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CLAREMONT McKENNA COLLEGE

THE RISE AND FALL OF PUBLIC HIGHER EDUCATION IN THE UNITED STATES: IMPLICATIONS FOR SOCIOECONOMIC INEQUALITY

SUBMITTED TO

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AND

DEAN GREGORY HESS

BY

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FOR

SENIOR THESIS

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Introduction

Today, more and more students are enrolling in public and private colleges and universities in the United States to earn their undergraduate degrees. In 2010, 68.1% of all U.S. high school graduates were enrolled in colleges or universities[1]; this percentage will surely increase as the population of traditional college age population continues to rise as well: between 2000 and 2010, "the 18-to 24-year-old U.S. population rose from approximately 27.3 million to approximately 30.6 million"[2]. Public four-year higher education institutions are the primary educators of all college students in the U.S.; almost 80% of all U.S. college students attending four-year institutions are enrolled in public colleges and universities[3].

This growing tide of enrolled college students, especially within public higher education institutions, indicates a universal understanding that the attainment of higher education is crucial for young individuals seeking a higher quality of life. A college degree has become a necessary stepping-stone for better employment opportunities, wider social networks, greater economic mobility, and higher personal satisfaction. *Education Pays 2010*, a study sponsored by College Board, found that bachelor's degree holders working full-time year-round in 2008 had median earnings of $21,900 more than

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[1] Bureau of Labor Statistics, *College Enrollment and Work Activity of 2010 High School Graduates*, http://www.bls.gov/news.release/hsgec.nr0.htm (April 8, 2011).
[2] National Center For Education Statistics, *Fast Facts*, http://nces.ed.gov/fastfacts/display.asp?id=372 (2011).
[3] U.S. Census Bureau, *Statistical Abstract of the United States: 2012*, http://www.census.gov/compendia/statab/2012/tables/12s0225.pdf (2012):149.

the median earnings of high school graduates, as well as became more active citizens with lower rates of obesity and higher voting participation[4].

It is not all good news in the public higher education sphere, however. Decreased state appropriations for public higher education institutions have led many schools to seek out private revenue sources, such as by raising tuition prices. At the same time, federal financial aid programs have become more and more geared towards assisting middle- and upper-income families, rather than focusing their efforts on removing financial barriers for low-income and minority students. Combined, these two trends have manifested greater socioeconomic inequality for students with low-incomes; public higher education institutions are slowly turning their backs on those for whom federal-funded public colleges and universities were built. And with 15.7 million students enrolled in public higher education institutions compared to 4 million at private higher education institutions[5], the majority of the emerging workforce will leave their public undergraduate institutions much more uncertain about their future than ever.

This paper aims to explore how shifting federal, state, and individual priorities have transformed public higher education from a bastion of quality higher education for the greatest number of people to a more privatized state that only provides access and choice to those who can afford them. In several chapters, California's interconnected network of University of California, California State University, and California Community Colleges schools will be examined more closely in the context of each chapter's topic in order to serve as microcosmic case study.

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[4] Sandy Burn, Jennifer Ma and Kathleen Payea, *Education Pays 2010*, CollegeBoard, http://trends.collegeboard.org/downloads/Education_Pays_2010.pdf (2010):4-5.
[5] U.S. Census Bureau, *Statistical Abstract of the United States: 2012*, 149.

Chapter I of this thesis will study the golden years of public higher education from 1945 to 1975. Public higher education has been shown early on to be an important priority for the federal government, which has been indicated through the Northwest Ordinance of 1787, the Morrill Act of 1862, and the Servicemen's Readjustment Act of 1944 (also known as the GI Bill). These public policy acts were passed in support of building and financing public higher education institutions, as well democratizing higher education as a public good that could be used by the majority of the population. All of these federal efforts culminated in a higher education "golden age" where tuition was low and enrollment was skyrocketing. California quickly became the gold standard of public higher education when it released and enacted the California Master Plan, which employed a three-tier approach to affordable and accessible public higher education.

Soon after, public education's golden age quickly came to an end when social investment in public higher education began to decline as discussed in Chapter II. State appropriations for higher education experienced decreasing growth, and eventually decline. As a result, public universities and colleges began employing self-defense strategies to stay financially afloat by allowing market forces to dictate tuition prices and battling private institutions for federal dollars; before long, public four-year university tuition prices began increasing at a much higher rate than those of private four-year universities. California's much-admired university system was also battered by these dramatic changes that would alter the public higher education landscape forever.

In Chapter III, federal and state financial aid policies over years will be examined for their role in expanding and eventually retracting access to public higher education for all students, especially those from low-income families. As federal and state funding for

public higher education began to dwindle, parallel changes were also made in the financial aid world: the provision and popularity of loans began to grow, while fewer federal and state dollars were put into grant and work study programs, which do not require repayment by recipients. Therefore, this financial aid revolution has shifted the burden of higher education cost from federal and state governments to the students themselves, with interest. Additionally, new financial aid programs such as the HOPE Scholarship and Lifetime Learning tax credit programs specifically benefit only middle- and upper-income students and their families; low-income students are often ineligible to receive these tax credits or do not view tax credits as a viable resource.

As a result of these two significant trends in public higher education, there have been serious consequences for students attending these public institutions, which are discussed in Chapter IV. First and foremost, these changes have disproportionately hurt low-income and minority students as many universities and colleges move away from enrolling these kinds of students since they require financial assistance. This reduction in access and choice for low-income students has increased socioeconomic inequality that is manifested for the rest of their lives. In addition, as more students graduate with heavier loan burdens, they experience significant short-term and long-term socioeconomic effects that alter their quality of life.

Lastly, Chapter V explores the implications of reduced access to public higher education for the future. Studies have shown the clear importance of higher education for individuals and society as a whole; public policy changes must be made regarding increasing funding for public higher education and promoting financial aid legislation that is beneficial for low-income students. Higher education and democracy are

intrinsically linked, and to allowing the status quo to remain could lead the U.S. into a major social, political and economic crisis further down the line.

I. Where We Once Were: A Brief History of Public Higher Education's Golden Age

Public Higher Education and Public Policy

Public higher education in the U.S. began as the main vehicle for the democratization of higher education, providing higher education for the largest number possible regardless of economic status, gender, or race. California's leading example of the University of California system exemplifies the golden age of public higher education between 1945 and 1975, which increased undergraduate enrollment by nearly 500% during the time period[6].

The Northwest Ordinance of 1787, which officially established an American federal presence in the Northwest Territory, specifically states that "schools and the means of education shall forever be encouraged"[7]: additional text declares that extra revenue made by selling sections of every township in the state would be set aside for public education[8]. The nation's first public university to enroll students, the University of North Carolina, was erected in 1795[9]. However, most higher education institutions that were established thanks to the Northwest Ordinance of 1787 were reserved for

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[6] Menand, Louis, "College: The End of the Golden Age." The New York Review of Books, October 18, 2001, accessed April 15, 2012, http://www.nybooks.com/articles/archives/2001/oct/18/college-the-end-of-the-golden-age/.
[7] "Transcript of Northwest Ordinance (1787)." Our Documents, accessed April 12, 2012, http://www.ourdocuments.gov/doc.php?flash=true.
[8] "Northwest Ordinance." PBS. Accessed April 12, 2012. http://www.pbs.org/ktca/liberty/popup_northwest.html.
[9] Riposa, Gerry, "Urban Universities: Meeting the Needs of Students," *The Annals of The American Academy of Political and Social Science* 585 (January 2003): 56.

society's aristocrats since a university degree was viewed as a signifier for elite status in the general population[10].

Higher education did not become democratized until the Morrill Act of 1862, which granted each state 30,000 acres of public land to build new state universities and colleges known as Land-Grant colleges[11]:

> 'That there be granted to the several States…an amount of public land, to be apportioned to each State a quantity equal to 30,000 acres for each Senator and Representative in Congress to which the States are respectively entitled by the apportionment under the census of 1860.
>
> That the land aforesaid…shall be apportioned to the several States in sections or subdivisions of sections, not less than one-quarter of a section; and whenever there are public lands in a State subject to sale at private entry at $1.25 per acre, the quantity to which said State shall be entitled shall be selected from such lands within the limits of such State; and the Secretary of the Interior is herby directed to issue to each of the States in which there is not a quantity of public lands subject to sale at private entry at $1.25 per acre to which said State may be entitled under the provisions land scrip to the amount in acres for the deficiency of its distributive share, said scrip to be sold by said States and the proceeds thereof applied to the uses and purposes prescribed in this act, and for no other use or purpose whatsoever.'[12]

The booming Industrial Revolution clearly signified the need for more skilled laborers, especially within the agricultural and engineering fields, and therefore the federal government responded by providing the means in which states could establish new higher education institutions or further active universities[13]. The Land-Grant system set a precedent by allowing academic degrees to be available to the working masses and building inclusive curriculums in an equal opportunity manner to every American

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[10] Mcdowell, George R., "Engaged Universities: Lessons from the Land-Grant Universities and Extension," *The Annals of the American Academy of Political and Social Science* 585 (January 2003): 34.
[11] "Morrill Act (1862)." Our Documents. Accessed April 9, 2012. http://www.ourdocuments.gov/doc.php?doc=33.
[12] Lee, Gordon C, "The Morrill Act and Education," *British Journal of Educational Studies*12, no. 1 (November 1963): 26, accessed April 10, 2012. http://www.jstor.org/stable/pdfplus/3118919.pdf?acceptTC=true.
[13] Riposa, "Urban Universities", 54.

regardless of their socioeconomic status[14]. By 1924, several public research-oriented universities had cropped up, and 60% of all public institutions had more than 1,000 enrolled students[15]. States recognized higher education as a public good that should be provided and funded by the state; as a result, state institutions provided education that would be most beneficial to them and to society. For example, there was a great demand for engineers during the early 1900s, and as a result many public schools began to provide specialized education in that field to the greatest number of students possible: by 1930, the more than 66% of all engineers were enrolled and taught by public institutions[16].

The GI Bill, officially known as the Servicemen's Readjustment Act of 1944, helped skyrocket undergraduate enrollment across the country as it provided federal aid for, among other things, higher education; thus began higher education's golden years. President Franklin D. Roosevelt and Congress passed the bill in order to provide returning GIs with the opportunity to learn the skills necessary to reenter the industrialized workforce; the bill guaranteed military servicemen and women with a year's worth of education per 90 days' of service (with a maximum award of 48 months of educational benefits), and up to $500 a year paid to colleges for tuition and other school-related fees[17]. 88,000 military personnel took advantage of the bill by the fall of 1945, and many public universities such as the University of Wisconsin and Rutgers

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[14] Mcdowell, "Engaged Universities", 34.

[15] Goldin, Claudia, and Lawrence F. Katz, "The Shaping of Higher Education: The Formative Years in the United States, 1890 to 1940," *The Journal of Economic Perspectives* 13, no. 1 (1999): 43-45, accessed April 2, 2012, http://faculty.smu.edu/Millimet/classes/eco4361/readings/intro/goldin%20katz.pdf.

[16] Goldin and Katz, "The Shaping" 51.

[17] Hess, Frederick M., *Footing the Tuition Bill: The New Student Loan Sector*, (Washington, D.C.: AEI Press, 2007): 22.

University saw their enrollment double between 1943 and 1946[18]. In total, 7.8 million returning veterans, more than half of all returning veterans, took advantage of the Bill's educational benefits[19]. At the University of California, Los Angeles, nearly half of the enrolled students were military veterans[20]. The GI Bill further broke down demographic barriers in terms of the kinds of students who received higher education: enrolled students were now from various religions, races, and ages; almost half of all veteran students were married, and a quarter had children[21]. The bill essentially became the catalyst for soaring college enrollment: "the number of degrees awarded by U.S. colleges and universities more than doubled between 1940 and 1950, and the percentage of Americans with bachelor degrees, or advanced degrees, rose from 4.6 percent in 1945 to 25 percent a half century later"[22]. The 1960s saw higher education enrollment jump 120% higher than the previous decade[23]. In order to better serve the exploding population of students from all walks of life looking to work within major cities after graduation, urban universities began to grow in the majority of metropolitan cities in the

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[18] Hess, *Footing,* 23.

