



Facts On File

# Issues & Controversies

## COLLEGE TUITION COSTS

### Is college tuition a sound investment?

Issue Date: February 22, 2010

#### SUPPORTERS ARGUE

A college education is an investment, providing financial returns in the form of better jobs and higher salaries in the future. Giving students a quality education grows more expensive every year; it is unrealistic to expect colleges to reduce tuition while still providing the best possible learning experience. Most schools with high tuitions offer generous need-based scholarships to ensure a socioeconomically diverse class.

#### OPPONENTS ARGUE

The cost of attending college has spiraled out of control, with yearly tuition hikes far outpacing the rate of inflation. The most prestigious and expensive private and public universities have effectively priced out students from lower-income and middle-class families. Colleges spend too much money on relatively frivolous expenses—such as building luxury dormitories and other nonacademic facilities—to justify the tuition hikes.



AP Photo/Lisa Poole, file

**Some of the most prestigious universities in the U.S., including Harvard University in Cambridge, Massachusetts, have seen a steep drop in their endowments over the past year, presenting them with financial challenges that may affect tuition for students during the 2009–10 school year.**

A record 18.4 million students enrolled in U.S. colleges for fall 2009, the last year for which data are available. A college degree or advanced degree—whether an associate's degree, which typically takes two years to earn; a bachelor's degree,

which often takes around four years; or a degree that requires even more study, such as a master's or doctorate—is seen as essential for a person wishing to join the so-called knowledge-based economy. If one aspires to any of a variety of jobs, whether a low-level office worker, a heart surgeon or an investment banker, the pursuit of that position starts with obtaining a college degree.

College tuition, however, is increasingly expensive, and typically rises each year, often at a rate that far exceeds the rate of growth of the consumer price index, an economic indicator that tracks changes in prices. Consequently, the inflation-adjusted cost of attending college in the 2008–09 academic year was approximately three times more than the cost of attending college in 1973–74. Many critics have questioned that drastic increase, arguing that it is not fair for today's college students to pay tens of thousands of dollars more for a college degree than students did several generations ago.

In December 2007, the U.S. entered an economic recession, further complicating the college-tuition debate. The recession has caused colleges across the U.S. to tighten their belts and reduce spending. At the same time, most schools have raised their tuition, although the rate at which they have done so for recent school years was not nearly as drastic as in past years. The average four-year public college or university increased tuition 6.5% between 2008–09 and 2009–10, while tuition at private colleges and universities went up 4.4%. Both of those rates are higher than the overall rise in the consumer price index over that time, 3.8%.

Nevertheless, college tuition remains a source of fierce debate among parents, students, college administrators and government officials. In 2009–10, the average four year-public college charged in-state students \$15,213 in tuition plus room and board; the average private institution charged \$35,636. Does college in the U.S. cost too much?

Critics of college tuition costs say that college is becoming increasingly the domain of the wealthy, with a growing number of lower-income and middle-class families unable to pay the stratospheric costs, including tuition, room and board, books and other miscellaneous expenses. College students who manage to graduate are typically saddled with enormous debt, critics say; they note that many students have even begun paying their tuition with credit cards. Critics also assert that many students do not even receive an adequate education in return for their money. [See Debt in America]

Defenders, meanwhile, argue that college is fairly priced. Colleges must compete with each other to hire the best faculty they can; paying their salaries drives up tuition costs, but it also makes for a more enriching educational experience, defenders maintain. They further argue that colleges have had to spend more money in recent years to keep pace with student demand for more spacious dormitories, increased safety measures, better food and other amenities; none of those things comes cheaply, defenders note. Additionally, many schools offer generous financial aid packages to students who need help paying tuition, defenders say. Rarely, if ever, do students from middle-class families pay the entire cost of college tuition.

