

THE DOLLARS AND SENSE OF FREE COLLEGE

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Free college is dead. Long live free college.

When Donald Trump won the presidential election in 2016, pundits declared that the idea of free college was dead in the United States.¹ His opponent, Hillary Clinton, had endorsed tuition-free public college for students with qualifying incomes. Following the election, commentators predicted that the political winds would not blow in the direction of free college, despite the financial struggles of today's college students and the need for an educated workforce.

Momentum at the state level tells a different story. At least 15 states and more than 200 localities have some form of free college. During the COVID-19 pandemic, Governor Gretchen Whitmer instituted a free-college program in Michigan for essential workers.

Policymakers have debated the specifics of free-college programs—including whether free-college eligibility should extend to students at four-year public colleges as well as community colleges, and whether it should be universal or targeted to low-income and middle-income students. Free-college proposals generally reflect support for some form of publicly funded program that makes college attendance affordable for a majority of students.

As it turns out, the idea of free college is not dead; in fact, it is alive and well.

On the road to clinching the Democratic presidential nomination in 2020, former Vice President Joe Biden endorsed a free-college plan that was originally part of the party's platform in the previous election. This plan would make public community colleges tuition-free for all students. It also would make four-year public colleges and universities tuition-free for students with family incomes under \$125,000, which would mean that approximately 80 percent of in-state undergraduate students at public four-year colleges and universities would not have to pay tuition.² The federal government and state governments would share the costs of this program, with the federal government contributing \$2 for every \$1 contributed by a state.

¹ Harris, "America Wakes Up from Its Dream of Free College," 2018.

² Georgetown University Center on Education and the Workforce analysis of data from the National Postsecondary Student Aid Study (NPSAS), 2016.

Of course, tuition is only part of a college student's expenses, with the average living expenses beyond tuition making up 60–80 percent of the total cost of attendance at public colleges. The Biden plan would allow students to use other forms of financial aid they receive, such as Pell Grants, to cover the costs of attendance beyond tuition.

We estimate that Biden's proposal would cost \$49.6 billion in its first year, with \$33.1 billion in federal spending and \$16.5 billion in state spending. The Biden plan would cost \$8.6 billion less in the first year than a plan that would cover all students without regard to their family income. Including the initial year of implementation and the 10 years following it, the total costs associated with the Biden plan would come to a substantial sum of \$683.1 billion.

While the Biden plan has immediate relevance to the 2020 election, there are other ways to design free-college plans. In this report, we discuss a variety of free-college models and assess their relative costs and benefits.

Free college is not free, but it can pay for itself.

Free college isn't free. But free-college policies can be quite economical and have far-reaching benefits.

As a way of reducing the barriers to postsecondary educational attainment, free college can have broad implications for redressing societal ills.³ A postsecondary education can be a ticket to the middle class, so by improving college access, free college can promote economic mobility and reduce racial and economic inequalities. With fewer cost barriers to college, students striving to succeed could breathe more easily, unencumbered by massive financial obligations. Moreover, many students who would have been deterred from attending college by the prospect of going into debt may be motivated by free college to try the path to a college degree.

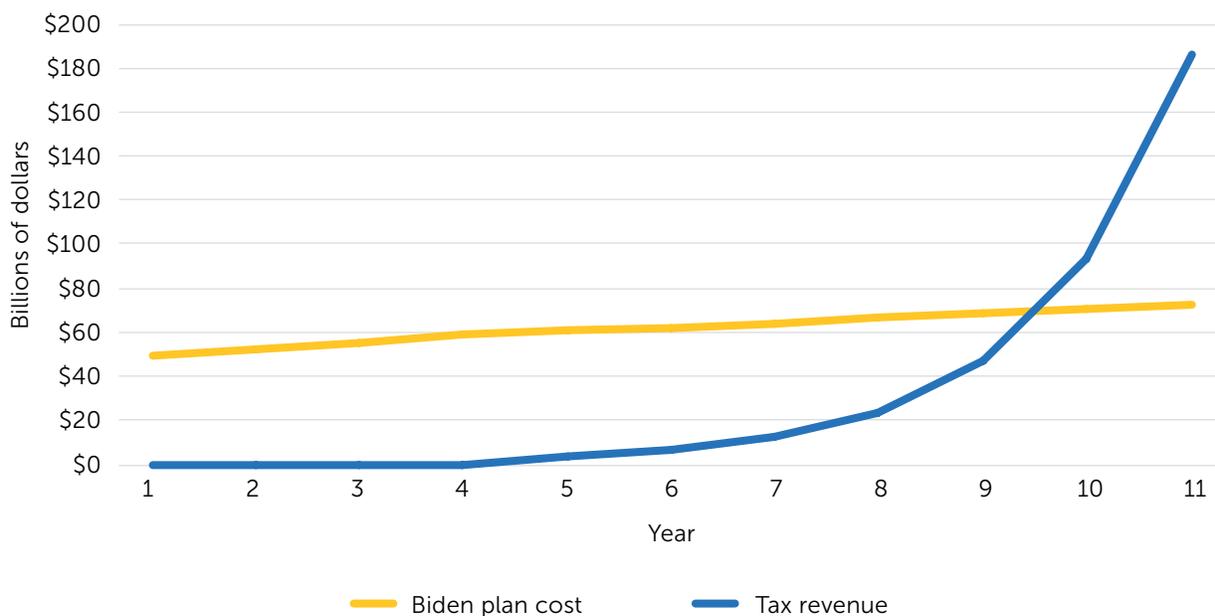
The benefits of free college are clear even on narrower economic grounds—free college would mean more workers with college degrees, and these workers would likely earn higher wages, generating more tax revenue. If graduation rates remain at current levels, the increase in college enrollments would lead to more college graduates, who would likely benefit from higher earnings in the labor market. The increases in college attainment for just the new students that could result from

