

Should Community College Be Free?

EDUCATION NEXT TALKS WITH SARA GOLDRICK-RAB AND ANDREW P. KELLY

President Obama's proposal for tuition-free community college, issued earlier this year, seems to have laid down a marker for the Democratic Party. Vermont senator Bernie Sanders is touting his plan for free four-year public college on the primary trail; Massachusetts senator Elizabeth Warren called for "debt-free college" in a high-profile speech; and former senator and U.S. secretary of state Hillary Clinton has proposed her own plans for tuition-free community college and "no-loan" tuition at four-year public colleges. In this forum, Sara Goldrick-Rab, professor of educational policy studies and sociology at the University of Wisconsin-Madison and co-author of a paper that helped shape the president's plan, calls for an even more expansive effort—one that includes funding for students' living and other expenses while they pursue an associate degree at any public institution. Andrew Kelly, director of the Center on Higher Education Reform at the American Enterprise Institute, argues that the Obama plan will not address low rates of college readiness and student success but will strain public budgets and crowd out innovation.

THE ECONOMY NEEDS
MORE WORKERS WITH
ASSOCIATE DEGREES
BY SARA GOLDRICK-RAB



AT A JUNE 2015 EDUCATION FORUM hosted by the *National Journal*, U.S. senator Lamar Alexander threw cold water on recent proposals to make the first two years of college free—because he thinks it already is. The senator explained, "Two years of college for a low-income student is already free, or nearly free."

It would be wonderful if that were true. But while the senator's statement is a reasonable description of how college used to be (at least for some), today's reality is quite different. Attending college is far too expensive for many Americans. The 2012 National Postsecondary Student Aid Study, conducted by the National Center for Education Statistics, found that after taking all grants

(continued on page 56)

TUITION IS NOT THE
MAIN OBSTACLE TO
STUDENT SUCCESS
BY ANDREW P. KELLY



THE OBAMA PLAN for tuition-free community college, America's College Promise, will go nowhere in the current Congress. But it's still important to understand what the idea would actually mean for American higher education. For while the media fixated on the "free tuition" part, and skeptics immediately bemoaned the likely cost, the reform is much more radical. Specifically, it would move American higher education from a voucher-funded market to a system with a free public option much like traditional K-12 public schools.

The idea is rooted in a reasonable conclusion: the current path of federal student aid policy is unsustainable. While grants and loans have boosted college access, flooding the

(continued on page 57)



PHOTOGRAPH / JARROD MCCABE

GOLDRICK-RAB
 (CONTINUED FROM
 PAGE 54)

and scholarships into account, attending one year of community college runs dependent students from low-income families more than \$8,000 in tuition, fees, and living costs (see the green “Net price of attendance” bars in Figure 2). In other words, while it is true that more students are qualifying for and receiving a federal Pell grant, the price *after* the discount from the Pell is climbing higher and higher (see Figure 1). This is largely driven by living costs, which must be covered if students are to focus their time and energy on school rather than work. Federal loan limits are too low to fully cover these costs, but they are the true costs of degree completion. Tuition and fees are the price of access—living costs are the price of success.

The whole concept of higher education is under debate in America today—public versus private versus for-profit, preprofessional versus liberal arts, in-person versus online. One thing, however, should be clear to all: when large numbers of people can’t afford college at all, the system is broken.

