



Expanding College Opportunity: Making College More Affordable and Student Loans More Manageable

**United States House of Representatives
Honorable George Miller
Chairman
Committee on Education and Labor**

October 2010

Executive Summary

Answering the President's call to once again lead the world with the highest proportion of college graduates by the year 2020, House Democrats continue to provide the critical resources needed to achieve this goal. Since 2006, Democrats have worked to make college more accessible and paying for college more affordable for American families.

In addition, Democrats have worked to help close the current college participation gap between minority and white students, which can add billions to the national gross domestic product and in tax revenue to strengthen our economy and improve the quality of life for all Americans.

According to the Bureau of Labor Statistics, occupations requiring "a postsecondary degree are expected to account for nearly half of all new jobs from 2008-2018 and one-third of total job openings."¹

The jobs of the future require us to invest in the education and training required to develop a highly skilled workforce, the Democratic congress recognizes the importance of these strategic investments and have expanded college opportunities by:

- ✓ **Significantly increasing the maximum Pell grant award** and indexing the maximum award to the Consumer Price Index beginning 2014. With the passage of the Health Care and Education Reconciliation Act of 2010, the maximum Pell grant award will reach \$5,975 by 2017, from \$4,050 in 2006.
- ✓ **Providing students and families with the information and support** they need to make smart and informed decisions about getting into, paying for, and graduating from college. The Democratic Congress created the College Access Challenge Grant program in 2007 and increased funding for it in the reconciliation act.
- ✓ **Making student loan repayment more affordable.** The Democratic Congress instituted the Income-Based Repayment (IBR) Program in 2007 to allow borrowers to cap their federal student loan payment at 15% of their discretionary income and forgive any remaining balances after 25 years of repayment. The recently passed reconciliation bill expands on this benefit for new borrowers starting in 2014, capping loan payments at 10% of discretionary income and forgiving remaining balances after 20 years of repayment.
- ✓ **Rewarding public service.** Under the College Cost Reduction and Access Act of 2007, the Democratic Congress created a Public Service Loan Forgiveness program that

forgives the loan balances of individuals who work in public service or at a non-profit organization, after 10 years of service during which a borrower makes payments on their federal student loans.

- ✓ **Lowering student loan interest rates on need-based loans.** Thanks to the 2007 College Cost Reduction and Access Act, subsidized Stafford loan rates have been dropping and will continue to decrease over the next two years to 4.5% in the 2010-2011 school year and reaching 3.4% in the 2011-2012 school year.
- ✓ **Investing in Historically Black Colleges and Universities and Minority Serving Institutions.** As a result of investments made in the 2007 College Cost Reduction and Access Act and the reconciliation bill just signed into law, Congress will invest \$3 Billion in mandatory funding through 2019, continuing to ensure that these institutions have the resources they need to graduate the next generation of minority teachers, doctors, and nurses.

In addition to the expansion of college access, Democrats have worked to ensure that the health care needs of current students and young graduates are met, and that health care reforms reduce the burden on future generations of workers. Under the health care reform legislation that passed Congress this spring, families benefit by:

- ✓ **Extending health care coverage through parents. Allowing individuals to stay on their parents' health care plans until they turn 26 years old.** Now through 2014, a young person without coverage by their employer can stay on their parents' health care plans until they turn 26 years old. Beginning in 2014, the provision applies to all young people regardless of employer coverage, helping to insure one in three uninsured young adults.
- ✓ **Expanding access to preventative care by insuring young adults.** Under the Democratic Congress' health care reforms, young adults will have access to free preventive care for all people insured under new plans, helping to prevent costly illness and disease resulting from delayed treatment.
- ✓ **Insurance reforms that lower costs for young adults** including: eliminating lifetime limits on how much insurance companies cover if an individual gets sick, capping the cost of co-pays and deductibles starting 2014, and banning new group plans establishing eligibility requirements that discriminate in favor of higher wage employees beginning in 2014.
- ✓ **Reducing the deficit**, by enacting reforms that lower health care costs over the long term. The health insurance reforms that Congress just passed are projected to lower the deficit by \$1.3 trillion over the next two decades.

