THE COLLEGE AFFORDABILITY CRISIS IN AMERICA

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U.S. Senator Martin Heinrich, Ranking Member

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College is not the only road to the American Dream, but it is a proven one. With each successive degree, graduates are more likely to be in the workforce, to be employed, and to earn more.[1] Yet, as the importance of a college degree has increased, so has the cost of one. College prices have soared across the board, at two-year and four-year schools, and at both public and private institutions. This leaves college financially out of reach for many Americans, puts a large financial burden on those that do attend, and leaves many students with high levels of debt.

In past generations, Americans could work through the summer to save enough money to pay their tuition and living expenses. Their children and grandchildren today face a much different reality. Students today often must take out tens of thousands in debt to cover their costs and pay their living expenses. For those that end up with valuable degrees, this results in an additional payment every month that might preclude them from buying a home or starting a business. For those that don't end up with a degree, that debt can haunt them for the rest of their lives.

For all children to have an equal opportunity to succeed, we need to ensure that higher education is not out of reach for anyone with the desire and willingness to work for it. This starts by recognizing the failures of the college system, and working to correct them by ensuring that students have affordable options, reducing college costs and alleviating the cost burden on students.

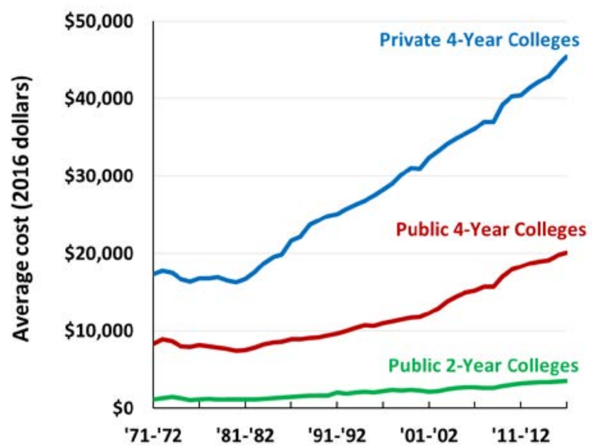
Key Findings

- A year at a public 4-year college costs more than $20,000 in tuition, fees, and room and board; up from $8,300 in 1971 (in 2016 dollars).
- To save enough to pay for a year at a public 4-year college, a student would need to earn $38.63 an hour working full-time for the summer; $87.25 an hour for a private college.
- College students have differing life experiences and responsibilities; nearly 4 in 10 attend part-time; nearly 4 in 10 are over the age of 24; and, around 1 in 4 is a parent.
- The maximum Pell Grant only covers 60 percent of tuition at a public 4-year college.
- The average undergraduate borrows 6.5x more per year than they did 35 years ago.

College Costs are Rising Drastically

The cost of attending college skyrocketed over the last several decades. In the 1971-1972 academic year, attending a public four-year college for a year cost $1,400 on average ($8,300 in 2016 dollars) in tuition, fees, and room and board. Today, that year costs more than $20,000. At private colleges, the total cost exceeds $45,000 a year on average, more than doubling since 1971-1972, even after adjusting for inflation. Community college tuition has tripled in that time—rising to more than $3,500 a year from $192 dollars ($1,135 in 2016 dollars).[2] (See Figures 1 & 2.)

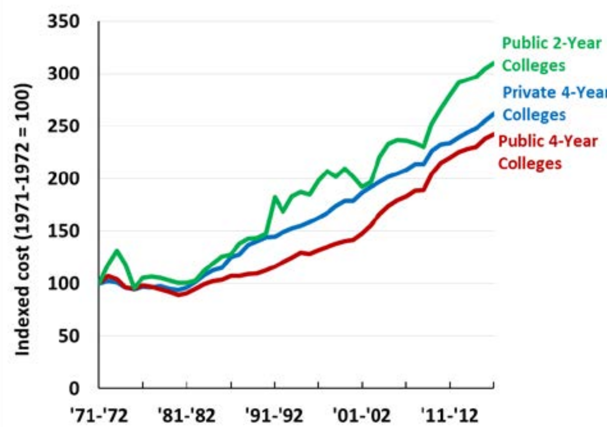
Figure 1. College Costs have Soared Over Last Three Decades



