Insight

The Storm after the Calm – Addressing a $2 Trillion Question

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The conclusion of the recent election finally brought relief to millions of voters tired of seeing political ads during every waking hour of television broadcasts across dozens of battleground states. But once the ads disappear and reality sets in again, tough questions still linger about the cost of college and the future of federal financial aid.

In their annual report, *Trends in College Pricing*, the College Board once again noted with sobering headlines that the cost of college continues its slow motion explosion. Tuition and fees at public four-year schools grew by 4.8 percent, while prices at public two-year and private four-year institutions rose by 5.8 and 4.2 percent, respectively. For-profit college prices rose by 3 percent. Across the board, tuition and fees were up, continuing the long-running trend of tuition and fee increases outpacing the rate of inflation.

In the 15 years since the Commission on College Costs issued its final report, you could say that college costs are 15, students 0.

Federal funding also rose, as noted in the companion report, *Trends in Student Aid.* Although funding for the Pell grant program fell from its all-time high in the 2010-11 award year to $34.5 billion, the program still spent almost three times what was spent in the 2001-02 award year (adjusted for inflation). More than 9.4 million students received Pell grants, more than double the number receiving awards in the 2001-02 award year. That's just one of the reasons the Pell grant program faces a $6 billion shortfall next year and nearly a $60 billion shortfall through 2022.

But all that extra spending should be good news for students, right? More grant aid should mean less borrowing? Unfortunately, that's not the case. Undergraduates attending public four-year institutions borrowed an average of $23,800 to complete their degree, up from $20,100 a decade earlier (adjusted for inflation). Their counterparts at private non-profit institutions borrowed an average of $29,900, up from $23,400 a decade earlier (adjusted for inflation).

If there's a bright point to the report, it's that more students took advantage of tax credits to offset the higher costs of borrowing. Students claimed $18.1 billion in tax benefits across all programs in the 2011-12 award year. But that's small consolation as the amount claimed in tax benefits is only about one fifth of all new student loan debt taken on by borrowers in the 2011-12 award year.

Cumulatively, colleges and universities took in $225 billion from the Pell grant program in the decade from the 2001-02 to 2011-12 school years. Students also took out $847 billion in federal loans during those years, for a combined total of $1.272 trillion in federal financial aid out the door. When combined with state appropriations of approximately $750 billion for the same period, higher education institutions received roughly $2 trillion in inflation-adjusted dollars between the 2001-02 and 2001-12 academic years.

Even in today's deficit-saturated environment, $2 trillion is an astounding amount of money. What's the end result of all that spending? As NCES pointed out last month, higher education enrollment in the U.S. is actually declining. While colleges and universities receive trillions of public (read: taxpayer) dollars and students head deeper and deeper into debt, the nation is making less progress today than it was last year at this time, and our hopes and dreams of matching other developed nations' college attendance rates are slipping further and further away.

No matter who won the election, the issues of college costs and student loan debt aren't going to be resolved in an evening of speeches and confetti. The nation simply can't continue to pursue the same dead-end policies of funneling more money into higher education without any expectations for results. Two trillion dollars is a very steep price to pay for what we're getting from higher education – and another year of rising prices isn't helping.