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 state and institutional reforms as well that address the root causes affecting college affordability, while also creating incentives to provide greater quality at a lower cost to students—a task the Federal government cannot take on alone.

In August, the President outlined an ambitious new agenda to combat rising college costs and make college affordable for American families. His plan will measure college performance through a new ratings system so students and families have the information to select schools that provide the best value and encourage all colleges to improve, shine a light on the most cutting-edge college practices for providing high value at low costs, and help borrowers who are struggling with their student loan debt. Building on this agenda, the President's Budget outlines a plan for States, colleges, families and the Federal government to share in the responsibility of improving higher education access, affordability, and student outcomes. It would increase the Federal investment in postsecondary education—while also challenging and helping States, colleges and families to work together to slow the growth in tuition and fees.

Preserving Student Financial Aid: The Federal government must keep doing its part to help students and families afford college and continue building on the recent historic investments in financial aid. The budget strengthens the Federal government's investments in financial aid by:

- **Fully Funding the maximum Pell Grant Award to $5,830** – a crucial source of support that helps 9 million low-income and middle-class students access and afford higher education.

- **Encouraging and Supporting State Reform** – the request would support a new $4 billion State Higher Education Performance (SHEP) Fund competitive grant program for states to support, reform, and improve the performance of their public higher education systems. Building on the President's College Value and Affordability agenda and previous budget proposals, this initiative calls on states to make college more affordable and increase college access and success, especially for low-income students. Four-year grants would support 1) the successful implementation of policy and funding reforms that encourage and reward improved college performance, as well as institutional innovation and reforms; and 2) maintaining state expenditures in higher education in states with a strong record of investment or increasing state support in low-investment states.

- **Rewarding Colleges for Results** – the request includes a new proposal that will reward colleges that successfully enroll and graduate a significant number of low- and moderate-income students on time and encourage all institutions to improve their performance. Eligible institutions may receive a grant that will support innovations, interventions and reforms to further increase college access and success based upon the number of Pell students they graduate on time. The new College Opportunity and Graduation Bonus program will provide an annual grant to eligible institutions equal to their number of on-time Pell graduates multiplied by a tiered bonus amount per student. Institutions could use these funds to expand need-based financial aid, enhance student instruction and support strategies, and implement other best practices to expand college access and success for low-income students.

- **Reforming Campus-Based Aid** – the request would target campus-based aid funds to institutions with a demonstrated commitment to providing their students a high-quality education at a reasonable price by revising current allocation formulas for Supplemental Education Opportunity Grants and Work-Study to reward institutions that enroll and graduate higher numbers of Pell-eligible students, and offer an affordable and quality education such that graduates can repay their educational debt.

- **Expanding and modernizing the Perkins Loans program** – the request would provide $8.5 billion in new loan volume annually—eight and a half times the current Perkins volume – to support Perkins Loans at up to 2,700 additional postsecondary education institutions, thereby providing more students who may need additional financing options with increased access to affordable loan funds that carry important protections and benefits. Savings from the new program would be reinvested in the Pell Grant program to help maintain the maximum Pell award. Lending authority would be allocated to institutions based on their record in enrolling and graduating higher numbers of Pell-eligible students, and offering an affordable and quality education such that graduates can repay their educational debt.

- **Expanding and Improving "Pay as You Earn"** – the request would make the Pay as You Earn (PAYE) plan available to all eligible borrowers, regardless of when they borrowed, and reform its terms to ensure that program benefits are targeted to the neediest borrowers. The reforms also aim to safeguard the program for the future, including by protecting against institutional practices that may further increase student indebtedness. In addition, to simplify borrowers' experience while reducing program complexity, PAYE would become the only income-driven repayment plan for borrowers who originate their first loan on or after July 1, 2015, which would allow for easier selection of a repayment plan

Institutional Innovation and Reform: We need to provide incentives for institutions to make college more affordable, 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:

- **$100 million for First in the World** to support institutions' implementation of innovative strategies and practices shown to be effective in improving educational outcomes and making college more affordable for students, particularly for low-income students.

- **$75 million for a new College Success Grants for Minority-Serving Institutions** initiative, a competitive grant program to provide support to Minority-Serving Institutions for the implementation of sustainable strategies, processes and tools, including technology, to reduce costs and improve outcomes for students.

- The budget also includes **$30 million for pilot and demonstration programs** and support for the development and refinement of a new **college rating system**.

<u>Additional Investments</u>: The Department's long-standing support for college access and institutional support programs continues in 2015. These investments include:

- **Federal TRIO Programs ($838 million).** Meeting the 2020 college attainment 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 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 ($423 million in discretionary funding and $155 million in mandatory funding) and Title V Hispanic Serving Institution (HSI) programs ($107 million in discretionary funding and $100 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.