

An Expensive Databook: University Tuition Revenues Triple in Just Thirteen Years



Figure 1: Income for U.S. universities from public funding (light blue) and student tuition (dark blue) in billions from 2000 to 2013. Source: <https://www.economist.com/briefing/2014/06/27/the-digital-degree>

American universities' tuition revenues climb while government support fluctuates

Universities have long been run at high costs made feasible by government grants and minimal, if any, taxation. Focusing on income sources, Figure 1 compares the public funding and student tuition revenue streams of U.S. universities from 2000 to 2013. While public support wavers between just under \$60 billion and just over \$80 billion, student tuition revenues are on a steady and substantial climb from just over \$20 billion in 2000 to more than \$60 billion in 2013, a near tripling. Though the data does not show any obvious relationship between the values of the two funding sources, the difference in trends between the two is stark. While public support fluctuates within an approximately \$20 billion range within the same region and with no clear pattern, student tuition revenues increase dependably and tangibly each year, ending the 13 year period at nearly three times the original value of the student tuition revenue stream.

By 2013, the gap between the two revenue streams has decreased from just less than \$40 billion, nearly twice the original revenue from tuition, to around \$10 billion, which in 2013 was less than one sixth of tuition revenues. Meanwhile, total revenues of U.S. universities have risen from around \$80 billion in 2000 to more than \$130 billion in 2013, which an increase of approximately 62.5%. Though not yet available with the fourteen years provided and evidenced in Figure 1, the trend seems to indicate that tuition revenues will soon outpace publicly funded revenues for U.S. universities.

Implications

The implications of these changing revenues impact three key parties: those students and families paying college tuition fees, the policymakers determining how much government funding should be dedicated the higher education in the U.S., and the universities themselves. In

the trends observed from 2000 to 2013, tuition revenues have climbed certainly and steadily. While it is not given whether this threefold increase comes from higher tuitions charged to students, increased student volumes at existing schools, or an increasing number of schools collecting tuition from also increasing student volumes, it is most likely that the primary force behind this change is tuition increases which have long been instituted annually at institutions of higher education in the United States. While this trend seems poised to continue, there will likely be a tipping point at which tuition fees become grow too high to be feasible for enough students and tuition revenues will decline if costs do not increase more dramatically to account for lost student quantities. It is difficult to put a price tag on an education, but with costs rising so steadily, many students are being faced with the question: how much is a degree really worth? This also leads into the idea of how much is a *traditional* degree is specifically worth. As climbing tuition makes low-cost, online educations become increasingly more affordable than four year degrees from physical institutions, will we see the boom of the online university education? Will this in turn be the end of the traditional, expensive campus college?

In the short term, it seems apparent that American universities will have more revenue than they have seen in at least in 13 years, and likely ever. As this trend continues, universities may choose to expand to accommodate more students, may choose to increase the quality of the education they provide to students, or may choose to make sustainable investments to decrease future costs to students, especially given the uncertainty of the tuition tipping point and future government funding. Schools are likely to predict that students have a maximum price and are seeking out alternatives. This could also mean that high-cost universities roll out low-cost, digital options - what does a tiered pricing university look like? For-profit and not-for-profit universities will also likely have different responses to this trend. Will reputation matter once more and more student turn to online schools? Will tuition vanish entirely and be replaced by the new graduate earnings sharing model? Or, will any cost of higher education simply be too much in the time of free, online resources? Could we be witnessing the end of the university?