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College Costs Out Of Control



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College is expensive. Ask any family with post-secondary students and they will tell you just how outrageous are the costs of college education today. And yes, gas, food, and life in general are expensive. But college costs have risen much faster than average inflation for decades so this isn't a short-term phenomenon. College costs are soaring, seemingly all on their own.



First, let's remember just how important education over the lifetime of a person. An individual who does not graduate from high school earns on average \$23,452, less than the U.S. [average](#) wage of \$41,444 per year. Further, 68% of the [prison](#) population is made up of non-high school graduates. So the first conclusion is that people need to graduate from high school to hope for a "normal" life in this country. [Next](#), someone with an associate of arts degree, or two-year degree, from college earns about the average salary. A four-year college graduate earns on average \$55,000 per year and people with post-graduate degrees, master's

degrees, and PhD's, earn \$65,000 per year and beyond. So the statistics show that level of education correlates directly with level of earnings and wealth over time. Further, the unemployment rate correlates with level of education with the highest rates for the lowest education.

[Education](#) is the great equalizer in this country. It is the facilitator of the American Dream. People can grow up poor, in an urban or rural setting, but can hope to pull themselves up out of poverty with education. Unlike many other areas of the world, America mostly is a meritocracy facilitated by

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Currently I am an Adjunct Professor at Lynn University & Florida Atlantic University. Previously I was Chairman & CEO of Office Depot, Inc., and AutoZone, Inc. I worked in consumer products at Quaker Oats and Sara Lee for the first half of my

education. As a society we have recognized this and require elementary and high school education to be provided “free” (paid by tax dollars) to all young people and most states require attendance to age [eighteen](#). Still, [15%](#) of the U.S. population does not have a high school diploma. College, on the other hand, is voluntary and requires payment by the individual. Unfortunately, only [17%](#) of the U.S. population has earned an undergraduate degree.

Since 1982 a typical family income increased by [147%](#), more than inflation but significantly behind the huge increase in college costs. College costs have been rising roughly at a rate of 7% per year for [decades](#). Since 1985, the overall consumer price index has risen 115% while the college education inflation rate has [risen](#) nearly 500%. According to Gordon Wadsworth, author of *The College Trap*, “...if the cost of college tuition was \$10,000 in 1986, it would now cost the same student over \$21,500 if education had increased as much as the average inflation rate but instead education is \$59,800 or over 2 ½ times the inflation rate.” Blunting these increases is a rise in federal student [aid](#) including tax credits and deductions. And nearly two thirds of undergraduates now receive some sort of grant aid and student loan borrowing is on the upswing. But loans must be paid back so the pain of payment is only delayed.

State colleges and universities even have controlled prices to students somewhat by throwing more tax dollars at institutions and through private fund raising. But recently that trend has reversed, as states have had to deal with their own fiscal crises. The problem is that the underlying costs keep rising and there is seemingly little effort being expended to control those costs. Imagine what college costs would be if they weren’t underwritten partially by other tax dollars!



Universities, of course, are subject to inflation like all of us: food, water, fuel, electricity, etc. all increase for them as it does for households. And some inflation is due to increased spending on facility construction, especially lab and computer costs. But most of these capital expansions are paid for with donations and debt. The overwhelming cost culprit is labor costs. Between 1993 and 2007, total university expenses rose 35%. But administration [expenses](#) rose a whopping 61% and instruction expenses rose 39%. In fact, as a 2010 [Goldwater Institute study finds](#), “universities have in recent years vastly expanded their administrative bureaucracies, while in some cases actually shrinking the numbers of professors.” While enrollment rose between 1993 and 2007 by 14.5%, administrators employed per 100 students rose nearly 40% and spending on administration per student rose by 66%.

Part of the issue is due to the tenure policy at universities. Tenure virtually guarantees employment for life at these institutions regardless of productivity of professors. About [half](#) of full-time faculty members have tenure. Senior professors at elite universities now get sabbaticals every third year rather than “just” every seventh year. In [2011](#), 20 of Harvard’s 48 history professors were on leave.

Another issue is demand. The baby boomlet or baby boom echo group born

career. I have a BBA from the University of Notre Dame, and an MM from the Kellogg School of Management at Northwestern University.

The author is a Forbes contributor. The opinions expressed are those of the writer.

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between 1988 and 1995 have flooded colleges with demand for a limited number of spots. Even so, the college-enrollment has [risen](#) by 138% over the past 40 years. This rising demand has tolerated increased costs and allowed universities to raise prices uninhibited by normal economic forces.



Where will it end? Hopefully, capacity will be added at universities to allow greater participation. But even then, if salary and overhead increases continue at the current pace, universities will price themselves out of the reach of most Americans. Perhaps when this happens administrators will be forced to get serious about cost control. Or maybe populist anger will turn from its current focus and realize that the American Dream is being denied them by the profligacy of these college

administrators and professors.

People need to wake up and begin to demand fiscal accountability from institutions of higher learning so that future generations have the ability to access higher education and therefore the American Dream.

– [Steve Odland](#)

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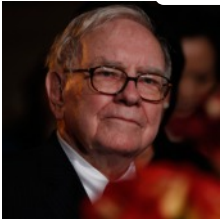
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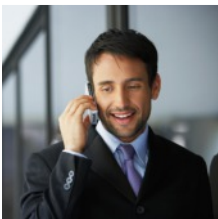
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