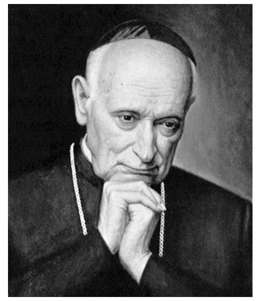
Mindszenty  Report

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Should College Be Free?

Here is a conversation recently overheard between two college students, nearly verbatim:

First student: Yeah, I think Bernie Sanders is right on about college being free! Students are going into debt to go to college and it's not fair. Really unfair.

Second student: I don't know. Tuition is too high and I'm getting hacked on university fees. I'm in-state. I cannot pay for it. I don't know everything about Sanders' plan, but it sounds good. Public school is free, so why not college? I don't know how much it will cost or who will pay for it—but it's like a public good.

First student: Let the trillionaires and billionaires pay for it. They are rich and can afford it.

Second student: Not sure there are enough rich people to pay for this, but we need to do something. I'm paying through the nose to be here. I guess I'm willing for the rich to "Feel the Bern."

It was difficult not to intervene and shout, "Nothing is free! Somebody has to pay. Haven't you heard, 'There is no such thing as a free lunch'?"

The Student Debt Problem

Upon more careful reflection, the student conversation shows just how powerful Bernie Sanders' message of free college tuition is to students today. Like many promises of socialism, it is beguiling to the uninformed. College tuition continues to increase for public and private colleges, student debt has soared and student defaults have skyrocketed. Sanders' advocacy of free tuition has natural appeal to the young, and Democrats are getting on board with free college for everyone. Students today face real problems with debt. However, Bernie's socialist solution will only make things worse.

Currently, Americans owe more than $1.52 trillion in student debt, spread out among approximately 44 million borrowers. To put this in perspective, this is about $620 billion more than the total U.S. credit card debt. It is higher than both credit card debt and auto loans. Of this student debt, about 32.1 million people have taken out direct loans.

The statistics on direct loan debt are staggering. In 2012, over 70 percent of students, 1.2 million, graduating from four-year colleges had student loan debt. Of these students, 66 percent of graduates from public colleges had an average debt of $25,000, while 75 percent of graduates from private non-profit colleges had an average debt of $32,300. These figures were even higher for graduates of for-profit colleges.[1]

The problem of student debt is not going away. Student debt remains the fastest-growing segment of consumer debt. It increased a whopping 170 percent over the past decade.[2]

The Obama administration claimed that students were quickly paying off their debts, but shortly before Obama left office, the Department of Education announced that it had "overstated student loan repayment rates at most colleges and trade schools."[3] The revised figures released by Obama's Department of Education revealed just how serious the debt problem was.

First, the average student debtor was taking more than ten years to pay off the loans, and only half had paid off all their federal loans 20 years after beginning in 1995-96. Even more shocking was that average borrowers in this group still owed about $10,000 in principal and interest, even after beginning college twenty years earlier.

The Department of Education report showed that of students beginning college in 1995-96, 25 percent defaulted on a student loan within twenty years. A quarter of those who began college in 2003-04 defaulted on their loans. The highest amount of student loans is concentrated, naturally, in the biggest states, such as California, Texas, Florida and New York. On a per capita basis, New Hampshire has the highest average student loan debt per student ($36,367) for the Class of 2016, while Utah has the lowest average student loan debt per student ($19,975).[4] On an individual level, the hardest hit, and the most vulnerable to default, are those who do not finish their degrees. They are left with debt and without a degree.

The growth of student debt can be attributed to rising college tuition costs. There is no dispute on this score. In addition, only 60 percent of four-year college students graduate in six years, which means that 40 percent of students enrolled in four-year colleges are taking longer or not finishing at all. Only a third of community college students complete a degree in three years.[5] Those who do not complete their degrees are more vulnerable to default and higher debt.

As of June 30, 2017, 8.5 million student loan borrowers were in default. Default rates are increasing. For 20-year-old borrowers the average student loan debt is $22,135; for 30-year-olds, it is $34,033.[6] As Shannon McNay of studentloanhero.com, an online resource for student loan debtors, told CNBC, "The late payments and default will stay on your credit report for years." She added, "The only way you can get the default off your credit report is to complete a loan rehabilitation for your federal loans."[7]

Why Does College Cost So Much?

University tuition costs have soared faster than almost every other consumer service, almost six percentage points above the rate of inflation from 1994 to 2014. At four-year public universities tuition rose 110 percent. Even with costs going up, demand has continued to increase. In 1950, 7.3 percent of the male population had completed four or more years of college. By 2016, 33.2 percent of males and 33.7 percent of females had a four-year college degree. As of 2017, approximately 20 million people attend college in the U.S. This increased demand enabled colleges and universities to charge whatever tuition they saw fit.[8] Federal student loan programs subsidized this increase and helped distract consumers from seeing the real costs of a college education.

