

Will tuition-free college increase college graduation rates?

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This study determined the optimal tuition subsidy necessary to increase two- and four-year college graduation in Texas. The study also estimated the per pupil and total cost of potential subsidies, and compared how they might affect college graduation rates. The goal of this exercise was to provide guidance on how the state could achieve the Texas Higher Education Coordinating Board's (THECB) 60x30TX strategic plan, an effort aimed at ensuring 60 percent of Texans ages 25-34 complete a postsecondary credential by 2030.

The "Optimal Subsidies for Increasing Two-Year and Four-Year College Graduation Rates" report is available at kinder.rice.edu/houston-education-research-consortium.

Key Findings



- A policy promising tuition-free community college would cost \$136 million (\$2,114 per student), but increase college graduation rates by only 4 percentage points, from 22.6% to 26.6%.
- A policy providing community college students with an annual \$1,120 tuition subsidy and public four-year college students an annual \$560 tuition subsidy would increase college graduation rates to 30%, but cost slightly more than free community college, \$189 million (\$2,772 per student).
- To achieve the 60x30TX goal, the state would need to provide community college students an annual \$5,320 tuition subsidy and public four-year college students an annual \$3,640 tuition subsidy.
 - This policy would cost approximately of \$16,569 per student and have a total cost \$2.3 billion.
 - This figure exceeds the THECB's operating budget for the 2018 fiscal year, which was \$803 million.

Table 1. Cost Analyses of Proposed Tuition Subsidy Policies

Policy	Graduation Rate	Cost per Student	Total Cost
Baseline College Graduation Rate	22.60%	-	-
Free Community College Policies			
Free Community College Only	26.60%	\$2,114	\$136 million
Free Community College + \$2,000 Tuition Subsidy for Four-Year Public College	29.40%	\$10,594	\$753 million
Tuition Subsidies to Achieve Specific Goals			
60% College Graduation Rate – <i>Achieve 60x30TX Goal</i>	60%	\$16,569	\$2.3 billion
Community College: \$5,320			
Public Four-Year College: \$3,640			
50% College Graduation Rate	50%	\$11,693	\$1.34 billion
Community College: \$2,800			
Public Four-Year College: \$2,800			
40% College Graduation Rate	40%	\$7,231	\$658 million
Community College: \$3,080			
Public Four-Year College: \$1,400			
30% College Graduation Rate	30%	\$2,772	\$189 million
Community College: \$1,120			
Public Four-Year College: \$560			

Recommendation

Free community college and tuition subsidy may be effective ways to increase college graduation rates in Texas. The approach policymakers should choose depends on the specific goal they want to achieve as well as the amount of money they are able to spend.



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