[19] Mettler, Suzanne, "Bringing the State Back In to Civic Engagement: Policy Feedback Effects of the G.I. Bill for World War II Veterans," *American Political Science Review* 96, no. 2 (June 2002): 351, accessed April 21, 2012, http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=107295&fulltextType=RA&fileId=S0003055402000217.

[20] Hamilton, Andrew, and John Bryan Jackson, *UCLA on the Move, during Fifty Golden Years, 1919-1969,* [Los Angeles]: Ward Ritchie Press, 1969, 107.

[21] Greenberg, Milton, "How the GI Bill Changed Higher Education," *The Chronicle of Higher Education*, June 18, 2004, accessed April 21, 2012, http://chronicle.com/article/How-the-GI-Bill-Changed-Higher/12760/.

[22] "Servicemen's Readjustment Act (1944)." Our Documents. Accessed April 8, 2012. http://www.ourdocuments.gov/doc.php?flash=true.

[23] Newfield, Christopher, *Unmaking the Public University: The Forty-year Assault on the Middle Class* (Cambridge, MA: Harvard University Press, 2008), 28.

U.S.: there were 150 branch campuses, associated with 43 universities, in 31 states by 1962[24].

Case Study: California's Master Plan

California quickly became a public higher education trailblazer for its creation of a state-wide, three-tier public institution system that promoted high access and equal opportunity without charging their students very much for their collegiate experience. On April 26, 1960, Governor Edmund (Pat) Brown passed the Donahoe Act into law, which put the California Master Plan for Higher Education into action[25]. First, the Plan formulated a three-tier system divided by specified educational functions, as summarized by the Office of the President of the University of California:

> - 'UC is designated the state's primary academic research institution and is to provide undergraduate, graduate and professional education. UC is given exclusive jurisdiction in public higher education for doctoral degrees (with the two exceptions—see CSU below) and for instruction in law, medicine, dentistry, and veterinary medicine (the original plan included architecture).
> - CSU's primary mission is undergraduate education and graduate education through the master's degree including professional and teacher education. Faculty research is authorized consistent with the primary function of instruction. SB 724 (2006) authorized CSU to award a specific Doctor of Education (Ed.D.) in educational leadership. Other doctorates can be awarded jointly with UC or an independent institution.
> - The California Community Colleges have their primary mission providing academic and vocational instruction for older and younger students through the first two years of undergraduate education (lower division). In addition to this primary mission, the Community Colleges are authorized to provide remedial instruction,

[24] Riposa, "Urban Universities", 55.
[25] University of California, Office of the President, "California Master Plan for Higher Education: Major Features," News release, UC Future, 1-2, accessed April 21, 2012, http://ucfuture.universityofcalifornia.edu/documents/ca_masterplan_summary.pdf.

> English as a Second Language courses, adult noncredit instruction, community service courses, and workforce training services.'[26]

The Plan also instituted different admissions requirements for each UC tier so that every student in California would have the opportunity to attend at least one participating university; UCs could pick students from the top one-eighth (12.5%) of the high school graduating class, CSU selected students from the top one-third (33.3%) of the high school graduating class, and California Community Colleges could admit any student who wished to obtain higher education[27]. Furthermore, the Master Plan also created an access guarantee where all California residents who were in the top one-eighth or top one-third of their high schools as graduating seniors and applied to the California University system on time were guaranteed a spot at a UC or a CSU, respectively[28]. The system also provided greater access to UCs and CSUs by aiming to enroll at least one community college transfer per two freshmen enrollments, and all eligible transfers would be given priority over applying freshmen[29]. With regards to fees, the Master Plan instituted a policy of tuition-free education to all eligible California residents, but enrolled students would be responsible for paying for other costs (parking, recreational facilities, living costs, etc.)[30].

The Plan resulted in four specific accomplishments: it created an organized system of interconnected colleges and universities that previously competed against each other for students; it provided a greater framework for public higher education in California and allowed each tier to focus on achieving success within their assigned

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[26] *Ibid.*
[27] *Ibid.*
[28] *Ibid.*
[29] *Ibid.*
[30] *Ibid.*

boundaries; it acknowledged the presence of private universities and understood that both forms of higher education could coexist together; and most importantly, it laid the foundation for an educational system bound to extraordinary quality of education with wide access for all qualified students[31]. California soon became "the largest network of public higher education institutions in terms of enrollment"[32]. But more importantly, the California Master Plan transformed higher education by building a sustainable network of universities and colleges that opened their doors to all California residents; without a doubt, it was a major educational innovation that changed how people perceived and participated in higher education and "prompted the expansion of more formalized structures for statewide coordination of higher education, an arrangement into which institutions voluntarily entered in an effort to discuss planning and resource allocation at the state level"[33]. As one former UC student wrote in a letter to the editor in the Los Angeles Times, "My husband and I started at UCLA in 1966; our fees were about $80 per quarter. I applied only to UCLA, where I was virtually assured a spot because of my 3.0 grade point average. I had the best education money could buy"[34]. 1.8 million Californians were enrolled in the UC system by the 1970s, which was the highest level of

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[31] *Ibid.*

[32] "The History and Future of the California Master Plan for Higher Education," Berkeley Digital Library SunSITE, accessed April 21, 2012, http://sunsite.berkeley.edu/~ucalhist/archives_exhibits/masterplan/guide.html.

[33] Gumport, Patricia J., Maria Iannozzi, Susan Shaman, and Robert Zemsky, *The United States Country Report: Trends in Higher Education from Massification to Post-Massification,* Report, January 17, 1997, 14, accessed April 21, 2012, http://www.citizing.org/data/projects/highered/Trends%20in%20HE%20from%20Mass%20to%20Post-Mass.pdf.

[34] Hiltzik, Michael, "Let's Bring Back the Idea of a Free UC Education," *Los Angeles Times*, April 11, 2012, accessed April 21, 2012, http://www.latimes.com/business/la-fi-hiltzik-20120411,0,901196, column.

enrollment in its history[35]. As Les Birdsall wrote in the Los Angeles Times, "Californians attended college at higher rates than students in any other state or nation [at that time]. At least twice as many California students went to college as students did in other states"[36]. As a result, California's industries blossomed with burgeoning talent spilling out of California's public universities that "developed world-leading academic and research programs in science, engineering and an array of specialized high-tech fields"[37]. California's Master Plan inspired other universities and colleges to develop other multi-campus university systems in order to better serve the exploding demand for higher education. In New York, the Board of Higher Education of the City University of New York announced on July 9, 1969, that it would remove admission qualifications and use open admissions instead starting in the fall of 1970[38]. As a result, the absolute number of freshmen who entered CUNY campuses after the tuition change was instituted increased dramatically, while the enrollment of African American students also grew at an accelerated rate[39].

Public Higher Education's Golden Age: "Massification"

Thanks to the achievements of the California Master Plan and increasing demand for higher education, public institutions responded with greater access and choice for students and participated in an education boom that shaped the higher education

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[35] Birdsall, Les, "A Golden Age Of Education," Los Angeles Times, May 17, 1998, accessed April 21, 2012, http://articles.latimes.com/1998/may/17/opinion/op-50653.
[36] *Ibid.*
[37] *Ibid.*
[38] Rossman, Jack E, *Open Admissions at City University of New York: An Analysis of the First Year*, (Englewood Cliffs, NJ: Prentice-Hall, 1975): 8.
[39] *Ibid.*

landscape for the better. A report, produced by Patricia Gumport, Maria Iannozzi, Susan Shaman, and Robert Zemsky, entitled "The United States Country Report: Trends in Higher Education from Massification to Post-Massification" provides an in-depth look at the period of time between 1960-1975 that was essentially considered when public higher education was at its peak; they refer to this time frame as "massification". College enrollment increased significantly: between 1960 and 1975, the number of students enrolled in public institutions grew by 20%[40]. During the same time period, the number of public higher education institutions nearly tripled in order to meet the rapidly growing demand for higher education[41]. Schools that were once predominately filled with white, reasonably well-to-do, 18-to-22-year-old males, began to accept more diverse students in terms of income, gender and race. Low-income students were given an opportunity to receive higher education through breakthrough financial aid policies that provided grants, work-study programs, and loans to low-income students who demonstrated need; these policies will be discussed in greater detail in Chapter 3. The Women's Rights Movement encouraged many women to seek higher education in order to gain greater independence and open more doors for them in the future, and as a result, women accelerated their enrollment rate starting in the mid-1960s, and equaled the enrollment of males 10 years later[42]. With regards to greater racial equity in higher education, especially for African- and Hispanic-Americans, the Civil Rights Movement proved to be a catalyst for greater equal rights laws and practices that broke down barriers within the academic community. Between 1964 and 1972, the percentage of enrolled African-Americans in college

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[40] Gumport, et al., *The United States Country Report,* 3.
[41] *Ibid,* 11.
[42] *Ibid,* 5.

increased from under 10 to 20%[43]. Hispanic-American enrollment numbers also increased to 20% of the college population by 1975[44]. Older students who were 22 years old or older also strengthened their presence in higher education as their numbers grew by more than 50% from 1970 to 1975, while the percentage of traditional-age students enrolled in higher education remained the same[45]. The fields of study in which undergraduate students majored in also began to change during this time: the number of undergraduate degrees awarded in communications, business administration, and health-related sciences experienced noticeable growth[46].

Without a doubt, U.S. public policy played an enormous role in laying the groundwork for democratized higher education that would lead to public higher education's golden age between 1945 and 1975. Beginning with the Northwest Ordinance of 1787, the federal government took specific measures to ensure that higher education would become a priority for the country as a whole. Of course, the government did not act without ulterior motives; as the Industrial Revolution came into play, the well-being of the economy necessitated a growing population of well-educated citizens who would be able to contribute their time and talent into building the technological groundwork that would change how products were made and technological innovations were achieved. Thus, the Morrill Act of 1862 came to be. But it would be the GI Bill of 1944 that would become the monumental piece of public policy that threw open the gates of higher education for the masses. The federal government faced a serious conundrum of how to effectively reorient millions of veterans returning from war

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[43] *Ibid,* 6.
[44] *Ibid,* 7.
[45] *Ibid,* 7.
[46] *Ibid,* 9.

back into society with as little social and economic as possible. The only answer seemed to be to allow them to reeducate themselves in order to become a contributing member of the new economy. Had the government not instituted these key articles of public policy, there is little doubt that public higher education would not have reached the heights that it did during its golden years.

II. The Shifting of Public Policy Priorities: The Privatization of Public Higher Education

As James Duderstadt and Farris Womack wrote in their book, *The Future of the Public University in America: Beyond the Crossroads*, "Public colleges and universities are bound closely to society, responsible to and shaped by the communities that founded them…yet this is a time of change for society and for its institutions"[47]. Public institutions experienced significant growth in their main source of support (state appropriations from overall tax revenue) until the late 1970s, where public support of public higher education leveled off and then began to decline. The robust economy of the 1990s allowed greater for greater state appropriations, but the increases soon disappeared in 2001 when the national economy became severely weakened[48]. Over the past two decades, especially during the 1990s, public higher education institutions have needed to evolve quickly in order to adapt to the changing needs of society as well as technological and scientific breakthroughs. However, harsh realities have caused several public universities to regress from their original intent of providing equal access and choice to all their residents; now, they have been forced to build self-defense mechanisms, such as greater reliance on tuition revenue and private philanthropic campaigns, from waning public

support and deteriorating state appropriations in order to stay afloat.

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[47] Duderstadt, James J., and Farris W. Womack, The Future of the Public University in America: Beyond the Crossroads (Baltimore: Johns Hopkins University Press, 2003), 1.
[48] *Ibid*, 78.

