

The College Crisis: Fiscal Constraints, Increased Demand and President Obama's Call to Action

By Lorenda A. Naylor

Introduction

The U.S. higher education system is in a state of crisis. It is addressing what is called “the iron triangle,” which includes cost, access and quality. Cost includes rising tuition and proliferating student loan debt. A consequence of rising cost is that it decreases access for middle and lower income students. Fewer students can afford to pay for college. Of those low-income students who attend college only 25 percent graduate within six years. The third component is quality. In the 2011 book, *Academically Adrift*, authors Richard Arum and Josipa Roksa argue that students do not get what they pay for in tuition; college courses do not increase student core competencies.

In his recent **State of the Union (SOTU) address**, President Obama addresses these challenges. He states, “[w]e’re shaking up our system of higher education to give parents more information, and colleges more incentives to offer better value, so that no middle-class kid is priced out of a college education.” Also noted in the **SOTU address** is that the White House organized a **College Opportunity Summit** “to reduce inequality in access to higher education – and help every hardworking kid go to college and succeed when they get to campus.” Obama’s two statements summarize the challenges taking place across American campuses.



America has a college crisis. University administrators argue the crisis is a reflection of fiscal constraints and increased demand, while parents and students frame it within the context of affordability and access. This column focuses on the President’s executive policies and White House initiatives to address the crisis and return the U.S. to a global leader in education.

Comparative Context

The U.S. has lost its competitive edge in education. According to a 2012 report by Pearson titled “**The Learning Curve: Lessons in Country Performance in Education**,” the U.S. is now considered average. It ranks 17 out of 40 among developed countries for its education system. What is equally worrisome is that the U.S. lags behind other developed countries in both 4-year and 2-year degree attainment among young adults. According to a December 2012 report by the Center for Public Education titled “**Getting Back on Top: An International Comparison of College Attainment**,” the U.S. ranks 11th (alongside Japan) with only 33 percent of the population, ages 25-34, attaining a 4-year degree. However, the U.S. is ranked 18th for percentage of young adults, ages 25-34 who hold a 2-year degree; only 10 percent of the U.S. population. Russia, which ranks 1st in the world for the same age group, has achieved 34 percent. The percentages are alarming given that 2-year degree attainment predicts how well educated Americans will be in the future. College degree attainment is linked to economic mobility and it remains the best pathway to the middle class.

A Call for Action

As a result of these challenges, President Obama has called for improvement in the U.S. higher education. The President clearly wants to restore the U.S. as the world leader in college attainment. He has set the goal of the U.S. having the highest proportion of college graduates in the world by 2020. In addition, he has set a second goal of having 5 million community college graduates by 2020.

In order to achieve these two goals the President **has issued a call to action, based on four initiatives**, to make college more “accessible, affordable, and attainable for all American families.” These include:

- Help for middle class families to afford college.
- Cost containment in U.S. higher education.
- Stronger community colleges.
- Improved transparency and accountability throughout the system.

The first initiative, making college affordable for middle class families is reviewed below.

President Obama **issued four initiatives**, each of which impacts college affordability for middle class families. These include: increasing Pell Grants, expanding tax benefits, providing income based repayment for student loans and maintaining low interest rates on student loans.

- The most direct impact on college affordability would be from further increasing **Title IV Pell Grants**. The maximum Pell Grant recently increased by \$905, to \$5635 and the program has had increased participation with 50% more recipients than in 2008. This expansion was the result of the passage of the **Health Care and Education Reconciliation Act**.
- A second impact on college affordability is tax benefits. Further tax benefits for families who support students come from expanding the Education Tax Credit. Under the **American Opportunity Tax Credit of 2009**, families who earn up to \$180,000 can receive up to a \$10,000 tax credit for tuition for four years of college. The tax credit expansion was the result of section 1004 of the **American Recovery and Reinvestment Act of 2009** (Pub L 111-5), also known as the “Stimulus.”

Two of the President's initiatives recognize that students wrestle with debt upon graduation. Student loan debt exceeds \$1 trillion. According to a [2013 report by the Institute for College Access and Success' Project on Student Debt](#), the average college graduate has a student loan debt of \$29,400. Some potential students opt not to attend college because they do not want to incur large sums of debt. Unfortunately, those without a college degree are twice as likely to be unemployed. In response,

- President Obama has called for growth in the ["Pay as you Earn" program](#). Under the "Pay as you Earn" logic, students (since 2009) have been able to cap student loan repayments at a percentage of monthly income -15% since 2009 for some students and beginning in 2014 10% for the neediest students. Capping student loan debt makes college more affordable because loans can be repaid at a low, monthly amount over a long period of time.
- The fourth initiative is keeping interest rates low on student loans. Students who receive new subsidized Stafford loans will continue to pay the low rate of 3.9 percent, directly lowering the debt servicing costs of sometimes sizable student loan debt. Lowering student loan rates and thus making college more affordable was the result of the [Bipartisan Student Loan Certainty Act of 2013](#).

Conclusion

The President's call for action is designed to improve the U.S. higher education system and make America more globally competitive. Three of the policy initiatives relate to cost containment, accountability and transparency in higher education. The fourth initiative strives to make college affordable to middle and lower income families. Under President Obama's leadership, three key public policies were signed into law and implemented to make college more affordable for American families. This includes expansion of the Pell Grant program, expansion of the education tax credit and reform on student loans. These Presidential policies take place within the larger context of overall fiscal restraint and increased demand in higher education. However, in terms of improving people's lives and growing our economy, the President's goals are more important than ever. This column has focused on the Obama Administration's initiatives to lessen college costs for the middle class. The cost dimension is most relevant as we remember that economic and social mobility nearly require a college education in today's economy.

The facts about economic mobility and college attainment are stark. [In a Call to Action on College Opportunity by President Obama and the First Lady](#), it was noted that a child in the bottom quintile of the income distribution, who does not earn a college degree, has minimal chance (5%) of making it into the top quintile. With a college degree, that child's chance of making it into the top quintile nearly quadruples.

The cost to our society of not providing higher educational opportunities to more middle class citizens is simply too high. The role of affordability in an individual's choice not only to go to a college, but to be able to continue to degree completion is paramount. While the greater incomes earned, and, of course, the higher taxes collected, are fiscal returns to individuals and our society; these benefits are not the only ones. Greater economic and social mobility will benefit all of us in terms of what can be accomplished in our nation, if only more could afford degrees.

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