³ For more on our method for measuring how much society would benefit from narrowing educational disparities, see Carnevale, et al., *The Value of Economic and Racial Justice in Postsecondary Education*, forthcoming.

a national tuition-free program like the Biden plan would potentially yield a total of \$371.4 billion in additional federal and state tax revenue, along with private after-tax earnings gains of \$866.7 billion, in the first 11 years of the policy. By the end of this period, the additional annual tax revenue would exceed the program’s annual cost (Figure 1).

Society could reap many other gains from reducing barriers to postsecondary education, including nonmonetary benefits and savings on government programs. In a diverse democratic society, higher education not only provides a path for economic self-sufficiency, it also contributes to positive outcomes such as improved health, reduced crime, and a greater sense of well-being. Nonetheless, the additional tax revenue alone is enough to justify the costs of the program.

Figure 1. Additional annual tax revenue associated with higher educational attainment would exceed the annual costs of Biden’s tuition-free plan within 10 years of the initial implementation year.



Source: Georgetown University Center on Education and the Workforce analysis of data from the National Center for Education Statistics, Digest of Education Statistics tables 306.10 and 306.20, 2019; the Integrated Postsecondary Education Data System, 2016–17; and the US Census Bureau and Bureau of Labor Statistics, Current Population Survey, 2019.

The expected cost of free college varies by state, but the federal government would help pay the bill.

The economic crisis following the coronavirus pandemic has laid bare economic and racial inequalities.⁴ Recessions often strain states by demanding increased investments in public programs at the very time that states are trying to rein in their budgets because of declining tax revenues. The federal government, when working in partnership with the states, is better positioned to provide financial support for free-college programs. A federal-state partnership is one way to address higher education funding shortfalls, especially during economic downturns like the one caused by the COVID-19 pandemic.⁵

National free-college proposals typically involve federal-state partnerships in which the states cover a portion of the program's cost while the federal government covers the remainder. The plan Biden has endorsed calls for the federal government to cover 67 percent of the total cost of qualified students' tuition and for state governments to cover the remaining 33 percent.⁶ For example, in California, the total cost of Biden's free-college plan would be \$68.9 billion for the base year and the 10 years following the initial implementation. Under the plan, the federal government would cover \$45.9 billion, and California would cover the remainder (Table 1).

Of course, the federal-state partnership could have a different design, and a seemingly straightforward partnership structure could have unintended consequences. For example, a plan that allocates federal funding to states based on the tuition prices of their public colleges and universities could disproportionately reward states that have failed to invest adequately in their higher education systems. College tuition in these states might be higher because the states have shifted more of the costs onto students instead of subsidizing education more heavily with public funds. It might be more equitable for the federal government to provide each state a set amount of funding for each enrolled student rather than to base funding on the current tuition price, but the amount of funding

⁴ Carnevale and Gulish, "Education, Race, and Jobs in the COVID-19 Crisis," 2020; Carnevale and Gulish, "Latinos in the COVID-19 Economy," 2020.

⁵ Mishory, *Path to Debt-Free College*, 2018.

⁶ This ratio of federal spending to state spending is drawn from the College for All Act of 2017, the bill that outlined a framework for the Sanders-Clinton compromise plan of 2016 and that Biden later promoted in March 2020. The America's College Promise Act, a proposal to make community colleges tuition-free, is the basis of Biden's positions earlier in the 2020 primary election cycle. It requires the federal government to pay 75 percent of the average resident community college tuition.

