The High Cost of Giving Back

BY JOHN PULLEY

Can financial aid be fixed so graduate stude

SARA BUDOWSKY had been an academic standout at Chicago's public schools, but without financial aid, she would have been unable to attend the University of Chicago. Growing up in Chicago's blue-collar neighborhoods, Budowksy had only a fleeting familiarity with financial security. Money was always tight. The family business, a record store, failed, and income provided by her father, a musician, was as up and down as random notes on a musical scale.

With grants and scholarships, however, Budowsky graduated in 2006 with a B.A. in human development. Eager to give back to her community, she enrolled in SSA's master's degree program. "If I was able to get a degree from a place like the University of Chicago, I wanted to make sure I wasn't forgetting my roots," she says.

After graduation from SSA next spring, Budowsky says she looks forward to "working in the city in a mental health setting with children, maybe doing outreach with the school system, and being financially secure. Not well off, but able to pay off the loans and to buy a house."

Budowsky may have trouble achieving the future she envisions. She receives more than $20,000 annually in financial aid from the School in the form of a paid assistantship and a donor-supported scholarship. Without this support, she says she wouldn't have been able to afford an SSA education. But upon graduation from the School, she will also have accumulated approximately $35,000 in total debt for her graduate and undergrad degrees. Her spouse, a Chicago alumnus who teaches in the city's public school system, racked up an estimated $80,000 in undergraduate debt.

Like other graduate schools around the country that produce alumni who are ready for a career in public service, SSA works hard to provide the necessary financial aid to enroll meritorious graduate students such as Budowsky. Due to increasing costs of a graduate education and the difficulty of

The financial squeeze can be particularly uncomfortable for those who work in **fields such as social work or education**.

raising adequate funds, a crisis is brewing, one that may affect who can afford to attend such schools.

"We get concerned about the level of debt students are acquiring and the salaries they will be able to command," says Penny Johnson, SSA's dean of students. "We are always looking for scholarship funds. We have lots of endowed funds for scholarships, but they are small. Unfortunately, the capacity of social work alumni to make large donations to support the next generation is limited compared to other careers."

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THE FINANCIAL SQUEEZE can be particularly uncomfortable for social workers, public school teachers, and others who work in low-paying fields and struggle to pay off hefty student loans. Among graduates of public four-year colleges, 37 percent have too much debt to manage as a starting social worker and 55 percent of private college graduates would face serious repayment challenges as a starting social worker, according to "Paying Back, Not Giving Back: Student Debt's Negative Impact on Public Service Career Opportunities," a report released last year by the Higher Education Project, an initiative of state Public Interest Research Groups.

Higher education's affordability crisis—essentially a widening gap between escalating post-secondary costs and financial aid that has failed to keep pace—has been building for years. In the 1980s, college enrollment of students from families of modest means surged and federal and state support of higher education began a long decline. Tuition began increasing faster than median family incomes. The impact has turned the traditional model of educational financing on its head, with students "shouldering an increasing share of the costs," according to the PIRG report.

Even after adjusting for inflation, average student debt increased more than 50 percent in the past decade, according to a recent report from the U.S. Department of Education. In 1993, fewer than one-third of new college graduates of four-year institutions had student loan debt. In 2004, two-thirds of new grads had educational debt. "Over the past two decades, undergraduate student loans have supplanted grant aid as the primary way students finance their college education," the report concluded.

The crisis isn't confined to undergraduate education. While undergraduates are eligible for government grants and other support, most master's degree students who do not receive institutional financial aid rely on loans. The federal government provides $8,500 in government-subsidized Stafford loans and $12,000 in unsubsidized loans (the federal government pays the interest on subsidized loans while students are in school), and students who apply early can get up to $4,500 in Perkins loans, which can be forgiven if a graduate takes a qualifying job, such as working with children.

On the other hand, the debt accumulated in the attainment of bachelor's degrees tends to exacerbate the financial struggles of students who pursue post-graduate diplomas. At SSA, about half the students beginning the master's program in the current academic year have undergraduate debt, which ranges from $5,000 to $74,000. The average is $20,172.

Preliminary analysis of the 2006 Annual Survey of Social Work Programs, conducted by the Council for Social Work Education, indicates that 81 percent of graduates from master's programs had loan debt. The median amount owed is $25,000. The survey sought data only on debt accumulated while enrolled in a post-graduate program, but the data may be skewed by respondents who included undergraduate debt, a spokesperson says.

