

Subsidizing Public College Tuition

Mariah Wallace

Government Subsidized Tuition: An Introduction

In 2013, roughly 2,268,277 students were attending a public university (National Center for Education Statistics 2012, Enrollment in Postsecondary Institutions). Each student approximately paid between \$12,300 and \$30,300 per capita (National Center for Education Statistics 2012, Postsecondary Institutions and Cost). However, it is quite uncommon for the average student to be able to pay these fees out of pocket. To afford the cost of an education, many of these students must receive financial aid from the government. This aid is provided through a variety of forms, such as grants, tax breaks, work-study funds, and student loans. By using what the government currently spends on these forms of financial aid, it would be possible to completely subsidize public college tuition, or at least drastically reduce the costs of public college tuition. Considering the United States is now about 16 trillion dollars in debt and 70% of students graduate in debt, any money that can be saved through the education system should be (State by State Data). Not only would subsidized public higher education be easier and more efficient, it would also create many positive results for the rest of our society.

Literature Review and Methods

Currently, there is a lack of academic literature on this topic. Very few research studies focus specifically on subsidizing public college tuition in the United States. Due to the fact that subsidizing public college tuition would require an extreme overhaul of the current education system, many research studies focus on improvements that can be made to the current system or

trends caused by that system. Although completely changing the way public postsecondary education is structured would be a large challenge, the positive results would be more than worth the effort.

Scholars such as McPherson and Schapiro (2003) and Appadurai (2013) examined the current education system, why tuition levels are currently where they are, and various trends this process has had on the economy. They discovered tuition levels have risen and fallen with the economy, but never returned to the same levels. Jacobs and Van der Ploeg (2006) examined the need for reform regarding universities and funding for postsecondary education in Germany. The authors took an in depth look at structural reforms and suggested more effective means of public subsidies, funding, competition, and equity. This article examined public school financing from different perspectives and systems. Jacob and Weiss (2010) and Ertl (2005) also provided insight as to how subsidizing public college tuition is currently carried out in other countries.

A large amount of data for this research was also gathered from current governmental documents and reports, specifically documents created by the National Center for Education Statistics because of its relevance to the topic. I will use all of this information to compare and hypothesize ways the United States could subsidize public college tuition and the effects this would have on the nation.

Findings

Causes of the Current Tuition Issues

Education is a fundamental aspect of a society. It has been shown to influence everything from health to gender equality (Appadurai 2012, p. 14-15). High levels of tuition not only prevent citizens from obtaining an education, they also have a negative effect on all other areas of society. What is it though, that causes these harmful, high levels of tuition? In the United

States, the level of tuition a student pays directly correlates to the state of the national economy (McPherson and Schapiro 2003, p. 1157). Sometimes referred to as being similar to a ‘roller coaster,’ as periods of economic recession hit, tuition costs increase; as the economy booms, tuition prices decrease. However, this is not a positive trend: “This means that recessions worsen families’ ability to pay for college at just the time state funding cuts spur tuition increases” (McPherson and Schapiro 2003, p. 1157). In several figures this system of economic ‘roller coasters’ are demonstrated. As periods of recession hit, tuition costs increase. During periods of economic boom, tuition costs decrease. However, tuition costs have never returned to their pre-recession states and have only continued to rise over time (Landy 2013, Graph; Pethokoukis 2012, Graph). Due to lower government contributions during periods of recession, universities must look for other ways to make up this loss of income. The easiest alternative is to increase tuition costs, pushing the financial burden onto the citizenry. This loss of income does not only economically disadvantage the students, though. Reduced income to universities also results in programs and faculty being cut, which diminishes the overall education the student will receive even though their cost of tuition is higher. Cutting these jobs will also lead to economic problems for faculty members and aspiring teachers.

Current Fiscal Government Assistance

For many students currently attending public colleges in the United States, tuition is paid through governmental assistance in the form of grants, tax breaks, work-study funds, and student loans. Grants and tax breaks are money that students are given, which they are not required to pay back or exchange labor for. These forms of assistance are most commonly awarded by a student’s economic class and their personal ability to pay for college. Work-study funds are given to students to pay for their tuition in return for their labor, usually through on-campus jobs.

Student loans are loans given to students to pay for the remainder of their tuition. These loans commonly have low interest rates, do not begin collecting interest until after the student graduates, and the student has much more leniency on the time frame in which the loans must be paid off.

In 2012, public colleges and universities collected about \$62.6 billion dollars in tuition overall (National Center for Education Statistics 2012, Enrollment in Postsecondary Institutions). However, in 2013 alone, the government spent a total of about \$69 billion dollars on grants and tax breaks alone. Work-study funds and student loans resulted in another \$108 billion dollars of governmental financial aid (2014, Federal Higher Education Programs–Overview). It is easy to see the mathematical problem here; currently, the government is spending more on financial aid than it would require to completely subsidize public college tuition.

Issues with Current Fiscal Government Assistance

Due to many problems within the current education system, billions of dollars of financial aid are not being utilized in an efficient manner. For example, much of the financial aid provided does not actually go to those students who need it most. Although the majority of governmental grants go towards students from lower income families, tax breaks for tuition and education fees go mainly towards students of higher income families. Students from higher income families also get more tuition and fees deductions, student loan interest deductions, and more of the benefits from the American Opportunity Tax Credit (Covert 2013). This is a serious flaw in the education system. Higher income families can more easily afford to pay the costs of tuition, yet they are receiving more of the financial aid than lower income families. This system can also result in a variety of social issues from class conflict to a wide gap in income distribution.

Several other major flaws in today's education system are its complexity and regulations. Currently, the IRS publication that explains tax benefits for education is almost 100 pages long (The Reimagining Aid Design and Delivery Consortium for Higher Education Tax Reform 2013). This makes it difficult for students and their parents to completely understand the system of financial aid, especially for families with less education. This leads to students using the wrong types of financial aid, or not using the best type of financial aid for their situation. For example, in 2009 the Government Accountability Office found that 40% of students who claimed the Tuition and Fees Deduction would have saved more money claiming a different form of financial aid (The Reimagining Aid Design and Delivery Consortium for Higher Education Tax Reform 2013). The regulations that effect when financial aid will be paid to the student and their family also makes the education system more complicated and less functional. Because the majority of financial aid is not given to the family by the time tuition is due, it is more difficult for students of lower income families to attend colleges or universities even if they would receive enough financial aid to attend. These complex rules and regulations do not only make it more difficult for students to receive an education, they also waste time and money.

The current education system also works to make a profit for the government instead of focusing on assisting the students. First, it forces students to receive a higher education in order to work more secure, profitable jobs. Then after a long and complicated process of applying for financial aid, students are only given a certain amount, usually not enough, to completely cover the costs of their education. After graduation, the majority of this 'aid' given to the students is taxed and charged interest, resulting in students paying the government much more than the amount originally loaned. This system financially cripples students, making it much harder for them to become independent. It also drives a wedge between the population of young people and

their government, a detrimental effect that can lead to riots, protests, and eventual political instability.

The Solution

Without spending any more money than the government currently does, it would be possible to completely subsidize public college tuition. The new system would not require an increase in citizen's taxes to support the program. In fact, the government—and its citizens—would actually save money. By using the \$69 billion dollars the government currently gives out as financial aid through grants and tax breaks, the yearly total tuition of \$62.2 billion dollars would be completely covered with \$6.8 billion dollars left over. This money could be spent on things such as school improvement, research, cutting citizen's taxes, or be put towards paying off our national debt. However, this system would require a complete overhaul of the current education system.

All systems, rules, and regulations would need to be removed, and new processes would need to be put into place. These processes would also need to be much simpler to understand and apply for, to make the entire education system more effective. This could be achieved by suggesting a single form to be filled out by all students applying for financial aid by a certain date, much like the current FAFSA system, but easier to complete. After all forms are collected, the number of students attending public universities will be sorted out. The costs of their tuition will be added up, and the money will be divided evenly amongst the population. Each citizen, regardless of socioeconomic status, will be given the same percentage of financial aid to put towards tuition at a public university. Students attending both private and public schools will also be able to apply for work-study financial aid based on need and student loans with little to no interest.

All organizational boards and committees would also need to be destroyed, and one central committee created. This committee would be tasked with creating a system to collect taxes and governmental financial aid to subsidize the public college tuition, keeping files of the number of students attending postsecondary institutions as well as other statistics regarding the education system, and overseeing the process is functioning in the most efficient manner. The size, title, and other duties of this committee may be decided by the legislature, whom the committee will work with and answer to.

The current means of funding postsecondary education institutions, such as taxes and portions of state and federal governments' budgets will not need to be changed. There will be no tax increases or enlargement of the portion of budgets put towards postsecondary education. However, the government will not profit off of the interest of student's loans. Although this may result in a small loss of income, the government will be saving money in other areas and gaining the trust and support of their citizenry.

Benefits of a New System

It is obvious from the previous data that it would be possible to completely subsidize public college education. However, this new system would also have more benefits to students, society, and the nation as a whole. Not only would students and their families save money, they would also have more opportunity to pursue a higher education. Studies have found that students from lower income families are three times more likely to attend an institution of higher education and four times more likely to graduate from high school if they have only \$500 saved for college expenses. If public colleges and universities were completely subsidized, it is logical to predict that the high school graduation rates and college enrollment numbers of students from lower income families would only increase. Students from higher income families are already

30% more likely to attend an institution of higher education than students from lower income families (The Reimagining Aid Design and Delivery Consortium for Higher Education Tax Reform 2013). However, it is unclear if subsidizing public college tuition would have any effect on enrollment rates of students from higher income families, and this aspect may need to be examined with future research. This increase in enrollment at public colleges and universities would also lead to an overall more intelligent population and more innovation for future technologies, businesses, and advancements in many other fields.