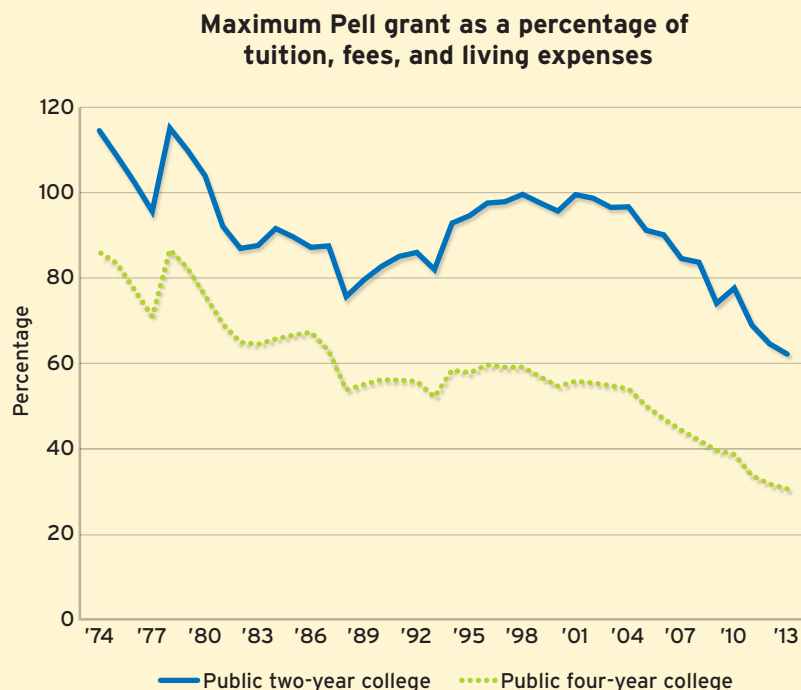
The American people know this. A 2014 Gallup-Lumina Foundation study found that, of those surveyed, a whopping 96 percent said that postsecondary education was important, and 79 percent believed that college wasn’t affordable for everyone in this country who needed it. This is not a partisan issue. Americans want and need college to be much more affordable.

Responding in part to the needs of employers, communities around the country are calling for plans to make at least the first few years of college very inexpensive or even free. President Obama’s proposal, America’s College Promise, would eliminate tuition at community colleges for eligible students, reducing the average annual cost by about \$3,800.

Senator Alexander’s reluctance to embrace Obama’s plan is ironic, since Alexander’s home state has been a leader on the issue. In 2014, Tennessee governor Bill Haslam, a Republican, created the Tennessee Promise, which uses lottery funds to cover tuition and fees not covered by the Pell grant or other state assistance to make two years of community college more affordable for all Tennessean high-school graduates. Obama’s plan builds on Haslam’s.

Purchasing Power of Pell Grant Declines (Figure 1)

Over the past 40 years, increases in the size of the Pell grant have not kept pace with the rise in tuition, fees, and living expenses.



SOURCE: Sara Goldrick-Rab and Nancy Kendall, “Redefining College Affordability: Securing America’s Future with a Free Two Year College Option,” Lumina Foundation, April 2014

An Associate Degree Makes a Difference

Decades ago, a high school education was enough for most folks to earn a middle-class living, build a family, and live out the American dream. Strong U.S. manufacturing and three decades of high economic growth (from the 1940s to the 1970s) sustained millions of relatively high-paying jobs for high school grads.

But the American economy has changed. Completing 12 years of school doesn’t cut it in the current job market. U.S. employers complain of a skills gap. They need many more employees with technical skills than they can find. Workplaces require more technological ability, better social skills, and a broader grounding in multiple disciplines. This is exactly what a postsecondary education offers.

President Obama’s focus on the first two years of college makes sense. Two-year associate degrees pay off. The unemployment rate for people with associate degrees is 25 percent lower than for those with just a high school diploma. Forty percent of people who earn associate degrees go on to earn higher degrees. If the associate degree is completed by the time a person is 20 years old, then 60 percent of the time it is a milestone toward

(continued on page 58)

KELLY(CONTINUED FROM
PAGE 54)

in federal aid provide little incentive for these other players to worry about rising tuition, and new evidence suggests that the availability of student loans encourages schools to charge more. When tuition goes up, policymakers increase federal aid to bring out-of-pocket costs down again, only to see those resources gobbled up by future tuition increases.

Advocates of free public college look at this status quo as proof that the market-based model has failed and cannot possibly work. As Sara Goldrick-Rab and Nancy Kendall argue in “Redefining College Affordability,” placing the power in the hands of consumers, with all the constraints that hamper their ability to make a rational investment, fails to hold colleges accountable. The voucher-based market encourages colleges to “increase tuition and fees without regard to how these affect diverse students and families, as long as ‘the market’ supports [it]” and to “pay greater attention to the demands and desires of students and families that can pay more for their services.”

