



## Higher Education at a Crossroads

A confluence of factors—student age demographics, high tuition costs, more young people opting out, student debt, cuts in state funding for public colleges, federal restrictions on visas for international students, threatened loss of federal subsidies, and loss of public confidence—have placed U.S. higher education at a crossroads.

Universities have responded by freezing staff and faculty hiring, while trying to expand their markets through online programs. What universities have failed to do is to lower tuition rates, or address complaints of “woke” education in the classroom, or restore public confidence that most degrees are worth it for students who want to acquire job skills.

Once the pride of the United States, higher education has lost the confidence of a large segment of the American population.

A 2024 Gallup survey revealed that nearly a third of U.S. adults have no confidence in higher education, while another third said that they have “some confidence.”<sup>1</sup> This leaves only a third of Americans expressing a great deal or quite a lot of confidence.

This survey should be worrisome for university administrators and their governing boards. More alarming, though, is the acceleration of the decline in confidence in the past decade. When Gallup first measured public confidence in higher education in 2015, nearly 60 percent of Americans had great or a good deal of confidence. Only 10 percent had little or none.

Lack of confidence, as might be expected, is especially high among Republicans, with the majority in this subset telling Gallup they have little or no confidence. Similar declines are seen in independents. Yet even Democratic confidence in higher education is falling, having dropped from 68

percent stating that they had high confidence in 2015 to only 56 percent in 2024.

Many respondents expressed concerns that colleges are pushing political agendas not relevant to job skills and are overly expensive. These two concerns are exactly what is *not* being addressed by college administrators, notwithstanding announcements that they are ending or renaming Diversity, Equity and Inclusion offices in their universities.

Rising tuition, staggering student debt and misalignment with the labor market are not going to be any easier for college administrators to address than “woke” education in the classroom. Nor is the problem of large numbers of college-eligible students concluding that college isn’t worth the cost. Moreover, nearly 42 million U.S. adults who started college never finished. Some 94 percent of those students who do graduate have regrets about their degrees. An overwhelming number feel that they received better training from their employers than from their undergraduate education. Nearly half say that they feel “doomed to fail because I chose the wrong degree.”<sup>2</sup>

### Demographic Headwinds

At the other end, employers are finding that recent college graduates lack the right skill sets and are deficient in appropriate business etiquette. As a result, nearly half of human resource managers say they prefer to recruit a retired former employee. Nearly a third say they would rather go with a robot or artificial intelligence, or just leave the position unfilled.<sup>3</sup>

These trends are already affecting colleges’ financial viability. *Forbes* magazine reports that *colleges are closing at the rate of approximately one per week.*<sup>4</sup>

The larger problem for administrators is a demographic one. After decades of expansion in the 1960s and 1970s

when post-Second World War Baby Boomers were entering college, colleges now face a looming severe drop in the college-age population.<sup>5</sup>

Using the latest available census figures, the educational consulting firm Ruffalo Noel Levitz projects that by 2029 there will be 650,000 (or 15 percent) fewer students than now.<sup>6</sup> The Western Interstate Commission for Higher Education estimates that the number of 18-year-olds nationwide who graduate from high school each year will erode by 13 percent—nearly a half million students—by 2041.

Today, American higher education spends about \$700 billion a year, enrolls nearly 25 million students, and employs approximately 3 million people. Tuition represents only a portion of the total cost of providing college courses, but still remains the major source of revenue. Tuition accounts for 16 percent of public institutions' total revenue. Public institutions also receive state government funding and generate income from investments and student services such as campus housing, meal plans and parking fees.<sup>7</sup> On average, public universities charge tuition close to \$10,000 annually per undergraduate, with higher tuition for out-of-state and international students.

Additional revenue comes from federal funding, which stands at around \$59 billion for private and public institutions. Top federal funders are the Department of Health and Human Services, Department of Defense, National Science Foundation, Department of Energy, and National Aeronautics and Space Administration. In addition, the Office of Federal Student Aid indirectly funds higher education through grants, loans and work-study programs for students.

State funding provides another source of revenue for public universities and colleges, totaling \$129 billion in fiscal year 2025. State funding varies by state but is falling overall. *Half of all public colleges and universities receive less funding from their states than they did before the Great Recession of 2008* (adjusted for inflation).

### Hiking Tuition

Confronted with a restrained budget, public and private universities are responding in various ways, from cutting budgets to expanding their enrollment through online courses. At the same time, higher education continues to hike tuition, and student debt continues to escalate to unsustainable levels.

Some public universities have raised their undergraduate tuition nearly 30 percent over the past decade.<sup>8</sup> University administrators claim, with some justification, that increases in tuition are necessary because of rising costs of data security, technological services and employee benefits.

