The Crisis in Financing Public Higher Education–and a Possible Solution: A 21st C *Learn Grant Act*

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The Myth

As fall approaches, the headlines of newspapers across the state join the din of politicians complaining about the increases in tuition at public universities. "Tuition to soar for state undergraduate students, with increases of 12%, 13%, and 18% respectively at UM, MSU, and WSU". The Governor joins in, "These increases are unacceptable. Universities must figure out a way to streamline, to tighten their belts the way the state has done." And parents and students worry about whether they will be able to afford a college education.

In Michigan, a state cursed with a weak economy, a dysfunctional state budget, and a state government that puts higher education at the bottom of its priority list, this feeding frenzy has become an annual occurrence. Of course it is rarely mentioned that the proposed tuition increases are far below what would be necessary to compensate for the loss of state support, roughly 25% over the past several years. The cacophony of complaints also ignores the fact that the net tuition cost born by most families has actually decreased over the past decade. But newspapers and politicians adhere to the same dictum: "Never let the truth stand in the way of a good story…or a possible vote!"

The real issue here is way that public policies and market pressures are reshaping the relationship among the cost, price, and value of a college education. While perhaps not as attention-getting as a politician's charge of price-gouging in public higher education, it is important to distinguish myth from reality to understand the current plight of public higher education in America.

The Reality

Let's begin with a few interesting facts. First, the good news:

1. Nationwide tuition covers, on the average, only one-third of the costs of a college education in a public university.

2. When financial aid is taken into account, many students (and parents) pay only a fraction of the stated tuition, the sticker price–about 45% on the average in Michigan, for example.

3. Access to higher education today is greater than ever before in our nation's history, both because of the availability of financial aid programs and the great

multiplicity and diversity of colleges and universities, ranging from local community colleges and regional four-year institutions to small liberal arts colleges and proprietary (for-profit) institutions to elite private universities and massive public research universities. A larger proportion of the population goes on to higher education that in almost any other country, including a greater share of nontraditional students (adults, women, minorities).

4. American higher education remains the envy of the rest of the world, both as measured by the preference of international students to seek education in the United States and by the reputation of our top universities. As a recent major study by *The Economist* put it, "America's system of higher education is the bet in the world. It has the monopoly on the world's best universities and also provides access to higher education to the bulk of those who deserve it." In international rankings, 17 of the top 20 universities (and 35 of the top 50) are American, employing 70% of the world's Nobel Prize winners. (*The Economist*, 2005)

Again to quote *The Economist*, "The main reason for America's success lies in organization. The federal government plays a very limited role. America does not have a central plan for its universities. Instead universities have a wide range of patrons, from state governments to religious bodies, from fee-paying students to generous philanthropists. Universities compete for everything, from students to professors to basketball stars."

More specifically, in the United States, the relationship among the *cost* of educating college students (to the institution), the *price* charged to students (tuition), and the *value* of a college degree (to the student) is determined by three key players: Universities determine both the cost and the value of a college education. States, either directly through regulation or indirectly through subsidy, determine the tuition or sticker price. And the federal government, usually in concert with the universities, determine the real cost to students through financial aid programs that provide "rebates" from the sticker price, based on either student merit or economic need.

In the simplest sense, today the United States spends roughly 2.6% of its GDP on higher education ($330 billion)[1], with 55% of this ($180 B) coming from private support (e.g., tuition payments, philanthropic gifts, or revenue from auxiliary activities such as college athletics) and 40% from government; the states provide 20% ($72 B), primarily through appropriations directly to institutions; and the federal government provides the remaining 25% ($81 B), through federal financial aid and subsidized loans and tax benefits to students ($60 B), research grants and contracts to universities ($21 B), and other support for specific activities such as health care and agricultural extension. Here, I should note that this very large dependence on private support–and hence the marketplace–is unique to the United States since in most other nations, higher education is primarily supported (and managed) by government (90% or greater). It is the major reason why on a per student basis, higher education in America is supported at about twice the level ($20,545 per year) as it is in Europe. (OECD, 2005) There is a caveat here, however, since roughly half of this cost is associated with non-instructional activities such as research, health care, agricultural extension, and economic development–missions unique to American universities.

