

ADDRESSING THE COST OF HIGHER EDUCATION

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Introduction

The United States boasts a tremendous history of higher education, attracting bright minds—domestic and foreign—for decades. Yet, an ever-rising cost of attendance threatens to curtail this record. Over the past 30 years, the average price for tuition at public universities has increased by almost 400%, well above inflation and real wage growth.¹ This trend makes it increasingly difficult for the average American to receive a post-secondary education—a growing necessity in today’s workforce.

The average student debt is well over \$30,000, and the total amount of student loan debt is over \$1.2 trillion—an amount second only to home mortgages.² This debt load, primarily placed on the nation’s youngest generations, may have already begun to affect the U.S. economy. Many young people forego large purchases such as buying homes; while other factors undoubtedly contribute to this behavioral shift, student loan debt likely plays an outsized role in this trend.³

This paper will lay out arguments expressing the general viewpoints of liberals and conservatives on the issues of post-secondary education and student loan debt. In doing so, the paper will demonstrate the fundamental differences each group holds regarding the underlying causes of the situation and the federal government’s role in solving it. Following this discussion, the paper will introduce a proposal which combines the concerns of both perspectives into a single policy that could reasonably be passed by the 116th United States Congress. The final section of this paper will discuss the possible challenges the policy proposal would face during the lawmaking process and its likelihood for passage.

Liberal Viewpoint

The value of education is incalculable. It has served as the most reliable pathway to solving intergenerational inequality, allowing people from low-income backgrounds to gain skills and greater access to higher-paying career opportunities. However, the financial cost of attending college is becoming exclusionary, leaving those who cannot afford it without the opportunities and skills necessary to build a better future for themselves and their families. The ever-increasing cost of attending our public universities is putting the American Dream out of reach for a growing number of young people in this country. Things that were once staples of adulthood, such as buying a home and raising a family, are now being delayed by young people who are graduating college with tens of thousands of dollars in student loan debt. It is time for the U.S. government to ensure that every American has access to education and the opportunity for a better life.

We are currently living in a time of extreme income inequality. Not since the Gilded Age has the country seen such a gap separating the wealthy from the impoverished. Real wages for the average American worker have steadily declined since the 1970s while the price of college has shot up over this same period. The combination of these two phenomena is only increasing the divide between rich and poor Americans, making the average person work harder only to stay in the same place. A New Republic

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1. Thompson, D. (2017, August 01). This Is the Way the College 'Bubble' Ends. Retrieved from <https://www.theatlantic.com/business/archive/2017/07/college-bubble-ends/534915/>
 2. Friedman, Z. (2018, October 26). Student Loan Debt Statistics In 2018: A \$1.5 Trillion Crisis. Retrieved from <https://www.forbes.com/sites/zackfriedman/2018/06/13/student-loan-debt-statistics-2018/>
 3. Bleemer, Z., Brown, M., Lee, D., Strair, K., & Van der Klaauw, W. (2017, July). Echoes of Rising Tuition in Students’ Borrowing, Educational Attainment, and Homeownership in Post-Recession America. Retrieved from https://www.newyorkfed.org/research/staff_reports/sr820

report found that in 1979, a student making minimum wage (\$2.90 per hour) would need to work 385.5 hours to pay for a year's worth of college tuition.⁴ Today it would take that same worker 3,249 hours to pay for the average cost of tuition—amounting to over half of his or her waking hours for the year. Consequently, younger generations are severely disadvantaged compared to previous generations; Millennials are the first cohort in American history set to be less prosperous than their parents.⁵

It is in the best interest of any government to invest in the education of their citizenry as a highly-educated society is more productive than one that is not. A 2016 report by the Economic Policy Institute found that “overwhelmingly, high-wage states are states with a well-educated workforce. There is a clear and strong correlation between the educational attainment of a state’s workforce and median wages in the state.”⁶ If the U.S. government continues to ignore its citizens’ struggle to attain high degrees of education, not only will the average American continue to see their social mobility decline, but the U.S. economy will lose the dynamism for which it has always been known. The fact that other developed nations have found a way to finance low-cost public education means that the U.S. will be at a disadvantage in the global economy if our workforce is generally less educated.

