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Threats to Financial Aid Under the Trump Administration

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Executive Summary

Federal student loan and grant programs incentivize and facilitate low-income and marginalized students to pursue higher education. Uncertainty and potential reductions in such financial aid programs under the Trump Administration threaten the enrollment rates of these students. Through this memo, we explore the potential impact of these new financial aid policies. We additionally explore commonly proposed policy solutions to student loan programs and assess their viability in a world where federal financial aid may be more uncertain.

More specifically, this complete memo thoroughly analyzes and describes four different alternatives for action:

1. Let the present unfold with no further action towards financial aid or loan systems.
2. Student loan forgiveness; this alternative allows for a focus on loan forgiveness so that students from all backgrounds who struggle to cover educational expenses have help from the government and are able to attend higher education.
3. Privatization; this alternative would be a transition from federal to private lenders in hopes of assisting students on their journey in higher education.
4. Decreasing tuition costs; this last alternative would call for a similar decrease as in-state colleges, allowing tuition at other colleges to significantly decrease, making the overall cost of attendance more affordable for all students.

By considering our extensive research and confronting the tradeoffs of all our proposed alternatives, we believe that the best way to move forward is to privatize the student loan system in order to protect the system of financial aid and loan programs that makes university accessible for students of all backgrounds from the uncertainty of Federal commitment to educational funding. With the Administration's new regulations forcing repayment on loans through garnishing wages, targeting low-income individuals, it is important that we can still provide a secure and safe way for students to finance their education and continue to further their careers without barriers imposed by the presidential administration and its political motivations. Even though the privatization of the loan system could exacerbate inequalities, given the history of discrimination in lending practices by private banks, our research has shown it has been effective on a state level in the present, and was a functional system in prior years when it was implemented under the pre-2010 Federal Family Education Loan (FFEL) system. We hope that with the right regulations and legal protections, this alternative will be able to combat the inaccessibility of higher education put forth by the harmful reforms of the Administration.

Defining the Problem

The proposed changes to federal student loan and grant programs under the Trump administration threaten to undermine access to higher education for low-income and marginalized students in higher education institutions across the country. Federal programs like Pell Grants, income-driven repayment plans, and loan forgiveness have historically enabled students from disadvantaged backgrounds to pursue post-secondary education. This program is incredibly wide-reaching, providing support to more than 30% of college students.[1] However, potential reductions in funding, stricter repayment terms, and the elimination of flexible repayment options risk creating financial barriers that could deter enrollment, increase dropout rates, and widen existing socioeconomic disparities. This issue not only affects individual students but also undermines broader societal goals of economic mobility, workforce development, and educational equity.

Quantifying the Problem

The scope of American college students' dependence on federal financial aid is enormous. Pell Grants provide needs-based financial aid to more than 30 percent of those attending college nationwide.[2] Meanwhile, the Department of Education gives out $120 billion a year in grants, work-study funds, and low-interest loans to around 13 million students.[3] Federal aid programs support millions of students in accessing education via a plethora of methods, outside of just aid. A vast majority of grant recipients cannot rely on outside financial support and depend upon aid and work to afford college, with 88% of the students who receive Pell grants coming from families with incomes at or below $40,000, and almost half of recipients come from families earning less than $15,000 a year.[4] In California, a large amount of needs-based aid is flowing into the California State University (CSU) system, one of the largest and most diverse four-year higher education systems in the nation, with more than 200,000 low-income students in CSU's annually relying on $1 billion in federal Pell grants to afford college.[5] At the University of

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[1] Liam Knox. "Projected Pell Shortfall Could Diminish Federal Aid," Inside Higher Ed | Higher Education News, Events and Jobs, Feb 24, 2025. https://www.insidehighered.com/news/government/student-aid-policy/2025/02/24/projected-pell-shortfall-could-diminish-federal-aid.
[2] Liam Knox. "Projected Pell Shortfall Could Diminish Federal Aid"
[3] Suzanne Blake, "How Scholarships, Pell Grants Are Impacted by Department of Education's End," Newsweek, March 20, 2025, https://www.newsweek.com/how-department-education-dismantling-impacts-scholarships-pell-grants-2026219.
[4] Edward Conroy, "How Will the $2.7 Billion Pell Grant Funding Gap Impact Students?," Forbes, February 18, 2025, https://www.forbes.com/sites/edwardconroy/2025/02/14/how-will-the-27-billion-pell-grant-funding-gap-impact-students/.
[5] Teresa Watanabe et al., "Trump Poised to Diminish the Education Department; Fate of Financial Aid, Equity Grants Uncertain," Los Angeles Times, February 5, 2025, https://www.latimes.com/california/story/2025-02-04/trump-to-diminish-education-department-financial-aid-fate-uncertain.

California, more than 80,000 undergraduate students received about $454 million in Pell Grants in the 2023-24 academic year.[6]

This dependence on aid is growing among California students as prices across the board rise. In the 2022-23 academic year, the State of California awarded college students $2.935 billion in financial aid, up 22.5% from the previous year.[7] Technical issues with the FAFSA aid rollout in 2024 disproportionately affected low-income Black and Latino students, with students from low-income and marginalized backgrounds being highly dependent on government loans and grants for their education.[8] Students with disadvantaged backgrounds are disproportionately dependent on financial aid from the federal and state government, and the loss of that aid could prove catastrophic in terms of depriving thousands in California and millions nationwide of the capacity to attend higher education institutions.

Diagnosing the Problem

Many prospective students intending to pursue higher education do not have the capability to afford it. Financial aid institutions supported by the federal government are designed to ensure that anyone, regardless of their financial means, has the ability to obtain a university degree if they so choose. The Free Application for Federal Student Aid (FAFSA) and the Pell Grant are two of the most prominent vehicles for federally funded financial aid, supporting the educational goals of hundreds of thousands of students every year. Unfortunately, several of President Trump's campaign promises and early executive actions promise to alter the availability and capacity of these programs. An often confusing and untimely process, FAFSA is a notoriously flawed program. Many complain that it is confusing to fill out, crashes often, and does not deliver offers in time. Already in his presidency, Donald Trump has stated that he is beginning work to improve the FAFSA. As of May 2025, there is a 60-day period for members of the American public to suggest improvements to the FAFSA form in order to streamline the process, after which the Department of Education will review the suggestions, create a draft, and open another period for public input. Additionally, the Department of Education is seeking to improve the contributor invite process, but it is still unclear how they will attempt to do so, leaving more uncertainty around whether actual reform is taking place.

While these lofty promises seem as if they could improve the financial aid system for everyone, there have yet to be changes to the FAFSA since President Trump took office that make it easier for a wider variety of college students to receive financial aid. In fact, the one change that has been made provides an additional barrier to some minority students. Where previously a question

[6] Teresa Watanabe et al., "Trump Poised to Diminish the Education Department"
[7] Melanie Hanson, "Financial Aid Statistics [2025]: Average Aid per Student," Education Data Initiative, February 3, 2025, https://educationdata.org/financial-aid-statistics.
[8] Maria Carrasco, "Report: FAFSA Rollout Disproportionately Affected Low-Income Black and Latino Students," NASFAA, July 4, 2024, https://www.nasfaa.org/news-item/34066/Report_FAFSA_Rollout_Disproportionately_Affected_Low-Income_Black_and_Latino_Students.

asked for the applicant's gender, the question now asks for sex and removes "nonbinary" as an option for students to identify as. According to a February 4th press release by the Department of Education, "current and future FAFSA forms will rightfully reflect the biological reality that there are only two sexes: male and female," a change that the press release refers to as a "commonsense revision." [9] This change adds an unnecessary additional hurdle for nonbinary or gender-nonconforming students who may now see the simple act of filling out a financial aid form as a betrayal of their identity.

Although his ability to do so is doubtful, an often-repeated promise of the Trump campaign was to abolish the federal Department of Education. Should President Trump succeed in delivering on this promise, the fallout for financial aid programs would be unprecedented. Without the Department of Education, both the FAFSA and Pell Grant would likely be eliminated. In California alone, staggering numbers of students rely on these financial aid institutions. Within the CSU system, over 200,000 students with low-income backgrounds rely on the Pell Grant to fund their education.[10] If the job of the federal Department of Education were offloaded to the states, funds would be stretched far more thinly. Less financial aid would be available, and student loans would become the purview of the states, creating new inequalities based not just on an applicant's minority status but also on their geographical location.

The letter "Dear Colleague" from the head of the Department of Education's office for Civil Rights was one of the many recent efforts to cut diversity, equity, and inclusion programs for all K-12 schools, as the administration threatens to cut funding to push their own agenda on a national stage. If the administration begins to make these funding cuts, it will mean the end of many DEI programs, mental health resources, and other resources for many minority students, jeopardizing their well-being and future in higher education.[11] It must be noted that the executive branch cannot fully terminate funds without Congressional input, and it is possible for Congress to override the attempts at reforming or abolishing the department. In addition to Congress, the school districts can independently try to appeal funding termination decisions, which could help save some educational and social programs. However, the Trump Administration, thus far, has certainly not hesitated to enact controversial and far-reaching decisions, and changes to the financial aid system have thus far created new barriers to transgender and gender nonconforming students. If the administration delivers on its promise to eliminate the Department of Education, the fallout would be even more severe, exacerbating pre-existing inequalities and creating new ones.

[9] U.S. Department of Education Announces Improvements to the FAFSA® form. (2025). Retrieved from https://www.ed.gov/about/news/press-release/us-department-of-education-announces-improvements-fafsar-form
[10] Teresa Watanabe et al. "Trump Poised to Diminish the Education Department"
[11] Brooke Schultz, Trump admin. warns schools: End race-based programs or risk losing funds, February 18, 2025, https://www.edweek.org/policy-politics/trump-admin-warns-schools-end-race-based-programs-or-risk-losing-funds/2025/02

Rationalising Government Intervention

Government assistance makes up the vast majority of student financial aid support. According to the College Board in 2022-2023, around two-thirds of $177 billion in U.S. financial assistance awarded to undergraduates through programs sponsored by the federal government, state governments, colleges and universities, philanthropic organizations, and other entities was in the form of grants.[12] Higher education affordability, in turn, has several benefits. Affordability has paved the way for critical STEM research and student success initiatives, which risk collapsing following the recent White House directive.[13] From a financial standpoint, studies have also shown grants to have larger positive effects on credit accumulation.[14] A lack of affordability, exacerbated by declining government aid, creates gaps in access to college for low-income students, first-generation students, and students of color, a trend only exacerbated by the increasing costs of higher education.[15]

A student loan system is necessary. Currently, however, it remains unclear whether government assistance, as opposed to private lending (e.g. the Gates Scholarship), is necessary to ensure these goals. There is no present evidence that suggests reintroducing private institutions in the student loan process would reduce college costs or improve the borrowing experience. There is concern, however, that a reversion to private lending practices may expose students to higher levels of financial risk and risk of predatory lending practices than they currently see with federal lending practices.[16] Federal loans have special benefits and protections provided by law to help borrowers with federal student loans, such as not requiring a credit check or having fixed interest rates.[17] Private loans often do not have protections for borrowers who are struggling to pay, disproportionately impacting marginalized students.

On the other hand, the current federal government's lending practices are not faring well for either borrowers or the government's budget. The total number of Americans owing federal student loans doubled from 21 million to 45 million between 2000 and 2020, and the total amount owed quadrupled from $387 billion to $1.8 trillion.[18] Students usually amass more debt than they can reasonably afford; loan eligibility is not means-tested, and there are few guardrails

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[12] Robin R. LaSota et al. *Does Aid Matter? A Systematic Review and Meta-Analysis of the Effects of Grant Aid on College Student Outcomes.* Review of Educational Research. https://doi.org/10.3102/00346543241239955

[13] Jessica Blake. *Trump's federal funding freeze concerns colleges.* January 28, 2025. Inside Higher Ed | Higher Education News, Events and Jobs. https://www.insidehighered.com/news/government/politics-elections/2025/01/28/trumps-federal-funding-freeze-concerns-colleges

[14] Robin R. LaSota et al. *Does Aid Matter?*

[15] Joy Emmanuel. Affordability In College Access: Improving Equitable Value for Low-Income, First-Generation, and Students of Color. April 2023. *The Vermont Connection, 44*(1). https://scholarworks.uvm.edu/tvc/vol44/iss1/17

[16] Tamara Hiler, "Why We Shouldn't Re-Privatize the Federal Student Loan Program," Third way, February 8, 2017, https://www.thirdway.org/memo/why-we-shouldnt-re-privatize-the-federal-student-loan-program.

[17] "Federal Loans vs. Private Loans," Student Loan Borrowers Assistance, https://studentloanborrowerassistance.org/for-borrowers/basics-of-student-loans/federal-loans-vs-private-loans/

[18] Adam Looney and Constantine Yannelis, "What Went Wrong with Federal Student Loans?," Brookings, September 17, 2024, https://www.brookings.edu/articles/what-went-wrong-with-federal-student-loans/.

preventing students from using loans to pursue low-quality or excessively costly programs.[19] In addition, the federal government does not have the same profit-focused incentives as private lenders. Factors such as these make the student loan program the most costly federal program for subsidizing higher education.[20]

Objectives for Intervention

The primary objectives for this intervention are to establish a level of protection of federally supplied financial aid systems in lieu of the threats against the Department of Education and the kinds of federal support the department offers to higher education students, such as the FAFSA or Pell Grant. It is also to ensure that students, especially those from lower-income, marginalized backgrounds, who rely on these financial support systems, are able to continue to have access to higher education with minimal financial barriers, protecting goals for educational equality and economic mobility through evaluating and expanding state funding and scholarships and implementing university-level support.