Source: College Board

Note: Costs depicted include in-state tuition, fees, and room and board for 4-year colleges, and in-district tuition and fees for 2-year colleges; for-profit college costs are not included

Figure 2. College Costs Have More Than Doubled at All Types of Colleges



Source: College Board

Note: Costs are adjusted for inflation; costs depicted include in-state tuition, fees, and room and board for 4-year colleges, and tuition and fees for 2-year colleges; for-profit college costs are not included

Members of older generations of Americans often recall paying their own way through college by working in the summers and saving money to pay for tuition and room and board. Decades ago, this was a plausible option. A student working full-time over the summer of 1971 would only need to earn $2.70 an hour, a time at which the minimum wage was $1.60 an hour, to earn enough to pay for a year at a public, 4-year college. Today, that student would need to earn $38.63 an hour. If they want to attend a private college, they would need to earn $87.25 an hour over the summer to cover tuition and room and board.[3] Both implausible wages for most teenagers looking for temporary summer work.

Many College Students have Costs beyond Tuition and Room and Board

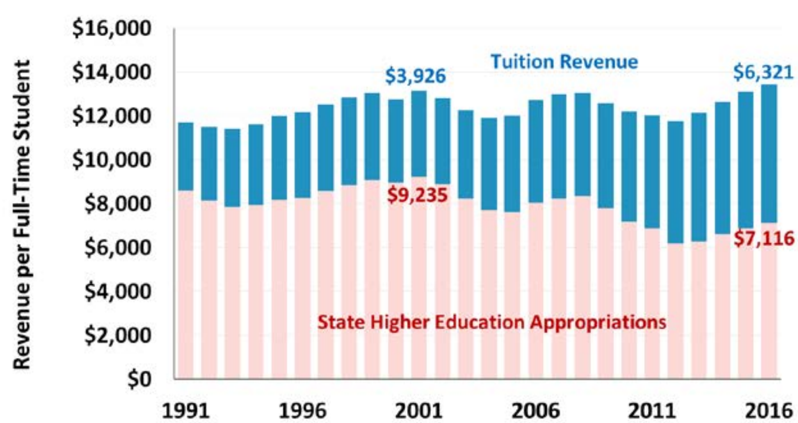
People tend to think of a college student as a single person in their late teens or early 20s who attends school full-time, maybe works part-time or does internships in the summer, and receives some financial support from their parents. But the reality is that the financial and living situations of the modern college student vary widely. Many of today's college students are financially independent, raising families of their own, or attending part-time while working full-time. Nearly four in ten students attend on a part-time basis, and nearly four in ten are over the age of 24.[4]

Around one in four students in higher education are a parent, and more than half of these student parents are single-parents. For these students, combining the responsibilities of school with those of parenting not only adds stress and time constraints, but also presents financial responsibilities that grants, scholarships, and loans are often insufficient to cover. Six in ten student parents work 30 or more hours per week, compared to less than three in ten dependent students. Likely at least in part due to the added financial constraints on top of already expensive college, student parents are substantially less likely to obtain a degree than dependent students.[5]

Public Funding is Not Keeping Pace with Tuition Costs

Putting added pressure on students, many states have substantially cut higher education funding in recent decades (see Figure 3). This was particularly pronounced following the Great Recession. Between 2008 and 2017, all but a handful of states cut higher education funding, and overall state funding for higher education fell 16 percent, after adjusting for inflation. Forty-four states are still spending less than before the recession.[6] This resulted in schools relying even more on tuition to cover revenue needs. The share of public institutions' revenue coming from tuition has increased by one third since prior to the recession.[7]

