

Policy Design Matters for Rising “Free College” Aid

JUNE 6, 2019 – JEN MISHORY AND PETER GRANVILLE

Policy Design Matters for Rising “Free College” Aid

JUNE 6, 2019 – JEN MISHORY AND PETER GRANVILLE

Since policymakers introduced the Tennessee Promise scholarship five years ago, states have enacted fifteen new financial aid programs under the “free college” banner.¹ This brings the total number of state Promise programs to twenty-two spread across nineteen states—an astonishing rate of increase, given that states launched the first seven programs over seventeen years, between 1990 and 2007. Through these programs, eligible state residents are guaranteed at least free tuition to community college, while some offer additional benefits such as a book stipend or free tuition at public four-year institutions.

These tuition guarantees come at a critical time—net tuition paid per student to public institutions (after all aid) was higher than ever in 2018. Such an increase lowers the likelihood that a student will enroll in college due to real or perceived costs, and it drives up the student debt that students take on. Research has shown that well-designed place-based tuition-free guarantees can, under the right conditions, mitigate some of those effects by increasing college applications and enrollment among low-income students, increase credential attainment among participants, and even improve student outcomes at the K-12 level.

On the other hand, research on the impact of state-level programs is early, and more recent design choices that limit dollars going to high-need students may not have similar effects. When key populations like adults and part-time students cannot access the programs, or when the programs are last dollar and offer no non-tuition aid, people who need financial help get left out. Getting the program design right is increasingly important as Promise programs make up a growing share of state financial aid budgets.

