KEY FINDINGS

HOW U.S. HIGHER EDUCATION PROMOTES INEQUALITY – AND WHAT CAN BE DONE TO BROADEN ACCESS AND GRADUATION

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A few decades ago, going to college seemed to be the surest route to the American dream, a path to greater opportunity for most young people. Yet today the U.S. system of higher education is evolving into a caste system with separate and unequal tiers. To be sure, more students from all backgrounds attend college and graduate with valuable degrees. But far too many from low-income and middle-class families depart early with no degrees and crippling levels of student debt. U.S. higher education as a whole is increasingly reinforcing rather than reducing class differences – and federal and state government policies need to change course.

Shrinking College Opportunities

In recent decades, the United States has gone from being the global leader in college graduation rates to 11th: other nations advanced while America stood still and reduced opportunities.

- U.S. college enrollment and graduation have become much more unequal. The vast majority of young people from high-income families go to college and graduate with four-year degrees, but young people who grow up in families with incomes in the bottom half are only a little more likely to attain Bachelors' degrees by age 24 than were their counterparts 40 years ago. Only 10% of students in the bottom quarter of income distribution manage to earn a diploma by age 24, and only 15% from the next highest quarter do so.

- Unequal opportunities also occur because some colleges and types of institutions charge lower tuition, give more financial aid, provide better education, and guide most students to graduation with degrees that employers value – while others do worse in all these respects. Some institutions, in fact, make many of their students worse off than if they had never enrolled.

What Has Gone Wrong?

Blame for rising gaps in access and graduation is usually leveled at colleges and universities themselves, because tuition has increased much faster than inflation. That trend is undeniable, but lawmakers at state and national levels have failed to repair, maintain and update higher education policies so that they can, as originally intended, enlarge access and college completion for present and future generations. Reforms have been stymied by partisan polarization and the deference of elected officials to wealthy constituents and powerful interest groups.

Today's higher education policymaking – and neglect of growing educational inequalities – marks an aberration from earlier eras. Since the nation's beginnings, U.S. national and state-level policies have promoted the robust development of both public and nonprofit colleges and universities. In the mid-twentieth century, landmark federal policies expanded college access and graduation – above all, through the G.I. Bill of 1944, the Higher Education Act of 1965, and the creation of Pell Grants for low-income students starting in the 1970s. Federal spending on

student aid has continued to grow, but longstanding and newer programs no longer enlarge opportunity.

- Almost three-quarters of U.S. college students attend public universities and colleges, but state funding for higher education has declined by 26 percent per full-time student over the past two decades, even as costs steadily increase. Public universities have responded by hiking tuition by 113 percent, while simultaneously increasing class sizes, switching to online instruction, and replacing professors with adjuncts. All of these moves reduce graduation rates.

- In 1997, President Bill Clinton signed laws that channel federal student aid through tax breaks to offset tuition; each subsequent president has expanded this approach to more upscale families. But these benefits, delivered long after tuition has been paid, fail to increase graduation rates and divert resources that could be used to expand college access.

- Some private nonprofit colleges, hoping to boost their rankings, spend freely on merit aid to privileged students with high test scores and do very little to attract and assist students from families with low or middling incomes.

- Currently, one of every four federal student aid dollars goes to for-profit colleges like the University of Phoenix and Kaplan. Although several are publicly traded on Wall Street, for-profits are permitted by law to receive up to 90 percent of their funding from the federal government – with few effective rules about performance. Federal funding from the GI Bill and defense programs is even more generous, giving for-profit institutions strong incentives to market themselves to military veterans. Nearly all students in for-profits, 96% of them, borrow to attend, but only 22% finish with degrees. Overall, for-profit schools enroll about ten percent of all U.S. college students but account for nearly 50% of defaults on federal student loans. For-profit students, including graduates, leave with high levels of debt and are often unable to get jobs or earn wages to let them pay back their loans, leaving U.S. taxpayers on the hook.

Much Needed Reforms to Federal Higher Education Policies

If current trends continue, the United States will evolve into a country where the family into which a person is born rigidly determines college opportunity. To shift course, several changes should be made in the reauthorization of the federal Higher Education Act pending in Congress.

- The reauthorization should include provisions to **give proportionately more federal student aid to states that boost taxpayer support to their public colleges and universities.**

- Reauthorization should **reward colleges that graduate most of their students, especially Pell Grant recipients, and limit student debts.** Enrollment alone should not suffice, and all kinds of colleges should lose access to federal aid programs if they serve students poorly.

- **Tuition tax credits favoring the privileged should be scaled back** and savings applied to Pell Grants and other programs that help students of modest means stay enrolled and graduate.

- **The share of college budgets that can come from federal student aid should be reduced.** Institutions of all types, including for-profits and those focused on military veterans, should be pushed to attract more students who pay themselves or have tuition covered by employers.