Student debt: Good investment?

Collage students and their parents have to wonder whether pledges to do something about skyrocketing tuition are just empty words from elected officials.

Congress again is faced with doing something about the interest rates on student loans, which are set to double on July 1.

You might remember how President Barack Obama pledged last year to put colleges and universities on notice that incessant tuition hikes needed to end and that the interest rates on government-subsidized Stafford loans, which mainly go to students from low- or moderate-income families, needed to remain at the 3.4 percent level approved by Congress in 2007. The rate expires June 30.

The issue is dramatic in terms of saddling today’s students with tomorrow’s crushing debt load, since loans are the primary funding source for most middle-income students and for kids from poorer families who haven’t qualified for other aid.

Nevertheless, Democrats and Republicans seem unable to agree on how to pay for extending the lower rates. Obama on Friday went after Republicans for essentially doing nothing to prevent rates from going up. Proposals from House Republicans — and the president — would tie the interest rate on federal student loans to the rate on 10-year Treasury notes. Obama would add 0.15 percent to the subsidized rate, while House Republicans would add 2.5 percent. But neither plan would be better than the current 3.4 percent interest rate and both could cost students more in borrowing costs.

A group of Democratic senators has proposed freezing the rates at 3.4 percent for two years by closing tax loopholes. This would give Congress time to work on a long-range solution to the problem. Meanwhile, Education Trust, an advocacy group working on behalf of disadvantaged students, has proposed a comprehensive solution that legislators should consider: Their “Doing Away With Debt” plan would direct about $10 billion in federal funds now spent inefficiently on higher education programs, such as tax credits and loan subsidies, directly to states. In exchange, states would have to meet certain benchmarks, including guaranteeing the poorest students graduate from college without debt and that loans for middle-income students would be interest-free.

But there’s a downside of using loans to finance college educations. The availability of subsidized loans in an era of declining state contributions has ensured colleges and universities can continue to raise tuition without losing enrollment.

This cycle has become familiar in California, where tuition at the University of California campuses last year was up 18 percent to more than $12,000. The jump came after both the UC and California State University systems suffered cuts of $750 million in the previous fiscal year. Fortunately, for both systems, that funding has stabilized since voters passed Proposition 30 in November. Nationwide in the past five years, public four-year colleges raised tuition 27 percent. Tuition at California public universities over this period was up a staggering 72 percent.

That’s why Gov. Jerry Brown is proposing more funding for public higher ed, he also wants a four-year freeze on tuition and fees for UC and CSU — and wants them to forgo $51 million in state funding if they try to hike these costs.

The crisis on college funding also obscures a more fundamental debate, that as more Americans are going to college, the debt load and diminished job prospects for graduates diminish the value of a four-year degree.

In a new book, “Is College Worth It?” former U.S. Secretary of Education and conservative commentator William Bennett tries to answer that very question. Bennett faulted declining numbers of U.S. families who would answer in the affirmative, mainly because of “sticker shock” over rising costs and future job prospects.

Bennett cites stats and reports that show many new jobs require more than a high-school diploma, but less than a college degree — finding, in other words, community colleges, or trade schools, may be a better investment for students.

Which means a new emphasis on academic progress at two-year colleges and the restored funding coming from Prop. 30. — Cabrillo College is slated to offer 24 new classes this summer and 50 more in the fall, thanks to $740,000 coming from the state — is giving taxpayers and students more bang for their bucks.