

Tuition-Free Higher Education

Written by Chris Wright

Wednesday, 16 June 2010 15:09 - Last Updated Thursday, 28 July 2016 09:59

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We must treat education as a fundamental human right essential to the exercise of an effective democracy.

Education must be free of charge because there can be no equality if only the privileged can rise to their full potential. Thomas Jefferson believed that education should be provided, “at the common expense of all.” **(1)**

We need to make public higher education free in all 2-year and 4-year public colleges. We also need to focus on reducing administrative costs, increasing full-time faculty and dedicating more funds for instruction.

Student debt has reached crisis proportions in this country. American student loan debt has surpassed \$1.3 trillion dollars and has produced a generation of indentured students.

We should support Sen. Bernie Sanders’ S.1373, “College for All Act” which calls for funding all expenses for low-income students and requiring states to maintain their support for public higher education. **(2)**

At a minimum, minus federal funding, the state should provide a two-year tuition-free higher education.

However, if you only make tuition-free and don’t provide other types of financial aid, you will actually increase student debt. Students are paying for everything that’s not tuition, they have to pay for the books, living expenses, the room and board and everything else related to education.

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Several factors have contributed to the high cost of tuition. States have been cutting their funding for higher education and also higher education institutions have taken on many other functions. Whenever the states cut public higher education, those colleges know they can raise tuition because they know students can take out loans and financial aid.

People are shocked to learn that as little as 10% of university budgets are spent directly on educating students despite rising tuition. This is most true at research universities that perform many other functions.

While administrative bloat keeps expanding, undergraduate instruction is short-changed. More administrators and staff are needed to run graduate education, law schools, medical schools, professional education, gigantic research facilities, large athletic programs, overseeing venture capital enterprises, and community service programs. You need administrators to watch over the other administrators and computer staff to compile the data to give to the staff, to allow them to give the first group of administrators the information they need to watch over the second group and a whole set of people to see that everyone is following state and federal guidelines until it spirals out of control.

Unfortunately, the only people who can rein in the administrative class are the administrators themselves, who have no motivation to reduce the administrative population because they profit from maintaining the status quo.

When funding decreases undergraduates pay more in tuition and receive less instruction. To reduce costs universities increasingly rely on large class sizes, part-time teachers, and graduate student instructors. In fact, undergraduates end up subsidizing the other functions of the university that are unrelated to undergraduate instruction.

Twenty-five years ago, 75% of the faculty had secure jobs and now 75% of teachers have part-time jobs often without benefits. Not only do institutions rely on the exploitation of part-time labor, but they rely on interns, students, students getting internships or students working at the colleges for very low rates; sometimes without pay.

This labor model has transformed not only faculty but other types of jobs at our colleges. It exploits graduate students who often train to be professors, but act as part-time teachers to

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afford their doctoral degrees who often can't find a job only to end up as part-time labor. In fact, the whole system of labor at universities ends up producing insecure part-time jobs with no benefits and no academic freedom or control over their work.

This neoliberal system increases economic inequality in communities with massive differentials in pay between faculty and administrators. What we find is universities and colleges paying top administrators hundreds of thousands of dollars and coaches making over a million dollars. They're making all the money despite being unconnected to the mission of research and teaching. Meanwhile, the people doing the basic functions of teaching and research often have very insecure low-wage jobs.

These low-wage jobs have an impact on student learning. Part-time teachers can't teach effectively, can't meet students after class or write letters of recommendation. Because they're running between jobs, they have little time to spend on papers. Sometimes teachers are judged by student evaluations. Students can get rid of a teacher that's too difficult or too challenging. This results in defensive teaching because teachers are afraid of getting bad student evaluations.

One way to address these issues is by making public higher education free. Of course, a fair question to ask is, "How are you going to pay for this?" In fact, to make higher education free we do not have to raise taxes or have the government spend much more than it already is spending. The government already spends huge amounts of money on private and for-profit colleges that have very few graduates. Instead of giving a myriad of voucher-like tax breaks that most often benefit the wealthy, we should give the equivalent funds directly to public institutions and require that they spend a certain percentage of that money on direct instructional costs.

America is one of the few industrial nations which does not offer free higher education. It's time we treated education as a guaranteed fundamental right and not just a privilege.

(1) (A Bill For The More General Diffusion Of Knowledge, Chapter 79 (Lxxix), Section I, 1778, Thomas Jefferson)

(2) Sen. Bernie Sanders S.1373, "College for All Act" (<https://www.congress.gov/bill/114th-co>

[ngress/senate-bill/1373/text](#))

Addressing Obstacles to Tuition-Free Higher Education

Direct Conditional Funding for Public Higher Education

By making public higher education free and replacing the current mix of financial aid by the state and federal government lost to tax credits, tax subsidies, grants, institutional aid, tax deductions, and tax shelters with direct funding for public institutions, we would provide the government a way to control costs at both public and private higher education. Doing away with our unjust tax system we could stop the movement of public funds to expensive private and for-profit universities and colleges. Tax deductions favor the wealthy because many low-income families pay little if any income taxes.

