10 things Washington (and you) could do to make college more affordable

By: Chris Moody – May 23, 2013

So you're considering college but don't have the dough. Or maybe you're out of college now and still don't have the dough. You're not alone: In the past 30 years, the cost of a college degree has risen 1,120 percent and the number of people taking out loans to pay for it has skyrocketed.

The good news is that with a little creativity (and maybe even some help from Washington), you can make paying for college less onerous.

Below are 10 things that can be done to rein in the cost of obtaining a degree. The ideas come from a range of sources, including liberal, conservative and libertarian think tanks; Republican and Democratic politicians; artists; entrepreneurs; and dropouts. Some of the ideas here are controversial and, at times, contradictory.

But here they are, all in one place.

1. Don’t rely on your gut to determine where to go to school—look at the ROI

How many people do you know who chose a school because they liked the football team? Or because the school had a great reputation, even if it didn't offer an exceptional program in their chosen field of study? Maybe the deal-maker was that it gave them the best chance to get laid?

Instead, why not choose a school on the return on investment?

In their new book—“Is College Worth It?”—William J. Bennett and David Wilezol argue that when you look strictly at the return on investment, only about 150 out of 4,000 colleges and universities in the United States are actually "worth" the time, cost and debt.

"It's time for parents and students to look at the entire enterprise of higher education and ask how, when, where, for whom, in what studies, and at what cost is a college education appropriate," Bennett and Wilezol write in the book. "And if it is not appropriate, what are the alternatives? We're not saying, 'Don't go to college.' We're saying, 'Maybe you should go. It all depends. But if you go, go with your eyes wide open."

Attending college, of course, isn't merely a raw exercise for money: It's a time of personal growth and reflection and a place where you make lifelong relationships. But economics should play a role.

2. Speaking of data, the government should help make it more available

Elizabeth Akers, a fellow in the Washington, D.C.-based Brookings Institution's Brown Center on Education Policy, thinks the federal government should do more to make public statistics about educational degrees and their payoffs.

In February, the Obama administration launched a new College Scorecard, an online tool that provides financial information about colleges and universities, degrees and career paths. Users can type in their preferred regions, the size of the schools they prefer, the amounts they're willing to pay and the degrees they want, and the program will provide a range of options that fit the criteria.

Sounds cool! Thanks, Obama! But it still could work better.

"Unfortunately data on earnings and employment rates of graduates are missing from the reports but a placeholder for this information suggests a desire to develop this functionality," Akers wrote in an analysis of the program in February.

“The availability of information regarding the employment and financial outcomes of graduates has clear benefits at the individual level," she continued. "With [this information] prospective students can form realistic expectations about their own futures. This makes them able to effectively consider the tradeoff between costs of attendance and heightened future earnings."

The White House's efforts here could serve as a starting point for other agencies at both the federal and state levels to help potential college attendees choose where to put their hard-earned (or borrowed) money. The Department of Labor and the Bureau of Labor Statistics both have online tools to calculate what workers can expect to earn in a given field.

3. Mandate that colleges make information like tuition costs and rates of graduation more readily available

David Madland and Karla Walter of the liberal Center for American Progress write that “the federal government should require colleges and universities to do a better job of providing pertinent information to prospective students concerning their likelihood of graduating, finding employment, and paying off student debt. Schools should be required to direct students to this information on all promotional materials to allow students to easily compare schools.”

4. You don't have to go directly to college after high school

Who made it a rule that every teenager should sink tens of thousands of dollars into an expensive four-year venture before their brains are fully developed or they know what they want to study? In reality, nothing is stopping you from taking a year "off" to work.

Working first could result in needing to borrow less money for college. If you want to make money quickly and you have a sense for adventure, consider a labor-intensive job, such as on North Dakota's oil fields or a commercial fishing gig in Alaska. The pay is good, and it doesn't require formal educational experience. Once you begin college, you could even use your contacts at those jobs to secure summer work, which would allow you to pay for your semester beforehand in cash instead of taking out high-interest loans.

