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WHITE HOUSE STAFFING MEMORANDUM

ED

Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT DUE BY: 5-14-03 10:00 AM

Subject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT <i>comment</i>	☒	☐	HAGIN	☐	☐
CARD <i>comment</i>	☒	☐	HOBBS <i>PC</i>	☒	☐
ABBOT	☐	☐	MARBURGER <i>comment</i>	☒	☐
BARTLETT <i>PC</i>	☒	☐	MIERS	☐	☐
BLAKEMAN	☐	☐	MONTGOMERY <i>comment</i>	☒	☐
BOLTEN <i>comment</i>	☒	☐	POWELL	☐	☐
BRIDGELAND <i>comment</i>	☒	☐	RICE	☐	☐
CONNAUGHTON	☐	☐	ROVE	☒	☐
DANIELS <i>comment</i>	☒	☐	SPELLINGS	☐	☒
FLEISCHER	☐	☐	CLERK	☐	☐
FRIEDMAN	☐	☐	<i>Mankiw comment</i>	☒	☐
GAMBATESA	☐	☐		☐	☐
GERSON	☐	☐		☐	☐
GONZALES <i>NC</i>	☒	☐		☐	☐

REMARKS:

PLEASE FORWARD COMMENTS DIRECTLY TO HOLLY KUZMICH AT X65577, FAX X65557, BY 10:00 A.M., WEDNESDAY, MAY 14, 2003, WITH A COPY TO THE STAFF SECRETARY. THANK YOU.

RESPONSE:

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702
FAX Ext. 62215

Higher Education **Overview, Issues, and Options**

May 2003

Higher Education Overview

- K-12 enrollment is projected to remain stable for the next ten years, while postsecondary enrollment is projected to increase 15-20% by 2012.
- In 2003, the federal government provided approximately \$9 billion in tax benefits to students and families for higher education.
- In 2003, the federal government provided approximately \$22 billion in funding to institutions of higher education for research and development.
- In 2003, approximately \$23.4 billion in funding was provided for programs under the Higher Education Act; of that total, \$21 billion is for student financial aid.
- Nearly one-third of postsecondary expenditures comes from the federal government.

Higher Education Overview

- The average cost of college increased 68% after inflation between 1980 and 1997, while median family income increased just 9% after inflation during this same time period.
- Costs have grown even more recently. During the 2001-2002 school year, tuition bills rose 9.6% at four-year public colleges—roughly five times the rate of inflation—and 5.8% at private schools.
- Over 75 percent of undergraduates are non-traditional students.
- Only 21% of college-qualified low-income high school graduates, compared with more than 60% of the high-income college qualified population, complete a bachelor's degree.
- In California alone, it would take more than twenty new colleges, each enrolling 30,000 students, to meet the projected growth in enrollments between now and 2015, and approximately 80% of these new students will be racial and ethnic minorities.

Why Higher Education is Important

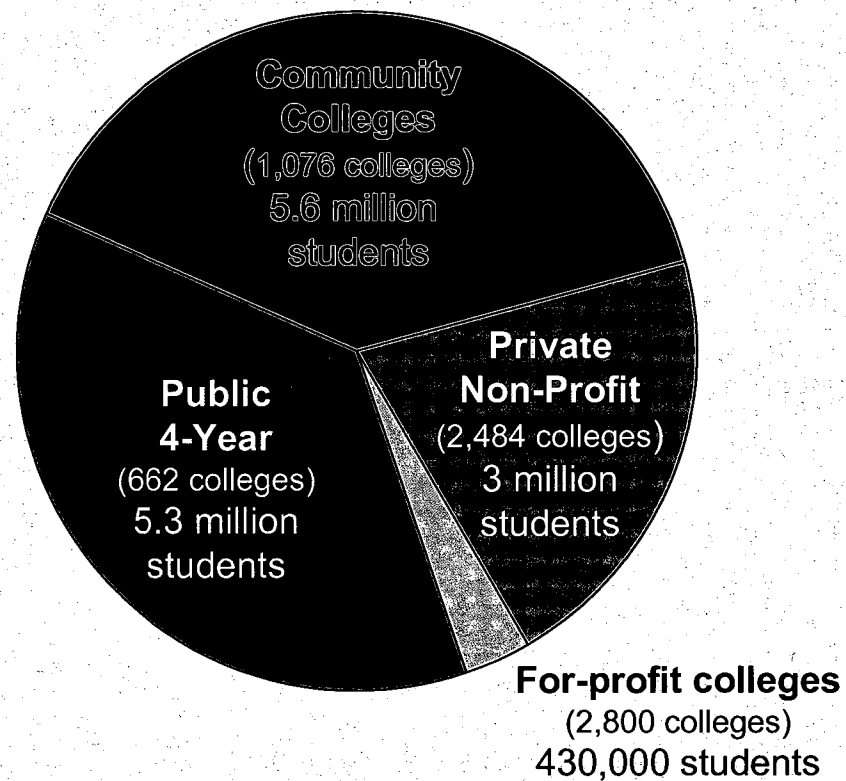
Education Level	Percent Employed Full-Time Year Round	Earnings (Full-time workers)	Earnings (all workers)
➤ Bachelor's Degree	➤ 76.7	➤ \$52,200	➤ \$45,400
➤ Associate's Degree	➤ 74.9	➤ \$38,200	➤ \$33,000
➤ High School Graduate	➤ 73.1	➤ \$30,400	➤ \$25,900
➤ Non-High School Graduate	➤ 65.3	➤ \$23,400	➤ \$18,900

