

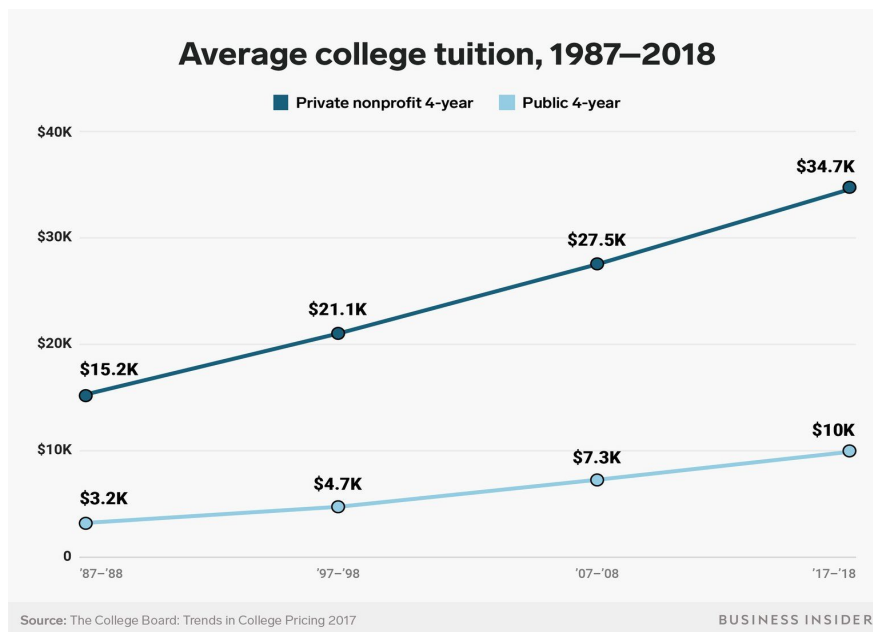
# Cost and Benefit Analysis for Higher College Tuition

## IST 618 Group 1

Shuying, Aishwarya, Meena, Satyen, Shwet, Yash

### 1. Introduction

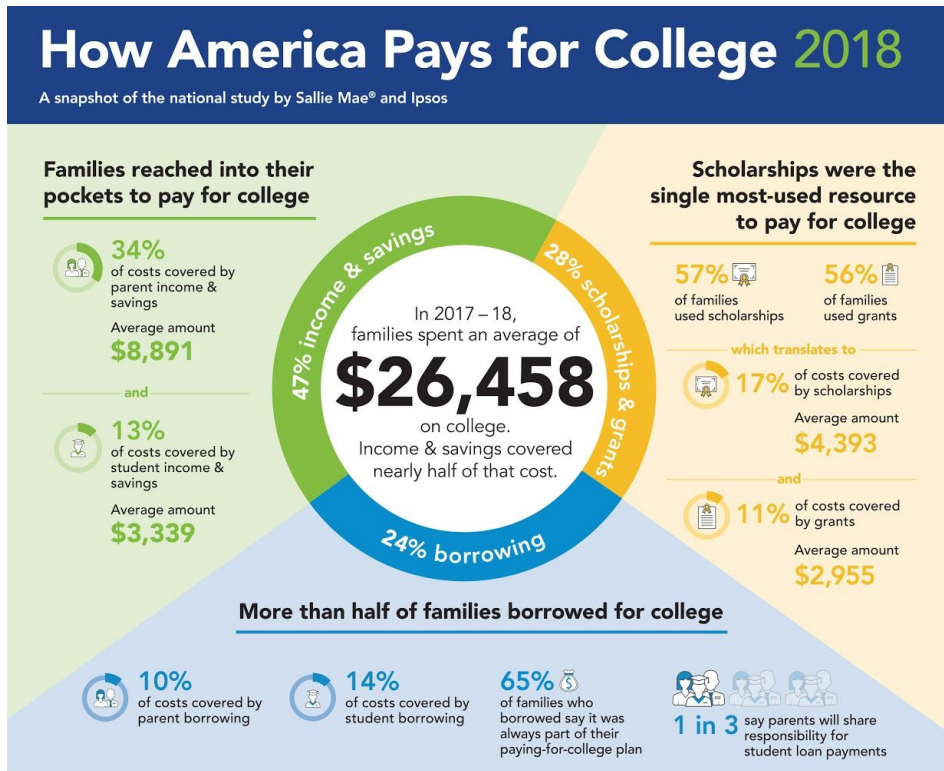
In the article “Is College Tuition Really Too High?”, we are discussing the education issue to come to a conclusion using the **cost-benefit analysis** whether college tuition is too high for people to afford. As you can see from the graph below, Tuition fee is around **three or four** times as expensive as it was in 1974.



We will be further diving deep into the reason for such a rise, analysing the cost-benefit of the current scenario and then coming to a conclusion based on our research.

### 2. Background

With slightly change on family income, car and home prices, tuition fees become a painful bill for the Median family. In the statistics report about how america pay for college in 2018, it shows that family cannot afford half of the tuition fee with the increasing college tuitions. This become a severe social problem now.



College tuition fee also become a political issue. President Obama has planned to make community college available to almost every american to gain knowledge. Hillary Clinton, Hillary Clinton, Bernie Sanders and Martin O’Malley all promised to increase the federal funding for college if they are elected. However, Donald Trump announced that he will cut the funding for Department of Education “way, way, way down.”