Democratic Congress: Making Healthcare more Accessible and College more Affordable

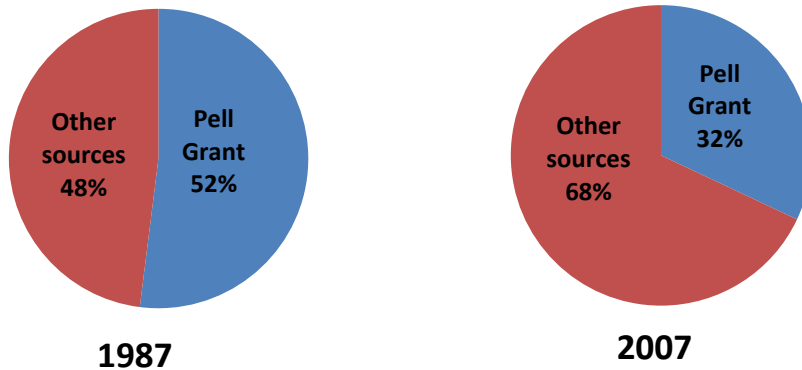
In order for the U.S. to compete in a global economy, especially during tough economic times, it is critical that we ensure that hardworking Americans have access to equal opportunities to build a better life.

Since the Democrats took control of Congress in 2006, they have done just that. They have helped provide the resources families need to invest in their future so they can have access to the care they need to live healthy lives and to the resources families need to help finance a college education.

Boosting College Opportunities: Expanding Federal Student Aid

The federal Pell grant program is the cornerstone of federal financial aid. Since its creation in 1972, the program has strived to strengthen access to postsecondary education for millions of low- and moderate-income families. Over the years, Pell grant increases have not kept pace with the rising cost of education. The resulting reduction in the purchasing power of the Pell grant has also meant that the maximum award covers far less of the cost of attendance than it did in previous years. **In 2006-07, the maximum award covered 32% of the cost of average tuition, fees, room, and board for a full-time dependent student, compared to 52% in 1987.**ⁱⁱ

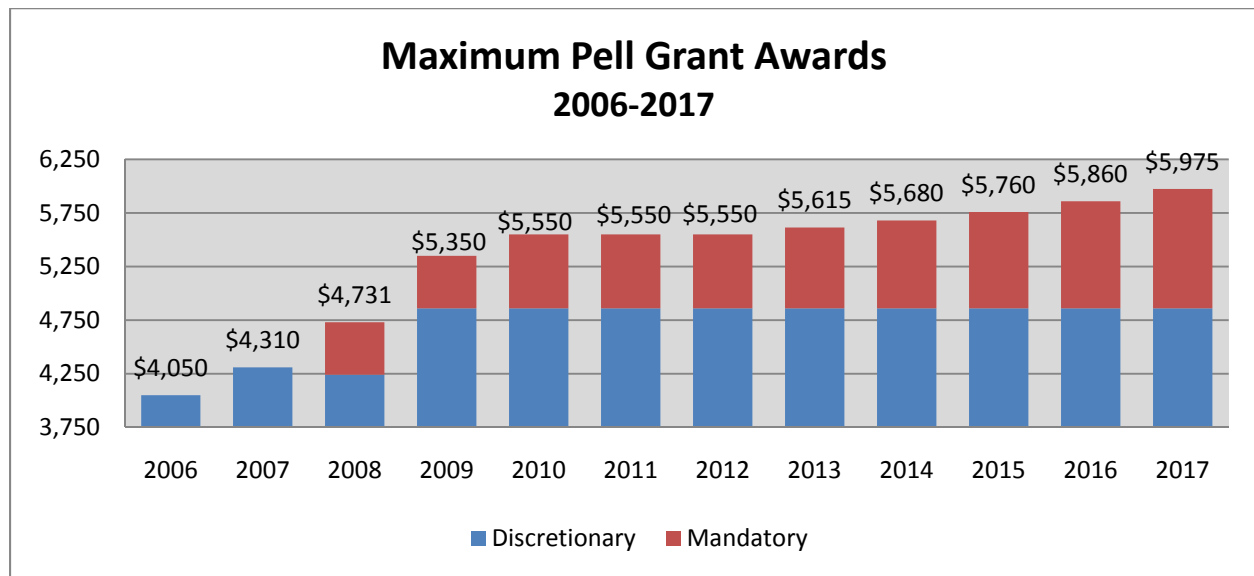
Declining Purchasing Power of the Federal Pell Grant