- Robin R. LaSota et al. *Does Aid Matter?* - Policymakers may allocate funding for student grants to realize various goals, including increasing enrollment and degree completion for low-income students, improving college affordability for lower- and middle-income students, encouraging and rewarding academic achievement, advancing economic development, and raising overall educational attainment

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Constructing the Alternatives

Status quo

Under the Trump administration, federal student loan and grant policies have shifted toward reducing government support for borrowers, emphasizing personal responsibility over affordability and placing greater financial burdens on students, particularly those from low-income and marginalized backgrounds. Proposed and enacted changes include potential cuts to Pell Grant funding, the elimination of subsidized federal loans, stricter repayment terms, and efforts to phase out income-driven repayment and Public Service Loan Forgiveness programs. As a result, students attending California's public higher education institutions face increased uncertainty regarding college affordability, repayment options, and long-term financial stability.

[19] Adam Looney and Constantine Yannelis. "What Went Wrong with Federal Student Loans?"
[20] Adam Looney and Constantine Yannelis. "What Went Wrong with Federal Student Loans?"

Alternative 1. Loan Forgiveness

The Public Service Loan Forgiveness (PSLF) allowed employees of a government or not-for-profit organization (i.e., a public service job) to have the remaining balance of their student loans forgiven, as an incentive to pursue such careers.[21] Maintaining or expanding the PSLF can serve as a strong solution to the growing inaccessibility of higher education under the current administration's reforms. Originally designed to incentivize such careers in government and public service by forgiving the remaining balance of student loans, the PSLF has come under threat with the Trump administration proposing eligibility restrictions based on a loosely defined 'participation in legal activities' which could be used to exclude LGBTQ+ and DEI-focused organizations.[22] In not only protecting but enhancing the PSLF, this would particularly benefit marginalized communities who are disproportionately impacted by student debt due to long-term racial wealth inequalities.[23] While previous generations benefited from stable job markets and lower tuition fees, today's students face a vastly different reality.[24] When considering how even the Biden Administration's forgiveness plan rendered many Black students burdened with substantial debt, plans to potentially eradicate loan forgiveness would further prevent such students from accessing higher education.[25] Maintaining or even enhancing the student loan forgiveness system would therefore provide a vital pathway for access to higher education without the fear of an unfeasible loan repayment system (or even a lack thereof). This could ensure equitable access to higher education and that the promise of opportunity is not compromised by an insurmountable financial burden.

Alternative 2. Decrease Tuition Costs

Given the state of California's general commitment to keeping public universities affordable for in-state students, another strong alternative could be to keep this momentum in decreasing tuition costs.[26] According to the PPIC, almost 60% of Californians surveyed view college affordability as a significant problem that largely dictates whether, and where, students attend higher education.[27] The National Center for Education Statistics contended that "when adjusted for

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[21] "Public Service Loan Forgiveness (PSLF)," Federal Student Aid, accessed May 3, 2025, https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service.

[22] Adam Minsky. 40 Million Student Loan Borrowers Hit By Trio Of Trump Orders - Here's Where Things Stand. Mar 25, 2025. Forbes. https://www.forbes.com/sites/adamminsky/2025/03/25/40-million-student-loan-borrowers-hit-by-trio-of-trump-orders---heres-where-things-stand/

[23] Marisa Wright. How Student Loan Forgiveness Can Help Close the Racial Wealth Gap And Advance Economic Justice. April 17, 2023. Legal Defence Fund. https://www.naacpldf.org/student-loans-racial-wealth-gap/

[24] Rhea Basarkar et al. Is Rising Debt Harming the U.S. Economy? April 16, 2024. Backgrounder, Council of Foreign Relations. https://www.cfr.org/backgrounder/us-student-loan-debt-trends-economic-impact

[25] Marisa Wright. How Student Loan Forgiveness Can Help Close the Racial Wealth Gap

[26] Kevin Cook, Jacob Jackson, and Idalys Perez, "Keeping College Affordable for California Students," Public Policy Institute of California, February 5, 2025, https://www.ppic.org/publication/keeping-college-affordable-for-california-students/.

[27] Hans Johnson, Jacob Jackson, and Courtney Lee, "Higher Education in California: Making College Affordable," Public Policy Institute of California, October 2019, https://www.ppic.org/publication/higher-education-in-california-making-college-affordable/.

inflation, the annual cost to attend a public four-year institution has increased by over 148% since 1970." [28] This is particularly pertinent when considering the substantial increase in living expenses such as food and housing, which typically account for 41% of total expenses at UCs independent of tuition.[29] Decreasing the cost of tuition fees would ensure that students are capable of affording basic needs before the concept of college becomes entirely unattainable for lower-income Californian students.[30] This holds potential for incentivising more admits into college once it becomes perceived as more financially attainable, which would both increase social mobility and contribute to a more educated population.

Alternative 3. Privatize Loan Systems

With the increased fear regarding college affordability following the administration's lack of support for borrowers, another alternative would be a privatized loan system. Transitioning from federal to private lenders would help to address the systemic issues in education funding that have resulted from the new administration's agenda. According to Forbes, less than 10% of student debt is owed to private lenders. This comes as a result of the lack of profit incentives that the government has compared to private lenders, which causes student loans to be distributed with little to no consideration for long-term return on funds.[31] This concept of profit incentivizing would ultimately reduce malinvestment as private lenders would provide necessary finance options for only beneficial investments, so that the educational spending is worth the costs, allowing the students and their education to be centered and prioritized. Additionally, with proposed changes by the administration to eliminate subsidized federal loans, private lending would allow better incentives for students, as terms could differ depending on circumstances. These incentives would also hold colleges more accountable as they wouldn't be profiting from programs that are currently hurting students, specifically minority and low-income students, and taxpayers.[32]

There are a few downsides to the privatization of student loans. For instance, when private companies are in charge of student loans, they do not have as strong an incentive as the government to enroll borrowers into favorable programs. Similarly, this leads to predatory and abusive lending practices. This was seen in America's student loan system before the 2010s,