5. Consider attending a 'Work College'

The federal government recognizes seven "Work Colleges" in the United States where students simultaneously study while working for the school. The result: no tuition and no debt.

On the presidential campaign trail in 2012, Newt Gingrich spoke often about the College of the Ozarksin Missouri, for example, where students work 15 hours per week and spend two weeks working 40 hours while studying. At the end of four years, students not only escape debt-free, but they also have a work-filled resumé to boot.

6. Work for the government or a nonprofit group after college graduation

Since 2007, the Public Service Loan Forgiveness Program has allowed loan-burdened graduates who work for the government or 501(c)(3) nonprofit groups to have part of their federal loans paid off by taxpayers. Those who take jobs in public service must first make "120 on-time, full, scheduled, monthly payments" to qualify.

7. Congress can keep interest rates on student loans low and predictable

Because Congress voted to temporarily lower federal student loan interest rates to 3.4 from 6.8 percent, lawmakers are repeatedly tasked with keeping the rates low. The uncertainty of the quick fix turns the issue—which would have real-life consequences for those paying down federal loans—into a political football that could be avoided if Congress could agree to something more permanent.

Lawmakers are planning to vote on a proposal from Minnesota Republican Rep. John Kline that would tie interest rates to U.S. borrowing rates. To be sure, the policy would increase rates for graduates, but it would also provide some consistency in what has long been a policy fraught with uncertainty.

8. The government can use carrots to incentivize lower tuition costs

In 2012, President Barack Obama outlined a plan to reward colleges that lower costs with campus-based aid. The proposal, which would require congressional approval, would give colleges that offer competitive tuition rates more access to the low-interest Federal Perkins Loan, a new grant competition program, and would increase funding for work-study opportunities.

"Let me put colleges and universities on notice: If you can't stop tuition from going up, the funding you get from taxpayers will go down," Obama said at his 2012 State of the Union address. "Higher education can't be a luxury—it's an economic imperative that every family in America should be able to afford."

9. Get the federal government out of the student loan business altogether
Wait, what? It sounds counterintuitive, but hear this out: Contrary to conventional wisdom, conservative and libertarian education policy analysts have long argued that the reason college costs so much is that the government is driving up those costs by subsidizing them in the first place.

Neal McCluskey, associate director of the libertarian Cato Institute's Center for Educational Freedom, explains that one major reason colleges are doing little to rein in costs is that they don't have to. Costs continue to rise, and federal subsidies tag right along.

"There are many cost-driving excesses in higher education—luxurious dorms, unused classroom space, growing bureaucracies, expensive academic journals, and the list goes on—that are intermediate causes of the college cost problem," says McCluskey. "They are all, however, undergirded by a single reality: You can't charge an arm and a leg unless people can pay it, and to curry favor with colleges, kids, and parents Washington ensures that those limbs keep coming, taking them from taxpayers and giving them to students and schools."

The growth in federal student aid makes this clear. According to data from the College Board, real federal aid—including grants, loans and tax credits—ballooned from $48.7 billion in the 1996-97 academic year to almost $86.3 billion in 2006-07, a 77 percent leap. On a per-pupil basis, aid per full-time-equivalent student—most of which came through Washington—rose from $6,627 to $9,499, a 43 percent increase. Meanwhile the per-pupil cost of tuition, fees, and room and board rose 29 percent at private four-year schools, from $25,031 to $32,307, and 41 percent at public four-year institutions, from $9,657 to $13,589. In other words, college prices kept rising because aid made sure they could.

10. Crowdsource for more ideas and don't be afraid to think outside the box

Generation Opportunity, an advocacy group that represents millennials, recently asked its 1.5 million-member Facebook group for ideas about what could be done to lower college costs. The post prompted more than 1,000 responses, from joining the military for scholarship money to working through school without taking on loans.