The Decline of Social Investment

One of the biggest issues facing public four-year institutions today is the decline in social investment in postsecondary education opportunity. Public perception has shifted from considering public higher education as a public good to an individual benefit, which has been indicated through decreased public funding. The federal government took the task of making public higher education a national priority upon itself and laid the groundwork for promoting higher education as a public good during the 19th and 20th centuries, and states took up the task to ensure that their statewide universities would endorse and promote this idea. As the years have passed however, it has become much too obvious that what was once considered a public good is now seen as an individual benefit. The public at large and their political representatives have had a large hand in demoting public higher education on their priority list; state higher-education officials are extremely discouraged by the lack of public support for greater funding for higher education and the fact that it most likely will not change any time soon. As Jane V. Wellman, a senior associate at the Institute for Higher Education Policy, stated in 2005, higher education is simply "not seen as a pressing public priority"[49]. The Higher Education Solutions Project, which Wellman acted as an advisory for, found that the majority of Americans only consider higher education when

[49] Fischer, Karin. "State Higher-Education Officials Are Frustrated by Public Apathy." The Chronicle of Higher Education. August 5, 2005. Accessed April 21, 2012. http://chronicle.com/article/State-Higher-Education/9652/.

they have a child in college[50]. As a result, many citizens do not place greater pressure on their local lawmakers to put more emphasis on the issue.

The large public tax contributions from which public higher education has greatly relied on have been continuously diminishing: from the 2011 to 2012 fiscal years, total state support for higher education dropped 7.6%; nearly half of all states experienced a decrease in the double digits[51]. One particular reason for this drop in tax revenue at the local, state, and federal level set aside for public higher education is because other social concerns have displaced public higher education on the totem pole of social urgency: health care, K-12 education, and crime prevention and incarceration[52]. These tax revenues are tied to state appropriations provided to various public sectors in each state; traditionally, state governments "provide[d] about 45% of all support for public colleges and universities…compared to only about 3% for private universities"[53]; over the past two decades, state appropriations to public higher education has decreased by 25%[54]. In the 2011, only eight states saw increased state appropriations, and six experienced flat funding; on the other hand, 35 states received dismal cuts to their state appropriations[55]. New Hampshire received the deepest cut in its state appropriations with a 48% reduction, while Arizona experienced a decrease of 24%. Both California and Washington received

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[50] *Ibid.*
[51] Kelderman, Eric, "State Support for Higher Education Falls 7.6% in 2012 Fiscal Year," The Chronicle of Higher Education, January 23, 2012, accessed April 10, 2012, http://chronicle.com/article/State-Support-For-Higher/130414/.
[52] Duderstadt and Womack, *The Future of the Public University*, 8.
[53] Duderstadt and Womack, *The Future of the Public University*, 19.
[54] Duderstadt and Womack, *The Future of the Public University*, 27.
[55] AASCU State Relations and Policy Analysis Team, "Dynamics Affecting Public Higher Education Financing in Fiscal Year 2012," News release, July 2011, American Association of State Colleges and Universities, 3, accessed April 21, 2012, http://www.aascu.org/uploadedFiles/AASCU/Content/WhatsNew/stateoutlookjuly2011.pdf.

a 23% cut, and Colorado saw a 21% decline[56]. As a result of decreased state appropriations, there has been a conscious shift by public universities and college to allow market forces to dictate tuition costs in order to make up for lost state funds. James Garland succinctly explains the relationship between state appropriations and tuition in his book, *Saving Alma Mater:* "States first decide how much revenue they will permit universities to receive, through controlling tuition charges and setting appropriation levels, and then the universities adjust their costs to match those revenues"[57]. But when revenues continue to skyrocket in order to stop campus layoffs, wage freezes, and larger class sizes from occurring more often, the only answer to make up for stagnating state appropriations is for public universities and colleges to increase tuition prices to increase revenue needed for such school expenditures[58].

Increasing Tuition Rates

Cornell economics professor Ronald Ehrenberg has stated that the average state appropriation per student at public colleges and universities decreased by 10% between 1985 and 1995; tuition's portion of college expenditures increased from 23% to 325% to make up for the reduced state assistance. In 1998, the portion was increased to 37%, and in 2005 it consisted of nearly 50%[59]. In 2009, tuition's percentage of college expenditures still hovered around 49%[60]. Tuition rates, which are usually set by an

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[56] *Ibid.*
[57] Garland, James C, *Saving Alma Mater: A Rescue Plan for America's Public Universities*, (Chicago: University of Chicago Press, 2009): 5.
[58] *Ibid.*
[59] Garland, *Saving Alma Mater*, 16.
[60] "Institutional Expenditures," Trends in College Pricing 2011, Accessed April 21, 2012, http://trends.collegeboard.org/college_pricing/report_findings/indicator/Institutional_Expenditures.

external government body, such as a system-wide governing board, state legislature or a governor, are set based on one explicitly-stated rule: keep tuition as low as possible[61]. However, these government authorities understand that decreases in state appropriations necessitate tuition increases. So when the Chronicle of Higher Education reported in 2011 that "the sticker price above the rate of inflation for public colleges was 72% versus 29% for privates"[62], meaning that the tuition percentage rate increase was actually higher for public institutions than private institutions, it demonstrates the severe lack of state appropriations that public higher education schools are receiving. Therefore, public schools are beginning a slow march to privatization, as they are being forced to mirror private institutions by setting up private foundations and fundraising campaigns to make up the difference between state appropriations and school expenditures[63]. In 2003, nearly 16 public institutions or systems had raised nearly $1 billion each through private fundraising efforts; nearly half of the nation's top 20 fundraising universities in 2011 were public institutions[64]. Additionally, the general public has veered away from support of financial aid based on greatest financial need, and instead has chosen to put more weight behind financial need on the basis of student academic achievement.

Public colleges and universities are also battling private schools for public funding, especially from the federal government. Private colleges have been able to

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[61] Garland, *Saving Alma Mater*, 18.
[62] Stevens, John, and Michael Townsley, "Are Private and Public Tuition Rates Converging?" Stevens Strategy Blog, November 7, 2011, accessed April 21, 2012, http://stevensstrategyblog.wordpress.com/2011/11/07/are-private-and-public-tuition-rates-converging/.
[63] Selingo, Jeffrey, "The Disappearing State in Public Higher Education," The Chronicle of Higher Education, February 28, 2003, Accessed April 21, 2012, http://chronicle.com/article/The-Disappearing-State-in/21186/.
[64] Council for Aid to Education, "Colleges and Universities Raise $30.30 Billion In 2011," News release, February 15, 2012, Council for Aid to Education, accessed April 21, 2012, http://www.cae.org/content/pdf/VSE_2011_Press_Release.pdf.

maintain their remarkably high costs for tuition and overall sticker price (in Kiplinger's list of best-value public and private colleges, its number one picks in each category had a tuition price difference of nearly $30,000[65]) because federal and state financial aid have acted more favorably towards colleges and schools that use the high-tuition, large federal financial aid programs; those private institutions that have employed this method have received large federal financial aid programs that cover nearly 40% of their high tuition costs[66]. On the other hand, public universities are restrained from doing the same because of public perception and political constraints. Many concerned citizens do not take into account the necessity of tuition increases due to rising resource costs, as well as do not understand the extent to which state schools have been handicapped by decreasing state appropriations; politicians trying to remain in favor with their constituents attempt to put a ceiling on tuition levels, which only do for harm than good for public universities who need the extra revenue produced by higher tuition prices to keep up with their expenses.

Public higher education is currently stuck in a catch 22; Katharine C. Lyall, president of the University of Wisconsin System states it best, "State government, like the public, has been somewhat confused about what it wants from the university. They want high access, low tuition, top quality, and no tax increases to pay for it."[67] While the tuition prices at most public institutions are a great deal less than the tuition costs at private universities, it is important to note that public tuition has increased a much more

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[65] Strauss, Valerie, "Costs of Public vs. Private College," The Washington Post, January 12, 2010, accessed April 21, 2012, http://voices.washingtonpost.com/answer-sheet/college-costs/comparing-costs-of-public-priv.html.

[66] Duderstadt and Womack, *The Future of the Public University*, 26.

[67] Selingo, "The Disappearing State".

rapid rate than private schools and as a result has become more expensive for the majority of students who attend them. A status report conducted by the National Center for Public Policy and Higher Education in 2002 found that tuition at public four-year colleges consisted of 13% of annual income for the lowest-income families in 1980; in 2000, it had skyrocketed to nearly 25% of their annual income[68]. Lowest-income families experienced this phenomenon in 41 states[69]. These families have also endured the greatest increases to public university tuition when the economy was at its lowest points with the greatest decreases in state appropriations: the general rule of thumb is that state appropriations and tuition prices are inversely related. When state appropriations to higher education are disproportionately reduced compared to other state expenditures, tuition increases the most[70]. During the 2009-10 school year, "the largest one-year increases in average published tuition and fees at public four-year colleges and universities were…9.3% beyond inflation,"[71], according to 2011 report by College Board. The status report also indicated that the average public four-year university price increased to more than double the average price at four-year private institutions[72]. These large percent increases associated with public higher education tuition and decreased state appropriations clearly indicate that policymakers and public leaders have

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[68] The National Center for Public Policy and Higher Education, *Losing Ground: A National Status Report on the Affordability of American Higher Education,* Report. 2002, 5, accessed April 21, 2012, http://www.highereducation.org/reports/losing_ground/affordability_report_final_bw.pdf.

[69] *Ibid,* 5.

[70] *Ibid,* 8.

[71] "Tuition and Fee and Room and Board Charges over Time," Trends in College Pricing 2011, accessed April 21, 2012, http://trends.collegeboard.org/college_pricing/report_findings/indicator/Tuition_Fees_Over_Time.

[72] *Ibid.*

few qualms about putting consumers in the driver's seat when it comes to paying for higher education, rather placing the burden on state and federal governments.

Case Study: California

For the University of California system, these dramatic changes have been experienced all too well. In 1978, California voters passed Proposition 13, which capped increases on property tax[73] and required legislators who wished to raise any tax with a two-third majority in the Legislature[74]. Lower taxes, which state appropriations are heavily reliant on, meant less funding for the University of California, the California State University, and California community colleges. During the early 1990s, rising health and corrections costs began to outweigh the emphasis placed on keeping higher education costs for students low and as a result the two former budgets began to eat away at state funds reserved for higher education[75]; today, the prison-industrial complex receives 7.4% of the state budget, while the University of California is given 2.2%[76]. School fees had begun to increase shortly after the induction of the California Master Plan, so as state appropriations for higher education dropped by 16% between 1991 and

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[73] Cavanaugh, Maureen, and Natalie Walsh, "The Impact of California'□s Biggest Tax Revolt," KPBS, February 23, 2010, accessed April 21, 2012, http://www.kpbs.org/news/2010/feb/23/impact-californias-biggest-tax-revolt/.

[74] "Letters to the Editor: Budget Cuts and California's Higher Education System; New Rules for Amazon in California; the Dodgers Ownership Mess." Los Angeles Times. July 05, 2011. Accessed April 21, 2012. http://articles.latimes.com/2011/jul/05/opinion/la-le-0705-tuesday-20110705.

[75] Schrag, Peter, *Paradise Lost: California's Experience, America's Future*, (New York: New Press, 1998): 88.

[76] Lutz, Tom, "Mad as Hell in California, and Students Should Be, Too." The Chronicle of Higher Education, June 5, 2011, accessed April 21, 2012, http://chronicle.com/article/Mad-as-Hell-in-California-and/127760/.

