Remarks as Prepared by Senator Richard J. Durbin
National Association of Independent Colleges and Universities
Feb. 1, 2011

I want to thank Dr. Warrick Carter – the maestro – for that generous introduction, and for his leadership as chairman of the Federation of Independent Illinois Colleges and Universities.

I also want to acknowledge NAICU chairman Dr. John Bassett, and President David Warren.

And welcome all of you, especially my fellow Illinoisans, to Washington.

When President Obama said in his State of the Union Address, "This is our generation's Sputnik moment," those words had a special meaning for me.

You see, I've been around long enough to remember America's original Sputnik moment.

It was October 1957 and I was a high school kid in East St. Louis, Illinois the Soviets launched the world's first satellite. It was only about the size of a basketball, but it scared the bejeezus out of us. We knew the Soviets had the Bomb. Now they were in outer space and we weren't.

We were afraid we could lose the Cold War. So Congress passed the National Defense Education Act. America made a commitment to lead the world in scientific and technological innovation and invest in education.

We also made a commitment that "no student of ability will be denied an opportunity for higher education because of financial need." To keep that promise, we provided low-interest federal loans to kids from working-class families to go to college.

I was one of those kids. My mother was an immigrant. Neither of my parents graduated from high school. But the National Defense Student Loan Program helped put me through college and law school at Georgetown University.

When I graduated from law school, I looked at how much I had borrowed over seven years. It was a staggering sum, something like $8,500 at 3 percent interest. I thought: I'll never be able to pay back this much money! But I did. And so did millions of others.

Listen to these numbers:

In 1940, only 15 percent of college-age students in America went to college.

By 1960, America had three-and-a-half-million college students.

By 1970, we had seven-and-a-half-million college students.

The NDEA democratized higher education in America and enabled us to train a generation of scientists and engineers to solve some of the most complex challenges imaginable.

Americans today are just as capable of solving the great scientific and social challenges of this new century.

We need to renew the commitment we made a half-century ago and give our young people the education and training they need to create new jobs, new companies and whole new industries, right here in America.

The countries with the fastest-growing economies in the world are all investing heavily in their higher education systems. We can't afford to fall behind.

As the President said, if we want to ensure that innovation produces good jobs in America and not just overseas, we need to "out-innovate, out-educate, and out-build the rest of the world."

That's why we included in the Recovery Act $30 billion to make college more affordable, and more than $25 billion for scientific research – part of the largest new federal investment in education in more than 40 years.

It's why we cut the middle-man out of the student loan business and used the savings to make college more affordable for millions of students.

We increased the maximum Pell grants, and we're pegging Pell grants to a fixed rate above inflation so their value doesn't decline when families need them most.

Millions of families are now eligible for tuition tax credits worth up to $10,000 for four years of college.

And more of our brightest young people are taking on some of our toughest challenges because of new loan forgiveness programs.

We have a chance to come out of this recession with a better educated workforce than we had at the start of the recession. That is the best possible driver of economic growth.

But we have to ensure that students are completing degrees and gaining useful knowledge, not just being burdened with mountains of student loan debt. That's what I want to talk about today.

One of the tools we use to protect low-income students from taking on too much debt – Pell grants – is in peril.

Last year, 7 million students received Pell grants – a million-and-a-half more than the year before.

The recession is one reason for the jump. More students are going to school, or going back to school, to learn new schools and try to boost their income. And hard times have made more people eligible for Pell grants.

Another reason Pell grants are up so significantly is the dramatic growth of for-profit colleges.

For-profit colleges are the fastest-growing segment of higher education. In the last 10 years, enrollment at for-profit institutions has grown 225 percent.

For-profit colleges are also consuming a disproportionate share of federal financial aid dollars.

Think about this: Last year, the top three recipients of federal student aid -- the University of Phoenix, DeVry and Kaplan University – were all for-profit colleges.

For-profit schools educate less than 10 percent of all college students, but receive 25 percent of all Pell grants.

They also educate 23 percent of all students attending college on the Post 9/11 GI Bill, but they account for 36 percent of the Post 9/11 GI Bill funds.

All told, for-profit colleges receive an average of 77 percent of their revenue from federal loans and grants. If you include funds from the new GI Bill and other military tuition programs, it's more than 90 percent at some schools.

Let me be clear: There are many good for-profit colleges and they serve a vital purpose: supplying education and job training that helps people take the next step up the economic ladder.

Your institutions may even learn from for-profit colleges how to adapt education to better fit the way people live and work today, allowing students to study online and on their own schedule.

But there are also a lot of bad for-profit schools that are raking in huge amounts of federal dollars and leaving students poorly trained and over their heads in debt.

