

Topical seminars – Friday, November 15, 2019

The Cost and Benefits of Higher Education

One of the most important political issues this forthcoming election year is the cost of higher education. Politicians on the left and right are sensitized to voter concerns and have come up with proposed policies for dealing with the problem. A collective debt for students and their families is over \$1.5 trillion. Just as healthcare costs have reached a critical level, educational costs seem to be duplicating this trend. As citizens, it behooves us to consider all the issues related to the cost of education to determine what proposed plans for dealing with this issue can be successful in terms of costs and benefits. This seminar is not a discussion about how to improve higher education outcomes or what are the best pedagogical practices. Our foci here are to look at the costs and benefits of higher education economically, a review of and reasons for rapidly rising costs, who should assume these costs, and the role of government economic and legislative policies, if any, in intervening in the educational marketplace. We will look both at the factors that go into the price of higher education along with alternative educational delivery systems that seem to be appearing in the marketplace. We will also consider the needs both of society and of students pursuing higher education.

Tuition costs of colleges and universities

“For the 2016–17 academic year, annual current dollar prices for undergraduate tuition, fees, room, and board were estimated to be \$17,237 at public institutions, \$44,551 at private nonprofit institutions, and \$25,431 at private for-profit institutions. Between 2006–07 and 2016–17, prices for undergraduate tuition, fees, room, and board at public institutions rose 31 percent, and prices at private nonprofit institutions rose 24 percent, after adjustment for inflation. The price for undergraduate tuition, fees, room, and board at private for-profit institutions decreased 11 percent between 2006–07 and 2016–17, after adjustment for inflation.”¹

As table 1 below clearly indicates, the cost of getting an education is rising dramatically above the cost of inflation, for all sectors of higher education. Unfortunately, as illustrated on Graph 1, average salaries adjusted for inflation, have been very flat over the same period. This leaves one to conclude that the cost of going to a college or university is taking up more and more of the consumer’s capacity to pay. To manage these opportunity costs, the average family is turning to student aid both in the form of grants and loans.

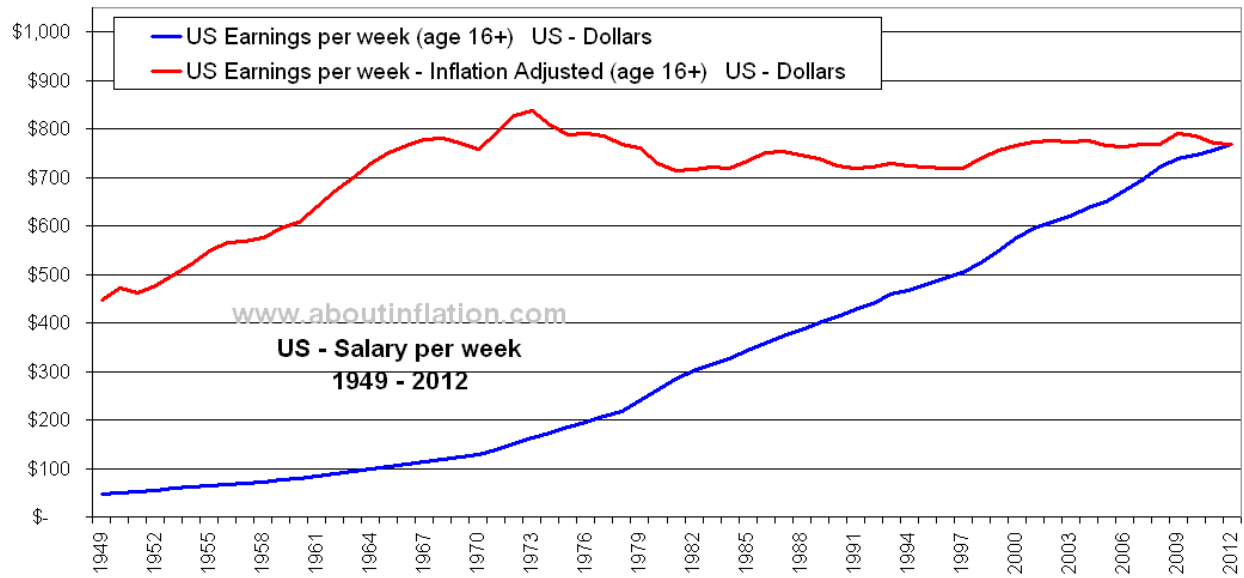
¹ US Department of Education, National Center for educational statistics (2019). Digest of education statistics, 2017 (NCES2018-070)

