



HIGHER EDUCATION

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THE PROBLEM: The University of Missouri system, and higher education in the United States in general, are at a crossroads. Tuition is rising, resulting in over \$1 trillion in student loan debt nationwide. At the same time, students who fail to secure high-paying jobs are facing serious financial problems. In the Show-Me State, enrollment at the University of Missouri–Columbia continues to drop. The current freshman class is about 14 percent smaller than the previous year’s and is the smallest incoming class in almost 20 years.

THE SOLUTION: *Higher education reform.*

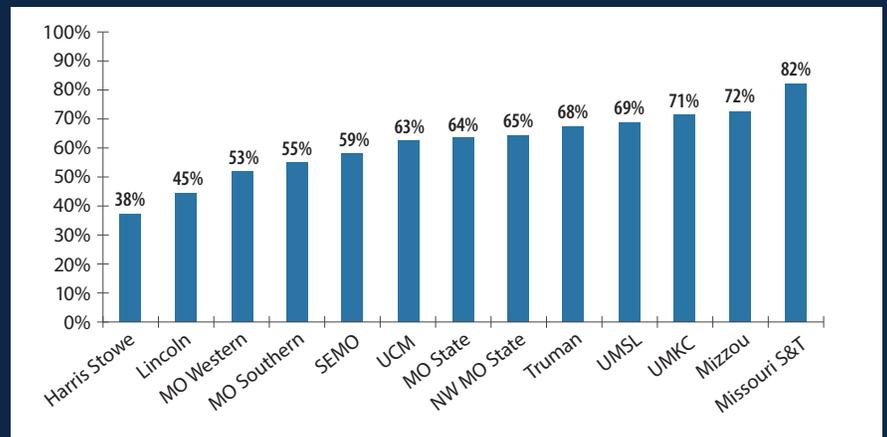
Reform in Missouri should focus on reducing costs through innovation to attract more students. Universities could help reduce costs by encouraging competency-based education (CBE), which can reduce the time that students must spend in the classroom by granting accreditation when a student shows that she has mastered the subject matter. These programs allow students to pursue a degree while simultaneously protecting them from excessive costs and loan defaults. At the same time, the state could promote income-share agreements (ISAs), which provide an alternative to student loans whereby a student agrees to pay a percentage of future income in exchange for present financial aid.

WHO ELSE DOES IT? Schools across the nation, such as Texas A&M, Purdue, University of Michigan, and University of Wisconsin, offer CBE degrees. Purdue has a self-funding ISA program in which it loans money to current students and then reinvests returns into future student borrowing.

THE OPPORTUNITY: Recent upheaval at Missouri’s largest university has given us a chance to step back and evaluate how best to improve the higher education environment and provide cost-effective options to students. The University of Missouri system made progress in protecting free speech this past summer; now it should focus on reducing costs to help draw more students to our public universities.

PERCENTAGE OF MISSOURI PUBLIC UNIVERSITY GRADUATES WHO RECEIVED FEDERAL AID WHO EARN MORE THAN A HIGH SCHOOL GRADUATE

A university degree is no guarantee that one’s income will exceed that of someone with only a high school diploma.



Source: College Scorecard, U.S. Department of Education.

KEY POINTS

- Higher education can greatly increase a student’s financial prospects, but not everyone who spends money at a university comes out in the black.
- CBE programs can reduce tuition costs and the time a student must spend in class.
- By reinvesting earnings, ISAs can fund future degrees.

SHOW-ME INSTITUTE RESOURCES

Essay: “Stuck in the Middle with Mizzou: Examining the Effectiveness and Efficiency of the University of Missouri”

Case Study: “Moving Mizzou Forward: Reform Ideas from Around the Nation”

Op-Ed: “Reaping the Whirlwind in Columbia”

Blog post: “Mizzou Enrollment Shrinks to a New Low”