At some schools, students pay $20,000 to $30,000 for an associate's degree only to learn that their credentials can't help them find a job. They're no more employable than they were before but now they're deep in debt.

Here are some alarming numbers: For-profit colleges make up less than 10 percent of college students – but 44 percent of federal student loans defaults.

Defaulting on student loans hurts borrowers badly. It ruins your credit rating. It makes you ineligible for federal employment and federal benefits – including student aid if you want to go back to school. The government can garnish your wages and withhold tax refunds. And unlike most consumer loans, student loans are almost impossible to discharge in bankruptcy court.

Defaulting on student loans also hurts taxpayers, who are left holding the bag.

We need to make sure we don't end up with another subprime mortgage fiasco, with low-income students mortgaging their futures not on overpriced homes this time, but on worthless diplomas – with taxpayers on the hook again for any losses.

That could threaten the entire student financial system.

That's why the Education Department is putting in place reasonable new rules for for-profit schools, and Chairman Harkin and I and others in Congress are asking questions of the industry.

I have to tell you, I've taken on the tobacco industry, the credit card industry and big banks. But I've never seen a lobbying effort like this. It's like a full-employment programs for former members of Congress.

Every day brings a new round of TV, radio and newspaper ads.

And where are the rebuttals from the community colleges, public universities, and private non-profit colleges? I haven't heard them.

I'm here to tell you that you cannot afford to stand on the sidelines of this conversation anymore. You cannot come to Congress to ask for more funding for Pell grants while looking the other way as billions of dollars of our current investment is wasted.

And I'm not talking only about low-performing for-profit colleges. There are public colleges and private non-profit colleges that are also failing their students.

It is time for a serious conversation about the cost and quality of our higher education system.

It's time to question why we allow some colleges to continue to take in new students when they only graduate 15 or 16 percent of students, year after year.

It's time to question rising tuition and rising student loan debt when students aren't seeing improvements in outcomes.

And it's time for a serious conversation about a new study that found that nearly half of college students showed no significant improvement in critical thinking, complex reasoning and writing by the end of their sophomore years. And that one-third of students did not take a single course requiring even 40 pages of reading per week.

It's time to talk not just about the number of students in college and the amount of federal aid dollars, but about the quality and outcomes of that education. Our economic future depends on it.

The Administration and Congress will likely push you to be better stewards of taxpayer dollars. But you shouldn't wait for that.

You should improve your accreditation systems now. Colleges should be judged on the outcomes they produce for students, and colleges that aren't improving or meeting acceptable bars should have their accreditation pulled. And it shouldn't take decades for that to happen.

We all have a stake in this. Here's why. It's very simple: Out of every dollar we spend in America, we borrow 40 cents. That's unsustainable.

Where do we borrow the money? One of our major creditors was just here recently, President Hu Jintao of China.

A year ago, the president created a commission to look at the deficit and come up with a plan to bring our fiscal house back in order.

There were 18 of us on the commission, including our co-chairs, Alan Simpson and Erskine Bowles.

At the end of the day, 11 of us voted for the final report. I didn't like everything in it; some ideas I disagreed with strongly. But I voted for it because it starts a conversation we must have. I voted for it because doing nothing about the deficit isn't an option; it's an abdication of our most basic responsibilities.

We agreed, first of all, that the recovery is still fragile and we shouldn't hit the deficit-reduction brakes too hard, too soon, because it could throw us back into recession.

We also agreed that we can't simply cut our way to fiscal strength. We need to cut and invest, especially in research and education. And we need to invest wisely.

Some people see it differently. They seem to think the deficit is everything.

The deficit is important, but it's not everything. Absolutely, we have to put our fiscal house in order again – and that won't be easy.

But we also have to ask ourselves: Will our economy be able to compete in the world of the 21st century?

Cutting annual spending back to pre-recession spending levels, as some are suggesting, would cut Pell grant funding by more than a third.

Others want to go even further. They want to eliminate applied research supported by the Department of Energy, the National Endowment for the Humanities, the National Endowment for the Arts and other programs, as well as many fellowship and scholarship programs.

Some people are using concern about the deficit to shrink government because they just believe ideologically that "government shouldn't be in the business of X".

We were able to fill the shortfall in Pell grants last year. But it is going to be harder in the future.

We need to have a serious conversation about how we can better measure quality and value at all colleges, not just for-profits.

And we need to protect Pell grants and all education spending from any sort of abuse or misuse that could undermine public confidence.

You are already committed to these goals, or you wouldn't be here.

This is our generation's Sputnik moment. I want to work with you to make sure we make the most of it.

Thank you for inviting me to join you. Now, if you have a few questions, I'll be happy to try to answer them.