Population Trends Projected for the Next Ten Years

- All seven of the education and training categories projected to have faster than average employment growth require a postsecondary vocational or academic award.
- Employment in occupations requiring at least a bachelor's degree is expected to grow 21.6% and account for five out of the six fastest growing education or training categories.
- Currently, foreign-born students represent over 40% of all Ph.D. recipients in science and engineering in U.S. universities.

Higher Education Enrollment

Over 14 million students enrolled in postsecondary education in 2001



Community Colleges	39%
Public 4-Year	37%
Private Non-Profit	21%
For-Profit Colleges	3%

Source: Digest of Education Statistics: 2001

Source: National Postsecondary Student Aid Study: 1999-2000

Who Owns Higher Education?

Percentage Increases in Higher Education Revenues from 1980 to 1998

Private Gifts, Grants, and Contracts	159%
Tuition and Fees	107%
Endowment Income	91%
Federal Government	53%
Local Governments	35%
State Governments	13%
TOTAL REVENUES	41%

- Institutions of Higher Education have a growing reliance on corporate and private funding.
- Declining share of revenues from state and local governments significantly affect the institutions that most need to increase their capacity – Community Colleges and Public Universities.

Successes in Higher Education

- **Significant choice in the system.**
- **Enrollment of low-income students has increased** from 26 percent in 1972 to 50 percent in 2000.
- **Over 500,000 international students** enroll in US postsecondary education each year.
- **Wide range of education financing options** available to families at all income levels, although the system is difficult to navigate.
- **Diversity of programs** and types of training and education is highest in the world.

Problems to Address

College costs more, takes longer to complete, and lacks complete performance data.

- **Skyrocketing tuition costs** have eroded recent gains in increasing funding for student aid and have a negative effect on access, particularly for low-income students.
- **States are grappling with budget deficits** and institutions in many states are facing cuts in state aid.
- **Students are taking longer to graduate**; in 2001 it took an average of over 6.5 years (79 months) to complete a bachelor's degree.
- **Opportunity Gap continues to exist** -- 48% of students from low-income families attend compared to 77% from high-income families.
- **Existing colleges have limited capacity** to accommodate increasing numbers of high school graduates and adults seeking to further their education.
- **One-third of freshman enroll in remedial courses.**
- **College completion rates are low** for low-income, minority and non-traditional students.
- **Current paths to college are overly complex and bureaucratic** and may actually be discouraging needy students from going to college.
- **There are regulatory barriers to distance education** and other innovative forms of education.

Confronting the Issues

- There is little public discussion on higher education policy.
- Policy analysis or research from think tanks or higher education institutions is lacking.
- There is no consistent, reliable data on student learning.

Confronting the Issues

What the Public Thinks:

- 91% of Americans agree that colleges and universities are among our nation's most valuable resources.
- Only 56% believe that graduates are well prepared for the workplace.
- 88% of Americans think that students incur too much debt in earning their degrees.
- 75% believe that a college degree is worth the money.
- Only 43% believe that higher cost universities provide higher quality education.

Possible Policy Directions

Making College More Affordable:

- Simplify the financial aid process.
- Reduce barriers for working-age adults to participate in postsecondary education and lifelong learning opportunities.
- Tie student aid to higher standards of coursework.

Demanding Accountability for Results:

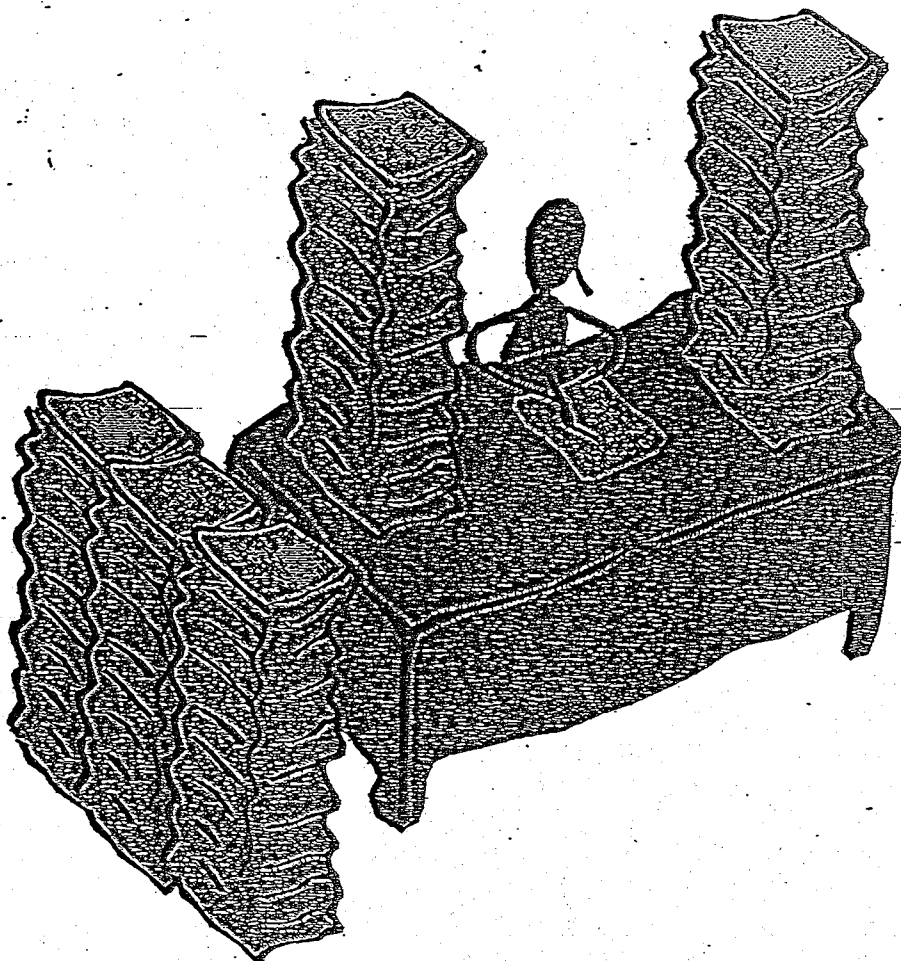
- Ensure that federal dollars are being spent on what works.
- Develop a national report card including measures of student success and learning.
- Give parents and students the tools to choose the college that is best for them.

Providing Greater Access to College:

- Ensure all students who want to go to college have the opportunity.
- Reduce barriers to getting a college education.
- Encourage innovative options that reduce the burden of capacity problems (distance learning, etc.).
- Make existing outreach programs more effective by giving states the ability to coordinate and align programs in high-need areas.

Action Plan

- **Further Frame Policy Goals – June 2003**
 - **Raise Public Awareness – July-Nov. 2003**
 - 3-4 one-day summits held around the country
 - Invite papers on identified policy objectives
 - Attendees could include college presidents, governors, business leaders, researchers, economists, community leaders, and parents
 - **Unveil Proposals in FY 2005 Budget – February 2004**
-



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Higher Education **Overview, Issues, and Options**

May 2003

Higher Education Overview

- Postsecondary enrollment is projected to increase 15-20% by 2012.
- Nearly one-third of postsecondary expenditures comes from the federal government, whether directly or indirectly.
- The average cost of college increased 68% after inflation between 1980 and 1997, while median family income increased just 9% after inflation during this same time period.
- Costs have grown even more recently. During the 2001-2002 school year, tuition bills rose 9.6% at four-year public colleges—roughly five times the rate of inflation—and 5.8% at private schools.
- Only 21% of college-qualified low-income high school graduates complete a bachelor's degree, compared with more than 60% of the high-income college qualified population.
- Employment in occupations requiring at least a bachelor's degree is expected to grow 21.6% and account for five out of the six fastest growing education or training categories.
- Community colleges enroll a plurality of students, yet higher education policy favors traditional students and four-year institutions.