[28] National Center for Education Statistics. (n.d.). Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: Selected years, 1963-64 through 2018-19. https://nces.ed.gov/programs/digest/d19/tables/dt19_330.10.asp
[29] Rachel Yang Zhou, "College Affordability in California," Public Policy Institute of California, December 2024, https://www.ppic.org/publication/college-affordability-in-california/.
[30] Ethan Kuhstoss, "Lowering the Cost of Public College Is Essential and Reasonable the Commonwealth Times," The Commonwealth Times, February 9, 2022, https://commonwealthtimes.org/2022/02/09/lowering-the-cost-of-public-college-is-essential-and-reasonable/.
[31] College of Coastal Georgia. *Why we should re-privatize student loans - College of Coastal Georgia.* 2023, February 9. https://www.ccga.edu/reg-murphy-publications/why-we-should-re-privatize-student-loans/
[32] Andrew Gillen. *Ending Federal Student Loans: There Is a Small Window of Opportunity to Get the Government out of Student Lending.* 2025, January 21. CATO Institute. https://www.cato.org/briefing-paper/ending-federal-student-loans#private-lending-would-be-superior-current-government-lender-system

when banks were largely responsible for student loans, but the federal government backed them, provided the money, and set the terms.[33]

Privatizing all student loans is also likely unfeasible and will worsen the gaps in higher education for marginalized student populations. Currently, student loans are available to virtually every student who decides to take one, due to the backing of the government. However, if banks control all loans, that means they're also controlling all the risks; in other words, banks may only lend money to students whom they believe will be able to pay back their loans in full. This may reinforce existing disparities and lead to biases across colleges and selected majors. Consequences such as these may be more severe than the government losing money from students defaulting on loans.

Selecting the Criteria

Feasibility

The importance of feasibility is immeasurable when identifying possible program and policy alternatives to the status quo. Regardless of the positive benefits promised by any solution, if it is infeasible, it won't be able to deliver on its promises.. Considering infeasible proposals is an ultimately fruitless endeavor. The current administration and the legal precedents of the prior administration make the feasibility of educational and loan policy all the more challenging, as a tight balance between support and legality must be struck. The Trump administration is notoriously partisan, highly resistant to supporting liberal policy initiatives, where support for financial aid and loans typically falls. Beyond the partisan struggle, the Trump administration has also continually pushed for education cutbacks as a whole. As a result, the scope of feasible alternatives for education policy has been severely limited. When we discuss feasibility as a metric, we must measure the likelihood that a particular proposal can gain sufficient support to pass into law. In today's highly polarized political realm, it is becoming increasingly difficult for wide-reaching reform legislation to be feasible.

[33] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.* Here's what students need to know. 2024, September 24. BestColleges.com. https://www.bestcolleges.com/news/potential-impact-ending-federal-student-loan-system/

Equity

Equity is a high-priority criterion when considered in the context of education and financial policies. Equity as a metric is used to measure how various policies and policy alternatives would both positively and negatively impact different communities, especially minority and low-income communities. This makes equity a necessary consideration for this initiative, as the actions taken by the Trump administration to reduce government support and spending for borrowers would actively drive out Public Service Loan Forgiveness programs and Pell Grant funding, disproportionately affecting low-income communities. Therefore, it is important to consider equity when it comes to education policies, as the actions taken under the current administration would allow only those in the upper-middle class and above backgrounds to pursue higher education comfortably.

Through the lens of equity, we critically analyze whether various policy alternatives include ways of applying for financial aid and support, receiving financial support, and providing an equitable option that gives all students equal access to aid, no matter their background. Furthermore, through these criteria, we specifically look at how the historically marginalized groups of low-income and minority students are impacted by proposed alternatives. This helps to rank as well as prioritize alternatives based on their potential to effectively close opportunity and access gaps.

Legality

Legality is an incredibly important criterion for any action taken by the federal government, with education and financial aid being no exception. Legality is a metric that measures any policy plan for constitutionality and against legal precedents. This is necessary to examine for this initiative because constitutionality has continually come into question regarding actions taken by the Trump administration, with many mandates being partially or entirely dismantled by the courts. Any action President Trump takes regarding the Department of Education or dismantling financial aid institutions would be under similar legal scrutiny. Thus, it is important to consider legality as it relates to both past and possible future actions of the Trump administration and any alternative solutions this memo will propose. The legality metric is inextricably linked to feasibility and efficacy, as any proposed plan that would ultimately be blocked in the courts is neither feasible nor efficient.

Measuring legality requires comparisons to constitutionality and prior precedent. One such precedent is the 2023 ruling in *Biden v. Nebraska,* in which the Supreme Court ruled that the 2003 Higher Education Relief Opportunities for Students (HEROES) Act did not grant the federal government the ability to implement widespread student loan forgiveness.[34] While this is the primary legal precedent regarding the federal government's ability to create student loan forgiveness, a variety of other factors influence the metric of legality, which we will examine.

Efficacy

Efficacy is an important consideration for policy recommendations, as it measures how effectively a policy addresses the problem at hand. There would be little incentive or purpose to recommend a new policy plan that does not effectively reduce financial barriers for students, particularly those who come from low-income and marginalized backgrounds and will be disproportionately impacted by the educational reforms the Trump Administration is aiming to make. The efficacy of our proposed alternative will be evaluated in various ways. It is important that we streamline the process of applying for and receiving financial support, directly combating the overly complicated policies set by the Trump Administration. Overall, we want to look at how easy it is for students to obtain a lower cost of attendance, given the proposed policy. Key indicators to look at would be enrollment, graduation, and retention rates to measure how access to higher education is changing, specifically for targeted communities. The efficacy criteria should also take into consideration how much direct financial support each alternative could potentially provide in a dollar amount per individual, leaning on a cost-benefit analysis approach, to determine which alternative offers the most amount of support with minimal barriers to implementation.

There is also a larger goal of educational equality and economic mobility at stake when looking at educational investment through aid-based policies. These policy alternatives are valuable beyond the immediate benefits of reduced tuition costs, but they aim to fight back against educational disenfranchisement and uphold higher education as an important pillar of society that

[34] "Biden v. Nebraska." Oyez. https://www.oyez.org/cases/2022/22-506.

should be accessible to all. Looking at established financial aid systems in the state of California, like the Cal Grant, and studies measuring their effectiveness and benefits, we can also similarly measure our alternatives.[35]

Projected Outcomes

Status Quo

Under the status quo, President Trump has aimed to dismantle the federal Department of Education, passing an executive order to abolish the department.[36] He is likely unable to achieve this goal without Congressional support, which is still forthcoming, but it is important to note that steps towards this goal have already taken place. While President Trump has said that financial aid programs such as the Pell Grant will remain, with funds simply being "redistributed to various other agencies and departments," no exact guarantee of this promise was included in the executive order.[37] It can also be assumed that even if the Trump Administration were able to transfer federal financial aid resources to other departments, this would be a complicated process that has a great risk of threatening the efficiency of these programs.

Feasibility: Considering Republican control of the executive and legislative branches, conservative political agendas have the most feasibility in the current political climate. The fact that this pushback to liberal agendas is spearheaded by President Trump himself and must be passed through a friendly House and Senate or executive order gives the status quo a high level of political feasibility. It is safe to assume that most of the cuts in funding that President Trump has proposed will be looked upon favorably by his party and the legislative branch. Essentially, aside from proposals that are struck down by the courts, most of what President Trump says goes, making the status quo very feasible.

Equity: The status quo practices under the Trump Administration are notably inequitable. The potential for any disruptions to federal financial aid, such as abolishing the Department of Education, might cause a disproportionate impact on students from lower socioeconomic backgrounds. In addition to this, President Trump has expressed that he will force the end of any

[35] Eric Bettinger et al. *The Long Run Impacts of Financial Aid: Evidence from California's Cal Grant.* https://www.csac.ca.gov/sites/default/files/the_long_run_impacts_of_financial_aid_evidence_from_californias_cal_grant.pdf
[36] Maria Carrasco. Trump Signs Executive Order Seeking to Dismantle ED. March 21st, 2025. NASFAA. https://www.nasfaa.org/news-item/35894/Trump_Signs_Executive_Order_Seeking_to_Dismantle_ED
[37] Maria Carrasco. Trump Signs Executive Order Seeking to Dismantle ED

practice involving DEI or "gender ideology," including diversity scholarships.[38] This directly threatens the educational opportunities of minority students.

Legality: President Trump is unable to abolish the federal Department of Education and therefore create shockwave changes to financial aid without congressional approval. The Reorganization Amendment Act of 1984 gave the executive branch the ability to dissolve, consolidate, or otherwise reorganize federal departments through a series of highly specific steps to introduce a thorough plan to Congress.[39] On March 28, 2025, a bill called the Reorganizing Government Act Marked Up was proposed. Should this bill pass, any proposals by the executive branch to reorganize the government would be put to a yes or no vote by the Senate with no amendments or opportunity for filibuster.[40] In essence, President Trump's executive order to abolish the Department of Education does not have any legal standing. Yet.

Efficacy: As the goal of our policy recommendations is to ensure financial stability for students of all backgrounds, the status quo stands at odds with what we consider to be an effective outcome. At best, the status quo would preserve the current methods for obtaining financial aid. At worst, the restructuring of employees and practices required by absorbing financial aid for college students into other government departments would create a chaotic and confusing system that leaves many students in the dark. Regardless of whether or not decreasing federal financial aid is President Trump's goal, it may very well be the result of his choices, and his decisions certainly won't make it easier for students to pay for higher education.

Alternative 1. Student Loan Forgiveness

Under the status quo, the Trump Administration has prioritized personal responsibility over government support for borrowers who are in need of financial aid. Under this system, students are left without sufficient economic resources to fund their college education, especially those from racially marginalized backgrounds. With a focus on student loan forgiveness, students who struggle to cover their entire educational expenses are able to have the government step in and pay for most or all of their education. But under the current administration, eligibility for the PSLF program has become much more difficult to qualify for.[41] President Trump has introduced the term "illegal activities" into the field of education policy, referring to students who publicly engage in or subscribe to DEI initiatives.[42] Particularly for racially marginalized groups such as

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[38] Maria Carrasco. Trump Signs Executive Order Seeking to Dismantle ED

[39] Paul Larkin and John-Michael Seibler. The President's Reorganization Authority. July 12, 2017. The Heritage Foundation. https://www.heritage.org/political-process/report/the-presidents-reorganization-authority

[40] Reorganization of Government Act Marked Up. NAICU. March 28, 2025. https://www.naicu.edu/news-events/washington-update/2025/march-28/reorganization-of-government-act-marked-up/

[41] Jessica Blake, "Trump Order Could Overhaul PSLF Program," Inside Higher Ed | Higher Education News, Events and Jobs, March 8, 2025, https://www.insidehighered.com/news/government/student-aid-policy/2025/03/08/trump-order-restricts-pslf-eligibility-certain.

[42] "Restoring Public Service Loan Forgiveness," The White House, March 7, 2025, https://www.whitehouse.gov/presidential-actions/2025/03/restoring-public-service-loan-forgiveness/.

Black and Latine students, and LGBTQ+ students, the President's order to stop processing applications for federal loan forgiveness will continue to exacerbate high costs and reduced access to educational opportunities. Especially with the country's deepening wealth gap, students from socioeconomically disadvantaged backgrounds are disproportionately hurt by such policies. The Trump administration is not making moves to dismantle many critical student aid programs, such as FAFSA and the Pell grant. However, disruptions caused by the mentioned shifts in administrative priorities, as well as disruptions caused by the dismantling of the Department of Education, may lead to confusion and a negative impact on student borrowers.

Feasibility: The Second Trump Administration has been much less forgiving to student borrowers of loans from the government. With communities that rely on programs such as the SAVE Plan and other forms of loan forgiveness, it may be incredibly difficult for students to receive the necessary aid to cover their educational costs and attend college. Under the Biden Administration, nearly 8 million student borrowers were able to sign up for new income-driven repayment plans and receive such aid, while the Second Trump Administration has left this in limbo.[43] Marginalized groups such as immigrants, LGBTQ+ people, and pro-DEI affiliates are experiencing limits to their access to these programs. So it may be less feasible for underrepresented groups to qualify for student loan forgiveness plans and receive the aid necessary to complete or pay off their college education.

Equity: Blanket student loan forgiveness programs have been proven to be far less equitable than they appear, having minimal effect, if not a regressive effect. In theory, since marginalized groups tend to rely more heavily on student loans and also have less success repaying them in comparison to their white peers, student loan forgiveness programs should have the potential to increase equity.[44] However, studies conducted on debt cancellation policies, including the Biden Administration's policies, have found that "student loan forgiveness is regressive whether measured by income, education, or wealth." [45] Several estimates made by the Committee for a Responsible Federal Budget suggest that student debt cancellation plans, even when means-tested, are regressive: finding that "57 percent to 65 percent of the extended pause and cancellation will go to those in the top half of the income spectrum" and "simply canceling $10,000 per borrower of student debt would disproportionately benefit those in the top half." [46]

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[43] Annie Nova, "3 Likely Student Loan Changes as Trump Looks to Overhaul $1.6 Trillion System," CNBC, April 10, 2025, https://www.cnbc.com/2025/04/10/student-loan-changes-likely-coming-under-trump.html.
[44] Ama Takyi-Laryea et al. "The Student Loan Default Divide: Racial Inequities Play a Role," The Pew Charitable Trusts, December 10, 2024, https://www.pewtrusts.org/en/research-and-analysis/reports/2024/12/the-student-loan-default-divide-racial-inequities-play-a-role.
[45] Adam Looney, "Student Loan Forgiveness Is Regressive Whether Measured by Income, Education, or Wealth," Brookings, January 14, 2022, https://www.brookings.edu/articles/student-loan-forgiveness-is-regressive-whether-measured-by-income-education-or-wealth/.
[46] "Is Biden's Student Debt Cancellation Plan Still Regressive?" Committee for a Responsible Federal Budget, October 3, 2022, https://www.crfb.org/blogs/bidens-student-debt-cancellation-plan-still-regressive.