Table 1. The costs of Biden’s free-college plan would differ by state because of varying levels of state investment in higher education and tuition prices.

Total cost of Biden’s plan over 11 years, by state

State	Total cost (in millions)	Federal share (in millions)	State share (in millions)	State	Total cost (in millions)	Federal share (in millions)	State share (in millions)
Alabama	\$11,017	\$7,345	\$3,672	Montana	\$1,558	\$1,039	\$519
Alaska	\$1,040	\$693	\$347	Nebraska	\$3,696	\$2,464	\$1,232
Arizona	\$12,429	\$8,286	\$4,143	Nevada	\$3,611	\$2,407	\$1,204
Arkansas	\$6,041	\$4,028	\$2,014	New Hampshire	\$2,652	\$1,768	\$884
California	\$68,923	\$45,949	\$22,974	New Jersey	\$27,907	\$18,605	\$9,302
Colorado	\$11,802	\$7,868	\$3,934	New Mexico	\$3,213	\$2,142	\$1,071
Connecticut	\$6,973	\$4,648	\$2,324	New York	\$38,585	\$25,723	\$12,862
Delaware	\$1,541	\$1,027	\$514	North Carolina	\$17,717	\$11,812	\$5,906
District of Columbia	\$152	\$102	\$51	North Dakota	\$1,256	\$838	\$419
Florida	\$24,689	\$16,459	\$8,230	Ohio	\$26,395	\$17,596	\$8,798
Georgia	\$18,446	\$12,297	\$6,149	Oklahoma	\$6,827	\$4,551	\$2,276
Hawaii	\$1,989	\$1,326	\$663	Oregon	\$8,338	\$5,559	\$2,779
Idaho	\$2,595	\$1,730	\$865	Pennsylvania	\$34,676	\$23,117	\$11,559
Illinois	\$42,499	\$28,333	\$14,166	Rhode Island	\$1,797	\$1,198	\$599
Indiana	\$14,832	\$9,888	\$4,944	South Carolina	\$11,521	\$7,681	\$3,840
Iowa	\$6,726	\$4,484	\$2,242	South Dakota	\$1,730	\$1,153	\$577
Kansas	\$6,942	\$4,628	\$2,314	Tennessee	\$11,617	\$7,745	\$3,872
Kentucky	\$9,387	\$6,258	\$3,129	Texas	\$66,313	\$44,209	\$22,104
Louisiana	\$10,975	\$7,317	\$3,658	Utah	\$6,810	\$4,540	\$2,270
Maine	\$1,958	\$1,305	\$653	Vermont	\$1,296	\$864	\$432
Maryland	\$14,782	\$9,855	\$4,927	Virginia	\$23,905	\$15,937	\$7,968
Massachusetts	\$13,953	\$9,302	\$4,651	Washington	\$15,668	\$10,445	\$5,223
Michigan	\$30,919	\$20,613	\$10,306	West Virginia	\$3,036	\$2,024	\$1,012
Minnesota	\$13,448	\$8,965	\$4,483	Wisconsin	\$12,426	\$8,284	\$4,142
Mississippi	\$5,388	\$3,592	\$1,796	Wyoming	\$679	\$453	\$226
Missouri	\$10,402	\$6,934	\$3,467	Total	\$683,078	\$455,385	\$227,693

Source: Georgetown University Center on Education and the Workforce analysis of data from the Integrated Postsecondary Education Data System (IPEDS), 2016–17.

Note: Numbers may not sum to totals due to rounding.

provided would need to be adequate to cover all eligible students.⁷ Another option would be to tie funding to the income level within the states, with the federal government covering a larger share of the cost for states with lower incomes.

Some critics of free college argue that some states will refuse to foot the bill, just as some states chose not to expand Medicaid when the Affordable Care Act provided the option for states to do so. In contrast, other policymakers argue that a federal-state partnership is the exact kind of funding structure needed to disrupt higher education finance. Although the federal government currently provides financial aid directly to students, it could help alleviate the burden of tuition even more by entering into a robust funding partnership with the states.

The design that policymakers choose for a federal-state free-college partnership will be a crucial factor in determining its financing and its likelihood of success in increasing the number of people with college degrees. Importantly, providing funding for students' tuition and related expenses is not enough to ensure that more students graduate. As enrollment in higher education grows, the need for student support services will also increase. Improvements in academic and career counseling and other support services should accompany free college to ensure that all students have the support they need to attain their degrees. System-wide accountability and transparency are necessary to track these outcomes.

Free-college policies come with tradeoffs.

