

LEGISLATION TO ADDRESS RISING STUDENT LOAN DEBT AND THE COST
OF COLLEGE

by
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Abstract

Increasing student loan debt levels have created a market failure where graduate students consumer participation is severely hindered, as the mounting debt impacts their general purchasing power and ability to obtain credit. By taking a qualitative exploration through the legislative history of the Higher Education Act of 1965, student loan borrowing and state investment trends, a policy proposal was discovered to address rising student loan debt levels and tuition costs. This policy proposes (1) creating a new state-federal matching program that would provide grants to states to incentivize state higher education investment, (2) penalizing public institutions that receive federal funding, who increase tuition greater than the rate of inflation and (3) capping Parent and Grad PLUS federal loan program limits. In analyzing this policy, it was found that it would have an immediate impact on state investment into higher education, reduce long-term tuition costs and accumulation of student loan debt, and would incentive cost-cutting measures by colleges and universities. However, potential challenges created by the policy could limit college access for low- and middle-income students in the short-term, program funding would raise excise taxes on alcohol and tobacco, and it could force the closure of low-quality and underperforming schools, displacing thousands of students. Politicians and key stakeholders can both get behind the general issue of reducing debt levels and college costs. However, based on the lack of budget neutrality and short-term challenges to college access and affordability, there would likely be resistance by the opposition and key stakeholders. Thus, a recommendation could not be made in favor of the policy.

Advisor, Paul Weinstein

Decision Memorandum

To: Sen. Patty Murray (D-WA), Ranking Democratic Member- Senate Health, Education, Labor, and Pension Committee

From: Alexis Redmond

Date: May 8, 2015

Action-Forcing Event Statement

In February, the New York Federal Reserve released its Quarterly Report on Household Debt and Credit, which stated that while most forms of household debt saw improvements in borrowers making on-time payments, a big exception was student loan debt.¹ Student loan debt saw delinquencies rise to 11.3 percent of outstanding debt.² Currently, there is \$1.2 trillion in student debt, 40 percent of which is held by graduate and professional students and graduate students make up 14 percent of total student loan borrowers.^{3,4} The Department of Education acknowledges that as the student loan portfolio grows, more borrowers are expected to default, increasing the financial risk to the federal government, which in turn could have repercussions for the economy at large.

Statement of the Problem

¹ Farrington, Robert, Student Loan Delinquencies Continue To Rise Despite More Options for Borrowers. Forbes.com. February 26, 2015. Accessed Date March 30, 2015. <http://www.forbes.com/sites/robertfarrington/2015/02/26/student-loan-delinquencies-continue-to-rise-even-with-more-options-for-borrowers/>.

² *Id.*

³ Marcus, Jon, *The Real Student Debt Problem No One is Talking About*. Time.com. November 9, 2014. Accessed Date January 24, 2015. <http://time.com/3544912/graduate-school-loans-debt/>.

⁴ *Id.*

Effective July 1, 2012, the Budget Control Act of 2011 eliminated subsidized Stafford loans for graduate and professional students.⁵ Following this Act, graduate students who use loans to finance their degree must now borrow more of that amount at more expensive unsubsidized rates. Combined with rising tuition costs at graduate programs, more and more graduate students find themselves owing record loan amounts. On average, tuition at public colleges and universities for graduate degrees totals nearly \$30,000 and at private schools nearly \$40,000 annually.⁶ The increasing student loan debt levels have created a market failure where graduate students consumer participation is severely hindered as the mounting debt impacts their general purchasing power and ability to obtain credit. According to a study by the American Student Assistance, if tuition levels remain high, future market recovery could be delayed.⁷

In 2004, the median level of indebtedness for borrowers was an average of \$40,209.⁸ Since 2004, the median level of indebtedness for borrowers reached an average of \$57,600 in 2012.⁹ Student borrowing patterns tend to show that the levels of indebtedness will continue to rise. During the 2011-2012 school year, 70 percent of graduate students received some type of financial aid, 45 percent took out student loans.¹⁰

⁵ *Historical Loan Limits*. (2015) FinAid Page, LLC. Accessed February 26, 2015.

<http://www.finaid.org/loans/historicallimits.phtml>.

⁶ Peterson's Staff, *Is the Cost of a Graduate Degree Worth It?* Petersons.com. April 9, 2014.

<http://www.petersons.com/graduate-schools/cost-graduate-degree-worth.aspx>. Accessed February 10, 2015.

⁷ *Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans*. American Student Assistance Accessed February 26, 2015. http://www.asa.org/site/assets/files/2205/life_delayed.pdf

⁸ Delisle, Jason, *The Graduate Student Debt Review: The State of Graduate Student Borrowing*. March 2014. New America Education. p. 2

<http://newamerica.net/sites/newamerica.net/files/policydocs/GradStudentDebtReview-Delisle-Final.pdf>

⁹ *Id.* at. p. 1.

¹⁰ Hunt-White, Tracy et al, *2011–12 National Postsecondary Student Aid Study (NPSAS: 12)*. August 2013. National Center for Education Statistics. Accessed March 5, 2015. p. 6

<http://nces.ed.gov/pubs2013/2013165.pdf>

During that academic year, 43 percent took out Federal Direct Loans and 10 percent took out Federal Direct PLUS Loans for graduate students.¹¹ Borrowers took out an average of \$21,400 in student loans.¹² The average amount borrowed from federal Direct Loans was \$17,000, and the average amount borrowed from Federal Direct PLUS Loans for graduate students was \$18,600.¹³ In 2004, 25 percent of graduate and professional degree borrowers owed an average of \$70,907.¹⁴ This increased to \$99,614 in 2012.¹⁵ These totals are exacerbated for borrowers during repayment by the accompanying interest rates of 6.21 percent for Direct Unsubsidized Loans and 7.21 percent for Direct PLUS Loans.

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Currently, 40 million Americans have student loan debt and the demand for higher education has continued to grow since the mid-1970s.¹⁷ In fall 2012, total undergraduate enrollment in degree-granting postsecondary institutions was 17.7 million students. This was a 48 percent increase from 1990 (12 million students enrolled).¹⁸ Undergraduate enrollment is projected to increase from 17.7 million to 20.2 million students between 2012 and 2023.¹⁹ Furthermore, students are continuing on to pursue

¹¹ *Id.* at p. 11-12.

¹² *Id.* at p. 6.

¹³ *Id.* at p. 15.

¹⁴ Delisle, Jason, *The Graduate Student Debt Review: The State of Graduate Student Borrowing*. March 2014. New America Education. p. 16.

¹⁵ <http://newamerica.net/sites/newamerica.net/files/policydocs/GradStudentDebtReview-Delisle-Final.pdf>

¹⁶ *Id.* at p. 16.

¹⁷ Federal Student Aid, *Understand how interest is calculated and what fees are associated with your federal student loan*. 2015. Accessed March 12, 2015. <https://studentaid.ed.gov/types/loans/interest-rates>

¹⁸ Ellis, Blake. *40 million Americans now have student loan debt*. CNN. com September 10, 2014. Accessed February 26, 2015. <http://money.cnn.com/2014/09/10/pf/college/student-loans/>

¹⁹ *Undergraduate Enrollment*. National Center for Education Statistics. May 2014. Accessed March 5, 2015. https://nces.ed.gov/programs/coe/indicator_cha.asp

¹⁹ *Undergraduate Enrollment*. National Center for Education Statistics. May 2014. Accessed March 5, 2015. https://nces.ed.gov/programs/coe/indicator_cha.asp.

graduate degrees. Over three million students are projected to pursue post-baccalaureate degrees in 2014 and the number is expected to rise by more than 500,000 students over the next ten years.²⁰ These students will face increasing tuition responsibilities as colleges and universities look to tuition to provide more and more revenue.

In a study by the Government Accountability Office (GAO), they found that from fiscal years 2003 through 2012, median tuition rose 55 percent across all public colleges while state funding decreased by 12 percent.²¹ State fiscal investment in higher education has been on the decline since 1980.²² The decline in state funding for public college has been seriously impacted by the recent recession. The average state is spending \$2,026 or 23 percent less per student than before the recession.²³ In response to funding cuts, colleges have become increasingly dependent on tuition revenue. Tuition revenue for public colleges increased from 17 percent to 25 percent, surpassing state funding by fiscal year 2012.²⁴ These increases have contributed to the decline in college affordability.

²⁰ U.S. Department of Education: Institute of Education Sciences, National Center for Education Statistics, *Table 105.20. Enrollment in educational institutions, by level and control of institution, enrollment level, and attendance status and sex of student: Selected years, fall 1990 through fall 2023*. Digest of Education Statistics. Prepared January 2014. Accessed March 5, 2015.

http://nces.ed.gov/programs/digest/d13/tables/dt13_105.20.asp

²¹ United States Government Accountability Office, *Report to the Chairman, Committee on Health, Education, Labor, and Pensions, United States Senate: State Funding Trends and Policies on Affordability*. United States Government Accountability Office. December 2014. Accessed March 12, 2015

<http://www.gao.gov/assets/670/667557.pdf>

²² Davis Bell, Julie, *Getting What You Pay For: The Nuts and Bolts of the Higher Education Legislative Appropriations Process*. National Conference of State Legislatures. November 2008. Accessed March 5, 2015. http://www.wiche.edu/info/gwypf/bell_appropriations.pdf

²³ Mitchell, Michael et al, *States Are Still Funding Higher Education below Pre-Recession Levels*. Center on Budget and Policy Priorities. May 1, 2014. Accessed March 12, 2015.

<http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels?fa=view&id=4135>

²⁴ United States Government Accountability Office, *Report to the Chairman, Committee on Health, Education, Labor, and Pensions, United States Senate: State Funding Trends and Policies on Affordability*. United States Government Accountability Office. December 2014. Accessed March 12, 2015

<http://www.gao.gov/assets/670/667557.pdf>

While recovering from the last recession, students and their families are facing greater college costs and are turning to federal aid and, specifically, federal loan programs to make up the difference.

Upon graduation some students and families are struggling with repayment or facing loan default. Recently, there has been an increase in the number of loan defaults putting both students and the government in financial risk. Factors attributing to an increase in loan default rates are a tough economy and difficult employment landscape, the overall 2010 cohort default rate of 9.1percent, and is approximately double the national cohort rate of 4.6percent in 2005.²⁵ Last spring, the Government Accountability Office released a report that, “As of fiscal year 2013 about \$94 billion—over 11 percent of federal student loan volume in repayment— was in default.”²⁶ If these trends continue, there will be rising debt and repercussions for the economy at large.

²⁵ Department of Education, *Student Loans Overview: Fiscal Year 2014 Budget Proposal*. <http://www2.ed.gov/about/overview/budget/budget14/justifications/s-loansoverview.pdf>

²⁶ United States Government Accountability Office. *Federal Student Loans: Better Oversight Could Improve Defaulted Loan Rehabilitation*. March 2012. Accessed January 23, 2015. <http://www.gao.gov/assets/670/661437.pdf>

History

Since its creation, the Higher Education Act of 1965 (HEA) has been reauthorized nine times with the most recent reauthorization in 2008. Notably there has been a steady trend of increasing loan caps and changing access to subsidized loans for graduate students. The Federal Student Loan system is based on the idea of access and achievement. The Federal Student Loan Program was enacted in 1958 as a part of the National Defense Education Act, to improve science and technical education by establishing a low-interest college loan program.²⁷ As higher education grew, the government became more interested in higher education access and completion for all Americans. In 1965, the Higher Education Act of 1965 was signed to provide greater college access to low-income and minority students.²⁸ President Johnson's goal in enacting this law was to keep "the doors to higher education open for all academically qualified students regardless of their financial circumstances."²⁹ In 1978, the Middle Income Student Assistance Act expanded loan eligibility to students above the poverty line but who were unable to pay for college outright.³⁰ From this point, student enrollments and student debt began to grow.

²⁷ Cervantes, Angelica et al., *Opening the Doors to Higher Education: Perspectives on the Higher Education Act 40 Years Later*. TG Research and Analytical Services. November 2005. p. 11 http://www.tgslc.org/pdf/hea_history.pdf

²⁸ *Id.* at p. 17-18.

²⁹ Burke, Lindsey, *Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs*. The Heritage Foundation. August 19, 2014. Accessed January 26, 2015. <http://www.heritage.org/research/reports/2014/08/reauthorizing-the-higher-education-act-toward-policies-that-increase-access-and-lower-costs>

³⁰ Dynarski, Susan and Judith Scott-Clayton, *Financial Aid Policy: Lessons from Research*. The Future of Children: Postsecondary Education in the United States. Vol 23, Number 1, Spring 2013. Princeton-Brookings p. 72. http://futureofchildren.org/futureofchildren/publications/docs/23_01_FullJournal.pdf

Following this act, average cost of attendance rose from \$2,587 in 1978 to \$3,101 in 1980.³¹ In response to rising costs, Congress established the Parent PLUS program in order for parents to take out loans for their children's college expenses. Tuition has steadily increased by an average of nearly 10-12 percent annually since 1980.³² In order to maintain college accessibility, Congress has adjusted loan caps or programs in every reauthorization of HEA and also through general appropriation bills. Federal student loan limits began to increase in 1987 with the increase of lifetime aggregate loan limits to \$54,750.³³ Prior to 1987, graduate students aggregate limit for Stafford loans was up to \$25,000 and Graduate PLUS Loans were \$4,000 annually with an aggregate limit of \$20,000.³⁴

Between the 1987 reauthorization of HEA and the 1992 reauthorization, the average cost of college attendance rose by \$2,246.³⁵ In 1992, HEA was again reauthorized with amendments that increased annual Stafford loan limits for sophomores,

³¹ U.S. Department of Education: Institute of Education Sciences, National Center for Education Statistics, Table 320. *Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution: 1964-65 through 2006-07*. Digest of Education Statistics. Prepared July 2007. Accessed March 5, 2015. http://nces.ed.gov/programs/digest/d07/tables/dt07_320.asp

³² U.S. Department of Education: Institute of Education Sciences, National Center for Education Statistics, Table 320. *Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution: 1964-65 through 2006-07*. Digest of Education Statistics. Prepared July 2007. Accessed March 5, 2015. http://nces.ed.gov/programs/digest/d07/tables/dt07_320.asp

³³ Burke, Lindsey, *Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs*. The Heritage Foundation. August 19, 2014. Accessed January 26, 2015. <http://www.heritage.org/research/reports/2014/08/reauthorizing-the-higher-education-act-toward-policies-that-increase-access-and-lower-costs>

³⁴ *Historical Loan Limits*. (2015) FinAid Page, LLC. Accessed February 26, 2015. <http://www.finaid.org/loans/historicallimits.phtml>

³⁵ U.S. Department of Education: Institute of Education Sciences, National Center for Education Statistics, Table 320. *Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution: 1964-65 through 2006-07*. Digest of Education Statistics. Prepared July 2007. Accessed March 5, 2015. http://nces.ed.gov/programs/digest/d07/tables/dt07_320.asp

juniors, seniors and graduate students, along with increases in the aggregate limits.³⁶ It also introduced the unsubsidized Stafford loan, increased the annual PLUS loan limit to cost of attendance minus aid, and eliminated the aggregate PLUS loan limit. The new Stafford Loan aggregate limit had again been increased, this time to \$65,500.

In 1993, President Bill Clinton had concerns about the size and cost of the student loan program and sought to return to a direct loan program.³⁷ Political opposition and bank lenders viewed any actions towards transitioning back to direct-lending as a “Government takeover.”³⁸ A compromise was reached under the Omnibus Reconciliation Act, to offer some direct federal loans while maintaining guarantees for bank loans.³⁹ The passage of this act was highly contentious, primarily because changes to tax rates and Social Security benefits were also being considered. House voted in favor 218-216 and the Senate passed the bill by a 51-50 vote in favor.⁴⁰ At the time, Congress was composed of 258 Democrats, 175 Republicans, and 1 Independent.⁴¹ Contentions between Clinton and Congress over the tax portion of the Omnibus Reconciliation Act led to a party shift in the next congressional race, leading to both houses being under Republican control.⁴²

³⁶ *Historical Loan Limits*. (2015) FinAid Page, LLC. Accessed February 26, 2015.

<http://www.finaid.org/loans/historicallimits.phtml>.

³⁷ Cervantes, Angelica et al., *Opening the Doors to Higher Education: Perspectives on the Higher Education Act 40 Years Later*. TG Research and Analytical Services. November 2005. p. 40.

http://www.tgslc.org/pdf/hea_history.pdf

³⁸ Kline, Con. John, *Ten Things Every American Should Know About the Government Takeover of Student Loans*. March 18, 2010. Accessed April 15, 2015.

<http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=205745>

³⁹ Cervantes, Angelica et al., *Opening the Doors to Higher Education: Perspectives on the Higher Education Act 40 Years Later*. TG Research and Analytical Services. November 2005. p. 40.

http://www.tgslc.org/pdf/hea_history.pdf

⁴⁰ *Voting Record, 103rd Congress*. GovTrack.com. 2015. Accessed April 11, 2015.

<https://www.govtrack.us/congress/votes/103-1993/h406>

⁴¹ *Id.*

⁴² United States House of Representatives, *Congress Profiles*. (1995-1997) History, Art, & Archives. Accessed April 20, 2015. <http://history.house.gov/Congressional-Overview/Profiles/104th/>

In 1993 and 1994 several changes to the Stafford Loan Program went into effect. Students were able to borrow any amount not awarded as a subsidized Stafford loan as an unsubsidized Stafford loan, up to the combined limit and the aggregate unsubsidized Stafford loan limit for graduate students reached \$73,000, bringing the combined aggregate limits to \$46,000 in subsidized loans and \$138,500 in total subsidized and unsubsidized loans.⁴³ Further, Graduate PLUS loans were limited to cost of attendance minus aid received; however, there is no aggregate limit.⁴⁴ Over the next decade, loan and enrollment rates continued to rise.

In 2007, the 110th Congress was composed of 233 Democrats and 202 Republicans.⁴⁵ At this time, the economy was faltering and Congress was working to pass several bipartisan plans in order to stabilize the market. In remediating these issues, the government focused on regulation and consumer awareness. Congress introduced the College Cost Reduction and Access Act (CCRAA) in 2007, another budget reconciliation bill, to reduce interest rates on subsidized student loans, cap loan repayment at 15 percent of an individual's discretionary income, set publicly funded student loans to fixed rates from variable rate loans, and took actions to address problematic practices in the lending industry.⁴⁶ Then in 2008, the Higher Education Opportunity Act was introduced that modified loan caps so that the combined aggregate limit for graduate and professional students remained unchanged at \$138,500, no more than \$65,500 of which may be

⁴³ *Historical Loan Limits*. (2015) FinAid Page, LLC. Accessed February 26, 2015.

<http://www.finaid.org/loans/historicallimits.phtml>.

⁴⁴ *Id.*

⁴⁵ United States House of Representatives, Congress Profiles. (2007-2009) History, Art, & Archives. Accessed April 20, 2015. <http://history.house.gov/Congressional-Overview/Profiles/110th/>.

⁴⁶ *College Cost Reduction and Access Act (CCRAA) P.L. 110-84*. Duke Law School. January 18, 2008. <https://law.duke.edu/students/pdf/CCRAA.pdf>.

subsidized and gave the Education Department power to step in and buy loans from struggling lenders.⁴⁷

Under the 111th Congress, Democrats held a super majority with 257 Democrats and 178 Republicans.⁴⁸ Congress worked to cut higher education ties with banks and to move forward with more affordable lending options. In 2010, the Health and Education Affordability Reconciliation Act of 2010 passed eliminating billions of dollars in subsidies to banks and redirected that money to students and families in the form of increased Pell Grants.⁴⁹ Partisan relationships were contentious as higher education reform was again coupled with other controversial policies, in this case the Affordable Care Act. All Republicans voted against the passage of this Act in both the House and Senate.⁵⁰ Partisan dialogues were tense and negotiations often led to stalemates.

However, Republicans were still willing to work with Democrats on higher education issues with the passage of the Budget Control Act of 2011. This Act eliminated subsidized Stafford loans for graduate and professional students. Banks and other private lenders still loan money to students, but without a government guarantee.⁵¹ Government loans offer lower interest rates than bank loans making them initially more affordable. However, these loans are still leading to a long-term impact of higher debt levels for

⁴⁷ 110th Congress, GovTrack.com. 2015. Accessed April 11, 2015.