1994, the tuition-free provision of the Master Plan quickly became eliminated and tuition costs were added to school "fees"[77]. During the same time period, tuition at the University of California doubled from $2,000 to $4,000 while the California State University and community colleges also experienced substantial tuition increases[78]. To be sure, other four-year public institutions during the same time experienced equal levels of tuition increases as well, but California's general fund expenditure on higher education decreased twice as much as the national average[79]. The situation of rapidly falling state appropriations and rising tuition costs had yet to become dire at that point, but the damage had already been done: no longer would the University of California provide the universal education to all eligible residents that it had promised in its Master Plan. Access became replaced with budget concerns, and for the first time in California history, the number and percentage of Californians who were enrolled in state higher education institutions dropped[80]. For many former students who had benefited from the University of California's free tuition clause before tuition was instated, it was a bitter pill to swallow; they knew that this change had dire consequences for the future. California voters and their political representatives further nailed down the coffin of universal and free education for California residents by not placing greater priority on free higher education at the voting booths.

As a result, the privatization of the University of California began. UCs began to actively campaign for private donations for its campuses, and several notable individuals responded with generous gifts for the schools. In 2002, UC-Los Angeles received $200

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[77] Schrag, *Paradise Lost,* 88.
[78] *Ibid.*
[79] *Ibid,* 91.
[80] *Ibid,* 89.

million from the entertainment mogul, David Geffen, for its medical school; it is the largest single donation to a medical school in the U.S. and the biggest donation to a UC in all of its history[81]. Irwin Jacobs of Qualcomm donated $110 million to UC-San Diego's engineering school in 2003, and Henry Samueli of Broadcom gave $30 million to the engineering school of UCLA and $20 million to UC-Irvine's engineering school in 1999[82]. The University of California-Berkeley has also successfully pursued major alumni campaigns, which has culminated in a $10,653,208 endowment as of 2011[83]. But perhaps most telling of rapidly decreasing state appropriations, the University of California made more revenue through tuition than state funding last year[84]. But privatization efforts have been enough to offset rising costs in all cases: in 2010, California community colleges denied acceptance for more than 400,000 students because of budget cuts that year[85]. In 2011, The University of Long Beach had an enrollment rate of shockingly only 9% of applicants, which was a lower rate than more prestigious public schools like the University of California- Berkeley and the University of Virginia[86].

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81 "David Geffen Donates $200 Million to UCLA School of Medicine," University of California, May 7, 2002, accessed April 21, 2012, http://www.universityofcalifornia.edu/news/article/4312.

82 Conley, Aaron, and Eugene R. Tempel, "Philanthropy," In *Privatization and Public Universities*, 159, Bloomington: Indiana University Press, 2006.

83 Mercer Investment Consulting, Inc, *Annual Endowment Report.* Report, June 30, 2011, accessed April 21, 2012, http://www.universityofcalifornia.edu/regents/regmeet/dec11/i7attach.pdf.

84 "Tuition Outpaces State Support at U. of California," - The Chronicle of Higher Education, August 22, 2011, accessed April 21, 2012, http://chronicle.com/blogs/ticker/tuition-outpaces-state-support-at-u-of-california/35575.

85 Newfield, Christopher, "Public Education for the Public Good," Public Education for the Public Good, August 28, 2011, accessed April 21, 2012, http://chronicle.com/article/Public-Education-for-the/128824/.

86 Keller, Josh, "Facing New Cuts, California's Colleges Are Shrinking Their Enrollments," The Chronicle of Higher Education, January 13, 2011, accessed April 21, 2012, http://chronicle.com/article/Facing-New-Cuts-Californias/125945/.

As the next two chapters will demonstrate, decreasing public support for higher education ultimately allowed the financial safety net for low-income and minority students to receive higher education in the public university system, especially within California, to shrink and allow such students to fall through. As higher education was seen more and more as an individual benefit, federal and state governments responded by placing the financial burden of funding higher education on those who wished to obtain it. This is highly paradoxical of the original intent of public higher education: the U.S. is reverting back to its pre-Morrill Act days where the only people who were able to receive higher education were white, middle- and upper-income students. Once again, public higher education has become an emblem of inequality.

III. The Financial Aid Revolution

Federal financial public policies for public four-year colleges has transformed over the years and impacted the lives of millions of students seeking undergraduate degrees; the most significant result is its impact and perpetuation of inequality by focusing current financial aid efforts in aiding middle- and upper-income students who require less financial aid and can pay more of full tuition. On the other hand, low-income and minority students are left empty-handed and forced to take on loans that only raise the cost of their education.

The total direct federal student aid has grown from around a billion dollars in 1964 (in 1994 dollars) to 12.5 billion dollars in 1971 and over 34 billion dollars in 1995[87]. In 2011, the total soared to 132.3 billion dollars[88]. Yet over the years, as noted by James Duderstadt and Farris Womack in their book, The Future of the Public University in America: Beyond the Crossroads, "public policies aimed at access and opportunities have been replaced by concerns about educational cost, quality, and accountability"[89]. Federal financial aid trends are now pointing to the delegation of higher education financial burden onto the student, for the worse more so than for the better.

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[87] Bateman, Mark and Richard Fossey, *Condemning Students to Debt: College Loans and Public Policy*, (New York: Teachers College, 1998): 48.
[88] "Sources of Aid," Trends in Student Aid 2011, accessed April 21, 2012, http://trends.collegeboard.org/student_aid/report_findings/indicator/Total_Student_Aid_by_Source.
[89] Duderstadt, James J., and Farris W. Womack, *The Future of the Public University in America: Beyond the Crossroads*, (Baltimore: Johns Hopkins University Press, 2003):1.

A Brief History of Federal Financial Aid

In the consensual agreement among the federal government, state governments, and public higher education institutions, it was the federal government's job to ensure equal access to higher education by providing financial fallback options that low-income students could use to finance their education without worrying about cost. Before federal funding existed, many colleges practiced tuition discounting tactics to entice more students who could not afford to pay tuition sticker prices by relying on self-directed financial aid practices, such as offering endless scholarships to a donor's offspring, or using third-party financial aid programs to distribute grants[90]. For example, the American Education Society, which was founded in 1820 served to provide financial aid awards to qualified students at various colleges; 18 years after its founding, the company had already awarded 1,100 students with financial aid scholarships[91]. The Higher Education Act of 1965 established the Pell Grant program, which provided higher education institutions with direct federal funding with which the schools allocated to their students based on their own interpretations of student financial need[92]. However, a clearer formula of student financial aid distribution came into existence due to amendments made in 1972 to the Higher Education Act: "the estimated price of tuition

[90] Hess, Frederick M, *Footing the Tuition Bill: The New Student Loan Sector*, (Washington, D.C.: AEI Press, 2007): 20.
[91] *Ibid*, 21-22.
[92] Mumper, Michael, "The Future of College Access: Role of Public Higher Education in Promoting Equal Opportunity," *The Annals of The American Academy of Political and Social Science* 585 (January 2003): 102.

and living expenses at an institution and the student's family income [were] used to determine eligibility for a federal grant or loan or work study assistance"[93].

Over the years, federal loans have taken precedent as the main form of financial aid used by students. The federal government officially began its first student loan program in 1958 with the Federal Perkins Loan[94]; at the same time, the Educational Opportunity Grant was also established. The idea was that federal grant programs would be used to provide financial assistance to low-income students, while middle and upper-income students could use federal loan programs[95]. Congress then produced the Stafford Loan program as part of the Higher Education Act of 1965, which was made available to students from higher income brackets than those eligible for Pell Grants. Soon enough, the government realized that public demand for loans, which was originally meant to supplement federal grants, far exceeded their financial allotment and began to supply more federal dollars for loans instead of grants[96]. The Middle Income Student Assistance Act in 1978 opened the financial floodgates even further as it completely abolished the income eligibility requirements from the Stafford Loan program and enabled nearly all full-time students to sign up for government-guaranteed and –subsidized loans[97]. President Ronald Reagan and his administration attempted to control the explosion of federal student loans by putting income constraints on student loan eligibility, but by then it was impossible to put a lid on federal student loans; middle-income students looking for ways to cover the growing costs of higher education fueled the growing popularity of

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[93] *Ibid*, 102.
[94] Bateman and Fossey, *Condemning Students,* 50.
[95] Hess, *Footing the Tuition Bill,* 27.
[96] Mumper, "The Future of College Access", 104.
[97] *Ibid*.

such loans[98]. In 1965, the government loaned around $25 million undergraduate degree-seeking students and as early as 1975 the federal government provided more student financial aid in the form of loans than grants[99]; by 1993, government loans had ballooned to almost $20 billion, which then almost doubled to $30 billion in 1997[100]. During the 2010-11 school year, federal loans consisted of 39% of all undergraduate student aid with $70 billion; all other forms of financial aid for that year consisted of 20% of the total or less[101].

Grants and work-study programs have taken a backseat as student eligibility for loans has increased remarkably; it used to be that nearly two-thirds of federal financial aid was distributed through grants and works study programs in the 1970s, but today federal loans have become the supermajority[102]. One clear indication of this predicament is the shrinking of Pell Grants over the years from its early days to today. During its first year in existence in 1974, the largest Pell Grant given to students who demonstrated the greatest financial need covered nearly 78% of the annual cost of a single year at a typically-priced public institution[103]. Pell Grants immediately began to lose federal funding after its premiere in 1974, and has never caught up to growing tuition prices since[104]. For the next year, the maximum Pell Grant, $5,550, is projected to cover less

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[98] *Ibid.*
[99] *Ibid.*
[100] Bateman and Fossey, *Condemning Students,* 8.
[101] "Sources of Aid".
[102] Duderstadt and Womack, *The Future of the Public University,* 39.
[103] Mumper, "The Future of College Access", 103.
[104] *Ibid.*

than one-third of the average cost of enrollment and attendance at public four-year institutions[105].

The Growing Private Loan Industry

The past decade has also seen the rise of private loans, also known as private-label loans or alternative loans[106]. Since many students were still unable to cover their tuition and other-school related costs even after receiving federal financial aid, they began to turn to the private loan sector to help them cover the difference. The Institute for Higher Education Policy and the Education Resources Institute stated in their 2003 report that the total private loan volume had reached $5 billion in the 2001-02 academic year; a 346% increase from 1995-96[107]. On the other hand, Federal Family Education Loans and Direct Loans increased their volume by 50% during the same time period. Of course, the amount of dollars used for federal funds far exceed that of the private student loan industry, but it is still important to notice the higher percentage increase in volume for private loans: clearly, there is an undeniable demand for them[108]. It is quite telling, however, as the report states, "the total volume of private loans has now surpassed the amounts awarded annually under the Federal Student Educational Opportunity Grant

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[105] Garofalo, Pat, "Pell Grants Next Year Will Cover Smallest Percentage Of College Costs In Their History," Think Progress, April 9, 2012, accessed April 21, 2012, http://thinkprogress.org/education/2012/04/09/461078/pell-grants-smallest-percentage-cost/?mobile=nc.
[106] Hess, *Footing the Tuition Bill,* 38.
[107] The Institute for Higher Education Policy, *Private Loans and Choice in Financing Higher Education,* report, July 2003, accessed April 21, 2012, http://eric.ed.gov/PDFS/ED478298.pdf, 13.

[108] *Ibid*, 27.

(FSEOG), Federal Work-study, and the Federal Perkins Loan programs *combined*"[109]. Federal student loans differ from private student loans in several ways; one of the most important is the level of risk intrinsic in private loans. Private lenders charge higher interest rates for students whom they perceive to be "high-risk", such as those with low credit scores[110]. Private loans also give higher flexibility to borrowers , as private loans have no maximum borrowing limit and they are available year-round; private lenders also provide interest-rate reductions for borrowers who "provide lenders certain demographic and educational information, make all payments on time for a set amount of time, have repayments automatically debited from their bank accounts, and pay both interest and principal while in school among other conditions"[111]. As a result of the more or less unrestricted and unsupervised quality of the private student loan sector, the U.S. government has moved towards limiting the influence of private lenders in recent history; in 2009, the House of Representatives passed legislation terminating federal subsidies to private lenders and funneling more federal dollars into federal aid[112]. It is important to note, however, that the majority of students who use private loans tend to be enrolled in private universities and colleges, and therefore the private loan industry has had a smaller effect on students who attend public institutions[113]. But it is highly possible that private loans may become more prevalent in the public higher education sector as state appropriations and federal funding drop even further.

