



Wes Clark's Universal College Grant Plan

Going to college is an essential part of the American dream. Higher education is one of the best investments a person can make: economic studies show that an additional year of schooling beyond high school has a return of between 5 and 15 percent annually – more than the typical inflation-adjusted return on stocks and bonds. The importance of a college education has only increased in recent decades, with wages of college graduates rising while wages of workers with only a high school degree have fallen. Over the coming decades, even more jobs than ever will require at least a two-year degree. Under President Bush, average tuition and fees for public four-year institutions have risen by 28 percent after adjusting for inflation, a \$1,032 increase and the fastest growth ever recorded. Student aid has not kept pace: the average Pell Grant and Federal education tax credits have declined from 80 percent of average tuition and fees in 2000-01 to about two-thirds of average tuition and fees in 2002-03. This places an ever increasing burden on students who want to go to college but cannot afford it. At the same time, the process of student aid is needlessly complex. Wes Clark has a plan to make the first two-years of college free for most Americans, while restraining tuition increases and encouraging families to save for college. More than half of the Universal College Grant is paid for by consolidating the existing Pell Grant and Hope Scholarship and eliminating billions of dollars a year in subsidies for banks that offer student loans; the remaining \$70 billion over ten years is paid for as part of the Saving for America's Future plan. Wes Clark's three-part plan:

- 1. Make the first two years of college free for most students – providing a Universal College Grant of \$6,000 per year*
- 2. Restrain spiraling tuition increases*
- 3. Enhance savings for college*

Wes Clark will be held accountable for achieving the goal of an additional 1 million students enrolled in higher education by 2008.

MAKE THE FIRST TWO YEARS OF COLLEGE FREE FOR MOST STUDENTS

Financial aid has not kept pace with the ever-increasing costs of tuition. Between 1975 and 2002, the inflation-adjusted actual maximum Pell grant fell by 15 percent while the cost of tuition and fees more than doubled. At the same time, the needlessly complex financial aid process deters many high-school graduates from even applying to college. Wes Clark's plan would make the first two years of college free for most students – providing a Universal College Grant of \$6,000.

Here's how it would work:

*Paid for by Clark for President, Inc.
Contributions and gifts to Clark for President are not deductible for federal income tax purposes.*



- **Universal College Grant of \$6,000.** The Universal College Grant would be phased in to provide \$6,000 per year for the first two years of full-time college for any dependent student whose family's income is up to \$100,000. Like the existing Pell Grant, the Universal College Grant could be applied to tuition, fees, room, board, and school supplies, including computers, at any qualifying public or private institution.
- **Making the first two years of college free for most students.** The average tuition and fees for a four-year public university, \$4,694 in 2003-04, would be covered by the Universal College Grant, meaning that the first two years of college would be free for most students.
- **Ensuring that more students enter college – and stay there.** Wes Clark wants to ensure that cost is not an impediment for students considering college. Once there, a student who discovers that they are successful in college is likely to decide to continue.
- **Simplifying the process of applying for financial aid and making families confident the aid will be there for them.** Today a prospective student needs to fill out a 108 line form to even find out how much aid they qualify for, a complex process that deters many students from applying for aid and attending college. Much of the complexity of the form, however, is a direct result of the complex formula for calculating aid. By simplifying this formula – making the full \$6,000 grant available for all students whose families make up to \$100,000 annually – Wes Clark would greatly simplify the financial aid application process. In addition, most families would know that they would get the full \$6,000 – an incentive to apply for aid in the first place.
- **Paying more than half of the cost of Universal College Grants by consolidating the Pell Grant, the Hope Scholarship, and increasing competition for student loans.** The cost of the new Universal College Grant would be partially paid for by reserving Pell Grants only for those in their last two years of college (currently \$12 billion for all years of college) and eliminating the Hope Scholarship (\$3.5 billion). In the process, the Universal College Grant plan would reform the tax code to make it simpler. In addition, Wes Clark would eliminate the billions of dollars a year in subsidies that the government currently pays to banks that offer student loans and instead shift to direct, competitive lending.

RESTRAIN SPIRALLING TUITION INCREASES

Academic studies have found a direct relationship between state fiscal situations and tuition increases. Last year public universities increased tuition by 13 percent adjusted for inflation – more than twice the 5 percent rate of increase at private universities and clear evidence that a major part of the problem is the state fiscal crisis. By helping states address their fiscal crises, Wes Clark's plan will help to keep tuition increases down. President Bush's tax giveaways for the wealthy have contributed to the record fiscal crisis facing America's states. The states have tried to balance their budgets, in part, with rapid increases in tuition and fees. Wes Clark's Job Creation Plan includes a State and Local Tax Rebate Fund that would be devoted to relieving the fiscal crisis in states, reducing the pressure on them to pass tuition increases onto students.



- **Education and Training: \$10 billion per year (or \$20 billion over two years).** These funds will be used to keep tuition increases down at public colleges and to help state and local governments train (and retrain) workers for new jobs and better opportunities. This is part of Wes Clark's State and Local Tax Rebate Fund.
- **Appoint a Commission to study the causes of tuition increases and suggest solutions.** The State and Local Tax Rebate Fund will help alleviate tuition increases in the short-run but will not address the long-run challenge of ever rising tuition. As President, Wes Clark would appoint a Commission to study the causes of tuition increases and suggest solutions.

ENHANCE SAVINGS FOR COLLEGE AND BEYOND

America's working families need more help saving for college. Wes Clark's plan would increase the incentives for working families to save for college and other higher education:

Extend the Saver's Credit to Education IRAs – and make it refundable. Currently, couples making up to \$30,000 annually get up to a 100 percent match on their contributions to IRAs. Wes Clark would extend this Saver's Credit to Education IRAs – and make it refundable. This would provide additional returns for working families that save for college and beyond, and thus an additional reason to save. This is part of Wes Clark's overall plan to reform the tax code and increases the incentives for saving.