<https://www.govtrack.us/congress/bills/110/hr4137/summary>

⁴⁸ United States House of Representatives, *Congress Profiles*. (2009-2011) History, Art, & Archives. Accessed April 20, 2015. <http://history.house.gov/Congressional-Overview/Profiles/111th/>

⁴⁹ 111th Congress, Congress.gov. 2010. Accessed April 18, 2015. <https://www.congress.gov/bill/111th-congress/house-bill/4872>

⁵⁰ United States Senate, *H.R. 4872 Health Care and Education Reconciliation Act of 2010*. March 25, 2010. Accessed April 18, 2015.

http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=111&session=2&vote=00105

⁵¹ *S.365 - Budget Control Act of 2011*. Congress.gov. August 2, 2011. <https://www.congress.gov/bill/112th-congress/senate-bill/365?q=%7B%22search%22%3A%5B%22Budget+Control+Act%22%5D%7D>

students. Total student loan balances almost tripled between 2004 and 2012, due to increasing numbers of borrowers and higher balances per person.⁵² Currently, the level of student debt is creating a growing bubble and it has great risk of bursting.

In order to address these issues, the Obama administration has focused on tackling lending transparency, higher education regulation, and repayment options that attempt to make costs more manageable. Recently, in his State of the Union and in his recent proposed budgets, President Obama has sought to make community college free, streamline higher education tax breaks and offer a bonus grant program to reward colleges that graduate large numbers of low-income students.⁵³ Through programs like Income-Based Repayment, Pay-As-You-Earn, and other modifications to loan repayment, the administration and others have sought to soften the blow on borrowers.

The administration has proposed additional programs that would incentivize making college more affordable, such as a Race to the Top for college affordability and a First in the World competition. Under the Race to the Top program, a \$1 billion investment will be made for higher education to increase the number of college graduates and to contain the cost of tuition by rewarding states that are willing to systematically change their higher education policies and practices.⁵⁴ These changes in federal aid to campuses will leverage \$10 billion annually to help keep tuition down.⁵⁵ This coupled

⁵² Lee, Donghoon, *Household Debt and Credit: Student Debt*. Federal Reserve Bank of New York. February 28, 2013. Accessed April 22, 2015.

<http://www.newyorkfed.org/newsevents/mediaadvisory/2013/Lee022813.pdf>

⁵³ The White House, Higher Education. Whitehouse.gov. (2015) Accessed March 20, 2015.

<https://www.whitehouse.gov/issues/education/higher-education/>.

⁵⁴ *Id.*

⁵⁵ The White House, Higher Education. Whitehouse.gov. (2015) Accessed March 20, 2015.

<https://www.whitehouse.gov/issues/education/higher-education/>.

with the First in the World competition hopes to lead to reduced college costs. The First in the World competition would provide \$55 million to colleges and universities to develop and test the next breakthrough strategy that will boost higher education attainment and student outcome, and lead to reduced costs.⁵⁶

Other ways that the administration has sought to address college affordability is through redirecting certain government appropriates from programs like the Public Interest Loan Forgiveness Program and the Perkins Loan Program to expand both the Pell Grant Program and the Pay-As-You-Earn Programs. An overhaul of the Perkins Loan Program would yield \$7.1 billion in cost savings.⁵⁷ The Perkins proposal would allow the government to disburse loans directly to students and it would tie college eligibility to their program outcomes. Additionally, the government hopes to save by capping the Public Interest Loan Forgiveness Program (PSLF) and redirecting the savings into the Pay-As-You-Earn Program (PAYE). Under the PSLF program, the government forgives the remaining educational debt of any person who has been employed in a public service job for ten years and has made payments on the loan over those ten years. In the FY 2015 proposed budget, a cap of “aggregate loan limit for independent undergraduate students,” of \$57,500 is proposed for students seeking PSLF.⁵⁸ This cap would allow a significant expansion of the PAYE program giving more people access to PAYE but payouts by the government would be less. However, others believe more should be done.

⁵⁶ *Id.*

⁵⁷ Stratford, Michael, *Obama Seeks Funding Boost*. Inside Higher Education. February 3, 2015. Accessed March 15, 2015. <https://www.insidehighered.com/news/2015/02/03/obama-seeks-boost-higher-education-spending-and-proposes-some-loan-reforms-have>

⁵⁸ Wright, Sam, *Public Service Loan Forgiveness Might Be Capped — You Can Help Stop It*. Above the Law. January 20, 2015. Accessed January 26, 2015. <http://abovethelaw.com/2015/01/public-service-loan-forgiveness-might-be-capped-you-can-help-stop-it/>

In response to rising costs, U.S. lawmakers have drafted legislation aimed at reducing student debt by providing educational resources and increasing transparency. In 2012, the Bipartisan Student Loan Certainty Act was passed to reduce interest rates on all federal student loans. Other Senate democrats have proposed additional measures such as Sen. Elizabeth Warren's (D-MA) proposal to lower interest rates for all student borrowers and let existing borrowers refinance their loans to an interest rate of about four percent.⁵⁹ Sen. Tom Harkin (D-IA) has also proposed changes under the Higher Education Affordability Act of 2014 which include amendments to the current financial aid structure that would make it easier for students to pay for college.⁶⁰ Sen. Lamar Alexander (R-TN) and Michael Bennet (D-CO) have introduced the Financial Aid Simplification and Transparency Act of 2014 (FAST), proposing to replace the Free Application for Federal Student Aid (FAFSA) with two questions, one about income and one about household size.⁶¹ Currently, Rep. Susan Davis (D-CA) has introduced legislation that would eliminate loan origination fees.⁶² By increasing transparency, lawmakers have hoped to streamline the financial aid process and make it more intuitive for students and parents; however, debt and tuition continue to rise.

⁵⁹ Farrington, Robert, *Student Loan Refinancing: A New Option For Borrowers?* Forbes.com. May 7, 2014. Accessed Date March 30, 2015.

<http://www.forbes.com/sites/robertfarrington/2014/05/07/student-loan-refinancing-a-new-option-for-borrowers/>.

⁶⁰ Harkin, Sen. Tom, *Higher Education Affordability Act Would Reduce College Costs, Hold Schools More Accountable to Students and Taxpayers, and Help Families Make Informed Decisions About College*. November 20, 2014. Accessed March 5, 2015.

<http://www.help.senate.gov/newsroom/press/release/?id=6bee060b-42c5-4a23-a185-6b8798a1b0f5>

⁶¹ Bidwell, Allie, *Bill Would Shorten Financial Aid App, Expand Grant Access*. June 19, 2014. US News and Reports. Accessed March 25, 2015. <http://www.usnews.com/news/articles/2014/06/19/senators-propose-legislation-to-simplify-college-financial-aid-process>

⁶² Rep. Susan Davis Introduces Bill to End Student Loan Tax. Press Release. March 5, 2015. Accessed March 17, 2015. <https://susandavis.house.gov/media-center/press-releases/rep-susan-davis-introduces-bill-to-end-student-loan-tax>

Background

A. Data/Evidence

Sen. Lamar Alexander (R-TN), chairman of the Health, Education, Labor, and Pensions Committee has promised that the tenth reauthorization of the Higher Education Act will occur before the end of 2015.⁶³ Currently, the tenth reauthorization is two years overdue. In lieu of the full reauthorization, appropriation and small policy changes have been submitted to address current higher education issues. In the 2008 reauthorization of the HEA, lawmakers aimed at reducing student debt by providing educational resources on existing student aid, offering less expensive loans, and increasing university transparency on net tuition price so that students and families can be educated borrowers. However, student loan debt and tuition have continued to grow faster than the rate of inflation since the last reauthorization.⁶⁴

Politicians have focused on increasing education availability in order to maintain choice. This maintains President Johnson's goal in enacting this law in 1965 of keeping "the doors to higher education open for all academically qualified students regardless of their financial circumstances."⁶⁵ The allegiance to this principle has been publically held by ranking Republican politicians. In a House Hearing in 2013, Congressman John Kline, chairman of the Committee on Education and Workforce, made it clear that providing

⁶³ Stratford, Michael. With Deregulatory Slant, A Higher Ed Act Push. Inside Higher Ed. February 25, 2015. Accessed Date March 10, 2015. <https://www.insidehighered.com/news/2015/02/25/alexander-says-congress-will-pass-higher-ed-act-year-backs-plan-cut-regulations>.

⁶⁴ United States Government Accountability Office. *Tuition Increasing Faster Than Household Income and Public Colleges' Costs*. August 1996. Accessed March 3, 2015. <http://www.gao.gov/assets/160/155555.pdf>

⁶⁵ Burke, Lindsey, *Reauthorizing the Higher Education Act—Toward Policies that Increase Access and Lower Costs*. The Heritage Foundation. August 19, 2014. Accessed January 26, 2015. <http://www.heritage.org/research/reports/2014/08/reauthorizing-the-higher-education-act-toward-policies-that-increase-access-and-lower-costs>

access and choice is a priority when it comes to financing higher education, “Each year, taxpayers dedicate billions of dollars to help students afford to attend the college of their choice. In the 2011-2012 school year, students received more than \$237 billion in aid, of which the federal government provided nearly \$174 billion.”⁶⁶ However, students and parents have been unable to find relief from the rising cost of tuition even with the assistance of federal student aid and loan programs.

There has been some skepticism on whether the current boom in student loan acquisition was caused by the lack of a student loan cap. Recent GAO reports cast speculation on whether loan limits contributed to the rise in tuition costs in the first place.⁶⁷ GAO reports have shown that it is hard to discern if the increases in loan limits have impacted the rising cost of tuition. This is demonstrated by the fact that when Stafford Loans were increased in 2008-2009, simultaneously, families were facing unemployment, low savings, and other ramifications of the recession. Students’ motivation to borrow in higher amounts may have been spurred by their inability to contribute from personal savings or family contributions. According to GAO, tuition decreases would make higher education more attainable to more families.⁶⁸

The focus on higher education transparency and repayment assistance programs has been with hopes that it would encourage consumer responsibility and to ease the

⁶⁶ Committee on Education and the Workforce, U.S. House of Representatives (113th Congress), *Keeping College Within Reach: Examining Opportunities to Strengthen Federal Student Loan Programs*. Hearing held March 13, 2013.

