A college education today is probably more affordable to more Americans than at any period in our history. This is due in part to the availability of effective financial aid programs used to assure access to public higher education for those without adequate financial resources. It should be noted that the University of Michigan remains committed to the broadest possible access, to the basic philosophy of "providing an uncommon education of the common man".

For example, the University of Michigan has long had a policy that guarantees all Michigan residents enrolling in the University that they will be provided with adequate financial aid to meet their needs until graduation. Roughly 65 percent of UM students receive some form of financial aid. This amounted to over $l60 million last year in the form of grants, loans, and work study support during the past year.

Perhaps a better way to look at this is to contrast the publicized (or "sticker price") tuition with the average "net" tuition, calculated by subtracting out University financial aid. For Michigan resident undergraduates, the "sticker price" tuition in 1992-93 was $4,300 for an academic year. On the average, the University provided $1,500 of scholarship aid and another $1,200 in work-study-loan aid from centrally administered accounts. Hence, the average "discounted" tuition seen by Michigan resident undergraduates is:

"Sticker Price" Tuition for 1990-91:	$4,300
- Average scholarship aid	$1,500
- Average work-study/loan aid	$1,200
"Discounted" Average Tuition	$1,600

Even this estimate is conservative, since in addition to centrally administered programs, the University also provides extensive financial aid through its individual schools and colleges.

Carrying out a similar analysis for the past decade, it is clear that strong financial aid programs have kept the effective tuition paid by most undergraduates quite low throughout the 1980s. Indeed, if constant rather than current dollars are used, it is apparent that the "average net tuition" seen by resident undergraduates has actually *dropped* during the decade of the 1980s because of strong financial aid programs.

There is a certain irony here. As state and federal support of financial aid has deteriorated over the course of the l980s, tuition revenue itself has become one of the primary sources of funds necessary to sustain these important programs. In a sense, public universities, just as private universities, have asked those more affluent families, those who have the capacity to pay a little more of the true cost of education for their students in order to provide those less fortunate with the opportunity to attend. In this sense, all students at all universities, public and private, are heavily subsidized by both public and private funds. When public tax support for higher education wanes and becomes inadequate to provide broad access to quality education, then tuition serves, in effect, as a surrogate and highly progressive "tax" on those with the capacity to pay a bit more of their fair share of the costs so that those less fortunate are not denied access.

Yet today, in the face of eroding tax support, this access is being provided through strong institutional financial aid programs. In a very real sense, tuition itself has become a surrogate tax. Those who in the past would have been supporting the University through strong tax support today are being asked to provide this support through tuition payments instead.

Without significant reform of our nation's college financing system, the steady enrollment gains of low- and middle-income Americans may well peak far short of those students' rightful representation on our college and university campuses. Over the past fifteen years, strong financial aid programs mounted by colleges and universities have resulted in campus populations more ethnically and socially diverse than ever before. But demand for these resources is rapidly outpacing what institutions can provide.

Ironically, much of the increase in enrollment among low-income and minority students has occurred during a decade of declining public support for higher education, evidenced at all levels of federal, state and local government. No single action is to blame. Rather the past two decades have seen a gradual erosion in the fundamental principle of public education: that since society as a whole benefits from educating our citizens, the costs of such education should be supported primarily through general tax revenues. Instead today both the public and our elected representatives have come to view a college education as just another consumer purchase that should be supported through user fees--i.e., tuition--on those who benefit most directly, rather viewing it as a long-term investment in human potential and the future of our nation that merits strong public support.

This erosion in public support has shifted even more responsibility to parents for meeting the costs of a college education in public and private institutions. During much of the post-war period, this additional burden could be assumed by families since the growth in their incomes generally met or exceeded the growth in the costs of higher education. However, as the growth in family income began to slow in the 1980s, and burdens of a college education continued to grow, both due to real cost increases and cost-shifting from both state and federal governments, the capacity of families to afford a college education deteriorated.

Students and parents were also caught by a significant shift in the nature of federal financial aid programs. In 1980, two thirds of federal assistance to students came in the form of grants and work-study jobs, with the remaining third in the form of subsidized loans. Today, the reverse is true: grants typically comprise only one-third of a student's federal aid award, and the remaining two-thirds is extended in the form of loans, essentially deferring a significant debt to a generation whose feet have barely hit the ground. It's a debt that fewer and fewer can take on.

