

To Strengthen Higher Education, Boost Pell Grants, End Waste in Private Loan Programs

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In this new era of globalization, it's more important than ever for our citizens to have a college education so they can obtain good jobs and have a fair chance at the American Dream. But it's becoming increasingly difficult for them to get such an education—including in New England. According to the most recent report of the College Board, our region's four-year colleges—both public and private—continue to be the most expensive in the nation. Earlier this year, the National Center for Public Policy and Higher Education gave every state in the region an "F" in college affordability. New England is the nation's leader in many aspects of higher education, but our distinction in this category is hardly welcome.

Obviously, we can't let this situation continue. If we don't act quickly to improve college access, we risk losing the educated workforce that has helped transform our region's economy and produced our eminence in health care, biomedical research, computer technology, finance and education. We also risk maintaining the shameful status quo—here and across the country—in which low-income, first-generation and minority students are far less likely to obtain a college degree than other students.

I welcome the recent report by the secretary of education's Commission on the Future of Higher Education. I don't agree with all the commission's recommendations, but the report is helping create a better debate on higher education and its role in ensuring opportunity for all our citizens, and this discussion has great potential to improve our system of higher education.

I support the report's call for an increase in the Pell Grant, so that the average award will cover 70 percent of the typical tuition at a four-year public college. In New England, this increase would directly help more than 200,000 low-income beneficiaries of these grants—many of whom are the first in their families to attend college. After four years in a row of broken pledges from President Bush and the Republican Congress to raise the maximum Pell Grant, the commission's reaffirmation of this program as the foundation of our college aid system is a welcome development.

I disagree, however, with the commission's suggestion that we pay for this increase by consolidating other federal grant programs. Instead of taking away funds that go directly to students, we should end the outrageous waste in the government's student loan programs, and use those savings to increase need-based aid. We could generate \$13 billion in new Pell Grants over the next 10 years—at no cost to the taxpayer—by promoting

fair competition between the privately funded Federal Family Education Loan program and the government's less-expensive Direct Loan program. Such a change would generate more than \$100 million in additional Pell Grants every year in New England.

We could also auction off the right to make or hold student loans, so that lenders have an incentive to participate in federal student loan programs at the lowest cost to the government. Today, we pay lenders enormous subsidies to participate, because the law—basically unchanged in 40 years—reflects the effort in the 1960s to attract lenders to take part in the then-new student loan program. But with thousands of lenders participating today, inflated subsidies are no longer necessary. By requiring lenders to bid on the right to make or hold student loans, we could significantly reduce the cost of the government's loan program—and channel the savings into grants for our neediest students. At a time when government subsidies make student loans the second most profitable business for banks—after credit cards—such bold options are well worth considering.

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As the new Congress moves forward, we should agree that cost must never be a barrier to college education. We should expand the income-contingent repayment program for student loans, so no borrowers have to put more than 15 percent of their monthly discretionary income into loan payments. Loan

"A specific benchmark should be established to increase the purchasing power of the average Pell Grant to a level of 70 percent (from 48 percent in 2004–05) of the average in-state tuition at public, four-year institutions over a period of five years. However, even with significant additional federal investment, there is little chance of restoring the Pell's purchasing power if tuition increases absorb most or all of the new money. This effort requires not only federal investment but also strategies by which colleges and universities contain increases in tuition and fees."

—A Test of Leadership, Commission on the Future of Higher Education

forgiveness after 10 years should be available to those in public service professions such as teaching, public health and law enforcement.

In addition, all young students in America should be offered contracts when they reach eighth grade, making clear that if they work hard, finish high school and are accepted to a college, we will guarantee them a grant that covers the cost of earning a degree. The federal government should partner with states to support the creation of these “Contract for Educational Opportunity” grants to cover students’ unmet needs, up to the cost of attendance at public four-year colleges in that state.

We also need greater scrutiny of the private student loan market, which has grown more than thirteen-fold over the past decade. As colleges and universities in New England know, private lenders are increasingly using aggressive marketing practices to get students’ business. Some have offered exotic trips to financial aid administrators, proposed deals in which colleges receive perks in exchange for establishing arrangements with lenders, and urged students to borrow more than they need to attend college. It’s time to end these abuses.

I also hope Secretary Spellings will use the regulatory process underway at the Education Department to help students and families struggling under the weight of heavy student loan burdens. Using her existing authority, the secretary could take several steps to address the commission’s finding that “too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to

do so.” For example, the department could simplify the application process for student loan deferrals when borrowers have unexpected economic hardships. Steps like this could be easily accomplished and quickly implemented, and would enjoy broad public support.

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It’s clear, however, that no consensus yet exists on some of the commission’s other recommendations, such as its calls to establish a new national database to track students’ progress through college. Several New England states have developed such systems on their own, and the results are impressive. In Massachusetts, the Board of Higher Education uses its database to provide detailed performance reports on access, affordability and graduation for its 29 public colleges. The database also includes the information on students’ high school performance, so that colleges can assess the effect of secondary school preparation on college readiness. Such state-based efforts are extremely valuable, but in order for such a database to work on a national level, we must address legitimate concerns about the burden such a system would create for smaller colleges, as well as worries about the privacy of student data. Before we require our higher education institutions to send even more data to the federal government, we should make an effort to see whether we can scale back what we currently ask them to send, and put together a clear plan that explains how a national database can help individual students and colleges.

The 20th century was widely hailed as the American century, but the 21st century is up for grabs. No nation is guaranteed a future of lasting prosperity. We have to work for it. We have to sacrifice for it. We have to earn it.

New Englanders have a choice. We can continue to be buffeted by the harsh winds of the global economy. Or we can think anew, and guide the currents of globalization with a progressive vision that strengthens our nation and equips our citizens to move confidently into the future. By doing so, we can turn this era of globalization into a new era of opportunity for our region. Once again, we’ll be calling on our remarkable system of higher education to help us do so. The Commission on the Future of Higher Education deserves our gratitude for its important contributions to this indispensable debate. Now it’s up to all of us to get the job done.

U.S. Sen. Edward M. Kennedy (D-Mass.) chairs the Senate Committee on Health, Education, Labor and Pensions. Email: senator@kennedy.senate.gov.

“We propose replacing the current maze of financial aid programs, rules and regulations with a system more in line with student needs and national priorities. That effort would require a significant increase in need-based financial aid and a complete restructuring of the current federal financial aid system. Our recommendations call for consolidating programs, streamlining processes, and replacing the FAFSA with a much shorter and simpler application.”

—A Test of Leadership, Commission on the Future of Higher Education

“Finding effective ways to track the progress of individuals, without having their identities known in some originating database, seems to us to be impossible. ... We also fear that the existence of such a massive registry will prove irresistible to future demands for ancillary uses of the data, and for additions to the data for non-educational purposes.”

—National Association of Independent Colleges and Universities President David Warren, writing in *National Crosstalk* about the commission’s proposal to create a database of student records.