⁶⁷ United States Government Accountability Office. *Federal Student Loans: Impact of Loan Limit Increases on College Prices Is Difficult to Discern*. February 18, 2014. Accessed March 23, 2015. <http://www.gao.gov/products/GAO-14-7>

⁶⁸ United States Government Accountability Office, *Report to the Chairman, Committee on Health, Education, Labor, and Pensions, United States Senate: State Funding Trends and Policies on Affordability*. United States Government Accountability Office. December 2014. Accessed March 12, 2015 <http://www.gao.gov/assets/670/667557.pdf>

repayment process through Pay-As-You-Earn programs. However, PAYE does not encourage students to go to cheaper colleges or keep tuition more affordable. In fact, it encourages students to go to where ever they want. The New York Times highlighted several students' stories of college and student loan debt. Kelsey Griffith graduated Ohio Northern University, a private university, with \$120,000 in debt, two jobs, and would soon have to move back in with her parents. Her mother was a co-signer on her loans and is now forced to take out a life insurance policy on Kelsey in order to help insulate her family from the debt should something happen to Kelsey. When choosing Ohio Northern, Kelsey was "won over by faculty and admissions staff members who urge students to pursue their dreams rather than obsess on the sticker price."⁶⁹ Evan Frank also chose Ashland University, a nonprofit private school in Ohio, based on liking the campus and was promised a spot on the football team. Evan stated that his high school guidance counselor and his family encouraged him to go, even though they couldn't help financially. At the time of the article, Ashland costs about \$42,000 a year. Ashland offered \$12,000 off the cost of attendance and Evan had no other scholarships. Upon graduating, Evan owes over \$80,000. He stated, "Everyone was like, 'You can get grants, you can always get loans.' However, no one at the time said consider a cheaper alternative."⁷⁰ The demand and pursuit for higher education will continue to rise and more students will be faced with Kelsey and Evan's dilemma.

⁶⁹Martin, Andrew and Andrew W. Lehen, *A Generation Hobbled by the Soaring Cost of College*. The New York Times. March 12, 2012. Accessed April 20, 2015.
http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?_r=1&adxnnl=1&pagewanted=all&adxnnlx=1430209949-HMt/BwlmOCemyJx9t9sZGg

⁷⁰ Martin, Andrew and Andrew W. Lehen, *A Generation Hobbled by the Soaring Cost of College*. The New York Times. March 12, 2012. Accessed April 20, 2015.

Over 40 million Americans having student loan debt and undergraduate enrollment is projected to increase from 17.7 million to 20.2 million students between 2012 and 2023.^{71,72} Following undergrad, students are continuing on to pursue graduate degrees. Over three million students are projected to pursue post-baccalaureate degrees in 2014 and the number is expected to rise by more than 500,000 students over the next ten years.⁷³ These students will face increasing tuition responsibilities as colleges and universities look to tuition to provide more and more revenue.

Students have pursued higher education in order to improve employment possibilities; however, the future conditions of the labor market are uncertain. Differences in job opportunities between high school graduates and college graduates, the rate of return to college exceeds 15 percent—far higher than comparable returns on other assets. Currently, the labor force is projected to grow 0.5 percent per year from 2012 to 2022, compared with an annual growth rate of 0.7 percent during the 2002-12 decade.⁷⁴ Gross domestic product (GDP) is projected to increase by 2.6 percent annually from 2012 to 2022, slower than the three percent or higher rate often posted from the mid-1990s through mid-2000s.⁷⁵ Further, student debt concerns have been shown to affect borrower

http://www.nytimes.com/2012/05/13/business/student-loans-weighing-down-a-generation-with-heavy-debt.html?_r=1&adxnnl=1&pagewanted=all&adxnnlx=1430209949-HMt/BwlmOCEmyJx9sZGg.

⁷¹ Ellis, Blake. *40 million Americans now have student loan debt*. CNN. com September 10, 2014. Accessed February 26, 2015. <http://money.cnn.com/2014/09/10/pf/college/student-loans/>

⁷² *Id.*

⁷³ U.S. Department of Education: Institute of Education Sciences, National Center for Education Statistics, *Table 105.20. Enrollment in educational institutions, by level and control of institution, enrollment level, and attendance status and sex of student: Selected years, fall 1990 through fall 2023*. Digest of Education Statistics. Prepared January 2014. Accessed March 5, 2015. http://nces.ed.gov/programs/digest/d13/tables/dt13_105.20.asp

⁷⁴ Bureau of Labor Statistics, *Employment Projections- 2012-2022*. U.S. Department of Labor. December 19, 2013. p. 1 <http://www.bls.gov/news.release/pdf/ecopro.pdf>

⁷⁵ *Id.* at p. 4.

participation in the economy. A survey recently conducted by American Student Assistance[®] (ASA) found that students with debt are delaying decisions to buy a home, get married, have children, save for retirement, and enter a desired career field because of their debt.⁷⁶ Slower labor force growth is expected to limit potential economic growth and this downward spiral can have a cascading impact on the nation's economy.

B. Political Actors

College affordability has been a heavily analyzed and debated issue in the media, on the Hill, and by special interest groups. President Obama has been particularly outspoken on creating greater access for students. In his 2012 State of the Union address, he called on colleges to slow down tuition increases and threatened to reduce public support. "If you can't stop tuition from going up, the funding you get from taxpayers will go down. Colleges must do their part to keep costs down, and it's our job to make sure they do."⁷⁷ He further asked Congress to change the Higher Education Act, so that affordability and value are included in determining which colleges receive certain types of federal aid. President Obama has proposed free two-year community college education in order to help students lower their debt and has looked at other measures that would expand Pay-As-You-Earn repayment in order to ensure repayment is manageable for students and to help them avoid defaulting. Politicians on both sides of the aisle have agreed that something must be done. The most vocal have been Sen. Lamar Alexander (R-TN) and Sen. Elizabeth Warren (D-MA).

⁷⁶ *Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans*, American Student Assistance. http://www.asa.org/site/assets/files/2205/life_delayed.pdf

⁷⁷ Hill, Catherine B., *Higher Education's Biggest Challenge is Income Inequality*. Washington Post. September 6, 2013. Accessed April 3, 2015. http://www.washingtonpost.com/opinions/higher-educations-biggest-challenge-is-income-inequality/2013/09/06/94b809a8-15ac-11e3-be6e-dc6ae8a5b3a8_story.html

Sen. Alexander (R-TN) is the chairman of the Health, Education, Labor, and Pension Committee (HELP). He has served on the HELP committee since arriving in the Senate in 2003 and is highly respected and active in the Republican Party. Prior to being succeeded in 2010, Alexander was elected three times by his peers to serve as Chairman of the Senate Republican Conference—the third-ranking Republican position in the United States Senate.⁷⁸ In his role as HELP Chairman, he has worked to reduce burdensome federal mandates and regulations that increase the costs of higher education. He has recently looked into additional ways to grant students more access to financial aid and also ways to hold higher education institutions responsible. He and Michael Bennet (D-CO) have introduced the Financial Aid Simplification and Transparency Act of 2014 (FAST), a bipartisan act, seeking to replace the Free Application for Federal Student Aid (FAFSA) with two questions, one about income and one about household size.⁷⁹ Their goal is to streamline the process and make it easier for students to obtain financial aid. Recently, Sen. Alexander has been seeking comment on the possibilities of college accreditation, university risk sharing, and reforms to consumer information.⁸⁰

Across the aisle, Sen. Elizabeth Warren (D-MA) has been very outspoken on making college more affordable. Specifically, she has spearheaded legislation to allow students to refinance their student loans at a lower rate, in hopes of lightening their long-

⁷⁸ *Id.*

⁷⁹ Bidwell, Allie, *Bill Would Shorten Financial Aid App, Expand Grant Access*. June 19, 2014. US News and Reports. Accessed March 25, 2015. <http://www.usnews.com/news/articles/2014/06/19/senators-propose-legislation-to-simplify-college-financial-aid-process>

⁸⁰ HELP Senate Committee, *Alexander Seeks Input from Higher Ed Community on Accreditation, Risk Sharing, and Consumer Information*. Help.senate.gov. March 23, 2015. Accessed March 27, 2015. <http://www.help.senate.gov/newsroom/press/release/?id=4dc6f28c-e8ea-4a94-9c82-91db98e10c0d&groups=Chair>

term debt burden.⁸¹ She has introduced this proposal twice to no avail. Sen. Warren has currently targeted the Department of Education and the higher education community to force change. Further, she has been outspoken at a recent HELP committee hearing with higher education administrators about passing savings onto students. Sen. Warren believes that we have to use the power of the purse against higher education institutions in order to make change happen. Stating “At some point we’ve got to use our federal leverage” of \$160 billion each year in higher education spending.”⁸² Sen. Warren, has been supported by Young Invincibles, a special interest group that advocates for students and youth.⁸³ Several special interests groups for higher education, students, parents, and state officials have lobbied for various higher education resolutions.

The National Association of Student Financial Aid Administrators (NASFAA) engages in advocacy, public policy and research on behalf of nearly 20,000 financial aid professionals at 2,800 colleges, universities, and career schools across the country.⁸⁴ Each year, financial aid professionals help more than 16 million students receive funding for post-secondary education. NASFAA has been on the frontline of HEA reforms.⁸⁵ NASFAA promotes programs that remove financial barriers and ensure student access to postsecondary education. Their advocacy efforts center around: increasing access to

⁸¹ Linskey, Annie, *Warren sees popular momentum for student loan bill*. March 15, 2015. The Boston Globe. Accessed April 5, 2015. <http://www.bostonglobe.com/news/politics/2015/03/18/warren-sees-popular-momentum-for-student-loan-bill/NyocLbPmTgRKTx3SYH1aGJ/story.html>

⁸² Senate Committee on Health, Education, Labor, and Pensions. HELP Senate Committee Hearing, February 24, 2015. Accessed March 3, 2015. www.help.senate.gov/

⁸³ Shaw, Donny, *Student Debt: Sen. Elizabeth Warren Wants to Make Your Student Loans Cheaper*. Attn. March, 19, 2015. Accessed April 25, 2015. <http://www.attn.com/stories/1236/elizabeth-warren-wants-make-your-student-loans-cheaper>

⁸⁴ National Association of Student Financial Aid Administrators website. Accessed March 16, 2015. http://www.nasfaa.org/mkt/about/About_NASFAA.aspx

⁸⁵ *Id.*

higher education, including early awareness and outreach; simplifying student aid systems; encouraging college persistence & completion; college savings and financial education; minimizing student indebtedness and emphasizing grant and work aid, and supporting the primacy of need-based aid.⁸⁶ NASFAA has been supportive of reducing the bureaucratic burden and also eliminating loan origination fees.⁸⁷

Administration members at higher education institutions have been speaking out regarding the need for less restrictions and more funding. At a recent HELP committee hearing, chancellors from Vanderbilt University and the University of Maryland argued “that colleges should be allowed to spend any savings as they see fit.”⁸⁸ Stating that it would be “impractical” and expensive to calculate the amount each institution would save through deregulation. It would be equally challenging to then apply that amount in a per-student tuition reduction.⁸⁹ The American Council on Education (ACE) author of the Task Force report that led to the hearing agrees with the chancellors.