## The Financial Costs of a College Education

In 2007, nearly four out of five of students attending college went to a public college or university, a category that includes four-year schools as well as two-year community and junior colleges. Most of the remaining undergraduates attended four-year private schools, the vast majority of which are nonprofit institutions. Other students attend for-profit schools, such as the University of Phoenix or DeVry University, some of which conduct most of their classes online. [See Online Education]

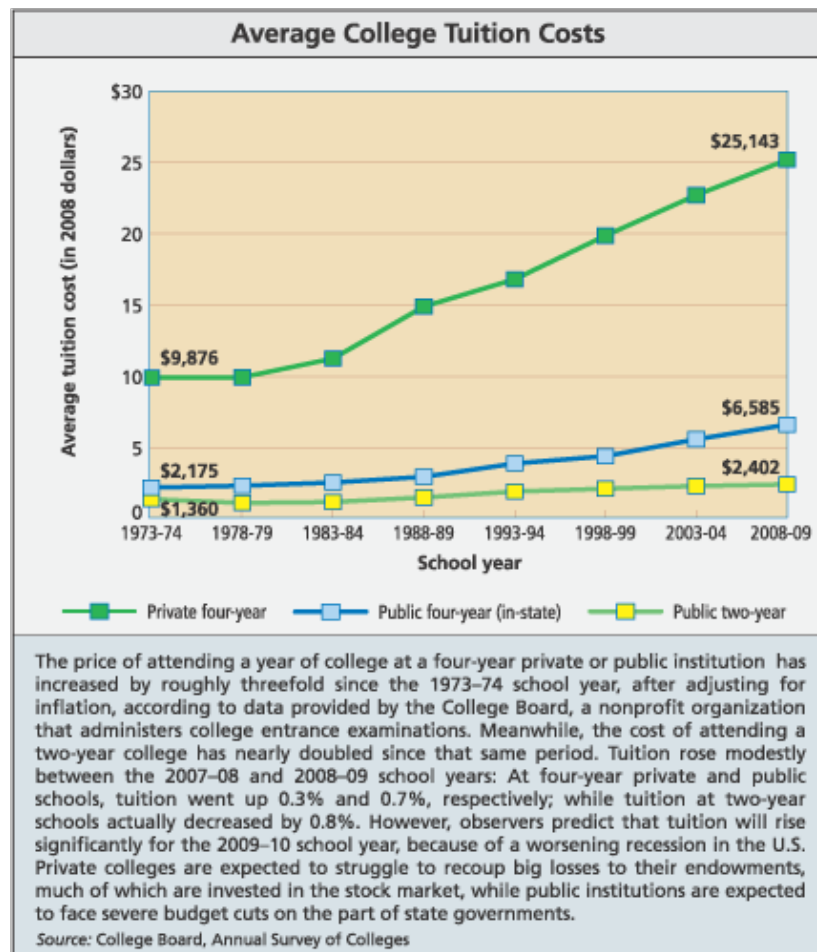
College tuition grows more expensive every year. According to the College Board, a nonprofit organization that administers college entrance examinations, the average 2009–10 tuition at a four-year public school was \$18,548 for

out-of-state students, and \$7,020 for in-state undergraduate students. Tuition at a not-for-profit private school averaged \$26,273, while for-profit schools charged an average of \$14,174 for tuition. Meanwhile, the average tuition at two-year schools was \$2,544.

All of those figures represented a record high. College tuition tends to rise every year, often far outpacing the rate of inflation. According to a report by the National Center for Public Policy and Higher Education, median family income rose 147% between the years 1982 and 2007; meanwhile, college tuition rose 439% during that same time span.

Unsurprisingly, the most expensive schools in the U.S. are private. The college that charges the highest tuition is Middlebury College in Middlebury, Vermont. A year of school there costs almost \$44,000. Most of the Ivy League schools charge nearly \$40,000 in tuition. Tuition costs do not include room and board, however. At many four-year schools, the cost of housing a student in a dormitory for two semesters averages around \$8,200. Additionally, the College Board estimates that two semesters' worth of buying books and paying for transportation averages around an additional \$2,000.

Most families, of course, do not have the tens of thousands of dollars needed to fund their children's higher education. In order to finance a college education, the vast majority of undergraduates take out loans from the federal government, private loan institutions or both. A 2009 poll by Sallie Mae, the publicly owned, private company that is the largest student-loan provider in the U.S., and the polling organization Gallup found that the average college student uses loans to pay for about 23% of his or her education. According to government statistics, undergraduates received nearly \$60 billion in federal loans (in the form of Perkins, Stafford and PLUS loans) for the 2008–09 school year. The College Board, meanwhile, estimates that private institutions lent roughly \$17 billion to students for 2008–09. Additionally, some of the better-endowed colleges lend money directly to students, to be paid back after they graduate.