Successes in Higher Education

- **Significant choice in a system driven by market forces**, but a market that is heavily publicly subsidized.
 - **The percentage of low-income students that enroll in college has increased** from 26 percent in 1972 to 50 percent in 2000.
 - **Over 500,000 international students** enroll in US postsecondary education each year.
 - **Wide range of education financing options** available to families at all income levels, although the system is difficult to navigate.
 - **Diversity of programs** and types of training and education is highest in the world – Four-year, Two-year, Public, Private, For-Profit, etc.
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Confronting the Issues

- There is little public discussion on higher education policy.
- Policy analysis or research from think tanks or higher education institutions is deficient.
- While there is a large amount of existing data, there is no consistent, reliable, transparent data on student learning.
- College costs more, takes longer to complete and lacks complete performance data.
- Institutions of Higher Education are increasingly reliant on corporate and private funding.
- Declining share of revenues from state and local governments significantly affect the institutions that most need to increase their capacity – Community Colleges and Public Universities – because these institutions are subsidized more heavily by state and local governments than private and for-profit institutions.

Confronting the Issues

What the Public Thinks:

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Possible Policy Directions

Making College More Affordable:

- ❑ Simplify the financial aid process.
- ❑ Reduce barriers for working-age adults to participate in postsecondary education and lifelong learning opportunities.
- ❑ Tie student aid to higher standards of coursework.

Demanding Accountability for Results:

- ❑ Develop a national report card including measures of student success and learning.
- ❑ Give parents and students the tools to choose the college that is best for them.
- ❑ Encourage colleges and universities to utilize efficient cost management practices.
- ❑ Attach federal funding consequences to rapid increases in student tuition.

Providing Greater Access to College:

- ❑ Reduce barriers to getting a college education – increase information and awareness for minority and low-income students.
 - ❑ Encourage innovative options that reduce the burden of capacity problems (distance learning, etc.).
 - ❑ Make existing outreach programs more effective by giving states the ability to coordinate and align programs in high-need areas.
-

Action Plan

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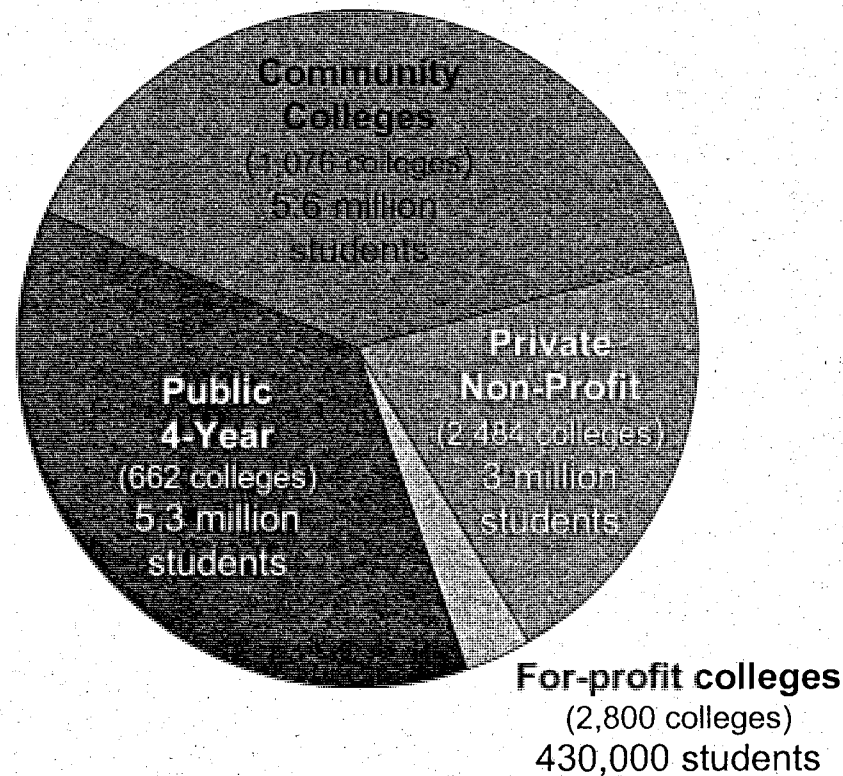
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 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 0390
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 CONNECTION ID
 ST. TIME 05/13 14:41
 USAGE T 03'21
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SS/ RM NO. _____