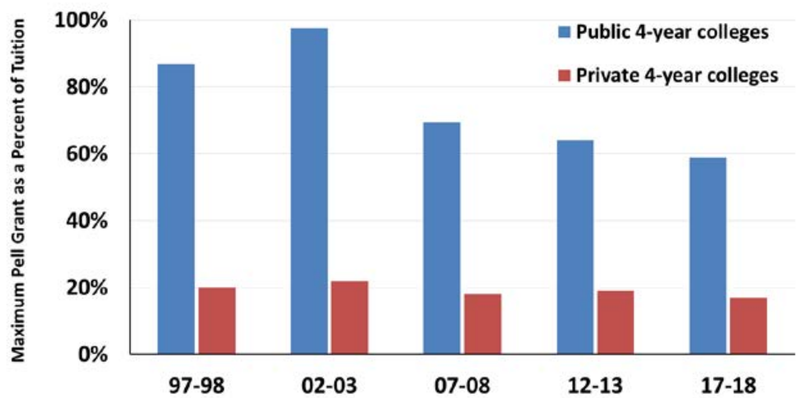
Figure 3. As States Cut Budgets, Colleges Lean Harder on Students for Funding



Source: State Higher Education Executives Officers Association
Note: Illinois and the District of Columbia are not included in this dataset.

Additionally, Federal Pell Grants, financial aid for students with financial hardships, have declined in value relative to the average cost of college. Whereas in the early 2000s, the maximum annual Pell Grant award was about the cost of a year's tuition at a public 4-year college, today it only covers nearly 60 percent (see Figure 5). When room and board is factored in, it covers less than one third of the total cost, leaving these students reliant on loans to cover the difference.[8] The rapid increase in cost of attendance has outstripped the purchasing power of the grant despite significant new federal investments in the program.

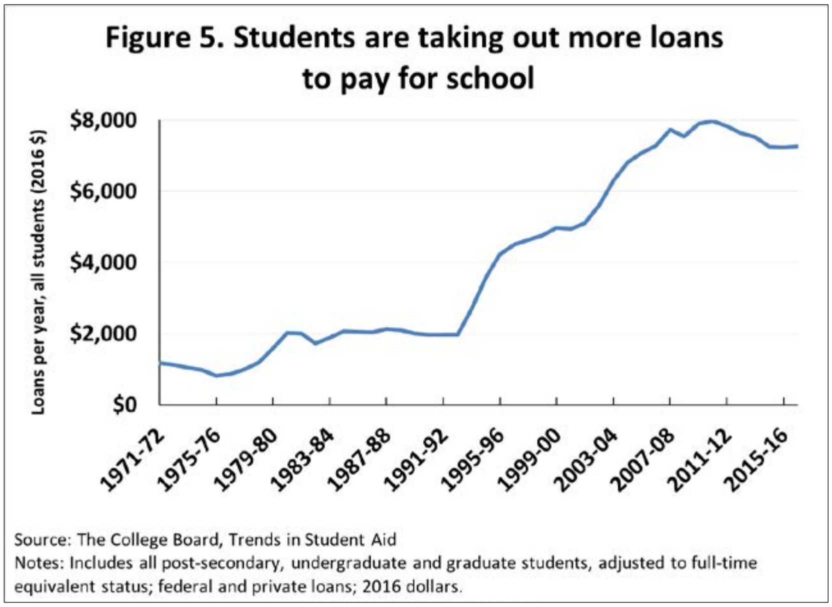
Figure 4. Pell Grants are Not Keeping Pace with Tuition



Source: The College Board, Trends in Student Aid
Notes: Shows the value of the maximum Pell Grant award possible, as a percent of the average tuition; the average Pell Grant recipient receives less than the maximum.