The Sallie Mae/Gallup poll also found that 46% of an average student's education is paid for directly (with personal savings and income), while 6% comes from gifts provided by friends and/or family members. Meanwhile, 25% is covered by grants and scholarships. That money, which students are not expected to repay, can be issued by the federal government (in the form of the need-based Pell Grant), state governments or colleges themselves; additionally, numerous outside organizations—including nonprofit groups, corporations and other businesses—offer their own third-party scholarships. Scholarships are either need-based (if it is determined that the student will have trouble paying for college without assistance), merit-based (if the student earned good grades in high school, or excelled in a particular subject or activity, including athletics) or both.

Even with all that grant and scholarship money available, however, students at the most elite colleges tend to come from wealthy families. According to federal data, only 10% of students attending highly selective colleges and universities come from families whose income ranks in the bottom 40% of the national income scale. For example, at Harvard University in Cambridge, Mass.—perhaps the most prestigious university in the U.S.—90% of students come from families earning more than \$55,000 a year (roughly the national median household income).

Because college is so expensive, most students graduate with significant amounts of debt. A College Board report found that roughly 66% of students who earned their bachelor's degree in 2008 graduated with outstanding student loan debt. On average, students graduating in 2008 owed \$23,200, according to a study by the Project on Student Debt, a non-profit organization. That figure represented an increase of about 25% increase over the corresponding 2004 data, suggesting that student debt is growing at an alarming rate.

## Colleges Feel the Recession's Effects

The U.S. economy entered a recession in December 2007. As of February 2010, it remains mired in economic turmoil, with unemployment high. Recent data suggest that colleges are feeling the effects of the economic downturn. In January 2009, the American Association of Collegiate Registrars and Admissions Officers reported that more than 65% of college registrars admitted noticing an increase in unpaid tuition bills during the 2008–09 school year.

Faced with the dismal state of the economy, some colleges announced plans to make themselves more affordable in an effort to remain competitive in a difficult environment. Some private schools announced tuition freezes, while others continued to raise tuition, but at a far lower rate than usual. Princeton University in New Jersey, for example, raised tuition by 2.9% for 2009–10; the hike was the smallest increase at the school in four decades.

Other schools are offering more financial aid to help students cope with the crisis. Boston University in Massachusetts is expanding scholarships for students who have graduated from local public high schools, while the University of Toledo in Ohio is awarding free tuition to high-performing local students who could not otherwise afford to attend the school. Meanwhile, some other schools are shifting significant portions of their financial-aid budgets from student loans to grants and other financial awards. [See [Colleges Try to Operate More Efficiently](#) (sidebar)]

However, the vast majority of schools—both public and private—are dramatically cutting back spending. Public institutions are feeling the crunch because, as of March 2009, more than half of all states have reduced higher-education spending in order to cut their state budgets. Meanwhile, private institutions have seen the value of their endowments plummet since the September 2008 stock market crash, and future donations are expected to dry up rapidly as Americans look to save more money. Consequently, nearly all colleges—ranging from no-frills community colleges to multibillion-dollar private universities—have announced belt-tightening measures for the upcoming 2009–10 school year. Some methods of paring down spending include:

- Faculty layoffs. The University of Florida in Gainesville eliminated 420 positions in 2008, while Arizona State