College administrators at public schools blame cutbacks in state funding for higher education. Both public and private colleges point to swelling non-faculty staff to support student services, new building and renovation projects or lifestyle-geared amenities. Without doubt, today's students demand more in terms of amenities—living in townhouse units instead of dorms, having better gym facilities, lounging in nicer student unions. These demands have increased tuition and student fee costs. A closer look at costs, however, reveals something more than making sure student "lifestyles" are country-club-like. The driving force in tuition increases are administrative costs—more administrators and higher salaries.

State funding for public colleges and universities has decreased, but looking at overall funding decreases can be misleading. The liberal Center for Budget and Policy Priorities reports that state funding for two- and four-year colleges decreased by almost $9 billion dollars from 2008 to 2017. Forty-four states decreased funding for higher education, with 18 states reducing funding by 20 percent or more.[9] This sounds bad, but these figures need to be placed in a larger perspective.

Actually, public investment in higher education is vastly larger today, in inflation-adjusted dollars, than it was in the "golden age" of higher education in the 1960s.[10] In fact, state appropriations to higher education have increased more than four times in today's dollars compared with what they were in 1960. Yet tuition fees have nearly quadrupled over the past 35 years.

Creating the Administrative Leviathan

So where has this increased spending for universities been going? Not on salaries for full-time faculty members, which, on average, are barely higher than they were in 1979. Forty-five years ago, 78 percent of college and university professors were full-time. By 2015, half of all postsecondary faculty were much lower-paid part-time employees, adjunct faculty. While administrators were hiring more and more part-time employees to cut labor costs including salaries and benefits, they discovered a deeper pool of surplus labor who could be hired as full-time lecturers with low salaries and benefits on annual contracts.

One of the problems with part-time teachers is that, under the Obamacare employer mandate to provide health insurance, part-time employees may only work a certain number of hours before employers have to pay for health insurance. This rule operates to limit, as a practical matter, the number of classes colleges are willing to assign to part-time faculty. On the other hand, full-time lecturers, contracted annually, may be assigned an unlimited number of courses. A two-tiered labor system has resulted from these incentives—overworked and relatively underpaid full-time lecturers (plus some part-time adjuncts), and a privileged tenured class of professors, generally well-paid and guaranteed lifetime employment.

While labor costs were being reduced by greater reliance on lecturers, administrators have expanded their ranks. Between 1993 and 2009, according to the Department of Education, administrative positions at colleges and universities grew by 60 percent, ten times the rate of growth of tenured faculty positions. Take, for example, the California State University system: From 1975 to 2008, the total number of full-time faculty members increased by about 400 positions (11,614 to 12,019).[11]

Some of this administrative expansion was necessary in the modern university. For example, student counseling services are pretty much a requirement these days. Much of this expansion has been required to comply with federal regulations—not that there has been great resistance on the part of universities. Affirmative action officers, LGBT officers, and students with disability officers can be found on most college campuses. Development and fundraising offices have grown exponentially, as have deanships overseeing a myriad of academic programs.

Richly Compensated Presidents

One major consequence of this administrative expansion is that college and university presidents have become corporate chief executive officers and have come to expect salaries and benefits of a CEO heading a large corporation. Presidents at today's research universities make an average of $450,000 a year. This is a grand salary by any standard, but it does not end there. Most presidents get lavish added benefits.

At both public and private universities, presidents—more than 60 percent of them nationwide—get all or part of their housing provided. More than 70 percent get a car or car allowance. More than a third get free club memberships. Spouses (12 percent) are often paid for their roles at social events. A college or university president can expect a munificent severance payout if he or she retires, gets fired or takes a job elsewhere.

Four percent of chief development officers and three percent of executive vice presidents and business officers have houses provided or receive housing allowances. More than a quarter of chief development officers, 13 percent of business officers, 12 percent of provosts or executive vice presidents, and 17 percent of athletic directors get cars. Similar percentages can be found for these upper administrators nationwide getting club dues paid for.[12]

The Problems with Free College Tuition

New York State recently launched a universal tuition-free policy for students attending SUNY and CUNY that will begin this academic year. The program applies only to tuition and does not cover other costs. New York Governor Andrew Cuomo estimates that 940,000 families will be eligible for the public university tuition waiver. Private colleges will find it challenging to convince students to pay the high price of a private college when they have the option of going tuition-free to one of the state schools. Students attending private colleges (100 schools with 300,000 students) can apply to the state to cover half the tuition if they decide on a private college, but there is no guarantee they will be awarded a tuition waiver.