Given the increasing importance of the Pell grant award to maintaining college affordability, Democrats in Congress have made significant increases to the maximum Pell grant award and expanded the number of individuals receiving the award. Since 2007, the Democratic Congress has made investments to significantly increase the maximum Pell grant award from \$4,050 in the 2006-07 academic year to \$5,550 this year. In addition, **more students are receiving the Pell**

grant from 5.2 million recipientsⁱⁱⁱ in the 2006-07 academic year to over 8 million recipients in the 2009-10 award year.^{iv}

More recently, the enacted budget reconciliation legislation funded **\$36 billion in mandatory increases for the Pell grant program**, also indexing the maximum award to the Consumer Price Index beginning 2014, resulting in a **maximum Pell grant award of \$5,975 by 2017**.



Stemming the Tide of Rising Student Loan Debt

As the cost of college rises, students and their families face an increasing reliance on student loans to help finance their postsecondary education. **Nationwide, the average debt for graduating seniors in 2008 was \$23,200 from \$18,650 in 2004, an increase of about 6% per year.**^v

Below is a breakdown of the percent of graduating seniors with debt, coupled with the average debt of those with loans, by higher education sector.

Percent of Graduating Class with Student Loans and Average Debt of Borrowers (2008)*		
Sector	Percent with Debt	Average Debt
Public four-year	62%	\$20,200
Private nonprofit four-year	72%	\$27,650
Private for-profit four-year	96%	\$33,050

*Calculations by the Project on Student Debt using data from NPSAS:08

While many students are able to repay their loans, some struggle with managing monthly loan payments, especially at the beginning of their careers and during difficult economic times.

To address the increasing reliance on student loans, for the 2009 and 2010 tax years, **an additional 4 million families will be eligible for up to \$2,500 through the American Opportunity Tax Credit (AOTC)** to help pay for college. The Democratic Congress also expanded the list of eligible expenses covered under the AOTC to include not only tuition and related fees, but also books and other required course materials.



As a result of changes made by the Democratic Congress, since July 1, 2009, federal student loan borrowers have had access to an **Income-based repayment plan (IBR) that allows borrowers to cap their federal student loan payments at 15% of their income and forgives remaining balances after 25 years of repayment.**

This repayment relief comes at a critical time, when many young adults struggled to find employment in a difficult economy. By the third quarter of 2009, the unemployment rate for college graduates aged 20-24 had risen to 10.6%. Even as the economy continues on the path to recovery, it is important for graduates to know they have the security of manageable monthly loan payments linked to their earnings.

Under the changes made to IBR through the Health Care and Education Reconciliation Act of 2010, **new borrowers starting 2014, will have the ability to cap their federal student loan payments at 10% of their income and have remaining balances forgiven after 20 years of repayment.**



In addition to ensuring that student loan repayments stay manageable, Democrats in Congress have continued to reward individuals who pursue a career in public service. Through the public service loan forgiveness program that the Democratic Congress passed in 2007, **individuals who work in public sector fields—like teaching, nursing, public interest law, or non-profit work, etc.—will see their federal student loans completely forgiven after 10 years of service and loan repayments.**

Through the College Cost Reduction and Access Act of 2007, Congress also created the **Teacher Education Assistance for College and Higher Education (TEACH) Grant Program** that provides grants of up to \$4,000 per year to students who commit to teaching in a public or private elementary or secondary school that serves students from low-income families.

The Need for a Well-Educated Workforce

The Bureau of Labor Statistics of the U.S. Department of Labor projects that during the 2008-2018 period, one in three of the total job openings will require a postsecondary degree or award.

In addition to the increase in the number of jobs that require a postsecondary degree or awards, BLS projects a significant change in the diversity of the 2018 labor force, accounting for a greater need to expand educational opportunity and success of racial and ethnic minorities.

Labor Force by Race*		
Race/Ethnicity	2008	2018
White	81.4%	79.4%
Black	11.5%	12.1%
Hispanic	14.3%	17.6%
Asian	4.7%	5.6%

*Employment projections from the Bureau of Labor Statistics (BLS) December 2009. Sum of percentages is greater than 100 percent resulting from Hispanic individuals counting in other racial categories.

