



MAKE COLLEGE AFFORDABLE

...By Changing Incentives to Ensure that Colleges Put Students First

While colleges face powerful incentives to attract more students and bring in more federal aid dollars, there is far less pressure to hold costs down or to ensure that their services are worth the price.¹

Congress must change incentives for colleges to improve educational outcomes and keep costs down for students by:

- **Requiring colleges to share in the risks from student loans.** Today, colleges reap all the benefits of taxpayer-backed student loans, while students and taxpayers bear all the risk.² Risk-sharing can encourage colleges to take action to prevent defaults, which means keeping costs down and supporting at-risk students. Increased accountability can also be paired with a streamlined set of reporting measures to replace overly burdensome reporting requirements and regulations.
- **Implementing a rule against taxpayer waste to make sure colleges spend more on education and less on unrelated expenses.** Taxpayers spend about \$164 billion a year on college to help support affordable education for our young people³ – not to buy exploding numbers of administrators or elaborate college marketing departments. If colleges want access to that taxpayer money, then they should commit to investing a minimum portion of their federal financial aid revenues in an affordable education for their students.
- **Rewarding colleges that keep costs down.** A “shared savings” model where colleges get a portion of the savings generated through the more efficient use of federal money will give colleges an incentive to cut costs. For example, when colleges help more students graduate in four years instead of five or six, the students save money on tuition and the government saves money on Pell Grants, work-study, and other aid. If colleges can share in the savings, they will have an added incentive to keep down costs.

¹ Senate Committee on Health, Education, Labor & Pensions, “Risk-Sharing/Skin-in-the-Game Concepts and Proposals,” 2015 available at http://www.help.senate.gov/imo/media/Risk_Sharing.pdf

² Senate Committee on Health, Education, Labor & Pensions, “Risk-Sharing/Skin-in-the-Game Concepts and Proposals,” 2015 available at http://www.help.senate.gov/imo/media/Risk_Sharing.pdf

³ College Board, Trends in Student Aid 2014, “Total Student Aid and Nonfederal Loans in 2013 Dollars over Time,” 2014 <http://trends.collegeboard.org/student-aid/figures-tables/total-student-aid-nonfederal-loans-2013-dollars-time>