Yet another complexity arises from the hidden subsidies of higher education by both state and federal government through the foregone tax revenues arising from the treatment of university gifts and endowment earnings as charitable gifts and nontaxable income, respectively. To be more specific, when a university receives gifts that are deducted as charitable contributions, other taxpayers subsidize, in effect, these foregone taxes. Similarly, the nonprofit nature of endowment income also make them exempt from the taxes that would apply to for-profit company revenues. It is estimated that foregone tax revenues or "tax expenditures" from charitable gifts and endowment earnings amount roughly $16 B per year (assuming an average 30% tax rate on the $25 B of gifts and $27 B of endowment earnings), which amounts to a federal government subsidy of as much as $40,000 per student at well-endowed private colleges and universities, leading to the ironic situation that when all support, public and private, is accounted for, several of these institutions are among the most "publicly supported" universities in the nation. Of course, one can make a strong case for the appropriateness of some degree of public support of private higher education. Yet these "tax expenditures", while very real and perhaps appropriate burdens on state and federal tax revenues, are rarely included in the total picture of cost, price, and value of a college education, although they would significantly modify the true costs and public subsidy picture of American higher education.

Setting the public subsidy of private higher education in America by beneficial tax policies aside for the moment, let us return to the specific case of public higher education. Recall, that students pay a sticker price, tuition, which is only about one-third of the actual cost of their education, and, in reality, when financial aid is taken into account, pay on the average about one-sixth of the tuition price. In good times, the states provide the appropriations from tax revenues that support this rather substantial price discount from the actual costs of education experienced by institutions. But in hard times, when the states cut back their appropriations, then the discount shrinks, and students either have to pay more or universities have to cut programs. Actually, both usually happen.

Although most public (and political) attention is focused on tuition (price) as the key concern, in reality this has very little to do with either the access or affordability of public higher education. Put most simply, in public universities, the system works as follows:

State government determines the price (tuition).
Governing boards determine the value (quality).
Need-based student financial aid determines the access (affordability).

More specifically, <u>state government</u> determines the price discount from the true cost of education through appropriations and hence the tuition (typically about one-third of the actual cost and usually less than the cost of room and board). If the state cuts appropriations per student, then tuition must rise to replace the lost discount. The <u>governing board</u> determines the quality of the university through its ability to acquire sufficient resources, either through its effectiveness in attracting adequate state appropriations or its willingness to support necessary tuition levels. <u>Need-based financial aid</u> is the key to student access, since this provides not only further discounting of tuition, usually eliminating it all together for students with significant need, but it also helps to cover other costs such as room and board, books, travel, and other expenses. Ironically, failure to set tuition sufficiently high to compensate for inadequate state support can erode <u>both</u> quality and access, since it constrains the resource base necessary for both quality academic programs and adequate financial aid, while providing unnecessary educational subsidies to students from more affluent backgrounds.

Now for the bad news: Public support of higher education has been dropping for the past two decades. The State of Michigan provides an excellent example of the dilemma faced by public universities. Over the past five years, Michigan's public universities have suffered massive cuts in state appropriations, with most universities seeing reductions in state support per student over 30% to 40% during this period, ironically at a time when enrollments have been increasing. More specifically, appropriations to Michigan's public universities have declined from $1.62 billion in FY2002 to $1.43 billion in FY2005, with further budget cuts on the horizon in FY2006.

State appropriations per students have dropped from $6,840 to $5,721 over this period, amounting to a 25% loss in state support when inflation adjusted. In fact, over the past two years alone, the state has cut $260 million from the higher-education budget, an amount equal to the combined support of seven state universities, forcing the elimination of 2,000 university jobs and denying the opportunity for a college education to many thousands of students. (PCSUM, 2004)

During much of this period, state universities strained to hold tuition increases in check. In fact, when financial aid is included, the net tuition levels for public higher education in Michigan have actually declined over the past decade. (PCSUM, 2004). Unfortunately this past year state government abrogated an earlier agreement to restore funding cuts if the universities would hold tuition increases below inflation. The universities honored their end of the bargain; the state did not and cut appropriations still further, amounting over a four-year period to 25% to 40% on an inflation-adjusted, per student basis. Hence the universities had no choice in 2005 but to begin to raise tuition levels at double-digit rates.

University	Percent change in per student appropriation	Percent change in per student appropriation adjusted for inflation
Central Michigan University	-20.31%	-31.31
Eastern Michigan University	-17.56	-28.56
Ferris State University	-22.60	-33.60
Grand Valley State University	-23.84	-34.84
Lake Superior State University	-12.19	-23.19
Michigan State University	-29.46	-40.46
Michigan Technological Univ.	-9.61	-20.61
Northern Michigan University	-22.35	-33.35
Oakland University	-21.88	-32.88
Saginaw Valley State University	-19.87	-30.87
University of Michigan	-15.06	-26.06
University of Michigan Dearborn	-20.18	-31.18
University of Michigan Flint	-9.31	-20.31
Wayne State University	-12.28	-23.28
Western Michigan University	-23.95	-34.95

At the national level, state appropriations have fallen from $8.50 per $1,000 of personal income to $7,000, a decline of 20% during the 1980s and 1990s. Funding of higher education dropped from 7.2% of state expenditures in 1977 to 5.3% in 1997, a 27% drop (Kane, 2003). The share of public university budgets provided by the states have dropped from 50% in 1979 to 35% in 2000, and in the wake of a weak economy, have dropped even further. Among Big 10 universities, state support now covers less than 20% of operating costs, and at the University of Michigan, state appropriations now have dropped below 7% of the total operating budget and 12% of its academic budget. In fact, the National Conference of State Legislatures reports that between 2002 and 2005, higher education was the ONLY major function of state government that took such large cuts in state funding. Although universities have had no alternative but to increase tuition as state support has dropped–at least if they had the opportunity–this has NOT been sufficient to cover the reduction in state funding. The combination of the decline in state appropriations and the political restrictions on raising tuition at public institutions has produced a particularly marked decline in educational and general spending per student at public relative to private colleges and universities.

Today there are many signs that the quality of public higher education in America is beginning to suffer, at just that moment when the challenges of a global, knowledge-driven economy have positioned our universities as among our most important assets in securing economic prosperity, social well-being, and national security. Student-to-faculty ratios and workloads have been increasing, eroding not only the quality of classroom instruction but also constraining research university faculty from conducting the research critical to economic development in a knowledge economy increasing dependent upon technological innovation. Faculty salaries at public universities have fallen 20% behind those at private universities (compared to 1980 when they were roughly even), leading to a migration of some of the best professors from public to private institutions. Other erosion has occurred in the value of pension plans, medical benefits, life insurance, housing, and other benefits key to faculty recruiting and retention. The number of public universities listed among the top 25 national universities in U.S. News & World Report's rankings has declined from 7 in 1987 to 3 in 2004 (and these three, UC-Berkeley, U Michigan, and U. North Carolina are ranked 23rd, 24th, and 25th !)

There are also growing concerns about eroding access, as dollars that should be gong into need-based financial aid are going instead to compensate for declining state support. Returning to Michigan as our case study, the actual estimated cost of undergraduate education at the University of Michigan is about $28,000 per year, which also happens to be the tuition charged to students from out-of-state. The University charges an average tuition of about $9,000 to undergraduate Michigan residents, a discount of roughly $19,000. Unfortunately, even if all of UM's state appropriation of $300 million were allocated to support Michigan students (leaving none for research, public service, or other state-related activities), this would amount to only $12,000. Hence the University has to compensate for about $9,000 of unsubsidized costs for each Michigan undergraduate. Where do we get this? From the same discretionary dollars that it would normally use for priorities such as need-based financial aid. Note here that it has long been a UM policy that the University will provide sufficient financial aid to meet the full need of all Michigan undergraduates. But this policy is now at some risk, in view of the declining state subsidy. There is already some evidence that this is affecting the socioeconomic character of our student body, since the average family income of UMAA undergraduates is now well above $100,000, with more students from high income (> $250,000) than low income families (>$50,000).

As Stanley Ikenberry, the former president of the University of Illinois and the American Council on Education, summarizes the current plight of public higher education in America: "The severity of current cuts, coming after more than two decades of slow but steady relative decline in state support, has forced many education leaders to conclude that the old, often implicit, compacts between the states and their universities–such as ensured access to affordable public universities to the states' high school graduates–have been abandoned." (Ikenberry, 2005).

A recent New York Times editorial put it well: "The United States has moved entire generations into the middle class and beyond by subsidizing public colleges, putting higher education without the reach of many deserving low-income students. The pubic college system is in steep decline, however, because of decades of declining support from states that historically kept educational quality high and tuition low." (NYT, 2004).

Why Is This Happening?

So why is this happening? Why have the states been methodically disinvesting in public higher education over the past two decades? In part it has to do with other competing priorities for state tax dollars. Most states launched massive prison construction programs during the 1980s in response to poling suggesting voter concerns with crime and mandatory sentencing guidelines, without thinking much about long term costs. Today the state budget for prisons has surpassed the higher education budget in most states. In fact, at an average inmate cost of $30,000 per year, with prisons populated primarily by first-offenders incarcerated for nonviolent offenses such as drug trafficking or petty theft, the corrections system has become a de facto "higher education system" in many states, turning petty crime offenders into hardened criminals at a cost comparable to the tuition charged for a Harvard education.

The blame for myopic planning goes well beyond the states. Unfunded federal mandates have decimated state budgets, diverting dollars for these obligations from discretionary funds used for priorities such as higher education. Of particular concern is the rapidly growing burden of Medicaid, a consequence largely of the federal government's inability to come to grips with a growing uninsured population and the urgent need for universal health care in our nation. As recent studies have suggested, the economic burdens of the unfunded Medicaid mandates passed onto the states by the federal government have now surpassed the entire public education budget (both K-12 and higher education) in the majority of the states. (Kane, 2003).

Tax policy is also a big part of the problem. In the past, the support of public universities always followed the ebb and flow of economic cycles. In bad economic times, state governments and donors cut support, hoping to restore it once again in good times. But during the late 1990s, as the dot-com frenzy drove boom times in the stock market and state tax revenues, state governments chose to cut taxes rather than restore earlier cuts in higher education. A few even locked in these cuts through constitutional amendments such as Colorado's Tax-Payer Bill of Rights (TABOR), restricting not only tax revenues but even the costs of state services such as higher education (e.g., tuition). As one state budget officer observed: "College leaders are fooling themselves if they think the end of this recession will be like all the others. What we're seeing is a systematic, careless withdrawal of concern and support for advanced education in this country at exactly the wrong time." (Selingo, 2003)

This is compounded by the obsolete structure of most state tax structures, still designed for a 20th century industrial economy, e.g., taxing manufacturing, rather than for a 21st century knowledge economy increasingly dependent upon knowledge services such as legal, financial, and information services that largely go untaxed. As the boom economy cycled into the post-dot-com bust, state budgets collapsed under the structural deficits created by tax cuts and their inability to tax the economic activities of increasingly knowledge-intensive service economies. Since cutting K-12, corrections, or federal mandates such as Medicaid was politically impossible, the only remaining sacrificial lamb was public higher education.

