

UNDERSTANDING HIGHER EDUCATION FINANCE

INTERVIEW WITH SANDY BAUM SENIOR FELLOW, EDUCATION POLICY PROGRAM, URBAN INSTITUTE

As part of a project on higher education finance supported by the Bill and Melinda Gates Foundation, Nate Johnson interviewed a number of experts and leaders to gather different perspectives on how major budget choices are made. The interviews have been condensed for publication so that the key insights are available to anyone who is interested.

This interview with Sandy Baum, author of Student Debt: Rhetoric and Realities of Higher Education Financing (2016), addresses federal student aid issues and ways to make the investment more efficient, more effective, and more transparent. Baum and Johnson also discuss alternative pathways, traditional-aged and adult students, and eliminating tax credits.

Over the last several years, has there been anything that you've significantly changed your position on or changed your mind about as a result of what's been happening in the higher education world or some insight you've had that you found surprising with regard to student debt?

I'm just finishing up a book that I'm co-authoring with Harry Holzer on educational outcomes for disadvantaged students. This is an issue that I haven't really worked that much on in terms of looking at differences between academic and occupational preparation programs at community colleges, and thinking about how community colleges could be structured better to improve completion rates.

I have come to think that alternative pathways are extremely important, that we have to be very careful about trying to get everybody to college regardless of their goals, preferences, and preparation. For too many students, the college route is just not working so well. I have been thinking more about solutions that supplement financial solutions and recognizing that financial solutions are important but certainly not the silver bullet.

Are there ways in which you think that, in addition to just the size of the gaps in affordability, the major financial aid programs—or the way we think about costs—are not well set up for the alternative pathways that you're looking at?

There's a serious problem with the need-analysis system in the sense that it's designed to figure out how much parents can afford to send their kids to college, and we sort of jury-rigged it to work for older independent students.

But the description of the student aid system as discriminating against older students is actually inaccurate. The Pell Grant Program is pretty generous to independent students, at least if they have dependent students of their own. Certainly, there are things we need to think about, including the availability of

affordable child care and access to income support programs, that are particularly important for older students. The system must work both for younger students, most of whom enroll full-time, and older students, most of whom don't enroll full-time and don't have years of time to explore what they want to do. I think all those pathways are important, but thinking about financial aid in traditional ways doesn't have to mean focusing on traditional students.

What are a couple of the examples of the alternative pathways that you're starting to think are more promising?

In doing away with the historical tracking into vocational education programs in high schools, we did away not only with the tracking, but with the opportunity that students had to become ready for the labor market when they finished high school. That's pretty hard to do now. Thinking in creative ways about how students can be successful whether or not their choice is to go straight to college, or even ever go to college, is really important. It's just thinking about helping people to make decisions, and to make decisions that are suited to their needs and preferences and capacities.

What do we do with the large population of adults for whom, whatever choices they made earlier, whether it's not going to college at all or going to a program that's no longer relevant to their employment prospects, what do we do with that large population of adults?

The aid system needs to be simplified and be more transparent and more predictable for everybody. That doesn't mean that it's going to be identical for everybody. It certainly has lots of flaws. It's not that we're not funding older students; we are. If you're an older student and you don't have dependents of your own, you have a lot of trouble qualifying for federal financial aid, but if you do have children of your own, probably you're going to get relatively generous aid. I don't mean generous in the sense like you're not going to have trouble, but generous relative to what you would get if you were a dependent student.

There are lots of things I would do to reform the federal student aid system for everyone. The incentives embodied in it for timely completion are lacking. There are ways that I think the system needs to be changed, but the basic idea that we're giving the money to younger traditional students, but not to older part-time students, that just does really not appear to be the case.

Are there programs that could be scaled up for either traditional age students or adults?

The federal government should provide direct incentives to institutions to improve their outcomes, particularly for disadvantaged students, then let students use their financial aid to pay for institutions that meet a rigorous set of standards. The initial suggestion that came out of the Obama administration to use a ratings program to adjust federal aid students receive depending on the program in which they enroll—I thought was just such a terrible idea. Students don't make their choices that way, and punishing students for institutional shortcomings seems very problematic to me.

How do we make sure there are more apprenticeship programs? How do we make sure that community colleges offer the programs that are in demand for occupations that are going to pay well in the labor market? That has to be done directly. That cannot be done through student aid.

You are, then, talking about a shift from student funding to some kind of institutional funding because of the gap between the cost of offering the kinds of programs low-income students need and the value of the current federal Pell voucher, essentially.

