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## Nonprofit Sector Workforce Coalition

A National Campaign to Recruit, Prepare, and Retain a  
Skilled and Diverse Next-Generation of Nonprofit Sector Leadership

### Student Debt Sub-Committee Proposal Plan of Action – Year 1

#### STUDENT DEBT: A Rising Challenge for Nonprofit Employers

To recruit and retain the next generation of leaders, nonprofit organizations rely not only on young people's interest in serving others, but also on their financial capacity to enter and remain in this critical but lower paying sector. That capacity is increasingly limited by rising student debt burdens.

As college costs rise and grant aid fails to keep pace, more students are graduating from college with higher levels of student loan debt than ever before. In the past decade, average debt levels for graduating seniors with loans more than doubled, and will continue to rise. Two out of three new graduates must factor student loan payments – which can be hundreds of dollars a month – along with costs for housing and health care into their choice of career.

Employers and policymakers are now beginning to recognize that requiring college graduates to shoulder heavy debt burdens so early in their lives may have serious consequences for our society and economy. Here are a few key facts about student debt and its implications for the nonprofit workforce, as well as some suggested goals and opportunities for nonprofit employers to get involved in the emerging debate.

#### Key Facts

- By the time they graduate, two-thirds (66.4%) of students at four-year colleges have student loan debt, including nearly two-thirds (62%) of *public* university graduates. In 1993, less than one-half of all graduating seniors had student loans.<sup>i</sup>
- Three-quarters (74.5%) of new college graduates who take jobs with nonprofits have student loan debt.<sup>ii</sup>
- Over the past decade, the average debt for graduating seniors with student loans more than doubled from \$9,250 to \$19,200 – a 108% increase (58% after accounting for inflation). For graduates of *public* universities, the debt level rose from \$8,000 to \$17,250 – a 116% increase (65% after accounting for inflation)<sup>iii</sup>
- Students from lower income families are more likely to have student loans. Of Pell grant recipients who got their Bachelor's degrees in 2004, 88.5% had student loans, compared to 51.7% of non-Pell recipients.<sup>iv</sup> (Most Pell grant recipients have family incomes of \$40,000 or less.)
- Student debt can put careers in public and community service out of reach.
  - More than 23% of all graduates from public universities and 38% of private four-year college graduates have too much debt to be able to repay their loans on a new *teacher's* salary.

Facilitated by American Humanics, the Nonprofit Sector Workforce Coalition is committed to working collaboratively on strategies to attract, retain, and develop a skilled, committed, and diverse nonprofit sector workforce.

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- A full 37% of public and 55% of private college graduates would not be able to manage their loan payments as starting *social workers*.<sup>v</sup>
- More than 40% of college graduates who do not pursue graduate school blame student loan debt.<sup>vi</sup>

## **Goals and Action Opportunities for the Nonprofit Sector Workforce Coalition**

Student loans help millions of Americans go to college and become part of the educated workforce that nonprofit employers – and our country as a whole – need to succeed. But with student debt at record levels and higher interest rates for student loans, working at a nonprofit may become a risk that fewer new graduates are willing to take. While student loans are an inescapable reality, there are several common-sense ways to limit the impact of student debt on borrowers' career choices.

As employers and as unique contributors to America's communities and civil society, nonprofit organizations can be an important part of the solution. Opportunities for action by the Coalition and individual nonprofit organizations include:

- *Write an op-ed* about the impact of rising student debt on nonprofits – as both employers and essential community resources -- for the Chronicle of Philanthropy or major newspapers where member organizations are based. Write *letters to the editor* in response to coverage of student debt or college cost issues to highlight the stakes for the social service sector.
- *Tell the U.S. Department of Education to make loan payments fair and manageable.* This fall, the Department is seeking suggestions for improving the student loan program as part of a new "negotiated rulemaking" process. Under current program rules, the loan payments borrowers are required to make have little or nothing to do with what they can actually afford, and unlimited interest costs can lead to a lifetime of debt. Fixing these broken rules would make nonprofit careers more feasible and attractive for college graduates with loans.
  - **Background:** A coalition representing students, parents, educators and the loan industry has asked the Secretary of Education to take specific steps make student loan repayment more affordable for borrowers. The Nonprofit Sector Workforce Coalition has endorsed this proposal, which the Department has the power to implement without waiting for an increasingly deadlocked Congress to act. The upcoming rulemaking is the ideal opportunity to fix the broken student loan safety net, and the more input the Department receives, the more likely it is to take up the proposed reforms. Nonprofit employers can add a powerful voice to this effort and bring visibility to the Coalition's larger goals.
  - **Action:** *Send a letter to the Department of Education by November 9, 2006 and/or testify at one of four upcoming hearings around the country.*
    - To send a letter to the Department and learn more about the Five-Point Plan for Fair Loan Payments, go to <http://projectonstudentdebt.org>.
    - The public hearings are scheduled for Berkeley, CA (September 19); Chicago, IL (October 5); Orlando, FL (November 2); and Washington, DC (November 8). For more information, see <http://www.ed.gov/policy/highered/reg/hearulemaking/2007/hearings.html>.
- *Support increased need-based grant aid for undergraduates so that students of modest means graduate with less debt and more options.* Adequate aid preserves educational opportunity and ensures that nonprofit jobs remain viable for lower income graduates.

