Progressive Plan for Higher Education Is Harmful Policy for America

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KEY TAKEAWAYS

One thing is clear from the COVID pandemic: America’s higher education needs bold reform to fix systemic and new problems.

The Left’s plans for higher education take college learning in the wrong direction, making degrees meaningless and tuition astronomically high.

Students need approaches that will make higher education more affordable and better tailored to their needs in order to be successful in the workforce.

With higher education turned on its head amid the COVID-19 pandemic, the American people need bold policy proposals to fix problems both new and persistent. Getting higher education financing under control by reining in federal spending and making space for alternative post-secondary arrangements to flourish should be top priorities for policymakers.

The monopolistic nature of a federally subsidized “credential treadmill” that favors the traditional four-year, brick-and-mortar college route has left students with few options, while too often poorly preparing them for the career of their choosing. Regulatory reform coupled with accreditation reform would open the doors of innovation and opportunity in higher education by creating a meaningful pathway between education and work.

Former Vice President Joe Biden recently released the Biden Plan for Education After High School,²
which details several policy proposals that would take higher education in the wrong direction. Indeed, the recommended policies would make higher education costlier and degrees less meaningful—all while pouring billions of dollars into a broken system.

“Free” Two- and Four-Year College

The proposed plan for Education After High School expands on the Obama Administration’s proposal to offer Americans tuition-free community college and argues for both two- and four-year public colleges and universities in the United States to operate tuition-free for families making under $125,000 per year. The former Vice President’s plan states that this proposal draws from Senator Bernie Sanders’ (I–VT) and Congresswoman Pramila Jayapal’s (D–WA) College for All Act of 2017.3

Tuition-free higher education, regardless of the length of the degree, is bad policy. The arguments behind such policy proposals rest on the premise that all high school graduates would benefit from a traditional two-year or four-year degree. While most students do see an increase in their earnings’ potential after obtaining a degree, a significant number of students drop out and are unable to financially benefit from their time spent pursuing higher education. Roughly 18 million Americans are underemployed, meaning they are in jobs that do not require a college degree, despite having obtained one.4 These students would likely have been better off in a vocational education program or an apprenticeship, which are significantly less expensive and time-consuming.

Furthermore, guaranteed higher education to every American would render a degree from a college or university virtually meaningless. Higher education both equips students with marketable skills and signals to employers their employability. The degree to which higher education produces a skilled workforce (versus merely “signaling” that a student probably has those skills) remains a debate among policy experts.5 However, as a college degree becomes as ubiquitous as high school degrees, this credential will inevitably become less meaningful. Ambitious students will therefore continuously pursue higher levels of learning to distinguish themselves—arbitrarily perpetuating the length of time they spend in school and out of the job market.

Individuals are best served when they are able to obtain the skills they have identified they need to climb the ladder of upward economic mobility as efficiently as possible. Tuition-free public higher education achieves neither of those ends.
Doubling the Pell Grant

The federal Pell Grant offers financial support for low-income students to attend an accredited higher education institution. During recent years, however, Congress has expanded Pell Grant eligibility, making the grants available to middle-income students who already qualify for a federal loan, but the grant does not have to be repaid. Preston Cooper writes in Forbes:

In 1996, just 28 [percent] of dependent, full-time undergraduates from families earning between $40,000 and $60,000 per year received Pell Grants. Now, 69 [percent] of these students in this same income group receive the grants. (All income figures are adjusted for inflation.) In the span of two decades, a majority of dependent middle-class college students have come to receive Pell Grants.6

In fact, expanding Pell Grants to middle-class students is a stated goal of the Plan for Education Beyond High School. According to the former Vice President’s website, “Doubling the maximum value of Pell grants will increase the grant value for individuals already eligible for Pell and, given the program’s formula for determining eligibility, expand the benefits of Pell to more middle class Americans.”7 It is unclear how this proposal would expand more benefits to the middle class without changing eligibility requirements; however, it remains clear that the intentions of the former Vice President are not to keep the Pell Grant program a program narrowly tailored to low-income students.

Arbitrarily doubling an already costly federal program would not achieve the desired goal of helping students achieve the American Dream. Policies that drive down college costs and offer innovative alternatives would do far more to improve access to education after high school than pouring more money into the Pell Grant program.

Restructuring Income-Based Repayment

Calls for large-scale forgiveness of federal student loan debt has been a major topic of discussion in recent years. Borrowers owe $1.7 trillion in outstanding student loan debt nationally, and federal policies are largely responsible. Although the former Vice President’s proposal does not call for the cancellation or “forgiveness” of student loan debt, it proposes changes to student loan income-based repayment plans that make loan forgiveness all but inevitable.
The proposed changes to income-based repayment states that payments will be cut in half, and students making less than $25,000 would make no payments on their student loans and would not accrue any interest on those loans. The goal of cutting student loan payments by more than half would be achieved by requiring students to pay only 5 percent of their discretionary income over $25,000. Current law requires students to pay a percentage (based on the repayment plan in which they are enrolled) of their income earned; remaining balances left after 25 years are forgiven.