In response to rising tuition, the Iowa legislature has stipulated that state universities must develop three-year bachelor's degree programs.

*Tuition hikes only exacerbate U.S. student loan debt, which has more than tripled since 2006 and now approaches an astronomical \$1.6 trillion.*<sup>9</sup>

### Budget Cuts

Faced with rising costs and declining funding, universities across the country have announced hiring freezes. Many university administrators blame these cuts on the Trump administration's call for reduced federal funding of grants. The Trump administration has announced deep cuts to the National Institutes of Health grants to research universities.

In March, the administration pulled \$400 million from Columbia University over its failure to address the problem of antisemitism on campus. This was followed by the Department of Education warning 60 other colleges that they face the loss of federal funding unless they make their campuses safe for Jewish students. Universities are also bracing for a tax hike on their endowment income under the so-called One Big Beautiful Bill Act signed by President Trump on July 4.

Dozens of schools have announced hiring freezes, including Harvard, Massachusetts Institute of Technology, Notre Dame, University of Pennsylvania, University of Pittsburgh, Emory, University of Vermont, North Carolina State University, University of Washington and University of California, San Diego.<sup>10</sup> In March 2025, Johns Hopkins University announced that it was eliminating more than 2,200 employees because of a loss of funding from the U.S. Agency for International Development.

Although the full impact of the Trump administration's proposed cuts to federal grants for higher education is unclear, universities have undertaken other cost-cutting measures as well, including freezes on raises, placing capital development projects on hold, and scaling back graduate programs.

## Promoting Online Education

Colleges and universities are using online education as a way to subsidize their other programs. These programs frequently charge students more for online courses and degrees than for in-person classes. In fact, 83 percent of online programs in higher education cost more than in-person classes. As a result, these colleges are spending significant amounts on marketing and advertising their online programs.<sup>11</sup>

*Even though online courses and degree programs usually cost more in tuition, more students are learning entirely online than from in-person classes.* Online instruction for in-state students at four-year colleges averages \$341 per credit, while in-person classes for in-state students average \$325 per credit. This adds up to about \$41,000 in revenue for an average online degree at a four-year university, compared to about \$39,000 for an in-person degree. *But for out-of-state students taking online classes, the costs are considerably lower than for in-person classes—\$30,545 lower over four years.*

Many students find online courses convenient because they fit easily into family and work schedules. Also, online students save substantially by avoiding other costs of in-person education including dorm and housing charges, parking permits, books and various student fees.

Universities offering online courses and degrees claim that online students will learn as much as in-person students. Yet studies show that online students are less successful in completing courses and degree programs.<sup>12</sup> And student surveys disclose another side to the story.

### 'It's super easy'

Interviews of students at the University of Arizona by the campus newspaper found that students choose online education because the courses are easier and they can expect a high grade. As Karsyn Breiman, a pre-business freshman, described her online class, "It's super easy. The professor does not live here. All I have to do is take a quiz on Monday, Wednesday and Friday and the questions come directly from notes that he posts. It takes me five minutes, three days a week."<sup>13</sup>

*After the unhappy global experiment of lengthy Covid-19 classroom shutdowns, which forced students to go online, few people argue anymore that online learning is as effective as classroom instruction. For universities and*

*colleges, however, online learning is big business.* Online programs expand the market, often use cheap adjunct professors or other non-tenured faculty, and subsidize other programs.

Universities offering online programs appear hesitant to provide full reports on grade inflation, failure to complete courses, and knowledge gained in online programs. Universities tend to focus their reports on in-person student figures and class enrollments, even as a major part of their programs is now online.<sup>14</sup> Boards of regents and state legislators should insist on full reports from universities on graduation and retention rates, costs and profits, and other data for online education.

### Foreign Students: A Cash Cow

Colleges and universities, private and public, have found international students to be a cash cow—at least until recently. As the demographic pool of eligible American students began to decline, and universities faced rising costs, many institutions turned to recruiting international students. President Trump's threat (and actions) to scale back visas for international students, and to penalize universities that won't implement policies to protect Jewish students, has sent shock waves throughout higher education.

Today there are about 19 million students enrolled in U.S. degree-granting colleges. *At state institutions, international students pay on average three times the tuition rate applicable to in-state students.* Close to 6 percent of the total student population—about 1.1 million—are from another country. Approximately three quarters of these students are from Asia. Nearly half come from India or China.

