



## HOUSE OF REPRESENTATIVES II

### College Funding Update

By Rachel Wilson

#### Introduction

Education is crucial to a country's progress, but access to institutions of higher learning is not always easy for lower income students. In the US, the government has tried to increase the accessibility of college education by creating multiple programs to help students pay for college. Together, the government and students' families share the burden of college tuition. Financial aid for students is available through need-based and merit-based financial aid. Federal and state loans and grants also boost the affordability of college for students. Student loans have low, fixed interest rates, and the government pays the interest on the loan for the majority of students while they are still in college. Although financial aid does **alleviate** some of the burden for many students, the system remains quite complicated and could use much improvement.

**Alleviate**—help ease or reduce.

#### Summary of the Problem

The first governmental action related to higher education came in 1862 with the passage of the Morrill Act, also known as the Land Grant Act, which gave some federally-owned land to states so that they could start colleges. The next step towards the expansion of higher education occurred in 1944 with the Servicemen's Readjustment Act, or the GI Bill. This bill provided returning World War II veterans with college education and **vocational training**, which helped make college education attainable for average Americans. Given the large number of Americans able to benefit from the GI Bill after World War II, getting a college education became much more common, and in some demographics, almost expected. In the 1950s, growing demand for scholarships created a need for a **standardized** financial aid system. The creation of the College Scholarship Service (CSS) helped create a standard system for determining a family's ability to pay for their child's education.

**Vocational Training**—education to prepare one for a specific future career.

**Standardized**—brought into conformity with a standard.

Under President Lyndon B. Johnson, two bills were passed to help minimize the **income gap**, the Economic Opportunity Act of 1964 and the Higher Education Act of 1965. The first piece of legislation was the beginning of the government's work-study program, and the second established the government's policy of trying to help lower-income students obtain loans. The next action taken by the US government came

**Income Gap**—large difference in levels of income between different segments of society.

with the Federal Pell Grant Program that distributed federal grants to students based on a financial need formula.

In 1980, the Parent Loan for Undergraduate Students (PLUS) program allowed middle-class families to take out a \$3,000 **loan** each year for every dependent student regardless of income. Under the Reagan Administration, many government financial aid programs were scaled back; however, this trend was reversed in favor of federal financial aid programs in the 1990s. In 1992, the Free Application for Federal Student Aid (FAFSA) was established, which further **streamlined** the financial aid application process. After 2000, legislation has focused on reducing fraud and cutting costs while lowering tuition costs, increasing financial aid, and simplifying the whole financial aid process.

**Loan**—*money lent at interest.*

**Streamline**—*to make something more efficient or more effective.*

## Recent Developments

The National Center for Public Policy and Higher Education recently published a report entitled "Measuring Up 2008: The National Report Card on Higher Education." The report showed that college tuition rates have been rising three times as fast as median family income since 1982. It also reported that the number of undergraduate borrowers has increased by 50 percent in the last decade and that the total amount of students' debts has doubled. These statistics illustrate the plight that Americans are in when it comes to college affordability. President Obama will likely sign legislation to help make college more affordable; however, he will be limited by budget constraints due to the poor economy and expensive stimulus packages that Congress is working to pass.

While President Obama is still touting his college tax credit program, the proposed benefits may be changing. On January 25, 2009, the *Daily News* reported that Obama said in a radio address that he plans on "granting a \$2,500 college tax credit to 4 million students." This is slightly lower than the amount he proposed earlier, with the difference most likely due to budget constraints.

## Focus of Debate

### *Conservative View*

In order to increase accessibility to higher education for students, conservatives favor holding academic institutions accountable for reducing tuition. An example of this is encouraging colleges to spend more of their endowments on financial aid. They also want more clarity in the financial aid process. Republicans also favor using tax incentives to encourage parents to save for their children's college tuition, and unlike Democrats, do not want to expand **grant** programs.

**Grant**—*a sum of money that is given; it does not need to be paid back.*

### *Liberal View*

Liberals favor increasing the involvement of private lenders and banks in order to give students more freedom. One way to do this would be to work directly with universities to determine aid packages without going through **third-party lenders**. Liberals are also in favor of legislation targeting minorities. They support governmental action that tries to increase the number of minority students who attend college and offers more financial aid to minority students.

**Third-party lender**—  
*often a bank or another institution that gives the borrower a loan.*

### *Presidential View*

President Obama is concerned about the high costs of college education and has offered several proposals to help increase college affordability. His first idea is the American Opportunity Tax Credit. This program would offer a fully refundable, annual tax credit that would pay for the first \$4,000 of college expenses. It would use a family's tax returns from the previous year to determine the amount of the tax credit, which would make it available at the beginning of college.

He also supports increasing Pell Grants for students and favors ending government subsidies for the Federal Family Education Loan Program, which gives out relatively expensive loans to students and their families. Instead, he wants to send this money to the Direct Loan system, which offers lower cost loans. In addition, Obama has proposed eliminating FAFSA and allowing students to become eligible for financial aid simply by their parents checking a box on their federal tax form.

In order to increase graduation from junior and community colleges, Obama has proposed a Community College Partnership Program that would reward junior colleges that have higher graduation rates and increase the number of students who transfer to four-year colleges. Finally, Obama's ideas for higher education include supporting the Development, Relief, and Education for Alien Minors (DREAM) Act. This legislation would make college education more accessible for children of undocumented workers who have been in the US since at least the age of 15. The DREAM Act would require these students to either serve two years in the military or earn a two-year degree or finish two years of a four-year degree. The students would be eligible for work-study and student loans, but not Pell Grants, and they would be required to finish the plan within six years after their graduation from high school.

## **Questions for Policymakers**

Delegates should keep some important questions in mind to help with writing legislation. How much of a problem are college tuition costs? Should the government increase or decrease their involvement in

the financial aid system? What can they do to decrease costs? How can the government increase accessibility and affordability for groups, such as middle-class students, lower-income student, and **minorities**? Is there a way to streamline the financial aid process and make it easier for families and students? What role can and should private lenders play in the financial aid process? How can the government encourage higher education among minorities, and how can this resolve the income gap?

**Minority-group** differing, especially in race, religion, or ethnic background, from the majority of a population.

## Conclusion

College funding is a complex topic, with many different viewpoints. Lack of ability to pay for college is and has been a problem for many students, and paying college tuition is a huge financial burden for many families. Also, the public financial aid system has shown that it could use some improvement. This issue is very important because the future of our nation relies heavily on the education of its citizens.

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