Free college sounds simple enough—but in reality, it involves many choices tied to different interpretations of the word “free.” Does “free college” mean that the government should fully cover a student’s tuition and allow the student to use additional financial aid to cover other costs? Does it mean that the government should cover only the portion of a student’s tuition that other aid does not cover? Or does it mean that the government should cover the entire cost of attendance?

The Biden plan guarantees that the government would fully fund tuition at public colleges, leaving the student’s other financial aid to cover other costs of attendance. For example, if tuition is \$10,000 and a student receives a \$6,000 Pell Grant, the government would pay the entire \$10,000 tuition bill, leaving the \$6,000 in grant aid for other costs of attendance. This type of plan is often called a first-dollar

⁷ Carey, “The Free College Fantasy,” 2019; Reed, “No, Thanks: A Response to Kevin Carey,” 2019.

tuition-free program. In the first year, such a plan would cost \$58.2 billion if it is universally available to students regardless of income, and \$49.6 billion if it has an income cap as the Biden plan proposes.

While this type of tuition-free program is gaining traction on Capitol Hill, the road to implementation is long. Therefore, it is worth discussing other possibilities.

It may be more politically or financially feasible for the government to confine itself to paying for any tuition remaining at a public college or university after a student's existing federal, state, and local financial aid awards are used. For example, if tuition is \$10,000 and a student receives a \$6,000 Pell Grant, the government would pay the remaining \$4,000 of the tuition bill. This type of program is known as a last-dollar tuition-free program. These sorts of arrangements are more common than first-dollar plans in the free-college programs adopted by individual states. In the first year, such a plan would cost \$27.8 billion.

A program that covers only the tuition that remains after other aid awards are used would cost less than the Biden plan. However, the cheaper plan may not be sufficiently generous to adequately help low-income students who need additional funding to cover living costs during college.⁸ If the federal government becomes involved in free college, experts argue that it would have the resources to implement the more generous tuition-free program.⁹

The tuition-free program in the Biden plan is generous, but some argue that it still falls short of true free college. An even more generous approach would be a debt-free program, which would guarantee that the government would cover all the costs of attendance at a public college, including room and board, books, and transportation, so that students can attend without having to take out loans. Such a program would be both the most comprehensive and the most expensive, costing \$75 billion in the first year.

Furthermore, policymakers must decide which students they want to assist with their free-college plan. They could design a program that institutes an income cap for eligibility. The Biden plan has an income cap of \$125,000 for four-year public colleges but no income cap for two-year public colleges. The Biden plan would cost \$49.6 billion in the first year, while a first-dollar plan that covers all students only at in-state community colleges would cost \$14.3 billion in the first year (Table 2). To limit free-college program costs or target specific populations, state-level plans often restrict eligibility based on criteria such as the type of institution, the number of credits a student is taking, a student's age, or grade point average.¹⁰

⁸ Poutre and Voight, "The State of Free College," 2018.

⁹ Goldrick-Rab and Miller-Adams, "Don't Dismiss the Value of Free-College Programs," 2018.

¹⁰ Carnevale, et al., *Free College 101*, 2019.

Table 2. In the first year, the income cap in the Biden plan would save \$8.6 billion compared to a first-dollar plan without an income cap.

Policy Options	Biden plan	First-dollar plan	Last-dollar plan	First-dollar plan at community colleges	Debt-free plan
Public two-year colleges are eligible	✓	✓	✓	✓	✓
Public four-year colleges are eligible	✓	✓	✓		✓
\$125,000 income cap at four-year colleges	✓				
Government fully covers tuition and fees without the use of existing financial aid	✓	✓		✓	
Government covers remaining tuition and fees after financial aid awards are used			✓		
Government covers tuition and all other costs of attendance					✓
Total cost in the first year	\$49.6 billion	\$58.2 billion	\$27.8 billion	\$14.3 billion	\$75 billion

Source: Georgetown University Center on Education and the Workforce analysis of data from the Integrated Postsecondary Education Data System (IPEDS), 2016–17.

Different free-college policies clearly involve tradeoffs in terms of costs and benefits. We present the costs of commonly proposed free-college programs because these tradeoffs are important considerations for policymakers. Equally important is the effect that a program’s design has on the distribution of free-college benefits among low-income students and underrepresented students of color.

In addition to comparing overall costs, we compare the class and racial equity implications of universal first-dollar programs, the Biden plan, and universal last-dollar programs. We find that first-dollar programs are more generous and more likely to equitably benefit low-income students and students of color than are last-dollar programs. A program such as Biden’s would produce some equity improvements by virtue of its income cap.

