



Testimony

SB 167

Addressing Government Failure in Higher Education in Texas

Testimony in Support to the Texas Senate Committee on Higher Education

by Vance Ginn, PhD, Chief Economist

Chairman Creighton and Members of the Committee:

My name is Vance Ginn, and I am chief economist at the Texas Public Policy Foundation. Thank you for the opportunity to testify in support of [SB 167](#), which would temporarily restrict tuition increases charged by public institutions of higher education to help address skyrocketing college tuition.

College Tuition and Fees Are Skyrocketing

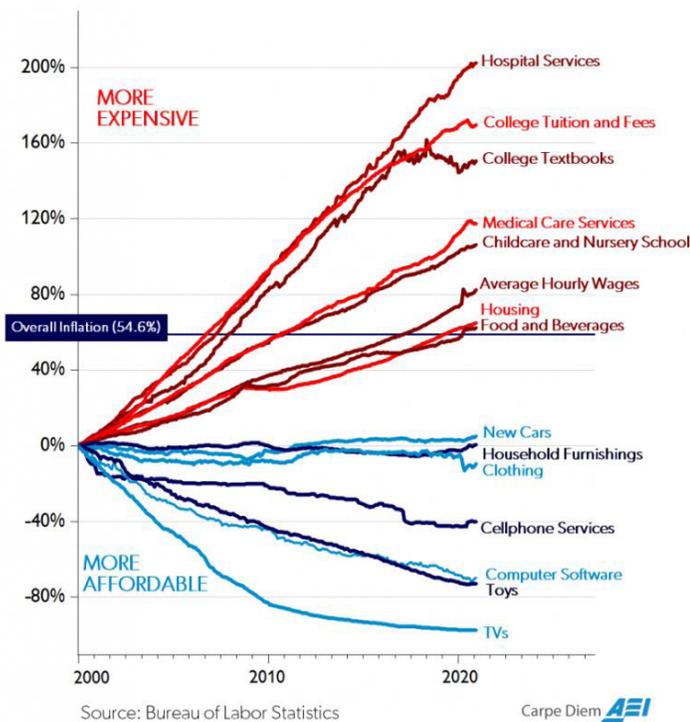
Figure 1 highlights a [clear distinction of price changes](#) since 2000 among several goods and services, [general prices](#) (+54.6%), and [average hourly wages](#) (+82.5%).

The markets of goods and services with prices increasing faster than general price inflation, such as Medicare and Medicaid in hospital services (+203%), are dominated by government intervention. College tuition and fees nationwide increased by

170% during this 21-year period, far outpacing general price inflation, as substantial government actions influence the college market. Last year, college costs increased by only 1.4%, which was the least on record since 1978 and was likely influenced by the pandemic, well below the almost 7% annual growth over the last 42 years.

Figure 1

Price Changes: January 2000 to December 2020 – Selected U.S. Consumer Goods and Services



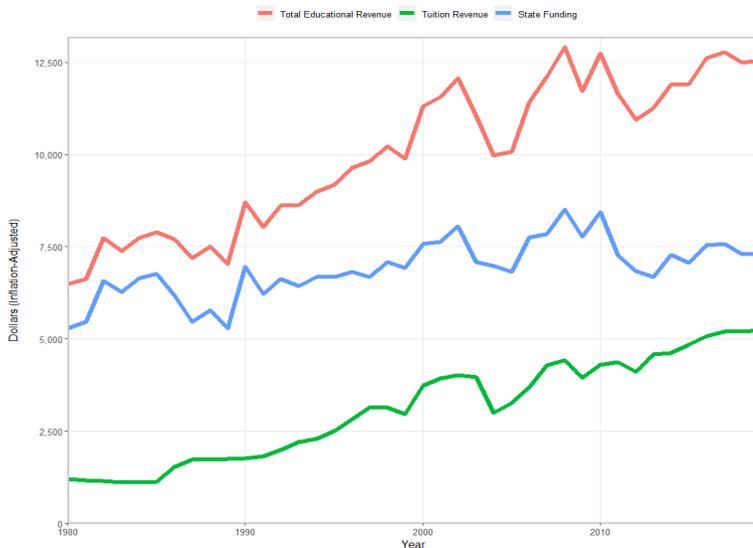
State Funding With Taxpayer Money Not To Blame

There are two sources for [total educational revenue](#) at public universities—tuition revenue and state funding. Since 1980, real (inflation-adjusted) public university tuition revenue has increased nationally by about \$135 per student per year, and real state funding per student has increased by about \$30 per year. Total educational revenue per student nearly doubled from \$7,800 in 1980 to a record high of over \$15,000 per student in 2019. Thus, there is no state disinvestment in higher education, as nationally in real terms state funding was the seventh highest on record in 2019, meaning tuition increases were not driven by cuts in state funding.

Figure 2 shows how, according to State Higher Education Executive Officers Association data, real total educational revenue per student in Texas has [more than doubled since 1980](#) and is near an all-time high, as real tuition revenue

Note. Chart from [AEI](#).

Figure 2
Higher Education Financing per Student in Texas: 1980-2019



Source: Texas Public Policy Foundation

is up more than double and real state funding is up nearly 50%.

A temporary freeze of tuition at institutions of higher education would require public Texas colleges and universities to charge the same tuition for the 2021-22 and the 2022-23 school years as they did for the 2020-21 school year. This means that the \$115 per student per year increase in real tuition revenue since 1980 would be paused, saving each student about that amount for every year the freeze is in effect.

Government Failure Is Driving Excessive Tuition

While an argument can be made that the rising tuition over time is from a market failure problem as the private costs and benefits are not efficiently directing prices and resources, at the margin, this claim is incomplete. It is true that people think at the margin about their actions, but these costs and benefits are distorted by government action through federal Pell

grants, subsidized student loans, and other actions arbitrarily inflating demand while government restrictions and accreditations limit the supply. Therefore, demand substantially outpaces supply over time in the college market based on government actions leading to a government failure of a misallocation of resources that have made college unaffordable to many, left many with exorbitant student loan debt, and created inequality problems that hinder progress for many people. While I would rather avoid government intervention in the college market, as the problem is already one of too much government, unless there is movement to remedy the government failure problems just mentioned, which are dominated by the federal government, there is a need for government action.

SB 167 Would Help Improve the Situation

Texas's public higher education systems can withstand a temporary tuition freeze. SB 167 would freeze tuition for 5 years in response to the COVID-19 pandemic, and tuition would be adjusted by the previous year's change in the consumer price index (CPI). This sort of freeze will be a step in the right direction, and the temporary nature of the freeze will allow for the results of this action to be evaluated to determine if it is working better than the current flawed approach. Tuition freezes have been successfully instituted by other public colleges. For example, Purdue University is in its [10th straight year of a tuition freeze](#), yet improving academic quality and reducing bureaucracy as the university better allocates resources to provide affordable tuition. I would recommend the freeze be expanded to fees, to keep them from growing excessively, and include an evaluation after the 4th year to examine if this should be maintained, before expiring after the 5th year.

Thank you for your time today, and I look forward to answering any questions.

ABOUT THE AUTHOR

Vance Ginn, PhD, is chief economist at the Texas Public Policy Foundation, a 501(c)3 nonprofit, nonpartisan research institute in Austin. He served as associate director for economic policy at the White House's Office of Management and Budget, taught at several universities, and earned a doctorate in economics at Texas Tech University.

About Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's promotes and defends liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach

