



MAKE COLLEGE AFFORDABLE **...By Renewing States' Investment in Higher Education**

Public colleges and universities are the backbone of our higher education system, and today more than three-quarters of college students in the U.S. are enrolled in a public school.¹ State support for higher education, however, has fallen off dramatically. In the last 25 years, average state funding per student dropped 24%.² That leaves families and the federal government to make up the difference.

States must renew their focus on higher education and provide relief from high borrowing costs by:

- **Ending state disinvestment in higher education.** Reduced state support for higher education is driving up tuition prices and increasing borrowing, as well as increasing the strain on federal education programs.³ If states want federal financial aid dollars, they should be required to maintain minimum levels of investment in their own schools.
- **Implementing state-federal partnerships to support public higher education.** The federal government should directly partner with states to support colleges and universities. As with the interstate highway system, federal support can be used to incentivize states to increase their own investments, as well as bring down prices and improve outcomes for students.
- **Refinancing student loans.** The federal government and private banks hold billions of dollars in student loans at interest rates much higher than government borrowing costs.⁴ States can provide immediate relief by creating state-level refinancing programs for residents. A North Dakota program implemented by a Republican governor has refinanced more than \$125 million in loans so far, providing a break to nearly 3,000 borrowers, in just 8 months.⁵ The federal government can help jumpstart these programs by clarifying rules about using tax-exempt bond authority to refinance these loans.

¹ National Center for Education Statistics, "Undergraduate Enrollment," 5/15, Figure 4, https://nces.ed.gov/programs/coe/indicator_cha.asp

² State Higher Education Executive Officers, *State Higher Education Finance: FY 2014, 2015*, p. 24 <http://www.sheeo.org/sites/default/files/project-files/SHEF%20FY%202014-20150410.pdf>

³ Center for American Progress, "State Disinvestment in Higher Education Has Led to an Explosion of Student-Loan Debt," 12/3/14 available at <https://cdn.americanprogress.org/wp-content/uploads/2014/12/BaylorStateDivestment.pdf>

⁴ David P. Smole, CRS, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, 1/21/15; CFPB, *Private Student Loans*, 8/29/12 http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf; GAO, "Federal Student Loans: Borrower Interest Rates Cannot Be Set in Advance to Precisely and Consistently Balance Federal Revenues and Costs," 1/14 <http://www.gao.gov/assets/670/660548.pdf>

⁵ Prairie Business, "Student Loans: Lessening the Student Loan Load," 1/30/15 <http://www.prairiebizmag.com/event/article/id/22550/>