The answer, advocates argue, is to revisit the decision to fund students with a voucher in the first place. Instead, we should move away from the market and toward a model where the feds fund public colleges directly. In return, those public institutions pledge not to charge any tuition or fees. And because the feds directly control the purse strings, the argument goes, they’ll have greater leverage to set quality standards, hold colleges accountable, and require them to implement chosen reforms. Indeed, President Obama’s proposal reads like a federal reform plan for community colleges, complete with a laundry list of new requirements for states and schools.

The Wrong Prescription

Obama’s plan is provocative, but it’s deeply flawed. First, thanks to federal aid, most low- and middle-income students already pay no net tuition to attend community college, yet student outcomes at two-year colleges are poor. Second, free community college could lead students to “undermatch,” which would lower their odds of completing a degree. Third, Washington cannot regulate community colleges to success. Fourth, the combination of tuition caps and direct public funding could actually lead to rationing. Finally,

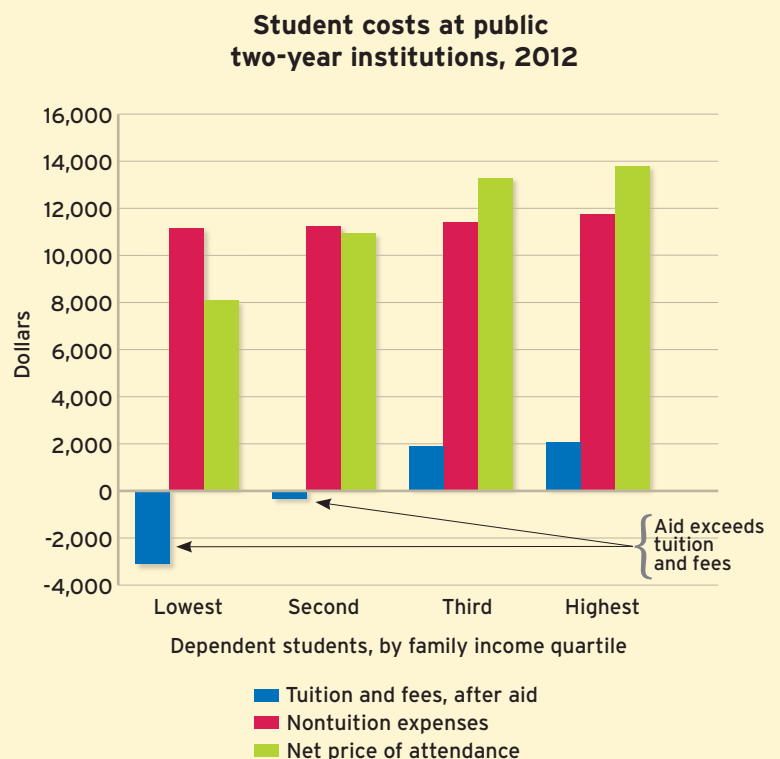
a free public option would stifle innovation and competition.

Let’s start with the most basic objection: community colleges are already tuition-free for most low-income students (see Figure 2). According to the College Board, students with annual family incomes under \$65,000 received enough grant aid to cover the entire cost of tuition at community colleges in 2011–12 (the most recent federal data available). In fact, dependent students in the lowest income quartile received enough

(continued on page 59)

Aid More Than Covers Tuition and Fees for Students from Lower-Income Families (Figure 2)

Students from families whose annual income is less than \$65,000 receive enough aid to cover tuition, fees, and some of their other expenses.



NOTES: Family income quartiles are based on all dependent undergraduate students across all sectors. Lowest: less than \$30,000; second: \$30,000 to \$64,999; third: \$65,000 to \$105,999; highest: \$106,000 or higher. Total grant aid includes veterans’ benefits. Includes full-time undergraduate students who were U.S. citizens or permanent residents.

SOURCE: College Board, “Trends in College Pricing”

GOLDRICK-RAB
 (CONTINUED FROM
 PAGE 56)

a higher degree. And people with even a couple years of college make significantly more money, on average, than those with none.