With a \$125,000 family income cap for students at public four-year institutions, the Biden free-college plan would be more beneficial to lower-income students and more likely to improve race and class equity than the universal free-college programs reviewed in this report. Only 13 percent of funds associated with last-dollar programs would go to students in the bottom income quartile, compared to 25 percent under a first-dollar program and 29 percent under Biden’s plan (Table 3). Importantly, under the more generous first-dollar programs, these low-income students would be able to apply their additional grant aid to attendance costs beyond tuition.

Table 3. A first-dollar program with or without an income cap would be more beneficial for lower-income students.

Distribution of first-year program costs by income quartile				
Income quartile	Students at public colleges and universities	First-dollar plan	Biden plan	Last-dollar plan
Bottom quartile	25%	25%	29%	13%
Lower-middle quartile	26%	26%	31%	19%
Upper-middle quartile	26%	25%	29%	31%
Top quartile	23%	25%	11%	37%
Total	100%	100%	100%	100%

Source: Georgetown University Center on Education and the Workforce analysis of data from the National Postsecondary Student Aid Study (NPSAS), 2016.

Note: Numbers may not sum to 100 percent due to rounding. The eligible population is restricted to in-state students attending a public two-year or four-year institution. Income quartiles are defined by the entire college-going population. The Biden plan refers to a proposal that would make a first-dollar tuition-free program available to all community college students and students with family incomes under \$125,000 at four-year public universities.

The design of a free-college program influences how much various groups stand to benefit. An income cap shifts the program’s benefits toward less affluent students. In comparison to last-dollar programs, first-dollar programs direct a more equitable share of funding toward students of color. White students represent 53 percent of students at eligible institutions, but they would receive 66 percent of the funds under a last-dollar program. Under a first-dollar program, however, White students would receive only 58 percent of the funds. Biden’s plan, which has an income cap, would distribute funding slightly more proportionally by race than a universal first-dollar program would, but underrepresented populations might still require additional targeted funds to receive their fair share of the benefits (Table 4).

Table 4. A first-dollar program with an income cap would be more racially equitable than a last-dollar program.

Distribution of first-year costs by race and ethnicity				
Race/ethnicity	Students at public colleges and universities	First-dollar plan	Biden plan	Last-dollar plan
White	53%	58%	54%	66%
Black/African American	14%	13%	14%	10%
Hispanic/Latino	21%	17%	19%	13%
Asian	6%	8%	8%	7%
American Indian or Alaska Native or Native Hawaiian/ Other Pacific Islander	1%	1%	1%	<1%
More than one race	4%	4%	4%	3%
Total	100%	100%	100%	100%

Source: Georgetown University Center on Education and the Workforce analysis of data from the National Postsecondary Student Aid Study (NPSAS), 2016.

Note: Numbers may not sum to 100 percent due to rounding. The eligible population is restricted to in-state students attending a public two-year or four-year institution. The Biden plan refers to a proposal that would make a first-dollar tuition-free program available to all community college students and students with family incomes under \$125,000 at four-year public universities.

It is not surprising that White students would receive a disproportionate share of free-college funding in view of current enrollment patterns in public institutions by race and class. White students and high-income students are disproportionately enrolling at more selective institutions, which tend to have higher tuition rates.¹¹ While the shares above are a useful benchmark, they may change over the long term depending on how the incentives associated with free college affect students' college-going behavior.

¹¹ Carnevale, et al., *Our Separate & Unequal Public Colleges*, 2018.

The time for free college has come.

A postsecondary education is increasingly the key to holding a good job and belonging to the middle class. Despite higher education's obvious benefits, many students avoid or drop out of college because they simply cannot afford it. Tuition and fees at public four-year colleges have grown 19 times faster than the median family income since 1980,¹² as funding for college has waned at both the state and federal levels, shifting much of the financial burden to students.

A tuition-free program as outlined by Biden is certainly not cheap, but society could benefit immensely from lowering the barriers to postsecondary education. Over the base year of implementation and the following 10 years, Biden's plan would cost a total of \$683.1 billion. Yet, despite this weighty outlay, the additional annual tax revenue generated by the program would become sufficient to cover its annual costs within the first decade.

When debating whether to institute a free-college program, policymakers must decide which expenses would be covered, at which institutions, and for whose benefit. They must also consider new expenses that ought to accompany a surge in college enrollments, such as expanded counseling and other support services.

The time for free college has come. A postsecondary education is increasingly necessary to get a good job, but at the same time, it is increasingly out of reach financially for many students. A national free-college program would offer a path to making college accessible to more students. The question may no longer be whether or when we should make college free, but what kind of free-college program we should adopt.

¹² Carnevale, et al., *Career Pathways*, 2017.

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