Table 1
Average total tuition, fees, room and board rates charged for full-time undergraduate
students in degree-granting institutions, by level and control of institution
using 2016-17 dollars.

	Public			Private (Non-profit and profit)		
	All	4 year	2 Year	All	4 Year	2 Year
1985-86	\$ 7,964	\$ 8,604	\$ 6,647	\$ 19,812	\$ 20,578	\$ 14,521
1995-96	\$ 9,825	\$ 11,016	\$ 6,623	\$ 27,027	\$ 27,661	\$ 18,161
2000-01	\$ 10,514	\$ 11,993	\$ 6,706	\$ 29,621	\$ 30,290	\$ 20,660
2001-02	\$ 10,924	\$ 12,523	\$ 6,996	\$ 30,522	\$ 31,179	\$ 21,550
2002-03	\$ 11,328	\$ 13,042	\$ 7,464	\$ 31,101	\$ 31,696	\$ 23,656
2003-04	\$ 12,057	\$ 13,919	\$ 7,840	\$ 32,109	\$ 32,690	\$ 25,503
2004-05	\$ 12,487	\$ 14,463	\$ 8,070	\$ 32,680	\$ 33,241	\$ 25,694
2005-06	\$ 12,748	\$ 14,765	\$ 7,916	\$ 32,812	\$ 33,330	\$ 26,101
2006-07	\$ 13,134	\$ 15,212	\$ 8,101	\$ 33,805	\$ 34,375	\$ 24,111
2007-08	\$ 13,265	\$ 15,392	\$ 7,995	\$ 34,120	\$ 34,646	\$ 24,855
2008-09	\$ 13,855	\$ 16,122	\$ 8,555	\$ 34,822	\$ 35,353	\$ 25,690
2009-10	\$ 14,353	\$ 16,834	\$ 8,630	\$ 35,089	\$ 35,655	\$ 27,389
2010-11	\$ 14,889	\$ 17,472	\$ 8,867	\$ 34,985	\$ 35,689	\$ 25,355
2011-12	\$ 15,311	\$ 17,900	\$ 9,189	\$ 35,251	\$ 35,910	\$ 25,170
2012-13	\$ 15,755	\$ 18,328	\$ 9,363	\$ 36,168	\$ 36,785	\$ 24,496
2013-14	\$ 16,140	\$ 18,692	\$ 9,587	\$ 37,173	\$ 37,797	\$ 24,652
2014-15	\$ 16,597	\$ 19,102	\$ 9,828	\$ 38,367	\$ 38,947	\$ 24,941
2015-16	\$ 17,075	\$ 19,558	\$ 10,097	\$ 39,734	\$ 40,261	\$ 24,824
2016-17	\$ 17,237	\$ 19,488	\$ 10,091	\$ 40,925	\$ 41,468	\$ 24,882
% Change	116.44%	126.50%	51.81%	106.57%	101.52%	71.35%

Note that the percent change is above the normal inflation (CPI) for the period.

Chart 1



The amount of student loan that is staggering with 44 million people owing over \$1.5 trillion in student loans. Here are a few key points to student loan debt.²

- Over \$1.5 trillion in accumulated debt
- 1 in 4 eligible Americans have student loan debt: An est. 44.7 Million people
- Average student loan debt amount = \$37,172
- Average student loan payment = \$393/month
- The standard repayment timetable for federal loans is 10 years, but research suggests it actually takes four-year degree holders an average of 19.7 years to pay off their loans.

