

# What to Do on Higher Ed?



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It's no surprise that issues like health care, gun safety, and climate change top the list of likely voters' priorities. But higher education remains a hot-button debate stage topic and kitchen-table issue in the upcoming election too, as most Americans understand how essential higher education is for getting ahead in today's economy.<sup>1</sup> By next year alone, two-thirds of all jobs will require some form of education beyond high school.<sup>2</sup> Yet, as the costs of tuition rise, high-profile admissions scandals dominate the headlines, and the Trump administration continues to roll back the few consumer protections that exist in this sector, a shrinking number of Americans feel certain about how they can make college a reality for themselves or their families.

It's for this reason that several 2020 contenders have proposed sweeping plans to forgive all existing student loan debt and/or make college tuition free. It's also why Republicans have doubled down on the narrative that college is an "elite" concept, encouraging students to

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instead forgo the traditional bachelor's degree in favor of more vocational training. Many of these ideas may sound good on a bumper sticker (as campaign slogans often do), but the reality is that the higher education proposals gaining the most prominence would actually do little to address a number of systemic problems in our higher education system—instead exacerbating inequities that exist today.

With this context, this memo aims to inform candidates about how they should talk about higher education on the campaign trail. Our advice to candidates running is to: 1) propose a plan that will address cost *and* quality, 2) be wary about the promises of “free college” and “debt forgiveness,” and 3) support plans that will make closing equity gaps and targeting limited resources to the students who need them most a top priority.

## **The Problem: A misdiagnosis of higher education's woes.**

**Higher ed is still worth it—especially a bachelor's degree.** One of the most pervasive—albeit incorrect—narratives in higher education today is that college is no longer worth its cost. But the data is clear: the financial investment a student makes to earn a college degree almost always pays off. Students who graduate from college earn more than \$1 million more over the course of their lifetimes, and even when accounting for the risk of starting college and not finishing, the net present value of a postsecondary degree remains \$344,000 for the average person.<sup>3</sup> Not to mention the innumerable social benefits that a college degree affords: college graduates face lower unemployment, earn more, pay more in taxes, are healthier, and are more civically engaged.<sup>4</sup> Luckily, most Americans understand this value. Recent polling from Third Way found that across party lines, an overwhelming majority of Americans believe that bachelor's degrees (70%), associate's degrees (69%), and vocational training certificates (90%) are “worth the investment and usually pay off,” in large part because they know college is the clearest pathway to getting a good job that will result in a more stable and secure life.

So while it might be tempting to feed into this “not everybody needs college” narrative, candidates should be cognizant of the reality that higher education remains a critical ticket to the middle class for millions of Americans. This doesn't mean they should stop talking about important opportunities to expand necessary workforce development, apprenticeships, and vocational programs; however, they should be cognizant of pitting the “traditional” four-year college pathway against its more “non-traditional” counterpart. Doing so perpetuates unhelpful assumptions and can trigger harmful conversations about who should or shouldn't go to college—as there is a real risk of spurring insulting discussions about “tracking” or implying that certain demographics of students “aren't college material.” While the reality is that not all students will attend a four-year program and that our economy needs to create

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**Defaults are most likely to happen to students with less than \$10k in debt.** Another misconception dominating the conversation around higher education revolves around the statistic showing that national levels of student debt have reached \$1.5 trillion dollars, implying that the majority of college-goers are struggling to pay off their student loans. <sup>6</sup> There is no disputing that tuition prices have risen over the last few decades, and together with the fact that more students than ever are attending a higher education program of some kind, the raw total of national borrowing is at its highest levels ever. It's also true that there are a handful of students—often graduate students who have pursued expensive law or medical degrees—that face student debt totals over the \$100k (or even \$200k) mark. But what often gets lost in this discussion is the reality that the borrowers who are most likely to default on their student loans are those who have borrowed very small amounts. In fact, nearly 60% of borrowers currently in default owe less than \$20,000, with one-third owing less than \$10,000. <sup>7</sup> That's right—a student with less than \$10,000 in debt is more likely than a student with debt in the six figures!

In large part, this is the result of a less widely-discussed crisis in higher education: the college completion crisis. Today, nearly half of students who enter postsecondary education never actually graduate. <sup>8</sup> As a result, our country is left with a large number of borrowers who have started college, taken out some loans, but never finished—leaving them without the credentials they need to find jobs that will allow them to pay their loans back. That's why candidates should extend the conversation from one that focuses only on cost to one that more broadly focuses on quality and value. This includes raising the important point that if we want to fix the student debt crisis, we need to ensure that students who enter into the higher education system earn a diploma or certificate and have the skills they need to be competitive in a 21<sup>st</sup> century economy. It also means making sure no student is left worse off by the institution or program they attend, and that both students and taxpayers see a return on the massive investment they make in higher education.

**Free college & debt forgiveness proposals are not as popular or benign as you might think.** With growing anxiety about the cost of college and constant proclamations about the crushing impact of student debt, it's no surprise that a number of progressive candidates have rolled out or embraced plans to make college free and/or simply eliminate existing student debt. As innocuous as these proposals may sound, the reality is that not all free college and debt forgiveness plans are created equal—many come with hefty price tags and can actually divert limited resources away from the Americans who could benefit from this relief the most. The estimated costs of free college proposals currently on the table in Congress range anywhere from \$47 billion to \$97 billion per year, nearly 2x-3x more than what the federal

government spends now on Pell grants targeted to low- and moderate-income students. <sup>9</sup> In

government spends now on Pell grants targeted to low- and moderate-income students. – In addition, free college and debt forgiveness proposals are often regressive and can do more to exacerbate inequality than solve it—and importantly, they do nothing to fix the problem moving forward by addressing the quality problems within our system or requiring institutions to make college more affordable.

