



BARACK OBAMA AND JOE BIDEN: MAKING COLLEGE AFFORDABLE FOR EVERYONE

"We need to put a college education within reach of every American. That's the best investment we can make in our future. I'll create a new and fully refundable tax credit worth \$4,000 for tuition and fees every year, which will cover two-thirds of the tuition at the average public college or university. I'll also simplify the financial aid application process so that we don't have a million students who aren't applying for aid because it's too difficult. I will start by eliminating the current student aid form altogether - we'll use tax data instead."

[Barack Obama, Reclaiming the American Dream Speech, Bettendorf, IA, 11/7/07]

BARACK OBAMA AND JOE BIDEN'S PLAN TO PUT COLLEGE WITHIN REACH

To be successful in the 21st Century economy, America's workforce must be more innovative and productive than our competitors. Giving every American the opportunity to attend and afford and be successful in college is critical to meeting that challenge. As tuition costs swell and grant-aid fails to keep pace, students and their families are having a harder time paying for college.

- College costs have grown nearly 40 percent in the past five years
- 60 percent of all college graduates leave college with debt.
- The average graduate leaves college with over \$19,000 in debt
- Between 2001 and 2010, 2 million academically qualified students will not go to college because they cannot afford it.
- Only 12 percent of Hispanics and 16 percent of African Americans eventually earn a bachelor's degree – compared with 33 percent of White students. The rising cost of college is a factor in this disparity.

These trends not only threaten our competitiveness in the global marketplace, but also our ability to maintain and improve our economy at home. Barack Obama and Joe Biden will reverse these trends by making sure that a college education is affordable and within the reach of every American.

Create the American Opportunity Tax Credit: Barack Obama and Joe Biden will make college affordable for all Americans by creating a new American Opportunity Tax Credit. This fully refundable credit will ensure that the first \$4,000 of a college education is completely free for most Americans, and will cover two-thirds the cost of tuition at the average public college or university. And by making the tax credit fully refundable, the Obama-Biden credit will help low-income families that need it the most. Barack Obama and Joe Biden will also ensure that the tax credit is available to families at the time of enrollment by using prior year's tax data to deliver the credit at the time that tuition is due, rather than a year or more later when tax returns are filed. Recipients of this credit will be required to conduct 100 hours of public service a year, either during the school year or over the summer months.

Simplify the Application Process for Financial Aid: The application process for financial aid is cumbersome and evidence shows it may be a reason why students never apply for college. Research has shown that the low take-up rate of the Pell Grant and HOPE and Lifetime Learning tax credit programs is likely due to the complexity of the application process. The current Free Application for Federal Student Aid (FAFSA) is 5 pages and 127 questions – making it longer and more involved than many federal tax returns. Not surprisingly,

over 1.5 million high school students failed to apply for aid in 2004, despite being eligible for a Pell Grant. A recent study by Susan Dynarski and Judith Scott-Clayton found that the costs of complexity in our financial aid processes fall most heavily on low-income, non-white, and non-English speaking youth. Barack Obama and Joe Biden will simplify the financial aid process by eliminating the FAFSA and its complicated calculations altogether. Instead, aid would be based on a much simpler yet equally accurate formula, so that students can predict their eligibility well in advance. The aid process will be streamlined by enabling families to apply simply by checking a box on their tax form, authorizing their tax information to be used and eliminating the need for a separate application.

Help Students Become Aware of College Readiness: Another common reason that high school students decide not to attend college is that they discover they are unprepared for it in 12th grade. By that time, it is too late for many of them to do anything to address the problem before they graduate. Some states have developed an Early Assessment Program that enables 11th graders and their families to ascertain if they are on track to be college ready by the time they graduate. The voluntary test and the presentation of results are specifically designed to inform students what they need to do to prepare for college while they still have time to do it. This program will increase college readiness and is voluntary. Barack Obama and Joe Biden will provide \$25 million annually in matching funds for states to develop Early Assessment Programs. These funds will also promote state efforts to raise awareness about the availability of federal and state financial aid programs.

Expand Pell Grants for Low-Income Students: Two decades ago, the maximum Pell Grant covered 55 percent of costs at a public four-year college, compared with only 32 percent today. The first bill Barack Obama introduced in the U.S. Senate would have helped make college more affordable for many Americans by increasing the maximum Pell Grant from the limit of \$4,050 to a new maximum of \$5,100. Obama has worked in a bipartisan way on the Senate Health Education Labor and Pensions Committee to achieve an increase in the Pell Grant to \$5,400 over the next few years. As president, Obama will continue to work to ensure that the maximum Pell Grant award is increased for low-income students. Specifically, he will ensure that the award keeps pace with the rising cost of college inflation.

Community College Partnership Program: Community colleges are a vital component of our higher education system, serving 12 million people each year, almost half the undergraduate students in the U.S. Without community colleges, millions of people would not be able to access the education and skills they need to further education or succeed in the workplace. Barack Obama and Joe Biden will create a Community College Partnership Program to strengthen community colleges by providing grants to (a) conduct more thorough analysis of the types of skills and technical education that are in high demand from students and local industry; (b) implement new associate of arts degree programs that cater to emerging industry and technical career demands; and (c) reward those institutions that graduate more students and also increase their numbers of transfer students to four-year institutions. These efforts will ensure that community college students are able to directly use their skills in the workforce following graduation, and be prepared to continue their higher education. And the grants will support programs that facilitate transfers from two-year institutions to four-year institutions.

Eliminate Costly Bank Subsidies: Currently, there are two basic college loan programs: the Direct Loan system, funded publicly, and the Federal Family Education Loan Program, funded privately by banks and lenders who receive subsidies and guarantees from the government. Privately funded loans cost more per loan than the Direct Loan program and provide no greater benefits. Barack Obama and Joe Biden will save taxpayer money billions by eliminating the more expensive private loan program, and directing that money into aid for students.