The brief video cited next does a good job discussing the high cost of loan repayment and the societal movement from seeing education as a public good to that of a private commodity.

<https://www.youtube.com/watch?v=QvxprJ4fUs8>

The following referenced article from the Atlantic points out that spending per student is exorbitant and not in line with the value that students can get for the price. The article attempts to look at why the course of education in the states is so high and they asked the question whether it's worth it. The authors point out that education is a service industry staffed by high costs faculty with advanced degrees. They also explore the declining support by states to help offset costs. They point to the fact that there is no mechanism to centrally control costs and that the federal government is reluctant to take on that role.

<https://www.theatlantic.com/education/archive/2018/09/why-is-college-so-expensive-in-america/569884/>

Another important online article by Axios cited below looks at changes needed by universities and colleges to meet the present and future needs of a changing college demographic. Unfortunately, the writers conclude that "...universities were designed to last, not change."

They go deeper into the following issues, all of which are well worth reading.

- The rise of corporate colleges
- Exclusive: Where skills anxiety is highest
- Paying for college with your future salary
- Universities' construction overhaul is ballooning
- How a chatbot boosted graduation rates at Georgia State

² <https://www.nitrocollege.com/research/average-student-loan-debt#student-vs-credit-auto>

- What matters to college students today

<https://www.axios.com/colleges-universities-crisis-e437549e-b5ad-4e6c-8bab-f32db1065d14.html>

Another important issue for us to consider is how educational services are delivered to students. The Axios article discusses some of this, especially in terms of the rise of corporate colleges. There are other alternatives to the traditional classroom such as online and hybrid courses and programs of study. While not suitable to all students, it certainly is proving itself as a viable alternative with the many nontraditional students now attending higher education. It has the potential for cost savings both for the student and for the institution. If time permits, please read the article from the following website to gain a better understanding of some of the alternative educational delivery systems.

<https://www.edsurge.com/news/2017-11-15-can-these-new-colleges-help-solve-higher-education-s-equity-problem>

Because of the number of people involved and the amount of debt, this issue has become a high priority among the candidates running for president in 2020. Following, is a brief summary of how each of the Democratic and Republican candidates propose to deal with this issue. Please note that the candidates are talking about debt-free education, free education, methods for paying back loans in a different way, or some combination of these.

2020 Presidential Candidates' Higher Education Proposals³

“As the 2020 presidential election ramps up, NASFAA continues to closely monitor the candidates as higher education policy positions emerge.

This page serves as a compilation of the current Democratic and Republican presidential candidates' stated positions on higher education and student aid issues. While NASFAA regularly takes positions on higher education policies, the association does not support or endorse any candidate for elected office.

Below you will find a list of each candidate with links to resources outlining their stances on various higher education and student aid issues. Candidates with new information are denoted with a red "UPDATED" tag next to their names. The candidates are listed in alphabetical order:”

Democrats

³ <https://www.nasfaa.org/2020>

***UPDATED* Sen. Michael Bennet (CO)**

Supports the simplification of the financial aid process and expansion of the year-round Pell Grant (bennet.senate.gov). Bennet in September fleshed out his higher education platform, calling for free community college and making four-year public colleges debt-free for students from families making up to \$75,000. Bennet also proposed expanding dual enrollment, apprenticeship, and expanding Pell Grants "for lifelong learning" and "technical training" (michaelbennet.com).

