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SENATOR EDWARD M. KENNEDY OPENS FLOOR DEBATE ON COLLEGE COST REDUCTION AND ACCESS ACT

(As Prepared for Delivery)

As I said when we began our debate this morning, our nation has always looked to education as the pathway to progress and prosperity. After John Adams recognized education as a fundamental right in the Massachusetts constitution, we embraced this view in my home state by creating the first college and first public school in the nation.

A few decades later, legendary reformers such as Horace Mann, first recognized that public schools would be the “great equalizer” that delivers opportunity for all to fulfill their potential.

At the height of the Civil War, Abraham Lincoln signed the legislation creating the land-grant colleges and made a commitment on behalf of the nation to the education of the children of our country.

During the Industrial Revolution, we rose to the challenge once again. We established free public schools. At the turn of the last century, we founded public high schools to enable the nation to move forward.

And after the Second World War, we passed the GI Bill to enable those who served in war to rebuild their lives at home. For every dollar we invested, the Greatest Generation returned $7 for our economic growth.

The landmark success of the GI Bill shows us what a difference higher education makes. The bill granted World War II veterans up to $500 each term – the equivalent of $5,600 today. It swung the gates to college wide open – and half of all veterans went through those gates determined to create a new life for themselves and their families.
More than five million veterans received vocational education or job training, and more than two million attended college.

In 1940, the average GI was just 26 years old and had attended only one year of high school. The bill even enabled many of these GIs, who had served the country so magnificently, to become professionals.

In 1957, we were called to action once again. The Soviet Union began a new Space Age with the launch of Sputnik. We rose to the challenge by passing the National Defense Education Act, and by inspiring the nation to land on the moon. We doubled the federal investment in education.

Today, we need a similar bold new commitment to enable the current generation of Americans to rise to the global challenges we face. The Higher Education Conference Report we consider today makes that commitment. Today, we’ll help millions of students achieve the American dream by providing $20 billion in new college aid – the biggest increase in student aid since the GI Bill.

Just a few weeks ago, the Senate overwhelmingly voted to approve this bill. Let’s look at what the Senate bill did:

- It provided a historic increase in need-based grant aid, by raising the maximum Pell Grant by almost $1,100 over the next five years, to $5,400 from $4,310 today.

- It provided new student loan repayment options that allow borrowers to cap their loan payments at 15 percent of their monthly discretionary income.

- It offered loan forgiveness to borrowers who work for 10 years in a variety of public service jobs. This includes public school teachers, law enforcement and emergency management professionals, social workers, librarians, prosecutors and public defenders, public health doctors and nurses, and child care workers.

- It protected working students by not penalizing their earnings, by raising the “income protection allowance” from $3,000 to $6,000 for dependent students, and increasing it by 50 percent for independent students.

- It initiated a new program that provides matching grants to states so they can provide more college access activities to students.

Our Senate bill provided all these benefits at no cost to the taxpayer – by cutting the outrageous subsidies the government gives to lenders. We gave that money to the students, where it belongs.

The Conference Report we consider today maintains all these benefits to students. But it does even more for students.

In addition to the benefits I’ve just described, the College Cost Reduction and Access Act:

- Cuts interest rates on new subsidized Stafford loans for undergraduates from 6.8 percent to 3.4 percent by 2011 – a step which will help millions of students manage their student loan debt more effectively.

- It provides scholarships of $4,000 per year to high-achieving college students who commit to teaching high-need subjects like math and science in high-need schools.

- It provides more than $500 million to support Historically Black Colleges and Universities, Hispanic Serving Institutions, and other colleges that serve minority students.

- It increases funding for the Upward Bound program by more than $200 million, which will help provide tutoring and other support services to help disadvantaged high school students prepare for, apply to, and succeed in college.

This is the bold commitment that our students and families deserve, and it couldn't come at a better time. We all know that a college education is more important than ever, but it's never been more expensive. The cost of college has tripled in the last 20 years.

Yet, family incomes are not keeping up with rapidly-rising college prices. Last week, the Census Bureau released new data showing that median household income in America increased just seven-tenths of one percent last year. Meanwhile, the cost of college increased 6 percent.

In fact, over the last twenty years, the cost of college has increased more than twice as fast as median household income. Since 1986, costs have increased by 216 percent at public colleges, and 208 percent at private colleges. But median household income has gone up just 93 percent over that same time.

During the same period, grant aid has not kept up pace with increasing costs.

Twenty years ago, the maximum Pell Grant covered 55 percent of costs at a public four-year college. Today, it covers only a third of those costs.

The gap between the maximum Pell grant and the cost of attendance at 4-year public colleges has increased almost $3,500 since 2001-2002. Today the gap is $8,746.