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[109] *Ibid*.
[110] *Ibid*.
[111] Hess, *Footing the Tuition Bill,* 76-77.
[112] "Student Loans," The New York Times, September 18, 2009, accessed April 21, 2012, http://topics.nytimes.com/top/reference/timestopics/subjects/s/student_loans/index.html.
[113] The Institute for Higher Education Policy, *Private Loans,* 8.

From Low-Income to Middle- and Upper-Income Support

Anther documented change in federal financial aid policies is the noticeable shift from mainly low-income student assistance to middle- and upper-income student support. The Higher Education Act of 1965 enacted several financial assistance options intended to reduce student financial burdens through undergraduate scholarships, loans with lower interest rates, and work-study programs[114]. This Act set a precedent for direct financial aid from the federal government to students, as it eliminated using higher education institutions as a middleman[115]. Congress originally intended for the act to alleviate financial costs for middle-class students through federal loans, and to channel a majority of federal funds to grants for low-income students[116]. In the 1970s, President Richard Nixon and his administration adopted more federal financial aid programs that provided greater assistance for cash-strapped students and their families, including the Pell Grant[117]. However, the late 1970s and early 1980s witnessed the widening of the federal financial aid gates to allow middle- and upper-middle class students to receive federal aid as legislation, such as the Middle Income Assistance Act, passed[118]. The Middle Income Assistance Act essentially removed any kind of income limit on student eligibility for federal loans[119]. Congress further encouraged federal loans for any student regardless of income background when it passed the Higher Education Act in 1992 that mainly focused on the establishment of an unsubsidized loan program[120]. In 1997, the federal

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[114] "Higher Education Act of 1965, " Major Acts of Congress, Ed. Brian K. Landsberg, Vol. 2, Gale Cengage, 2004, eNotes.com, 1 Apr, 2012 http://www.enotes.com/higher-education-act-1965-reference/.
[115] Duderstadt and Womack, *The Future of the Public University,* 39.
[116] Bateman and Fossey, *Condemning Students,* 8.
[117] Duderstadt and Womack, *The Future of the Public University*, 39.
[118] *Ibid*.
[119] Hess, *Footing the Tuition Bill,* 34.
[120] *Ibid*, 38.

government began a new phase of federal loan programs through the establishment of federal aid initiatives that came in the form of state merit scholarships and tax deductions specifically meant to help middle-class students[121]; these programs further reduce the focus of financial aid programs for lower-income students and demonstrate the specific efforts the federal government have made to court families and students who will be most beneficial to their revenue total down the line[122]. The most prominent of these programs include the HOPE Scholarship and Lifetime Learning tax credit, which were instituted by the Taxpayer Relief Act of 1997[123]. The HOPE Scholarship provides a federal income tax credit for the first $4,000 paid by taxpayers for postsecondary education[124], while the Lifetime Learning tax credit grants a federal income tax credit for the first $10,000 spent on higher education paid by taxpayers[125]. Both assist students who are currently enrolled in higher education institutions to receive tax credits in order to reduce their federal tax liability. However, these programs do little for students with low-income backgrounds, because most of them do not have any tax liability and therefore eliminate their access to this form of financial relief. In addition, these "tax credits do not occur until taxes are filed, up to 18 months later…[therefore students] must pay college costs from other sources and await reimbursement"[126]. These kinds of restrictions only hurt students who rely on government aid the most, and add on to the difficulty of paying for rapidly rising tuition and other school-related costs; these kinds of loan programs signify that the

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[121] Duderstadt and Womack, *The Future of the Public University*, 39.
[122] Mumper, "The Future of College Access", 108.
[123] "Taxpayer Information- Taxpayer Relief Act of 1997," University of Michigan- Finance, accessed April 21, 2012, http://www.finance.umich.edu/finops/student/taxrelief97.
[124] "Hope Scholarship Tax Credit," FinAid! Financial Aid, College Scholarships and Student Loans, accessed April 21, 2012, http://www.finaid.org/otheraid/hopescholarship.phtml.
[125] *Ibid*.
[126] Mumper, "The Future of College Access", 108.

federal government is less interested in promoting access and choice to all Americans. Many people believe that this specific 440 billion dollar injection of federal money into higher education signifies nothing more than further proof that the federal government has become more interested in providing financial assistance to sections of the populations that will generate the most revenue for them, rather than its original intent of removing financial barriers to higher education for those who could afford it the least[127]. As federal financial aid policies continues down the path of greater financial assistance to the middle class, it is clear that the federal government has been greatly influenced by those who wield greater political clout rather than those who demonstrate greater need; again, all signs point to the privatization of higher education in the public arena and society's narrow view of higher education as an individual benefit rather than a collective social good.

Federal Financial Aid Options Today

Today, there are three forms of federal student aid available: grants, work-study, and loans. The Federal Pell Grant, the Federal Supplemental Educational Opportunity Grant, the Iraq & Afghanistan Service Grant, and the Teacher Education Assistance for College and Higher Education Grant are all provided by the federal government and do not have to be repaid by student beneficiaries[128]. Federal Work-Study "provides part-time jobs for undergraduate…students with financial need, allowing them to earn money

[127] Duderstadt and Womack, *The Future of the Public University*, 39.
[128] "Grants," Student Aid on the Web, accessed April 21, 2012, http://studentaid.ed.gov/PORTALSWebApp/students/english/grants.jsp.

to help pay education expenses"[129], both on- and off-campus[130]. There are several different types of loans funded by the federal government. A Federal Perkins Loan consists of a 5% interest loan based on financial need; academic institutions, using government funds, provide these loans for enrolled students. The repayment process to participating colleges and universities usually begins nine months after graduating or leaving the school[131]. Direct Stafford Loans consist of Direct Subsidized Loans and Direct Unsubsidized Loans. Those who are eligible for Direct Subsidized Loans must demonstrate financial need; this "subsidized" loan mandates that the government pay for the accruing interest on the loan while the student borrower is in school at least half-time. Direct Unsubsidized Loans do not require students to indicate financial need, and students must pay for the interest themselves while enrolled in school or shortly thereafter. If a student decides to defer the payment of the interest on their Direct Unsubsidized Loan, he/she will have to repay a larger sum than the original loan due to the charged interest on a higher principal amount[132]. Direct PLUS Loans are available for eligible parents of children attending college to help alleviate the cost of higher education for their children; for this kind of loan, the parents are responsible for the repayment of the loan[133]. Lastly, a Direct Consolidation Loan enables student borrowers

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[129] "Campus-Based Aid," Student Aid on the Web, accessed April 21, 2012, http://studentaid.ed.gov/PORTALSWebApp/students/english/campusaid.jsp.
[130] *Ibid.*
[131] *Ibid.*
[132] "Direct Stafford Loans," Student Aid on the Web, accessed April 21, 2012, http://studentaid.ed.gov/PORTALSWebApp/students/english/studentloans.jsp.
[133] "Direct PLUS Loans for Parents," Student Aid on the Web, accessed April 21, 2012, http://studentaid.ed.gov/PORTALSWebApp/students/english/parentloans.jsp.

to combine several federal student loans, so that students may pay off their loans with a single payment during each payment period instead of multiple ones[134].

It is unfortunate to see how far off the federal government has veered from its original path, as stated in the Higher Education Act of 1965, "to provide, through institutions of higher education, educational opportunity grants in making available benefits of higher education to qualified high school graduates of exceptional financial need…who would be unable to obtain such benefits without such aid"[135]. Financial aid is no longer being used as an affordability tool for low-income students, but rather an extra boost to middle- and upper-income students who don't have the greatest financial need.

[134] "Loan Consolidation," Student Aid on the Web, accessed April 21, 2012, http://studentaid.ed.gov/PORTALSWebApp/students/english/consolidation.jsp.

[135] Heller, Donald E, "State Support of Higher Education: Past, Present, and Future," In *Privatization and Public Universities* (Bloomington: Indiana University Press, 2006): 20.

IV. Manifestation of Socioeconomic Inequality through Shifted Admissions' Focus on Middle- and Upper-Income Students and Rising Loan Burdens

The changing factors in public higher education and federal financial aid, especially in terms of changing admissions demographics and financial aid shifts from grants to loans, have subtly and blatantly changed the composition and demographics of students at public universities today. Public institution admissions officers have come to view potential students as more vital revenue sources than they did in the past when state appropriations were plentiful; as a result, these public university gatekeepers focus their efforts on obtaining students who are academically accomplished (since they tend to come from wealthier families with the means to provide academic assistance for their children) and out-of-state and international students who pay full sticker price. Low-income students, on the other hand, are paid much less attention and often do not receive admissions from public schools that have policies of open access and choice. Additionally, the drastically growing reliance on federal loans by students of all economic backgrounds have resulted in larger loans that become crushing once they graduate due to delinquency and defaulting; again, low-income students are disproportionately affected for the worse.

More Out-of-State and International Students

More and more public universities, which are "philosophically committed to serving students from all socioeconomic backgrounds"[136], are selectively changing the composition of a racially- and economically-represented campus as they focus their efforts on admitting and pursuing students who will produce the greatest amount of revenue for them. As James Garland wrote in his book, *Saving Alma Mater: A Rescue Plan for America's Public Universities*,

> 'Good students are less expensive to teach. They do not need remedial courses to make up for education deficiencies. On average, they commit fewer campus crimes and have fewer disciplinary problems. Their graduation rates are higher, and after graduation they tend to get better-paying jobs. Ultimately, they become wealthier alumni, who in turn are more generous to their alma maters at annual giving time. But the biggest financial incentive of all is that good students generally have more money than weak students and are thus able to pay full tuition.'[137]

These "good" students are becoming the cash cows that public institutions desperately need to replace their former source of revenue, state appropriations.

As a result, more and more public universities are targeting out-of-state students for the additional revenue that they bring. One method that several public universities have used to increase their profits through out-of-state students is to raise tuition costs for out-of-state students at a much higher rate than the costs for in-state students. There are several reasons why states have been able to do so: many states are not provided state subsidies for nonresident students, state governing boards and trustees usually do not attempt to keep out-of-state tuition prices low as they do not experience any political

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136 Garland, James C., *Saving Alma Mater: A Rescue Plan for America's Public Universities*, (Chicago: University of Chicago Press, 2009): 52.
137 Ibid, 51-52.

pressure to do so since out-of-state parents do not vote for state legislators, and many prominent and competitive state universities that attract nonresident students have greater flexibility in accepting out-of-state students who will eventually enroll and pay the full price[138]. As a result, many public universities have increased their tuition rates for non-resident students at a much higher percentage than in-state tuition prices; for example, the cost of attendance for state residents has increased 200% from 1970 to 2005 with the cost jumping from $325 to $6,776, but the same charges have increased for nonresidents by almost 250% from $745 to $18,589 during the same time frame[139].

Additionally, public institutions have turned to attracting and enrolling international students who also pay maximum tuition and attendance costs. Overall, foreign students studying at universities and colleges in the U.S. bring in around $21 billion a year to the national economy, according to the Institute of International Education. The University of Illinois at Urbana-Champaign and Purdue University were the two top public universities in a study done by the Institute of International Education study ranking the top 25 public and private universities in the U.S. that host the most international students for the 2010-11 school year; they enrolled 7,991 and 7,562 students respectively[140]. The top three countries from which the majority of international undergraduate students originated from during 2010-11 were China with 56,976 students (which surged 42.7% from the previous year), South Korea with 37,944, and India with

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[138] Hossler, Don, "Students and Families as Revenue," In *Privatization and Public Universities*, (Bloomington: Indiana University Press, 2006): 116.
[139] *Ibid*, 117.
[140] "Open Doors Data," Institute of International Education, accessed April 21, 2012, http://www.iie.org/Research-and-Publications/Open-Doors/Data/International-Students/Enrollment-by-Institutional-Type/2004-11.