One can sympathize with student loan borrowers making less than $25,000 per year and unable to pay off their loans. Perhaps many of those students dropped out of college or graduated ill-equipped for the labor force. However, the solution to this problem would not be to ask Americans who did not take out student loans to pay the loans of those who did. A workable solution would be to require colleges and universities to have some “skin in the game”—and be required to pay off a portion of their graduate’s student loan debt when they default on their loans. Additionally, the absence of underwriting when issuing federal loans means all students qualify for the same loan terms, regardless of their ability to repay. Private lenders, by contrast, consider a student’s creditworthiness and likely ability to repay when issuing a student loan, all without exposing taxpayers to the consequences of student loan defaults.

Similarly, reducing monthly student loan payments all but guarantees that students will have significantly higher loan balances remaining at the end of their shortened payment periods. Leaving these loan balances unpaid and then passed to working Americans who played no role in the education or loan contracts of others is regressive policy.

Policymakers should look to policies that hold universities accountable for some portion of student loan defaults, along with policies that restore a robust private lending market that will limit taxpayer exposure to debt.

Title I for Post-Secondary Education

Title I for elementary and secondary education offers additional federal financial assistance to schools that serve low-income communities. The former Vice President’s higher education plan proposes “Title I for postsecondary education,” which would “establish a new grant program to support under-resourced four-year schools that serve large numbers of Pell-eligible students.” At the K–12 level, the Title I program, which refers to Title I of the Elementary and Secondary Education Act, is fraught with problems.
“The design of the federal Title I program has become cumbersome and obsolete, with distributions today having little connection to district-level poverty,” notes The Heritage Foundation’s Lindsey Burke. The “Title I for Postsecondary Education” proposal aims to provide “wraparound” services for students. However, students would be better able to afford basic necessities while enrolled in higher education if policymakers took steps to drive down college tuition. The restoration of a robust private lending market would drive down the cost of higher education and encourage schools to offer a price that better matches their product. Increased federal funding either through the student loan program or through new federal grants will only serve to aid tuition inflation and administrative bloat at colleges and universities.

Further Regulate For-Profit Colleges

Continuing the legacy of the Obama Administration, the Biden plan proposes to further regulate the for-profit college sector. The plan makes three promises to regulate the for-profit college sector. The first is rather vague. “The Biden Administration will require for-profits to first prove their value to the U.S. Department of Education before gaining eligibility for federal aid.” How schools would prove their eligibility is unclear—which allows the potential for a politically motivated Department of Education to simply pick winners and losers.

Second, the plan vows to restore to the Obama Administration Borrower’s Defense rule, which was recently overturned by the Trump Administration. The Obama version of the borrower’s defense rule allowed students to qualify for loan forgiveness if they demonstrated their university engaged in fraudulent activity. However, the rule included a very low bar for burden of proof. As Education Secretary Betsy DeVos told the Mackinac Republican Leadership Conference in 2017, “Under the previous rules, all one had to do was raise his or her hands to be entitled to so-called free money.” Additionally, the Obama Administration’s version of the rule provided virtually no due-process rights for schools accused of engaging in fraudulent activity. The Trump Administration wisely tightened the borrower defense rule to ensure that only actual victims of fraud qualify for loan forgiveness.

Third, the plan vows to eliminate what it refers to as the “90/10 loophole,” which it states “gives for-profit schools an incentive to enroll veterans and servicemembers in programs that aren’t delivering results.” The 90/10 rule is a regulation that requires for-profit colleges to limit their revenue from
federal sources to 90 percent of their total operating revenue. The “loop-hole” refers to the fact that GI Bill funding is not counted in this equation. Importantly, this rule only applies to “for-profit” colleges.

However, as researcher Mark Kantrowitz found, if the federal government applied the 90/10 metrics to all colleges—not just “for-profits”—80 percent of public two-year colleges and 40 percent of public four-year colleges would fail the test. The federal government should not be in the business of favoring one type of higher education over another through burdensome regulations merely because of its tax status. If the Department of Education is to regulate higher education, those regulations should be sector-neutral in their application. Singling out for-profit colleges only serves to limit higher education options for students.

Discharge Private Loans in Bankruptcy

Whether or not student loans should be dischargeable in bankruptcy is a topic of significant debate among policy experts. However, this proposal makes the unique argument that private lenders are predatory—and therefore only private student loans should be dischargeable in bankruptcy. Roughly 90 percent of student loans are federal student loans, leaving about 10 percent of the market share to private lenders. And unlike private loans, the Department of Education lends to students with no consideration given to a student’s creditworthiness, often strapping students with debt they are unable to pay off. Therefore, a crackdown on predatory lending must begin with the greatest offender, the federal student loan programs.

Allowing federal student loans to be discharged in bankruptcy would simply serve as de facto loan forgiveness, with American taxpayers once again served the bill for students who are unable to pay off their loans. Policymakers should prioritize the creation of a robust private lending market to drive down tuition prices as a means of solving the student debt crisis. Changing bankruptcy laws would simply put a band-aid on this complicated issue.

The Wrong Direction for America

At this critical time, lawmakers must put forward fiscally responsible solutions that will provide better higher education options for America’s students. Unfortunately, the policies proposed in the Biden Plan for Education Beyond High School would take America in the wrong direction—one defined by more spending, more years spent in the academy (not the workforce), and more onerous regulations.
The American people need market-based approaches that will make higher education more affordable and better tailored to the needs of students and the workforce. Conservative policy solutions offer a better path forward.

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Endnotes