For years, under Republican control of Congress, the maximum Pell Grant was stuck near $4,000. Earlier this year, Democrats increased the maximum grant to $4,310. But that's far from enough.

Increasing costs and stagnant grant aid are closing the doors to college for many middle-income and low-income students and families.

The lowest income students on average have an unmet need of $5,800. [CHART] Each year, 400,000 students don't attend a 4-year college because they can't afford to do so.

It's shameful that low-income students – even those who have worked hard and done well in high school – are less likely to attend and complete college than high-income students. Just one fifth of low-income eighth graders will graduate from college. But 68 percent of high-income students will do so.

That's unacceptable.

By providing the biggest increase in student aid since the passage of the G.I. Bill, our bill will help close these gaps. Of the $20 billion in college aid that our bill provides overall, $11.4 billion is allocated for additional grant aid.

Our bill immediately increases the maximum Pell grant by $500 next year, to $4,800 from $4,310. By 2012, the maximum Pell Grant will increase to $5,400.

Who will be helped by this bill? It will help students like Sara, who was a first-generation college student. She graduated from Norfolk State University and earned her Master's degree with the help of the Pell Grant and other aid programs. Sara says that the Pell program helped her family know that a better day was coming for them.

This bill will help students like Natalie, from Massachusetts, who's a single mother enrolled in college for the first time. She says that without Pell grants, she "would be stuck in this way of life, with no 'light' to look forward to…knowledge is power and education is key."

More than 5 million students rely on the Pell grant – 5 million.

This bill provides the help and assistance that millions of Americans need in order to access and afford a college education. This increase in aid is long overdue.

But we cannot stop there. Students and families also need our help to manage the crushing burden of student loan debt.

As the cost of college continues to rise, the crisis of student loan debt is growing worse. In 1993, fewer than half of all students took out loans to finance their education. But today, more than two-thirds of students borrow for college.

Today, the average student leaves college with more than $19,000 in student debt.

This mountain of debt is distorting the basic life choices of countless Americans. It's forcing them to delay getting married, delay buying a home, and delay starting a family. It's discouraging many young people from choosing careers in fields such as teaching, social work and law enforcement – the low-paying but vital jobs that bring large benefits to our society.

No student should have to mortgage their future in order to pay for higher education. That is why our bill also cuts interest rates in half – to 3.4 percent from 6.8 percent – on new subsidized Stafford Loans for undergraduates, which goes to the neediest students.

By cutting the rates in half, we reduce the interest rate on these loans to some of the lowest levels ever in the history of the federal student loan program. These reductions will provide much-needed help to the 5.5 million students who take out subsidized student loans each year.

Reducing interest rates will clearly help students. Under a standard 10-year repayment plan, a borrower with $18,000 in subsidized loans will have their interest payments reduced by 35 percent, from almost $6,900 to less than $4,500. That student will save almost $2,400 in interest payments.

Borrowers who consolidate their subsidized loans will save even more. For example, a borrower with $13,800 in subsidized student loan debt – the average amount – will save $4,400 over the life of their loan.

Our income-based repayment plan – which gives borrowers the option of capping their loan payments at 15 percent of their monthly discretionary income – will help save borrowers even more.

And when it's combined with our public service loan forgiveness plan, the help we'll provide to students will be truly remarkable. Teachers, emergency management technicians, law enforcement professionals, public health doctors, nurses, social workers, librarians, public interest lawyers, early childhood teachers – and many others – will be eligible for loan forgiveness.

Take, for example a starting teacher in Massachusetts who makes a salary of $35,421:

- If that teacher graduated with the average loan debt for the State – $18,169 – he or she will have a monthly payment of $209.

- Under the income-based repayment plan, that monthly payment would be reduced to $148 instead – $61 less.

- Over the course of the year, that teacher would pay $732 less than under the standard repayment plan.

If the teacher stays in the job for 10 years, the remaining debt would be cancelled altogether– in this case, a benefit of over $10,000.

Or let's consider a starting legal services attorney, who makes $36,000 a year:

- If that student graduated with the average loan debt for lawyers for the State – $51,056 – he or she will have a monthly loan payment of $588.

- Under the income-based repayment plan, those monthly payments would be $259 – that's $329 less.
- Over the course of the year, that legal aid attorney would pay $3,948 less than he or she would have paid under the standard repayment plan.

And if the legal aid lawyer stayed in the job for 10 years, the remaining debt would be cancelled – in this case, a benefit of over $50,000.

Or let's consider the example of a police sergeant with a child in Arkansas, who makes $28,289 a year:

- If that sergeant graduated with the average loan debt for students for the Arkansas -- $17,000 – he or she will have a monthly loan payment of $196

- Under the income-based repayment plan, because the sergeant is supporting a child, those monthly payments would be reduced to $97.

- Over the course of the year, the sergeant would pay $1,185 less than he or she would have paid under the standard repayment plan.