14,004[141]. At the University of Washington, international students made up 18% of its freshmen class this year, with 11% coming from China; in 2006 international students at the University of Washington only consisted of 2% of the freshman class. These international students pay $28,059 for their yearly tuition, nearly three times what students at Washington State pay[142]. Tamar Lewin of the New York Times writes regarding the growing international student phenomenon, "Illinois, Indiana, Iowa and University of California campuses in Berkeley and Los Angeles all had at least 10 percent foreign freshmen this academic year, more than twice that of five years ago"[143]. Some universities, like Purdue University and the University of Illinois at Urbana-Champaign also charge international students an additional surcharge on top of tuition; at Purdue University, international students pay $1,000 in other fees[144].

Case Study: California

The University of California system has successfully employed recruitment tactics of out-of-state students: this year's admissions crop for UCs saw a 56% increase from the previous year in the number of out-of-state students who applied to attend a UC; for each out-of-state student who enrolls in the UC system, 23,000 additional dollars are paid on top of in-state tuition and fees. Moreover, the UC freshman class of 2016 saw a 12% increases in the enrollment of out-of-state students. UC estimates that for every 1%

[141] "Open Doors Data," Institute of International Education, accessed April 21, 2012, http://www.iie.org/Research-and-Publications/Open-Doors/Data/International-Students/By-Academic-Level-and-Place-of-Origin/2010-11.
[142] Lewin, Tamar, "Taking More Seats on Campus, Foreigners Also Pay the Freight," The New York Times, February 4, 2012, accessed April 21, 2012, http://www.nytimes.com/2012/02/05/education/international-students-pay-top-dollar-at-us-colleges.html?pagewanted=all.
[143] *Ibid.*
[144] *Ibid.*

increase in nonresident enrollment, it receives almost $1 million[145]. The UC system has employed several controversial tactics to entice more out-of-state students to apply, including removing the requirement for additional SAT subject tests for admission applications[146]. UC-Berkeley has been more of the more aggressive UC campuses looking to entice nonresident students to enroll at the school; in 2011, the percentage of out-of-state freshmen increased to 26%, and its chancellor, Robert Birgenaeu has stated that he is aiming to increase the population of nonresidents in all undergraduate classes to 20%[147]. The dramatic rise in out-of-state students attending UCs have been at the cost of greater diversity; in 2010, UC-Berkeley admitted 12% fewer Latino freshmen than the previous year as the school gave more spots to out-of-state students[148].

Greater Financial Aid Benefits for Middle- and Upper-Income Students

Public universities have also changed the demographics of their undergraduate student population by their shifts in financial aid programs. Federal and state governments have certainly increased their level of student aid spending in the past decade, but fewer of those dollars are going towards students with the greatest need. As mentioned in the previous chapter, the significance of Pell Grant awards have greatly decreased; in 2007, it was estimated that the maximum Pell Grant Award covered only

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[145] Asimov, Nanette, "UC Berkeley Out-of-state Student Enrollment Soars," SF Gate, July 01, 2011, accessed April 21, 2012, http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/06/30/MNCN1K4RTP.DTL.

[146] Gordon, Larry, "More Out-of-state, Foreign Students Apply to UC Schools," Los Angeles Times, January 13, 2012, accessed April 21, 2012, http://articles.latimes.com/2012/jan/13/local/la-me-uc-apply-20120113.

[147] Asimov, "UC Berkeley".

[148] Keller, Josh, "Berkeley Sees Admission of Latino Students Drop and Nonresidents Jump," The Chronicle of Higher Education, July 14, 2010, accessed April 22, 2012, http://chronicle.com/article/Berkeley-Sees-Admission-of/66287/.

36% of the average tuition charged by public four-year institutions[149]. With regards to state financial aid dollars, a study done by the Education Trust in 2010 indicated that "the amount of grant aid states disbursed based on need increased by 60 percent [over the past ten years], while the amount given out without consideration of financial need increased by *203 percent*"[150]. The study also demonstrated that for students from families that made $80,401 to $115,000, the aggregate amount of institutional grant aid they received from public research universities increased by 17% from 2003 to 2007; for students from families who earned $115,000 or more, the amount increasing by an astounding 28% during the same time period[151]. Furthermore, these public research universities have provided nearly the same amount of grant aid for students in the top two income quintiles as they have given to students in the bottom two income quintiles[152]. There has also been a demonstrated indication that families earning more than $115,400 received additional financial aid that was unneeded, as they were given more than the actual cost of the attendance at a public research university; on the other hand, after they exhausted all of their financial aid options, students from low-income families attending the same university still have to come up with more than $10,000 per year to cover the difference[153]. Lastly, as discussed in the previous chapter, education tax credits have been found to be much more beneficial for middle- and upper-income students than low income students.

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[149] Engle, Jennifer, Kati Haycock, and Mary Lynch, *Opportunity Adrift: Our Flagship Universities Are Straying from Their Public Mission,* report, 2010, 4, Accessed April 21, 2012, http://www.edtrust.org/sites/edtrust.org/files/publications/files/Opportunity%20Adrift().pdf.
[150] *Ibid.*
[151] *Ibid,* 5.
[152] *Ibid,* 11.
[153] *Ibid,* 11-12.

On the other side of the coin, new loan and tax credit programs have turned off low-income and minority students from even applying to public universities and colleges. For more than 40 years, the college participation rate of low-income students from families that earn below $25,000 a year has stagnated 32 percentage points behind higher-income students whose families earn $75,000 a year[154]. For these students, a loan does not decrease the cost of higher education for low-income students; rather it delays the process of payment and tacks on additional cost to the loan due to collected interest[155]. Education tax credits, such as the Lifetime Learning tax credits, also do not provide greater access or choice to low-income students because of four main reasons. First, these tax credits are nonrefundable, meaning that eligible students or their parents must have a tax liability; for students from the lowest-income bracket, they rarely pay enough taxes to be eligible. Second, the tax credits cannot be used for any other factor in cost of attendance and can only be used for tuition charges. Third, if a student has received any grants, those must be applied to tuition costs first, and only the remaining tuition can be used for tax credits. Fourth, credits can only be used as the beginning of a new tax year[156].

Decreases in Enrollment of Low-Income Students

There is also significant research indicating that as tuition costs increase, the lower the participation rate of low-income students in applying and attending college.

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[154] The Advisory Committee on Student Financial Assistance, *Access Denied: Restoring The Nation's Commitment To Equal Educational Opportunity,* report, February 2001, V, accessed April 21, 2012, http://www2.ed.gov/about/bdscomm/list/acsfa/access_denied.pdf.
[155] Heller, Donald E, "State Support of Higher Education: Past, Present, and Future," In *Privatization and Public Universities* (Bloomington: Indiana University Press, 2006): 25.
[156] *Ibid.*

One of the first prominent studies done regarding this issue was Larry L. Leslie and Paul T. Brinkman's research on student price response in higher education in 1987. The student price-response coefficient is defined as "the percentage change in enrollment per $100 change in price"[157]. They found that enrollment in higher education institutions declined when prices increased, and vice versa; each $100 increase in tuition cost during the 1982-83 academic year resulted in a .75 percentage point drop in enrollment[158]. In 1997, Donald E. Heller updated the study done by Leslie and Brinkman by reviewing studies done on the same subject matter by other researchers after 1987. He noted a study done by Thomas J. Kane who studied enrollment rates for whites and blacks, and found that "higher levels of tuition were associated with lower enrollment rates, with the tuition sensitivity higher for black students"[159]. Another study published by Kane in 1995 examined the student price response for community colleges and four-year public colleges; the results showed a 3.5% percent decrease in enrollment for community colleges per $1,000 tuition increase, while the four-year public colleges experienced a 1.4% enrollment decrease[160]. A study done by Michael B. Paulsen and Edward P. St. John in 2002 found that college costs was an enormous factor in their choice of higher education institution, as 64% of the low-income respondents picked a college to attend

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[157] Brinkman, Paul T., and Larry L. Leslie, "Student Price Response in Higher Education: The Student Demand Studies," *The Journal of Higher Education* 58, no. 2 (March/April 1987): 188, http://www.jstor.org.ccl.idm.oclc.org/stable/pdfplus/1981241.pdf?acceptTC=true.
[158] *Ibid*, 188-189.
[159] Heller, Donald E, "Student Price Response in Higher Education: An Update to Leslie and Brinkman," *The Journal of Higher Education* 68, no. 6 (November/December 1997): 628, http://www.jstor.org.ccl.idm.oclc.org/stable/pdfplus/2959966.pdf.
[160] *Ibid*.

based on low tuition, student aid, or both[161]. The study also found that the demographics of low-income students who did attend college at that time were very different from students from other income sectors: about 46% of the low-income group was financially independent, were older (on average) than the other three income groups, had a larger minority presence, and had a larger percentage of females[162]. On the other hand, higher-income students who participated in the study showed little concern about college costs and did not base their college attendance decisions based on cost or available financial aid[163]. A 2005 study done by Edward P. St. John, Michael B. Paulsen, and Deborah Faye Carter focused on the comparative impact of college choices and costs for African Americans and Caucasians. Like Paulsen and St. John's previous study, they found that "a larger percentage of American college students was female, had mothers with high school educations or some college, was financially independent, and was from low- and lower-middle income families"[164]. A greater percentage of African Americans chose their colleges based on financial aid offers, available financial aid, and low tuition[165].

A study conducted by the Education Trust in 2010 discovered that some of the top public institutions in the U.S. were doing very little to increase the diversity of their students in income or racial categories. They found that while 91% of Asian, 86% of African-American, and 80% of Hispanic 12th grade students surveyed said that they

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[161] Paulsen, Michael B., and Edward P. St. John, "Social Class and College Costs: Examining the Financial Nexus between College Choice and Persistence," *The Journal of Higher Education* 73, no. 2 (March/April 2002): 204, http://www.jstor.org.ccl.idm.oclc.org/stable/pdfplus/1558410.pdf.
[162] *Ibid*, 204-207.
[163] *Ibid*, 209.
[164] Carter, Deborah Faye, Edward P. St. John, and Michael B. Paulsen, "Diversity, College Costs, and Postsecondary Opportunity: An Examination of the Financial Nexus between College Choice and Persistence for African Americans and Whites," *The Journal of Higher Education* 76, no. 5 (September/October 2005): 554, http://pages.gseis.ucla.edu/faculty/chang/S07/Week4/76.5john.pdf.
[165] *Ibid*, 554-555.

planned to attend college, they were poorly represented in the enrolled student population at top public research-extensive institutions. African-Americans, Latinos, and American Indians who consisted of 27% of graduating high school seniors in 2004 and 29% in 2007 only increased their percentage of representation in public research institutions by 1 percent during the same time frame[166]. In 2004, students from families who made less than $30,000 a year consisted of 20% of college students; however, only 13% of those students could be found in public research-extensive universities[167]. On the other hand, students from families that earned $115,000 or more per year consisted of 20% of all college students, yet 30% of them were enrolled in these universities[168]. Interestingly enough, the study found that while many low-income students are unable to receive entry into public universities due to poor academic preparation, there are high-achieving low-income students who are still denied entry into these schools. The study noted an estimate from a recent National Postsecondary Student Aid study that showed at least 177,000 low-income high school graduates received high enough SAT/ACT scores to be accepted into a public research university (this number is most likely lower than the true number, since it only counts students who took the SAT/ACT and then immediately enrolled in some kind of higher education after graduating from high school), yet only 59,000 enrolled in these public institutions[169].

[166] Engle, et al., *Opportunity Adrift,* 7.
[167] *Ibid,* 2.
[168] *Ibid,* 2.
[169] *Ibid,* 14.