Finally, many states aggravated this situation even further with misguided higher education policies such as merit scholarship programs that primarily benefited well-off students attending high quality K-12 schools, who needed neither the assistance or incentives to attend college, at the expense of need-based financial aid aimed at those less fortunate students from impoverished backgrounds and weak schools. As we noted earlier, this was also compounded by tuition constraints that required universities to subsidize low prices for affluent students at the expense of need-based financial aid programs. In this sense, low tuition and state-funded merit scholarship programs are highly regressive social policies, in effect providing welfare for the rich at the expense of educational opportunity for the poor.

Once again, the federal government has contributed to this shift away from providing support to those students with financial need to subsidizing the college education of more affluent students. As recent studies have indicated, over the past three decades the federal government has provided a disproportionately large share of federal aid to well-endowed private colleges rather than to public colleges, which enroll about 80% of the nation's college students. (Winter, 2004). Federal financial aid programs favor institutions that rely heavily on student tuition, covering about 40% of the costs of high tuition private institutions, allowing them to increase tuition substantially in recent years. In contrast, political constraints and public perceptions have limited most public colleges and universities from taking full advance of such financial aid programs. (Alexander, 2000). This has been aggravated by the shift in federal financial aid away from need-based grants such as the Pell Grant program to subsidized loans and tax benefits that increasingly benefit middle and upper income students.

But there was an even deeper issue. The American university has long been seen as an important social institution, created by, supported by, and accountable to society at large. The key social principle sustaining the university has been the perception of education as a *public good*–that is, the university was established to benefit all of society. Like other institutions such as parks and police, it was felt that individual choice alone would not sustain an institution serving the broad range of society's education needs. Hence public policy dictated that the university merited broad support by all of society, rather than just by the individuals benefiting from its particular educational programs, through direct tax subsidy or indirect tax policies (e.g., treatment of charitable giving or endowment earnings).

Yet, today, even as the needs of our society for postsecondary education intensifies, we also find an erosion in the perception of education as a public good deserving of strong societal support. State and federal programs have shifted from investment in the higher education enterprise (appropriations to institutions) to investment in the marketplace for higher education services (subsidized loans and tax benefits to students and parents). Whether a deliberate or involuntary response to the tightening constraints and changing priorities for public funds, the new message is that education has become a private good that should be paid for by the individuals who benefit most directly, the students. Government policies that not only enable but encourage the capacity of universities to capture and market the commercial value of the intellectual products of research and instruction represent additional steps down this slippery slope.

All of this points to an alarming shift in public priorities, away from accepting stewardship for the sacrifices of past generations by investing to support future generations. The cavalier disregard for investments in higher education, regarding it as a lower priority, expendable during hard times, is not only irresponsible but foolish in view of the importance of advanced education, research, innovation to economic competitiveness and security in a hypercompetitive global, knowledge-driven economy. But perhaps this is not so surprising, in view of the fact that the baby boomers, who have usually followed the adage "Eat dessert first; life is uncertain!" are now approaching retirement. The aging "me generation" that now dominates public policy demands expensive health care, ever more prisons, homeland security, reduced tax burdens–and apparently to hell with the kids and the future. If this is indeed a consequence of the priorities of a governing generation, then it is also possible that the current inadequacy tax support for public colleges and universities is not a temporary affliction; it is likely to last for several decades!

What To Do?

Little wonder that after the cavalier treatment public higher education has received from state leaders over the past several years, the governing boards with fiduciary responsibility for the welfare of public universities have begun to lose confidence in state government as a reliable partner in providing adequate support for this critical state and national asset. Term-limited legislators and governors, political parties controlled by narrow special interest groups, and a body politic addicted to an entitlement economy simply cannot be trusted. Instead, governing boards are relying more heavily on the autonomy provided by the state constitution, which gives them control over decisions such as admission, tuition and fees, faculty and staff compensation, procurement, and other areas sometimes micromanaged by state government.

