A Conservative Vision for Higher Education Reform

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Key Points

- The Trump administration offers an opportunity for meaningful and overdue reform of higher education following a period of halted progress during the Biden administration.
- Colleges should be delivering an economic return on investment for students in every program—and for taxpayers. Colleges that don't meet that standard should lose access to funding through the federal student aid programs.
- On student loans, the Trump administration should be focused largely on streamlining and reining in the generosity of student loan safety nets. It should also seek to ensure that borrowers who are truly struggling get the help they need without an excessive administrative burden.
- The federal lending program and the accountability regime for higher education institutions are the wrong tools for addressing inequity. Unintended consequences of higher standards for students and borrowers should be addressed through direct grant aid rather than lower standards.

The year 2019 marked a dramatic turning point in the national discourse on higher education policy. On April 22, 2019, Senator Elizabeth Warren, vying for the Democratic nomination for president, announced that as president she'd cancel up to $50,000 of student debt for 42 million Americans.[1] She started a chain reaction, with each serious contender in that primary race announcing their own policy to cancel student debt, reassigning the burden to the taxpayers—who had financed the initial expenditure. From that point forward, and perhaps to a greater extent following Joe Biden's announcement in the run-up to the 2022 midterm elections that he'd fulfill his campaign promise, the discourse changed dramatically on both sides of the aisle.

Democrats—who had previously been at the table for thoughtful, bipartisan talks on reforming higher education to better serve students and taxpayers—seemed to shift their sights to loan cancellation and a new, more progressive regime altogether. Accountability, for example, had historically been an area of concern among Democrats. But interest in using accountability to address fundamental changes in higher education dropped precipitously as attention turned to loan cancellation.

When the Democratic Party first embraced the idea of canceling student loans, it was then–presidential candidate Biden who seemed most skeptical of the direction his party was taking on this issue. Among the candidates, his plan to cancel student debt was the most restrained. His comments in one public forum early in his presidency, a town hall conversation with voters for CNN, indicated that he was leery of student loan forgiveness benefiting many already privileged Americans.[2] I wondered whether his skepticism about the issue would cause his campaign promise to go unfulfilled, but as the midterm elections approached, President

Biden took the bold step of advancing his plan, which had become more generous than he had promised during his campaign.

Since then, debate over the economically nonsensical and politically motivated effort to cancel student loans has dominated the national discourse on Capitol Hill and in the popular media. This has taken attention and resources away from discourse about meaningful reforms that would work to improve the long-standing challenges facing higher education.

In contrast, this sharp change seemed to bring Republicans to the table in a new way. Historically, the Republican Party hadn't been a party for big ideas in higher education. But the mess created by Biden's intervention in student loans and the general shifting of the Overton window inspired ambitious plans from the right. In the 118th Congress, Republican lawmakers in both the House and the Senate introduced legislation that would radically reform the federal role in higher education (for the better).

President Donald Trump's reelection will end this era of halted progress. Experts, policy professionals, and lawmakers can return their attention to the problems that have long plagued higher education. The public's trust in higher education is falling fast.[3] The silver lining is that stakeholders may be open to change, and so much change is long overdue.

In the following pages, I outline a vision for reform that would move us away from an era defined by exploiting policy for the purpose of political gain and instead focus on real solutions that will make higher education work better for all Americans.

Accountability

A fundamental challenge facing higher education in the United States is that taxpayer funds are being sent, year after year, to institutions and programs of study that fail to deliver the outcomes students and taxpayers expect. The solution isn't necessarily to cut funding for higher education but to better target resources, ensuring they are used to advance the interests of individual student citizens and the common good.

In the past, higher education policy and subsidy programs were built largely on the premise that colleges and universities were universally well-meaning and incontrovertibly worthy of public support. Whether an institution is well-meaning is, of course, subjective. But what we can say is that, regardless of intention, some colleges aren't delivering results. And since dollars spent on higher education can't be spent elsewhere, it's important that subsidies be delivered only where they are likely to yield dividends. The current system of accountability for higher education—the system by which we determine which institutions are eligible to receive federal resources—is based on three components.

The first is accreditation. Accreditation is the process by which a private entity that is contracted with the federal Department of Education certifies a college or university as being worthy of participation in federal student aid programs. Historically, the accreditation process has been a subjective process that guarantees little about the programs it certifies—beyond the fact that they look somewhat like the business model that we're used to. And the accreditation process has largely focused on examining the mechanisms used as inputs to the educational process, such as faculty credentials and curriculum.[4]

The second prong of the existing accountability regime is a somewhat defunct rule regarding student loan repayment. The cohort default rate rule demands that colleges and universities that participate in federal student aid have adequate repayment on the loans held by their former students who borrowed from the federal student loan programs. This is measured by the cohort default rate, which is the share of student borrowers who default on their loans within a specified period after entering repayment. At one point, this was a reasonable indicator of whether graduates (or dropouts) could afford to repay the debt they took on to pay for the cost of enrollment.

