

COLLEGE AFFORDABILITY AND THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

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Congress is currently debating the reauthorization of the Higher Education Act of 1965, the primary legislation chartering the federal government's role in U.S. postsecondary education. The previous reauthorization happened in 2008 and the resulting legislation, totaling more than 400 pages, gives Congress many issues to tackle. This time, one of the most pressing concerns is the rising price of college, which has created a crisis of affordability for many American students and their families.

Escalating College Costs and Student Debt

The price of going to college has been a concern for many years, but the issue has gained new salience since the recent Recession and subsequent sluggish economic recovery. College prices continued to rise during the recession, even as students and their families had fewer resources to pay.

- From 2007 to 2013 median household income in the country fell seven percent (in 2013 dollars) from \$55,438 to \$51,404. During this same period, tuition prices rose by 13 percent at private four-year colleges and universities, by 27 percent at public four-year universities, and by 25 percent at community colleges. Grant aid and tax benefits did limit the price increases somewhat.
- Price increases have gone hand in hand with increased student borrowing. Cumulative borrowing for typical graduating seniors increased by almost one-quarter in 2012 dollars between 2008 and 2012, from \$21,502 to \$26,500.
- By 2012, 69 percent of graduating students had borrowed to pay for their educations, up from 67 percent in 2008.

Increased student borrowing has attracted attention from the media and policymakers. A May 2012 front page article in the *New York Times* described "A Generation Hobbled by the Soaring Cost of College," highlighting that student debt had grown to total over \$1 trillion, surpassing both car loans and credit card debt, and placing it behind only mortgage loans. As Senator Tom Harkin, chairman of the Health, Education, Labor and Pensions Committee, stated earlier this year, the "average college student today is saddled with more than \$29,000 in federal student loan debt. That is debt holding young Americans in Iowa and around the country back from buying a home, investing in a small business, or starting a family." The Obama administration has taken steps to ease the burden by expanding access to the Income-based Repayment program, which ties monthly college loan repayments to the level of borrowers' incomes.

Further Steps Washington DC May Take to Reduce the Cost of College

Further steps may well be taken in Washington DC, as Congress and the Obama administration debate college prices in the context of reauthorizing the Higher Education legislation. College practices, procedures for loan applications and repayments, and the role of the states in financing public higher education – all are areas that may get new attention.

- **Colleges are likely to be pressured to moderate tuition increases.** Congress could mandate that the U.S. Department of Education expand its “College Affordability and Transparency Center” website to provide more and better information about the prices of individual colleges to students and their families. Sometimes dubbed the college “Hall of Shame,” this website lists colleges with the highest prices and price increases, as well as those with the lowest prices.
- **Congress is likely to streamline and simplify the process of applying for financial aid,** because members of both parties agree that the more than 100 questions on the current Free Application for Federal Student Aid are an excessive barrier to access, particularly for students from low- and moderate-income families who need help the most.
- **The terms of federal student loans are likely to change.** Income-based repayment systems may be enlarged to better protect former students who are unemployed or under-employed and face difficulty with loan repayments. Borrowing limits in the federal Stafford Loan program may also be raised, and repayment rates and rules about hardship deferments could be revised.
- Almost two-thirds of U.S. undergraduates are enrolled in public sector colleges and universities, where a strong driver of tuition increases has been the overall squeeze on state budgets. **Some in Congress will try to beef up weak “maintenance of effort” mechanisms in the federal higher education law devised to encourage states to restore the funding for higher education cut during the recent economic slowdown.**

How Far Will New Efforts Go?

Perhaps the most controversial idea Congress will need to examine is the Obama administration’s proposal to assign value ratings to colleges and universities based on criteria such as college prices, pedagogical innovations, the employment rates and wages of graduates, and the loan burdens and loan repayment rates of graduates. The Obama administration is expected to announce a new ratings system this fall, and it may propose using the new ratings to determine institutional eligibility to participate in federal financial aid programs. Many leaders in higher education are resisting this idea, however – and so far there does not appear to be enough support in Congress to pass the necessary authorizing legislation.

Indeed, despite bipartisan concern, the two parties have large disagreements about how to address college affordability. The Democratic-controlled Senate and Republican-controlled House of Representatives are unlikely to resolve the differences prior to the November 2014 elections, so the next Congress to be installed in 2015 is likely to face the challenge of revamping federal higher education legislation to meet the escalating affordability crisis.

Research and data for this brief were drawn from Gordon Green and John Coder, “Household Income Trends: February 2013,” Sentier Research, March 2013; “Trends in College Pricing,” The College Board, 2013; Senator Tom Harkin, “Harkin Welcomes Action from President Obama to Help Students Manage Federal Loan Debt,” United States Senate Committee on Health, Education, Labor & Pensions, June 9, 2014; and the National Center for Education Statistics.