

Learn Grants

The Challenge: Education has become a key determinant of one's personal standard of living and quality of life. The breakpoint between those who succeed in college and those who fail is perhaps the most critical decision point in one's life. Yet many recent studies have revealed the degree to which access to higher education in America has become increasingly stratified according to student financial circumstances, thereby undercutting the fundamental principles of equity and social justice. Today even the most academically talented students in the lowest economic quartile are significantly less likely to have access to the benefits of higher education than the least academically qualified students in the top quartile—a situation clearly intolerable for a democratic society.

Part of the challenge arises from the patchwork character of current federal, state, and institutional financial aid programs, which have evolved over the years more as a consequence of the political process than any defined purpose or accountability with respect to impact or efficiency in achieving student access or success in higher education. Today a very significant fraction of public funding for post-secondary education go primarily to benefit affluent students with modest economic needs, at a time when close to a quarter of Americans are disproportionately and severely deprived of educational opportunity at colleges and universities.

There has been inadequate effort to integrate and restructure the system into a cohesive policy-driven program, despite the obvious benefits and cost savings. As a consequence, while the current system does benefit affluent students, the lending industry, and political objectives, it is both extraordinarily inefficient and ineffective with respect to key objectives such as higher education access, retention, and debt burden. It needs to be replaced with a strategically-oriented, results-driven, and greatly simplified program of grants, loans, and tax benefits that demonstrably works to serve clearly-articulated goals.

As a consequence of both the inadequacy and complexity of existing financial aid programs, many economically disadvantaged students (and parents) no longer see higher education as an option open to them but rather as a privilege for the more affluent. As a result, these students do not have the incentive to perform well in K-12 (nor do their parents have the incentive to support them), hence falling behind early or dropping out of the college-bound ranks.

The Proposal: To address this alarming injustice and provide strong incentives for college preparation, the idea would be to provide every student with a “529 college savings account”, a “Learn-Grant” when they begin kindergarten. Although this account would be owned by the students (although invested in the equity market by the federal government or its agents), its funds could only be used for post-secondary education upon the successful completion of a high school college-preparatory program. Each year students (and their parents) would receive a statement of the accumulation in their account, with a reminder that this is their money, but it can only be used for their college education (or other post-secondary education). An initial contribution of, say, \$10,000 (e.g., \$5,000 from the federal government with a \$5,000 match from the states) would accumulate over their K-12 education to an amount that when coupled with other financial aid would likely be sufficient for a four-year college education at a public college or university.

Beyond serving as an important source of financial aid, the Learn Grants would provide a very strong incentive for succeeding in K-12 and preparing for a college education, since the account would be something students own but would lose if they did not continue their education beyond secondary school (after some appropriate grace period). The program might be funded from any of a number of sources, e.g., from a federal plus state match, the revenue from the auction of the digital spectrum (most analogous to the Land Grant Act), etc. Although the Learn Grants would be provided to all students when entering K-12 (in order to earn broad political support), they could be augmented with additional contributions from public, private, or parental sources during their pre-college years, based on need and/or performance.

As to cost, if we assume roughly 4.5 million children enter K-12 each year (the estimate for 2010), then at \$10,000 per student, this would cost \$40 billion (\$20 billion each to the states and the feds). While this seems immense, it is about the cost of one year of K-12 education (or college education, on the average). It also should be compared to other public expenditures (Medicaid/Medicare, corrections, defense, and even student financial aid). From this broader perspective, it really doesn't seem excessive when viewed both as an investment in social justice and the future of the nation!

It is imperative both as a matter of social justice and economic competitiveness that the nation and the states address and remove those factors that have created a strong dependence of access and success in higher education upon socioeconomic status. America should aspire to the ideal where family income is nearly irrelevant to the ability of a student to attend the college or university best matched to his or her talents,

objectives, and motivation. The proposed Learn Grant program would provide a powerful stimulus to building the world-class workforce necessary for America's prosperity and security in an ever more competitive global, knowledge-driven economy.