

LOOKING FOR RELIEF: AMERICANS' VIEW OF COLLEGE COSTS & STUDENT DEBT

A national survey conducted by Hart Research Associates and American Viewpoint for the Project on Student Debt finds widespread support for a plan to establish an income-based tax credit for student loan interest as well as majority support for a proposal that would limit the amount of student loan payments to 10% of an individual's income. This executive summary reviews the main findings of the survey.

COLLEGE SEEN AS MORE IMPORTANT, LESS AFFORDABLE

For most (87%) Americans, college is part of the American dream.** Moreover, most (80%) people say that a college education is more important today than it was 10 years ago. However, higher education has become more difficult to afford in Americans' eyes, and it will become increasingly difficult to afford in the future. In all, 66% say that affording a college education has become more difficult while only 7% say it is less difficult. Fully 70% think that by the year 2020, people like themselves in their community will be less able to afford a college education.

In fact, more Americans worry that the cost of children's college education is being priced beyond the income of average families (37%) than worry about the cost of a secure retirement (22%) or the cost of a house (20%). Concerns about college affordability cut across partisan and socioeconomic lines.

In addition, a majority says that the country is on the wrong track when it comes to keeping the cost of a college education affordable for most families. Majorities of Democrats (72%) and independents (62%) hold this view, as does a plurality of Republicans (44%). A majority of all income groups says the country is off on the wrong track.

Most (64%) Americans say that the federal government is doing too little to make higher education more available and affordable for people of all backgrounds. Only 21% say the federal government is doing the right amount in this area and 7% think the government is doing too much. A majority of all income, age and education groups, and geographic regions holds the view that government is doing too little. Both recent students (63%) and college parents (62%) also say that the federal government is doing too little in this area. While a majority of independents (64%) and Democrats (84%) say the government is doing too little, Republicans are split; 44% say the government is doing too little and 46% say the government is doing either too much (13%) or the right amount (33%).

SIGNIFICANT CONCERNS ABOUT COLLEGE DEBT BURDEN

Although concerns about the cost of higher education have been with us for some time, this concern takes on a new dimension—the amount of debt taken on by students and families. Students today graduate with more loan debt than in the past and the public knows it: 82% of adults say that this is the case. Furthermore, 59% say that college graduates today have *too much* student loan debt, while only 31% feel that today's debt levels are manageable.

Indeed, 52% of parents of children under 18 or children age 18 to 29 who have attended college say they worry very or somewhat often about not being able to afford education costs for their children; 46% of college parents worry about their children having too much student loan debt; 42% of recent students worry about having too much student loan debt personally, and 42% of recent students worry about not being able to afford education costs for themselves.

Even with concerns about student loan debt, Americans still see student loans as an appropriate means of paying for college. Seven in 10 (71%) say that it is reasonable to take on student loan debt considering the benefits of college, while just 24% think it is a mistake for young people to go into debt for college and that they should avoid student loans. The public is not rejecting student loans as a method of financing higher education, but clearly feels that many students are ending up with an excessive amount of debt. Only 27% say that repaying loans is very or fairly easy, while 66% say repaying loans is very or fairly hard.

Clearly, the public believes that the student loan debt problem is widespread. Fully 58% think it is a serious problem for students from middle-class families, and this figure rises to 67% among adults earning less than \$75,000. It is considered an even more serious problem for students from low-income families, as 75% say that student loan debt is a very or fairly serious problem for this group (85% among adults earning less than \$40,000 per year).

SUPPORT FOR STUDENT LOAN TAX CREDIT

This concern about higher education affordability leads the public to strongly support a proposal to provide an income-based tax credit for student loan interest. More than three in four (78%) adults favor a student loan interest tax credit proposal that would replace the current tax deduction. Just 18% oppose the plan. This proposal has broad bipartisan support (83% among Democrats, 77% among independents, and 73% among Republicans) and similarly high support across all age and income groups. Specific features of the proposal also are widely favored:

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- Eighty-five percent (85%) favor the idea that everyone who now gets a deduction would get at least as large a tax break as they have now.
- Seventy-two percent (72%) favor the proposal that the tax credit would depend on the size of a family's income, with those earning less than \$60,000 receiving the largest credit, adults making \$60,000 to \$140,000 receiving a smaller credit, and adults earning \$140,000 or more receiving no tax credit.*
- Sixty-six percent (66%) favor the proposal that the tax credit would be refundable and that people would receive the full refund even if the tax credit is larger than the amount of income tax they owe.
- Sixty-three percent (63%) favor the idea that the federal government would spend about \$2 billion more per year under this plan than under the current system.

In addition, the public supports the principle of limiting student loan payments as a proportion of a person's income. The survey results find that 61% favor (and 35% oppose) a "pay as you earn" proposal that would ensure that no one has to pay more than 10% of their income for student loan repayments each year. If repayment charges were higher, the government would pay the difference. This proposal receives majority support in all regions and income groups.

Americans think the student loan interest tax credit would have a number of positive results for the nation:

- Eighty-eight percent (88%) think the tax credit would help young people get a good start on their careers and family.
- Eighty-six percent (86%) think the tax credit would be a good investment in America's future.
- Eighty percent (80%) think it would encourage more high school graduates from low-income families to go to college.
- Seventy-six percent (76%) think it would help parents of college students save for retirement.
- Seventy-four percent (74%) think it would allow more young people to go into teaching, social work, and other important but lower-paying professions.
- Sixty-one percent (61%) think the tax credit would strengthen the economy.

Finally, most (60%) adults, including 71% of recent students and 57% of college parents, think that they and their families would benefit from this tax credit plan.

METHODOLOGY

Telephone interviews were conducted among 804 adults nationwide along with oversamples of 251 recent post-secondary students and 254 college parents. Interviews were conducted from March 13 to 18, 2006.

The main sample of this survey was comprised of n=804 U.S. adults. Results also are reported for n=354 18- to 29-year-olds who have attended at least some college or who are currently enrolled. This cohort is referred to throughout the survey as “recent students.” In addition, results are reported for “college parents,” n=438 parents of 18- to 29-year-olds who attended at least some college or who are currently enrolled.

All surveys are subject to errors caused by interviewing a sample of persons rather than the entire population. The margin of error for a random sample of n=800 interviews is ± 3.5 percentage points at 95% confidence. For n=250 interviews, the margin of error is ± 6.3 percentage points at 95% confidence.

Please Note: Certain questions were asked of half the sample rather than the entire sample. Results for these questions are accompanied by the following notations:

*Asked of half sample.

** Average of half sample that tested “Your children being able to go to college” (88%) and half sample that tested “Going to college” (85%).