What Obama Left Out

The proposals from President Obama and Governor Haslam are a good start, but we shouldn't restrict the choices of students too much. Students from low-income families, like their more-affluent peers, should be able to attend the public institutions that best fit their academic talents and personal and professional goals. Four-year state universities should not be reserved for the financially privileged.

Obama's plan has another missing piece. It is critical that we ensure that students not only begin degrees but also complete them. Some may get an associate degree in two years, while others may work more outside of school and take longer to finish. Focusing on completing the associate degree and not on a two-year time period can give students the flexibility to achieve their goals in ways that work best for their individual situations.

To make this work and to fix a long-standing problem in higher education, public four-year colleges and universities must acknowledge that the first degree is an associate degree, not a bachelor's degree. Two years of credits at a community college result in an associate degree, but students at four-year institutions who lack the money or support systems to persist beyond two years leave with no degree at all. The associate credential should be awarded at both two-year and four-year colleges, even if the institutions differ in the specific programs of study they offer. Doing so will increase competition while enhancing outcomes for students.

While state-by-state and campus-by-campus proposals are already beginning to help students, a national approach is needed to ensure every American has a viable path to achieving a post-secondary degree and a better future. The federal government is still the biggest provider of financial aid. If the federal government doesn't work with states and communities to achieve their goals, then it is effectively working against them.

A federal-state partnership to make an associate degree free can also bring much-needed accountability to America's public colleges and universities. Inadequate and inequitable spending hinders college completion rates. A new partnership could help states ensure that spending is sufficient to cover the resource costs of a high-quality sub-baccalaureate education; that spending on instruction takes precedence over amenities; that enrollment capacity expands rather than contracts; and that exclusionary admission practices are

reduced. Campuses should be discouraged from chasing luxury dorms and glittery amenities for out-of-state recruitment and instead focus on quality, affordable, near-campus housing. Accountability for these changes should be a prerequisite for the new federal support. These would be part of the terms of a new system, a rejiggered Financial Aid 2.0.

Claiming limited resources, many state and federal proposals have so far focused on tuition. Other costs, like fees, books, and living expenses, go uncovered. This is unfortunate and myopic, especially since these other costs constitute more than half—and often as much as three-fourths—of the total cost of attending college. Covering tuition facilitates access to college, but the other costs need to be addressed to ensure completion. Thus, to be truly effective, “free” (to the student) must truly mean that all costs are considered.

Reduce Waste and Profiteering

With or without the changes I suggest above, many might wonder if there is any realistic path to funding President Obama's proposal in this era of severe fiscal restraint. This is a critical issue.

We can start with better use of current dollars. Today, federal taxpayer dollars spent on financial aid are spread broadly across all years of education and all types of schools. Many of these schools are private and for-profit institutions that the government cannot hold accountable. We should confine federal spending to public, high-quality, affordable college opportunities. This is not meant as a slight to private or for-profit schools—many of which are wonderful places to attend college. But

like many businesses, the private sector of higher education can flourish without government subsidies and may perform even better without government intervention.

Tax credits to offset tuition bills are another way national policy chases its own tail. Cutting the credits could free up money to fund more effective college access strategies, like Obama's proposal.

Making an associate degree entirely free can be the centerpiece of reform that would dramatically reduce waste in higher education by dealing with the complex and often inadequate web of financial aid that often results in students leaving institutions without degrees. Clearly, with students paying more than \$8,000 a year for community college after all financial aid, fixing financial aid is not nearly enough. We won't succeed in tinkering our way toward accountability by trying to attach strings to existing programs in an effort to promote risk sharing. But the kind of transformative effort I'm calling for would initiate an entirely new approach to boost both students' and universities' bottom lines and yield

(continued on page 60)

Making an associate degree entirely free can be the centerpiece of reform that would deal with the complex and often inadequate web of financial aid that often results in students leaving institutions without degrees.

KELLY(CONTINUED FROM
PAGE 57)

grant and scholarship aid to cover the cost of tuition and leave \$3,100 to cover other expenses (the average independent student received enough grant aid to cover tuition with \$1,800 left over). Middle- and upper-income students pay a modest amount in net tuition, but that is because government aid is progressive. Free community college would provide a windfall to these families who would pay to send their kid to college in the absence of a free public option.

