



Making College More Affordable

The President's Plan to Lower College Tuition Is a Good First Step but More Can Be Done

Julie Margetta Morgan February 2012

Introduction

In a [speech](#) at the University of Michigan last month, President Barack Obama outlined his plan to make sure every family in America can afford to send their kids to college—a plan he first unveiled in his most recent [State of the Union](#) address. The president is addressing a major concern for American families today—[75 percent](#) of Americans say college is too expensive.

But colleges have been allowed to raise their tuition unchecked for decades, and until now parents and students—and the federal government, through grants and loans to students—were forced to foot the bill. As it's unlikely that one federal policy will reverse this trend, the Obama administration must attack the college cost problem from many different angles.

The president's plan acknowledges this by addressing three main issues surrounding college affordability: providing financial incentives for colleges to lower tuition; giving students better information about their college choices; and improving federal financial aid programs. This issue brief explains the highlights of the president's plan and suggests some other strategies the president should employ.

Incentivizing low tuition

The president spoke directly to colleges in his State of the Union address: “If you can't stop tuition from going up, the funding you get from taxpayers will go down.” Using federal aid to incentivize savings at colleges is not a new concept—Rep. Buck McKeon (R-CA) [proposed](#) doing so back in 2003. But President Obama's plan is gentler than Rep. McKeon's because it involves a smaller pot of federal money, and it would not completely deprive noncompliant schools of aid.

President Obama's plan would reward colleges that offer lower net tuition and provide a good value to students by giving them more access to campus-based aid—work-study, Perkins Loans, and supplemental grant aid for Pell Grant-eligible students. Colleges with high tuition would receive less campus-based aid, although it's not clear yet just how much less aid they would get. The president also proposes a Race to the Top competitive grant program for state systems that commit to reducing costs and promoting college completion.

The high price of college tuition is a complicated problem that demands a complex solution. The White House's plan relies upon the idea that the threat of losing federal funding—or the promise of gaining more—is a strong incentive for colleges to comply. But there are other steps that must be taken to encourage colleges to drive down tuition. Here are several.

Provide better ways to determine college quality

With little other information available about college quality, high price is one of the ways a college can signal to potential students that it offers a high-quality education. The federal government must offer prospective students better ways to gauge college quality if they want schools to drop their prices. One way to provide better information is to require college accreditors to make public the information they collect on how well colleges do their jobs.

Incentivize colleges to use technology to drive down costs

Some colleges would like to limit their costs, but they don't know how to begin. Technological advances in data management, online courseware, and e-textbooks can dramatically reduce spending but only if implemented well. The federal government must support pilot programs that show colleges how technology can drive cost down, not up.

Start scrutinizing how colleges spend federal money

In the debate over for-profit colleges, many legislators were outraged that a school would spend the bulk of the federal money it receives on shareholder profits or marketing rather than education. But we actually know very little about how colleges spend the federal financial aid and research dollars they receive. The president should expand data collection on how colleges spend their money and consider whether the use of federal financial aid money should be limited to educational expenses.

Help students acquire college credit for free

Students can engage in college-level learning for free by taking advantage of open courseware, like the resources offered by the [Massachusetts Institute of Technology](#) and [Carnegie Mellon University](#). But to get college credit for this learning, students still have to pay a college to take an examination that certifies their knowledge. The federal government should provide examinations or other pathways to help students acquire credit for free for college-level learning they acquire through online courseware.

Together these policies would encourage colleges to bring down their tuition rates and open up pathways to low-cost degrees for students who cannot afford the high price of a traditional college experience. But even these are not enough. The federal government must also give students and their families the information they need to make choices that demand lower-cost, higher-quality options from colleges.

Better information

Every day students decide where to apply to school, what to study, and how to pay, with very little information on which to base their decisions. Better information is a key to making choices that ensure families aren't saddled with educational debt for the rest of their lives.

The president announced that his administration would develop a college scorecard to act as a quick reference for students on the cost and quality of the colleges they are researching. These scorecards will be hosted on the federal government's College Affordability and Transparency Center website and will include information such as a student's likelihood to graduate and repay student loans, average debt upon graduation, and likely employment outcomes.

In addition to the scorecard, the president touted plans to collect college earnings information and its financial aid shopping sheet—a model disclosure form for financial aid offers.