In March 2019, the budget proposal for the 2020 fiscal year that was released by Donald’s Trump’s administration shows the request to cut \$7.1 billion funding for the Education Department compared with 2019. That pushes the situation into worse direction.

### 3. Benefits

For the society, workers with higher education would be more productive to bring more profitable which would lead the overall economy grow faster. People who receive higher education would also influence the lives of people who are around them because they are healthier, more stable and more actively join in the social activities.

Otherwise, there would be greater income inequality with increasing population cannot receive higher education. A huge segment of the population would have lower income. That would lead series social issues, such as lower unemployment rate and higher crime rate.

For individuals, we can receive skills and knowledge to become technical expertise. After graduating, we would have the higher possibility to get skilled jobs with higher paying. With higher college tuition fees, school also would be able to offer better equipment and services, such as academic tutoring services, nicer dorms, better food and a climbing wall.

#### **4. Cost**

For the cost analysis, I will focus on the individual aspect which would be easier to estimate. In the following paragraphs, I would analyze the several costs in the different categories with more details.

- ***Explicit Costs***

Explicit costs of attending college would not only contain the increasing college tuition, but also including lodging, books, and transportation fee, and also living expenses which would also be the large amount. With the increasing price of housing, students also need to compare different apartments or houses to get cheaper price of lodging during their studying period in college.

- ***Direct and Indirect Costs***

The direct cost of entering college would be tuition fees and other fees, such as activity fees and college program fee. That would be almost the same amount each semester. The indirect cost would be the cost that students spend for daily life and study. The indirect cost contains books and supplies, room and board, transportation, insurance, a small entertainment allowance, and other personal expenses. We also need to take indirect cost into consideration for the cost and benefit analysis because these would also be one of the important elements in cost part.

- ***Incremental Costs***

Both direct cost and indirect costs all changes yearly. It is obvious that the cost per credit for courses increases on a yearly basis. For example, the cost per credit for courses at Syracuse University increases about \$100 in 2019. With the increasing of housing price, the house rental cost for student increases on a yearly basis. Besides, the cost of books, transportation and food also increase slightly on a yearly basis.

- ***Private and Public Sector Costs***

Private and Public Sector provide less financial waivers and scholarships. That makes different students would not pay the same amount for attending college. It also increases the number of students to graduate from college with the financial support from colleges and outside organization. However, the amount of financial waivers and scholarships would decrease with the decreasing amount of education funding.

Higher cost will impact the most to struggling students from families ill equipped to support their education.

## 5. Comparison

From the individual student's perspective, information and financial literacy are of paramount importance, and the College Scorecard provides excellent information on outcomes for students who study at various colleges. Knowing likely job prospects for graduates of various institutions can help prospective students and their families decide how much money to borrow. For example, an undergraduate degree in biology has roughly the same earnings power as a degree in art history, while the typical graduate from the University of Florida has a starting salary of \$51,100 compared \$44,000 for graduates from Florida State University – even though Florida State University costs \$4,000 more per year to attend. **Students and their families should also educate themselves on the wide array of student loan repayment options, because programs like Income Based Repayment may offer sizable benefits for certain types of students.**

Institutions can also do more to improve their students' job prospects and odds of financial success – **for example by investing in internships that match students to opportunities as well as by reducing time to degree or boosting graduation rates.** Many enrolled students fail to graduate in a timely manner because they work long hours at part and full-time jobs to pay college costs, especially at public institutions.

We believe that having student loans totaling \$30,000 and a college degree at age 22 is on average, a much better situation than peers who decided to skip college and go directly into the labor market at age 18. Furthermore, this advantage for those who graduate from college holds true for academically average, above average, and below average students alike. Still, students can risk less advantageous economic returns depending on their majors or the institutions they attend. Private colleges tend to charge considerably higher tuition than public institutions, even though higher cost institutions do not necessarily deliver better quality results. Put another way, there are many public colleges that provide an education equal to or greater in quality than education provided by some high-priced private institutions. Further complicating the picture is the fact that students who enroll in for-profit colleges generally reap lower returns – and experience higher rates of default on college loans – compared to students who study at non-profit public or private colleges..

## 6. Conclusion

Our team members had different opinions, but considering the potentially positive role tuition plays. On one hand, **it provides an additional stream of revenue for institutions that they can turn to when states are unable or unwilling to sustain their support. It can provide a strong institutional access incentive to enroll more students, as well as the budgetary means to do**

**so, and is less subject to the political whims or economic fortunes of the state capital. When governments control prices for something but do not provide enough subsidy to meet demand, shortages can result. If set at an appropriate level relative to students and families incomes, tuition can also provide an incentive for students to use resources wisely.** People sometimes place more value on goods and services that have a price, and may not perceive as much value in free or extremely low-priced education.

On the other hand, many low-income students and families are confused about the real cost of higher education, with its opaque and unpredictable system of federal, state, and institutional financial aid.

The evidence from states and countries that have (or used to have) free or very low-priced education, however, is mixed. Ireland and several Canadian provinces experienced rising enrollments when they imposed tuition constraints, but in England and Australia, enrollment rose as tuition went up, perhaps because institutions then had more resources and incentive to expand.

From finding a college that offers sufficient financial aid to choosing a major and ultimately persisting through graduation, the value of higher education will be determined in large part based on the choices you make.

Yet, if you proceed cautiously, the answer to the question around the economic benefits of college is definitive. Financial aid can make it affordable to attend, and as a graduate you can earn far more over the course of your career. In short, yes - college can be one of the very best investments that you make.