Though many students already attend community college tuition-free, student success rates are discouragingly low at these institutions. The National Student Clearinghouse estimates that less than 40 percent of students who start at a public two-year college complete a degree or certificate within six years. According to federal data, just one-third of students from the lowest income quartile who started at a public two-year college in 2003–04 finished a credential in six years. Among independent low-income students at two-year colleges, the completion rate was 22 percent. Even the most affluent dependent students struggled, graduating at a rate of just 42 percent.

It's not clear why President Obama's plan to waive tuition at community colleges would automatically improve these outcomes. Now, as Goldrick-Rab points out, students have to pay expenses beyond tuition—books and supplies, room and board, and transportation—and she and Kendall propose a state-funded stipend equal to 15 hours a week at the region's "living wage." Obama's plan would not be as generous, although low-income students would no longer have to spend Pell grant funds on tuition and could use them to defray other expenses (it is a "first-dollar" program).

Living expenses are part of the price of attendance for many community college students—especially adults who are living on their own—and all students have to pay for books. To the extent these expenses exceed grant and loan limits, that's an argument for experimenting with beefier vouchers for needy students and increased loan limits for others, not creating an entitlement to free tuition for all.

Furthermore, simply throwing money for living expenses at students is unlikely to remove other clear obstacles to success and may well exacerbate them. For instance, how would free college improve student readiness? Federal data show that 68 percent of public two-year college students have to take at least one remedial course; the average student who starts at a two-year college takes 2.9 remedial courses. Very few of these students complete a degree or certificate. Free college tuition won't fix American high schools, and conditioning cash for

living expenses on college attendance would likely draw in even more students who are unprepared for college-level work.

That brings us to the second problem: free community college could actually lower rates of student success. Ironically, the president's proposal would likely run counter to one of the administration's other priorities—decreasing the rate at which low-income students "undermatch" at less-selective colleges. The growing literature on undermatch suggests that enrolling in a college that is less selective than they are academically qualified to attend reduces students' chances of graduating. For instance, a study by Bridget Terry Long and Michal Kurlaender found that Ohio students who started at community colleges were 14.5 percent less likely to finish bachelor's degrees within nine years than similar students who started at four-year colleges.

Of particular importance here is how policy might induce students to enroll in lower-quality schools. In a study of the Adams Scholarship in Massachusetts, which provides high-achieving students with a merit-based scholarship to attend an in-state public college, Josh Goodman and Sarah Cohodes

found the scholarship led recipients to choose less-selective colleges than they would have, and that they graduated at lower rates than peers who attended better schools. In another study, Goodman and colleagues found that lower-achieving students who scored just above the SAT score necessary for admission to a four-year college in Georgia were substantially more likely to complete a bachelor's degree than those just below the cutoff, most of whom wound up enrolling in a community college.

Of course, it could be the case that free community college would benefit those who would not have attended at all, counterbalancing the negative effects of undermatch. Economist Jeff Denning has shown that a \$1,000 drop in the price of Texas community colleges increased enrollment rates among students who would not have enrolled otherwise, but the effects on degree completion were far from definitive. It's plausible that these students benefit from accessing some college. The question is, at what cost?

Third, proponents recognize that the poor performance of community colleges is a significant weakness in free college plans, but they have outsize expectations about the ability of federal rules to turn these troubled institutions around. Advocates like Goldrick-Rab argue that direct funding will give federal policymakers more power to control the quality of public colleges through rules and accountability requirements. The White House "fact sheet" on America's College Promise lists what states and colleges would have to do: participating colleges would have to "adopt promising and evidence-based institutional reforms

(continued on page 60)

GOLDRICK-RAB
 (CONTINUED FROM
 PAGE 58)

dividends for economies in communities nationwide.

Worth the Money

In my work as an education researcher, I've listened to the stories of hundreds of students from all sorts of backgrounds and circumstances. They all understand how important it is to go to college. But too often their hopes are dashed by a system that delivers few opportunities for low- and middle-income students. We can do better.