Historically Black Colleges and Universities, Hispanic Serving Institutions (HSIs), Predominantly Black Institutions, Tribal Colleges and Universities (TCUs), Alaska Native and Native Hawaiian Institutions, institutions serving Asian American and Pacific Islanders, and Native American non-tribal serving institutions are critical to the nation's economic and social well-being.

By educating the nation's emerging majority populations, and an increased proportion of the nation's workforce, these institutions represent the vanguard of the country's potential and promise. These institutions provide postsecondary education opportunities specifically tailored to students who traditionally have been denied access to adequately funded elementary and secondary schools, especially low-income, educationally disadvantaged students.



Since 2007, the Democratic Congress has provided critical investments into this country's Historically Black Colleges and Universities and Minority Serving Institutions. Under the College Cost Reduction and Access Act, **the Democratic Congress made a historic investment of \$255 million dollars a year for HBCUs and Minority Serving Institutions** for 2008 and 2009. The recently passed **reconciliation legislation builds on this investment and continues this level of funding for these colleges for the next 10 years.**

HBCUs graduate approximately 30 percent of all African-American students, 40 percent of African-American students receiving a four-year degree in STEM (science, technology, engineering, and mathematics), and 50 percent of African American teachers.^{vi}

Beyond the increased workforce demands for individuals with some postsecondary education and training, the importance of postsecondary education in relation to the impact it has on an individual’s annual and lifetime earnings cannot be overstated.

According to the U.S. Census Bureau’s figures, **workers with a bachelor’s degree earned about \$26,000 more a year on average than workers with a high school diploma.** On average workers with high school education earned an average of \$31,286 in 2007, while workers with a bachelor’s degree earned an average of \$57,181.



Over their lifetime, a bachelor’s degree recipient earns on average \$1.2 million more than someone with a high school diploma, \$2.74 million (bachelor’s degree) compared to \$1.53 million (high school graduate/GED).^{vii}

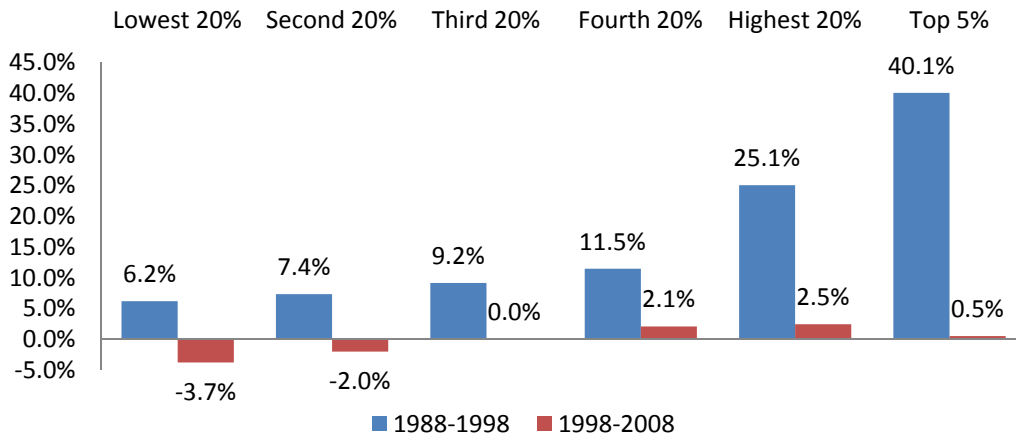
College Cost

Over time, the cost of college has increased at an annual pace that exceeded inflationary increases.^{viii} **Tuition at public 4-year institutions rose on average 4.9% annually beyond inflation over the past decade.** Some of this increase can be attributed to decreasing public appropriations for institutions. In 2008-09, appropriations per student declined by 5.7%, and were 12% lower in constant dollars than a decade ago.^{ix}