Joe Biden, former Vice President

Biden has been supportive in the past of free community college, as part of President Obama's America's College Promise proposal. In 2015, Biden supported four years of "free college" ([Inside Higher Ed](#)), however he now proposes to make community college free ([Education Next](#)). Additionally, he would like to make sure that PSLF is "fixed, simplified, and actually helps teachers." (Joe Biden.com) In an exchange with a student during a campaign event in August, Biden said borrowers should not have to make payments toward their loans until they are earning at least \$30,000, and loans should not accumulate interest before borrowers begin earning that amount. He also said he would reduce the percentage of income that borrowers repay in income-driven repayment plans from 10% to 5%. ([Forbes](#))

Sen. Cory Booker (NJ)

In support of free public two- or four-year college implemented through federal/state partnership. Co-sponsored Sen. Brian Schatz's [debt-free college bill](#). Cosponsored Sen. Kirsten Gillibrand's What You Can Do For Your Country Act. Sponsored a [FAFSA simplification bill](#) that is in line with NASFAA's FAFSA simplification proposal. Introduced a bill that would provide a \$1,000 account for every baby born to save for college (or pay for a home) (booker.senate.gov).

Former Gov. Steve Bullock (MT)

Hasn't made statement on higher education.

Mayor Pete Buttigieg (South Bend, IN)

In April, Buttigieg stated that he opposes "free college" based on concern that higher-paid individuals would be the primary beneficiaries, at the expense of lower-paid individuals ([Inside Higher Ed](#)). However, in May he demonstrated support for debt-free college for lower-income students through a federal/state partnership, Pell Grant expansion (indexing to inflation), and student loan refinancing. He also emphasizes that HBCUs "deserve to receive more dedicated support" (peteforamerica.com). In a [Vice interview](#), Buttigieg stated his support for expanding loan forgiveness for teachers and public servants, however he believes that wiping away debt may not be the best approach due to cost. Buttigieg in July released a [proposal](#) to increase the number of service opportunities available to students from 75,000 to 250,000, and further to 1 million positions by 2026. The proposal would offer "consideration for public service student debt forgiveness, vocational training, and hiring preference for service fellows." Buttigieg also in July released a [proposal](#) for limited student debt cancellation for those who attended low-quality higher education programs. The plan also called for increased funding for Historically Black Colleges and Universities and minority-serving institutions.

Julian Castro, former Secretary of Housing and Urban Development

Castro is in support of making the first two years of college, certification programs, and apprenticeships free. He would offer partial loan forgiveness for people who receive specific public assistance benefits. Proposes to reform the loan repayment process so that borrowers' payments are \$0 until they're earning at least 250% above the federal poverty line. Once at that level, they would not pay more than 10% of their adjusted gross income with an amount equivalent to 250% of the federal poverty line exempted. Other issues that Castro has highlighted are the expansion of the Pell Grant program, reforming Public Service Loan Forgiveness (PSLF), the termination of support for for-profit colleges, and increased institutional transparency through the expansion of the of College Scorecard ([Julian for the Future](#)).

Rep. John Delaney (MD)

Introduced legislation to allow student loans to be discharged under bankruptcy. In support of guaranteed community college or technical training, but doesn't state whether tuition-free or debt-free ([Johndelaney.com](#)).

Rep. Tulsi Gabbard (HI)

Gabbard has co-sponsored the House version of Sen. Bernie Sanders' [College for All Act](#) as well as helped introduce the Forever GI Bill, which calls for the extension of GI Bill benefits for veterans ([gabbard.house.com](#)).

Sen. Kamala Harris (CA)

Harris is in support of free public two- or four-year college implemented through federal/state partnership. Co-sponsored Sen. Bernie Sanders' [College for All Act](#) and endorsed Sen. Brian Schatz's ["debt-free" college bill](#). Cosponsored Sen. Kirsten Gillibrand's What You Can Do For Your Country Act. Displayed support for greater for-profit college accountability after addressing a student at a CNN town hall stating, "we need to get rid of the for-profit college that are preying on students like you" ([Interview Transcript](#)). Harris has stated that she would invest money into Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions (MSIs) to address underrepresentation of teachers of color ([kamalaharris.org](#)). Harris in July released several higher education-related proposals, including a complex [plan](#) to reduce student loan debt. Under the plan, Pell Grant recipients with student loans who start a business that operates for three years in disadvantaged communities would have up to \$20,000 of their debt forgiven. She also [pledged](#) to invest \$60 billion in historically black colleges and universities, and introduced a bill that would ensure college students "are able to afford basic, day-to-day necessities." The [bill](#), dubbed the Basic Assistance for Students In College (BASIC) Act, was co-sponsored by Sens. Dianne Feinstein (D-CA) and Elizabeth Warren (D-MA).