And if he or she stayed in law enforcement for 10 years, the remaining debt would be cancelled – in this case, a benefit of over $14,800.

Our bill pays for these valuable measures, not by increasing the burden on taxpayers, but by reducing unnecessary subsidies for lenders who take part in the federal student loan programs.

Today, thousands of lenders offer college loans. The largest, Sallie Mae, is so profitable that a group of investors recently offered to buy it for $25 billion – more than 40 percent above the value of its stock.

The lenders claim that if Congress reduces their subsidies, it won't be profitable for them to make student loans anymore, and they'll leave the business. But when Congress has reduced subsidies in the past, the lenders' profits have still gone up, not down.

Here's a chart that Sallie Mae itself produced. It shows that even though Congress has reduced subsidies several times in the past, the company's profits have continued to go up and up. In 2006, Sallie Mae made $1.1 billion in overall profits. Obviously, there's still plenty of room to reduce lender subsidies further.

Lenders also claim that if we reduce their subsidies, they'll be forced to reduce the benefits they offer to borrowers on student loans. But what they don't tell you is that many of the benefits they offer are phantom benefits that few borrowers ever receive.

According to an independent analysis by Finaid.org, the average borrower saves only $118 through borrower benefits offered by private lenders.

By contrast, the Pell grant increase in our bill will provide an additional $2,360 in grant aid over the next four years, which translates to $3,260 in lower loan payments. When fully phased in, the increase will provide an additional $4,360 per student, which means over $6,000 less in loan payments over the life of the loan. [CHART]

If lenders wanted to offer a comparable benefit, they would have to provide over forty times the level of benefits they now provide.

Finally, lenders claim that if we cut their subsidies, small lenders will be forced out of the FFEL program, restricting borrower choice and leaving only the big banks in business.

Smaller lenders have made this argument before. But when Congress has made sensible cuts in the past, the number of lenders has risen, not fallen. Right now, more than 3,500 lenders make federal student loans – the highest number ever in the history of the student loan program.

Let's be clear about what smaller lenders typically do. Most of them simply sell the loans to the larger lenders, soon after the loans are made. That's why the biggest lenders hold so many loans.

As this chart shows, the 10 largest lenders originate 53 percent of all Federal Family Education program loans. However, they hold 71 percent of all those loans, and service more than 86 percent. The reason the numbers grow is because smaller lenders sell off their student loans to the big lenders.

Lenders will no doubt continue to complain that the cuts in this bill are too deep, but the reality is that our bill restores the balance to this grossly unfair student loan system by directing funds to the students, not to the banks.

It will also encourage long-term reform of the student loan system by creating a pilot program in which an auction will be used to see what subsidies are necessary to keep banks involved in the student loan program.

For years, the federal government has used auctions to determine prices on everything from broadcast spectrum rights, timber-cutting rights, oil and gas drilling rights – even the price of infant formula delivered through the WIC program. There's no doubt we can use auctions to operate the student loan programs more efficiently. The money we save through this pilot program will be sent back to where it is needed most -- to increase access to college for students through a state matching grant program.

I also want to reiterate my commitment to the Higher Education Reauthorization bill. Just a few weeks ago the Senate voted unanimously for this bill. It's critical that we complete work on it this year.

- The reauthorization bill takes steps to ensure that the student loan system is working in the best interest of students, by pursuing needed ethics reforms in the student loan industry.

- It simplifies the federal financial aid application and delivery process, to ensure that this complex system does not work as a barrier to access for low-income students.

- It demands that colleges do their part to keep college costs down. If we do our part to provide needed student aid, they must do their part to keep their tuition and fees reasonable.

- And it reforms and improves our teacher preparation system. Teachers are the backbone of our schools. The reauthorization bill promotes high-quality teacher preparation programs, and helps recruit and retain high-quality teachers in high-need schools.

The Higher Education Reauthorization bill goes hand in hand with the legislation before us today. Senator Enzi and I look forward to working with our colleagues in the House to ensure that it is also enacted before the end of this session.

For many years, Congress was guided by one clear principle with respect to higher education – that no qualified student should be denied the opportunity to attend college because of the cost.

I know how important that principle was for President Kennedy. My brother believed very strongly that if you work hard, study hard, and are accepted to college, you should be able to attend the college of your choice – without regard to cost.

That view resonated powerfully with students and families, and it helped create the groundswell that led to the creation of the Higher Education Act of 1965.

We've lost sight of that principle in recent years, but with this bill, we will renew it once again.

I'm grateful to my colleague Senator Enzi, and to all the Members of our Committee who helped shape this important legislation. Because of their able work, the Senate approved the legislation earlier this summer with a resounding bipartisan vote, and I look forward to final passage of this bill by a similar strong bipartisan majority.

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