One method of increasing equitable access to education that some state governments are exploring is tuition-free college. As of 2018, four states and one city—Oregon, Rhode Island, Tennessee, New York state, and San Francisco—have implemented free tuition at two-year colleges for their residents. New York also provides tuition-free opportunities at some 4-year institutions.⁷ In addition to the implementation of tuition-free programs in these areas, other places are providing free tuition for degree programs in high-demand career fields. States implementing this policy include Arkansas, South Dakota, and Minnesota. These measures (though differing in eligibility requirements, program costs, and implementation) demonstrate that state leaders recognize the importance of education in preparing a strong workforce and are taking necessary steps in lowering the economic barriers to a better life.

The policies implemented by just a fraction of state governments are a step in the right direction, but if the U.S. wants to remain a thriving democracy and the top economy in the world, then it will need to guarantee a free 4-year college education to all citizens, regardless of the state in which they reside. Like any high-functioning economy, a successful democracy is also reliant on a well-educated public. While some states have proven that they are dedicated to making higher education a priority, a full guarantee to the education of this nation is a task of which only the federal government is capable of handling.

College has always provided an opportunity for people of all socioeconomic backgrounds to gain skills so that they can lead better and more productive lives. Current college tuition rates, however, present a large economic barrier for those attempting to break into and remain in the middle class. The high costs associated with attending public universities are exasperated by stagnant wages and rampant income inequality. Any government policy concerning higher education should be rooted in allowing equal access to educational opportunity for people of all socioeconomic backgrounds. The best way to do this is to guarantee a free college education to every American who wants one. Only a policy of this scope could ensure that the American Dream remains an attainable goal for every person in this nation and

4. Shephard, A. (2018, October 03). Why Amazon Raised Its Minimum Wage. Retrieved from <https://newrepublic.com/article/151521/amazon-raised-minimum-wage>

5. Berger, N., & Fisher, P. (2013, August 22). A Well-Educated Workforce Is Key to State Prosperity. Retrieved from <https://www.epi.org/publication/states-education-productivity-growth-foundations/>

6. Lobosco, K. (2017, August 4). Tuition-free college is getting bigger. Here's where it's offered. Retrieved from <https://money.cnn.com/2017/05/16/pf/college/states-tuition-free-college/index.html>

7. Leatherby, L. (2017, August 29). Five charts show why millennials are worse off than their parents. Retrieved from <https://www.ft.com/content/e5246526-8e2c-11e7-a352-e46f43c5825d>

that the U.S. remains competitive in the global economy. If most other developed countries can provide quality post-secondary education to their citizens at little to no cost, then so can the wealthiest nation on Earth.

Conservative Viewpoint

For many decades, the federal government has instituted a variety of financial aid programs that assist students from lower socioeconomic backgrounds with paying for college. There is evidence, however, that these programs have contributed to the rise in tuition rates since they give universities incentive to continue raising rates, knowing that the federal government will continue to increase student funding in turn. The result has been higher tuition and student-loan debt, making college less affordable for all Americans. Accordingly, the issue of higher education funding can be solved by state legislatures reinvesting in their respective university systems and higher incentives for businesses to invest in the workforce of the future through the implementation of education tax-credit programs.

The push for free college is a movement rooted in the rising costs associated with a post-secondary education. Proponents of this movement would like to see a federal government program that would guarantee a tuition-free college education for every citizen. Recent research by the Federal Reserve Bank of New York, however, has shown that with each federal dollar spent on student financial aid, schools increase tuition rates by as much as \$0.60.⁸ Federal grants and loans to college students have, paradoxically, made college more expensive for the average American. These programs have resulted in college tuition rates going up, not down, and handing universities a blank check to cover tuition for every citizen would surely continue this trend. For these reasons, preliminary reports have estimated that tuition-free college would cost the federal government close to \$1 trillion over the next decade, adding to massive budget shortfalls that the federal government is likely to have and contributing to the daunting \$21 trillion public debt.⁹

Funding for public education has always been a state-level responsibility, utilizing locally collected tax revenue to subsidize tuition costs for in-state students. Currently, however, most states have found themselves in difficult fiscal situations. As of 2018, half of the states in the Union were running budget deficits, and all had outstanding debt.¹⁰ These budget problems have resulted in many public universities seeing their allocated funds cut by their state legislatures. With states contributing less of their budgets to higher education, the students have been asked to pay a greater share of the costs for running these institutions. In 2017, tuition accounted for 46% of public university revenue—twice the share it accounted for in 1997.¹¹ In more than half of states, tuition accounted for more than this amount, with