These information measures will ensure there's much more available data for students to use in their college decision-making. But the college scorecard and financial aid shopping sheet are like Christmas ornaments—nice to look at, but they won't shine without a solid tree to support them. The Obama administration must work on developing the tree—a comprehensive strategy for providing students with information from college choice to loan repayment—rather than adding more ornaments.

As CAP’s issue brief “[Buying College](#)” argues, a comprehensive policy on college information must consider what information students need, when they need it, and where they’ll find it. A comprehensive policy on college information must include the following ingredients.

“Calorie-count” information boxes located where students already look

Students need basic information about colleges that’s placed in locations where they are sure to find it. Just like the nutrition labels on food, colleges should be required to place [a box with basic information](#)—including tuition, graduation rates, and average student loan debt—on the front page of their websites and on admissions and promotional materials.

Mandatory financial aid comparison sheets

The model [financial aid shopping sheet](#) that the Consumer Financial Protection Bureau and the Education Department developed is an excellent tool. It will help students make accurate side-by-side comparisons among institutions by ensuring all schools present their financial aid packages in the same way. But it will only truly be helpful if colleges are [required](#) to use it, not just encouraged to do so. The president should urge Congress to require colleges and universities to adopt the financial aid shopping sheet.

Teaching students to be better college consumers

To meet the president’s goal of having the highest proportion of college graduates in the world by 2020, an increasing number of first-generation students will be applying to college. College is an experiential service, meaning that the best way to gain information about it is to experience it firsthand. High- and middle-income students depend on parents, siblings, and friends who attended college to help them understand what college is like and what to look for in a “good school.”

But other families need help learning how to choose a college. The federal government can help families become better college consumers through programs like a [college ambassadors network](#), in which college students use federal work-study dollars and return to their high schools to act as college advisors.

Better communication on student loan repayment

The student loan repayment system is surprisingly hard to navigate. One of the most common questions to the federal government’s student loan ombudsman—an office to

assist students that have issues with their student loans—is “Who is my loan servicer?” Another common question is “How much do I owe?” And though the federal government offers an income-based repayment program for students who struggle with their loan payments, the uptake in the program is very low.

The federal government must make the student loan repayment system more user-friendly by redesigning its communications with students, from better student loan exit counseling to a web-based dashboard that connects students to their loan balances, their loan servicers, and repayment options with the click of a button.

With better information from college admissions all the way through loan repayment, students can make more meaningful choices and drive colleges toward offering the high-quality, lower-cost options they need. As a final measure the federal government must ensure that it offers financial aid programs that are sufficient to help students achieve their educational goals.

Improving financial aid

The president made two big financial aid proposals in his State of the Union address. First, he plans to double the number of work-study jobs available and expand the Perkins Loan program. Second, he would extend the tuition tax credit to help middle-class families get some relief from the burden of their tuition payments.

The federal government’s premier financial aid program, the Pell Grant, took a big hit at the end of 2011 when Congress changed the program’s eligibility criteria to limit the number of students who could receive grants. The president’s focus on work-study and tax credits is a timely way to shore up other programs that might help struggling students finance their education.

To help more students get the most out of postsecondary education without burying themselves in debt or leaving school for financial reasons, we not only need more financial aid but also better aid. That is, students need programs targeted to help them achieve their goals of graduating and finding success in the job market. Here are two promising proposals.

Rewarding students who succeed in college with additional aid

Low-income students who successfully complete the first year of college should be awarded additional work-study aid in the second year. The additional funding can serve as a strong incentive to continue their education. And by targeting work-study experiences that provide career-relevant skills, the program can give students a leg up when they enter the job market.

Conditioning aid on behaviors that lead to college completion

Research on student incentives is beginning to show that many students want to do better in college but do not know how. Federal financial aid programs can guide students toward behaviors that make them more likely to succeed such as taking advantage of academic services or attending college skill-building seminars. The federal government can create college-level incentives by conditioning a school's student aid eligibility upon offering quality student-support services.

Conclusion

President Obama's State of the Union address laid out a clear direction for colleges and for policymakers: focus on what matters to families by making college more affordable. He offered a number of policy solutions that would bring us closer to this goal, but there's much more to do. As a first step Congress must follow the president's example by making low-income and middle-class families a priority and implementing programs that alleviate the burden of college tuition.

Julie Margetta Morgan is a Policy Analyst with the Postsecondary Education Program at American Progress.