American Council on Education is a U.S. higher education organization that comprises approximately 1,800 accredited, degree-granting colleges and universities and higher education-related associations, organizations, and corporations.⁹⁰ The organization conducts public policy advocacy, research, and other initiatives related to key higher education issues and plays a significant role in higher education leadership development.

⁸⁶ *Id.*

⁸⁷ Rep. Susan Davis Introduces Bill to End Student Loan Tax. Press Release. March 5, 2015. Accessed March 17, 2015. <https://susandavis.house.gov/media-center/press-releases/rep-susan-davis-introduces-bill-to-end-student-loan-tax>.

⁸⁸ HELP Senate Committee Hearing, February 24, 2015. (Viewed March 3, 2015)

⁸⁹ Field, Kelly, *Chancellors Urge Congress to Ease Costly Rules on Colleges*. The Chronicle of Higher Education. February 25, 2015. Accessed March 5, 2015. <http://chronicle.com/article/Chancellors-Urge-Congress-to/190347/>.

⁹⁰ American Council on Education website. Accessed March 16, 2015. <http://www.acenet.edu/about-ace/Pages/default.aspx>

Since 1965, hundreds of vice presidents, deans, department chairs, faculty and other emerging leaders have participated in the ACE Fellows Program, which prepares senior leaders to serve American colleges and universities.⁹¹ ACE has had a cooperative relationship with the higher education community and the government. The Task Force report has created significant controversy over the fact that ACE had not specified how this savings could be passed to students but focused on how the regulations were costly overall.

Others within the higher education community find that the belief that universities cannot find ways to pass savings to students is a symptom of a bigger problem— lack of acknowledgment that tuition prices are a problem. There are several organizations that advocate for students, taxpayers, and access to quality higher education, including the American Federation of Teacher (AFT), Americans for Financial Reform, Center for Responsible Lending, Consumer Action, The Education Trust, Generation Progress, National Consumer Law Center (on behalf of its low-income clients), Service Employees International Union (SEIU), The Institute for College Access & Success, U.S. PIRG, United States Student Association, Veterans Education Success, Woodstock Institute and Young Invincibles, who issued a joint statement in response to the Task Force’s report: “The task force report represents the views of 16 colleges, not the views of students or taxpayers whom higher education regulations are designed to protect. It should surprise no one that regulated entities want less regulation and fewer strings attached to the

⁹¹ *Id.*

taxpayer funds they receive. Schools that pose greater risks to students and taxpayers deserve more oversight and scrutiny, not less.”⁹²

This has been echoed by statements from organizations such as the Association for College and Research Libraries and parents and students in the media. Specifically, higher costs have been as a result of institutional spending practices, enrollment patterns, and the tendency to direct funding to merit rather than financial need.⁹³ This systemic and complex problem has been a growing part of higher education for the past two decades.⁹⁴ Parents are unsure how they will be able to pay for college for their children. The growing costs make it seem impossible but the need to be competitive in the job market makes it unavoidable for students and parents.

The media in particular has been very outspoken in identifying numerous cost issues with the higher education. Time, Newsweek, New York Times, and other outlets have described the current circumstances as a ‘quiet storm’ and ‘impending doom’ for students and the student loan market.^{95, 96, 97} Repayment plans have been criticized as not effectively addressing the core issues and instead could be more damaging. Numerous

⁹² The Institute for College Access & Success, *Statement on the Report of the Task Force on Federal Regulation of Higher Education*. February 24, 2015. Accessed March 3, 2015.

<http://www.ticas.org/files/pub/CoalitionStatementonRegulationTaskForceReport.pdf>

⁹³ Eisler, David L. and Scott Garrison, *Addressing college student loan debt: Strategies for Success*. July 2014. College & Research Libraries News. Vol 75 no 7 p. 374-391. Accessed March 3, 2015.

<http://crln.acrl.org/content/75/7/374.full>

⁹⁴ *Id.*

⁹⁵ Carey, Kevin, *A Quiet Revolution in Helping Lift the Burden of Student Debt*. January 24, 2015. New York Times. Accessed March 27, 2015. http://www.nytimes.com/2015/01/25/upshot/a-quiet-revolution-in-helping-lift-the-burden-of-student-debt.html?_r=0&abt=0002&abg=1

⁹⁶ Marcus, Jon, *The Real Student Debt Problem No One is Talking About*. Time.com. November 9, 2014. Accessed Date January 24, 2015. <http://time.com/3544912/graduate-school-loans-debt/>.

⁹⁷ McArdle, Megan, *Megan McArdle on the Coming Burst of the College Bubble*. September 9, 2012. Newsweek Magazine.com Accessed March 5, 2015. <http://www.newsweek.com/megan-mcardle-coming-burst-college-bubble-64671>

people on each side of the issue have stated that additional steps must be taken to address college costs as repayment assistance alone will not provide adequate relief. A decisive policy will be necessary to redress these issues and provide adequate relief.

Policy Proposal

A. Policy Authorization Tool

Congress, in its authority, may enact a law to regulate higher education institutions and make them more affordable through an amendment to the existing Higher Education Act (HEA) of 1965, P.L. 89-329 or through a separate law.⁹⁸

Currently, the Senate Committee on Health, Education, Labor and Pensions (HELP) is reviewing proposed amendments for the tenth reauthorization of HEA.⁹⁹ Sen. Lamar Alexander, Chairman of the HELP Committee has promised to have a rewrite of the HEA available for vote by August 2015.¹⁰⁰ To achieve tuition reductions and limit rising debt, changes to the HEA will have to be made on all levels. In order to address rising student tuition costs and debt concerns, I propose implementing the following changes to the HEA:

- Create a new federal matching grant program that leverages some federal student loan revenue and a 0.5% increase of the excise tax on alcohol and tobacco funds to incentivize states to boost operating support for public higher education, in turn mitigating tuition price increases and improving college affordability. The match program will be capped at \$20 billion dollars on top of current federal higher education spending.¹⁰¹
- Penalize public institutions that receive federal funding who increase tuition greater than the rate of inflation by removing their tax exempt status and incentivize passing tuition and fee savings to students by

⁹⁸ Higher Education Act of 1965. Accessed March 19, 2015. http://legcounsel.house.gov/Comps/HEA65_CMD.pdf.

⁹⁹ Senate Committee on Health, Education, Labor, and Pensions. Accessed February 26, 2015. www.help.senate.gov/.

¹⁰⁰ Stratford, Michael. *With Deregulatory Slant, A Higher Ed Act Push*. Inside Higher Ed. February 25, 2015. Accessed Date March 10, 2015. <https://www.insidehighered.com/news/2015/02/25/alexander-says-congress-will-pass-higher-ed-act-year-backs-plan-cut-regulations>.

¹⁰¹ Hurley, Daniel J., Thomas L. Harnisch and Barnak Nassirian. A Proposed Federal Matching Program to Stop the Privatization of Public Higher Education. American Association of State Colleges and Universities. Accessed March 17, 2015. <http://www.aascu.org/policy/publications/policy-matters/federalmatchingprogram.pdf>.

providing participating institutions with bi-annual grants. The federal expenditure in the first year of the program would be approximately \$10 billion, allowing room for growth in the program in subsequent years.

- Apply a cap to the Parent and Grad PLUS federal loan programs. Limiting the total aggregate limit to \$140,000 for all loans (undergraduate or graduate Direct Loans and PLUS loans), that will adjust at the rate of inflation.

B. Policy Implementation Mechanisms

a. Grants and Bonuses

Grants will be provided to state participants of the federal matching grant program providing a funding match for every dollar spent on higher education. Also, institutions that have made cost-saving measures that are have been reflected in reduction of fees and tuition to students for more than a two-year period will receive a bonus that will be used to fund programs that support low-income and underrepresented students on their campus.

b. Penalties

Institutions that receive federal funding that annually raise tuition by a rate greater than inflation will see a dollar-for-dollar reduction in their state's federal grant award. Also, any state that reduces its student operating support for public higher education in a given fiscal year will be penalized in the amount of a dollar-for dollar reduction in their federal grant award.

c. Gold Standard Campaign

In support of these measures, the President through the Secretary of Education will publicly acknowledge those schools that have passed cost savings onto students. Using the existing College Scorecard system, to issue acknowledgements through the

media and providing branding to institutions that have cut fees and tuition of more than 5percent of the cost of attendance over two years or who have not increased tuition greater than the rate of inflation for four or more consecutive years. To educate the public on the “Gold Standard” program, billboards, advertisements (radio, TV, and newspapers) will be commissioned to inform students and parents of the participating institutions that have taken cost-cutting measures for the benefit of students.

Policy Analysis

In adopting this proposal, higher education funding will increase for the states, students will not accumulate as much debt by graduation, and colleges and universities will be held strictly accountable for the cost of tuition and will bear the consequences of severe or continuous tuition increases. The policy is likely to achieve its goals as students will not be able to accumulate as much debt and state investment in higher education will be encouraged. An advantage to this proposal is the fact that as more states and institutions participate, long-term tuition costs will stagnate or drop. However, the program is inefficient as it will require monitoring of how and where states provide funding and how institutions calculate the saving passed onto students.

This policy by nature places a great deal of responsibility on all parties in lessening the student debt burden. As the policy directly impacts state funding and institutions' ability to raise and charge tuition, it will address high tuition costs system-wide instead of applying most policies on students and families. The reduction of Graduate and Parent PLUS loan revenue will cost the government revenue and require to find additional revenue from other sources. According to the Congressional Budget Office, the Federal Student Loan Program provided the government with an estimated \$34 billion in profit in 2014.¹⁰² However, the federal student loan program expends over \$160 billion dollars toward higher education each year. Any loss of revenue would have to be recouped elsewhere in order to maintain the Federal Student Aid and Loan

¹⁰² Mitchell, Josh. *Does the government profit from student loans?* Wall Street Journal. February 13, 2013. Accessed April 23, 2015. <http://blogs.wsj.com/economics/2013/02/15/does-the-government-profit-from-student-loans/>

programs as a whole. The government could possibly have to raise interest rates or taxes in order to maintain funding levels or risk running a deficit.