Student loan forgiveness programs are thus unlikely to promote racial equity effectively, if at all; the extremely high costs required to implement a student loan forgiveness program would appear to be much more impactful if redirected towards more targeted racial wealth policies.[47] It is also important to realize that, in the case of costly initiatives like these, the question of equity extends beyond student loan recipients. One must consider taxpayers who are financing the plan, 60% of whom do not have a bachelor's degree, and who may have prudently decided not to pursue one because of student loan costs, as well as the lives of everyday Americans who will have to shoulder the inflation of the plan.[48] [49] The economic impacts of a student loan forgiveness plan may not only be inequitable in nature, but they may likely be inequitable in effect; inflation and economic turmoil hit marginalized populations the hardest, thereby reinforcing the inequalities that prompt marginalized students to disproportionately struggle with student loans in the first place.

Legality: Congress, not the executive branch, has the power of the purse. When Biden attempted to push through his student loan repayment plans, he was immediately met by a series of lawsuits called the SAVE lawsuits brought by various states, and such lawsuits have largely been successful in stopping these programs.[50] Biden's student loan forgiveness programs have been ruled unconstitutional by several courts, including the Supreme Court in Biden v. Nebraska, and the U.S. Court of Appeals for the Eighth Circuit.[51] In addition to roadblocks by the judiciary, the overturning of the longstanding precedent of Chevron deference by the Supreme Court inhibits the legality of these kinds of programs. Ordinarily, the Chevron doctrine would compel courts to defer to executive agencies in the face of ambiguous statutes, granting the executive branch immense authority; now that Chevron deference is overturned, the executive branch has even less authority to take actions like student loan forgiveness.[52] For these reasons, it is hard to see how a student loan forgiveness program would be legally implemented if the Trump administration had ever signaled intent to establish such a program.

Efficacy: Since student loan forgiveness programs are inequitable to marginalized students, financially regressive in nature, poorly targeted, costly and inflationary, politically unpopular, and essentially ruled illegal by several leading courts, it is hard to see a world where they are the most effective solution to reducing racial disparities in higher education.

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[47] Adam Looney, "Student Loan Forgiveness Is Regressive Whether Measured by Income, Education, or Wealth,"
[48] Katherine Schaeffer, "10 Facts about Today's College Graduates," Pew Research Center, April 12, 2022, https://www.pewresearch.org/short-reads/2022/04/12/10-facts-about-todays-college-graduates/.
[49] "Student Debt Changes Would Boost Inflation," Committee for a Responsible Federal Budget, August 26, 2022, https://www.crfb.org/blogs/student-debt-changes-would-boost-inflation.
[50] Megan Walter, "Court Ruling Affirms Blocking of SAVE Plan While Next Steps for the Program Remain Uncertain," NASFAA, February 2, 2025, https://www.nasfaa.org/news-item/35688/Court_Ruling_Affirms_Blocking_of_SAVE_Plan_While_Next_Steps_for_the_Program_Remain_Uncertain.
[51] "Biden v. Nebraska." Oyez. https://www.oyez.org/cases/2022/22-506.
[52] Andrew Gillen, "The State of Student Loan Forgiveness: September 2024," Cato Institute, September 3, 2024, https://www.cato.org/blog/state-student-loan-forgiveness-september-2024.

Alternative 2. Decreasing Tuition

With rising living expenses in California coupled with a growing perception of financial inaccessibility for those from lower-income backgrounds, the prospect of decreasing tuition would be an ideal catalyst for increasing college attendance among such students. This is especially true when considering how California offers more generous financial aid than most other states, yet still sees many students unable to even afford food and housing.[53] However, the likelihood of this being implemented in light of recent attacks on college funding appears, at best, slim.

Feasibility: Politicians in the late 1960s were ideologically and financially driven to increase the amount that students contributed towards their education, culminating in Reagan's assertion that the state should not "subsidize intellectual curiosity." [54] These tuition hikes have only increased across the decades, with undergraduate fees at CSUs having grown around 900% in the last four decades and fees at UC having risen by up to 32% in a single year.[55] Following these long-standing trends and the institutionalization of student-contributed funding, the likelihood of such a significant reversal passing into legislation is low. On the other hand, the reverse may hold true as the Trump administration has threatened to pull funding from colleges that don't comply with 'eradicating extreme leftist ideology', such as pro-Palestine protests.[56] The potential loss of this federal funding could, in effect, pressure these universities even further in an effort to offset budget shortfalls.

Equity: Although decreasing tuition fees may appear equitable by making college seem more affordable, the reality remains that the financial burden must be shifted elsewhere, if not from the students directly. This was arguably the main flaw in Bernie Sanders' free college program, where an estimated 33% of the $47 billion per year cost would have been burdened to the states, requiring tax increases and the shifting of existing resources from other state priorities - such as health care, roads, prisons, and even K-12 education.[57] For California, almost $5 billion would be lost in tuition revenue, and an additional $15 million would therefore be required to subsidize a tuition-free plan.[58] Thus, whilst well-intentioned, decreasing tuition fees risks inadvertently putting pressure on state budgets and may result in heightened taxes and forced cuts to other vital

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[53] Felicia Mello. The soul-crushing cost of college in California. November 13, 2019. Cal Matters. https://calmatters.org/explainers/california-cost-of-college-explained/

[54] Felicia Mello. The soul-crushing cost of college in California. November 13, 2019. Cal Matters. https://calmatters.org/explainers/california-cost-of-college-explained/

[55] Larry Gordon. (2009). UC ready to raise student fees by 32%. Nov. 19, 2009. Los Angeles Times. https://www.latimes.com/archives/la-xpm-2009-nov-19-me-ucfees19-story.html

[56] Roshan Fernandez. Trump is Targeting College and University Federal Funding. Here's What's to Know. April 13, 2025. The Wall Street Journal. https://www.wsj.com/us-news/education/trump-college-university-funding-7a3b7dc4

[57] David H. Feldman & Robert B. Archibald. Why Bernie Sanders' free college program doesn't make sense. April 22, 2016. The Washington Post. https://www.washingtonpost.com/news/grade-point/wp/2016/04/22/why-bernie-sanderss-free-college-plan-doesnt-make-sense/

[58] Mark Schneider, "How Expensive Is Free College for States?," Campaign for Free College Tuition, September 2, 2016, https://www.freecollegenow.org/how_expensive_is_free_college_for_states.

services, ultimately entrenching existing inequalities by harming the low-income communities that it aims to support.