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8. Lucca, D. O., Nadauld, T., & Shen, K. (2017, February). Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs. Retrieved December 01, 2018, from https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf
 9. Mermin, G., Burman, L., & Sammartino, F. (2016, May 09). An Analysis of Senator Sanders's Tax and Transfer Proposal. Retrieved from <https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000786-an-analysis-of-senator-bernie-sanders-tax-and-transfer-proposals.pdf>
 10. Maness, R. (2018, January 09). Twenty-Five States Face Revenue Shortfalls in 2018. Retrieved December 01, 2018, from <https://www.multistate.us/blog/twenty-five-states-face-revenue-shortfalls-in-2018>
 11. Quinton, S. (2018, March 29). Tuition Overtakes State Money as Funding Source for Public Colleges. Retrieved from <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2018/03/29/tuition-overtakes-state-money-as-funding-source-for-public-colleges>

some states having tuition account for over 70% of their university revenue. A “public” education is increasingly becoming a privately-funded venture financed by federal loans to students.

In addition to increasing investment into their university systems, states should also look at revamping K-12 education so that it prepares students to be part of the 21st-century workforce. Basic computer skills and coding, for instance, should be part of the core curriculum of K-12 schooling, just as English and mathematics have always been. Greater investments into technical certifications for high schoolers looking to enter into the trades following high school would be a prudent investment as well. By modernizing K-12 education, states could better utilize the 13 years they have with students before they graduate high school. This would lessen the burden put on university systems while increasing the employability of high school graduates.

Lastly, states should implement extensive education tax-credit programs for individuals and businesses. The federal government should also implement extensive education tax-credits policies, allowing for larger multinational corporations to invest in the workforce of the future. Having an extensive tax-credit system at both the state and federal levels would allow for massive investments into public education without burdening the individual taxpayer. More importantly, it would direct funds towards programs the labor market needs and ensure that students have jobs in their career fields after graduation.

On the federal level, such a program would allow private entities such as small business or corporations to donate to public universities, sponsor scholarships, and provide other educational funding in lieu of paying federal taxes. The amount of educational funding eligible for these tax credits would be capped in order to ensure that these entities are not using these programs as a substitute for paying all federal taxes. However, this cap also needs to be significant enough to entice these businesses to invest. A progressive structure that allows companies to claim larger percentages of education expenses for the tax credit is the best means for doing this.

Public education has always been an American value. Our nation’s focus on educating our youth resulted in the establishment of our state university systems which attract some of the brightest minds from around the world. These public universities are the reason that the United States has become the innovation capital of the world, and they continue to drive the U.S. economy forward. The foundations of these systems, however, come from their respective state governments and their educational objectives are locally driven. The federal government’s involvement in higher education during the last few decades has contributed to the rapid rise in tuition, and further intervention would only exacerbate the problem at the expense of the taxpayer. The solution to the college tuition crisis is for state legislatures to start investing more into their public education systems (K-12 as well as post-secondary) and offering extensive tax-credit programs so that businesses will do the same.

The Compromise

Some amount of post-secondary education is a necessity for the modern worker. The growing complexity of the modern economy requires a workforce with the skills and education appropriate for these new jobs. Understanding this, it would be wise for the federal government to institute a tuition and fees (TAF) voucher program that would allow citizens to pursue a two-year educational program at public community colleges and technical schools within their respective state. Additionally, the federal

government should expand its current tax-credit policy to give private entities greater incentive for sponsoring education.

The TAF vouchers program would be designed to give funding to all citizens attending community colleges and technical schools in their area. For the moment, this program would not apply to four-year university degrees, instead aiming to secure funding for community and technical colleges specifically. Because tuition rates vary significantly throughout the states, each state would have its own TAF amount for which residents could apply. These amounts would be calculated by averaging the last three years of tuition and fees from the largest community college of each state (as measured by the total number of students enrolled). Using this three-year average would allow for a more accurate measurement of the cost of attendance as it would account for significant shifts in expenses that may have recently occurred. Additionally, this method would account for any increase in tuition that may have occurred in anticipation of the TAF voucher program being implemented. These TAF amounts would adjust to inflation, as measured by the Bureau of Labor and Statistics, every 5 years.

