2019-20

LEGISLATOR'S GUIDE to the Issues

Higher Education Affordability

The Issue

Between 1985 and 2009, average college tuition nationwide has jumped 440%—four times the increase in general inflation and twice that of health care costs. To pay for these historic price increases, students and their parents have amassed historic debt. Student loan debt now stands at $1.4 trillion, for the first time ever surpassing total national credit card debt.

Increases in federal student aid have led to corresponding increases in tuition sticker prices, in what is known as the Bennett Hypothesis. For example, each additional Pell Grant dollar to an institution leads to a roughly 40 cent increase in sticker-price tuition. Federal regulations also raise the cost of higher education. Regulatory compliance accounts for 2 to 8% of a typical institution's non-research expenditures, costing the higher education sector an estimated $27 billion annually.

It is no accident that the hyperinflation of tuition and student debt has coincided with a period of sustained administrative bloat. Between 1993 and 2007, the number of full-time administrators per 100 students at America's leading universities grew by 39%, while the number of employees engaged in teaching, research, or service grew by only 18%. A poll of Texas voters found that reducing administrative overhead was one of the three most popular strategies for addressing budget shortfalls at the state's postsecondary institutions.

Texas voters' support for reducing administrative costs reflects a broader perspective on the cost of college among Texans. Of the state's voters, 71% believe universities can improve teaching while reducing costs. As a result, Texas' higher education sector has spent the past several years developing new programs seeking to make higher education more affordable for both students and taxpayers.

Now entering its fifth year, the Texas Affordable Baccalaureate Program (TABP) continues to refine its new approach. The TABP offers qualified returning students baccalaureate degrees for between $4,500 and $6,000. In 2016 it received a $400,000 grant from the AT&T Foundation to help scale the program from its current 2 schools to 10. The College Credit for Heroes Program (CCH), which uses competency-based education to award credit to veterans for skills they acquired during service, has expanded from 4 schools in 2011 to 48 in 2018.

To address affordability, Purdue University recently began a program titled "Degree in 3," which provides students the option to complete a bachelor's degree in three years. The three-year option can save in-state students as much as $9,021 compared to a four-year degree. For out-of-state students, the savings can be as much as $18,422.

Texas can build on the successes of programs like the TABP and CCH by emulating these programs' strengths and by experimenting with other creative approaches to making higher education more affordable. Schools across the country have reduced costs while maintaining institutional quality with innovations such as discounted Friday and weekend classes, three-semester calendars, debt counselors, and "online campuses" serving rural regions.

The Facts

- A national Pew survey found 57% of prospective students believe a college degree no longer provides value equal to its cost, and 75% deem college simply unaffordable.
- Pell Grants have a pass-through effect on tuition of 40 cents on the dollar. This pass-through effect is about 60 cents on the dollar for subsidized loans and 15 cents on the dollar for unsubsidized loans.
- An assessment of 13 postsecondary institutions across the U.S. found the cost of federal compliance varied from 3% to 11% of total nonhospital operating expenditures.
- Compliance costs for research are particularly steep: Research-related compliance as a percentage of research expenditures ranges from 11% to 25%.
- Asked how schools should address shortfalls, Texas voters' favorite options were reducing administrative overhead, delaying new facilities, and requiring professors to teach more. Raising tuition or taxes were the least favorable options.

Recommendations

- Exempt affordable degree programs (such as the TABP) from formula funding restrictions based on past student performance—including the 30-hour, 45-hour, drop-6, and 3-peat rules—by updating and passing HB 1502 (2015-R).
- Institute three-year bachelor's degrees in liberal arts fields.
- Encourage reductions in administrative budgets—in the manner that the Texas A&M System cut its administrative budget 3.6% between 2011 and 2015.

Resources

The Cost of Federal Regulatory Compliance in Higher Education: A Multi-Institutional Study by the Boston Consulting Group, Vanderbilt University (Oct. 2015).

Revolution Rising? Update on Texas' Affordable Baccalaureate Degrees by Thomas Lindsay, Texas Public Policy Foundation (March 2015).

Winning the "Space Race": How Universities Can Maximize Existing Space to Reduce Tuitions by Thomas Lindsay, Texas Public Policy Foundation (Dec. 2014).

(Not) Cheaper by the Dozen: 12 Myths about Higher Education's Cost and Value by Thomas Lindsay, Texas Public Policy Foundation (Dec. 2013).

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Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs by David O. Lucca, Taylor Nadault, and Karen Shen, Federal Reserve Bank of New York (Feb. 2017).

"Degree in 3: Accelerated. Economical. Uncompromised" by Purdue University (Accessed March 2018).

"Our Bloated Universities" by Mary Claire Reim, SeeThruEdu (Feb. 2016).

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