The top five schools that have the most international students are New York University, Northeastern University, Columbia University, Arizona State University and University of Southern California.<sup>15</sup> Over half of the students at Illinois Tech are international. At Carnegie Mellon, 44 percent of the student body is international, at Stevens Institute of Technology 42 percent, at Northeastern 40 percent, at Columbia 40 percent and at Johns Hopkins 39 percent.<sup>16</sup> Most of these foreign students major in STEM subjects (science, technology, engineering or math).

The U.S. State Department has paused accepting visa applications for international students—and this has caused panic among university administrators across the

country. Secretary of State Marco Rubio's announcement that the Trump administration is aggressively moving to revoke visas held by certain Chinese students, as part of an effort to crack down on research theft, has only heightened this fear among college administrators. U.S. higher education has a large revenue stream at risk if there is a decline in the foreign student population.<sup>17</sup>

The legacy media and university administrators insist that international students make major contributions to the American economy. If this population is reduced, the entire American economy will be damaged. At least this is the claim.<sup>18</sup> As the education reporter for the *Washington Post* put it, "International students contributed \$44 billion to the U.S. economy in the 2023-2024 school year. Their loss could hurt more than just universities' bottom line."<sup>19</sup> But why should taxpayer-subsidized elite institutions allocate so many of their highly sought-after student slots to foreigners?

### The Bottom Line

**T**he real issue for universities is not about national security, or even education, but the bottom line. University administrators today seem more concerned with making money and less with good education. Universities continue to hike tuition, contributing to the student debt crisis. They rely increasingly on offering online courses, without much attention to their educational effectiveness or retention rates.

Higher education used to be about training future national leaders, imparting civic values and developing informed citizens. Today's college administrators seem less concerned about the purpose of higher education. Many of these administrators never enter the classroom. Instead, they stay in their offices complaining about politicians and objections to woke ideology. Meanwhile, these same

administrators ask their state legislators, the federal government and donors for more and more money.

Amid the eternal quest for more funding, college administrators rarely ask, "For what?" This is exactly the question being asked by students, parents, employers and much of the public. It is a question that demands an answer.

<sup>1</sup> <https://news.gallup.com/poll/646880/confidence-higher-education-closely-divided.aspx>.

<sup>2</sup> <https://www.forbes.com/sites/markcperna/2025/01/28/new-data-reveals-the-depth-of-college-crisis/>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> <https://www.luminafoundation.org/news-and-views/we-cant-ignore-a-crisis-of-confidence-in-american-higher-education/>.

<sup>6</sup> <https://www.npr.org/2025/01/08/nx-s1-5246200/demographic-cliff-fewer-college-students-mean-fewer-graduates>; <https://hechingerreport.org/author/jon-marcus/>.

<sup>7</sup> <https://journalistsresource.org/home/higher-education-funding-college-tuition-overview/>.

<sup>8</sup> <https://www.universityherald.com/articles/79617/20250428/university-tuition-increases-rising-costs-strain-students-nationwide.htm>.

<sup>9</sup> [https://www.economicsonline.co.uk/business\\_economics/exponentially-rising-tuition-costs-suppress-economic-growth-in-the-u-s.html/](https://www.economicsonline.co.uk/business_economics/exponentially-rising-tuition-costs-suppress-economic-growth-in-the-u-s.html/).

<sup>10</sup> <https://www.insidehighered.com/news/business/cost-cutting/2025/03/14/more-colleges-freeze-hiring-amid-federal-funding-uncertainty>; <https://apnews.com/article/college-jobs-education-department-nih-trump-antisemitism-af96e181e7958998a0fca0c8bb462b1e>.

<sup>11</sup> <https://www.npr.org/2025/03/15/nx-s1-5311603/why-does-online-college-cost-more>.

<sup>12</sup> <https://www.pewresearch.org/short-reads/2021/10/01/what-we-know-about-online-learning-and-the-homework-gap-amid-the-pandemic/>.

<sup>13</sup> <http://wildcat.arizona.edu/143838/uncategorized/easy-a-online-classes-ruin-college-education/>.

<sup>14</sup> <https://www.npr.org/2025/03/15/nx-s1-5311603/why-does-online-college-cost-more>.

<sup>15</sup> <https://www.kuow.org/stories/international-students-in-the-u-s-who-they-are-where-they-re-from>.

<sup>16</sup> <https://www.nytimes.com/2025/05/23/upshot/harvard-trump-international-students.html>.

<sup>17</sup> <https://www.nationalreview.com/the-morning-jolt/the-big-business-of-foreign-students-at-american-universities/>.

<sup>18</sup> <https://www.fwd.us/news/international-students/>.

<sup>19</sup> <https://www.washingtonpost.com/education/2025/05/28/international-students-economic-impact-trump-harvard/>.

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