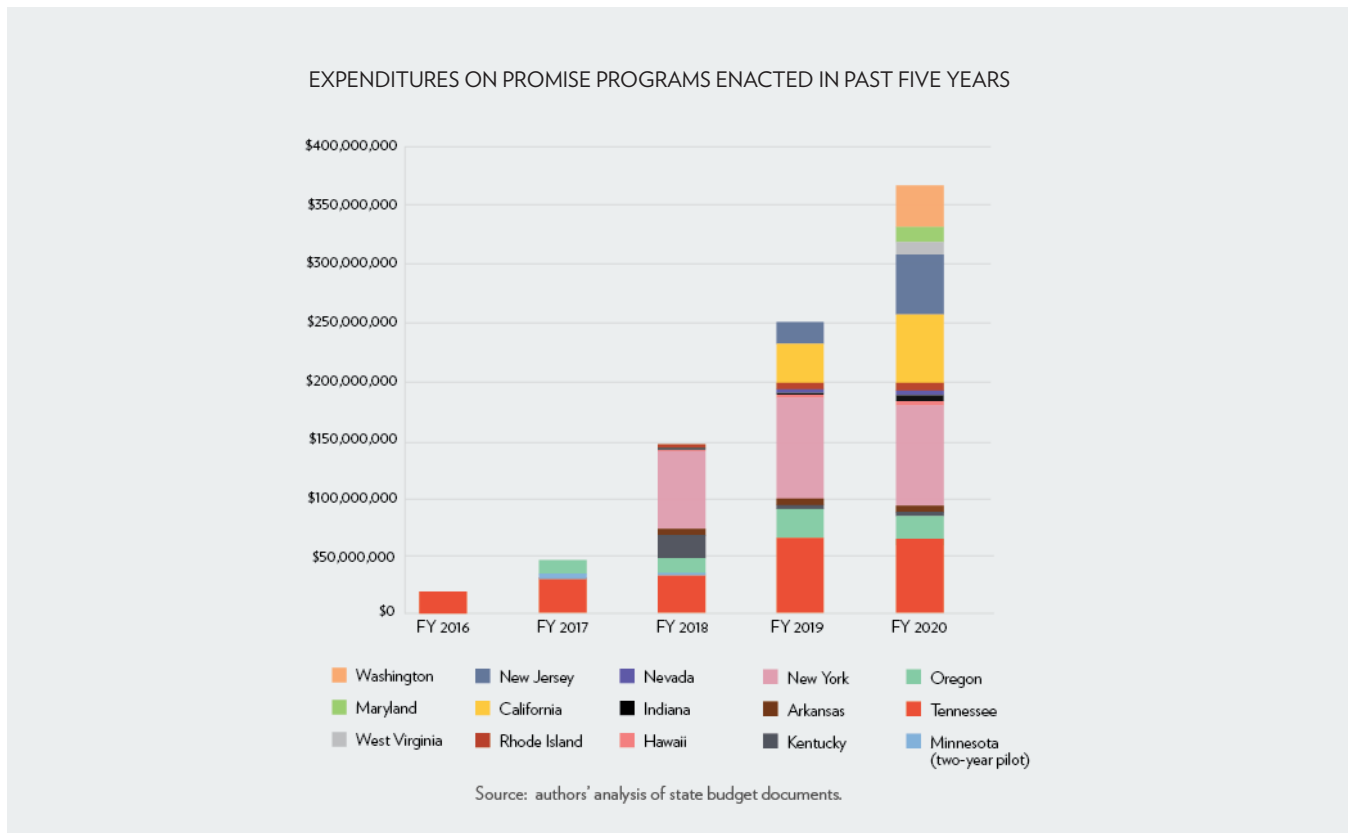
Breaking Down the Numbers

States have increased their appropriations to Promise programs significantly in the past five years, despite eligibility requirements (often included to contain program costs) included in many of these programs.

The hesitancy to commit to a truly universal “free college” model has meant that in some states as few as 5 percent of all students actually qualify for the program, and so the aggregate investment is moderate compared to total state appropriations or overall financial aid. But due to the increasing popularity across states, total investment in Promise programs enacted since 2014 has risen by an average of \$107 million per year over the past three years, a

This report can be found online at: <https://tcf.org/content/commentary/policy-design-matters-rising-free-college-aid/>

FIGURE 1



rapid increase. Figure 1² shows inflation-adjusted investment in recently enacted Promise programs from fiscal year 2016 through fiscal year 2020.⁵

The Promise programs enacted since 2014 will now comprise a projected 4.2 percent of all state public student aid in fiscal year 2020, or a total of 12.1 percent when counting pre-2014 programs. This is a relatively small share of total student aid; however, these programs comprise a much larger percentage of new student aid.

With more programs enacted every year and existing programs generally receiving more funding over time, we estimate that recently enacted Promise Programs comprise nearly one-quarter of the growth in state public student aid since 2015. Figure 2 charts growth in states' public student aid dollars since fiscal year 2015.

This trend raises a key question for future research: are Promise dollars fueling a larger overall increase in state financial aid, or are they displacing and/or eliminating

increases in funding for other financial aid programs? For now, it is clear that the increasing role of Promise investment in states' affordability efforts highlights the importance of getting design features right.

With Growth Comes Responsibility

There are now nineteen states with free college programs. Of the fifteen active programs enacted since 2014, eleven are both last-dollar and limited to tuition and fees, which will generally require the student to pay for the remaining 70 percent of the full cost of attendance.⁴ Four of those newer programs are inaccessible to those who are not recent high school graduates, who tend to be lower-income; and four leave out part-time students, who are more likely to be financially independent. All of those design choices limit the programs' positive effects.

The free college model has shown clear resonance with state-level elected officials in the past five years and, when

