US: Higher education costs soar

Ed Hightower
8 December 2008

A recently released study on the costs of higher education in the US reveals an explosion in college costs and a severe decline in American families' ability to pay for it. The National Report Card from the National Center for Public Policy and Higher Education graded the 50 US states on various facets of higher education, giving 49 of them an F in affordability.

California, with its relatively accessible community colleges, received a C-. It should be noted that California's grade does not take into account newly proposed budget cuts, which would see $132 million slashed from the University of California and state colleges systems. (See "California budget in free-fall as new round of cuts is proposed")

The Report Card offers many revealing statistics that give lie to the notion of equal educational opportunity in the US. The cost of a higher education has increased by a staggering 439 percent since 1982, rising more than medical care (251 percent) and far more than the Consumer Price Index (106 percent). The authors note that the stagnation and decline of real income for much of the workforce has exacerbated the increased college costs, with middle and lower income families affected much more than wealthier ones.

A chart in the study displays US household income, separated into quintiles, from lowest to highest. For each quintile, average college costs as a percentage of income are compared from 1999-2000 and 2007-2008. For the lowest income quintile, the percentage of household income represented by average college costs leaped from 39 percent in 1999-2000 to 55 percent in 2007-2008, essentially putting college education out of reach for these families. For the second lowest income quintile, the figure increased from 23 percent to 33 percent of household income. In the fourth and fifth quintiles, the percentage increase was only 4 percent and 3 percent, respectively. The latter figures underscore the tremendous growth of inequality over the last decade.

The Report Card also notes a substantial rise in the number of students taking on debt to finance their educations. This number has risen from just over 4 million in 1997-1998 to just over 6 million in 2006-2007. (See "Declining social conditions of students and youth in the US")

Highlighting another aspect of the affordability crisis, the study notes that financial aid granted by colleges and universities tends to go to those who can already afford an education. The educational institutions use their financial aid funds largely to attract the most qualified students to improve their rankings, rather than to help those most in need of financial assistance.

In 2003-2004, for instance, four-year institutions gave financial aid to only 36 percent of students, whose parents earned under $20,000 yearly, with an average award of $4,700. Meanwhile, 29 percent of students whose parents made over $100,000 received financial aid. While this percentage was slightly lower, the average award was significantly more, $6,200.

By all indications, the deepening recession will force educational institutions to raise tuition even higher. Other factors contributing to the rise are state budget shortfalls and the decline of university endowments.

A recent report from the National Conference of State Legislators found that only 12 of the 50 US states *do not* currently face a budget deficit. At least 10 states have slashed their budgets by 7 percent, reducing basic services—from fire fighting, to road maintenance, to elementary education. Depressed economic activity, including the dramatic decrease in consumer spending, has reduced most forms of state revenue, including income, corporate and sales taxes.

President-elect Barack Obama recently told a meeting of the National Governors Association that states needed to be prepared to make "hard choices" on spending. (See "Obama warns US governors of 'hard choices'") State budgets, which have already slashed funds for social spending, will inevitably target state colleges and universities. These cuts will be passed on to students in the form of increased tuition, forcing some students to abandon their college educations altogether.

Revenues for institutions of higher learning are also generated from the investment of endowments. With the steep fall in the stock market, endowment values are plummeting. The *Wall Street Journal* reported that Harvard University's endowment, the nation's largest, has lost 22 percent of its value in the last four months alone. That amounts to more than $8 billion, more than the value of most other schools' entire endowments. Harvard expects these losses to reach 30 percent by July 2009.

The University of Virginia's endowment lost 18 percent of its value over the same period, while Middlebury College in Vermont saw a 14.4 percent decline. Endowment values dropped 25 percent for both Grinnell College in Iowa and Amherst College in Massachusetts.