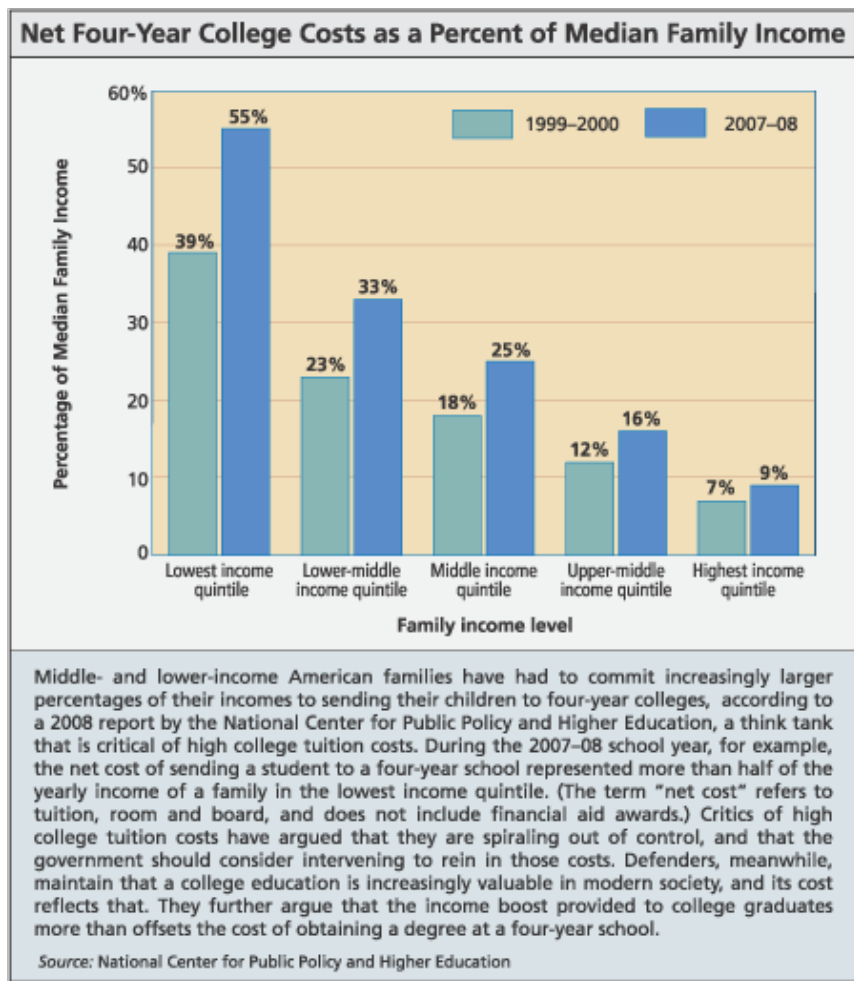
University in Tempe allowed the contracts of 200 adjunct professors to expire.

- Hiring freezes. Boston University; Cornell University in Ithaca, N.Y.; and Brown University in Providence, R.I., are among the many schools that have announced that they will not be hiring new faculty for the foreseeable future. Meanwhile, other schools, including Johns Hopkins University in Baltimore, Md., have instituted salary freezes.
- Cuts in financial-aid spending. Tufts University in Medford, Mass., is one of many schools that will reduce the amount of financial aid they will be awarding students in the upcoming 2009–10 school year.
- General spending cuts. Some schools—including Williams College in Williamstown, Mass.—say that they will reduce their spending on various campus-renovation projects. Additionally, many schools have declared a moratorium on the building of new campus facilities.
- Executive pay cuts. In a largely symbolic move, presidents of some universities have reduced their salaries. Elson Floyd, the president of Washington State University in Pullman, returned \$100,000 of his salary to the school; Floyd makes \$725,000 a year. (The median salary for college and university presidents is roughly \$425,000 at public institutions and \$525,000 at private institutions, according to the *Chronicle of Higher Education*.) Meanwhile, top administrators at Johns Hopkins have agreed to cut their own salaries by 5% in keeping with the university's commitment to trimming its budget.
- Tuition hikes. Many schools have raised their tuitions drastically in the wake of the recent economic crisis. Perhaps most notably, the five schools in the University of Massachusetts system approved a tuition hike of approximately 15% for all Massachusetts residents. In-state tuition rose to \$11,000, from \$9,500, for the 2009–10 school year. Many states—including New York, California and Nevada—planned to drastically cut higher-education spending, which will almost certainly result in tuition hikes for public institutions in those states.

The effects of the recession can also be seen in the growing number of students applying for financial aid, observers say. The College Board estimates that during the 2009–10 school year, students at public four-year colleges will receive an average of \$5,400 in federal aid in the form of grants and tax benefits. Students at private-four year colleges will receive an average of \$14,400. However, observers say that the average federal-aid package could decrease in the coming years, as more students vie for less money. Approximately 1.4 million more students filled out the Free Application for Federal Student Aid (FAFSA) in 2008 than in 2007, an increase of more than 10%, according to federal statistics. Demand for financial aid "has never been greater, and money [has] never been lower," says Iris Godes, assistant vice president of enrollment management at Quinsigamond Community College in Worcester, Mass.

Additionally, the private-loan industry is drying up at a rapid pace. The recession has caused lenders to become increasingly wary about issuing large loans. According to College Board estimates, the private student loan volume in 2008–09 was almost 50% lower than the previous year. Indeed, several dozen private college-loan companies have closed shop altogether in the midst of the recession.