Key Design Features of Promise Programs Created in the Past Thirty Years⁵

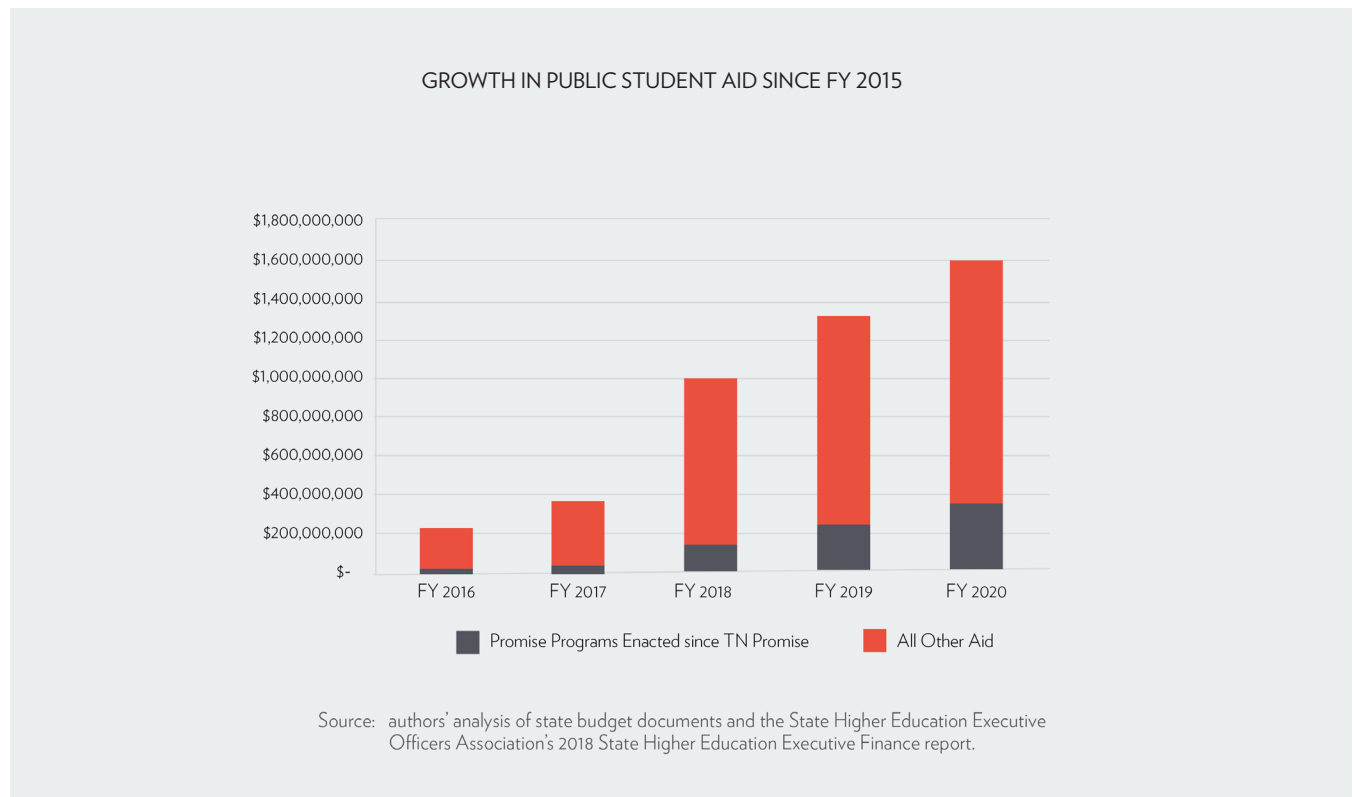
State/ Year Passed	First/ Mid/Last Dollar	Inst ⁶	Tuition and/or other costs	Income limits	Occup limits	Age req. ⁷	Residency post-grad	Student Supports in College	Part- time/ Full-time	HS GPA/ Curriculum Requirements
AR '17	L	CC	Tuition/fees	No	Yes	No	Yes (3)	Mentoring + CS***	PT/FT	No
DE '05	L	CC	Tuition	No	No	HS	No	No	FT	2.5
HI '17	L	CC	T/F/B/ TR/S**	Unmet need	No	No	No	No	6 cr/ sem	No
IN '17	L	Cert	Tuition/ Fees	No	Yes	Indep	No	No	PT/FT	No
IN '90	1st	2/4	Tuition/ Fees	\$46K ⁸	No	8th grade	No	No	FT	2.5/curric
KY '17	L	CC	Tuition/ Fees	No	Yes	No	No	No	PT/FT	2.0
LA '98	1st	2/4	Tuition	No	No	HS	No	No	FT	2.5/ACT/curric
MO '93	L	CC ⁹	Tuition/ Fees	No	No	HS+4 yrs	No	No	FT	2.5/ACT/CS
MN '15	L	CC	Tuition/ Fees	\$90K	Yes	HS	No	Mentoring	FT	No
MS '97	1st	2/4	Tuition/ Fees	\$39.5K	No	HS+1	No	No	FT (30 credits)	2.5/ACT/curric
NV '17	L	CC	Tuition/ Fees	No	No	<20	No	No	FT	Men/CS
NY '17	L	2/4	Tuition ¹⁰	\$100K-125K	No	No	Yes (=yrs)	No	FT (30 credits) ¹¹	No
OK '92	1st	2/4	Tuition	\$55K ¹²	No	10th grade	No	No	PT/FT	2.5/curric
OR '15	M	CC	Tuition + \$1K	EFC ¹³	No	HS	No	1st yr exp	PT/FT	2.5
RI '17	L	CC	Tuition+ fees	No	No	HS	Yes (= yrs)	No	FT (30 credits)	No
TN '14	L	CC	Tuition/ Fees	No	No	HS	No	Mentoring/ CS	FT	No
TN '17	L	CC	Tuition/ Fees	No	No	HS	No	Mentoring/ CS	FT	No

