the institute for college access & success

November 9, 2020

MEMORANDUM TO INTERESTED PARTIES

FROM: The Institute for College Access & Success

SUBJECT: **2021 & Beyond: How the Biden Administration and Congress Can Ensure Higher Education Emerges From the COVID Crisis Stronger Than Ever**

American colleges and universities play an essential role in building a more prosperous, equitable country. However, with colleges at a perilous point, an ambitious federal effort is needed to cushion the effects of the pandemic and recession and address longstanding challenges in affordability and equity.

Even before the COVID-19 pandemic hit, funding for America's public colleges had still not recovered from the Great Recession;[1] the Pell Grant covered the lowest share of college costs in the program's history;[2] millions of student loan borrowers were struggling to manage their debt;[3] and low-quality for-profit colleges, empowered by regulatory rollbacks, continued to prey on many of our nation's most vulnerable students.[4] Worse, students of color and low-income students continue to bear the highest cost and debt burdens.[5]

A postsecondary degree or credential is a key stepping-stone to the middle class, but an affordable, high-quality college education has been out of reach for far too many students for far too long. The federal government's failure to contain the pandemic in 2020 is exacerbating barriers to enrollment and completion.

If the federal government does not act quickly and decisively, COVID-19's blow to college completion, social mobility, and economic growth could last for years to come and surpass even the devastating impact of the Great Recession. It will widen equity gaps by race and income and will hamper our ability to prepare for a changing world by building and supporting a sustainable, cutting-edge green economy.

Policymakers must immediately address the urgent needs of states, colleges, and students, while also laying the groundwork for long-term investments to ensure that college remains a reliable pathway to the middle class.

Below, we outline five critical federal pillars that would help students and colleges weather the twin crises of pandemic and recession, close racial and economic gaps in college attainment, restore the promise of public higher education, and reduce the burden of student debt.

1. Provide Critical COVID-19 Emergency Relief to Students and Colleges
2. Double the Maximum Pell Grant to Reduce Student Debt and Increase Equity
3. Protect Students and Taxpayers From Predatory Colleges
4. Fulfill the Promise of Public Higher Education as a Bridge to an Equitable U.S. Economy
5. Make the Student Loan Repayment System Simple and Fair

1. Provide Critical COVID-19 Emergency Relief to Students and Colleges

As a result of the pandemic and recession, public colleges — which enroll three-quarters of all undergraduate students — are facing devastating state budget crises.[6] In addition, most colleges are contending with drops in enrollment, ongoing COVID-19-related expenses, and other lost sources of revenue that are unique to this public-health crisis.[7] Community colleges and regional public universities, which serve a large share of underrepresented students of color and low-income students, and which were already operating with inadequate funds pre-pandemic, are being hit the hardest.[8]

Though the CARES Act delivered much-needed aid and relief to students and colleges, it was nowhere near enough. The American Council on Education has estimated that the negative impact on institutions from the pandemic will exceed $120 billion.[9] Students need more direct grant aid, and colleges need help to keep operations running and to keep tuition down.[10]

To help colleges, Congress should send significant funding to states to shore up public colleges and universities. This investment is desperately needed to enable states to cover operational costs at public institutions and to avoid steep tuition hikes at the very time that families can least afford them. The funding should be provided equitably to all students, including part-time students, and encourage states to reinvest in higher education as the economy recovers.

Student loan debt has tripled since the last recession.[11] To offer emergency relief to millions of households, Congress and the Administration must also extend the current pause on student loan payments and debt collection for the duration of the economic crisis and expand these benefits to cover all federal student loans. Policymakers should also direct private lenders to provide additional emergency relief for their borrowers.

2. Double the Maximum Pell Grant to Reduce Student Debt and Increase Equity

Research shows that Pell Grants are a critical and effective way to increase college access and completion, making higher education possible for nearly seven million low- and moderate-income Americans each year.[12]

Pell Grants, which have strong bipartisan support, are especially crucial for lowering the net cost of college for students of color — nearly 60 percent of Black undergraduates, half of American Indian or Alaska Native, and almost half of Hispanic or Latino undergraduates receive a Pell Grant each year. Yet this year's maximum grant covers the lowest share of college costs in the program's history, and the grant is no longer automatically adjusted annually to at least keep pace with inflation. Unsurprisingly, Pell Grant recipients continue to bear disproportionate student debt burdens.[13]

Prior to COVID-19, research suggested that doubling the current Pell Grant would be necessary to overcome current disparities in enrollment and completion by income.[14] Pandemic-related job and income loss will only exacerbate student need for help in paying for college. Policymakers should also strengthen the program by permanently restoring the grant's automatic annual inflation adjustment, making it a mandatory spending program, and expanding eligibility to undocumented students and students who are incarcerated.

3. Protect Students and Taxpayers From Predatory Colleges

Strong college accountability is key to reducing the number of students left worse off by burdensome student debt. As the for-profit college industry stands poised for a comeback and many students are enrolling in unproven online programs, it is imperative that Congress and the Administration strengthen key accountability mechanisms, which have proven successful in protecting students and improving the value colleges offer students.[15]

These critical protections include reinstating the gainful employment and borrower defense rules gutted by the Trump Administration, closing a loophole that contributes to the exploitation of veterans, prohibiting the use of commissioned sales and other tactics associated with high-pressure and deceptive recruiting, and holding colleges more accountable for excessive student loan default rates.

Policymakers must also explicitly address the increased risks that students and taxpayers face due to the pandemic, including the effects of the emergency transition to online learning and an increased risk of predatory recruiting.[16]

4. Fulfill the Promise of Public Higher Education as a Bridge to an Equitable U.S. Economy

For decades, state support for public colleges and universities — which enroll three-quarters of students — has fallen.[17] Low-income students and underrepresented students of color are more likely to attend poorly funded colleges, where they are less likely to graduate; many colleges that serve vulnerable student populations also lack the funds to implement evidence-based support and advising programs that can help more students complete a degree.[18] Many states also lack the data and planning capacity to assess whether students are reaching their goals or to address challenges — such as transfer policies — that cannot be adequately addressed on just a single campus.

To address these challenges, the Administration should work with Congress to create a new federal-state partnership to invest in equitably funded public colleges. Through this new partnership, the federal government would send significant new funding to states to equip them to better support public institutions, with the goal of increasing educational quality, reducing net costs for students, and providing evidence-based advising and student supports to increase completion. The partnership should require states to address longstanding equity gaps, including equitable funding for colleges that serve a high proportion of low-income students and students of color.[19]

In exchange for new federal funding, states should be required to maintain or increase their own investments in public higher education and develop and implement data-driven plans to directly address racial and economic inequities in access, affordability, and attainment. By harnessing its unique deficit-spending power to automatically shore up state funding during economic downturns, the federal government can keep this critical industry thriving through temporary economic swings.

5. Make the Student Loan Repayment System Simple and Fair

Income-driven repayment (IDR) plans — which base a borrower's monthly payments on their income — help keep monthly federal student loan payments more affordable for millions of borrowers but can be confusing to navigate. While all borrowers should retain the ability to choose a fixed-length repayment plan, current delinquency and default rates suggest many more borrowers could benefit from enrolling in an IDR plan.[20]

To help more borrowers access affordable payments and avoid the devastating consequences of loan default, Congress should create a single, improved IDR plan that works better for borrowers, ensures tax-free loan forgiveness after a period of responsible payments, and enables the federal government to automatically enroll distressed borrowers into IDR to prevent default.[21]

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