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- **Background:** The federal Pell grant is the largest source of need-based aid for college and most recipients are from families earning \$40,000 a year or less. The maximum grant has been frozen at \$4,050 since 2002, even though college costs have continued to mount. At the same time, state grant programs increasingly emphasize academic performance over financial need, which shifts resources away from disadvantaged students who may be stuck in poor quality schools and lack opportunities for academic enrichment.
- **Action:** Support efforts to increase the value of the federal Pell grant, and encourage states to expand need-based grants and scholarships.
- **Encourage colleges and universities to adjust their financial aid policies to limit loan burdens, especially for lower income undergraduates and for graduate students training for social sector careers.**
  - **Background:** All kinds of colleges and universities can take steps toward reducing loan burdens for lower income students. For example, Michigan State University's new Spartan Advantage program ensures that full-time students with family incomes at or below 200% of poverty will not need loans to pay for their education. And Princeton University has had a no-loan policy for financial aid recipients for several years. As reported in the *New York Times*: "When the financial aid office surveyed the class of '05 just before graduation last spring, it learned that two-thirds of the students sampled said that graduating with little or no debt had made a significant impact on their postgraduate plans. Some said that becoming a teacher, or working for a nonprofit, was now a viable option." <sup>vii</sup>
  - **Action:** Use your relationships with schools – such as partnerships, internship programs, recruiting, and influential alumni and board members -- to initiate conversations about the impact of their own financial aid policies on nonprofit career opportunities. You can look up the average debt for graduates of a particular school at [economicdiversity.org](http://economicdiversity.org).
- **Document practices and provide benefits that help reduce employees' student debt and attract educated candidates.**
  - **Action:** Collect and share the actual practices of nonprofit organizations (representing a diverse array of mission areas and budget ranges) that have committed some form of compensation or support for employees with student debt, such as loan forgiveness or tuition reimbursement.
  - **Action:** Gather and publicize specific examples of how student debt can affect nonprofit recruitment and retention and the ability to fulfill their mission. Use these stories to illustrate the nature of the problem and the need for both organizational and governmental policy solutions.

<sup>i</sup> National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 1993 and 2004 undergraduates, Data Analysis System (DAS); calculations by the Project on Student Debt. Also: *Trends in Student Aid*, The College Board, 2005.

<sup>ii</sup> Analysis of data from the U.S. Department of Education's 1999/2001 Baccalaureate and Beyond survey in: Ballard, Amanda, "Understanding the Next Generation of Nonprofit Employees: The Impact of Educational Debt, A Study Conducted for Kim Klein and The Building Movement Project" (draft), 2005.

[http://www.buildingmovement.org/artman/uploads/educational\\_debt\\_001.pdf](http://www.buildingmovement.org/artman/uploads/educational_debt_001.pdf)

<sup>iii</sup> National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 2004 undergraduates and 1993 undergraduates, Data Analysis System (DAS); calculations by the Project on Student Debt.

<sup>iv</sup> National Center for Education Statistics (NCES), National Postsecondary Student Aid Study (NPSAS), 2004 undergraduates, Data Analysis System (DAS); calculations by the Project on Student Debt.

<sup>v</sup> *Paying Back, Not Giving Back: Student Debt's Negative Impact on Public Service Career Opportunities*, State Public Interest Research Groups' Higher Education Project, 2006.

<http://pirg.org/highered/highered.asp?id2=23337&id3=highered&>

<sup>vi</sup> Baum, Sandy and M. O'Malley, "College on Credit: How Borrowers Perceive Their Education Debt: Results of the 2002 National Student Loan Survey," Nellie Mae Corporation, 2003.

<sup>vii</sup> Gertner, John, "Forgive Us Our Student Debts," *New York Times Magazine*, June 11, 2006.