2009 Published Tuition and Fees ^x					
	Private Not-for-Profit Four-Year	Public Four-Year In-State	Public Four-Year Out-of-State	Public Two-Year	For-Profit
Tuition and Fees	\$26,273	\$7,020	\$18,548	\$2,544	\$14,174
1-Year \$ Increase	\$1,096	\$429	\$1,088	\$172	\$859
1-Year % Increase	4.4%	6.5%	6.2%	7.3%	6.5%

While college costs have increased substantially over the past decade, a large part of the problem with college affordability has been driven by stagnant family incomes. Overall, families have less available financial resources to contribute towards the pursuit of a postsecondary education. The hardest hit families are those in the **bottom third quintile who on average have seen their family incomes either stagnate or decrease** in constant dollar terms.^{xi}

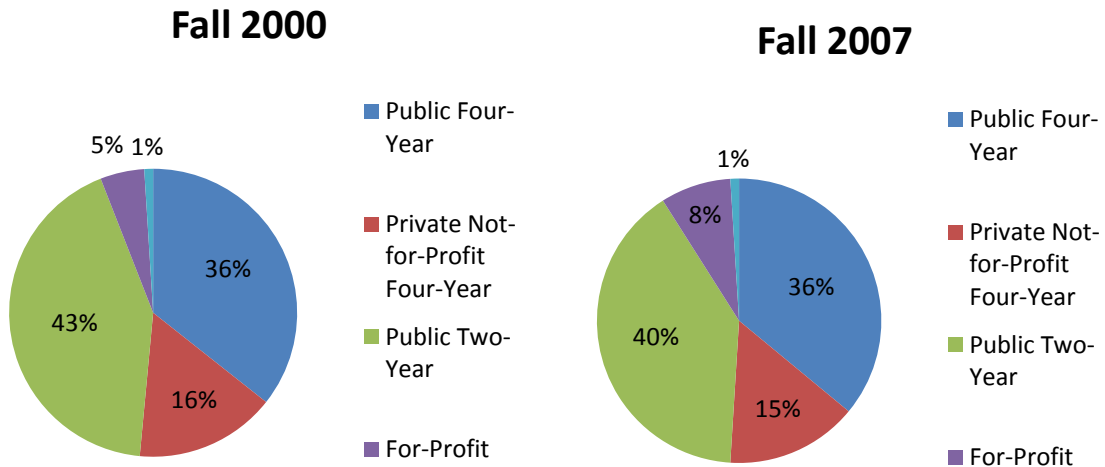
**Percentage Growth in Mean Family Income by Quintile in
Constant 2008 Dollars 1988-98 and 1998-2008**



College Enrollments

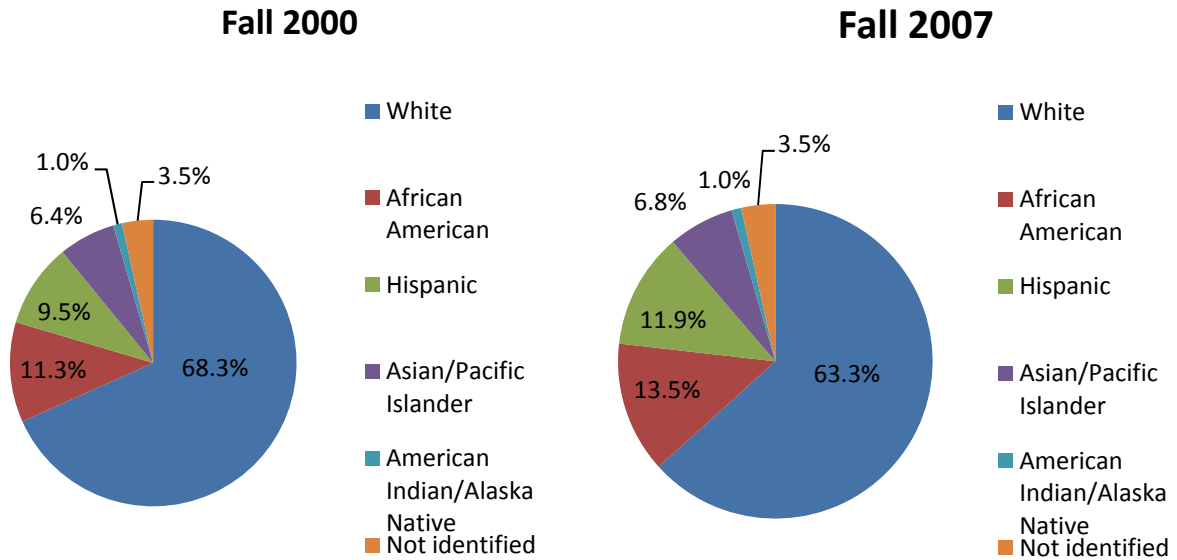
Between 2000-2008, full-time undergraduate enrollment has increased by 29% and part-time undergraduate enrollment has increased by 17%.^{xii} While the distribution of enrollment has remained fairly constant for the public and private non-for-profit sectors, the for-profit sector has seen an increase in the percentage of all undergraduate enrollment from 5% in 2000 to 8% in 2007.^{xiii}

