

# The rising cost of college tuition essay sample



On the day of high school graduation, almost every student has the same dream: to have a great job that pays six figures, full benefits, and enough vacation time to cover an annual trip to Europe. However, we no longer live in a society where this dream will be made into a reality with a meager high school diploma. Instead, students need to continue their education for another four years, at the very least. Sometimes even that will not land a student their dream job. The question remains as to why not all students are choosing to pursue higher education. Some students may feel as if they cannot keep up with the workload and other students may be content with the job they get right out of high school. However, with the constantly increasing cost of tuition, students find themselves questioning if another four years of expensive education is worth it. Many people cannot see the long-term benefits of taking out loans or are forced to drop out of college because of the expensive cost. Parents ask themselves how tuition increased so steeply over the years. Student's dreams are placed on hold while they attempt to save money. Everyone seems to be wondering if tuition costs will ever become affordable or stable. Both the state and federal government need to allocate more tax dollars to universities and create tougher stipulations governing the percentage of tuition increases in order to stabilize the sky rocking price tag that comes with a bachelor's degree.

Michigan has not been immune to the growing tuition rates and the students across the state have noticed. An editorial in the New York Times reported that: after financial aid, the cost of tuition paid per student was \$3, 900 in 1985 and in 2010 was \$9, 000 (this has been adjusted with inflation) (Reigning in College Tuition, 2012). All universities seem to increase their

tuition at an alarming rate every year. Jared Smith reported that Central Michigan University (CMU) will raise their tuition rates 2% making their per credit hour cost \$358. Last year, CMU increased their tuition rate by 3.47% which means their school had the lowest tuition increase. (Smith, 2012).

Although there was a cap placed on increasing college tuition rates not all universities complied with the regulation. Michigan State University increased their tuition rates by 9.4% and Wayne State University's was increased by 8.8% (Michigan Universities..., 2011). However, it is worth it to have a college degree because the world currently has a knowledge based economy, making it more difficult for those who do not have a college degree to succeed. The College Board estimated that, on average, college graduates earn \$22,000 more a year than high school graduates.

The unemployment rate is 3% less for those with a college degree compared to those with only a high school diploma (Fierro, 2010). In order to get a good job, college is a necessity. However, the thought of taking out loans in this unpredictable economy is nerve racking. Students wonder if they will get a job and if the job will be able to pay back the loans. A college degree is needed to compete in the workplace but the " sticker shock" that comes when realizing how much college is going to cost, students often wonder why college is so expensive. Obviously, there is a problem with the ever increasing cost of college tuition but how are the rates constantly increasing? In Gary Fethke's article, Why Does Tuition Go Up? Because Taxpayer Support Goes Down he explains the two different theories about why tuition rates have skyrocketed: the market power model and the spending constraint model. The market power model states that the more

subsidies and grants the federal government gives to public universities, the more demand increases, therefore, the more colleges have the ability to raise tuition. The “ sticker prices” for tuition increase as more aid increases. However, the colleges are not giving all the revenue from the Pell Grants and Stanford Loan Program back to the students by lowering their net tuition rates. The “ Bennett hypothesis” has been formulated under this theory.

This theory is formulated under the belief that federal grants increase revenue but not enrollment. The implications inferred by the market power model are stated by Gary Fethke: If there were a monopoly provider of education services, it could respond to a government grant per student by increasing the sticker price, reducing the net tuition that students pay, and thereby accommodating some increase in enrollment. A working rule of thumb for this case is that listed tuition will rise by 50 cents and net tuition will drop by 50 cents for every dollar increase in the subsidy. Public universities, while possessing some pricing discretion, are not monopolies. When the education market contains numerous providers that offer similar products, the subsidy-induced increases in sticker prices will be smaller and the enrollments will rise more than under the monopoly case. (Fethke, 2012)

This model attempts to show that the government intervention is what is causing the steep increase of tuition; however, it fails to explain the lack of government funding compared to recent years. The spending constraint model argues rising tuition rates are caused from the decline of states investing in their colleges. This theory has predicted that tuition will continually increase even if the support from tax payers declines. Therefore, tuition revenue must increase to compensate for the lack of taxpayer

support in order for universities to break even. This theory holds more ground than the market power model because state support for higher education has been declining while tuition has increased.

For example, in California, higher education was once subsidized by the state government, now it is not and tuition continues to increase at an alarming rate (Fethke, 2012). The explanation behind this model proves that to lower or to maintain tuition rates the state or federal government must allocate more funding into higher education. Government funding is the backbone of lowering or maintaining the cost of tuition and now that the state governments have stopped putting large amounts of money into schools, the universities look for the students to make up the difference. This burden can be financially difficult for traditional aged students who do not have a job and may cause them to shy away from higher education. Government funding is essential to lowering the costs. This information proves that college tuition is increasing due to the state government not properly allocating the funds to subsidize the rates of tuition. The spending constraint model gives more consistency than the market power model. The burden is on the students instead of the taxpayers (Fethke, 2012). Students everywhere are feeling overwhelmed trying to make ends meet while attending universities they cannot afford. It is common knowledge that at least a four-year degree is necessary to succeed in today's economy.