Across the nation numerous experiments are appearing to redefine the nature of public education. Some states such as Virginia and Colorado have created new types of public universities that function more as public corporations or authorities rather than state agencies, allowing universities greater flexibility to draw support from the private marketplace, in return for more visible measures of accountability in areas such as graduation rates and technology transfer. In fact, Colorado has even implemented a voucher system to fund higher education, in which students are provided grants taken with them to the institution of their choice. Other states including South Carolina and also Virginia have allowed the privatization of selected higher education programs, e.g., professional schools such as law and business, or even entire universities. Several states such as Pennsylvania and Washington have moved to performance contracting, in which universities are redefined as state-related rather than state-owned and negotiate a contractual relationship with state government receive state funds for specific services, e.g., educating a certain number of state residents. Perhaps the most interesting experiment is in Ohio, where Miami University has been allowed to set tuition levels for Ohio residents at private levels, then discount it by the state appropriation per student, and still further with need-based financial aid, thereby making quite transparent the relative dependence of tuition on state support. (Breneman, 2005).

In fact, this last approach is increasingly finding favor in many quarters. As an 2004 editorial in the New York Times explained, "With government support so shaky, state colleges are gong to need to raise their rates. A more moderate approach might be to permit tuition to rise to the levels now charged to out-of-state students, while protecting those with less ability to pay [with need-based financial aid programs]." The NYT editorial concludes: "State colleges must find a way to fulfill the mission they were crated to perform. Since the government has taken to starving them, their best hope is to increase tuition for those who can afford to pay." (NYT, 2004)

Although some are concerned that these experiments could lead to a transformation of public higher education in a piecemeal fashion, campus by campus and state by state, without any overarching design (Ikenberry, 2005), in reality they represent highly pragmatic approaches to two important realities: First, it is unlikely that public higher education will command sufficient priority to an aging baby boomer population to merit adequate tax support. Two, we have entered an era in which the marketplace is viewed as a far more accurate reflection of public priorities than the ballot box or public policy. Together these imply that some radical restructuring of public higher education may be in order.

A National Agenda for Higher Education in America

The future of public higher education is of immense importance to the United States. Beyond the fact that three-quarters of all college students are enrolled in public universities, the increasing dependence of our nation on advanced education, research, and innovation compel efforts to both sustain and enhance the quality of our public colleges and universities. Yet, as this paper suggests, the traditional structure for financing public higher education may no longer be viable. Traditionally, this has involved a partnership among states, the federal government, and private citizens (the marketplace). In the past the states have shouldered the lion's share of the costs of public higher education through subsidies, which keep tuition low for students; the federal government has taken on the role of providing need-based aid and loan subsidies. Students and parents (and to a much lesser extent donors) pick up the rest of the tab.

Yet this system has become vulnerable as the states face the increasing Medicaid obligations of a growing and aging uninsured population, made even more difficult by the state tax-cutting frenzy during the boom period of the late 1990s. This is likely to worsen as a larger percentage of young people and working adults seek higher education while the tax-paying population ages and health care costs continue to escalate. As Kane and Orzag conclude, "the traditional model of higher education finance in the U.S. with large state subsidies to public higher education and modest means-tested grants and loans from the federal government is becoming increasingly untenable." (Kane, 2003).

Little wonder then that many are calling upon national leaders to articulate a national agenda for higher education in America, similar to other national agendas in K-K-12 education such as "A Nation At Risk" and "No Child Left Behind". Of course, we have had such national higher education agendas before during times of major national challenge and opportunity. The Land-Grant Acts of the 19th century addressed the needs of an emerging industrial nation and the importance of education to the working class. The government-university research partnership, proposed by Vannevar Bush in 1944 and implemented following WWII, along with the G.I. Bill and the recommendations of the Truman Commission, established the principle of federal support of research and graduate education on the campuses while launching the massification of higher education in America. The National Defense Education Act of the late 1950s and 1960s established investments in higher education as critical to national security during the height of the Cold War.

