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Are High Ed Cuts A Blessing In Disguise?

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November 21, 2016

Are cuts in higher education funding necessarily bad?

Is it a tragedy that California State University–Sacramento may soon become less affordable when a four-year tuition freeze agreement with the state expires in January? Or that despite the economic recovery, 46 states are still spending an average of 18% less per student than they did before the Great Recession, according to the Center on Budget and Policy Priorities?

Most students and educators would answer yes. “If you do raise tuition, you have to understand that less students will be going to college,” said Eric Reevesman, a senior at CSU-Sacramento.

However, some education scholars say the cuts may be healthy.

Neal McCluskey, director of the Center for Educational Freedom at the Cato Institute, said that the big subsidies that states and the federal government put into public colleges and universities have negative effects.

“Subsidies change people’s incentives and the tendency is that if something is subsidizes it tends to make people consume more of it, and to be less focused on the quality of what it is they’re getting and the efficiency of what they are getting,” he said. “And we see the outcome of decades and decades of subsidies reflecting in huge waste in higher education.”

That money would be better spent if it stayed with taxpayers who have earned it, McCluskey said, and reducing per pupil expenditure is actually advantageous because research has shown that there is a negative relationship between state expenditures on public colleges and universities, and economic growth.

“It actually makes sense,” McCluskey said. “We tend to think of education of building human capital as always beneficial, but it’s not beneficial if you just spend the money in the name of enhancing human capital and you’re not actually doing it. And there’s lots of evidence that’s the case in higher education.”

The National Assessment of Adult Literacy’s most recent study on adult literacy completed in 2003 revealed that 14 percent, or 30 million American adults demonstrated a “below basic” literacy level – with the term defined as “no more than the most *simple* and *concrete* literacy skills.” The study also showed that 29 percent, or 63 million adult Americans showed a “basic” reading level.

Prior to the 2003 study, another assessment was conducted in 1992, which showed the same percentage of adults performed at a below-basic level, and 28 percent (1 percent lower than in 2003) read at a basic reading level.

“It would be nice to have additional years to that, but that’s a big indication that just putting more into higher education -- just generating more things called ‘degrees’ -- isn’t actually increasing human capital, knowledge or ability,” McCluskey said.

President-elect Donald Trump has stated his intention of trimming the Department of Education, which could lead to a significant reform in higher education.

Lindsey Burke, the Will Skillman fellow in education policy at the Heritage Foundation, said there are two areas in higher education in desperate need of reform: student loans and accreditation.

“There’s always this issue of how do we drive down college costs, and over the past four decades the position has been, ‘Well, let’s just subsidize increases in college costs.’ Of course that that takes the form of subsidized student loans and grants, and that has done nothing to drive down college costs whatsoever,” Burke said.

Instead, student loan burdens are higher than they’ve ever been, she said, and there is no pressure on colleges to keep tuition in check because they know students have an abundance of federal funds to draw from.

“We need to actually get to the root of the college cost problem,” Burke said.

One of the ways to do that is accreditation reform and getting the federal government out of accreditation altogether. The system needs to allow a market of different accreditors to provide more options for students and potentially drive down costs, Burke said.

“The second piece to that is the federal government originates and manages 93 percent of all student loans,” Burke said. “And when students default, taxpayers are on the hook for those defaults, and that’s a huge problem.”

Universities know that they can raise tuition as high as they want because they know that students can simply go back to the federal government and get loans.

“There’s virtually nothing preventing them from doing that – there are no credit checks, and so universities are well aware of this,” Burke said. “It has created this viscous lending and spending cycle that hasn’t helped anyone – students, taxpayers, no one has been helped by the way the current system is structured.”

Not everyone agrees with federal and state governments reducing subsidies to public colleges and universities.

Heather Jarvis, an attorney who specializes in student loan law, said increased investment in higher education by state and federal governments will go a long way to reducing the financial burden placed on students because the price of borrowing money for higher education is often overlooked.

“One of the reasons we see so much borrowing is because there is less money budgets to keep tuition in check and to provide financial assistance for those in need,” Jarvis said. “So what we have developed is a debt-based system of access to higher education.”