

# 15. Higher Education

THE cost of higher education has been increasing rapidly, while the quality of higher education has declined in the estimation of many. The Higher Education Act of 1965 (HEA), currently under consideration for reauthorization, provides financial assistance to individual students and subsidies to institutions. The federal government's original purpose in the act was to aid students who otherwise might not be able to afford higher education. Today, the purposes have multiplied to questionable effect.

by *Dan Lips*

## Recommendations

**1. Return the focus of the Higher Education Act to its first priority by concentrating taxpayer subsidies and grants on those who cannot afford higher education.** In the years since its passage in 1965, the Higher Education Act has gone from focusing on meeting the needs of low-income students to subsidizing students of all income levels. The increased use of federal higher education programs by middle-class and wealthy students is costly to taxpayers, contributes to student indebtedness, fosters greater dependency, increases entitlement spending, and contributes to the rising cost of higher education. Congress should return higher education assistance to its original purpose of serving those who otherwise could not afford a college education. To this end, Congress should end outdated, duplicative programs and eliminate subsidies to middle-class and wealthy families.

In 2003, \$103 billion in funding (including federal funds and non-federal matching funds) was available to students under the 1965 act. While participation in federal higher education programs was higher among the poor, a quarter of undergraduates from families with incomes over \$100,000 received financial aid. Congress should phase out subsidies to middle-class and wealthy Americans. According to the U.S. General Accounting Office, fraud cost the Pell grant program \$600 million from fiscal year 2001 to FY 2002. Students can misrepresent their income and tax information (or their parents' income) to the Department of Education with only a small chance of discovery. To combat this, Congress should allow the Internal Revenue Service and the department to share information about applicants to ensure that they are eligible.

## Notes

**2. Encourage savings for college, rather than debt, by further reducing double taxation on savings for education.** Congress should expand the allowable contributions to education savings accounts. Education savings opportunities should be increased in keeping with general tax policy that would end double taxation of savings. For example, the Coverdell Education Savings Account program allows families to contribute up to \$2,000 annually to an account for a child to save for higher education and K–12 education expenses, including private school tuition. Money saved in the Coverdell ESA can earn interest tax-free. To encourage greater participation, the Coverdell ESA program could be expanded to allow a higher annual contribution limit to give families a greater incentive to save on behalf of their children.

**3. Change the Pell grant program to ensure that grants are used for college-level work.** Congress should reduce the use of Pell grants for remedial classes and allow bright, low-income high school students to qualify for pre-Pell grants for college course work. When Pell grants are used by college students for remediation, taxpayers pay twice. Currently, recipients may use Pell grants for up to 30 hours of non-credit remedial course work. That should be reduced to 15 hours; if remedial education is still necessary, the high school, state, or student should pay for it. Meanwhile, allowing high school students to qualify for Pell grants for early college course work is a more efficient than federally subsidizing advanced placement courses as a means of expanding low-income students' opportunities.

**4. Offer Pell grants to high school students to take advanced courses.** Offering Pell grants to bright low-income high school students is a way to expand the educational opportunities of high-achieving students while being fiscally responsible. Such a program could provide as many as 18,500 students Pell grants for one class per semester at a cost that is less than the federal government currently spends on setting up similar advanced placement (AP) programs in low-income areas.

## Facts and Figures

■ In 2003, \$103 billion was available to students under the 1965 Higher Education Act. More than half of full-time undergraduates attending four-year colleges and universities receive aid under the act's programs. The percentage is higher for those attending private schools.

■ While participation in federal higher education programs was higher among the poor, a quarter of undergraduates from families with incomes over \$100,000 received financial aid.

## Notes

■ The Congressional Budget Office recently concluded that financing higher education is “not a major obstacle to college attendance.” Generally speaking, low-income families (defined as those that earn less than \$30,000 per year and whose children would tend to qualify for federal Pell grants) pay the least for college because of the broad array of subsidies and financial aid that they typically enjoy. The typical low-income first-year college student and his or her family will pay less than 40 percent of the total cost of their higher education—unlike middle- and upper-class students, who typically pay 50 percent to 60 percent of the total cost.

■ College tuition has increased sharply in the past two decades. The average tuition has more than doubled between 1986–1987 and 2002–2003, rising from \$5,206 to \$12,111.

■ Polls show that most Americans are concerned about their ability to afford higher education for their children and agree that something must be done to control tuition increases. In 1999, according to Public Agenda, 60 percent agreed that colleges “should be doing a much better job of keeping their costs down.”

■ Numerous reports indicate that higher education is not equipping students with basic civic and historical knowledge. Students can graduate from the top 50 colleges and universities in America without taking a course in U.S. history. Only 10 percent of these institutions require any history courses at all. Meanwhile, the American Council of Trustees and Alumni asked high school–level questions of college seniors in a February 2000 survey of historical literacy and found that 81 percent would have received a grade of D or F.

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*This chapter can be read online at [issues2006.org/education\\_higher](http://issues2006.org/education_higher).*

## Notes

### Additional Reading

Dan Lips, “Education Savings Accounts: A Vehicle for School Choice,” Goldwater Institute, November 2005.

Krista Kafer, “Refocusing Higher Education Aid on Those Who Need It,” Heritage Foundation *Backgrounder* No. 1753, April 26, 2004, at [www.heritage.org/Research/Education/bg1753.cfm](http://www.heritage.org/Research/Education/bg1753.cfm).

Kirk A. Johnson, Ph.D., “Is Money an Impediment to a College Education? Recent Findings from the Congres-

sional Budget Office,” Heritage Foundation *Executive Memorandum* No. 922, April 15, 2004, at [www.heritage.org/Research/Education/em922.cfm](http://www.heritage.org/Research/Education/em922.cfm).

Kirk A. Johnson, Ph.D., “Data Sharing Can Reduce Fraud in the Pell Grant Program,” Heritage Foundation *Backgrounder* No. 1714, December 17, 2003, at [www.heritage.org/Research/Education/bg1714.cfm](http://www.heritage.org/Research/Education/bg1714.cfm).