Sen. Amy Klobuchar (MN)

Klobuchar is largely in support of expanding affordable apprenticeship opportunities. She is a lead sponsor of the American Apprenticeship Act, which would provide financial support for states to create or expand tuition assistance programs for participants completing apprenticeships. She also introduced a bill that would expand the uses of 529 Education Savings Accounts to include training and credentialing programs ([klobuchar.senate.gov](#)). Klobuchar is in support of free community college, however, she opposes free four-year college due to concerns

over financial feasibility. She is in support of Pell Grant expansion and loan refinancing ([CNN Town Hall](#)). She co-sponsored Sen. Kirsten Gillibrand's What You Can Do For Your Country Act.

Mayor Wayne Messam (Miramar, FL)

Messam has identified the elimination of student loan debt as one of his top priorities, proposing that he would finance this reform through the repeal of the tax cuts implemented under the Trump administration ([Sun Sentinel](#)).

Former Rep. Beto O'Rourke (TX)

O'Rourke is in support of free community college and debt-free four-year college. He supports both student loan refinancing and an expansion of the Public Service Loan Forgiveness program ([Inside Higher Ed](#)). O'Rourke in July proposed eliminating all student loan debt for public school teachers ([Forbes](#)).

Rep. Tim Ryan (OH)

Co-sponsored the College For All Act, the Debt-Free College Partnerships Act, and the Aim Higher Act ([timryan.house.gov](#)).

Sen. Bernie Sanders (I-VT)

His "[College for All Act](#)" ([summary](#)) would provide \$47 billion per year to eliminate undergraduate tuition and fees at public colleges and universities. He proposes an expansion of the Federal Work-Study program and shifts the allocation formula to be based off of the aggregate need of institutions' students. The reform would be financed by a Wall Street speculation fee. Co-sponsored Sen. Kirsten Gillibrand's What You Can Do For Your Country Act. Sanders in late June [proposed](#) cancelling all \$1.6 trillion in outstanding student loan debt, including private and graduate school debt, paid for through a tax on Wall Street that he said would generate \$2 trillion in 10 years. The plan would also make public universities, community colleges, and trade schools tuition-free.

Former Rep. Joe Sestak (PA)

Sestak supports providing states with grants to support tuition at community colleges and public universities, and making federal student aid and loans contingent on universities keeping annual tuition increases at or below inflation. Sestak's platform includes restructuring federal student loans "so the government no longer makes a profit off of students attempting to improve themselves," establishing a national college credit transfer system, and creating a "Training for a Lifetime" program to increase opportunities for job training and continuing education. ([JoeSestak.com](#))

Tom Steyer

Steyer supports "the right to learn," and stated that the government "must protect the right to a free, quality, public education from preschool through college and on to skills training." ([TomSteyer.com](#))

Sen. Elizabeth Warren (MA)

Warren is in support of universal free public college through federal/state partnerships, as well as

a prorated loan forgiveness program based on household income. Other highlights of Warren's platform include Pell Grant expansion; an emphasis on institutional accountability for the improved completion rates of lower-income students and students of color; the ban of federal funding for for-profit colleges; and the option for federal loan refinancing. Warren stated she will introduce bill to cancel up to \$50,000 in student loan debt for every borrower with a household income under \$100,000. Prorated debt cancellation would also be expanded to borrowers with household incomes between \$100,000 and \$250,000. The forgiven student debt would not be taxed as income. Warren has also included private loans in her debt cancellation proposal. Costs are estimated at \$640 billion, which would be paid through her proposed Ultra-Millionaire Tax ([Medium](#)). Warren co-sponsored Sen. Kirsten Gillibrand's What You Can Do For Your Country Act. Warren in July officially [released a bill](#) that would cancel \$640 billion in student loan debt, spelling out the details of her student debt plan announced earlier this year.