The state or federal government should allocate more tax dollars to universities to lower or maintain the growing rates and therefore making colleges more affordable. What does the government plan to do about the skyrocketing tuition rates? President Obama believes that the rising rate of <https://assignbuster.com/the-rising-cost-of-college-tuition-essay-sample/>

tuition is the fault of public colleges and the government cannot continue to subsidize the cost of constantly rising tuition rates. He stated that the tuition rates are so out of control and it may be time for direct government intervention or time to reduce/eliminate all federal support for universities. Although students cheered when he delivered this news some legislators criticized it (Fethke, 2012). An editorial written in the New York Times states, " In both good times and bad, state governments have pushed more of the costs onto students, forcing many to take out big loans or be priced out of once affordable public colleges at a time when a college education is critical in the new economy... The increase in the tuition burden is largely caused by declining state support for higher education in the past three decades (Reigning in College Tuition, 2012)." The average cost of attending a four-year university has tripled since 1980, which is not consistent with inflation or family income. Taking matters into his own hands, President Obama has proposed a new plan that any college that receives federal aid must create " a scoreboard" that includes costs, graduation rates, and potential salary for graduates.

He would then establish a \$1 billion fund that would give states grants to higher graduation rates and reduce costs. The plan will also increase the federal loan and work-study funding from its meager \$2. 7 billion to more than \$10 billion. Colleges who fail the standard would have their money taken away and given to those schools that did a better job (Reigning in College Tuition, 2012). The government, at any level, must step in to fix the broken college system. As families cannot afford the current rates of tuition and federal aid helps to keep the tuition rates at a competitive level,

universities will have no choice but to comply with these standards.

President Obama's plan will help students and hopefully level off growing tuition rates. The universities in Michigan raise their tuition rates every year. David Jesse of the Detroit Free Press reported on where the future of Michigan's public universities tuition rates are headed. However, when Governor Snyder set a cap, it did not work. He went back to the drawing board and came back with a better plan for the upcoming 2012-2013 school year. Three plans have currently been made proposed by each of the Michigan House of Representatives, the Michigan Senate, and Governor Snyder. The House of Representatives would evaluate how many degrees are issued each year.

They would give the colleges \$836 for each bachelor's degree and \$1, 672 for all high demand science, technology, engineering, math, and health care degrees. A tuition cap would be set by taking \$1, 300 and then subtracting the amount of a university raised their tuition that year; then the amount per student the university would receive would get in an increase in funding. The Senate's plan will have eight categories, including advanced degrees, to divide the money and would have a cap at 3. 5% increase for schools who want extra money. Snyder's plan is to divide the money based on undergraduate degrees completed and the degrees in fields such as: science, technology, engineering, and math. He would also require the schools to keep their tuition increases under 4%. These proposals are planned to be merged into one. Universities such as Grand Valley are happier with this plan rather than a cap because they will be entitled to more funding, as they produce more graduates. However, not all universities are

happy with this response. This plan fails to provide a permanent solution for the 15% loss of state aid that was previously received by these schools (Jesse, 2012). Universities will not lower or maintain their tuition rates on their own and seeing the state government step in to set adamant regulations is a step in the right direction. Although not all universities agree with such tough regulations, compliance will be necessary if they wish to receive state funding. This is a comforting thought for students who about worry the ever growing cost of tuition.

So what does this mean for the current rates of student tuition? Eastern Michigan University would be able to increase tuition higher than any other school. Under these new stipulations officials could raise tuition by \$838 for all in-state students. Michigan State University may have to take a year off on their hefty tuition increases. Last year the university raised their rates 7.1% and this year could only raise it by \$5 for each in-state student. Many Republicans believe Michigan State University exploited a technicality when they placed a 7% cap on tuition increases for the previous school year (Jesse, 2012). Although some universities cannot agree with these new plans as their tuition increases are left to the discretion of the government; these regulations will level the playing field for students and disallow universities to increase tuition based on their whims or what they believe is necessary. Regulation of this industry is necessary on the state level if the states want to benefit from having a well educated population. Having the government place such stringent laws on this market will give students a sense of security that their tuition will not increase dramatically in the coming year.



High school students may someday land their dream job, enjoy their mansions, and relax during their European vacations-it just needs to be put off for a few years. A college degree is a necessity to compete in today's workplace but going broke trying to get that degree should not. Everyone who wants to pursue a college degree should have the opportunity and should not be scared away because of the price. Although it will take time, government intervention is necessary to even out the prices of college tuition. Both state and federal government need to give the universities more tax dollars to alleviate the burden from the students. Then they need to stipulate the maximum percentage of tuition increase allowed in the upcoming year. Without laws and regulations, the universities will be able to charge students whatever they think is necessary, even if it is not. In the end it is the student who will pay the price.

## References

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