House passes meager “College Cost Reduction Act”

Tuition rates continue to skyrocket at US colleges

Jerry White
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The US House of Representatives passed new legislation last week that Democratic majority leaders claim is the largest college student aid package since the 1944 GI Bill. In reality, the College Cost Reduction Act of 2007 will do little to alleviate the financial burden for millions of college students who are confronting skyrocketing tuition costs and a crushing level of student loan debt.

While the GI Bill provided tens of billions to enable returning veterans to attend college, the Democrat-sponsored bill does not propose any new actual spending. Instead, small increases in student aid will be paid for by cutting $19 billion in federal subsidies to the student loan industry over the next five years. President Bush himself has called for a $16 billion cut in subsidies to these for-profit loan companies, which have been embroiled in scandal over deceptive lending practices, payoffs to college officials and the improper collection of hundreds of millions in government payments.

The new bill raises the maximum Pell Grant—the major government assistance program for low- and middle-income students—by only $500 over the next five years, to a total of $5,200 by 2011. The maximum grant has been essentially frozen since 2003 and is estimated to cover only a third of the average cost of attending a four-year public university. As tuition costs have skyrocketed, the real value of federal Pell Grants have been declining for years.

College costs—including tuition, fees, books, materials and living expenses—have outpaced inflation by nearly 40 percent over the last five years. According to the latest figures available from the US Department of Education in 2003-2004, the average price of attendance for full-time dependent students was $9,800 at public two-year institutions, $15,100 at public four-year institutions, $29,500 at private not-for-profit four-year institutions, and $18,100 at private for-profit less-than-four-year institutions. The College Board put the average figure for private four-year colleges and universities at $30,367 in 2006-2007.

As tuition costs have increased, federal funding has been slashed for work-study grants, Perkins Loans and Federal Student Educational Opportunity Grants. This has forced millions of students from working class families to take out private loans, while millions more simply forgo college because of the prohibitive costs. According to calculations from the Project on Student Debt, debt for graduates of public universities has increased by 65 percent over the past decade when adjusted for inflation. In 2005, the average US college student graduated with about $20,000 in debt.

The measures proposed by the Democratic-controlled Congress are a drop in the bucket. The new bill will gradually reduce interest rates on federally backed loans over the next five years, from 6.8 percent to 3.4 percent, while limiting monthly payments to 15 percent of the borrower’s discretionary income.

The bill would also grant $5,000 in loan forgiveness for police, firefighters and prosecutors, and a complete release from student loans for public servants after 10 years. For all others, debt forgiveness (for federal loans) will only be granted after paying off the costs of student loans for two decades. In other words, the majority of students will be saddled with student loans until they approach middle age.

The bill passed 273 to 149 in the House, with the support of 47 Republicans. The Senate is expected to pass similar legislation later this month. President Bush, however, has threatened to veto the bill, and neither the House nor the Senate is expected to have veto-proof majorities. Bush has denounced the bill as a "new entitlement program" that creates too many new government entities.

The College Cost Reduction Act will do nothing to stop the single most important cause of rising student costs: ever-increasing tuition rates. Throughout the country, colleges and universities continue to raise rates, in large measure due to a reduction in state funding.

A much-touted provision of the bill assigns institutions a "college-affordability index" based on the growth of tuition. If a college or university raises its tuition by more than twice the rate of inflation for three consecutive years, it would be required to give an explanation for the cost increases. It would then have two more years to slow tuition growth before being given "affordability-alert status." It is unclear what, if anything, this status would imply.

This toothless measure on college tuition serves more to highlight the threadbare character of the bill than anything else.

The situation in Michigan is particularly acute due to the downturn in the auto industry and the state's fiscal crisis. Michigan State University (MSU), the state's largest university, recently announced a 9.6 percent increase in tuition. The hike will cost a typical in-state freshman or sophomore $798 more for the full academic year. Last year, MSU raised tuition by 5.9 percent.

Describing the impact of the tuition increases on working families, Beth Langley, a 1986 MSU graduate, wrote a letter to the college's student newspaper. "I feel I must voice my disappointment with the decision to increase tuition (yet again) by 9.6 percent," she wrote. "It is the middle-income students who suffer the most. Forced to take out loans because they do not qualify for state and federal aid (and because parents cannot afford $18,000 per year out-of-pocket), these middle-income students may owe $60,000-$70,000 by the time they graduate with a four-year degree.

Langley continued, "This is an obscene amount of debt that is being forced on young people who are embarking on their post-college careers. When does it end? How exorbitantly high will tuition be by the time my second son graduates from high school in three years?"

Colleges have raised tuition in anticipation of further reductions in public funding to Michigan's 15 public universities. In an effort to balance the state budget, Democratic Governor Jennifer Granholm took back 60 percent of the funding increase it gave to universities last year and will not give universities their August funding, one of 11 yearly payments.

In addition to MSU, Michigan Technological University increased tuition by 9.51 percent and Ferris State University approved a 6.7 percent increase, in addition to imposing a new $8-per-credit-hour fee to cover expenses if the state cuts the university's budget. Oakland University's board voted to raise tuition an average of $971 for the average full-time undergraduate resident student, making the cost of tuition $7,927 per year. The state has repeatedly cut its appropriation support for Oakland University, reducing state subsidies from 56 percent in 1992 to just 29 percent in 2007, an all-time low.

Detroit's Wayne State University unveiled plans to cut $7 million in costs due to reductions in state funding, while it still grapples with a $16 million shortfall from last year. The cost-cutting measure will stop the purchase of computers, printers, copiers, furniture and other related items. "It is certain that Wayne State will have to eliminate some filled and vacant positions, cancel courses and scale back programs and services because of the state's budget cuts," a memo from the college president said.

WSU administrators are bracing for further reductions in state spending. If the state decreases funds by 1.5 percent, the university administrators warn, Wayne State would have to raise tuition between 12 and 14 percent to balance its budget.