

COLLEGE ACCESS, AFFORDABILITY AND COMPLETION

Earning a college degree is the clearest path to the American dream and the benefits and security of the middle class—it is an economic imperative, not a luxury. But the growing need for higher education is coming at a time when the cost of college is rising to levels that are increasingly unaffordable for many American families and threatens our ability to meet President Obama’s ambitious goal for America to have the highest proportion of college graduates in the world by the end of the decade. The Administration’s landmark investments in Pell Grants, coupled with the creation of more generous tax credits and loan repayment options, have helped more Americans access a college education and helped slow increases in the net price that students and families pay for college. But we cannot expect Federal student aid to keep pace with rising college costs indefinitely. Instead, we need systemic reforms that address the root causes affecting college affordability, while also creating incentives to provide greater quality and value to students—a task the Federal government cannot take on alone.

The President’s Budget outlines a plan for States, colleges, families and the Federal government to share in the responsibility of meeting our challenges to higher education access, affordability, and completion. It would maintain the Federal investment in postsecondary student aid and increase the maximum Pell Grant to \$5,785—while also challenging and helping States, colleges and families to work together to slow the growth in tuition and fees.

Preserve Student Financial Aid: The Federal government must keep doing its part to help students and families afford college through its investments in financial aid. The budget strengthens the Federal government’s investments in financial aid by:

- **Increasing the maximum Pell Grant Award to \$5,785**—a crucial source of support that helps more than 9 million low-income and middle-class students access and afford higher education.
- **Increasing Federal Work-Study by \$150 million**—which would provide over 110,000 new work-study positions. This represents the first step in the process of moving towards the President’s goal of doubling the number of work-study jobs.
- **Providing a long-term fix for student loan interest rates**—the 2014 request proposes to provide long-term stability in the loan programs by reforming the interest rate calculation for new loans so that they would carry a fixed rate that is annually pegged to market rates. The projected interest rates under this policy would be lower than the current rate and would only go up as market interest rates increase.
- **Expanding “Pay as You Earn”**—the request would make the Pay as You Earn plan established in late 2012 available to all eligible borrowers currently participating in income-based repayment, offering borrowers the opportunity to limit their monthly payments to no more than 10 percent of discretionary earnings instead of the current 15 percent.

Encourage State Reform: State funding and policies are the biggest drivers of increased tuition at public colleges and can make it harder for students to complete their degrees. We need to help States pursue systemic reforms to improve affordability and quality in higher education, while also helping more low-income and first generation students enter and complete college. The President’s budget accomplishes these goals through the following investments:

- **Race to the Top: College Affordability and Completion (\$1 billion).** States have a major role to play in adopting reforms that control the cost of higher education while also improving access and quality. Race to the Top: College Affordability and Completion would provide competitive grants to States that demonstrate the capacity and willingness to undertake reforms and pursue innovations designed to improve college affordability and quality. This investment would incentivize States to maintain adequate levels of funding for higher education, revamp the way States finance higher education, align entry and exit standards among K-12 education, community colleges, and universities to facilitate on-time completion by smoothing transitions from high school into college and between colleges, and address other important long-term causes of cost growth. A significant portion of funds would be passed through to institutions to scale productivity reforms that can reduce costs and help students complete college faster.
- **State college access and completion initiatives (\$150 million).** The budget maintains mandatory funding for the College Access Challenge Grant program, which provides formula aid to States to bolster their access, persistence, and completion activities.

Institutional Innovation and Reform: We need to provide incentives for colleges and universities to keep costs from growing, serve low-income students well, and provide good value. We also have to foster a culture of innovation on campuses to help them meet these goals. The President’s budget makes the following investments in driving reform and innovation at institutions:

- **A new “First in the World” fund (\$260 million).** To improve student outcomes, we need to encourage institutions and other higher education stakeholders to come up with innovative solutions to address the completion challenge and improve higher education productivity, build evidence of what works through rigorous evaluations, and scale up and disseminate those strategies that prove successful. This initiative would be composed of three parts:
 - A competitive program modeled on the successful i3 program for K-12, which would build evidence of what works through rigorous evaluations, and scale up and disseminate those strategies that prove successful. This program would include a strong emphasis on college access strategies for low income, minority and first generation college-goers.