Undergraduate Enrollment by Sector Fall 2000 and Fall 2007



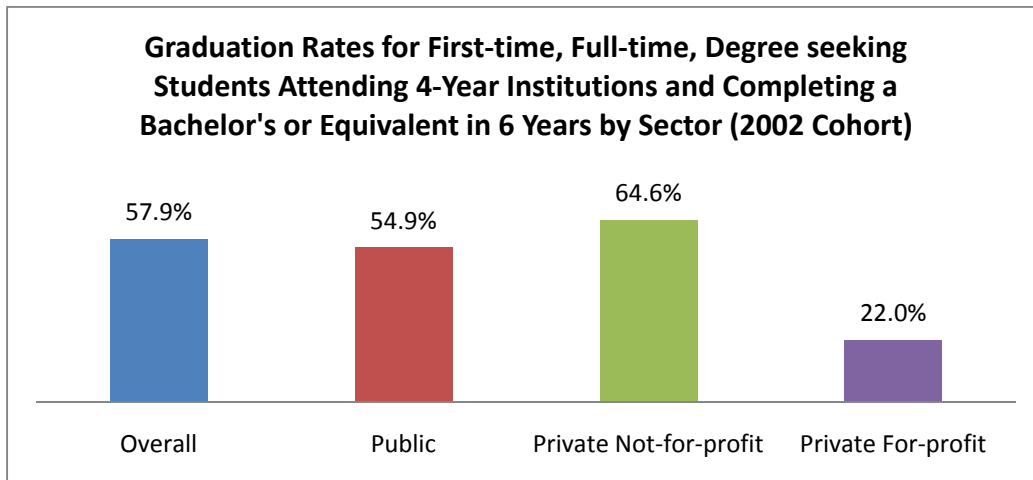
The percentage of students of color enrolled in degree-granting institutions at the undergraduate and postbaccalaureate levels have seen only modest gains since 2000.^{xiv}

