

College Costs Increase While State Funding and Student Borrowing Decline

FINANCE

POSTED BY TERRI WILLIAMS ON DECEMBER 9, 2015



College costs and student funding are on a collision course. The former continues to rise while the latter is steadily declining. And sooner – rather than later – something has to give. According to the College Board’s [2015 Trends in Higher Education](#), college tuition is increasing, but borrowing rates have declined for four consecutive years. In addition, state funding of higher education has also declined.

GoodCall examines here the increases in the price of college coupled with the simultaneous reduction in overall student aid, including grants, federal loans, and state funding. And expert interviews provide insight on what this means for current and future students.

COLLEGE COSTS

From the academic years of 2005-06 through 2015-16:

- Tuition and fees (for both in-state and out-of-state students) at **public** four-year universities increased every year by an average of 3.4%.

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- Tuition and fees at **private** non-profit four-year universities increased by an average of 3.6%.
- In-district tuition and fees at **public two-year colleges** increased by an average of 3.0%.

STUDENT AID

In the 2014-15 academic year, the average undergraduate student received \$14,210 in financial aid, which breaks down as follows:

\$8,170	Grants from all sources
\$4,800	Federal loans
\$1,170	Education tax credits and deductions
\$70	Federal Work-Study

- Grant aid from the **Pell program** decreased from 33% in 2004-05 to 24% in 2014-15.
- From 2010-11 through 2014-15, **total federal borrowing** declined 20% among undergraduates and 12% among grad students.
- From 2010-11 to 2014-15, the amount of money borrowed through **federal Direct Subsidized and Unsubsidized Loans** declined 20% among students; Plus programs decreased by 9%; however, Grad Plus increased by 2%.
- From 2010-11 to 2014-15, the amount of money borrowed through the **Stafford Subsidized Loan Program** declined 9% among students; there was an 11% decrease of borrowing through the **Stafford Unsubsidized Loan Program**.

At the same time, state funding has declined significantly. Per full-time student funding in both two-year and four-year public schools declined from \$10,110 in 2000-01 to \$7,540 in 2014-15.

THE EFFECTS

Opponents of state funding and any type of federal involvement (grants, loans) applaud these decreases. They argue that government intervention artificially inflates tuition costs. Michael E. Chadwick, of Chadwick Financial Advisors in Unionville, Connecticut, tells GoodCall, “The real problem here is rates are too low and the government is subsidizing costs so colleges are about the only thing on the planet, outside of medical costs, that have been rising at 8% – 9% annually for decades.”

However, Chadwick says it’s not sustainable. “Something has to give and the college equation is messed up lately, as the kids simply cannot get ahead when spending an average of \$60,000 for a bachelor’s degree – and anywhere from \$250,000 to \$300,000 for a bachelor’s degree at a high-end school.”

If college costs continue to rise, Robert Palmer, radio host of Saving Thousands, tells GoodCall that potential college students will be forced to make one of the most important financial decisions of their young lives.

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“They have to determine whether the return on their investment in their education is worth it long term,” says Palmer. He explains, “So many young individuals are finding themselves excessively in debt once they graduate that it prohibits them from advancing in their personal lives. Life goals are being put on hold to due to the debt accompanied with student loans.”

The outlook is somewhat better for students in high-paying majors. A recent GoodCall article reported that the base salary for data scientists is close to \$100,000, and they have the potential to make up to \$250,000. Engineering specialties and many accounting and finance jobs also pay very well. But it is doubtful that the average college graduate will earn enough money to live comfortably while paying back such exorbitant student loan debt.

SAVINGS ALTERNATIVES

As students and their parents seek alternatives, our two experts are in one accord regarding a possible solution. “The best bang for the buck is 2 years of a community college, 2 years of a state school commuter, and you can get a bachelors degree for \$20,000 – \$25,000 and get the same job in many instances,” says Chadwick.

Palmer agrees and says college students can attend community college to satisfy elective course requirements. “Once those courses are complete, they can transfer these credits to a four-year institution. The cost of community college is bearable, while attending the same classes offered at a university.”