Application of TAF funds would be restricted to tuition and fees associated with the recipient's attendance at a community college or technical school. If the cost of attendance is less than the TAF voucher, then all remaining funds would be returned to the federal government. If the TAF voucher falls short of covering tuition and fees at a given school, then the remaining balance would need to be accounted for by the TAF recipient.

This program would only be applicable to public institutions. Students seeking admission to private institutions or for-profit colleges would not qualify but would remain eligible for other government-funded education programs that are already in place. Additionally, students would only be eligible to receive the TAF voucher amount prescribed to the state in which they hold residence. Should a student want to attend a community or technical school in another state, he/she would receive the TAF amount from his/her home state and apply it to the out-of-state school. The same rules regarding overages and shortfalls of voucher amounts would apply to the use of these interstate TAF vouchers as well.

For example, if a resident of Idaho wanted to attend a technical school located in California, this student would receive the TAF amount prescribed to Idaho residents. Since the average cost of two-year institutions in California is more than twice the cost of Idaho institutions, the TAF voucher that this student receives would likely not cover tuition at the Californian school.¹² The difference between the cost of the school and the TAF voucher amount would be the responsibility of the student to manage.

TAF vouchers would be a contract between the recipient and the federal government. Funds must be repaid to the federal government if a student does not complete a program in the specified timeframe. Additionally, recoupment would be instituted should a student fail or withdraw from a course. Exemptions for extenuating circumstances would be considered.

The government voucher program for technical schools would attract talented individuals who had not considered post-secondary training before government funding was available and would introduce these students to career paths that are set to grow in the coming years. These technical careers will prove to be more resilient to globalization as many cannot be outsourced to other countries (occupations such as plumbing and construction must be done by a person that is physically present) and are more difficult to automate than some white-collar careers.

12. Community College Review. (n.d.). Retrieved January 21, 2019, from <https://www.communitycollegereview.com/avg-tuition-stats/national-data>

Additionally, the TAF voucher program would place pressure on universities to lower tuition rates at their institutions. In comparison, students from low-income backgrounds may be more inclined to choose free community college, thus reducing attendance at larger universities. Faced with a decline in enrollment, universities are unlikely to continue raising rates; instead, they would reduce tuition to compensate and attract new students. Hence, the TAF program would benefit students who choose to forego their voucher by placing downward pressure on tuition rates at 4-year institutions.

In conjunction with the TAF voucher program, the federal government should institute an extensive education tax-credit program for businesses. Tax credits for companies that invest in employee education, sponsor scholarships, internships, and other professional development opportunities associated with post-secondary education should be incentivized. The structure of this program would see a cap of \$20 million per business. For the first \$5 million, businesses would be able to claim up to 50% of expenses in credit (i.e., a maximum of \$2.5 million in tax credit); 75% for any amount between \$5 million and \$10 million (\$3.75 million max.); and 100% for contribution amounts between \$10-20 million (\$10 million max.). In this scheme, the maximum amount of tax dollars eligible for credit would amount to \$16.25 million. The rates for education credits should be reviewed by Congress every 3 years for possible readjustments.

In these ever-changing economic times, a post-secondary education is becoming a basic-level requirement for many workers. Though education has primarily been a state government responsibility, there are some steps that the federal government could take in helping citizens during this time of transition. Having a well-balanced approach that limits spending and holds recipients of government aid accountable is a useful first step in addressing the current crisis in higher education. Implementing incentives for businesses to get more involved is another prudent policy decision that does not add to government expenditures and increases the efficiency of educational funding. The combination of these two policies would have a tremendous effect on the affordability of education for the average citizen, strengthening our economy and our nation.

