

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 healthcare costs. To pay for these historic price increases, students and their parents have amassed historic debt. Student loan debt [will reach \\$1.75 trillion by the end of 2020](#) and now stands at \$1.6 trillion, surpassing total national credit card debt, which stands at \$1 trillion.

Increases in federal student aid have led to corresponding increases in tuition sticker prices, in what is known as the Bennett hypothesis. For example, for every extra dollar of loans students are eligible for, colleges increase tuition by 40 to 60 cents. 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 1991 and 2011, the number of executive/administrative/managerial staff increased by 65%. 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's 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 in its 7th year, the Texas Affordable Baccalaureate Program (TABP) continues to refine its new approach. Combining competency-based and traditional courses, online and in-person instruction, academic credit for work experience, and alternative low-cost tuition structures, the Texas Affordable Baccalaureate Program offers an accessible bachelor's degree that can save Texans time and money. The TABP will prove especially helpful to first-generation, low-income, and working-adult students—who urgently need non-traditional and affordable postsecondary options.

The TABP offers qualified returning students baccalaureate degrees for a cost 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. In 2020, there are 13 TABP degrees offered among 8 Texas public universities.

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 3 years. The 3-year option can save in-state students as much as \$9,021 compared to a 4-year degree. For out-of-state students, the savings can be as much as \$18,422.

Purdue University has also had a tuition freeze in place since 2013, which is set to last through at least the 2021-2022 school year. Without this freeze, Purdue University families would have spent a combined \$600 million more over the past 7 years. University President Mitch Daniels has been able to successfully save students money by cutting waste through better procurement systems, more financial transparency, and increased competition for funds among academic departments.

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, 3-semester calendars, debt counselors, and “online campuses” serving rural regions.

Given the current COVID-19 situation, affordable higher education options are especially pertinent. Students who are economically impacted by COVID-19 will be in financial turmoil for much more than 1 year, and a longer-term solution is necessary.

The Facts

- Colleges respond to a \$1 increase in student loan eligibility by raising tuition by 40-60 cents.
- 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

- The Legislature should require that all Texas public institutions of higher education offer at least one degree under the Texas Affordable Baccalaureate Program.
- All institutions that receive funding from the state of Texas should implement a tuition and fees freeze for the 2021-2022

and 2022-2023 academic years, holding both tuition and fees at the 2020-2021 level.

- Institute 3-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).

[*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).

