



RESTORING AMERICA'S LEADERSHIP IN HIGHER EDUCATION

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Today, a higher education is not just a pathway to opportunity – it is a prerequisite. Over the next decade, nearly eight in ten new job openings in the U.S. will require some workforce training or postsecondary education. And of the thirty fastest growing occupations in America, half require at least a 4-year college degree. Rising levels of education are critical to creating shared economic growth.

America once had one of the most educated workforces in the world but today, only 40 percent of young adults have a college degree – a lower percentage than eleven other countries and no higher than a generation ago. While close to 70 percent of high school graduates in the United States enroll in college within two years, only 57 percent graduate within six years. For low-income and minority students, the completion rate is closer to 45 percent. Students from high-income families are almost eight times as likely as their low-income peers to earn a bachelors degree by age 24. Closing this college attainment gap is critical to restoring America's standing as a global leader in higher education.

Leading the World in College Graduates by 2020

President Obama has established a goal to again lead the world with the highest proportion of college graduates by 2020. To reach the 2020 goal:

- America must raise its college completion rate from 40 to 60 percent and provide college pathways for more than 11 million young people to enter and graduate from America's colleges and universities, beyond the 17 million who have a college degree today.
- Given the current rate of college completion and projected population growth, it is estimated that approximately 3 million more young people will graduate from college over the next ten years, leaving a gap of 8 million students that are needed to reach the President's 2020 goal.
- The Obama Administration has called for an all-hands-on deck approach by higher education leaders, public and private stakeholders, parents, and students to help raise college graduation rates and increase the number of students entering and successfully completing degrees at America's community colleges and four-year colleges and universities.

In addition, rising college costs continue to pose challenges to higher education opportunity for American families. College costs – including books, tuition and other expenses – are accounting for an increasing share of family income. Over the past three decades, the average published cost of college tuition and fees has grown at an annual rate nearly four times faster than real median family incomes. The cost of tuition has more than doubled for private four-year colleges and nearly tripled for public four-year colleges during this time. In addition, the average time for college completion continues to increase, thereby raising the total average cost of a college education.

President Obama believes that no family should have to incur insurmountable debt to put their children through college. The Obama Administration's has launched a comprehensive plan to address college affordability, access and success, to help regain America's standing as a world leader in higher education by the end of the next decade:

Investments in College Access and Completion. To achieve the President's goal, the Administration has shepherded historic investments in student aid to make college more affordable for individuals, and has invested directly in minority serving institutions and community colleges to ensure these institutions have the capacity to serve students well. The Administration has also proposed a new College Access and Completion Fund to support states and institutions in developing, implementing, and evaluating new approaches to improving student persistence and success. The administration remains committed to a large scale investment in college completion.

Federal Financial Aid That Puts Students First. The Health Care and Education Reconciliation Act (HCERA), signed into law by President Obama in March, included a historic reform of federal student aid, ending subsidies for banks and financial institutions that administer federally-based loans and shifting to the Direct Loan program. Ending these wasteful subsidies has freed up over \$60 billion in savings for college affordability and deficit reduction over the next 11 years. The reforms and investments advanced in the HCERA will help advance the President's 2020 goal through a more reliable and effective financial aid system.

Stronger and Stable Pell Grants. The Pell Grant scholarship is the foundation of our national efforts to make college more affordable, helping more than 8 million Americans each year attend college. Since coming into office, President Obama has worked aggressively to increase the maximum Pell award, recognizing that these grants are a lifeline of financial support for millions of Americans. The Health Care and Education Reconciliation Act invested more than \$40 billion to grow the Pell Grant to ensure that eligible students receive a robust award, while placing the scholarship on a glidepath to increase in future years to keep pace with inflation. These investments will more than double the amount of funding available to Pell Grants since President Obama took office, growing the maximum award from \$4,730 in 2008 to \$5,550 today. Over the next decade, more than 820,000 additional Pell Grant awards are expected to be made as a result of the Health Care and Education Reconciliation Act.