I'm not advocating taking money away from Pell Grants to provide these incentives to institutions. I would say, provide those targeted subsidies to institutions that succeed in educating these students, but that's not in place of giving money to students.

A lot of what happens later in life is based on the connections that you make in your younger years, including college, which can be a place where you meet the person who you eventually marry, or you meet business partners, or you meet future customers, or you don't meet those people. I'm wondering how that dimension of what college does for people in our society is something that you think about when trying to figure out what an equitable system of access and financial aid looks like.

One of the problems is that, and I don't know when this happened, but the fact that we use the word "college" to describe everything anybody does after high school. When you get the governors of all these states saying, "People, we don't need any more philosophers, we need welders"—this is a terrible thing. We need philosophers and we need welders. I think as many people as possible should have a broad educational grounding.

What we talked about and what you just described as the socializing component of college, that's obviously true if you go off to a residential campus and live in a dorm and are part of a community, but it's really not true if you're sitting home at your computer in your pajamas taking courses and never meeting a professor or another student, right? Some educational paths include that and some don't, and we certainly want access to those paths not to be dependent on your socio-economic background.

The question is, how much time does it take? How much does it cost? How do we best structure opportunities for people who are not, at this point in their lives, academically oriented? I think those are complicated questions. You have lots of people saying, we just need to train people for jobs, forget all this abstract wasted stuff, and then you have people saying, everybody should go and live on a college campus, and of course, that's not realistic either.

It never seems to quite work where the middle or upper-middle income students are going into more vocational or technical programs. It always sort of becomes a solution for poor people. To some extent is that inevitable, or is there a way to make that tracking process, to use a politically incorrect term, more "equitable"?

One problem is, for many middle- and upper-income kids who don't go into vocational programs but should, parents think they just have to go to college, and they go to a 4-year college and they flunk out, or they're just miserable. Then they have nothing, and they didn't go into a vocational program because of the stigma attached to it.

If we could really strengthen those programs, and, in fact, if we could require everybody in high school to do something that has a vocational component—because there's no reason why everybody shouldn't do something like that as part of their curriculum—then maybe we would open that door to more affluent students instead of having them waste their time just going to campus and drinking instead of learning anything.

How do we make sure that that system doesn't just result in exacerbating the inequalities coming out of the K-12 system?

One of the biggest things we could do is stop giving people vouchers to go to worthless institutions. All these institutions that no one with any money would ever go to, and yet we allow people to go there, and that makes them worse off. We don't need to do that.

Of course, there are many more low-income students who could go to more selective 4-year colleges, and we should make that more possible, but the fact is, very few students go to selective 4-year colleges anyway, and while more low-income students could, at this point in their lives, succeed there, this is not the solution for most people. It's important for more students to follow this route. But that's not going to solve the social inequality problems.

The tragedy is that there are many 20-year-olds who, in a different household, in a different neighborhood, in a different elementary/ secondary school, would have all kinds of opportunities open to

them now. But now that they're 20, some options are just not realistic. For some of them, remediation can solve the problem, and we should do the best we can to make that work for as many of them as possible. For some of them, whatever their innate capabilities, it's not going to work, and I would rather be honest about that, and find other options besides getting a college degree or a postsecondary credential in order to have a reasonable life.

Is the best solution to work on supporting better programs? Is it better to support institutions by funding programs that allow them to improve or to support students to go to a different institution?

You need both.

You say that eliminating tax credits or shifting them to direct spending on students or institutions is a political non-starter. Do you still think that?

I do. In the perfect world, that's what we would do. We know that tax credits have very little impact on anybody actually going to college, or probably even going to a different college. It's not a good use of funds.

Maybe if there's some major overhaul of the federal income tax structure that does away with lots of provisions, that could happen. But I think it is more constructive to really make progress in reforming student aid. I'd be very happy if I'm wrong about this, but trying to eliminate tax credits doesn't seem like the best way to spend our energy. The policy could be improved and made somewhat more effective, and waste less money.

Dr. Sandy Baum is a fellow in the Education Policy Program at the Urban Institute and professor emerita of economics at Skidmore College and has coauthored the College Board's annual publications "Trends in Student Aid" and "Trends in College Pricing" since 2002. She writes extensively on the topic of higher education finance, is a member of the board of the National Student Clearinghouse, and has chaired study groups through the College Board and the Brookings Institution.