Major Obstacles Towards Implementation

The only foreseen lobbying effort against this policy may come from universities. Seeing this policy as cutting into their underclassmen enrollments, 4-year universities will likely be the main force behind opposing this legislation. On the front end, this may consist of a lobbying effort against the proposal. On the back end, this may include limiting students' ability to transfer credits earned at community colleges to their 4-year institutions. For PR reasons, the lobbying effort from the universities would likely be weak and would be offset by lobbyists from other interest groups such as the National Education Association, an organization that has championed higher education reform for many years.¹³

The limited scope of the proposal makes it likely to receive bipartisan support from lawmakers in the House of Representatives. Progressive lawmakers who have advocated for fully funding 4-year degrees for all citizens are likely to criticize the proposal for its restrained nature. Rhetoric will likely surround this proposal from these progressive politicians praising the policy as a significant first step in supporting higher education attainment for middle and low-income Americans yet criticizing it for not going far enough. Consequently, more comprehensive amendments to the policy would likely arise when the

13. Bauman, D., & Read, B. (2018, June 22). A Brief History of GOP Attempts to Kill the Education Dept. Retrieved December 01, 2018, from <https://www.chronicle.com/article/A-Brief-History-of-GOP/243739>

proposal is in the committee process. Centrist Democrats in the House, however, will be supportive of the plan as it is and will pass the bill out of this chamber with minimal amendments. Heavy resistance in the House of Representatives is not likely, and with a new onslaught of progressives entering this chamber, education policy will surely be a priority for this chamber.

Upon entering the Senate, the proposal is would face its most intense scrutiny. The issue of higher education finance has not been central to the conservative platform. Some leading conservatives have even discussed shutting down the Department of Education, stating that education is a local and state matter.¹⁴ With a focus on border security and reducing the federal budget, the conservative-led Senate is less likely to be concerned with the proposal as the House is expected to be. Seeing that this proposal is going to increase federal spending on something perceived to be a responsibility of state legislatures, the voucher proponent of this plan may cause resistance in this chamber of Congress. The proposal has a realistic chance at successfully passing through the Senate, but not without some amendments to the TAF voucher program.

It is difficult to infer the opinion of the executive branch on this policy. Should the proposal successfully pass through both chambers of Congress, however, presidential approval would be likely.

Ultimately, the biggest obstacle impeding the progress of this proposal is the unequal distribution of support for education reform among the two parties' constituencies. Currently, the discussion of higher education reform is exclusive to the liberal platform; even there it is isolated to the more progressive wing of the party. Voters of both parties are not yet willing to hold their federal representatives responsible for higher education reform. Without an increase in support from voters, this proposal is likely to pass through the House of Representatives, but unlikely to make it through the Senate in its entirety.

Conclusion

The economy is evolving to the point that most people will need some type of post-secondary education in order to remain competitive in the workforce. Currently, concern for higher education is isolated to the progressive wing of the Democratic party. Education will, however, become a central issue in American politics as tuition rates continue to far outpace inflation and real-wages. The best step forward is to begin sponsoring federally-funded tuition vouchers to 2-year institutions and encouraging businesses to invest in their workforce by creating tax incentives. The first policy is a practical step towards the progressive vision of a free 4-year degree. Its limited scope, however, makes it more likely to get approval from centrists and conservatives than more comprehensive plans that progressives have proposed. TAF vouchers would also put downward pressure on 4-year institutions' tuition rates as more students elect to go to these smaller schools for the first two years of undergraduate studies.

Extending tax credits would allow funds to be directed towards degree and certificate programs that employers need, ensuring that their employees receive the skills that are verifiably useful in the evolving economy. With the two chambers of Congress currently dominated by different parties, only a well-

14. College Affordability and Debt Services. (n.d.). Retrieved December 01, 2018, from <http://www.nea.org/home/degreesnotdebt.html>

balanced approach to addressing the problem of higher education will have any chance of making its way through the lawmaking process.

This piece was constructed based on alumni contributions from the Henry Clay Center for Statesmanship; the primary author is Michael Lowe. Over the past ten years, the center has hosted summer conferences at the University of Kentucky for high school and college students interested in public policy. The center selects one outstanding student from each state, deliberately seeking to assemble a group of students who represent a variety of political perspectives. During their week in Lexington, students work in policy teams to craft bipartisan solutions to the country's most pressing political issues. The following week, students head to Washington D.C. to present these policy solutions to various lawmakers and Capitol Hill staffers.

In these highly-polarized times, it has never been more important for people of differing opinions to have productive conversations with one another. The mission of the Henry Clay Center for Statesmanship is to provide an environment of cooperation and compromise for our nation's future leaders so that they can build lasting relationships with their peers. For more information about how to support our vision, please visit our website at <http://henryclaycenter.org/>.