By limiting the ability of institutions to set their own tuition increases, the federal government will, in a sense, create a market price for higher education, infringing on the autonomy of states and colleges. States have faced increasing fiscal challenges since the recession of 2007. While federal-state partnerships have been successful in the past, the current state-federal relationship has been strained by the demand to fund and operate other programs and mandates. Some state budgets may not have the budget space to give additional funds to higher education and may have to turn to increasing state tax or seek bonds in order to grow or maintain current higher education funding levels.

However, an annual report from the State Higher Education Executive Officers Association found state and local funding for higher education grew 5.7 percent between 2013 and 2014, reaching \$86.3 billion. Simultaneously, public colleges and universities drew in \$64.3 billion in net tuition revenue, accounting for about 47.1 percent of public higher education revenue. This was a slight decline from 47.7 percent in 2013 and the first drop since 2008.¹⁰³ In the last year, 42 states increased funding per student, by an average of \$449 or 7.2 percent.¹⁰⁴ This tends to show that increasing state funding will likely result in less of a dependence on tuition from students but to what extent is yet to be determined.

¹⁰³ Bidwell, Allie, *The 'New Normal' of Higher Ed Funding: Students Footing the Bill*. April 13, 2015. US News & Reports. Accessed April 17, 2015. <http://www.usnews.com/news/articles/2015/04/13/state-funding-for-higher-education-inches-up-colleges-still-reliant-on-tuition>.

¹⁰⁴ Mitchell, Michael et al, *States Are Still Funding Higher Education below Pre-Recession Levels*. Center on Budget and Policy Priorities. May 1, 2014. Accessed March 12, 2015. http://www.cbpp.org/research/states-are-still-funding-higher-education-below-pre-recession-levels?fa=view&id=4135#_ftn2.

On state and local levels, several states and universities have already taken measures to freeze or reduce tuition. Recently, Washington State has proposed cutting state tuition by 25 percent at state universities and permanently tying tuition to the state's average wage. Washington had the second-largest tuition increases in the nation between fiscal years 2008 and 2013. Tuition had gone up sharply since 2008 because Washington lawmakers cut funding to higher education by about 50 percent during the recession. If the Senate's proposal is approved, "a lot more students are going to be able to afford college," said Garrett Havens, executive director of the Washington Student Association.

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Students have expressed excitement about the cut. University of Washington student, Austin Wright-Pettibone, wrote "A tuition cut would be huge for students [...] We're thrilled to see so much attention being paid to higher education in both the House and Senate budgets."¹⁰⁶ The budget gives higher-education institutions \$221 million over the biennium to offset the loss of tuition dollars. Lowering tuition would also save the state \$75 million in financial aid, according to budget writers.¹⁰⁷ The budget increases state funding to colleges and universities by about 20 percent. However, higher education officials believe that the budget has some "troubling aspects." UW Interim President Ana Mari Cauce, believes that the budget appears to pay for tuition reduction but there will be less money for employee raises than was negotiated in UW's collective-bargaining

¹⁰⁵ Long, Katherine, *GOP plan to cut college tuition by 25% wins praise; others cautious*. April 1, 2015. The Seattle Times. Accessed April 7, 2015. <http://www.seattletimes.com/seattle-news/education/plan-to-cut-college-tuition-by-25-wins-praise-but-others-cautious/>.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

agreements. If the proposal were to pass, she wrote, "...thousands of our employees will not receive the wage increases they deserve."¹⁰⁸

Tuition cuts are being seriously contemplated nationwide. Challenges to tuition cuts by higher education institutions are impinged on the impact of these cuts on wages, research, and other developments outside of the classroom. Like Washington, some states have already taken the action required by the policy. North Dakota has proposed capping tuition raises at 2.5 percent, Texas policy makers have proposed tuition freezes, and Montana has proposed increasing state funding and other possible freezes.^{109, 110} However, slow tuition growth not tied to offsetting expenditure savings can result in reductions to financial aid overall. Lower tuition combined with lower financial aid, benefits higher-income students and hurts lower-income students. As a result, it reinforces income inequality.¹¹¹ It is vital that both the partnership and the incentives are incorporated jointly and uniformly in order to maintain or reduce tuition.

A potential cost of this policy is the risk of preventing choice for students. Higher education has been painted as a ladder to better opportunities but it does not acknowledge the starting position of each person entering the realm. Income and wealth are often seen

¹⁰⁸ Long, Katherine, *GOP plan to cut college tuition by 25% wins praise; others cautious*. April 1, 2015. The Seattle Times. Accessed April 7, 2015. <http://www.seattletimes.com/seattle-news/education/plan-to-cut-college-tuition-by-25-wins-praise-but-others-cautious/>.

¹⁰⁹ Davis, Don, *More money for higher education, but no full tuition freeze in Minnesota legislation*. Duluth News Tribune. April 21, 2015. Accessed April 22, 2015. <http://www.duluthnewstribune.com/news/education/3727284-more-money-higher-education-no-full-tuition-freeze-minnesota-legislation>

¹¹⁰ Prazan, Phil. *Freezing tuition rates eyed by state lawmakers*. NBC affiliate KXAN News. April 15, 2015. Accessed April 20, 2015. <http://kxan.com/2015/04/15/freezing-tuition-rates-eyed-by-state-lawmakers/>.

¹¹¹ Hill, Catherine B., *Higher Education's Biggest Challenge is Income Inequality*. Washington Post. September 6, 2013. Accessed April 3, 2015. http://www.washingtonpost.com/opinions/higher-educations-biggest-challenge-is-income-inequality/2013/09/06/94b809a8-15ac-11e3-be6e-dc6ae8a5b3a8_story.html

as the main criteria for success. Without lessening the initial tuition burden and eventual debt, low-income and other at risk students and families, are less likely to be able to convert their investment in higher education into lifelong gains.

Students have stated that neither they nor their families appreciated the net cost of tuition. By addressing the high cost of tuition, this policy seeks to bring the social hierarchy into balance by slowing the growth of higher education costs, particularly as it affects those with meager means. T.H. Marshall stated, “The right of the citizen in this process of selection and mobility is the right to equality of opportunity.”¹¹² The obstacle of choice freely perpetuates hereditary privilege. In order to provide equal footing as citizens, Marshall requires that we maintain the capacity to choose. Choice is at great risk when examining the ‘sticker price’ of tuition and the rate of return on the higher education investment.

An unintended consequence of this policy is that the reduction of federal student loans may lead to students and parents to seek private loans. Also, students may not be able to have free choice in where they attend school and what level of achievement they reach. Higher education has been used as a tool of discrimination and inequality. Where wealth and social status alone are not indicators of social prominence, higher education has perpetuated a social hierarchy. This social hierarchy uses the unequal distribution of wealth to perpetuate access and influence for the haves versus the have nots. The current higher education system allows students and families free choice when choosing where to go and for how long (i.e., Master’s, Doctorate, and other education programs.) Families

¹¹² Marshall, T H., *Citizenship and Social Class: And Other Essays*. Cambridge Eng.: University Press, 1950. p. 2.

and students are only barred from opportunities when faced with admissions and financial challenges from universities. Reductions in available loan amounts could hinder students' opportunities to choose if states lack funds and institutions find that tuition revenue is more important than additional federal funds.

The program will have high administrative costs and demands federally, making it highly inefficient. Based on the scale of this program, there could be high administration costs for institutions in order to analyze where and how they can reduce spending and then to monitor and report total university cost-savings. Similar to current university regulations, this could create a strain on institution budgets. Vanderbilt estimates that it spends almost \$150 million complying with federal rules each year.¹¹³ In an attempt to remain competitive, universities will have to take a hard look at their current tuition prices and see if it is possible to function at a different tuition level. In hopes of curbing costs, some institutions may sacrifice education quality or permit overcrowding in order to maintain revenue levels. This policy will not succeed unless higher education institutions participate in cost cutting measures.

Currently, higher education institutions have the autonomy to use their business judgment when it comes to the operation of their institutions. A consequence of gradual state disinvestment in public higher education has been a combination of an increased reliance on student tuition and fee revenues and a push for greater enrollment rates. In order to attract students, institutions have tried to demonstrate the value of their

¹¹³ American Council on Education. *Task Force on Federal Regulation of Higher Education Releases Report*. February 13, 2015. Accessed February 25, 2015. <http://www.acenet.edu/news-room/Pages/Task-Force-on-Federal-Regulation-of-Higher-Education-Releases-Report.aspx>

institutions. However, higher education institutions have resources available to them such as assets, capital, and revenue giving them some financial stability in ever changing economic times. Some smaller universities will have to take the initiative to reduce costs in order to attract students; however others may suffer from the lack of additional revenue. Declining enrollment has forced many colleges to offer deeper tuition discounts to attract students, according to the National Association of College and University Business Officers (NACUBO). The average freshman discount rate rose to 45 percent in 2012 from about 40 percent in 2008, according to NACUBO.¹¹⁴

This policy would fail to reach its goals if states and colleges elect not to participate. Schools may elect to surrender their non-profit status and continue to raise tuition as their primary revenue source. However, many for profit institutions have been unable to survive without federal aid. The ramifications of institution instability have been highlighted by the recent closing of Corinthian Colleges.¹¹⁵ As a result of closing schools, students could be displaced. More than 16,000 students were displaced by the closing of Corinthian Colleges' branch campuses.¹¹⁶ Smaller and low performing schools that are unable to function on a reduced budget will likely follow in Corinthian Colleges'

¹¹⁴ McDonald, Michael, Small U.S. Colleges Battle Death Spiral as Enrollment Drops. Bloomberg Business Reports. April 14, 2014. Accessed April 25, 2015.

<http://www.bloomberg.com/news/articles/2014-04-14/small-u-s-colleges-battle-death-spiral-as-enrollment-drops>

¹¹⁵ O'Connor, John and Kirk Carapezza, *Students React To The Closure Of A Giant For-Profit College*. July 14, 2014. NPR.com Accessed April 20, 2015.

<http://www.npr.org/blogs/ed/2014/07/16/331700270/students-react-to-the-closure-of-a-giant-for-profit-college>

¹¹⁶ Johnson, M. Alex, *Corinthian Colleges Shuts Down, Ending Classes for 16,000 Overnight*. April 26, 2015. NBC News. Accessed April 26, 2015. <http://www.nbcnews.com/news/education/corinthian-colleges-shuts-down-ending-classes-16-000-overnight-n348741>

footsteps. In some ways this is a good thing, given that the worst schools should fold first, but a lot of schools will be hurt and some won't recover.