The state estimates that enrollment in New York State private nonprofit colleges and universities will fall between 7 and 15 percent under the plan. This means a collective loss of $1.4 billion in revenue for those private colleges and universities.[13] At the same time, experts project that the plan will severely affect the state's for-profit colleges, which many low-income students attend.[14]

The projected losses to private colleges and for-profit schools are just a few of the problems predicted by experts that bode ill for any national tuition-free program. New York State's plan requires that students graduate on time. Many students won't. A bigger problem is an expected huge influx in students enrolling in the SUNY and CUNY systems. These universities are not prepared for the expected huge increase. It will mean larger classes and an urgent need for more residential and classroom space.

More important, experts are already declaring that "free college" is not going to benefit those students that it is intended to help: the lower middle class and the poor. The Brookings Institution explains that the free-college plan would provide little additional help to the neediest members of society because federal grants, such as Pell grants, already cover all the tuition for virtually all the lowest-income students.

The New York program might help middle-class students coming from families earning between $80,000 and $125,000, but New York's plan does not cover housing or living expenses, which are actually higher than tuition prices. So this program won't help poorer kids go to college. Meanwhile, academic programs at state universities will deteriorate, with larger class sizes, overcrowded residential spaces and added administrative costs to deal with the influx of students.

Socialism in Action

What would a nationalized tuition-free college system mean in practice? High taxes for sure. Overcrowded public colleges and universities, thereby ensuring that kids from wealthier families will go to private schools, resulting in a two-tier, class-based educational system. Will the student debt problem be solved? Probably not. Any federal plan will require a graduation in a set number of years, or free tuition will be turned into debt for the student. Based on past poor retention and graduation rates, there is little reason to expect an improvement in years to graduation.

What is the solution to higher costs of higher education and the student debt crisis? Deregulation of higher education, to begin with. Complying with federal regulations requires an enlarged administrative staff. Next, better legislative oversight of administrator salaries and benefits. The spigot of federal money that cushions colleges' extravagance and students' easy borrowing should be reduced. Finally, we need to change a culture that says everyone needs to go to college for a better job. Expanding vocational and training schools will prepare our young for good jobs and meet growing labor shortages.

Will any of this happen? Only if Americans insist that their elected representatives tackle real problems with real solutions, instead of making unrealistic promises of free stuff. Someone has to pay—perhaps your own children or grandchildren.

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1 Studentloanhero.com, May 1, 2018.
2 Going to graduate or professional school increases the debt. For a Master of Education degree, the average debt is $50,879. Sixteen percent of students with this degree graduate with this level of debt. For a Master of Science the average is $50,400, for a Master of Arts the average is $58,539, for a Doctor of Laws the average is $140,616, and for a degree in Medicine and Health Sciences the average is $161,772. David Levin, "Solve the Student Debt Crisis," *U.S. News and World Report*, October 13, 2017.
3 Tom Lindsay, "New Report: The U.S. Student-Loan Debt Crisis Is Even Worse than We Thought," *Forbes*, May 24, 2018.
4 Zach Friedman, "Student Loan Debt Statistics in 2018: A $1.5 Trillion Crisis," *Forbes*, June 13, 2018.
5 David Levin, "Solve the Student Debt Crisis," *U.S. News and World Report*, October 13, 2017.
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7 Shawn M. Carter, "Here's What Happens if You Default on Student Loans," *CNBC News*, October 9, 2017.
8 Mary Bromley, "Why Is College Tuition Rising So Much? And What Can You Do?" *Cornerstone University*, March 5, 2018.
9 Ibid.
10 Paul F. Campos, "The Real Reason College Tuition Costs So Much," *New York Times*, April 4, 2015.
11 Ibid.
12 Matt Krupnick and Jon Marcus, "Think University Administrator's Salaries Are High? Critics Say Their Benefits Are Lavish, *Time*, August 5, 2015.
13 Rick Seltzer, "A Marketplace in Confusion," *Inside Higher Education*, April 13, 2017.
14 James Dean Ward, "The Unintended Consequences of 'Free College' on New York's For-Profit Universities," *Brookings Institution*, August 8, 2017.

— IMPORTANT SEPTEMBER DATES —

September 11: the day that changed our lives forever in 2001
September 14-16: Phyllis Schlafly's Eagle Council in St. Louis, Missouri (call 314-721-1213 for information)
September 17: U.S. Constitution Day - have you read it lately?
September 21: National POW/MIA Recognition Day - we must never forget them

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THE TRANSGENDERING OF SEX EDUCATION. Transgender activists, not content with expanding legal rights as detailed in the May *Mindszenty Report*, are promoting their ideology in the earliest grades of U.S. public elementary schools, with the help of generous corporate funding. Ask for 6/18

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