But over the past decade, changes to the student loan repayment programs that allowed borrowers to defer repayment due to low earnings have deteriorated this metric's value in measuring the financial well-being of student borrowers. The programs that allow deferred repayment enable borrowers to avoid defaulting on their loans despite demonstrated economic hardship. Therefore, the cohort default rates that the Department of Education measures and reports tell us little about student borrowers' ability to repay their debt and, therefore, little about whether a college or university deserves eligibility for public support.

The status quo in accountability policy is failing students and taxpayers alike and is overdue for meaningful reform. While reasonable people can disagree about the point of education after high school, most would concur that programs of study should at least leave students better off financially than where they started. Accountability policy should not aim to measure higher education's value—distinguishing between the good, better, and best programs. Instead, it should extend from the simple principle of "do no economic harm" and focus on ensuring that resources (and implicit government endorsement) aren't being delivered to institutions that fail students. Frankly, that might seem like a low bar, but it's a far more stringent standard than the status quo.

This notion of holding colleges and universities to account for their students' financial outcomes may seem radical, but the concept is not without precedent. It was first employed in a set of regulations referred to as "gainful employment" (GE) that was launched during the Obama administration. After years of legal challenges, the regulations were ultimately repealed by the first Trump administration.[5] While the Biden administration tried to restart the implementation of the GE regulations, the effort was not completed before the end of the administration.

The Trump administration's decision to repeal the GE regulations was rooted in the fact that the regulations were intended to punish for-profit colleges and universities. Public and nonprofit colleges were largely excluded from meeting the standards laid out in GE. But a better solution would be to enact policy in the spirit of the GE regulations that applies to all institutions equally.

Congressional Republicans have started the ball rolling on this effort. In the 118th Congress, legislation in both the House and the Senate proposed changes to the Higher Education Act that would restrict federal student aid dollars from supporting institutions that fail to advance their students' economic interests. The House's College Cost Reduction Act did so by implementing an aid eligibility criterion that punished institutions that failed to demonstrate that its graduates outearn the poverty threshold by at least 50 percent.[6] The Senate's Streamlining Accountability and Value in Education for Students Act did so more directly by requiring that institutions wishing to participate in federal student aid programs demonstrate that their graduates experience average earnings exceeding those they could expect in the labor market with just a high school diploma.[7]

The new Trump administration should work with Congress to advance this legislation. Doing so would bring an abrupt end to wasteful spending on institutions that don't deliver and save hundreds of thousands of students from enrolling at institutions that will leave them worse off financially. Critically, a new accountability policy should examine program-level—rather than school-level—outcomes and determine student aid eligibility accordingly. While there is significant variation in quality and value across institutions, there is actually more variation across programs of study. At present, students enrolling at a "good" institution might assume, based on the institution's reputation, that whatever program of study they pursue will lead them to opportunity. But, as many have learned, that is not the case.

While program-level outcomes should be used to police access to federal student aid dollars, that same information should be made available to current and aspiring students. The current data system available to consumers of higher education is flawed due to data restrictions caused by legislation that restricts the creation of a unit record data system. The White House should work with Republican leaders in Congress to overturn that legislation to encourage accountability policy and enable public data systems to use the best available data. The combination of restricting federal funding of low-performing institutions and empowering students to make the best decisions for themselves will result in better outcomes for students and taxpayers alike.

At the same time, the administration should work to improve the accreditation process. If new accreditors are allowed to enter the field, competition will improve the quality of assessment conducted through this opaque and questionably valuable process. This would be an intermediate solution on the way to an accountability policy regime that is based on measurable outcomes and doesn't rely on third-party assessments of quality.

Recognizing new accreditors does not require new law or regulation. It can be pursued using current regulations and statutory authority at the Department of Education. At present, progress on this front has been halted. An unpublished letter from Department

of Education staff to some in the accreditation industry, dated October 29, 2024, indicated they would be suspending consideration of new accreditors due to capacity constraints. This decision can and should be overturned, as considering and approving new accreditors is a core function of the department.

The Trump administration may also want to consider reforming the process of approving new accreditors. At present, tremendous power rests in the accreditation group of the Office of Postsecondary Education. Because the accreditation process is such an important part of gatekeeping federal aid dollars, the power to recognize new accreditors (and oversee existing accreditors) should not be left to a small number of nonpolitical federal employees.