Many schools will go out of business. However, this has been seen in the folding of smaller schools based on lack of enrollment.¹¹⁷ A recent example is Sweet Briar College. Sweet Briar College announced its closing this spring leaving students and administrators reeling. Sweet Briar College's President Jimmy Jones stated, "I think the whole of American higher education is on the cusp of a state of flux that we have never seen ever."¹¹⁸ Sweet Briar has an \$85 million endowment but it would take close to \$250 million to keep the doors open because of the cost of awarding financial aid, campus maintenance, and paying off debt as the reason for the school's money troubles. This has been the dilemma for many institutions. Since 2008, 25 other colleges have faced similar difficulties and also shut down; 35 have had to merge.¹¹⁹ Harvard Business School professor Clayton Christensen, predicts that as many as half of the more than 4,000 universities and colleges in the U.S. may fail in the next 15 years, based on the growing acceptance of online learning. Numerous challenges are putting institutions and students at risk for failure.

Political Analysis

¹¹⁷ McDonald, Michael, *Small U.S. Colleges Battle Death Spiral as Enrollment Drops*. Bloomberg Business Reports. April 14, 2014. Accessed April 25, 2015. <http://www.bloomberg.com/news/articles/2014-04-14/small-u-s-colleges-battle-death-spiral-as-enrollment-drops>

¹¹⁸ Reid, Chip, *Closing of historic Va. women's college signals turmoil for higher education*. CBS News. March 31, 2015. Accessed April 15, 2015. <http://www.cbsnews.com/news/closing-of-sweet-briar-college-signals-turmoil-for-higher-education/>

¹¹⁹ *Id.*

Higher education and the cost of tuition is a very important topic among students and parents. Politicians have noted this importance and Pres. Obama in his 2012 State of the Union address, called on colleges to slow down tuition increases and threatened to reduce public support. “If you can’t stop tuition from going up, the funding you get from taxpayers will go down,” he said. “Colleges must do their part to keep costs down, and it’s our job to make sure they do.”¹²⁰ He further asked Congress to change the Higher Education Act, so that affordability and value are included in determining which colleges receive certain types of federal aid. This policy would fit within the ideas that have been proposed by this administration. However, the congressional composition has changed greatly since the 2012 State of the Union speech as the U.S. House and Senate are both in the hands of Republicans.¹²¹

The federal government is in the best position to directly address the rise in income inequality and college access. However, partisan tensions have led to numerous political stalemates. Further, extreme measures to reconfigure the program could be political suicide if the policy is seen as unpopular by the public. Some have speculated that less intrusive changes to revenue and expenditure policies could alleviate some of the pressures on higher-education institutions.¹²² However, higher education officials have blamed intrusive federal regulations and accreditation mandates as the cause of the rising

¹²⁰ Hill, Catherine B., *Higher Education’s Biggest Challenge is Income Inequality*. Washington Post. September 6, 2013. Accessed April 3, 2015. http://www.washingtonpost.com/opinions/higher-educations-biggest-challenge-is-income-inequality/2013/09/06/94b809a8-15ac-11e3-be6e-dc6ae8a5b3a8_story.html

¹²¹ United States House of Representatives, *Congress Profiles*. (2013-2015) History, Art, & Archives. Accessed April 20, 2015. <http://history.house.gov/Congressional-Overview/Profiles/113th/>

¹²² Hill, Catherine B., *Higher Education’s Biggest Challenge is Income Inequality*. Washington Post. September 6, 2013. Accessed April 3, 2015. http://www.washingtonpost.com/opinions/higher-educations-biggest-challenge-is-income-inequality/2013/09/06/94b809a8-15ac-11e3-be6e-dc6ae8a5b3a8_story.html

costs. This policy will likely gain considerable support based on its focus on addressing how much higher education institutions are charging students, but will also be challenged based on reducing access to student loans and raising taxes.

Sen. Alexander (R-TN) chairman and fellow member of the Health, Education, Labor, and Pension Committee (HELP) most likely would be an adversary in the passing of this policy. Sen. Alexander is highly respected and active in the Republican Party.¹²³ He has worked to reduce burdensome federal mandates and regulations that increase the costs of higher education and has been outspoken about making changes and reauthorizing the HEA. However, Republicans have been leery to make bi-partisan deals without concessions elsewhere, particularly as it relates to raising taxes. This policy seeks nearly \$20 billion dollars for the grant program and additional funds may need to be raised.

Republicans in the House have intended to focus on offering more robust and timely financial information to and expanding financial literacy for all student loan recipients, reducing the existing multiple federal student loans down to just one program and streamlining loan repayment programs into standard repayment and one modified income-based program.¹²⁴ Republicans are focused on deregulating higher education where possible but also maintaining college access.¹²⁵ Recently Sen. Alexander has sought comment on the possibilities of college accreditation, university risk sharing, and

¹²³ *Id.*

¹²⁴ Lanza, Allesandra. *How a Republican-Led Congress Could Affect Student Loans*. November 12, 2014. Accessed March 10, 2015. <http://www.usnews.com/education/blogs/student-loan-ranger/2014/11/12/how-a-republican-led-congress-could-affect-student-loans>

¹²⁵ Committee on Education and the Workforce, U.S. House of Representatives (113th Congress), *Keeping College Within Reach: Examining Opportunities to Strengthen Federal Student Loan Programs*. Hearing held March 13, 2013.

consumer information reforms.¹²⁶ The university risk sharing program, in particular, would require universities to pay back or pay insurance towards the loan defaults of their students but it would not require a tax increase or other revenue.¹²⁷ If public opinion is favorable for his recent white papers, additions of one or more of these policies may have to be added in order for Sen. Alexander or other Republicans to agree.

Even you have expressed that colleges must be run effectively and efficiently but worry that removing important rules would make institutions less accountable, stating, “It would be a mistake to roll back important protections for faculty, students and families.” However, the addition of this policy would likely be challenged as it would require additional monitoring and oversight to determine what states and institutions should receive grants or be penalized. A clear ally in this pursuit would be Sen. Elizabeth Warren (D-MA). Sen. Warren wants to see the federal government go further than it currently does in holding colleges accountable for the tuition they charge. Many students and special interest groups are avid supporters of Sen. Warren and would likely be active in support of policies that will reduce tuition costs. Sen. Warren has expressed concern about whether the higher education community would commit to reducing their tuitions by the amount of money they would save through regulatory relief or assistance.¹²⁸

The proposed policy will be highly scrutinized by the higher education community and the public at large. Special interest groups are leery of any substantial

¹²⁶ HELP Senate Committee, *Alexander Seeks Input from Higher Ed Community on Accreditation, Risk Sharing, and Consumer Information*. Help.senate.gov. March 23, 2015. Accessed March 27, 2015. <http://www.help.senate.gov/newsroom/press/release/?id=4dc6f28c-e8ea-4a94-9c82-91db98e10c0d&groups=Chair>

¹²⁷ *Id.*

¹²⁸ Senate Committee on Health, Education, Labor, and Pensions. HELP Senate Committee Hearing, February 24, 2015. Accessed March 3, 2015. www.help.senate.gov/

progress on this issue as the reauthorization of the HEA was supposed to occur at the end of 2013. American Association of State Colleges and Universities has stated that, “Recent traction in the U.S. Senate on a proposed State-Federal College Affordability Partnership—an annual federal block grant designed to spur new state investments in public higher education—will likely be slowed due to changes in Senate leadership.”¹²⁹ The current shifts in the House and Senate have changed the priorities for the 114th Congress. Public higher education leaders will be called on to work with their Congressional delegation to build awareness and support of the State-Federal College Affordability Partnership in order to ensure that it is included in the final HEA reauthorization bill.

States and 4-year public schools are taking or planning a variety of actions to address the financial burden of paying for college. Some of these initiatives focus directly on charges students incur and on alternative ways of paying for them. For example, some states and schools are limiting tuition charges, offering tuition prepayment and other savings plans, or arranging for tuition payments to be spread over the school year. Other initiatives address students’ costs indirectly by attempting to expedite students’ progress towards completing their degree requirements. These approaches commonly focus on ways to facilitate students’ transferring credits from one school to another (including credits for college-level courses taken by high school students); reducing the number of credits that programs require for a degree; improving academic counseling to help

¹²⁹ Hurley, Daniel J., Thomas L. Harnisch and Emily A. Parker. *Top 10 Higher Education State Policy Issues for 2015*. American Association of State Colleges and Universities. Accessed March 17, 2015. <http://www.aascu.org/policy/publications/policy-matters/Top10StatePolicyIssues2015.pdf>

students both avoid unnecessary delays in choosing a major and more efficiently sequence their courses; and advising high school juniors of courses they should take during their senior year to become better prepared for college-level work.¹³⁰

The higher education community has found increased reporting and regulatory requirements related to current policies have required them to hire additional staff and perform duplicative tasks in order to remain compliant. Many have cited requirements related to accreditation as the cause of higher tuition costs. Spending time and resources on these current efforts have hindered the implementation of cost efficient measures to make college more affordable. This concern has been held by some Democrats and members of the public. Senator Barbara Mikulski (D-MD) has been outspoken about the burdens of additional regulation. She has said that she wants to make sure the federal student aid system “does lead to jobs— but not necessarily more jobs at the Department of Education” for people who write regulations.”¹³¹ Chancellors, William E. (Brit) Kirwan, of the University System of Maryland, and Nicholas S. Zeppos, of Vanderbilt University explained in a recent HELP committee hearing, how compliance costs are driving up college tuition. Mr. Kirwan stated, "Many regulations are well conceived to address critically important issues and provide appropriate means of accountability, but too many regulations are overly complex, confusing, and result in costly compliance efforts." The chancellors argued “that colleges should be allowed to spend any savings as they see

¹³⁰United States Government Accountability Office. *Tuition Increasing Faster Than Household Income and Public Colleges' Costs*. August 1996. Accessed March 3, 2015. <http://www.gao.gov/assets/160/155555.pdf>

¹³¹ Stratford, Michael. *With Deregulatory Slant, A Higher Ed Act Push*. Inside Higher Ed. February 25, 2015. Accessed Date March 10, 2015. <https://www.insidehighered.com/news/2015/02/25/alexander-says-congress-will-pass-higher-ed-act-year-backs-plan-cut-regulations> .

fit.”¹³² Some have stated that it would be "impractical" and “expensive to calculate the amount each institution would save through deregulation.”¹³³ It would be equally challenging to then apply that amount in a per-student tuition reduction.