Legality: There are legal precedents for lowering the cost of tuition fees, such as the College Cost Reduction and Access Act of 2007, which held colleges and universities responsible for improving college access and affordability for low-income students.[59] When considering that the power to set tuition rates lies primarily with state legislatures and respective university systems (such as the UC Board of Regents), this means that any decision to decrease tuition would largely be within their jurisdiction and would not be subject to any constitutional barriers. However, the 2023 Biden v. Nebraska ruling that a proposed student loan forgiveness program could not be authorized without congressional approval has arguably set a precedent that may complicate any federal attempts to mandate or incentivize tuition decreases at the state level.

Efficacy: When considering the goal of our policy recommendations in ensuring financial stability for students of all backgrounds, the policy alternative of decreasing tuition fees stands as an effective method of directly reducing the financial barriers that prevent low-income students from accessing higher education. Unlike previous (and unsuccessful) loan forgiveness programs or an overreliance on existing, outdated merit-based aid systems, a California-wide decrease in tuition fees would pose the potential for higher enrollment, retention, and graduation rates among California's lower-income communities. However, the efficacy of this policy alternative risks being undermined if the loss of tuition revenue forces universities to reduce essential student services or if the resulting need for increased public funding leads to higher taxes and, thereby, burdens on the lower-income communities that this policy alternative initially aimed to support.

Alternative 3. Privatize Loan Systems

Privatization of Student Loans and Loan Systems is a proposal that has been on the table for decades. Fiscal conservatives and budget hawks, mainly from the Republican Party, have been discussing this policy since the early 2000s. In fact, prior to 2010, banks used to facilitate payments and disbursements of loans to college students, although this was paired with a Federal government that backed these loans, provided the money to the banks, and set the terms of loan programs. Presently, the Department of Education handles all facets of the federal student loan system, but calls to return to a pre-2010 system, or cut the Federal government entirely from the process, may not be as radical as they first seem, especially considering the current administration's approach to education.[60]

Feasibility: The Republican memo "Project 2025" explicitly states that privatization of the loan systems is a major policy goal of the Trump administration. While it is still unclear how much the current administration plans to follow through with the memo's policies, the last few months indicate this is likely. Sources within the White House have openly stated that "policy plans that

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[59] Preston Cooper. An Analysis of the College Cost Reduction Act. January 11, 2024. The Foundation for Research on Equal Opportunity. https://freopp.org/whitepapers/an-analysis-of-the-college-cost-reduction-act/
[60] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.*

have been floated include… privatizing the entire student loan system." [61] While support for privatization may exist within the upper levels of the administration, and the Supreme Court has been in large part willing to go along with the Trump administration's policies, "offloading the $1.6 trillion in federal student loans the government already has—or ceasing to offer loans going forward—would require congressional approval." [62] With a slim majority in the House and Senate, the likelihood of any legislation on this subject passing Congress is close to none unless the filibuster is repealed. Despite the infeasibility of legislation, the current administration has shown its capacity for unorthodox solutions to get around Congressional and Judicial consent, which makes this policy all the more feasible.

Equity: When considering the equity of privatization, we need to consider the historical equity of private loans. Banks and other financial institutions have historically avoided distributing loans to individuals perceived as "risky" or "unlikely" to pay back those loans, which has often been used as an excuse to discriminate against poorer or minority members of the public. Students who are attending community colleges, entering programs like social work, or pursuing careers in the humanities, could all be refused loans because students with these backgrounds or career trajectories, on average, "don't often earn as much as those from four-year universities" or students in other fields.[63] Social workers generally don't have a high income, yet women are more likely to become social workers, and Black students attend community colleges at higher rates than other racial groups.[64] This could incentivize students to pursue majors with higher return on investment and careers with higher salaries on average, but this potential monetization of education risks crippling many educational departments while also removing the freedom of choice for students.[65] While obvious discrimination by private loan companies will inevitably lead to these distributors being sued, it is hard to ignore the significant and obvious risks that students might face through the privatization of loans, especially if allocation decisions are left entirely to the discretion of the private sector.

Legality: There is good legal precedent for privatizing student loans. As mentioned prior, the loan system used to run through banks with Federal oversight, so a full or partial embrace of privatization is legally plausible given this pre-2010 precedent. The most significant legal issue that a privatization of student loans would need to overcome is Congress and the Department of Education. Congress has directed that federal student loans be run through the Department of Education, and as such, a complete shift to a private loan system requires congressional authorization. The likelihood of the federal government giving up its role in student loans is likely dependent on whether it can retain authority over the process, and there is already legal

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[61] Cheyenne Haslett, "What Will Dismantling the Education Department Mean for Your Student Loans?," ABC News, February 12, 2025, https://abcnews.go.com/Politics/dismantling-education-department-student-loans/story?id=118730549.
[62] Cheyenne Haslett, "What Will Dismantling the Education Department Mean for Your Student Loans?"
[63] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.*
[64] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.*
[65] Beth Akers et al. "Opinion: The Federal Student Loan Program Is Unraveling," CNN, May 9, 2024, https://www.cnn.com/2024/05/09/opinions/privatize-student-loans-akers-cooper-pitts/index.html.

precedent for the government to monitor and protect borrowers of private student loans. In California, the Private Student Loan Collections Reform Act of 2022 created new requirements that creditors, servicers, and debt collectors must follow. It also gives borrowers the power to get more information and to enforce their rights.[66] There is substantial legal precedent for the partial or complete privatization of student loans, and even for systems to be established that can monitor and guard against exploitation.

Efficacy: Our policy recommendations aim to prioritize financial stability for students of all backgrounds. To evaluate the effectiveness of privatizing student loans, we must consider both the efficiency of the loan provider system and its ability to assist students from all backgrounds. The Federal Family Education Loan Program (FFEL) shows the potential for privatization as an effective and working policy. Before its discontinuation in 2010, the FFEL program enabled private lenders like banks, credit unions, and other financial institutions to make federal student loans guaranteed by the federal government.[67] These guarantees covered defaults, with guarantee agencies stepping in to purchase defaulted loans on behalf of the U.S. Department of Education. Lenders received special allowance payments to ensure a market rate of return. At its peak, the FFEL program disbursed $63.8 billion in new federal loans during the 2008–2009 academic year. By 2010, outstanding FFEL loans totaled $516.7 billion, spread across 25.1 million borrowers.[68]

Despite the potential effectiveness of a privatized loan system, we must understand that private and student loans are inherently different. Federal student loans are unique in that there are multiple payment plans and loan cancellation opportunities that do not always exist with private student loans. As such, these debts are more likely to follow students for the rest of their lives. Also, it must be considered that when banks control all loans, they hold all the risk. Currently, virtually all U.S. citizens can qualify for federal student loans, no matter what degree they are pursuing or what their background is. As soon as loans are privatized, this changes. Banks will likely only lend to students they believe will be able to pay back their loans in full, and students who do receive loans may see worse terms.[69] When private companies manage student loans, they are less likely to enroll borrowers into helpful programs like income-driven repayments, which accentuates systemic inequalities between students who can afford school and those dependent on loans.[70]