Federal and state money should only be spent on the condition that colleges maintain 75% of their faculty as full time faculty, that they spend 50% of their funding on direct instructional costs, and that they can only have 25% of their classes with more than 25 students in them. This would allow students to graduate faster because there would be more classes, it would make education more effective because there would be smaller classes. Universities have the resources to do this, but they're just spending money on other things.

End Creative Accounting - Determine the Real Cost of Undergraduate Education

The government should require public colleges to publish disaggregate calculations on what they actually spend on undergraduate education. False and misleading methods used by colleges take the total cost of undergraduate and graduate instruction, professional school education, departmental research, facilities, services, and administration, and divide that cost by the number of students. Despite reporting that 90 percent of their faculty is full-time, in reality, the number of full-time faculty teaching undergraduate courses is closer to 35% because they fail to include graduate students and part-time un-tenured adjunct instructors as faculty.

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Audit Higher Education Institutions

We should direct the legislative auditor find out the true cost of undergraduate education at the University of Minnesota and MnScu. The legislature should demand a transparent accounting to allow the state to better calculate how much it has to spend to educate each student. We should calculate direct instructional costs for undergraduates. By separating instructional costs it should be easier to show that most of our state funding and student tuition is not going to undergraduate instruction. We should determine the cost of classrooms & buildings, heating, staff, equipment, & central administration separately. We should determine the optimum ratio of Administration to students and the reasonable compensation for those services. The legislative auditor should review the Human Resources Management System and the Enterprise Financial System at the University of Minnesota.

Stabilize Faculty Jobs

Because the majority of people teaching undergraduates today lacks tenure, we need to stabilize their jobs by moving them into full-time positions. This will cut down on faculty turnover and the need to hire and manage part-time teachers. We should allow these newly full-time faculty members to participate in faculty senates, serve on departmental committees and will reduce the workload on professors. All faculty would then have time to take on tasks like student advising that are now done by an army of staff, resulting in significant savings.

End the Privatization of Higher Education

Public universities have been privatized and no longer serve a public mission; instead, they often operate like large corporations. Administrators with little or no training in education run schools as if the goal was to increase compensation for the people at the top, while the vast majority of the teachers and workers are paid poverty-level wages. The move to online classes is a privatizing factor and public universities are adopting many of these rote learning educational strategies that for-profit schools use. The only way to stop this privatization of a public function is to make public higher education free.

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Develop National Uniform Rating Standards for Ranking Universities

Because there is no accepted method of evaluating and judging the level of student learning and the quality of faculty teaching, *I call on the University of Minnesota to convene a national summit of Universities for the purpose of establishing inter-university rating and ranking standards that **measure** student learning, teacher effectiveness and a method to review and appeal that teacher effectiveness process.* In the endless race for high rankings, universities inflate their tuition, so they can give the brightest and wealthiest students the best financial aid packages. Colleges have switched from need-based to merit-based student aid. Studies show that students with the highest SAT scores also have the wealthiest parents. In this system, lower and middle-class students actually end up subsidizing the wealthiest students. A national rating standard SHOULD NOT allow universities to be ranked on the basis of a meritocracy of wealthy student SAT scores, but rather on how well students learn and the quality of their teaching to promote a more diverse student body.

The Case for Free Higher Education in America

See “Why Public Higher Education Should Be Free—How to Decrease Costs and Increase Quality at American Universities by Robert Samuels (2013)

To determine the cost of making all public higher education free in America, we first need to look at how much we are currently spending. In 2008–9, there were 6.4 million full-time-equivalent undergraduate students enrolled in public universities and 4.3 million enrolled in community colleges. ¹ The following year, the average cost of tuition, room, and board for undergraduates at public four-year institutions was \$14,870; at two-year public colleges, it was \$7,629. ² If we multiply the number of students in each segment of public higher education by the average total cost, we discover that the cost of making all public universities free would have been \$95 billion in 2009–10, with an annual cost of \$33 billion for all community colleges—or a total of \$128 billion.

While \$128 billion seems like a large figure, we need to remember that in 2010, the federal

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government spent \$35 billion on Pell grants and \$104 billion on student loans, while the states spent at least \$10 billion on financial aid for universities and colleges and another \$76 billion for direct support of higher education. ³ Furthermore, looking at various state and federal tax breaks and deductions for tuition, it might be possible to make all public higher education free by just using current resources in a more effective manner. And as I have argued throughout this book, the cost for free public higher education could be greatly reduced by lowering the spending on administration, athletics, housing, dining, amenities, research, and graduate education.