Yet since that time, for almost four decades, the nation really has had no agenda for higher education in America. Little wonder that at times we appear to be drifting aimlessly, with changing social priorities putting at great risk that the very institutions that earlier generations built and supported so strongly as key to the future of a great nation. Here part of the challenge is a profound misunderstanding of the relationship among the cost, price, and value of a college education by both students and parents and by elected public officials. The funding of higher education by state and federal government support (including tax benefits), philanthropy, and other various revenue streams not only disguise true costs but make pricing, e.g., tuition, largely fictitious, since all students, rich and poor, in public and private institutions receive very substantial subsidies. In some ways the financing of higher education is reminiscent of health care, where third-party payers (insurance companies, Medicare and Medicaid) also decouple the consumer from the marketplace. However in health care, at least one can estimate the costs of medical treatment and patients can assess the value of their health care, in contrast to higher education where true costs are difficult to estimate and the benefit of a college education is usually assessed only many years later.

One might approach this as an appropriate challenge to the federal government. After all, in some ways it was federal inaction that created the current dilemma, crippling state budgets with unfunded federal mandates such as Medicaid, through federal inaction on national priorities such as universal health care, and shifting philosophies of federal financial aid programs. It is also the federal government's responsibility to invest adequately in providing for economic prosperity and national security, particularly in the new flat world characterized by phenomena such as outsourcing and off-shoring characterizing a hypercompetitive, global, knowledge-driven economy increasingly dependent upon knowledge workers, research, and technological innovation. (Friedman, 2005).

Perhaps it would be more constructive, however, to present this as an opportunity: We have entered an age of knowledge in a global economy, in which educated people, the knowledge they produce, and the innovation and entrepreneurial skills they possess have become the keys to economic prosperity, social-well being, and national security. Moreover, education, knowledge, innovation, and entrepreneurial skills have also become the primary determinants of one's personal standard of living and quality of life. Democratic societies–and state and federal governments–must accept the responsibility to provide all of their citizens with the educational and training opportunities they need, throughout their lives, whenever, wherever, and however they need it, at high quality and at affordable prices.

Government leaders could define and embrace a vision for the nation's future that provides citizens with the lifelong learning opportunities and skills they need to live prosperous, rewarding, and secure lives in this world. Perhaps it is time to create an analog to the Land Grant Act or G I Bill for the 21st century–perhaps a *Learn Grant Act* that would provide every citizen with an entitlement for as much education as they need, wish, or are capable of, throughout their lives. For example, a combination of federal and state programs could provide vouchers or education accounts that could be redeemed at accredited institutions for partial support of education with amounts adjusted to levels (community college, undergraduate degrees, workplace training, professional and graduate degrees, lifelong enrichment) and available at anytime throughout one's life.

This could be financed through mechanisms similar to pensions and health care, e.g., Social Security and Medicare, creating legal and institutional frameworks for universal portability. The key would be to create transparent and transportable benefits and opportunities to enable sufficient mobility and agility to adapt to a changing economy. For example, one could image tax-deferred education savings accounts or perhaps even education accounts paid for through payroll taxes similar to Social Security. In fact, in contrast to paying a tax to support one's retirement (and relatively unproductive) years as in Social Security, the Learn Grant program would instead finance one's capacity to be even more productive through further education and enhanced skills. The use of such accounts would correspond to investing directly in the marketplace rather than in institutions, thereby minimizing public bureaucracy and exerting strong market pressures on educational institutions to align themselves with national needs. The key would be to provide portable benefits and opportunities for lifelong learning so that

While the startup costs of such a program would be considerable (perhaps one-third of the costs of health care), the impact of creating a truly world-class workforce–or better yet a society of learning–capable of competing in a global, knowledge-driven economy would be extraordinary.

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[1] Note: By way of comparison, the federal government spends $45 billion (8.2%) of the $550 billion the nation will invest this year in K-12 education.