More Affordable Student Loans. About two-thirds of college graduates take out loans with an average student debt of over \$23,000. This debt is particularly burdensome for graduates who choose to enter lower-paying public service careers, suffer setbacks such as unemployment or serious illness, or fail to complete their degrees. To ensure that Americans can afford their student loan payments, the Health Care and Education Reconciliation Act expands the existing income-based student loan repayment plan to provide greater choices for Americans managing their student loan debt. New borrowers after 2014 will be able to cap their monthly student loan payments at 10 percent of their discretionary income and, if they keep up with payments over time, will have the balance forgiven after 20 years. Public service workers – such as teachers, nurses, and those in military service – will see any remaining debt forgiven after just 10 years. More than 1.2 million new borrowers are projected to qualify for this added benefit.

Building American Skills Through Community Colleges: In an increasingly competitive global economy, America's economic strength depends upon the education and skills of its workers. In coming years, jobs requiring at least an associate degree are projected to grow twice as fast as those requiring no college experience. Last year, President Obama proposed an American Graduation Initiative to help America's workforce obtain the skills, education and training they need at America's community colleges. The HCERA invests \$2 billion over four years for community college and career training, helping community colleges and others develop, improve, and provide education and training suitable for workers through the trade adjustment assistance program. The initiative, housed at the Department of Labor and implemented in close cooperation with the Department of Education, will build career pathways with businesses, advance the teaching of basic skills, establish education partnerships with other institutions, and support new online,

open-source courses so that community colleges across the country can offer more classes without building more classrooms.

Strengthening Minority-Serving Institutions. Today, only thirty percent of African-Americans age 25-34 have an Associate's degree or higher, and that number stands at just twenty percent for Latinos. America's Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and other Minority Serving-Institutions (MSIs) account for nearly one-third of all degree-granting institutions in higher education. MSIs serve a higher proportion of low- and middle-income students than their peers, enroll nearly sixty percent of the nation's 4.7 million minority undergraduate students, and graduate a higher proportion of minority students in high-growth fields such as science, technology, engineering and math (STEM) than other institutions. To better reach the President's 2020 goal, the HCERA provides \$2.55 billion over the next decade to increase capacity in these institutions nationwide – funding that can be used to renew, reform, and expand programs to ensure that students at these colleges and universities are given every chance to rise to their full potential, earn their degrees, and enter or re-enter the workforce.

Establishing the American Opportunity Tax Credit (AOTC). Through the American Recovery and Reinvestment Act, President Obama established the American Opportunity Tax Credit to provide up to \$2,500 a year for college tuition and related expenses for American families. A generous support for families earning up to \$160,000, the tax credit nearly tripled the previous amount that may be deducted for college expenses. The AOTC enables nearly 8 million families to reinvest real dollars in their child's education. President Obama has proposed making the AOTC permanent in his FY 2011 budget.

A Simplified Application for Student Aid. The application for federal student aid – known as the FAFSA – is far longer and more complicated than needed and may itself be a meaningful obstacle to college affordability. To ensure that this application is not a barrier to college access for students, the Obama Administration has taken steps to simplify the FAFSA, including revamping the online form to skip questions that are irrelevant to a particular student. For example, students older than 24 do not need to provide their parents' financial information. Second, it now allows students and parents to answer dozens of questions with pre-existing data from the Internal Revenue Service. Third, the Administration is proposing legislation to remove dozens of questions from the form. The end result of this process allows students to complete a FAFSA application with only basic, personal information and a few clicks of their mouse.

Helping Students and Families Become Better Consumers. The Obama Administration is committed to providing students and families good information to make the best decisions about where to attend college and how much debt to accumulate in pursuit of a credential. The Administration has recently proposed new regulations designed to shield students from aggressive or misleading recruiting practices, provide consumers with better information about the effectiveness of career colleges and training programs, and safeguard students from taking on unsustainable debt they cannot repay.

The Administration has also recently taken steps to publish new information on college "net price" – that is, the cost of attendance including living expenses and scholarships – on its *College Navigator* web site. This new information will include costs for prospective students of different incomes and provide insight into the likely cost of college attendance. The Administration has incorporated updates to the FAFSA enabling students to receive instant notification of their eligibility for Pell grants and student loans, greater access to retention and transfer rates at colleges, and links to the *College Navigator* website.