In February, President Obama (D) signed into law the American Recovery and Reinvestment Act, a wide-ranging economic stimulus bill. The stimulus package provided billions of dollars to higher education. Included in the bill is a \$15 billion program that will raise the maximum possible Pell grant to \$5,550, from \$4,731, by the 2010–11 academic year. The bill also includes \$200 million for federal work-study programs. It will also end the Federal Family Education Loan Program, which provided federal subsidies to private loan companies. Instead, the federal government will issue more student loans directly to undergraduates. But despite the increased higher-education funding in the stimulus plan, the fundamental question concerning college tuition remains the same: Is college too expensive?



© 2009 Infobase Publishing

Jeremy Eagle

## College Costs Spiraling Out of Control, Critics Say

Critics of current college tuition costs say that colleges are charging an unreasonable amount of money for a product that is essential if the U.S. economy is to remain globally competitive. The federal government has estimated that 90% of newly created U.S. jobs will require at least an associate's degree; most will require a bachelor's degree. It is unfair to make the acquisition of those degrees prohibitively expensive for all but the wealthiest undergraduates, critics assert. "If we continue the trend," says Patrick Callan, the president of the National Center for Public Policy and Higher Education, "we would be looking at a system of higher education that is just not affordable for the middle class."

Colleges must work harder to rein in their yearly tuition increases, opponents say. The rate at which tuitions have grown in the last several decades has far outpaced the rate of inflation, causing college costs to spiral out of control, critics maintain. "If the cost of milk had risen as fast as the cost of college since 1980, a gallon would be \$15," said Rep. Peter Welch (D, Vt.), who, along with Sen. Charles Grassley (R, Iowa), convened a round-table discussion with college administrators in September 2008 to discuss college tuition costs.

Undergraduates routinely leave college owing tens of thousands of dollars, critics say. Indeed, opponents note that depending on what school they attended, some students have post-graduation debts as high as \$100,000 or more. The 2008 Sallie Mae/Gallup poll found that as many as one out of five undergraduates is funding a college education by putting part of the tuition costs on a credit card, which "is absolutely the worst financial decision you can make," according to Catherine Williams of Money Management International, a credit counseling agency. Critics assert that there is something wrong with the state of higher education in the U.S. if college students must use credit cards just to pay their tuition.



Critics further point to a 2009 study by the Delta Cost Project on Post-Secondary Education Costs, Productivity and Accountability, a nonprofit organization that is critical of college costs. According to the Delta Cost Project study, educational spending—which is the total cost of instruction, student services and maintenance—in most public colleges has declined, even while tuition has dramatically increased. Critics say that between 1995 and 2006, educational spending decreased at state and community colleges by 2.1% and 5.8%, respectively. During that same span, tuition at state schools increased by 29% and at community colleges by 18.1%. "Students are paying more, and a greater share of the costs, but are arguably getting less," says Jane Wellman, the executive director of the Delta Cost Project.

Opponents also argue that colleges must do a better job at crafting more efficient budgets. In recent years, many elite colleges have spent less money on education—hiring teachers and improving classroom facilities—and more on extraneous costs, argues Andrew Delbanco, a humanities professor at Columbia University in New York City:

*Our richest colleges...could cut back on lounges in the library and luxuries in the dorms—features of college life designed to please coddled students and attract more of the same. They could demand more from faculty and reward coaches and administrators less lavishly. And just as they scout for athletes across the nation and the world, they could hire more admissions professionals and assign them to inner-city and rural schools.*

Many opponents of high tuition costs are especially critical of private universities with large endowments. More than 130 of the U.S.'s 2,000 four-year colleges and universities had endowments worth at least \$500 million in January 2008, according to federal data. Although observers say that number has assuredly gone down since the September stock market crash, there are still many colleges with huge endowments. (Harvard's is worth more than \$35 billion, making it the richest in the nation.) Some politicians, including Grassley, have argued that colleges should be required to spend 5% of their endowments each year as a way to alleviate high tuition costs for students.

Finally, many critics say that college is simply not worth the extravagant costs. In an essay for the *Chronicle of Higher Education*, career counselor Marty Nemko calls the bachelor's degree "America's most overrated product." He argues that colleges provide inadequate education and leave graduates ill-prepared for the working world. He notes a study by researchers at the University of California at Los Angeles (UCLA), which found that more than 44% of college students were not satisfied with the quality of their education. "Imagine if that many people were dissatisfied with a brand of car: It would quickly go off the market," he writes.