Most of the initiatives put on the table fail to address the needs of low-income students and simultaneously shift resources to the upper middle class. They also do not account for some of the biggest non-tuition financial barriers students face when going to college, including room and board, transportation, and books. These are certainly not the intended outcomes of the policymakers who propose them—but as the saying goes, if something sounds too good to be true, it probably is. That’s why it’s important for candidates to keep in mind that Americans are often much more realistic about how they think Congress should spend its time, and taxpayers’ money, improving higher education. In fact, when given the choice of a variety of policy proposals that 2020 Democratic candidates could work to enact, eliminating tuition at public colleges and universities was not even one of the top three policies Democratic voters said they’d support.<sup>10</sup>

## Higher Ed Answers

The good news is there are numerous policies that Democratic candidates can focus on that will quell anxieties about higher education and ensure that all Americans have the opportunity to unlock the economic benefits of a postsecondary credential or degree. Five options include:

### Offering a Value Guarantee

To ensure that students and taxpayers get a solid return on their higher education investment, candidates can focus their effort on touting a new “college value guarantee” that will take substantial steps to protect students from attending schools that are likely to leave them worse off. This includes setting new federal bottom lines that prohibit colleges with abysmal graduation rates, post-graduation earnings, and/or loan repayment rates from having access to federal student aid. It also means holding institutions accountable for how well they provide a return on investment for students by looking more carefully at institutions’ financial priorities in order to meaningfully distinguish between schools that *cannot* invest more in their students due to a lack of resources and those that *can but choose not to* invest in their students. Lastly, today, young people can easily pull up data to help them decide what movie is worth watching, but they don’t have the data they need to make one of the most important financial decisions of their lives: which college to attend. We must improve the transparency of higher education outcomes so that students and parents can comparison shop and better determine whether a school is actually worth its cost.

### Boosting Funding for Pell

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Pell Grants provide nearly \$30 billion in federal assistance to help low- and moderate-income students attend college today. And while the Pell Grant used to cover 80% of college costs at a public four-year college, today, it covers less than a third.<sup>11</sup> The price tag of free college proposals on the table range from nearly two to three times what the federal government spends on Pell Grants—enough to provide an additional 16 million Pell Grant awards at the current maximum level to students each year.<sup>12</sup> Investing increasing and expanding access to the Pell Grant would be a more effective way to spend limited federal resources if we want to truly advance equity and student success in our higher education system.

## **Creating a Federal-State Partnership**

Higher education is a shared responsibility, and too many states have been disinvesting and failing to pick up their end of the bargain—increasingly shifting the cost of public universities to students and parents. Congress could reverse that dangerous trend, which is a huge contributor to rising costs, by investing in a significant federal-state partnership that encourages states to leverage their money in their public higher education systems. This kind of targeted investment would go much further toward making college affordable than most proposals under the “free college” umbrella.

## **Addressing the College Dropout Crisis**

Despite the progress we’ve made to improve access to higher education through increased high school graduation rates and access to financial aid, only a little more than half of students who start college actually complete, with those rates being even lower for low-income students and students of color. To slow down higher education’s leaky pipeline, Congress could provide funding for emergency aid (i.e. small grants students can use for things like parking fees or broken down cars that often prevent completion), scale up successful completion programs like the CUNY ASAP model that help students earn associate’s degrees more quickly, and support the expansion of evidence-based strategies to improve retention. In addition, Congress could make a concerted effort to prioritize recognizing and closing the systemic completion gaps that exist for low-income students and students of color by establishing a new grant program dedicated to providing additional resources to institutions that publicly commit to closing equity gaps.

## **Creating a Student Receipt for Higher Ed**

A lack of transparency in higher education makes it nearly impossible to discern whether institutions of higher education are primarily spending their money on marketing, executive salaries, fancy amenities, or instruction and support services for their students. Since the average student spends over \$16,000 of their own money every year to attend the institution

of their choice (even after all scholarships and grants are deducted), it’s critical for them to

of their choice (even after all scholarships and grants are deducted), it's critical for them to understand exactly how their money is being spent.<sup>13</sup> That's why Congress could pass a simple solution: a "receipt" for higher education. Institutions receiving taxpayer dollars through federal grants and loans should have to disclose how they are spending that money—including the percentage put into marketing and recruitment of more students to write more tuition checks, and the percentage dedicated to instruction, academic support, and student services, so that consumers can make better choices about where to make one of the biggest investments of their lives. If one school is spending 10% of tuition on teaching students and another is spending 75%, it's pretty clear where both students and taxpayers would get a better bang for their buck.

## Conclusion

The stakes of this election are higher than ever. And while higher education may not be the top issue driving Americans to the polls, it remains a critical kitchen-table issue as a college degree continues to serve as an important lever to unlocking a stable and secure life. Candidates shouldn't overpromise what they'll inevitably under deliver when it comes to offering free college or total debt relief, especially as these plans do little in the way of directing limited resources to the students who need them most and are nonstarters in today's Congress. Refocusing efforts to center around value rather than just cost alone allows candidates to address other pressing issues in higher education, including a college completion crisis that often leaves students worse off than if they hadn't attended college at all.

### TOPICS

HIGHER EDUCATION 266

### ENDNOTES

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