

{CAMPUS★PROGRESS}

Affordable College Education for All Americans

*“By 2020, America will once again have the highest proportion of college graduates in the world.” –
President Barack Obama*

Summary:

The United States was once the best educated country in the world, and much of our prosperity rested on this unprecedented investment in the talents and creativity of the American people. Unfortunately, decades of public divestment from education and student aid programs, along with the progress of other countries, has led the United States to slip in its level of educational attainment.

In order to build a sustainable economy in the long-term while making sure that students and young people are not denied a college education because of the financial crisis, we need serious reform to the student financial aid system, and a major investment in college access, completion, and affordability. Passing President Obama’s budget proposal for 2010 would be an important step in putting our country back on track.

Problem:

- The current generation is less educated than earlier generations. Americans that are 35-65 years old are second only to Canadians when it comes to post-secondary degree attainment, but 25-34 year old Americans are ranked 10th place. The US currently ranks 15th in the number of degrees and certificates awarded per 100 students enrolled.
- The Lumina Foundation estimates that the American Economy will face a shortage of 16 million college-educated workers by 2025.
- A college graduate can be expected to make \$1 million more over the course of his or her working life than a high school graduate.
- Student aid has often failed to keep up with college costs. The Pell grant, which helps low and middle income families, covered 72% of the average cost of attendance for a public four year college in 1976, but only 33% of this cost in 2006.
- We are leaving too many talented young people behind, especially those from low-income or minority families. The most academically prepared low-income high school graduates go to school at about the same rate as the least prepared students from wealthy families. For young people that do attend college, large class and racial disparities exist in completion rates. Almost 67% of non-Hispanic White students earn a bachelor’s degree from any school within six years, while the same can be said for only 45.7% of non-Hispanic Black students.
- Nearly one in four public college graduates, and four in ten graduates from private colleges, have student debt levels that would be unmanageable at the starting salary of a teacher.



Progressive Budget Priorities:

I. Make Pell Grants More Reliable

The Pell grant is the most important source of aid for middle and low income students. Currently, Congress must fund the program through the annual discretionary budget process, which in practice has meant that the maximum award tends to remain the same for long periods of time. Congress should make sure that the 2010 budget provides for swift passage of legislation to increase the maximum award to \$5,550 for the 2010-11 school year, make the Pell Grant a mandatory program, and tie the maximum award to 1% over the Consumer Price Index to prevent declines in the grant's purchasing power.

II. Create State/Federal Partnerships for College Access and Completion Rates

Currently, there are too few programs addressing the issues of college access and completion on a large scale, and these programs do not always provide the kinds of information that could be used to refine future efforts on this issue. Congress should create a \$2.5 billion fund for the development of state-federal partnerships that aim to increase access and completion rates, particularly for disadvantaged and underrepresented students. Congress should make sure that these partnerships include a research component to ensure improve our knowledge of what kinds of programs work, and which do not.

III. End Wasteful Financial Aid Programs, and Make Student Loans Reliable

The Department of Education manages two programs to provide the same federal loans to students: the Federal Family Education Loan Program (FFELP) and the William D. Ford Federal Direct Loan Program (DLP). In the DLP, the government lends directly to students, but in the FFELP the government grants private companies subsidies and guarantees against default. The Congressional Budget Office estimated that originating all future federal student loans from the DLP will save taxpayers \$94 billion over ten years. In addition to being more expensive, FFELP is has a higher cohort default rate, is more prone to corruption, and is less reliable for students. As Education Secretary Arne Duncan said, this program is "on life support." The Department of Education was forced to begin purchasing FFELP loans to keep the program from collapsing, essentially providing lenders with the capital they need to make new loans. Congress should originate all new student loans from the DLP, and utilize the savings to reform and expand student aid programs like the Pell Grant. The budget should provide additional resources to the Department of Education in order to help schools with the transition to the DLP.

IV. Reform and Expand the Perkins Loan Program

Perkins loans have a low interest rate (5%), and must be used to help cover demonstrated financial need. They differ from other federal loan programs in the degree of leeway that college financial aid offices have as to who receives the award. Unfortunately, the current formula for distributing the funds to schools tends to disproportionately benefit wealthier schools like Harvard, rather than community colleges and public four-year universities. Congress should expand the current program by making up to six billion dollars available each year, and change the formula to encourage institutional need-based aid and reward schools that graduate students from working families while keeping tuition under control. These reforms will provide targeted assistance to students that would otherwise turn to private loans, and are a good alternative to raising federal student loan limits, which would cause student debt levels to spike.

Contact: For more information about higher education issues related to the 2010 budget, please contact:

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