TABLE 1 CONTINUED

State/ Year Passed	First/ Mid/Last Dollar	Inst	Tuition and/or other costs	Income limits	Occup limits	Age req	Residency post-grad	Student Supports in College	Part- time/ Full-time	HS GPA/ Curriculum Requirements
WA '07	F/L	2/4 ¹⁴	T,F,B	\$46K ¹⁵	No	8th grade	No	No	PT/FT	2.0
New programs since March '18 Century Foundation report:										
CA '18	ID**** ¹⁶	CC	ID	ID	ID	ID	ID	ID	ID	ID
MD '19	L	CC	Tuition/fees	\$100K/\$150K ¹⁷ ---	No	HS+2	yes (=yrs)	No	FT	2.3
NJ '18	L	CC	Tuition/fees	\$45K	No	No	No	No	PT/FT	No
WA '19	1st	2/4	Tuition/fees	MFI	No	No	No	Counseling	PT/FT	No
WV '19 ¹⁸	L	2/4	Tuition/fees	No	Yes	No	yes (=yrs)	No	PT/FT	CS/DS****

*Additional features not included in this table: number of semesters of availability, limits around existing AA/BA/certificate holders, budgetary limitations (some run out of money), amount available at non-public institutions, SAP or GPA requirements once in college, coverage of development courses, small "co-pays," state residency requirements before enrolling, eligibility of undocumented students, proactive notification by the state, **T = tuition, F = fees, B = books, TR = transportation, S = supplies. ***CS = community service. ****ID = Institution decides. *****DS = drug screening.

FIGURE 2



done well, can address serious affordability challenges. The rapid growth of such programs makes it even more urgent to ensure they are designed in a way that fulfills their promise.

Authors

Jen Mishory is a senior fellow at The Century Foundation, working on issues related to workforce, higher education, and health care, and a senior policy advisor.

Peter Granville is a senior policy associate at The Century Foundation, focusing on state policy to improve college access and affordability.

Notes

- 1 Sixteen states technically enacted new free college programs, but Minnesota's program sunsetted.
- 2 For this and the following charts, data is adjusted by the state's relative cost of living, using an index provided by State Higher Education Executive Officers Association and the Consumer Price Index.
- 3 For the seven states in this chart that have existing programs but have not yet passed a budget for fiscal year 2020—Tennessee, Oregon, Rhode Island, Nevada, Hawaii, California, and New Jersey—the investments included in the states' 2020 executive budget proposals are used. This chart and the following charts do not include states that have proposed Promise programs for 2020 but have not yet enacted them.
- 4 On average, published tuition and fees for full-time students at community colleges are \$3,660, which is 29.7 percent of the average published total of tuition, fees, room, and board (\$12,320).
- 5 Montana has enacted a Promise program, but it has not yet been funded. Additionally, California's existing aid programs could conceivably be considered a Promise structure. The Cal Grant program covers tuition and fees for students just out of high school whose families earn below an income ceiling of almost \$100,000 (for a family of four) and who earn at least a 3.0 in high school. Students earning a 2.5 are eligible for Cal Grant B, which has a lower income threshold of just \$52,000

for a family of four and only covers a small living allowance in the first year. In the second year it covers tuition and fees as well as the living allowance. Both programs also have asset ceilings. Furthermore, California waives tuition for almost half of all students at community colleges. The determination is made at the campus-level and made based on a set of metrics to indicate financial need.

- 6 Some programs cover associate's or certificates that are typically awarded at community colleges but that a student pursues at a four-year institution.
- 7 Requirements that a student enroll after high school vary from the semester following graduation to several years after high school.
- 8 Maximum for a family of four; the ceiling increases for larger families.
- 9 Schools must be listed as participating—most community colleges participate. "Eligible A+ Community Colleges and Vocation Technical Colleges," <https://dhe.mo.gov/ppc/grants/documents/EligibleAplusPostsecondarySchools.pdf>.
- 10 The Scholarship covers up to \$5,500 in tuition. If tuition is higher than that and no other aid makes up for it, SUNY or CUNY must award a "tuition credit."
- 11 If does not maintain 30 credit hours, will owe money for the second semester.
- 12 \$55K when they enroll, must be below \$100K when they start receiving benefits.
- 13 Did not originally have income limits, now has a maximum EFC limit of \$20,000 set by their Commission.
- 14 The College Bound Scholarship is last-dollar when it comes to state aid, but does not take into account Pell when it comes to covering the gap in tuition.
- 15 \$46K when they enroll, \$55K when they graduate from high school.
- 16 The California College Promise Program is designed to give participating community colleges flexibility with their funding, so the nature of the financial benefit differs by institution.
- 17 \$100K for single-parent household; \$150K for two-parent household
- 18 In 2019-20, the Washington College Grant is not guaranteed to all eligible students. However, we include it in our analysis because it will become a guarantee by 2020-21