Loan Debt, Delinquency, and Default

As public university tuition continues its steady price increase, more and more public institution students are adding additional loans in order to afford to stay in school; in 2008, 62% of all graduates from public universities had student loans[170]. More and more students in the entire student population are experiencing greater loan debts after graduating, and this has serious repercussions for these students in the short- and long-term. Today, student loan debt is higher than any other form of personal consumer debt. The U.S. total credit card debt is around $693 billion and car loan debt consists of $730 billion[171], but student loan debt trumps both with more than $1 trillion since the fourth quarter of 2011 according to the Consumer Financial Protection Bureau[172]. Its rapid growth can greatly be attributed to rising tuition costs; in 2011, College Board reported that tuition and fees at public colleges increased by more than $600[173].

There are certain specific demographics and characteristics that student loan borrowers share. The average amount of student loan debt per person is around $23,300[174]. The majority of student loan borrowers, around 67% are under 40 years of

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[170] The Project on Student Debt, "Quick Facts about Student Debt," News release, January 2010, The Project on Student Debt, http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources.pdf.
[171] Lee, Don, "Report on College Loan Delinquency Rate Raises Alarms," Los Angeles Times, March 05, 2012, accessed April 22, 2012, http://articles.latimes.com/2012/mar/05/business/la-fi-student-loan-delinquencies-20120306.
[172] Christopher, Jr., Chris G, *Student Loan Debt Becoming a Burden: Higher Debt, Poor Job Prospects Having an Impact on Marriage and Fertility Rates,* report, accessed April 21, 2012, http://www.businessweek.com/pdf/bfmCA17.pdf.
[173] Reynolds, Dean, "The Crushing Impact of Student Debt," CBS News, October 26, 2011, accessed April 22, 2012, http://www.cbsnews.com/8301-18563_162-20126148/the-crushing-impact-of-student-debt/.
[174] Lorin, Janey, "Student Loan Delinquency Reached $85 Billion in Third Quarter," Bloomberg, March 5, 2012, accessed April 22, 2012, http://www.bloomberg.com/news/2012-03-05/student-loan-delinquency-reached-85-billion-in-third-quarter.html.

age; 40% are younger than 30[175]. African-Americans have been shown to have the highest levels of student debt, as 16% of African-Americans graduated from higher education institutions with loans of $40,000 or more, while only 10% of whites, 8% of Hispanics, and 5% of Asians had loans that high[176]. Perhaps the most disturbing characteristic that many student borrowers share is their lack of full knowledge regarding financial aid and their available options. This past month, NERA Economic Consulting released a study they had done on "loan literacy" of high-debt student borrowers (defined as students who have loan debts higher than the national average of $25,000) who had both federal and private loan debts[177]. 65% of the study's respondents stated that they had misunderstood or were surprised by certain aspects of their loans or the student loan process; specifically, 20% found their repayment terms to be surprising or unclear, 20% felt that way about the amount of their monthly payments, and 15% said the same about the loans' interest rates[178]. Nearly 75% of these student borrowers who took out private and federal loans said they did not know the major differences between the two kinds of loans[179]. One study respondent who owes $70,000 for a federal student loan stated:

> 'Obviously, I understood that I would have to repay my loans upon graduation. However, I did not realize how much interest would take part…I know I was naïve in not considering the long-term when taking out loans originally, but I wanted an education, and my family was not able to support me financially. I feel now that I am being punished for my desire to pursue a higher

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[175] Dwoskin, Elizabeth, "Will You Marry Me (After I Pay Off My Student Loans)?" Bloomberg Businessweek, March 28, 2012, http://www.businessweek.com/articles/2012-03-28/will-you-marry-me-after-i-pay-off-my-student-loans.
[176] Lubrano, Alfred, "Highly Educated, Deeply in Debt," Philly.com, April 14, 2012, accessed April 22, 2012, http://www.philly.com/philly/news/special_packages/inquirer/147298675.html?viewAll=y.
[177] Whitsett, Healey C, *High Debt, Low Information: A Survey of Student Loan Borrowers,* report, 1, March 21, 2012, http://www.nera.com/nera-files/PUB_Student_Loans_0312.pdf.
[178] *Ibid*, 2.
[179] *Ibid.*

> education in that I do not foresee any relief from this debt, not until I'm nearing retirement, if retirement is even an option anymore.'[180]

For students who incur loans and do not graduate with an undergraduate degree, they actually can have higher levels of debt.

One of the most significant side effects of student loans on borrowers is the growing propensity for loan delinquency and defaulting. The Federal Reserve Bank stated this past March that nearly 1 in 4 borrowers have a past-due student loan balance[181]; about $85 billion of student loan payment was delinquent at the end of 2011[182]. The Bank also believes that this delinquency estimate could also be gravely underestimated since it includes federally guaranteed loans, which do not require repayment until six months after graduation and consist of the majority of student debt[183]. If these guaranteed loans were removed from the equation, the percentage of delinquent borrowers could possibly increase to 25%[184]. A study by the Institute for Higher Education Policy in March 2011 examined the issue of delinquency from the perspective of student loan borrowers. In 2005, about 48% of all student borrowers made timely payments, 21% delayed their payments through acceptable methods provided by the federal government, 16% became delinquent, and 15% became delinquent and also defaulted[185]. For student borrowers who obtained loans but did not graduate, they

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[180] *Ibid,* 10.
[181] Lee, "Report on College Loan".
[182] Lorin, "Student Loan Delinquency".
[183] Lee, "Report on College Loan".
[184] *Ibid.*
[185] Cunningham, Alisa F., and Gregory S. Kienzi, *Delinquency: The Untold Story of Student Loan Borrowing,* report, 5, March 2011, http://www.asa.org/pdfs/corporate/delinquency_the_untold_story.pdf.

experienced higher levels of delinquency and defaulting: 33% became delinquent, and 26% defaulted[186].

High, outstanding student loans also have several short- and long-term socioeconomic effects on its borrowers. Often times, the level of debt students incur during each school year is much too high for them to bear and therefore drop out temporarily or permanently in order to work off their loans; this phenomenon of decreased or delayed graduation rates due to overwhelming student loans will be discussed in the next chapter. If students do manage to graduate, they tend to find employment options that are the most financially beneficial to them, rather than what they would like to do. As W. Norton Grubb, a processor at UC Berkeley's School of Education, stated recently, "The debt levels are distorting what fields people are taking on"[187]. Additionally, delinquent or default loans leads to a series of domino effects that have much more serious consequences than being late or defaulting other kinds of loans. As Zac Bissonnette wrote on Time Magazine's website, "The loans can't be discharged in bankruptcy; there is no statute of limitations on collecting on the debt; and you can't settle them for pennies on the dollar the way you can with a defaulted credit-card debt. You also can't get a short sale or loan modification like you can with a house"[188]. As a result, there is a higher incentive to avoid defaulting on student loans than on any other loan. With regards to social and lifestyle trends, the economic forecasting firm HIS Global Insight has found that there is a growing number of Americans who are delaying marriage and starting a family that parallels the growth of student loan borrowers and the

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[186] *Ibid.*
[187] Lee, "Report on College Loan".
[188] Bissonnette, Zac, "Student Loan Delinquency Rate on the Rise," TIME.com, August 17, 2011, accessed April 22, 2012, http://moneyland.time.com/2011/08/17/student-loan-delinquency-rate-on-the-rise/.

size of their loans[189] since 2007. It reports that the median age at first marriage for males and females in 2007 was 27.5 and 25.6 years old respectively; by 2011, those numbers changed to 28.7 and 26.5[190]. With regards to fertility rates per 1,000 ages 15 to 44, they have decreased from 69.3 in 2007 to fewer than 65 in 2011[191]. The study also notes that many graduates, faced with increasing debt, tight credit conditions, and dire job prospects often return home and therefore do not contribute back to the economy through higher consumer spending[192]. A number of graduates then turn to packing on more debt by getting postsecondary degrees in hopes of landing higher-paying jobs: these students will add $14,623 of debt for a master's or doctorate degree from a public institution, $92,937 for a law degree, or $127,272 for going to medical school[193]. Graduates are also potentially stuck with student loan debt for much longer these days due to the current economic slump that has increased the unemployment rate to higher than 16% for 32 months straight; in April of 2010, it reached a record of 19.5%[194]. The depressed economy has been especially difficult for males, as a Wall Street Journal article noted that 18% of males between 16 and 24 years old were unemployed in September of 2011, while 15.3% of women in the same age group lacked employment at that time[195]. Furthermore, long-term unemployment has been shown to result in long-lasting

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[189] Dwoskin, "Will You Marry".
[190] *Ibid.*
[191] *Ibid.*
[192] Christopher, Jr., *Student Loan Debt.*
[193] Thom, "Student Loans by the Numbers," CollegeScholarships.org, September 24, 2009, accessed April 22, 2012, http://www.collegescholarships.org/blog/2009/09/24/student-loans-by-the-numbers/.
[194] Light, Joe, and Lauren Weber, "Generation Jobless: For Those Under 24, a Portrait in Crisis," The Wall Street Journal, November 7, 2011.
[195] *Ibid.*

psychological effects, such as mental and physical problems, reduced self-esteem, and even suicide[196].

There is little doubt that public universities and colleges are the sacrificing long-term benefits of providing higher education to all sectors of society for the short-term benefits of greater available revenue. This shift in focus by admissions offices and financial aid programs have widened the divide between low-income students and middle- and upper-income students as they are continuously experiencing greater obstacles put in their paths by these schools. As demonstrated, this has had and will continue to have serious implications for socioeconomic inequality and decreased mobility in the future of such students who have been denied access to higher education or have obtained a staggering amount of debt in exchange for their desire to educate themselves further.

[196] *Ibid.*

V. Implications for Public Higher Education Public Policy in the Future

Clearly, the public higher education system has been broken, and some are asking if it is even worth fixing. Economists, journalists, and even Presidential candidates have all espoused ideas that higher education is a burden not worth taking. Economists such as Richard Vedder of Ohio University and Robert Lerman of American University, political scientist Charles Murray, and James Rosenbaum, an education professor at Northwestern, have all advocated alternative programs, such as short-term vocational and career training, that will be as useful (if not more) for students who do not wish or cannot afford to go to college[197]. Such people cite the growth of jobs that do not require college degrees, such as registered nurses, home health aides, customer service representatives, and store clerks[198]. Rick Santorum, a prominent Republican candidate for the presidential election this year, recently sneered, "President Obama once said he wants everybody in America to go to college. There are good, decent men and women who go out and work hard every day and put their skills to test that aren't taught by some liberal college professor to try and indoctrinate them…he wants to remake you in his image"[199]. However, these critics are reducing the college experience to merely economic returns, and do not take into account other socioeconomic benefits that arise from receiving higher education.

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[197] Steinberg, Jacques, "Plan B: Skip College," The New York Times, May 15, 2010, http://www.nytimes.com/2010/05/16/weekinreview/16steinberg.html.
[198] *Ibid.*
[199] Henderson, Nia-Malika, "Rick Santorum Presses Culture Wars Attack," Washington Post, February 27, 2012, accessed April 22, 2012, http://www.washingtonpost.com/politics/santorum-presses-culture-wars-attack/2012/02/26/gIQAqSkicR_story.html.

