



THE ROOSEVELT INSTITUTION

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The Roosevelt Institution is a national network of student think tanks, dedicated to connecting college students' ideas to policy makers, and in the process, changing how our generation views policy and government.

During the 2006-2007 school year we focused on developing policies to solve the energy crisis, increase socio-economic diversity in higher education, and make the economy work for working families.

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Financially Preparing Low-income Students for College

Nick Hillman, Indiana University

Create federally funded college savings accounts for every elementary school student eligible for free and reduced lunch; participants would use their accounts to pay for college.

Colleges and universities are one of our nation's greatest assets. These institutions produce the talent that will lead us into the knowledge-based economy of the 21st century. Unfortunately, the future holds a grim outlook for low-income students because they are being priced out of college and denied the opportunity to earn their degrees. In order to close socioeconomic gaps and remain globally competitive, our country must encourage more students from all walks of life to succeed in college and lead our nation into the ever-changing global economy. In the next 10 to 20 years, the imperative to increase college access will only continue to grow as the baby boomer generation retires and the workforce demands new, advanced skills.

How will federal policy help prepare students for these challenges? One solution is to target low-income students early in their academic careers and grant them with financial support to help prepare them for college. Creating federal college savings accounts for every low-income elementary school student will help build a college-going culture, reduce financial barriers, empower

individuals to get out of poverty, and provide incentives for both K-12 and college success – one student at a time.

TALKING POINTS

- Demographic trends for the United States indicate that we need to improve college access and increase enrollment levels, particularly for low-income students, in order to remain globally competitive.
- Providing incentives for at-risk students early in their academic careers will create a college-going culture, improve high school graduation rates, and increase college-going rates.
- Savings accounts will reduce student debt burden, as students would rely less on student loans to pay for college.

an important role by providing student financial assistance. No federal program

KEY FACTS

- In 2005, more than 17 million low-income K-12 students participated in free and reduced lunch programs.
- Only 16 percent of low-income 8th graders in 1988 had earned their bachelor degrees by 2000; conversely, 67 percent of their high-income classmates had earned their bachelor degree during that time.
- By investing \$500 annually for all 17 million students eligible for free and reduced lunch, the federal government would spend a maximum of \$8.5 billion per year to improve college affordability for low-income students.

HISTORY

Dating back to Lyndon Johnson's War on Poverty, the federal government has taken an active role in helping low-income students pay for college via work-study, subsidized loans, and need-based awards such as Pell Grants. Although education policy is traditionally in the domain of the states, the federal government plays



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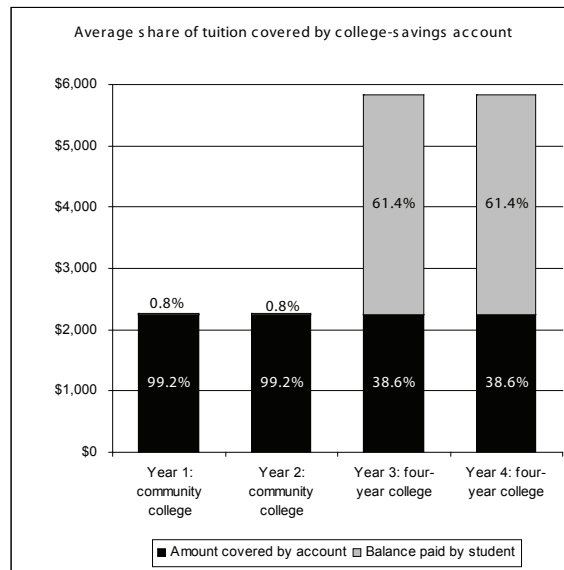
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currently prepares K-12 students financially for college via individualized savings accounts.

ANALYSIS

If the federal government grants \$500 annually to every K-12 student participating in free and reduced lunch programs (in addition to a \$2,000 grant upon high school graduation) hundreds of thousands more low-income students could attend college. Upon high school completion, the saving accounts would provide approximately \$2,250 annually for four years to help students pay tuition. Under this plan, students would be able to earn an associates degree from a community college without paying tuition, after which they could transfer to a state four-year college. Upon transferring to a four-year college, students would be able to use the balance of their accounts to cover part of their tuition.



This plan would help accomplish three important goals: a) increase college-going rates, b) make college more affordable for low-income students, and c) empower all students to reach their potential. The federal college savings plan would be a cost-effective solution, as it would cost less than the Pell Grant program while benefiting more students: this proposal would cost \$8.5 billion per year and benefit 17 million students, while Pell Grants currently cost \$12.6 billion per year and benefit 5.4 million students.

NEXT STEPS

Next steps involve developing partnerships between the Department of Agriculture (administrators of free and reduced lunch programs) and the Department of Education to determine the feasibility of creating savings accounts. Also developing a cost-benefit analysis of this proposal would be particularly helpful. This plan requires shared responsibility from educators, business leaders, federal and state policymakers, parents and students.

SOURCES

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- The College Board. *Trends in College Pricing and Trends in Student Aid 2006*. New York, NY.