Rising Costs Lead to High Debt

With the drastic rise in college costs, students have taken on substantially more debt, both in terms of more students taking on loans, and those students taking on bigger loans. The average postsecondary student borrows six and a half times more in loans today than they did 35 years ago, even after adjusting for inflation (see Figure 5).[9] In just the last 15 years, the percent of undergraduate students taking out loans increased from 40 to 47 percent.[10] In total, students borrowed over $106 billion to pay for college in the 2015-2016 school year.[11] Total outstanding student loan debt is about $1.4 trillion.[12]



For the average college graduate, taking on this debt in exchange for a degree turns out to be a good financial decision. A bachelor's degree increases the recipient's lifetime earnings by more than $900,000, well over the cost of that degree.[13] Not all students that take on debt end up with a degree that is worth more than the debt, though. And many students still struggle to manage loan repayment or find a good paying job even if they graduate.

Many young Americans take on loans to start a college program, but do not complete their degree for a variety of reasons. For these students, they walk away without a degree that improves their earning power, but still must make debt payments each month. Nearly seven out of ten students that attend a four-year school but don't finish accrue debt, and nearly half end up with more than $9,800 in debt.[14] Without access to the good-paying jobs that come with certificates and degrees, even small amounts of debt can be tough for these students to payoff. Nearly two-thirds of student loan defaults are for borrowers with less than $10,000 in debt.[15]

Another group of students that are disproportionately burdened by debt are those that attend expensive for-profit colleges. Students at some large for-profit universities take out substantial amounts of debt to complete their degree, surpassing the levels for the most expensive private universities in the country. Of the ten schools whose former students have the most cumulative debt, eight of them are for-profits. Yet these degrees seldom have a track record of substantially boosting their recipients' earnings, at least not to the degree that the cost would imply, resulting in high rates of default.[16]

For both those that end up with degrees and those that don't, high levels of student debt can inhibit other economic activities and life choices, even if the student is able to make their payments. For instance, student debt is associated with a lower likelihood of purchasing a home.[17] High levels of debt may also discourage individuals from taking on the risk associated with starting a business— counties with higher increases in student debt in recent years have seen less growth in the formation of small businesses.[18]

Market and Policy Failures Contribute to Rising Costs

There are multiple failures in the college market that likely contribute to the problem, and which correcting could help reduce costs and improve the value that students get.

Students (who are often 17 or 18 years old) are expected to figure out which degree will lead to a good job, which school they are most likely to succeed at, and what is an acceptable amount of money to borrow to get that degree. Many of them are doing so with limited guidance from school counselors and imperfect information on schools, career prospects, and financial aid options.[19] There are on average 491 students for every one counselor in high school.[20] Students whose parents and friends' parents attended college can typically navigate this process through informal guidance, but the lack of college counseling and good information is a substantial hindrance for first-generation students and those from communities with low levels of postsecondary education. This can lead students to apply to non-selective schools that are actually more expensive than colleges where they would have received aid.[21] Additionally, federal restrictions on student-level data obscure information on college costs, debt, and other outcomes that students would otherwise be able to use to make educated decisions about their college options.[22]

Colleges are in a position to determine how to maximize value to students and keep costs low, but can face incentives at odds with this. Public rankings of colleges are often used as indicators when judging the performance of administrators, which incentivizes them to focus on boosting their school's ranking. The factors used in many of the most high-profile rankings, however, do not prioritize delivering value to students. They actually do the opposite by including spending per student and per faculty member as metrics in the rankings, rewarding schools for spending more money. Brit Kirwan, former chancellor of the University of Maryland, stated "if you could deliver the same quality at lower cost, you'd go down in the rankings."[23]

There are also failures in the regulatory system meant to protect students and ensure that they are spending their money only on education that helps them succeed. The federal accreditation system is intended to limit federal financing to schools that demonstrably help students, but there are no set standards for what is an acceptable level of student achievement. This results in a system where schools that consistently fail students, and leave them with high levels of debt, can remain accredited.[24] Analysis by the Government Accountability Office found that schools with worse student outcomes were no more likely to lose their accreditation than schools with stronger outcomes.[25] More recently, the Trump administration has begun to roll back regulations on for-profit colleges, leaving students vulnerable to schools that focus more on marketing than actual education.[26] This leaves students spending money on schools that are unlikely to help them in the labor market.

