

SPECIAL REPORT

SPEAKING OUT ABOUT THE RISING COST OF EDUCATION

MOUNTING DEBT TAKEN ON BY THE IHL EXCEEDS \$1 BILLION DOLLARS

Part 2 of *Speaking out about the Rising Cost of Education* investigates reasons the cost of a college education continues to climb, creating a massive, unsustainable burden for students and their families.

In Mississippi, “[since 2000](#), average tuition among the eight universities increased 96 percent, an average of 8 percent a year.” Why do these costs continue to mount faster than inflation? As [previously reported](#) construction has fueled much of these costs:

As borrowing soared, university presidents began a multibillion-dollar building boom across campuses, featuring private dorm rooms and network TV-ready football fields. Colleges themselves went into debt to pay for these extras. By the end of 2011, more than 500 colleges and universities rated by Moody’s Investors Service had \$211 billion of outstanding debt, compared with \$91 billion in 2002.

“The tendency of the colleges and universities at the undergraduate or the graduate level is to charge as much as they can, and continue to build and expand,” William Bennett, education secretary under Reagan, said in an interview. *Speaking out about the Rising Cost of Education* is a updated series from usmnews.net. Its purpose is to investigate reasons the cost of a college education continues to climb, creating a massive, unsustainable burden for students and their families.

The popular press is rife with stories about the rising cost of education and the massive debt our students are incurring as they struggle to pay for an education. Last year, [the Wall Street Journal](#) reported that “total student debt outstanding appears to have surpassed \$1 trillion last year.” Burdened with historic amounts of debt, college grads are [moving home](#). Many of those who are not moving home are unable to [qualify for a mortgage](#) because of their student debt. Making this situation worse, is the fact that “nearly 14 percent [of student loan borrowers default](#) within three years of making their first loan payment.” And, the situation has only gotten worse as “[Surging student-loan debt is crushing the system](#).” According to Equifax, “\$3.5 billion in government and private student loans went bad in the first three months of 2013, the most since the company began keeping track.”

What does that have to do with Mississippi? In Mississippi, “[since 2000](#), average tuition among the eight universities increased 96 percent, an average of 8 percent a year.” In 2012, [USM students endured](#) an 8.7% tuition increase for 2012-13, with an additional 6.4% increase for 2013-2014.

What does this have to do with Mississippi and its universities? According to the [2010 audited financial statements](#) for the IHL,

Non-current liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). Non-current liabilities equaled \$958.1 million at June 30, 2010 and \$862.9 million at June 30, 2009. These liabilities have increased 28.4% (or \$211.7 million) since June 30, 2008. The principal reason for this large increase was the incurrence of new bonded debt issues at many of the institutions. During recent years, the IHL System has experienced unparalleled levels of new construction and renovation to its existing facilities.

Now, let’s move forward to the [2012 audited financial statements](#) for the IHL.

Non-current liabilities are those liabilities due and payable more than twelve months from year-end (June 30th). Non-current liabilities equaled \$1.1 billion at June 30, 2012 and \$953.9 million at June 30, 2011. These liabilities have increased 16.5% (or \$157.6 million) since June 30, 2011. The principal reason for this large increase was the incurrence of new bonded debt issues at many of the institutions. During recent years, the IHL System has experienced unparalleled levels of new construction and renovation to its existing facilities.

Let me point out the key numbers from the audit report. As of June 30, 2010, the total long term debt owed by the IHL was **\$958.1 million**. By June 30, 2012, this debt had increased to \$1.1 billion. This **\$1,100,000,000 debt** is a breathtakingly huge mortgage on the future of the university system. It is a debt that must be paid back with interest.

When State contributions do not increase fast enough to pay the debt, money has to come from somewhere. The IHL has shown [little concern](#) for rising costs. However, the IHL can increase tuition and fees. Therefore, the costs of education continue to climb, funded for many students by debt.

In the next report in this series, usmnews.net will take a look at “creative financing” used by state universities with the blessing of the IHL.