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Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT DUE BY: 5-14-03 10:00 AMSubject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003)

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VICE PRESIDENT	☒	☐	HAGIN	☐	☐
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RESPONSE:

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TRANSMISSION OK

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PGS. SENT	13	
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TX/RX NO	0388	
CONNECTION TEL		51005
CONNECTION ID	DANIELS	
ST. TIME	05/13 14:27	
USAGE T	03'21	
PGS. SENT	13	
RESULT	OK	

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FLEISCHER	☐	☐	CLERK	☐	☐
FRIEDMAN	☐	☐	<u>Mankiw</u>	☒	☐
GAMBATESA	☐	☐	_____	☐	☐
GERSON	☐	☐	_____	☐	☐
GONZALES	☒	☐	_____	☐	☐

REMARKS:

PLEASE FORWARD COMMENTS DIRECTLY TO HOLLY KUZMICH AT X65577, FAX X65557, BY 10:00 A.M., WEDNESDAY, MAY 14, 2003, WITH A COPY TO THE STAFF SECRETARY. THANK YOU.

RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702
 FAX Ext. 62215

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 0387
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WHITE HOUSE STAFFING MEMORANDUM

Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT DUE BY: 5-14-03 10:00 AMSubject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAGIN	☐	☐
CARD	☒	☐	HOBBS	☒	☐
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 Ext. 62702
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 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO	0395	
CONNECTION TEL		66073
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RESULT	OK	

SS/ RM NO. _____

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RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702
 FAX Ext. 62215

Higher Education Overview, Issues, and Options

May 2003

Higher Education Overview

- K-12 enrollment is projected to remain stable for the next ten years, while postsecondary enrollment is projected to increase 15-20% by 2012.
- In 2003, the federal government provided approximately \$9 billion in tax benefits to students and families for higher education.
- In 2003, the federal government provided approximately \$22 billion in funding to institutions of higher education for research and development.
- In 2003, approximately \$23.4 billion in funding was provided for programs under the Higher Education Act; of that total, \$21 billion is for student financial aid.
- Nearly one-third of postsecondary expenditures comes from the federal government.

Higher Education Overview

- The average cost of college increased 68% after inflation between 1980 and 1997, while median family income increased just 9% after inflation during this same time period.
- Costs have grown even more recently. During the 2001-2002 school year, tuition bills rose 9.6% at four-year public colleges—roughly five times the rate of inflation—and 5.8% at private schools.
- Over 75 percent of undergraduates are non-traditional students.
- Only 21% of college-qualified low-income high school graduates, compared with more than 60% of the high-income college qualified population, complete a bachelor's degree.
- In California alone, it would take more than twenty new colleges, each enrolling 30,000 students, to meet the projected growth in enrollments between now and 2015, and approximately 80% of these new students will be racial and ethnic minorities.

Why Higher Education is Important

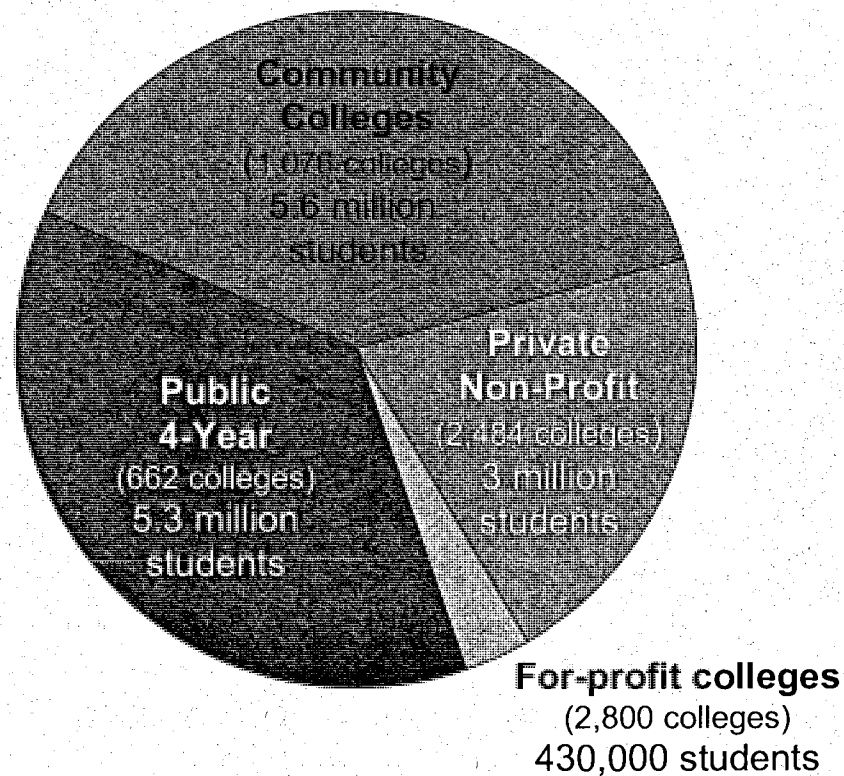
Education Level	Percent Employed Full-Time Year Round	Earnings (Full-time workers)	Earnings (all workers)
Bachelor's Degree	76.7	\$52,200	\$45,400
Associate's Degree	74.9	\$38,200	\$33,000
High School Graduate	73.1	\$30,400	\$25,900
Non-High School Graduate	65.3	\$23,400	\$18,900

Population Trends Projected for the Next Ten Years

- All seven of the education and training categories projected to have faster than average employment growth require a postsecondary vocational or academic award.
- Employment in occupations requiring at least a bachelor's degree is expected to grow 21.6% and account for five out of the six fastest growing education or training categories.
- Currently, foreign-born students represent over 40% of all Ph.D. recipients in science and engineering in U.S. universities.

Higher Education Enrollment

Over 14 million students enrolled in postsecondary education in 2001



Community Colleges	39%
Public 4-Year	37%
Private Non-Profit	21%
For-Profit Colleges	3%

Source: Digest of Education Statistics: 2001

Source: National Postsecondary Student Aid Study: 1999-2000

Who Owns Higher Education?

Percentage Increases in Higher Education Revenues from 1980 to 1998

Private Gifts, Grants, and Contracts	159%
Tuition and Fees	107%
Endowment Income	91%
Federal Government	53%
Local Governments	35%
State Governments	13%
TOTAL REVENUES	41%

- Institutions of Higher Education have a growing reliance on corporate and private funding.
- Declining share of revenues from state and local governments significantly affect the institutions that most need to increase their capacity – Community Colleges and Public Universities.

Successes in Higher Education

- **Significant choice in the system.**
- **Enrollment of low-income students has increased** from 26 percent in 1972 to 50 percent in 2000.
- **Over 500,000 international students** enroll in US postsecondary education each year.
- **Wide range of education financing options** available to families at all income levels, although the system is difficult to navigate.
- **Diversity of programs** and types of training and education is highest in the world.

Problems to Address

College costs more, takes longer to complete, and lacks complete performance data.

- **Skyrocketing tuition costs** have eroded recent gains in increasing funding for student aid and have a negative effect on access, particularly for low-income students.
- **States are grappling with budget deficits** and institutions in many states are facing cuts in state aid.
- **Students are taking longer to graduate**; in 2001 it took an average of over 6.5 years (79 months) to complete a bachelor's degree.
- **Opportunity Gap continues to exist** -- 48% of students from low-income families attend compared to 77% from high-income families.
- **Existing colleges have limited capacity** to accommodate increasing numbers of high school graduates and adults seeking to further their education.
- **One-third of freshman enroll in remedial courses.**
- **College completion rates are low** for low-income, minority and non-traditional students.
- **Current paths to college are overly complex and bureaucratic** and may actually be discouraging needy students from going to college.
- **There are regulatory barriers to distance education** and other innovative forms of education.

Confronting the Issues

- There is little public discussion on higher education policy.
- Policy analysis or research from think tanks or higher education institutions is lacking.
- There is no consistent, reliable data on student learning.

Confronting the Issues

What the Public Thinks:

- 91% of Americans agree that colleges and universities are among our nation's most valuable resources.
- Only 56% believe that graduates are well prepared for the workplace.
- 88% of Americans think that students incur too much debt in earning their degrees.
- 75% believe that a college degree is worth the money.
- Only 43% believe that higher cost universities provide higher quality education.

Possible Policy Directions

Making College More Affordable:

- Simplify the financial aid process.
- Reduce barriers for working-age adults to participate in postsecondary education and lifelong learning opportunities.
- Tie student aid to higher standards of coursework.

Demanding Accountability for Results:

- Ensure that federal dollars are being spent on what works.
- Develop a national report card including measures of student success and learning.
- Give parents and students the tools to choose the college that is best for them.

Providing Greater Access to College:

- Ensure all students who want to go to college have the opportunity.
- Reduce barriers to getting a college education.
- Encourage innovative options that reduce the burden of capacity problems (distance learning, etc.).
- Make existing outreach programs more effective by giving states the ability to coordinate and align programs in high-need areas.

Action Plan

- **Further Frame Policy Goals – June 2003**
- **Raise Public Awareness – July-Nov. 2003**
 - 3-4 one-day summits held around the country
 - Invite papers on identified policy objectives
 - Attendees could include college presidents, governors, business leaders, researchers, economists, community leaders, and parents
- **Unveil Proposals in FY 2005 Budget – February 2004**

03 MAY 13 PM 3:10

SS/ RM NO.

WHITE HOUSE STAFFING MEMORANDUM

NOEL

Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT DUE BY: 5-14-03 10:00 AM

Subject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAGIN	☐	☐
CARD	☒	☐	HOBBS	☒	☐
ABBOT	☐	☐	MARBURGER	☐	☐
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REMARKS:

PLEASE FORWARD COMMENTS DIRECTLY TO HOLLY KUZMICH AT X65577, FAX X65557, BY 10:00 A.M., WEDNESDAY, MAY 14, 2003, WITH A COPY TO THE STAFF SECRETARY. THANK YOU.

RESPONSE:

*No comments
n gf*

Harriet E. Miers
Assistant to the President
and Staff Secretary
Ext. 62702
FAX Ext. 62215

WHITE HOUSE STAFFING MEMORANDUM

Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT DUE BY: 5-14-03 10:00 AMSubject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003) 03 MAY 14 AM 8:57

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	HAGIN	☐	☐
CARD	☒	☐	HOBBS	☒	☐
ABBOT	☐	☐	MARBURGER	☐	☐
BARTLETT	☒	☐	MIERS	☐	☐
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OK- No Comment

RESPONSE:

Harriet E. Miers
 Assistant to the President
 and Staff Secretary
 Ext. 62702
 FAX Ext. 62215

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May 2003

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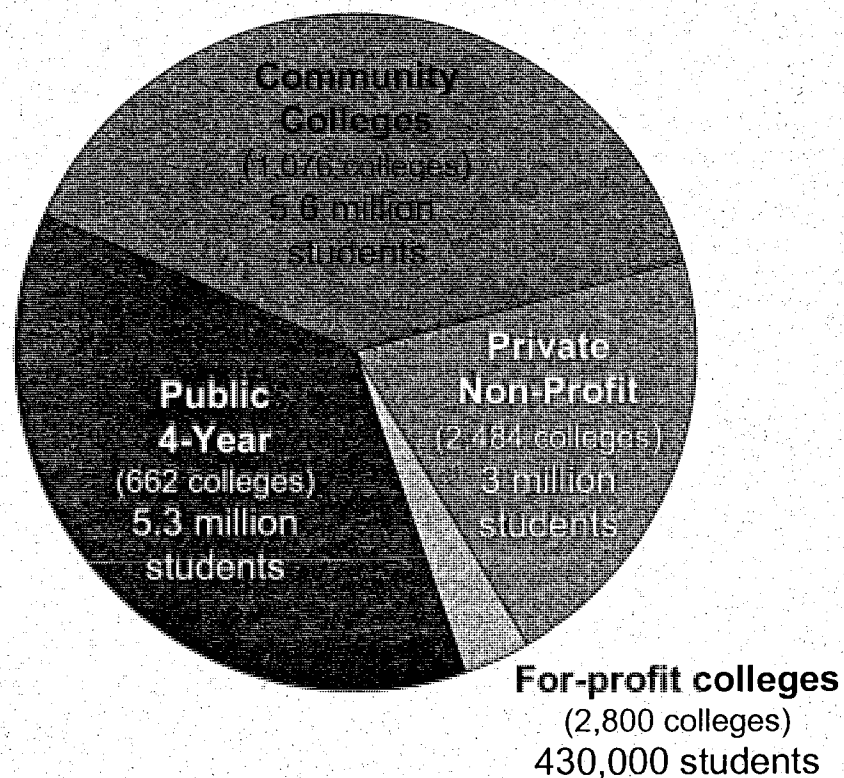
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- **Unveil Proposals in FY 2005 Budget – February 2004**

SS/ RM NO.