What Can Congress Do to Address the Problem?

Ensuring broad access to an affordable education is important in ensuring that all Americans have the opportunity to succeed in the modern economy. To do this, and put college in reach for all families, Congress should take a multi-prong approach. Congress must look to alleviate the cost burden on students and incentivize states to reinvest in higher education. This includes providing assistance to help students cover the full cost of attending school, including living expenses, transportation, and child care. Congress must also work to improve the information available to students when they make their decisions, and ensure that they have knowledgeable guidance to help them through the process of preparing for and applying to schools. Additionally, expanding low-cost, high-quality pathways would allow students to obtain good jobs without requiring them to take on undue amounts of debt. In particular, institutions that provide broad access—enrolling large numbers of students from populations that might not otherwise have access to the postsecondary system—while still maintaining positive outcomes should be supported. And Congress should work to help students that enter college complete their degrees, so they can gain employment and recognize the full value of their education.

	Public 4-year tuition and fees			Debt at graduation		State higher ed expenditures (per capita)		
	2004-2005	2017-2018	% increase	% of students with debt	Average debt	2008	2016	% increase
Alabama	$ 5,731	$ 10,530	84%	54%	$ 29,838	$ 11,542	$ 7,929	-31%
Alaska	$ 4,365	$ 7,438	70%	50%	$ 27,118	$ 17,544	$ 17,466	0%
Arizona	$ 5,182	$ 11,218	116%	57%	$ 22,926	$ 6,061	$ 3,015	-50%
Arkansas	$ 5,821	$ 8,553	47%	55%	$ 25,700	$ 8,905	$ 8,732	-2%
California	$ 5,331	$ 9,680	82%	55%	$ 21,682	$ 8,183	$ 8,585	5%
Colorado	$ 4,744	$ 10,797	128%	56%	$ 25,416	$ 4,997	$ 4,809	-4%
Connecticut	$ 8,052	$ 12,392	54%	62%	$ 30,168	$ 14,312	$ 13,474	-6%
Delaware	$ 8,424	$ 12,267	46%	62%	$ 34,283	$ 8,574	$ 6,436	-25%
District of Columbia	$ 3,202	$ 8,060	152%					
Florida	$ 3,881	$ 6,363	64%	54%	$ 25,297	$ 7,765	$ 7,641	-2%
Georgia	$ 4,335	$ 8,573	98%	62%	$ 26,890	$ 8,650	$ 9,291	7%
Hawaii	$ 4,303	$ 10,658	148%	47%	$ 24,899	$ 17,426	$ 17,376	0%
Idaho	$ 4,563	$ 7,250	59%	72%	$ 26,457	$ 10,110	$ 8,727	-14%
Illinois	$ 8,253	$ 13,621	65%	67%	$ 29,391			
Indiana	$ 7,430	$ 9,361	26%	61%	$ 29,632	$ 7,649	$ 7,875	3%
Iowa	$ 6,871	$ 8,759	27%	68%	$ 30,150	$ 8,542	$ 6,780	-21%
Kansas	$ 5,391	$ 9,227	71%	65%	$ 25,879	$ 7,243	$ 5,682	-22%
Kentucky	$ 5,688	$ 10,302	81%	64%	$ 26,303	$ 10,513	$ 7,841	-25%