## College Worth the Cost, Defenders Maintain

Defenders of college tuition costs say that a first-rate education is expensive; colleges have tried for many years to reduce spending, but higher education is inherently inefficient. "We have an eight-to-one faculty ratio, we sit in a room and we talk for hours; that's what we do," says Anthony Marx, the president of Amherst College in Massachusetts. Moreover, college grows more expensive every year because knowledge is cumulative, necessitating the addition of new courses, new professors and new departments. "When Princeton made the commitment to create a genomics institute, we did not turn around and cancel the department of classics," says Shirley Tilghman, the president of Princeton.

Additionally, colleges compete with one another to land the best and most accomplished professors, thus driving up overall educational spending, and, consequently, tuition. Defenders of college tuition maintain that the instruction provided by such professors more than makes up for the high tuition costs. "You're trying to create the best educational experience for your students, and that costs money," says Tom Tritton, the president of Haverford College in Pennsylvania.

Defenders contend that college is not expensive merely for the sake of being expensive; rather, colleges use tuition

money to fund a rigorous, challenging college experience. Cutting tuition would result in a commensurate drop in educational quality, defenders maintain. "I sometimes say to parents, 'I can make it cheaper if you want,' " Tritton says, but he also points out that lowering tuition would force colleges to degrade the quality of education they provide.

Indeed, students are demanding a better college experience, and schools have risen to the challenge, defenders say. For example, both parents and students have been vocal in their demands for heightened campus security in the wake of a 2007 shooting rampage on the campus of Virginia Tech University in Blacksburg. Enhanced security measures cost money, defenders note. Other new demands include greater services for physically and emotionally disabled students, as well as enhanced career-services departments, according to David Hodge, the president of Miami University in Oxford, Ohio. Bolstering student services is "a really good investment. It helps the students," Hodge says.

Defenders also say that at many elite colleges, tuition falls far short of the cost of educating a student. Marx, the president of Amherst, says that educating one student for one year costs roughly \$80,000, about twice as much as tuition, room and board combined. Additionally, Swarthmore College in Pennsylvania charged approximately \$41,000 for tuition plus room and board during the 2006–07 school year, yet spent upwards of \$73,000 per student that year. As is the case with many elite colleges, defenders say, students who attend Swarthmore actually got a discount on their education relative to its actual cost.

Even the most expensive colleges are far more affordable than critics allege, according to defenders of college tuition costs. Many of the schools with the highest endowments are the most generous with their money, defenders say. For example, they note that many elite colleges—including Harvard; Princeton; Yale University in New Haven, Conn.; Stanford University in Palo Alto, Calif.; and the Massachusetts Institute of Technology in Cambridge—all offer free or heavily reduced tuition for students from middle-class families. Stanford, for example, offers free tuition to students whose families make less than \$100,000 a year, and offers free room and board to those making less than \$60,000.

Defenders also argue that colleges that raise tuition typically see a dramatic increase in the number of applicants. For example, in 2000, Ursinus College in Collegeville, Pa., voted to raise tuition by 17.6%. Four years later, Ursinus's freshman class was 35% larger than it had been before the steep tuition hike. (Such evidence, however, is anecdotal and not based on any formal studies.)

Defenders say that the Ursinus experiment—which has been duplicated, with similar results, at dozens of other schools—proves that the value of a college degree correlates with the amount of money it costs. At Hendrix College in Conway, Ark., a 29% tuition hike caused a 37% increase in attendance. "What worked was the buzz," says J. Timothy Cloyd, the president of Hendrix. "Students saw that they were going to get an experience that had value, and the price positioning conveyed to them the value of the experience." Employers often take the value of one's education into account when deciding whether to hire a job applicant, defenders say, and one of the ways they measure educational value is by how much money the applicant spent on tuition.

## College Tuition and Enrollment Set to Increase

The incoming 2009–10 freshman class was the largest in U.S. history. Many of those incoming freshmen will likely have a difficult time coping with college costs, observers say. Both private and public universities are planning to increase tuition dramatically, in order to offset a relatively small average tuition hike in 2008–09.

Obama's stimulus plan will ease the pain of paying for college somewhat, observers say. But higher education will remain extremely expensive, and prices are not likely to decrease in the foreseeable future. Critics of high tuition continue to argue that colleges and universities should at least try to keep tuition costs from outpacing inflation. Defenders, meanwhile, insist that higher education is only going to grow more and more expensive. Future college



students should be prepared to bear the brunt of those costs, they maintain.