And last, the administration should empower states to use accreditation as a tool for achieving their desired policy outcomes. At present, most states do not strategically choose accreditors for their public institutions. This offers an unused vehicle for governors and state lawmakers to effect change, pushing their local institutions to better serve their constituents. In some states, it may be appropriate to use existing procurement laws to identify which accreditors should be servicing state institutions.

Student Loans

The Biden administration has left the student loan program in shambles. The Trump administration should prioritize rebooting this system by setting reasonable expectations for students and schools and aligning policy incentives for all stakeholders to ensure the financial sustainability of federal support for education after high school.

It's worth recalling that before its upheaval at the hands of the Biden administration, the student lending program offered a way for most Americans to access higher education even without familial or personal means. Many critics on the left disliked the regime in place, but their objections weren't because the system was inhumane. Rather, the system—which had resulted from years of incremental modifications—offered widespread access to opportunity and a generous safety net. This ensured that when college (and borrowing to pay for college) failed to deliver economic prosperity, it was the taxpayers, rather than individuals, who were on the hook to pay. Of course, that system also required borrowers who prospered after college to repay their loans in full.

Democrats motivated their calls for mass student loan forgiveness with concern over borrowers being unable to afford repayment. But since generous safety nets were already in place, it suggests there was an ulterior motive. My sense is that what many Democrats really object to is the self-pay model of higher education finance, in which student lending plays a significant role. They would prefer a more socialized system of higher education in which Americans have access to enrollment opportunities, perhaps at community colleges and public universities, free of charge. While that has some superficial appeal, the self-pay model, supported by a functioning student lending program, is superior. Self-pay ensures that students make prudent decisions about whether, where, and in what programs to enroll. It also ensures that institutions have an incentive to deliver good outcomes to students, which encourages new cohorts to enroll each year. These incentives ensure that taxpayer support of higher education is used efficiently.

The Trump administration should resist the temptation to further reform the student lending program through regulatory change. The current system is fraught with complexity largely because of Congress's failure to pass meaningful reform and the resulting incremental changes executed through the regulatory process using dubious legal authority. The system needs an overhaul of the sort that can (and should) be delivered only through legislation.

The administration should seek to form a bipartisan coalition in Congress to develop legislation that would streamline the current student lending regime, replacing the many programs and repayment options with a single loan and income-based repayment plan. Similar models have been proposed in legislation that was introduced in the 118th Congress. The repayment option should function as a safety net for borrowers who struggle to repay their loans due to lower-than-anticipated earnings after graduation. The program's parameters should not be set such that the program acts as a de facto, ex post subsidy that students anticipate receiving. Rather, it should provide benefits only when students face hardship stemming from their investment in education not yielding a return.

And while most Biden administration initiatives should be abandoned, one provision from the otherwise ill-conceived Saving on a Valuable Education Plan is worth keeping (if it is ultimately determined to be within the administration's authority): the effort to move delinquent student borrowers into income-driven repayment automatically when possible.[8] While the Trump administration should largely be focused on streamlining and reining in the generosity of student loan safety nets, it should also seek to ensure that borrowers who are truly struggling get the help they need. The automatic enrollment in income-driven repayment would likely benefit the neediest borrowers the most since they are likely the least aware of the processes required to enroll in income-driven repayment. (This is precisely why a streamlined repayment system should enroll borrowers in these safety nets automatically.)

In addition, the administration should encourage congressional partners to eliminate the graduate student loan program entirely. Graduate student lending is out of control. Students are effectively borrowing without limit to pay for graduate and professional schools, many of which offer little or no return on investment.

The economic justification for federal intervention in undergraduate borrowing is that, without it, there would be insufficient liquidity to support students pursuing their degrees. This would result in suboptimal investment in higher education at a national level, compromising our nation's competitiveness in the global marketplace and hampering innovation that could lead to widespread improvements in living standards for Americans.

The same justification has been used to rationalize the existence of federal graduate student loan programs, but the fundamentals of the situation are not the same. It is widely believed that the benefits of undergraduate education are shared generously between the individual earning the degree and society at large. However, the returns from graduate and professional education provide more focused benefits to the individual, primarily in the form of higher wages, and offer less to the social good. But perhaps more importantly, it is not clear that the level of investment in graduate and professional education would be suboptimal without the government acting as a lender.

Without federal intervention, the private sector would likely replace a large share of graduate student loans, reducing the cost to taxpayers. Private-sector lending would not, however, replace every loan that is being made under federal lending. And in some cases, that is an improvement on the status quo.