Undergraduate and Postbaccalaureate Enrollment by Race and Ethnicity



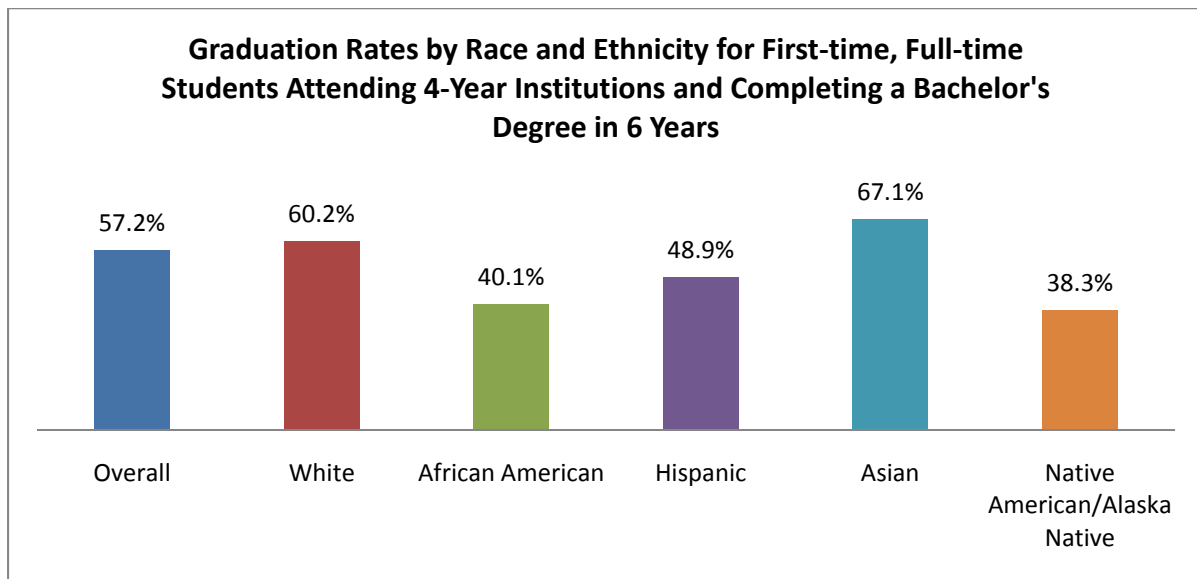
College Graduation

The overall graduation rate for first-time, full-time degree seeking students attending 4-year institutions who began their course of study in 2002 and graduating by 2008 was 57.9%.^{xv} The graduation rate in this cohort varies considerably by institutional sector, with private not-profit institutions graduating at the highest rate, and private for-profits graduating at the lowest rates.



Graduation Rates by Race/Ethnicity

Graduation rates also vary substantially by race and ethnicity. With African American, Hispanic and Native American/Alaska Native students graduating at lower rates than their White and Asian counterparts.^{xvi}



To encourage States to focus more on addressing factors affecting both college access and success, particularly for low-income families and individuals from groups traditionally underrepresented in higher education, **the Democratic Congress created the College Access Challenge Grant (CACG) program in 2007**, with an initial investment of \$66 million per year for 2008 and 2009. The health care and education reconciliation legislation signed into law in March increases that investment to **\$150 million per year for 2010 through 2014**, to help states secure the resources they need to continue and expand this important work, and to ensure that families have access to the information they need to make sound decisions about postsecondary education.

In addition to the numerous higher education investments made by Congressional Democrats, for America's students and families, they have ensured that the process by which families apply for federal student aid can get the resources they need to finance their postsecondary education. By **enacting reforms to simplify the Free Application for Federal Student Aid (FAFSA)**, the Democratic Congress has helped ensure that filling out a form no longer stands in the way of a student getting access to the resources they need to pursue higher education.

Since 2006, the Democratic Congress has continued to focus on reforms that strive to put American families on more secure economic footing: increasing federal grant aid for low- to moderate- income families, providing a tuition tax credits to help families pay for college, making student loan repayment manageable; and making health care more affordable for young Americans.

ⁱ U.S. Department of Labor Bureau of Labor Statistics. 2009. *Employment Projections 2008-2018*. Washington, D.C.

ⁱⁱ College Board. 2007. *Trends in Student Aid*. Washington, D.C.

ⁱⁱⁱ U.S. Department of Education Office of Postsecondary Education. 2010. *2008-09 Federal Pell Grant Program End-of Year Report*. Washington, D.C.

^{iv} U.S. Department of Education. 2010. *Federal Student Aid Data Center*. Washington, D.C.

^v Project on Student Debt. 2009. *Student Debt and the Class of 2008*. Berkeley, CA.

^{vi} NAFEO. 2008. *The State of America's Black Colleges: Expanding Access, Ensuring Success, Promoting Global Competitiveness*. Washington, D.C.

^{vii} Mark Kantrowitz. 2007. *The Financial Value of a Higher Education*. NAASFAA Journal of Student Financial Aid. Washington, D.C.

^{viii} College Board. 2009. *Trends in College Pricing*. Washington, D.C.

^{ix} Ibid.

^x College Board. 2009. *Trends in Student Aid*. Washington, D.C.

^{xi} College Board. 2009. *Trends in College Pricing*. Washington, D.C.

^{xii} National Center for Educational Statistics (NCES). 2009. *Mini-Digest of Education Statistics 2009*. Washington, D.C.

^{xiii} College Board. 2009. *Trends in College Pricing*. Washington, D.C.

^{xiv} National Center for Educational Statistics (NCES). 2009. *Mini-Digest of Education Statistics 2009*. Washington, D.C.

^{xv} Ibid.

^{xvi} Ibid.