Louisiana	$ 4,491	$ 9,302	107%	47%	$ 23,348	$ 11,145	$ 6,521	-41%
Maine	$ 7,118	$ 9,965	40%	68%	$ 31,342	$ 8,623	$ 8,658	0%
Maryland	$ 8,603	$ 9,575	11%	58%	$ 27,843	$ 8,465	$ 8,583	1%
Massachusetts	$ 8,939	$ 12,732	42%	65%	$ 29,804	$ 7,907	$ 9,128	15%
Michigan	$ 7,998	$ 12,935	62%	62%	$ 29,864	$ 5,768	$ 4,950	-14%
Minnesota	$ 8,213	$ 11,302	38%	70%	$ 32,022	$ 8,972	$ 7,988	-11%
Mississippi	$ 5,072	$ 7,988	58%	60%	$ 26,545	$ 9,786	$ 7,875	-20%
Missouri	$ 7,541	$ 8,875	18%	59%	$ 26,207	$ 6,351	$ 5,650	-11%
Montana	$ 5,678	$ 6,907	22%	67%	$ 27,324	$ 5,943	$ 6,674	12%
Nebraska	$ 5,998	$ 8,269	38%	63%	$ 26,647	$ 9,104	$ 9,767	7%
Nevada	$ 3,652	$ 7,274	99%	46%	$ 20,495	$ 11,295	$ 8,280	-27%
New Hampshire	$ 10,274	$ 16,073	56%	76%	$ 33,879	$ 4,517	$ 3,417	-24%
New Jersey	$ 10,140	$ 13,868	37%	68%	$ 28,716	$ 9,557	$ 7,766	-19%
New Mexico	$ 4,968	$ 6,921	39%	48%	$ 19,235	$ 12,582	$ 9,225	-27%
New York	$ 6,288	$ 7,940	26%	61%	$ 28,213	$ 10,878	$ 10,375	-5%
North Carolina	$ 4,532	$ 7,385	63%	61%	$ 25,572	$ 11,680	$ 10,365	-11%
North Dakota	$ 5,853	$ 8,197	40%			$ 8,193	$ 11,493	40%
Ohio	$ 10,466	$ 10,505	0%	67%	$ 29,765	$ 7,053	$ 5,925	-16%
Oklahoma	$ 4,492	$ 8,460	88%	55%	$ 23,759	$ 8,628	$ 6,350	-26%
Oregon	$ 6,635	$ 10,357	56%	62%	$ 26,473	$ 6,197	$ 5,375	-13%
Pennsylvania	$ 10,483	$ 14,437	38%	70%	$ 33,731	$ 7,129	$ 4,829	-32%
Rhode Island	$ 7,540	$ 12,226	62%	65%	$ 32,288	$ 6,670	$ 6,119	-8%
South Carolina	$ 8,401	$ 12,615	50%	59%	$ 29,573	$ 7,231	$ 6,144	-15%
South Dakota	$ 5,525	$ 8,446	53%	69%	$ 26,388	$ 7,072	$ 7,086	0%
Tennessee	$ 5,472	$ 9,789	79%	60%	$ 25,868	$ 8,743	$ 9,336	7%
Texas	$ 6,449	$ 9,836	53%	59%	$ 26,619	$ 8,393	$ 7,449	-11%
Utah	$ 4,161	$ 6,788	63%	54%	$ 19,187	$ 8,615	$ 8,017	-7%
Vermont	$ 11,161	$ 16,043	44%	65%	$ 29,468	$ 4,968	$ 4,515	-9%
Virginia	$ 7,090	$ 12,820	81%	60%	$ 26,803	$ 7,398	$ 6,619	-11%
Washington	$ 6,245	$ 9,480	52%	58%	$ 25,152	$ 9,006	$ 7,800	-13%
West Virginia	$ 4,614	$ 7,887	71%	69%	$ 27,231	$ 6,752	$ 6,816	1%
Wisconsin	$ 6,631	$ 8,962	35%	70%	$ 29,215	$ 6,475	$ 6,766	4%
Wyoming	$ 4,121	$ 5,217	27%	46%	$ 24,041	$ 13,579	$ 16,049	18%

Sources: The College Board; The Institute for College Access & Success; Illinois State University College of Education, Grapevine report; State Higher Education Executive Officers Association; Bureau of Labor Statistics

Notes: 2004-2005 public tuition, average debt, and 2008 higher ed expenditures were adjusted using CPI-U-RS; Percent of students with debt and average debt are from 2014; public tuition figures are for in-state

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