Reconsideration of Public Higher Education as a Public Good

Public higher education once again needs to be considered as a public good by encouraging the general public and their influential lawmakers to fight for impactful public policy measures that will once again place public higher education at the forefront of this nation's priorities; the consequences of not doing so have serious long-term consequences that would derail the future of this country. A study conducted by the Institute for Higher Education Policy in 2005 studied the public and private benefits of higher education and discovered several important findings within economic and social realms. This specific study used the same framework the Institute of Higher Education used on a previous study, "Reaping the Benefits: Defining the Public and Private Value of Going to College", in 1998[200]. That study created a matrix that divided economic and social benefits by private and public sectors. In the public economic benefits box, higher education was shown to increase taxes, improve productivity, increase consumption, increase workforce flexibility, and decrease reliance on government financial support[201]. Public social benefits included reduced crime rates, increased charitable giving/community service, increased quality of civic life, increased social cohesion and greater appreciation of diversity, and an improved ability to adapt and use technology[202]. Within the private sector, economic benefits included higher salaries and benefits, greater employment, higher savings levels, improved working conditions, and greater personal

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[200] Institute for Higher Education Policy, *The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education,* report, 3, February 2005, http://www.ihep.org/assets/files/publications/g-l/InvestmentPayoff.pdf.
[201] *Ibid*, 4.
[202] *Ibid*.

and professional mobility[203]. In the private social realm, benefits included improved health and life expectancy, improved quality of life for offspring, better consumer decision-making, increased personal status, and more hobbies and leisure activities[204]. The 2005 update to the 1998 report further affirmed the original findings. With regards to private economic benefits, the study stated that "an individual's ability to earn more and to maintain employment correlates to higher levels of education"[205]. While states varied in the exact increase in earning potential due to having bachelor's degrees in terms of average personal income, all states showed positive increases[206]. With regards to unemployment, workers who only had high school diplomas demonstrated higher levels of unemployment than those who held bachelor's degrees, with an average of 6% and 3% nationwide, respectively[207]. For the category of public economic benefits, there was a noticeable reduction of reliance on public financial assistance: "[o]verall, more people with a higher school diploma reported receiving public assistance in every state than those with a bachelor's degree, and in 28 states no one with a bachelor's degree reported receiving public assistance in the prior year"[208]. For private social benefits, 93% of respondents with a bachelor's degree reported that they were in "excellent, very good, or good" health, only 82% of respondents who had high school diplomas responded with the same answer[209]. As for public social benefits, 36% of holders of bachelor's degrees participated in volunteering at some point in their lives while 21% of high school diploma holders did the same; additionally, more respondents with bachelor's degrees voted than

[203] *Ibid*.
[204] *Ibid*.
[205] *Ibid*, 7.
[206] *Ibid*.
[207] *Ibid*, 9.
[208] *Ibid*, 11.
[209] *Ibid*, 13.

their high-school-diploma-holding counterparts with 76% and 56%, respectively[210]. Clearly, a better-educated populace has far-reaching positive implications for individuals and society as a whole. It is important to note that the financial investment that federal and state governments in higher education are paid back in full or more because of the decreased need for financial funding in other aspects of life, such as healthcare, and individuals with bachelor's degrees obtain better paying jobs that then allow them to pump more money into the economy.

Potential Public Policy Changes in Federal Financial Aid

Public policy changes also must be made in the financial aid arena. Maximum Pell Grant awards should be increased to account for rising tuition prices, since they are covering less and less of total tuition costs over months and years. Pell Grants are also a major tool in providing high-achieving, low-income students an opportunity to receive quality higher education at a four-year public institution; by decreasing the financial weight that Pell Grants have in covering overall costs for such students will only further perpetuate greater socioeconomic inequality. Therefore, the Pell Grant program should be provided with greater funding and, in the same vein, more attention should be paid to providing federal/state-funded need-based grants that target low-income students rather than adopting financial aid policies that only assist middle-income students. Problems in the financial aid arena have become so troublesome that President Obama has recently proposed controversial financial aid changes in order to prevent higher education institutions from inflating tuition prices even further without reason. His plans include

[210] *Ibid*, 15-17.

increasing the federal limit for Perkins loans to $8 billion (it is currently set at $1 billion), creating a $1 billion grant competition for states that manage to keep tuition and college fees stable, as well as a $55 competition for colleges that place affordability and efficiency at the forefront of their priorities[211]. But perhaps most importantly, Obama's plan includes provisions to create a more detailed information sheet regarding various financial aid programs and packages that will allow prospective students and their families to have a clearer understanding what the kind of financial assistance they will be receiving and the repayment conditions of enrolled loans[212]. Clarity of financial aid options is a crucial factor for the financial health of students; for many low-income and minority students today, especially in California where the majority of public undergraduate students are children of immigrants; confusion about financial aid terms and agreements have serious consequences for them in the future. Far too often, these students do not read closely financial aid material closely enough and end up signing their lives away to loans that have extraordinarily high interest rates or are being controlled by predatory private lenders. With regards to high interest rates on federal student loans, President Obama is also pushing hard to keep low interest rates for the time being; on July 1st of this year, the interest rate is set to double to 6.8% if Congress does not pass legislation stopping the interest rate increase[213]. In previous years, Obama has also pushed for a more student-friendly financial aid agenda by successfully stopping federal subsidies to private student lenders and instead providing direct federal lending to

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[211] Lewin, Tamar, "Obama Plan Links College Aid With Affordability," The New York Times, January 27, 2012, http://www.nytimes.com/2012/01/27/education/obama-to-link-aid-for-colleges-to-affordability.html.
[212] *Ibid*.
[213] Lewin, Tamar, "Student Loan Interest Rates Loom As Political Battle," The New York Times, April 20, 20, http://www.nytimes.com/2012/04/20/education/student-loan-interest-rates-loom-as-political-battle.html?src=un&feedurl=http%3A%2F%2Fjson8.nytimes.com%2Fpages%2Feducation%2Findex.jsonp

students in using the projected $61 billion in savings over 10 years for federal grants and other federal education programs[214]. Making improvements in how public higher education provides financial aid is a huge step towards removing some of the barriers that allow education inequality for low-income and minority students to persist in this day and age.

Education and Democracy

If improvements in public higher education are not made, the U.S. will seriously compromise its values of democracy and education. Without a doubt, the two are very much interconnected. As John Dewey wrote in 1903,

> 'In education meet the three most powerful motives of human activity. Here are found sympathy and affection, the going out of the emotions to the most appealing and most rewarding object of love-a little child. Here is found the flowering of the social and institutional motive, interest in the welfare of society and in its progress and reform by the surest and shortest means. Here, too, is found the intellectual and scientific motive, the interest in knowledge, in scholarship, in truth for its own sake, unhampered and unmixed with any alien ideal. Copartnership of these three motives-of affection, of social growth, and of scientific inquiry-must prove as nearly irresistible as anything human when they are once united. And, above all else, recognition of the spiritual basis of democracy, the efficacy and responsibility of freed intelligence, is necessary to secure this union.'[215]

Only through education can democratic principles be taught to and instilled within every individual in the U.S. Alexis de Tocqueville described democracy and democratic laws in his renowned book, *Democracy in America*, as laws that "generally tend to promote the welfare of the greatest possible number; for they emanate from the majority of the

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[214] Ferraro, Thomas, "Congress Approves Obama's Overhaul of Student Loans," Reuters, March 25, 2012, http://www.reuters.com/article/2010/03/26/usa-studentloans-idUSN2418677420100326.

[215] Dewey, John, "Democracy in Education," *The Elementary School Teacher* 4, no. 4 (December 1903): 203-204. http://www.jstor.org/stable/pdfplus/992653.pdf?acceptTC=true.

citizens, who are subject to error, but who cannot have an interest opposed to their own advantage"[216]. Therefore, higher education public policy is clearly an extension of democratic laws by producing the greatest good for the greatest amount of people. In 1947, President Harry Truman appointed a Presidential Commission on Higher Education in 1946 in order to "reexamine our system of higher education in terms of its objectives, methods, and facilities; and in the light of the social role it has to play"[217]. The Committee's report in 1947, entitled "Higher Education for Democracy: A Report of the President's Commission on Higher Education" stated the following regarding education:

> 'It is a commonplace of the democratic faith that education is indispensible to the maintenance and growth of freedom of thought, faith, enterprise, and association. Thus the social role of education in a democratic society is at once to insure equal liberty and equal opportunity to differing individuals and groups, and to enable the citizens to understand, appraise, and redirect forces, men, and events as these tend to strengthen or weaken their liberties. In performing this role, education will necessarily vary its means and methods to fit the diversity of its constituency, but it will achieve its ends more successfully if its programs and policies grow out of and are relevant to the characteristics and needs of contemporary society. Effective democratic education will deal directly with current problems.'[218]

Higher education is where the seeds of democracy are sown, and these seeds come to fruition when men and women use the democratic values that they are taught to further the nation as a whole throughout their lives. Without higher education institutions, there would be no other place where freedom of discourse, thought and courses of action are considered and then pursued. It is imperative that public policymakers understand the key links between democracy and education, and that higher education plays a crucial

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[216] Tocqueville, Alexis De, *Democracy in America*, Translated by Henry Reeve, New York: A. A. Knopf, 1945.
[217] "Higher Education for Democracy: A Report of the President's Commission on Higher Education," Accessed April 22, 2012, http://www.ed.uiuc.edu/courses/eol474/sp98/truman.html.
[218] *Ibid.*

role in this country as a firm foundation for the democratic values that the U.S. places utmost eminence upon; how can citizens practice a true democracy when large segments of the population are not given the proper tools to understand and participate in a democracy? It is also important to remember that higher education does not occur in a vacuum; the well-being, success, and safety of this country depends on the technological and scientific innovations that these schools produce. As Gordon Davies wrote in his article for The Chronicle of Higher Education in 2001, "Education determines not only earning capacity but also the very quality of human life. Even longevity is correlated with educational achievement. In the broad sense of how well we live our lives—both individually and collectively—higher education is a public-health issue"[219]. Therefore, public universities and colleges should be reminded of the integral role they play in society and thus should make decisions that will benefit society as a whole rather than practicing self-serving methods focused on revenue growth.

The future of this country depends on the values and skills that are taught in higher education; now, more than ever, the U.S. needs an educated citizenry that will be able to succeed in today's ever-changing job market. In 2011, the industry sectors that experienced the greatest amount of job growth were in the healthcare and private education sectors, both which require a high level of education[220]. With regards to the healthcare industry, the Bureau of Labor Statistics predicted earlier this year that the U.S. will see a 5.6 million job uptick in healthcare and social assistance sectors; the next

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[219] Davies, Gordon K, "Higher Education Is a Public-Health Issue," The Chronicle of Higher Education, November 30, 2001, accessed April 22, 2012, http://chronicle.com/article/Higher-Education-Is-a/18887/.
[220] Khimm, Suzy, "Which Industries Had the Best Job Growth in 2011?" Washington Post, January 06, 2012, accessed April 22, 2012, http://www.washingtonpost.com/blogs/ezra-klein/post/which-industries-had-the-best-job-growth-in-2011/2012/01/06/gIQAszAQfP_blog.html.

largest predicted job growth will be in professional and business services[221]. As a result, federal and state public policy must ensure that public higher education institutions receive the financial funding and assistance they need in order to prepare tomorrow's work force to the best of their abilities. If, on the other hand, federal and state governments continue this trend of allowing public institutions, such as public higher education colleges and universities, to shrivel from decreased public funding, more and more public goods will become privatized to the point that only those with deeper pockets will be able to afford. Socioeconomic inequality will continue to rise, and will effectively demonstrate that the democracy so valued in this country will become nothing more than a half-forgotten dream.

[221] Rampell, Catherine, "United States of Health Care," Economix Blog, February 1, 2012, accessed April 22, 2012, http://economix.blogs.nytimes.com/2012/02/01/united-states-of-health-care/.

Conclusion

The federal government promoted higher education as a public good through its historic public policies that allowed public higher education institutions to exist and be funded through federal dollars. California emerged as a golden symbol of what public higher education could achieve: access, opportunity and choice for every American citizen, regardless of the socioeconomic background, to receive quality higher education at a minimal price. But as time went on, higher education in the context of national priorities began to fall lower and lower on the totem pole; federal funding and state appropriations began to fall and public universities and colleges quickly realized that the covenant they held with federal and state governments and the public was rapidly deteriorating. And so began an era of privatized public higher education: providing equal access and choice to low-income students came second to seeking out greater revenue for public institutions.

Public universities and colleges are now turning their backs on the very people whom they were meant to serve and perpetuating socioeconomic inequality within society by creating a deeper division between the haves and have-nots. The consequences of these kinds of actions will only serve to hinder the social, economic and political well-being of this country. If the U.S. continues down this path of denying higher education the proper funding and political support that it needs, then it will truly be a sad day when the institution of public higher education, which has benefitted millions of Americans, comes crashing down.

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