Marianne Williamson

Williamson is in support of free college or technical school for "every qualified student." If financially unfeasible, she would then turn to payroll tax methods or public service as a repayment option. Williamson would like to reduce Public Service Loan Forgiveness eligibility from 10 years to five, reduce student loan interest rates, eliminate origination fees, and eliminate the annual caps on subsidized loans ([Marianne 2020](#)).

Andrew Yang

"Bailout for the People" is Yang's proposed program for the partial reduction of student debt for recent graduates. Yang proposed a 10x10 Student Loan Emancipation Act—a plan by which the federal government would buy student loan debt (negotiated rate with the private lenders) and allow students to opt into a plan to repay it through pledging 10% of their salary per year for 10 years, after which the balance would be forgiven. Yang said he believes student debt discharge should be allowed under bankruptcy. He has also mentioned the implementation of a loan forgiveness program for those who work in rural areas or with underprivileged populations. Yang supports greater institutional accountability and said he will "gladly close schools that are essentially diploma mills preying on the hopes and dreams of the vulnerable among us." He also supports lower interest rates and refinancing ([Yang 2020](#)).

Republicans

***UPDATED* Former Gov. Mark Sanford (SC)**

Sanford has not yet made any statements on higher education.

President Donald Trump

President Trump has proposed deep cuts to the Department of Education as a whole, and specifically to student financial aid programs. His [fiscal year 2018 budget proposal](#) for example, would have cut about \$150 billion from federal student aid programs over 10 years. His [most recent](#) budget proposal reiterated his support for hard-hitting cuts to the federal student aid programs, and included a \$2 billion rescission from the Pell Grant reserve funds. He has also proposed eliminating subsidized loans, Public Service Loan Forgiveness, reducing Federal Work-Study funding, and increasing risk-sharing with institutions. He has supported a more

streamlined loan repayment process and shift in the Federal Work-Study allocation formula so institutions would receive funds based on the number of Pell Grant recipients the institution enrolled ([The Chronicle of Higher Education](#)). Trump has proposed that student loan forgiveness be made available to all borrowers with undergraduate and graduate student loans who participate in a single income-driven repayment plan. Borrowers would pay 12.5% of their discretionary income and would receive student loan forgiveness after 15 years for their federal undergraduate student loans and after 25 years for federal graduate loans ([Forbes](#)). Trump in August signed an executive order forgiving all student loan debt for any permanently disabled U.S. military veterans. ([Fox News](#))

Former Rep. Joe Walsh (IL)

Hasn't made statement on higher education.

Former Gov. Bill Weld (MA)

Weld has emphasized using online education as a method to cut down on room and board costs. He has mentioned that most jobs now require two years of college education and is in support of covering in-state tuition for workers who have been displaced by the rising job credential threshold ([Boston News](#))

Questions for contemplation and discussion

1. After reviewing the materials for the seminar, are you convinced that the cost of higher education is a public issue, or is it better dealt with as a marketplace issue?
2. Where do you stand with the notion that higher education is either a public good or a private commodity?
3. What are some ideas taken from your reading of the materials that have stimulated your thinking about this issue?
4. Are there legitimate roles for the local, state and federal governments to play both to control costs and to provide financial support?
5. What strategies can educational consumers deploy to assure they are getting the best return on their investment?
6. After considering all the issues, which presidential candidate(s) is most aligned with your thinking?

Submitted by Aram Terzian