The benefits of offering the first degree for free are evident for our economy, our country, and our children. Business leaders will get access to the larger pool of skilled, certified

workers they are clamoring for. Connecting American workers with good jobs that require an associate degree or higher will help us start to rebuild our waning middle class.

Now is a good time to bring this plan to the forefront of higher education policy. Congress is currently reauthorizing the federal Higher Education Act. At the same time, statehouses are considering a patchwork of reforms—some good, some bad. The iron is hot. Rather than stringing along an antiquated and broken system, it's time to get to work in order to make the first degree free, stimulate the economy, and provide real security for the middle class.

I was heartened to see President Obama introduce America's College Promise. While parts of the president's plan need improvement, the proposal is a step in the right direction. ■

KELLY
 (CONTINUED FROM
 PAGE 59)

to improve student outcomes," while states would have to coordinate high schools, community colleges, and four-year schools to reduce remediation rates and, to create incentives to improve, "allocate a significant portion

of funding based on performance, not enrollment alone."

These best-laid plans sound good, but they dramatically overestimate the federal government's ability to fix colleges. As Rick Hess reminds us, while federal rules can tell people to do something, they cannot force them to do it well.

You'd expect the recent experience with K-12 School Improvement Grants (SIG) to raise red flags about the feds' ability to fix troubled schools with more money and mandates. The SIG program has provided more than \$5 billion in federal grants to 2,000 of the country's lowest-performing schools while requiring them to choose one of four "turnaround" models. The results have not been encouraging. While about two-thirds of SIG schools did register modest gains in reading and math, scores at one-third actually declined over the period. The University of Washington's Robin Lake summed up the evidence: "Given the amount of money that was put in here, the return on investment looks negligible at this point."

Community college reform is equally challenging. The privately funded Achieving the Dream initiative, which started in 2004 as an effort to apply evidence-based reforms to more than 200 community colleges in 35 states, has disappointed. A 2011 study of the initial cohort of 26 community colleges found that, with a few exceptions, student outcomes remained largely unchanged. It will not be any easier to dictate community college improvement from Washington.

Fourth, it's not even a slam-dunk that free community college would increase access. Capping tuition at free is effectively a price control that limits college spending to whatever the public is willing to invest. But it would not change the cost structure of colleges themselves, and additional funding may even relax incentives to become more efficient. Proponents argue that existing federal aid resources could cover current costs at public institutions. What

happens once the cost of delivery and enrollments increase?

Look at it this way: some economists argue that traditional college will inevitably become more expensive because of the "cost disease." Like any other service industry that relies on highly educated labor to deliver a product that is heavy on interaction, it is difficult to improve the productivity of traditional college teaching. But to keep pace with wages in the rest of the economy, colleges must pay professors more, which raises costs year over year. Add in the ever-expanding corps of administrators and support staff, and you've got a recipe for rising costs. Meanwhile, federal projections predict that college enrollment will grow over time, putting further strain on public budgets. If the public's generosity doesn't keep pace with these increases, schools that are prohibited from charging tuition will have to turn students away. Insisting on free tuition could lead to rationing, not open access.

California's experience during the recession is instructive here: caught between state-mandated caps on tuition and state funding that failed to keep up with an enrollment boom, the community colleges turned away some 600,000 students and reduced course offerings by 21 percent. In response to reduced per-pupil funding from the state, the California State University system reduced enrollment targets for 2015-16, and trustees have discussed the idea of no longer accepting freshmen at these campuses. Government-imposed tuition caps can wind up keeping students out instead of letting more in.

Finally, a free public option would crowd out innovation and limit competition. There is plenty of innovation going on outside of the public sector, from competency-based programs to career boot camps to new forms of credentialing. Rather than asking how reforms can encourage an array of options (public, private, or for-profit) to emerge that fit the needs of today's students, the free-public-college crowd wants to simply cram more people through the same old expensive, mediocre model of education.

Education reformers have seen this movie in K-12, and they know how it ends. Those who have fought for school choice should recognize free community college for what it really is, and instead push for reforms that expand options and choice—not limit them. ■