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It is important to stress that the current tuition rates are inflated because schools increase their sticker price in order to subsidize institutional financial aid for low-income students and to provide merit aid for wealthy, high-scoring students. If we eliminated the current aid system and each school instead received a set amount of money for each student from the state and federal governments, we could significantly reduce the cost of making public higher education free in America. Also, by eliminating the need for student loans, the government would save billions of dollars by avoiding the current cost of nonpayment of loans, servicing and subsidizing them, and borrowers' defaults.

Rather than directly funding public higher education institutions, state and federal governments have often relied on tax deductions and credits to support individual students. The tax code has been used to fund higher education because it is easier for Congress to pass a tax break than it is to get funding for a particular program, but what this system has achieved is a tremendous subsidy for upper-middle-class and wealthy families, while lower-income students are forced to take out huge loans to pay for their education. According to a recent study: "From 1999 to 2009, the government spent \$70 billion on tax breaks aimed at subsidizing higher education for families . . . about 13 percent, or \$9.4 billion, of that total went to families making more than \$100,000 a year. At the same time, only 11 percent went to the neediest families, those making less than \$25,000. Families in the middle—those making between \$25,000 and \$99,999—received the lion's share of the aid, taking in slightly more than three-quarters of the benefits." ⁵

Later the report indicates that more of the funding now goes to the wealthiest Americans: "Nearly 83 percent of the higher education tax benefits distributed from 1999 to 2001 went to families earning less than \$75,000 per year. No benefits went to those earning more than \$100,000. By contrast, in the last three tax years alone, families making between \$100,000 and \$180,000 received nearly a quarter of the benefits. The share going to middle-income families sharply declined." ⁶ This tax system for higher education is a great example of how so many of our governmental policies end up subsidizing the wealthy while poor and middle-class citizens pay more and get less.

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In 2010–11, the federal government provided the following tax sub-sidies, breaks, and credits for higher education: student interest rate exemption (\$1.4 billion); exclusion from taxation of employer-provided educational assistance (\$1.1 billion); exclusion of interest on student-loan bonds (\$0.6 billion); exclusion of scholarship and fellowship income (\$3.0 billion); exclusion of earnings of qualified tuition programs—savings account programs (\$0.6 billion); the HOPE tax credit (\$5.4 billion);

Lifetime Learning tax credit (\$5.5 billion); parental personal exemption for students age nineteen or over (\$3.4 billion); and state prepaid tuition plans (\$1.8 billion).⁷ There's also the stimulus package's American Opportunity Tax Credit (\$14.4 billion) and the part of the deductibility of charitable contributions for gifts to educational institutions (\$4.9 billion). In total, the federal government lost over \$40 billion in tax revenue due to higher education in 2010.

If we made all public higher education free, not only could we do away with this unjust tax system, but we could also stop the movement of public funds to expensive private and for-profit universities and colleges. What most people do not realize is that the use of financial aid and tax subsidies for individual students has resulted in a system where much of the governmental support for higher education ends up going to private institutions that cater to the super-rich or to low-achieving for-profit schools. In fact, during a 2012 congressional investigation of for-profit colleges, it was discovered that up to a quarter of all federal Pell grant money is now going to these corporate schools, which charge a high tuition and graduate very few students.⁸ What this investigation did not uncover, however, was the total amount of state and federal tax breaks that go to support for-profit institutions.

There has been recent research on how much the federal government has spent on tax deductions and credits for higher education, but as far as I can tell, no one has examined how much states are spending on these tax breaks for colleges and universities. However, it is safe to estimate that the total subsidy by the states is at least the same as the total federal level of support. This is because many of the states have tax deductions that exceed the national tax breaks for tuition, and most states have tax-advantaged 529 college savings plans.⁹ For example, in New York State, the tuition tax credit goes up to \$5,000 per year per student, and the tuition tax deduction is \$10,000 for each eligible student.

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It is important to note that tax deductions favor the wealthy because many low-income families pay little if any federal income taxes.

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One of the great secrets in higher education funding is the role played by 529 college savings plans: “In 2000 a total of \$2.6 billion was invested in 529 plans. This grew to \$14 billion in 2001 and more than \$92 billion in mid-2006. The student aid resource *Finaid.org* projects that total investment in 529 plans will reach \$175 billion to \$250 billion by 2010, with a total of 10 million to 15 million accounts opened.”

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Not only do state governments lose billions of dollars in tax revenue each year due to these 529 plans, but the wealthy have figured out how to use these plans as all-purpose tax shelters. For example, if a couple puts \$26,000 a year for each child into an account and decides later to use the money to buy a yacht instead, only the investment gains will be assessed a 10 percent penalty and taxed as income. Also, contributions made to a 529 are removed from a family's estate, and 529 plan owners can name a successor to the account when they die, which enables the plans to shelter money for multiple generations.