Subsidizing public college tuition would also save more money for the government, the citizens, and the students attending these institutions. Not only would the government save money from what it currently spends on financial aid, it would have money left over. This money could be put towards a variety of other sources, such as paying off the national debt, as previously mentioned. In addition, students and their families would also have more money to spend. These purchases would help stimulate the economy on every level. By subsidizing public college tuition, students would also graduate from college with less debt. This would allow them to purchase houses and real estate faster, stimulating the housing market. To remain competitive, private colleges and universities would also have to lower their tuition. This would lead to lower costs for students throughout the United States, and further stimulate the economy. This system of funding institutions of higher education is not only simpler; it is also more beneficial to the nation and its citizens.

Final Considerations

As this new system of funding public colleges is implemented, it is likely that we will see a large influx of students attending public postsecondary education institutions. In this case, the current \$69 billion dollars the government spends on financial aid through grants and tax breaks

may not cover the tuition of all the new students. The \$108 billion dollars that the government currently spends on financial aid through work-study funds and student loans may need to be used. However, these forms of funding will require either labor on the part of the students or money to be paid back after graduation. In both cases, the amount of labor required and the amount of money required to be paid back will be much lower than they currently are. After this initial influx, which may last several years, the number of students attending public colleges should even out, allowing more accurate predictions of attendance and cost analysis.

It is also important to note that even though public college tuition would be almost or completely subsidized, students would still have fees required to attend public postsecondary education institutions. Other costs, such as housing and boarding, books, and supplies will still fall on the students and their families. However, these costs will be much lower than the current costs of education today. There will also be financial assistance through work-study funds and student loans to help offset some of these costs. These forms of financial assistance will also be available to students attending private colleges and universities—at which tuition would not be subsidized by the government—to assist their ability to afford an education. As previously stated, to remain competitive private institutions will need to lower their tuition as well, which also will help students attending these institutions afford them.

Conclusion

As one can see, it is possible for the United States government to completely subsidize public college tuition. Although it would require a large amount of work and a complete restructuring of the current education system, I believe that it would be worth the effort. This new system would also make it much easier for American citizens to receive an education, stimulate the economy, and create many other positive results for the rest of our society. Not

only do our current and future students deserve a better education system than the one currently being implemented, they deserve a system that works for and with them. If our future truly lies with our young people, we need to begin making changes now that will allow them to better our country and our world.

References

- Appadurai, Anjali. 2012. "The Diploma Market." *Alternatives Journal* (November/December): 14-15.
- Covert, Bryce. 2013. "The Source Of Federal College Financial Aid That Mostly Benefits The Wealthy." December 13. <http://thinkprogress.org/economy/2013/12/13/3064231/college-aid-taxes/> (March 17, 2014).
- Ertl, Hubert. 2005. "Higher Education in Germany: a Case of 'Uneven' Expansion?" *Higher Education Quarterly* (July): 205-229.
- Jacob, Marita and Felix Weiss. 2010. "From Higher Education to Work Patterns of Labor Market Entry in Germany and the US." *Higher Education* (November): 529-542.
- Jacobs, Bas and Rick Van der Ploeg. 2006. "Guide to Reform of Higher Education: A European Perspective." *Economic Policy* (July): 535-592.
- Landy, Benjamin. 2013. "Graph: Don't Blame Teachers For Rising College Tuition." September 11. <http://www.tcf.org/work/education/detail/graph-dont-blame-teachers-for-rising-college-tuition> (March 21, 2014).
- McPherson, Michael S. and Morton Owen Schapiro. 2003. "Funding Roller Coaster for Public Higher Education," *Science* (November): 1157.
- National Center for Education Statistics. 2012. "Enrollment in Postsecondary Institutions, Fall 2012; Financial Statistics, Fiscal Year 2012; Graduation Rates, Selected Cohorts, 2004-09; and Employees in Postsecondary Institutions." December 2013. <http://nces.ed.gov/pubs2013/2013183.pdf> (March 12, 2014).
- National Center for Education Statistics. 2012. "Postsecondary Institutions and Cost of Attendance in 2012-13; Degrees and Other Awards Conferred, 2011-12; and 12-Month Enrollment, 2011-12." July 2013. <http://nces.ed.gov/pubs2013/2013289rev.pdf> (March 9, 2014).
- Pethokoukis, James. 2012. "GDP Collapse Puts U.S. Economy Into Recession Red Zone." September 27. <http://www.aei-ideas.org/2012/09/gdp-collapse-puts-u-s-economy-into-recession-red-zone/> (March 16, 2014).
- "State by State Data." http://projectonstudentdebt.org/state_by_state-data.php (March 17, 2014).
- The Reimagining Aid Design and Delivery Consortium for Higher Education Tax Reform. 2013. "Higher Education Tax Reform." November. http://www.clasp.org/resources-and-publications/publication-1/Nov2013RADD_TaxAid.pdf (March 13, 2014).
2014. "Federal Higher Education Programs – Overview." September 23. <http://febp.newamerica.net/background-analysis/federal-higher-education-programs-overview> (March 14, 2014).