Unlike federal lending programs, which make credit available to students regardless of their anticipated ability to repay it, private lenders would lend only to student borrowers who lenders believed would be able to repay it. Many critics of private student lending cite this as their primary concern. But in fact, this dynamic provides the advantage of private-sector participation in solving the challenges facing graduate education finance. Making credit available to help pay for programs of study that are inherently unaffordable isn't a fair solution for students.

Subsidies to Higher Education

The policies laid out in the previous two sections would move our system of higher education finance toward a regime heavily dictated by market forces. For example, demanding that institutions and programs of study satisfy earnings requirements for participation in federal student aid programs means that the allocation of subsidy dollars will be determined largely by the forces in the labor market that implicitly value one set of skills or field of study over another. Likewise, eliminating public lending for graduate and professional programs means that students will lose access to funding for educational opportunities that do not offer a financial return on investment.

In most cases, this alignment with market forces is desirable. A primary purpose of the system of higher education in the United States is to promote economic mobility and ensure Americans have access to opportunities to advance themselves economically. It therefore isn't wrong to promote enrollment in programs that deliver an economic return on investment. In some cases, however, the allocation of aid and patterns of skill development promoted by market forces will deliver suboptimal outcomes.

The most often cited example of this phenomenon is when students are discouraged from studying in fields that would lead them into low-paying professions that serve the public good. For example, the framework I've laid out here would possibly lead to a dearth of Americans adequately trained for jobs in social work, which

are important to society. The solution, however, isn't to reject the use of market forces in allocating funds. Rather, it is to address the instances in which the market-based solution is suboptimal and address them through the appropriately targeted policy intervention.

In many cases, the appropriate intervention may be direct subsidies. But in other cases, it may not. Take the example of social work. One reason the policy regime I've described would likely lead to a shortage of social workers is that a license in social work requires a graduate degree. Since social work is a relatively low-paying profession, private lenders may not be apt to make loans available to students in social work programs. This will limit the number of students who can afford to attend these programs.

Many have argued, however, that social work shouldn't require a graduate or professional degree. This may or may not be the case; I'll leave that one up to the experts. But the point is that we should address each suboptimal instance individually rather than trying to craft policy that rejects market forces in an attempt to solve such instances all at once.

Other examples of issues that might require further intervention include ensuring that students who are disadvantaged by race, income, or geography have access to opportunity. This is also a framework that can be used to ensure the advancement of conservative priorities. For example, with a market-based system of allocating federal aid and access to enrollment opportunities, subsidies could be used to ensure sufficient investment in things like civic education and national security. We often deliver subsidies through the Department of Education for reasons that have little to do with education. Simplifying the federal role and delivering subsidies more explicitly to the problems they are intended to solve will result in a more efficient use of public resources and will lead to better outcomes for all Americans.

This framework is also more embracing of federalism than the status quo. A simplified federal role that minimizes implicit subsidies will allow states to tailor education policy (and policy more broadly) to the needs of the states' constituents.

While a new system of subsidies may seem inconsistent with a conservative political ideology, these reforms could easily be paid for with savings generated by the reforms proposed in the previous sections. And on net, these changes paired with targeted subsidies and otherwise appropriate interventions would provide a higher education policy regime more in line with market-oriented principles than the status quo and, more importantly, would allow the system of higher education to better serve more Americans.

Conclusion

The policy framework outlined in this report provides a roadmap for the new Trump administration to undertake serious and consequential higher education reform. In contrast to the policy changes both attempted and enacted in recent years, the solutions discussed here rely largely on legislative changes. This might seem an unattractive path to professionals in the administration keen on effecting rapid change.

While I appreciate the desire to make changes quickly and avoid the necessity of compromise that will arise when cooperation with legislators is required, it is imperative for the new administration to prioritize ushering new legislation rather than trying to effect change through incremental regulatory reforms. This is especially true of finance policy, which has suffered tremendously from this sort of policymaking. Students and taxpayers alike are the victims of a system that has become overly complex, challenging to navigate, and impossible to effectively administer.

The Biden administration's focus on student loan cancellation brought bipartisan conversation about overdue reforms to a screeching halt. Experts who typically advised Democratic lawmakers but had a history of engaging in bipartisan discourse seemed to abandon concern for meaningful but incremental reform of the status quo and set their sights on the prospect of student loan cancellation as a silver bullet. Meanwhile, those of us on the right wasted time making the economic and moral case against student loan cancellation ad nauseam each time the administration took a step toward its hallmark campaign promise.

The new Trump administration has the opportunity to bring the discourse on higher education reform back to normalcy. Returning our attention to reforms that put student success at the center of the conversation will allow for richer debate and produce the fruit that lawmakers can use to inform meaningful reform.

About the Author

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Notes

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