- A competition to stand up new quality validation systems that can identify appropriate competencies, assessments, and curricula for high-need fields. This would support the creation and scaling of innovative, low-cost providers by giving them tangible student learning benchmarks and goals to work toward.
- A pay for success program tied to these new validation systems to reward all types of providers that can successfully prepare students for free two-year degrees with rigorous demonstration of learning.

The validation systems competition and pay for success project would lay the groundwork for the President's call in his State of the Union Address for Congress to either: (1) add value and affordability measures to the current accreditation system or (2) set up an alternative to accreditation that would provide a path for new providers to access student financial aid based upon rigorous performance standards.

- **Reform Campus-Based Aid to encourage value and completion.** The 2014 request seeks to expand the Campus-based aid programs—the Supplemental Education Opportunity Grant (SEOG), Federal Work Study (FWS), and the Perkins Loan Program—to make available over \$10 billion in aid to students and prevent the scheduled termination of the Perkins loan program this year. The President's budget would also reform the way these funds are distributed to reward institutions that demonstrate a commitment to providing their students a high-quality education at a reasonable price and provide good value. As part of these reforms, the request includes \$150 million in additional funds for FWS to help the program focus more on institutional success in placing their students in positions that meaningfully complement students' educational programs or future career goals.

Empower Students and Families with Improve Transparency: Students and families can face many non-financial barriers to college, but two in particular stand out: difficulty choosing the school that best suits their needs and getting the preparation necessary to succeed in higher education. That is why the Department rolled out a **“College Scorecard” for all degree-granting institutions** this January that presented clear information for students and families to help them choose a college that is priced affordably and that is best suited to meet their needs and help them attain their career and educational goals.

Expand Opportunities for Students to Earn College Credit in High School: The request expands opportunities for students to earn college credit in high school, which increases their readiness for college and allows them to complete college more quickly and at a lower cost. It includes \$300 million to support a new High School Redesign competition that will fund district partnerships with (i) postsecondary institutions and (ii) business, industry, non-profits or community based organizations. These partnerships would work toward the goal of ensuring that all of their students graduate from high school with college credit and career-related experience. In addition, the request includes \$42 million to expand access to dual enrollment programs to approximately

20,000 students. These programs would allow high school students and adult learners to concurrently receive college credit in courses that target local workforce needs. Grants would go to partnerships of colleges, districts or adult education providers, and State agencies to create or expand these programs and participating students would receive additional support services as well as funds for tuition, fees, and supplies to cover the costs of their college courses. The request also includes \$102 million for College Pathways and Accelerated Learning, a new authority under the Administration's Elementary and Secondary Education Act reauthorization proposal designed to increase graduation rates and college enrollment and success by providing college-level and other accelerated courses in low-income schools, including Advanced Placement and International Baccalaureate courses.

Additional Investments: The Department's long-standing support for college access and institutional support programs continues in 2014. These investments include:

- **Federal TRIO Programs (\$840 million).** Meeting the 2020 college completion goal requires increasing the number of students who are well-prepared for college and succeed once they enroll. The TRIO programs are crucial for expanding that supply of college-ready students. These programs, which include Upward Bound and Talent Search, help low-income and first generation college students access and succeed in higher education.
- **GEAR UP (\$302 million).** This program provides grants to States and partnerships to provide early college preparation and awareness activities for entire cohorts of students at low-income middle and high schools throughout the nation.
- **Title III Aid for Institutional Development programs (\$431 million in discretionary funding and \$167 million in mandatory funding) and Title V Hispanic Serving Institution (HSI) programs (\$109 million in discretionary funding and \$112 million in mandatory funding).** We cannot meet the President's 2020 goal without strengthening minority-serving institutions (MSIs) and HSIs. These schools play a crucial role in the higher education sector because they enroll a sizeable number of the low-income, first generation, and minority students that are in college today. Because these students traditionally have lower graduation rates than others, it is important to provide institutions serving large numbers of them with the support needed to help students graduate.