03 MAY 14 AM 10:49

WHITE HOUSE STAFFING MEMORANDUM

Date: 5-13-03 2:15 PM ACTION / CONCURRENCE / COMMENT

Subject: HIGHER EDUCATION - OVERVIEW, ISSUES, AND OPTIONS (MAY 2003)

	AC	5/13/2003 TO: <u>Holly Kuzmich</u> FROM: Jim Capretta's office / OMB x55178 ☒ Comments attached ☐ No comments ☐ Please fax Jim Capretta a final copy of document (x54639) cc: Staff Secretary (fax x62215) (phone #62702) Director's office: (rm.252/EOB)JWaters			
VICE PRESIDENT	☒	☐	☐	☐	☐
CARD	☐	☐	☐	☐	☐
ABBOT	☐	☐	☐	☐	☐
BARTLETT	☐	☐	☐	☐	☐
BLAKEMAN	☐	☐	☐	☐	☐
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CONNAUGHTON	☐	☐	☐	☐	☐
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RESPONSE:

6 pages

Harriet E. Miers
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 Ext. 62702
 FAX Ext. 62215

Higher Education Overview

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- In 2003, approximately ^{over} \$23.4 billion in funding was provided for programs under the Higher Education Act; of that total, \$21 billion is for student financial aid.
- Nearly one-third of postsecondary expenditures comes from the federal government.

See attached
for
explanation
of note

"While 12 percent of expenditures by postsecondary institutions comes directly from Federal sources, the Federal government provides nearly one-third of the total postsecondary resources when student loan volume and tax expenditures are factored in."

Explanation: The National Center for Education Statistics and ED's budget documents cite the 12 percent figure. The "one-third" estimate was derived solely for internal discussion purposes and is a very rough estimate.

*2nd page**ple note*

Explanation for change to fourth bullet: Our numbers add up to \$23.28 billion, as follows:

SFA Account (w/ Pell program cost, not BA):	\$13.668 billion
Higher ED account:	\$2.087 billion
Guaranteed Loans w/ modifications:	\$3.422 billion
Direct Loans w/ modifications:	\$4.103 billion
Total:	\$23.28 billion

Higher Education Overview

11. 8% The average cost of college increased 68% after inflation between 1980 and 1997, while median family income increased just 9% after inflation during this same time period.

Costs have grown even more recently. During the 2001-2002 school year, tuition bills rose 9.6% at four-year public colleges—roughly five times the rate of inflation—and 5.8% at private schools.

Over 75 percent of undergraduates are non-traditional students.

Only 21% of college-qualified low-income high school graduates, compared with more than 60% of the high-income college qualified population, complete a bachelor's degree.

In California alone, it would take more than twenty new colleges, each enrolling 30,000 students, to meet the projected growth in enrollments between now and 2015, and approximately 80% of these new students will be racial and ethnic minorities.

Why is this 1997 reference here, when table on p. 8.6 goes to 1998?

Average cost is up 68% according to pg 6. Where, the other 27% from?

And you're comparing nominal to real?

Confronting the Issues

- There is little public discussion on higher education policy.
- Policy analysis or research from think tanks or higher education institutions is lacking.
- There is no consistent, reliable data on student learning.

> There are federal, state and academic research programs

Possible Policy Directions

Making College More Affordable:

○ Simplify the financial aid process.

○ Reduce barriers for working-age adults to participate in postsecondary education and lifelong learning opportunities.

○ Tie student aid to higher standards of coursework.

• *Education is an investment; let the investor - the student - deduct the costs.*

Demanding Accountability for Results:

○ Ensure that federal dollars are being spent on what works.

○ Develop a national report card including measures of student success and learning.

○ Give parents and students the tools to choose the college that is best for them.

Providing Greater Access to College:

○ Ensure all students who want to go to college have the opportunity.

○ Reduce barriers to getting a college education.

○ Encourage innovative options that reduce the burden of capacity problems (distance learning, etc.).

○ Make existing outreach programs more effective by giving states the ability to coordinate and align programs in high-need areas.