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[66] "Private Student Loan Borrower Rights in California," Jubilee Legal, accessed May 3, 2025, https://www.jubilee.legal/resources/private-student-loans.
[67] Mark Kantrowitz, "What Should You Do With Your Old FFELP Loans?" The College Investor, May 16, 2024, https://thecollegeinvestor.com/37756/ffelp-loans/.
[68] Mark Kantrowitz, "Could The Federal Government Privatize Student Loans?" The College Investor, March 28, 2025, https://thecollegeinvestor.com/50090/could-the-federal-government-re-privatize-student-loans/
[69] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.*
[70] Matthew Arrojas. *Project 2025 proposes privatizing the federal student loan system.*

Considering Tradeoffs

	Status Quo	Student Loan Forgiveness	Privatization	Decreasing Tuition
Feasibility	High	Low	Medium	Low
Equity	Low	Low	Medium	Medium
Legality	Medium	Low	High	Medium
Efficacy	Low	Low	Medium	High

Status Quo:

Feasibility: High

Due to the major cutbacks and policy changes being enacted and supervised by the executive branch, legislative branch, and President Trump himself, we ranked feasibility high as the majority Republican control allows for the proposed changes by President Trump to be looked at as favorably by these governing bodies, making feasibility high.

Equity: Low

President Trump's proposal to abolish the Department of Education and make substantial cuts in DEI programs and funding nationwide makes the equity in status quo practices very low. These cuts would directly cause heavy impacts on minority and low-income students, thus creating disproportionate effects, making the equity low.

Legality: Medium

Even with President Trump's plan to abolish the Department of Education, he can't enact this plan until he receives Congressional approval. So while Congressional approval can be achieved, it has not been thus far, making the actual legal standing of his proposals and plans nonexistent, but not impossible, ranking legality at a medium.

Efficacy: Low

The outcomes of these Administrations' plans do not ensure financial stability nor prioritize accessibility to higher education, completely neglecting the success of students from all backgrounds. Therefore, the efficacy of the status quo is ranked low, as the predicted outcomes of the government's plans do not make all students' access to education easier or more effective, ranking efficacy as low.

Alternative 1. Student Loan Forgiveness

Feasibility: Low

The current presidential administration has been unfavorable towards student loan borrowers and diversity and equity programs. Therefore, given the current political climate, we ranked this solution as relatively unfeasible.

Equity: Low

Student loan programs have not been shown to substantially increase equity. Many studies have found that the financially regressive nature of student loan forgiveness programs actually decreases equity. Thus, we ranked this solution as low equity on our scale.

Legality: Low

Several courts have deemed various student loan cancellation programs during the Biden Administration unconstitutional or illegal. We therefore also ranked this solution as low on legality.

Efficacy: Low

Student loan programs do not appear to be targeted, beneficial, or effective, especially given the costs and tradeoffs involved. Because of this, we ranked this solution low on the efficacy scale.

Alternative 2. Decreasing Tuition

Feasibility: Low

Given the Trump administration's threats to withdraw federal funding from non-compliant universities, the feasibility of this policy alternative is significantly low, as institutions may instead be forced to increase tuition further in order to cover financial shortfalls rather than consider any legislative reversals toward lower tuition.

Equity: Medium

While this policy alternative is well-intentioned in aiming to make universities more affordable for low-income and marginalized communities, it risks placing significant strain on state budgets. If not carefully implemented, this could lead to higher taxes or cuts to other essential services, ultimately harming those communities in question.

Legality: Medium

Although there is legal precedent for improving college affordability, and the authority to adjust tuition rates mainly rests with state and university systems, the recent *Biden v. Nebraska* ruling has introduced new legal uncertainties. This new precedent could complicate any federal efforts to directly mandate or incentivize decreased tuition.

Efficacy: High

This policy alternative offers a tangible way of lowering financial barriers to higher education, particularly for low-income students. By reducing upfront costs, this alternative could significantly improve enrollment, retention, and graduation rates across disadvantaged communities, even though potential risks to service quality and public funding would need to be carefully managed.

Alternative 3. Privatize Loan Systems

Feasibility: Medium

With the current political climate and makeup of the federal government, with a Republican trifecta and control over the Supreme Court, privatization of student loans is more feasible than ever before. The major hurdle to overcome is the unprecedented nature of the proposal, as there has never been total privatization in the modern era of American educational systems, and getting such a proposal through Congress. While Congress is controlled by those aligned with a pro-privatization agenda, any legislation would need to pass the filibuster, or have the filibuster removed, otherwise it would be passed through a more legally dubious executive order.

Equity: Medium

Marginalized groups often face discrimination and bias when trying to secure private loans. Without government protections, there is no mechanism to prevent private lenders from offering less money or imposing unfavorable terms on borrowers. The significance of student loans means that institutions and private entities are more likely to take legal action to address and mitigate these issues. As a result, the potential for inequality in this area is widespread. However, it remains uncertain how this situation will develop as loan privatization has never been tested.

Legality: High

There is substantial legal precedent for a partial-to-total privatization of Student Loan systems, and as such, any order or law privatizing this area of the Department of Education's responsibility would have a firm legal foundation. In addition, the Supreme Court is currently ruled by a conservative supermajority and would be more willing than ever to support the legal arguments of a privatization justified by pre-2010 precedent.

Efficacy: Medium

While a partial privatization of loans has occurred before and functioned well, the FFEL system only worked because the government guaranteed these loans. This meant the government covered any losses if borrowers defaulted, and students with financial need had the government paying the loan's interest while the student was in school. A total privatization would likely look less like an FFEL system and more like a free-market loan system, which does work for non-student borrowers, but is likely to not be as effective.

Final Recommendation

Throughout this policy brief, we have examined threats to financial aid under the Trump administration, created possible alternative solutions, and evaluated each of these solutions through what we considered to be the four most important criteria. In light of our work, we recommend the partial privatization of the student loan system. While we understand that this solution would produce possible vehicles for inequity, we propose that any inequities that do arise can be mediated through social pressures and legislative guidelines. This program can be introduced by Congress and would likely be supported by the Department of Education. Since the Department of Education may soon be dissolved, partial privatization would allow for a stable financial aid system to continue despite the uncertainty caused by the removal of the department. Partial privatization will make sure that no matter what changes are made to scholarship or grant opportunities, every student will be able to pay for higher education should they choose to pursue it, and provide a stable method of aid within a tumultuous political environment. Due to its medium level of legality, it is likely that a push for this alternative would have favorable outcomes, which is why we recommend proposing it as soon as possible. Overall, privatization certainly may not seem like a perfect solution at first, but considering its past history of limited implementation, its relative feasibility in the current political climate, and its ability to continue providing financial aid amidst the uncertainty of the current administration, makes it the best solution out of our proposed alternatives.

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