

Executive Summary

COLLEGE AFFORDABILITY HAS become a defining middle-class issue. On the one hand, some education after high school is increasingly important to economic opportunity and mobility. On the other, college costs have grown faster than just about every other good or service in the economy, driving a significant increase in student debt. Mediocre completion rates and uncertain labor market outcomes have increased the risk of investing in higher education at the same time that doing so has become more important.

American families rightfully feel trapped, left to choose between sending their children into debt to pay high tuition for degrees of uncertain value and consigning them to lives of low-wage work and little upward mobility.

For a half-century, well-intentioned federal policies have focused on expanding opportunity and protecting consumers and taxpayers. These policies have expanded access to college, but have had consequences for college costs and quality. The easy availability of federal aid dollars encourages students to enroll in any college, no matter the quality or price, providing little incentive for colleges to control tuition or ensure students achieve their goals. Low levels of transparency and information coupled with poor quality assurance fail to protect taxpayers or consumers from waste.

Policymakers' traditional answers to these problems—more money in grants and loans and more regulation of institutions—have not made college more affordable and effective, and may well have done the opposite. This approach—subsidize colleges, attach more strings, watch tuition rise, subsidize again—is not creating sufficient opportunity for students who have earned it.

Americans deserve better, from their policymakers and their institutions. On the supply side, students need more affordable and effective

post-secondary options that help them gain skills and find success in the workforce. On the demand side, they require better information to choose the colleges that best meet their needs and simpler, more flexible aid programs that help them finance that choice.

What we need is a comprehensive set of reforms for our post-secondary system that correct misaligned incentives, rein in burdensome regulations that stifle innovation, and empower students and families.

To that end, the chapters in this book explore the following higher-education policy areas, offering an array of ideas for reform, ranging from modest proposals to bolder reforms to complete overhauls:

- Federal need-based aid programs help millions of low-income students pay for college, but are plagued with inefficiencies and poor incentives. Policymakers should look to streamline these programs by easing the processes by which students apply for, receive, and use aid. Reformers should also consider providing students with more predictability and flexibility by shifting to an account-based model.
- Federal student loans and tax credits are complex, create perverse incentives, and are poorly targeted. Students borrow large sums to enroll in programs of uncertain quality, and those who drop out must navigate a maze of repayment options in order to avoid default. Reformers should work to simplify federal loan programs in both number and design. Those who wish to go further should consider replacing existing programs altogether with a simple, flexible line of credit, whereby beneficiaries repay a portion of their future income through the payroll withholding system.
- Federal accountability mechanisms for post-secondary institutions have failed to protect students and taxpayers. In turn, policymakers should consider implementing more effective tools: a risk-sharing system that would hold all colleges responsible for a portion of federal loans that go unpaid, along with a rigorous performance floor that would revoke the eligibility of institutions whose graduates do not meet a minimum loan-repayment rate.

Policy Reforms to Strengthen Higher Education

- Students and families face a dearth of clear, comparable, and useful information on postsecondary institutions. In response, reformers should provide consumers with more and better data on college costs and student outcomes—on both institutions and individual programs—by fostering better use of existing federal data and leveraging state-level data-collection efforts.
- Policies designed to reduce fraud frequently act as obstacles to innovation. Needed instead are reforms that free leaders at institutions to develop new models of teaching and learning; expand access to and raise the profile of non-traditional options like competency-based education and apprenticeships; and create space for students to choose quality and innovative options.
- Finally, schools that receive federal aid operate under a web of rules, regulation, and guidance. Reformers should not only reduce and streamline existing rules, but reform the processes by which such requirements become policy—including curbing the proliferation of regulatory guidance and launching a retrospective review of existing regulations.