Preventing $2 Trillion in Student Debt: The Crisis of College Affordability

UNITED STATES STUDENT ASSOCIATION

Over the past forty years, states have disinvested drastically from public higher education, causing college to operate as–and be funded as–a private service rather than a public good. Because of state disinvestment in higher education, students' tuition bills are skyrocketing, with in-state tuition and fees at four-year public colleges costing students on average $8,893 in 2013-2014[i]. These high costs are causing students and families to take out loans to afford college. The need for student loans keeps many from being able to attend college, and the students that get loans end up paying interest on those loans, turning higher education–which should be a public good–into a source of private profit. As a greater number of students take out larger loans, nationwide student debt is exploding, surpassing $1 trillion in 2012 and quickly approaching $2 trillion.

1. **Tuition and fees have surged 1,120 percent from 1978 to 2012.**[ii] As states have disinvested from higher education over the past forty years, the share of total college costs that students pay has doubled from 23 percent in 1987 to 47 percent in 2012.[iii] Students in thirty states pay a greater share than the national average. In Vermont, 85 percent of total education revenue comes from tuition.[iii] By shifting the burden of funding education to individual students and their families, state governments and colleges are making education less affordable.

2. **State spending per full-time student hit a 25-year low in 2012**., State funding for higher education has not kept up with inflation and with increases in enrollment. Nationally, in 2012, states invested $5,896 per full-time equivalent student. This is compared to an investment of $8,497 per full-time equivalent student in 1987 (in 2012 dollars). [iv] Furthermore, states have historically eroded funding for public college and universities during economic recessions, and have then failed to restore the funding that was cut once state revenues increase. The Great Recession of 2008 was no exception: on average, state spending per student is currently 23 percent lower than pre-recession funding levels.[v] If the trends of disinvestment continue, state spending on higher education will reach zero in 15 states by 2050, with funding ending in Colorado as early as 2022.[vi]

3. **The total cost of attendance–including tuition, fees, and room and board –has increased 250 percent from 1978 to 2013.**[vii] As state revenue has been pulled from higher education, universities have turned to auxiliary services, those services that are not directly related to the mission of education, to increase revenue or act as collateral for bonds issued to build new facilities. Although these facilities have increased revenue and increased enrollment, institutions have accrued an immense amount of debt to build them–over $10 billion per year, nationally[viii]. Unfortunately for students, colleges and universities often use projected tuition increases as collateral when borrowing, and when revenues from new construction projects fall short, tuition dollars are used to fill in the gaps.[ix] When this sort of financial risk-taking is the norm, it creates a systemic increase in the cost of education, and a lack of affordability in getting a college degree.

4. **The maximum Pell Grant award accounts for just 32 percent of cost-of-attendance, the lowest share since its creation.**[x] The Pell Grant has not kept pace with increases in enrollment and college costs, making college a pipe dream for many low-income families. When the Pell Grant was first implemented, the maximum award covered 72 percent of college costs for low-income students.[xi] With the Pell Grant covering the smallest share of college costs since its creation, Pell Grant recipients are increasingly turning to student loans to finance their college costs. 9 out of 10 Pell Grant recipients graduating from 4-year colleges graduated with student debt, with an average debt of almost $5,000 greater than non-Pell Grant recipients.[xii]

5. **In 2012, 71 percent of students graduated with debt, with an average $29,400 in loans.** At public universities, 66 percent of students enrolled in public universities graduated with debt, with an average $25,500 in loans.[xii] Nationally, 30 percent of bachelor's degree recipients took out risky private loans, which lack basic consumer protections and flexible repayment options.[xv]

6. **More than 60% of African American students and half of Latino students rely on the Pell Grant to pay for college.**[xii] In 2008, 81% of African American students graduate with student debt while 64% of white students graduated with debt.[xiii] The fact that Pell Grant students are now being pushed more and more to take out loans to

finance their education has a racialized effect, impacting students of color more than white students. The crisis in college affordability has erected new barriers to racial justice.

7. **Student-to-Counselor ratios in high schools affect college enrollment.** Nationally, in 2010, high schools with less than 100 students per counselor enrolled 66.7% of their graduating seniors in four-year colleges and universities; for schools with more than 500 students per counselor, the rate of enrollment at 4-year colleges was 45.4%.[xiv] Access to higher education means funding student support services in high school, including college admission counselors who can help students understand the process for applying to college.

8. **National student debt now stands at $1.2 trillion–and is quickly growing.**[xv] In 2012, 15 million students took out nearly $142 billion in federal student loans, an increase of 22 percent from $117 billion in 2011.[xvi] Interest rates are also on the rise. After the 2013 federal student loan interest rate compromise, interest rates are now fixed to the 10-year Treasury note.[xvii] The Congressional Budget Office projected that interest rates on direct student loans for undergraduate students will jump from 3.86 percent to 4.66 percent in July 2014.[xviii] This increase will result in higher monthly payments after graduation: For loans issued in the 2014–15 school year, monthly payments would rise about $3 a month for every $5,000 in loan balance."[xix] If this rate of federal student loan origination continues, it will not be long before students and borrowers face a $2 trillion crisis.

9. **Higher Education didn't always used to cost so much money. In fact, public higher education used to be free.** City University of New York schools had programs that were free until 1976[xx]. California Community Colleges were free until 1984[xxi] There are examples of free higher education in the United States, as well as contemporary examples of systems in many European countries where education is free. Free higher education is not an impossibility; it is a very real alternative that can and should be advocated for.

This bleak picture of college affordability shows that state and federal decision-makers have not prioritized higher education. To truly have an engaged citizenry and educated workforce, states and Congress must prioritize investment in higher education. As students, we must fight to not only make education accessible and affordable, but to make it a right. We must make higher education free for all.

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