Insight

The Higher Education Agenda in the 2016 Budget Proposal

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The president's higher education agenda reflected by the 2016 budget proposal proves to be a collection of costly new programs rather than policies to arrest the growth in college tuition, and improve access. In it, the president has chosen to focus on expensive policies aimed largely at students attending low-cost institutions or who have already completed their higher education.

For instance, the America's College Promise proposal would provide two years of tuition-free community college to students maintaining a minimum set of requirements. Relying on state participation and taxpayer funding, the program has been estimated to cost as much as $60 billion over 10 years. The flaw in such proposal is that community college is not currently beyond the means of most student. Fewer than half of all community college students borrow to cover their college costs, and for students who require assistance, the Pell grant program provides adequate assistance to cover tuition.

Another example is the $30 billion inflation-indexed Pell grants proposal. The Pell grant program is the largest grant aid program targeting low-income undergraduate students. In 2013, Congress took measures to increase the maximum award in step with inflation, but did nothing to keep tuition rates in check, ignoring the fact that tuition rates have continued to climb by more than double the rate of inflation for the better part of the past three decades. Extending the inflation-indexed Pell award without any commitments on restricting cost growth only ensures that the program's purchasing power will continue to lose ground in the face of continued tuition inflation.

The President's budget also includes measures to expand the function of the pay-as-you-earn program to all Direct Loan borrowers. The budget does offer some reforms to this costly program such as establish a 25-year forgiveness period, eliminates standard repayment caps, and caps public sector loan forgiveness. However, the negative subsidy cost estimated at $13.2 billion, with the an average subsidy rate of -8.73 percent seems to be a quantum leap considering the frequency of credit subsidy reestimate is around 60 percent. In fact, the budgets own justification of appropriations reflects an upward reestimate of roughly $22 billion for outstanding Direct Loans, and points out that the upward reestimate is due primarily to greater enrollment in income-based repayment plans.

On balance, the President's budget proposal focuses on measures that will do little to improve access in the short-term, instead focusing on benefits for students who have either already completed college or who are attending low-cost colleges in the first place. Despite the price tag, the president’s budget would do little to control costs or improve higher education access or outcomes.