profits-revised-and-gdp-industry-third>.

<sup>3</sup> Gili Malinsky and Andy Kiersz, "Here's the amount of student debt owed by every US state and DC, in billions," Business Insider (2019), <https://www.businessinsider.com/student-loan-debt-per-state-2019-4>.

<sup>4</sup> Jeff Cox, "Student debt is over \$1.6 trillion and hardly anyone is paying down their loans," CNBC (2020), <https://www.cnbc.com/2020/01/16/student-loan-debt-is-over-1point6-trillion-and-balances-arent-going-down.html>.

<sup>5</sup> Elissa Nadworny and Clare Lombardo, 'I'm drowning': Those hit hardest by student loan debt never finished college," NPR (2019). <https://www.npr.org/2019/07/18/739451168/i-m-drowning-those-hit-hardest-by-student-loan-debt-never-finished-college>

<sup>6</sup> College Atlas "U.S. College Dropout Rate and Dropout Statistics," College Atlas (2018), <https://www.collegeatlas.org/college-dropout.html>

<sup>7</sup> Elissa Nadworny and Clare Lombardo, 'I'm drowning': Those hit hardest by student loan debt never finished college," NPR (2019), <https://www.npr.org/2019/07/18/739451168/i-m-drowning-those-hit-hardest-by-student-loan-debt-never-finished-college>

<sup>8</sup> Camilo Maldonado, "Price Of College Increasing Almost 8 Times Faster Than Wages," Forbes (2018), <https://www.forbes.com/sites/camilomaldonado/2018/07/24/price-of-college-increasing-almost-8-times-faster-than-wages/?sh=475a6e4466c1>.