## Discussion Questions

- 1) Do you think college is too expensive? Or do you think college is fairly priced, based on the services colleges provide? Explain your answer.
- 2) Critics have argued that high college tuition costs threaten to "price out" students from lower-income and middle-class families, limiting attendance to the most wealthy students. Do you agree with that assessment? Why or why not?
- 3) According to statistics, on average, students graduating in 2008 owed an average of \$23,200 in student loan debt. What steps can be taken to reduce the average student debt? Should the government offer more scholarships? Should schools lower tuition? Should students take care not to attend schools they cannot afford? Answer completely.
- 4) Some colleges have argued that recent tuition hikes are at least partially the result of colleges increasingly responding to student demands for more amenities, including spacious dormitories, gourmet dining facilities and fully-equipped gyms. Do you think colleges should cut back on some of those spending projects? Why or why not?
- 5) Ask five people who are either attending college or have already graduated what they thought of their college experience. What school did they go to? Was it worth the money? Are they still paying back student loans? Compile your findings into a report and present them to the class.

## Bibliography

- Clark, Kim. "The Recession Hits College Campuses." *U.S. News & World Report*, January 27, 2009, [www.usnews.com](http://www.usnews.com).
- . "The Surprising Causes of Those College Tuition Hikes." *U.S. News & World Report*, January 15, 2009, [www.usnews.com](http://www.usnews.com).
- Delbanco, Andrew. "Scandals of Higher Education." *New York Review of Books*, March 29, 2007, [www.nybooks.com](http://www.nybooks.com).
- Glater, Jonathan, and Alan Finder. "In Tuition Game, Popularity Rises with Price." *New York Times*, December 12, 2006, [www.nytimes.com](http://www.nytimes.com).
- Kingsbury, Kathleen. "Putting College Tuition on Plastic." *Time*, August 20, 2008, [www.time.com](http://www.time.com).
- Lewin, Tamar. "College Presidents Defend Rising Tuition, but Lawmakers Sound Skeptical." *New York Times*, September 9, 2008, [www.nytimes.com](http://www.nytimes.com).
- . "Downturn Expected to Drive Tuition Up." *New York Times*, October 30, 2008, [www.nytimes.com](http://www.nytimes.com).
- Nemko, Marty. "America's Most Overrated Product: The Bachelor's Degree." *Chronicle of Higher Education*, May 2, 2008, [chronicle.com](http://chronicle.com).
- Tomsho, Robert. "For College-Bound, New Barriers to Entry." *Wall Street Journal*, December 3, 2008, [online.wsj.com](http://online.wsj.com).
- . "Increases in Tuition at Colleges Slow, for Now." *Wall Street Journal*, October 30, 2008, [online.wsj.com](http://online.wsj.com).
- Zernike, Kate. "Students Covering Bigger Share of Costs of College." *New York Times*, January 16, 2009, [www.nytimes.com](http://www.nytimes.com).

## Additional Sources

*Additional information about college tuition costs can be found in the following sources:*

Ehrenberg, Ronald. *Tuition Rising: Why College Costs So Much*. Cambridge, Mass.: Harvard University Press, 2002.

Ronstadt, Robert. *The Tuition Travesty: How to Take the Financial Sting Out of Paying for a College Education*. Charleston, S.C.: BookSurge, 2007.

## Contact Information

*Information on how to contact organizations that are either mentioned in the discussion of college tuition costs or can provide additional information on the subject is listed below:*

College Board  
45 Columbus Avenue  
New York, N.Y. 10023  
Telephone: (866) 630-9305  
Internet: [www.collegeboard.com](http://www.collegeboard.com)

National Association of Student Financial Aid Administrators (NASFAA)  
1101 Connecticut Avenue, N.W.  
Suite 1100  
Washington, D.C. 20036  
Telephone: (202) 785-0453  
Internet: [www.nasfaa.org](http://www.nasfaa.org)

National Center for Public Policy and Higher Education  
152 North Third Street, Suite 705  
San Jose, Calif. 95112  
Telephone: (408) 271-2699  
Internet: [www.highereducation.org](http://www.highereducation.org)

## Keywords

*For further information about the ongoing debate over college tuition costs, search for the following words and terms in electronic databases and other publications:*

College endowments  
Community college  
Free Application for Federal Student Aid (FAFSA)  
Pell grants  
Sallie Mae

## Citation Information