"Research shows that 40 percent of students who choose not to pursue graduate study do so because of the fear of mounting student debt," says Ben Baron, vice president of graduate programs for Kaplan Test Prep and Admissions. "The reality is that for many students, there are enormous sacrifices that go along with the time and effort it takes

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nts can still **afford to work in public service**?

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to do graduate school. No one should be deterred from their dream because of educational costs."

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WITH AN ANNUAL tuition of about $32,000, the School of Social Service Administration is one of the more moderately priced options among University of Chicago graduate schools. Still, add in an estimated $14,000 to live in Chicago, the expense of insurance and other outlays, and costs quickly become prohibitive.

To keep the School affordable for as many students as possible, SSA has made financial aid a priority for years, a commitment that has only increased in the last decade. The School now provides some 92 percent of master's degree students with scholarships, the amounts determined primarily on the basis of merit. Awards range from $2,500 to more than $20,000. In the competitive field of attracting the very best doctoral students, SSA provides full tuition and fees, including health insurance, to students working toward a Ph.D., and a fellowship that comes with a stipend worth $15,000 to $18,000 annually.

SSA raises all this money from a number of sources. Endowed funds yield approximately $600,000 for student support each year and new gifts bring in approximately $2 million more, of which about $500,000 provides merit- and need-based scholarships. In addition, SSA encourages students to apply for research assistantships and other jobs that qualify for the government-subsidized work study program. Unmet costs are met by higher-cost loans from private lenders.

"We are steadily working to encourage alumni and other philanthropists, including charitable foundations and corporations, to give," says Stephen Gilmore, SSA's associate dean for external affairs. "We simply could not attract students of great promise and diverse backgrounds who can be successful in a rigorous environment without significant tuition support."

Increasing diversity—racial, ethnic, economic—often means enrolling students who are least able to pay high educational costs. Linda Clum, SSA's admissions director, regularly talks to students who are interested in SSA. Those conversations tend to cover a range of topics, but "eventually we get down to the price tag," which can be the critical factor in students' deciding to attend SSA or even to apply. Applications held steady last year, and the entering class is strong, but some coveted students declined acceptance to SSA on the basis of cost. "We're concerned that we will continue to get the most highly talented students," Clum says.

"Because students with lower incomes are more dependent on student loans than higher income students, students who already face significant challenges to attending college will more strongly feel the effect of loan debt on career choice," according to the Higher Education Project.

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WITH THE COST of bridging the gap between the expense of a graduate education for those working in social welfare and the available resources falling primarily on students—and schools like SSA that are trying to ease that burden—the question becomes: Is there a better way?

In May, Robert Reich, a former Labor Department secretary in the Clinton administration, proposed a scheme for student-loan repayment that seems radical on first glance. In a commentary for National Public Radio, Reich suggested that the well-compensated graduate "who's landed that private-equity job would pay 10 percent of his income for 10 years, which would be a hefty sum. My students who go into social work or become artists would pay 10 percent of theirs, which would be far less. The private-equity guy would, in effect, subsidize the social worker and the artist. And why not? This way all of them could follow their callings."

It's not an unreasonable idea; in fact, a version is already in place in other countries. In 1989, the Swedish government introduced student loans with

Supporting Those Who Support Children

FOR MUCH OF HER ADULT LIFE, DORIS JEAN KELLER has been an advocate for children. Her $100,000 gift to the School of Social Service Administration ensures that others will continue doing that work into perpetuity.

The William S. and Doris Jean Keller Family Scholarship Endowment provides annual financial help to a student "who plans to work to improve the lives of abused and neglected children and to assure that every child is raised in a safe, loving, and permanent home." In selecting recipients, preference is given to second-year master's degree students.


Doris Jean Keller

Social service professionals who work with disadvantaged children encounter daunting impediments, from inadequate resources to legal and bureaucratic red tape to apathy. The enormity of the challenge and the high cost to society of failing to overcome it mandates that people working in the field be smart, dedicated, and armed with the best education available. "I think it's so important to get quality people like we have in the program right now," Keller says. "These young people are excellent. They're very innovative. They really are the best and brightest that I've ever met."