As steward of the public trust, we in higher education share with federal and state leaders the responsibility to find a better way to deliver educational and financial resources to people who need them. Over the long term we must renew and affirm our commitment to the ideal of publicly-supported higher education. In the short term, one way to ease the financial burden on students and families is to create a more cost-effective and effective system for delivering the federal funds we already have.

Currently, U.S. taxpayers pump $5.3 billion each year into the Family Federal Education Loan Program (formerly the Guaranteed Student Loan or Stafford Loan Program) to cover administrative fees, commercial bank interest subsidies, and defaults. Indeed, according to a recent report by the General Accounting Office, the costs associated with running federal student loan programs through the roughly 7,800 commercial lenders, 35 secondary marketers, and 46 guaranteed agencies amounts to almost $1 billion per year--not to mention the massive bureaucracy and paperwork imposed on students and their families.

Little wonder, then, that many in both higher education and the federal government have called for a restructuring of federal loan programs to eliminate the costs and bureaucracy of using commercial middlemen by moving to a direct lending system. This approach has been championed by a number of legislators, including Sens. Bill Bradley (D-NJ), Dave Durenburger (R-Minn.), Edward Kennedy (D-Mass.) and Paul Simon (D-IL) and Reps. Robert Andrews (D-NJ), William Ford (D-Mich.) and Thomas Petri (R-Wisc.). Under the 1992 Higher Education Act, direct lending is set for a limited test run in July 1994 when students at an estimated 250 colleges and universities will receive their education loan funds directly from the federal government via their colleges and universities.

Far more than an accounting overhaul, direct lending represents a wholesale revolution in the way we finance higher education in this country. It represents perhaps the most equitable and cost-effective way in which to expand access to opportunity to every citizen. As its name implies, direct lending would replace the present guaranteed loan system with successful components of past student aid initiatives: a single application form, a single lender and streamlined repayment options. By eliminating private lenders and guarantee agencies, the federal government would have fewer entities to audit, substantially enhancing its ability to oversee student loan operations and improve accountability.

Equally important, direct federal administration of student loans would allow a system in which repayment rates could be based on future income and repayments collected through income tax withholding, an innovation that capitalizes on the fact that the value of a college education, expressed in projected earnings, has increased considerably faster than its costs, largely due to the increasing technological demands of the workplace. Like the national service initiative under strong consideration by the Clinton administration, income contingent loan repayment would ease the debt burden on college graduates, perhaps encouraging them to seek employment in fields of urgent national need such as teaching, public health and community development.

The option of linking repayment to income is likely not only to discourage default but also to open the doors to community service as either a short-or long-term career choice or as a direct form of service in lieu of repayment. In any scenario, a combination of direct lending with income-contingent repayment is likely to restore many graduates' abilities to make meaningful life choices based fundamentally on interest and conviction rather than job security and self-protection.

The 1992 Higher Education Act will also test this principle of income-dependent loan repayment. Twenty percent of the students in the pilot program who receive direct loans for 1994-95 may have the option of repaying their loans at a rate dependent on their post-graduation incomes. Graduates who are unemployed or who fail to earn enough to owe federal income tax would not be required to begin repayment until they are able. All borrowers have the option of paying off their loans early to reduce interest payments.

The system of higher education in the United States is regarded as the best in the world. But having universities of this caliber means little if our own people cannot access them, or if the quality of life that a college education promises, for the individual and for the nation, remains unattainable. It is in our national interest to provide educational opportunity to all with the ability and the will to learn. Many believe that it is time to halt the erosion in public support of higher education and once again reaffirm the commitment from one generation to the next that has characterized our nation. Yet, for the moment, perhaps the most pragmatic approach would be to restructure our existing federal loan programs by eliminating unnecessary costs and bureaucracy through direct lending, and moving to income-dependent repayment to better align costs with value-added while dramatically reducing default rates.

As stewards of the public trust, we in higher education share with federal and state leaders the responsibility to find a better way to deliver educational and financial resources to the people who need them. Among the economic and social challenges facing the Clinton Administration and the 103rd Congress, few have farther reaching consequences than enabling tens of thousands of citizens to realize their dreams through a college education.