Some politicians and interest groups believe universities need to stop spending money outside of the classroom, but universities and others want the state to pay as much for higher education as it did in 2004-2005.¹³⁴ Tom Allison, policy and research manager for Young Invincibles, a supporter of Sen. Warren, stated about recent increases in state funding, “We’re happy to see family share decline for the first time since 2008, but it is alarming that half of all states are relying more on students and families than state support. We have to look ourselves in the mirror and question who we are as a country when we're asking students and families to carry a larger burden than the state to attend a public university." However, other administration staff is less concerned with tuition and more concerned with college completion.

If passed by the end of 2015, the initial implementation would occur during the final year of Pres. Obama and Education Secretary Arne Duncan’s tenures. Secretary Duncan has been for the most part an advocate and supporter of changes to K-12 education. Duncan has stated, “Colleges must do more to increase access, tighten their belts, employ technology more creatively, and boost completion rates. And yes, states

¹³² Senate Committee on Health, Education, Labor, and Pensions. HELP Senate Committee Hearing, February 24, 2015. Accessed March 3, 2015. www.help.senate.gov/

¹³³ Field, Kelly, *Chancellors Urge Congress to Ease Costly Rules on Colleges*. The Chronicle of Higher Education. February 25, 2015. Accessed March 5, 2015. <http://chronicle.com/article/Chancellors-Urge-Congress-to/190347/>.

¹³⁴ Prazan, Phil. Freezing tuition rates eyed by state lawmakers. NBC affiliate KXAN News. April 15, 2015. Accessed April 20, 2015. <http://kxan.com/2015/04/15/freezing-tuition-rates-eyed-by-state-lawmakers/>.

must do more to prioritize higher education funding. States can also do more to constrain growth in what families pay for college, and incentivize innovation, encourage productivity, and accelerate completion.”¹³⁵ Further Sec. Duncan has stated that he has, “yet to meet a Governor who does not wish to be remembered as the education governor. And I have yet to meet a Governor who did not want America to be first in educational attainment.”¹³⁶ Since 2012, Duncan’s goal has been to support the administration’s 2020 college attainment goals, particular focusing on ensuring that once students start school they are able to finish.

Without clear support and guidance by the Department of Education and Secretary Arne Duncan, this policy would be difficult to implement as it could put into question its viability. In an interview with Inside Higher Ed, Duncan stated that, “If you have reasonable debt and you’re getting a college degree,” the education secretary said, that debt is probably worth it, because it has been demonstrated that a college degree is still “the best investment you can make.” He further stated that, “[of] the top 10 things that keep me up at night, [student debt is] not on it. It’s not the end of the world. But where you have \$60,000, \$70,000, \$80,000 and no degree that is the end of the world. That is catastrophic.”¹³⁷ Some politicians and advocacy groups have positions similar to Sec. Duncan’s and have elected to focus on completion and not cost. However, the cost to

¹³⁵ Lederman, Doug, *Duncan on Ratings and Debt*. Inside Higher Ed. July 3, 2014. Accessed April 3, 2015. <https://www.insidehighered.com/news/2014/07/03/arne-duncan-talks-about-ratings-and-student-debt-expansive-interview>.

¹³⁶ *Remarks of U.S. Secretary of Education Arne Duncan to the SHEEO Higher Education Policy Conference*. U.S. Department of Education. August 9, 2012. Accessed April 3, 2015. <http://www.ed.gov/news/speeches/remarks-us-secretary-education-arne-duncan-sheeo-higher-education-policy-conference>

¹³⁷ Lederman, Doug, *Duncan on Ratings and Debt*. Inside Higher Ed. July 3, 2014. Accessed April 3, 2015. <https://www.insidehighered.com/news/2014/07/03/arne-duncan-talks-about-ratings-and-student-debt-expansive-interview>.

fund the program will likely create opposition by alcohol and tobacco companies and lobbyists.

The needed funds to support the State-Federal partnership component of this policy, will be opposed by Republicans, Governors, and alcohol and tobacco lobbyists and special interest groups. Alcohol and tobacco is already subject to state and federal excise taxes. Additional taxation could harm the industry and lead them to run campaigns against political supporters of this policy. Tobacco lobbyists have spent less than \$5,000,000 this year on lobbying activities. However, they spend on average over \$26,000,000 per year in support of their programs and efforts.¹³⁸ Most money is used to support Republican candidates. However, their lobbying power has considerably waned in the past decade but challenges to their revenue could lead to resurgence in their activity. Politicians and the public can agree that tobacco and alcohol industries are areas where taxation would not cause substantial undue stress. The public's key focus is on making college more affordable and less burdensome on students and parents.

The public, specifically, students have been clear on their position that more needs to be done to make college more affordable and that current measures did not prepare them for the ramifications of borrowing. A recent Gallup poll based on 1,533 interviews revealed that 79 percent of the people polled do not believe college is affordable for everyone seeking a higher education.¹³⁹ According to a study by Public Opinion Strategies, Americans say education will be a key factor in determining how

¹³⁸ *Tobacco: Lobbying, 2014*. Accessed April 27, 2015.
<https://www.opensecrets.org/industries/lobbying.php?cycle=2014&ind=A02>

¹³⁹ Busted, Brandon and Stephanie Kafka. *Most Americans Say Higher Education Not Affordable*. Gallup.com. April 16, 2015. Accessed May 1, 2015. <http://www.gallup.com/poll/182441/americans-say-higher-education-not-affordable.aspx>

they will vote for President.¹⁴⁰ In the February CNN/ORC survey, 82 percent of Americans rate education as an extremely or very important consideration.¹⁴¹ Further, in a study performed by American Student Assistance, students were clear that the system is broken.¹⁴² Study participants stated that, “I understand that I took the loans out and therefore am responsible for paying them back, but it’s very frustrating to be in so much debt when the system is broken. I think all parties—students, schools, and loan providers—need to take responsibility until the system can be fixed and the cost of higher education is reduced.”¹⁴³ Other participants, also mentioned fiscal education and consumer responsibility, but one mentioned, “I wish that I had had some strong guidance on what options I had to pay for college. I feel like students are targeted because going to college is necessary for getting a good paying job. We are sitting ducks with no other options but to get loans that will keep us in debt for years to come.”¹⁴⁴ Students have admitted that they are not prepared to take on the responsibility of so much debt. Stating, “... [Debt] is a responsibility that I am not prepared to shoulder. I had no idea what I was getting into. Neither did my family, or my high school advisors. Now I am in a difficult position and I just hope that others are able to see another way out. Unfortunately, if you cannot afford school (which I couldn’t) you will have to take out loans. Even with the scholarships I received, college is expensive. Everyone puts great thought into buying

¹⁴⁰ Kramer, Becky, *Education a Top Tier Concern as American Look to 2016*. Public Opinion Strategies. March 13, 2015. Accessed May 1, 2015. <http://pos.org/2015/03/education-a-top-tier-concern-as-americans-look-to-2016/>

¹⁴¹ *Id.*

¹⁴² Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans, American Student Assistance. http://www.asa.org/site/assets/files/2205/life_delayed.pdf

¹⁴³ *Id.* at p. 27.

¹⁴⁴ Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans, American Student Assistance. http://www.asa.org/site/assets/files/2205/life_delayed.pdf. p. 27.

their first home, but do not realize that what college you attend is just as much of a financial commitment.”¹⁴⁵

Recommendation

Implementing this policy will take a decisive step towards lowering the high costs of tuition. By facilitating increases in higher education funding to institutions through a state-federal partnership, institutions will be encouraged to lower tuition for students. Initial costs are uncertain as the program would require nearly \$30 billion dollars to support the partnership and grants programs. This will require coming up with creative revenue streams and this can be achieved through excise taxes. While there may be some partisan debate, all can agree that student loan debt and tuition prices are too high.

A strong quality of this policy is that students will be unable to accumulate as much debt and will have to make informed choices within their budget, as there is a ceiling to their federal borrowing. However, initial cuts to the Graduate and Parent PLUS loans could act as a barrier to choice for current students. This is a steep challenge as the entire purpose of the Higher Education Act is to provide college access to students no matter their financial situation. While there will likely be some unintended victims during the transition, over the long-term tuition prices will stagnate or reduce the overall average cost of tuition making it more affordable in the long-term.

The policy will strictly hold colleges and universities accountable for the cost of tuition and they will bear the consequences of severe or continuous tuition increases. Lower performing schools that are unable to function on a reduced budget will likely

¹⁴⁵ *Id.* at p. 27.

close. This will have a short-term effect of displacing students but in the long-term the worst schools will fold first and there will be better quality higher education options available for students.

A cap to federal student loans can be mutually agreeable by both parties. Coupled with the mandate to reduce or maintain current tuition levels it would allow the majority of students equal access to higher education. We are presently in economic and political limbo and while there is a desire to make change. There will likely be a stalemate in achieving the intent of this policy under this Administration and Congress. While most challenges are short-term, the impending election cycle could lead to another major defeat for political allies, if the public or pundits view any cuts in loan access as an act against the middle class. At the risk of preventing access to higher education in the short-term and the likelihood of partisan interference, I cannot recommend the introduction of this policy at this time.

ALEXIS J. REDMOND

Curriculum Vitae

BIOGRAPHICAL INFORMATION

Birth Date and Location: December 4, 1987, Lansing, Michigan

EDUCATION

Johns Hopkins University, Washington, District of Columbia **May 2015**
Masters of Arts Degree in Public Management
Capstone: *Legislation to Address Rising Student Loan Debt and the Cost of College*
(Advisor: Paul Weinstein)

Thomas M. Cooley Law School, Auburn Hills, Michigan **May 2012**
Juris Doctor

Oakland University, Rochester, Michigan **April 2009**
Bachelor of Arts Degree in Sociology/Anthropology
Minors in Philosophy and English

BAR MEMBERSHIP

Member, State Bar of Michigan **November 2014**

STUDENT SCHOLARSHIPS AND AWARDS

Wade McCree Scholar	2005-2009
OU Trustee Academic Endowment	2005-2007
Anibal-Burgum Scholarship, Talented Scholar Award	2005-2007
Black Alumni Scholarship	2008
Thomas M. Cooley Law School Honors Scholarship Recipient	2009-2012

CONFERENCE PRESENTATIONS

Michigan Teen Conference, Ferris State University, Big Rapids, MI **June 19, 2013**
Presenter, "Get What You Want, Not Just What They Give You!"
Presented to over 60 youth and service providers on how to plan for future goals and where to find the help you need to reach them. Examining post-secondary options and how to prepare for college.