Keller's role as a philanthropist resulted from decades of volunteer work, which began with her involvement in the local and national Parent Teacher Association. Over the years, she has served various organizations dedicated to child welfare, including the National Safety Council and a local health board. In 1977 she founded Illinois Action for Children (IAC), a statewide group that advocates for foster children. When IAC disbanded in 2003, Keller augmented the group's scholarship fund to make the $100,000 donation to SSA.

"We can't have a just society with kids who aren't functioning," says Keller, the mother of four grown children, including a daughter who graduated from SSA. Every year, the pair has lunch with the recipient of the family scholarship. "They all thank me tremendously," she says. "They tell me they wouldn't be there without it."

income-contingent repayment schemes that link the amount of graduates' repayments with their level of income. Britain, South Africa, Australia, and New Zealand have introduced similar programs that calculate repayment as a percentage of future income.

Closer to home, the Income Contingent Repayment program (ICR) from the U.S. Department of Education offers a watered down version for graduates who pursue careers with lower salaries, such as careers in public service. The program pegs monthly payments to the borrower's income, family size, and total amount borrowed. Loan debt remaining after 25 years is discharged (although the amount forgiven is treated as taxable income). However, banks and other private institutions that make government-guaranteed loans are ineligible for participation and that and other restrictions make the program unavailable or unattractive to the vast majority of borrowers.

In the wake of a scandal in how some universities and banks have steered undergraduate students to specific loans, a massive $20 billion college aid bill was passed this fall by the federal government. Much of the bill's provisions only affect undergrads, such as an increase in the amount a Pell grant will provide annually and a phased-in reduction in the rate on Stafford loans.

For graduate students, the federal aid package includes a new version of ICR, called Income-Based Repayment (IBR), which will lower the cap on monthly payments for low- to moderate-income graduates, and a loan-forgiveness component that would allow the balance of student loans to be forgiven for those working full-time in a public service profession for ten years. "Anybody in a public service field with both high debt and low income will benefit," says Mark Kantowitz, college planning author and publisher of the website FinAid. He argues that there are a lot of good things in the bill, even though it phases in many of the new programs to keep to a budget—and reduces federal subsidies to private lenders to help raise the funds.

The hidden cost of lowering lender subsidies may still not be clear. "Some graduate students will come out worse because of [Congress's] cutting lender subsidies," predicts Dan Thibeault, cofounder and president of Graduate Leverage, a student-debt advisory service founded in 2003 by a group of Harvard Business School classmates. Thibeault notes that lower subsidies mean less profit margin for private lenders, which he says will encourage them to charge higher rates of interest on their loans. More importantly, though, he says, is that escalating tuition costs will increase loan amounts.

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In the end, the new federal loan forgiveness programs, while certainly appreciated by many graduates, may not have as large of an impact in helping grad students enter public service as hoped. Studies have shown that forgiveness after years or even decades does not have nearly as much of an impact as lower payments throughout the life of the loan.

For example, Erica Field, a Harvard researcher, looked at two groups of randomly assigned applicants admitted to NYU Law School. One group was offered low-debt financial aid, the other group a financial aid package that required them to carry debt that would be forgiven later on. The packages had equivalent monetary value. Participants offered the low-debt financial aid package were twice as likely to enroll in law school as their peers who were offered high-debt aid that would be forgiven. Moreover, members of the low-debt group were up to 45 percent more likely than their high-debt peers to take a first job in public interest law.

"If there is debt aversion, or psychic disutility of debt beyond borrowing costs, even educational loans that are repaid by a third party could influence career decisions," Field wrote. "Educational debts of the current magnitude dissuade even the most dedicated graduates from taking low-paying public interest jobs."

Graduate schools eager to negate the impact of onerous educational debt on students could choose to eliminate student loans from their financial-aid equations, a strategy that has gained adherents in higher education. This spring, Davidson College became the first private liberal arts school to join Harvard University and a handful of other elite institutions in eliminating loans as part of their financial aid packages for undergraduates.

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The cost of such plans is very high, though. Paying for Davidson's no-loans policy will require the college, with an enrollment of 1,700 students, to raise an estimated $75 million in new funds. The initiative was undertaken, in part, because graduates were abandoning social work for higher paying jobs in other sectors.

"They wanted that debt to go away," says Chris Gruber, Davidson's vice president and dean of admissions and financial aid. "We wanted students to be guided by their hearts as to what they wanted to do in the future, as opposed to their pocketbooks."