One way that wealthy people use these accounts to avoid paying taxes is by giving each other gifts. Gift taxes can be avoided if contributions into the plans over a five-year period do not exceed \$65,000 for single tax-payers and \$130,000 for married couples. Clearly, it is only the wealthiest Americans who are able to profit from this type of plan. In fact, according to a Department of the Treasury report, “Currently there are effectively no limits on Section 529 account balances. Because 43 states offer plans open to residents in other states, a beneficiary can have accounts in as many as 44 states, each state with a limit exceeding \$224,465.”¹² It is obvious that only wealthy people can afford to save and invest this type of money. More-over, the same study of 529 plans details how the richest families are using these plans for tax shelters:

Data from the 2007 Survey of Consumer Finance found that among households in the top five percent of income—average income, \$548,000 per year—those with education savings plans held an average balance of \$106,250. That's more than triple the average for households in the 90th–95th percentile, more than ten times the balance for the 50th–75th percentile, etc. Second, among households in Kansas who took a state income tax deduction for 529 contributions, the average deduction for households making over \$250,000 per year was \$10,323. For those in the \$100K–\$250K range it was less than \$5,000, for everyone else, less than \$3,000.

As this federal government report indicates, 529 plans have now become an effective way to subsidize wealthy people; meanwhile, states are being forced to cut their higher education budgets due to their lack of tax revenue.

If we took all of the state and federal money that is lost each year due to these tax credits,

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deductions, and shelters, we could make public higher education free for millions of Americans. However, the tax code is rigged to provide aid to wealthy people, and one side effect of this system is that private universities are able to charge higher tuition because they know that the parents of many of the incoming students will pay only a fraction of the full price thanks to merit aid, institutional aid, and tax breaks. Furthermore, once the private universities increase their tuition, they raise the bar for everyone else, making tuition increases at public universities appear more tolerable. And since the top public universities compete with the top private universities for star faculty and administrators, the more the private institutions are able to increase their tuition, the more the public ones have to pay their star faculty.

To contain rising tuition at private universities and the subsidization of high-cost, low-value for-profit schools, the government needs to move away from the current emphasis on tax breaks and tax shelters, which can be accomplished in part by making all public higher education free. Replacing the current mix of financial aid, institutional aid, tax subsidies, and grants with direct funding for public institutions would give the government a way to control costs at both public and private universities and colleges. The federal government could also require states to maintain their funding for public institutions in return for increased federal support, and once we stabilize funding and make higher education free, there will be no need for so many students and institutions to go into debt.

Notes

1. National Center for Education Statistics, "Integrated Postsecondary Education Data System (IPEDS)," 2008, 2009, 2008–09 Winter 2009–10, Spring 2009, and Fall 2009 (http://nces.ed.gov/pubs2011/2011015_3a.pdf).

2. National Center for Education Statistics, "Digest of Education Statistics," Table 345 (<http://nces.ed.gov/fastfacts/display.asp?id=76>).

3. For statistics on Pell grants, see Baum and McPherson, "Pell Grants vs. Tuition Tax Credits." For state spending on higher education, see Lederman, "State Support Slumps Again." For financial aid for universities and colleges, see "State Support for Student Aid 2009–10." For federal support for student loans, see US Department of Education. "Student Loans Overview."

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4. In the case of funding graduate students, I propose that we stop the current model of forcing graduate students to teach undergraduate courses and sections and that each graduate student be fully supported by a mixture of state and federal funds. This would require reducing the number of graduate students, but it would increase the number who graduate in a timely fashion. Due to their need to teach while they are pursuing their degrees, many graduate students in the humanities and the social sciences never get their degrees, and many of the ones who do take ten years to earn their doctorates. Moreover, after receiving their PhDs, the majority of the students in the humanities and the social sciences end up either unemployed or underemployed. If we used current federal research funds and state support and limited enrollments, we could make all public graduate education free.

5. Burd "Moving on Up."

6. Ibid.

7. The federal tax breaks for higher education are itemized at Subsidy Scope, "Tax Expenditures in the Education Sector."

8. For statistics on how many Pell grants for-profits colleges are using, see Fuller, "For-Profits Hit Hardest by End of Year-Round Pell Grant Program."

9. For a list of many of the tax breaks for higher education in individual states, see FinAid, "State Tax Deductions for 529 Contributions."

10. For the New York tuition tax deduction information, see New York State Higher Education Services Corporation, "NYS College Tuition Tax Credit/Deduction."

11. Wikinvest, "529 Plan." For more on 529 plans, see FinAid[0], "Section 529 Plans."

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12. US Department of the Treasury. "An Analysis of Section 529 College Savings and Prepaid Tuition Plans."

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