



Make the First Two Years of College Free - A Cost-Effective Way to Expand Access to Higher Education in America

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Almost half a century ago, the U.S. federal government expanded financial aid to college students to make college more affordable – but today the odds of getting a degree are more tightly linked to family income than ever before. Getting a college degree remains a good investment, but the current distribution of federal and state financial aid dollars leaves many families of modest means out in the cold. Between 1992 and 2004, the odds that a high school graduate who took at least Algebra II would decide not to go to college went up among all income-groups except the very wealthiest. Sadly, students from families of modest means have also become more likely to drop out from public colleges and universities – leaving with debts, not degrees.

The fact that so many students cannot realize their full potential is a loss for them and also for the country and the world. Clearly, it is time for the United States to refocus public financial aid efforts – and the most straightforward change would be to make the first two years free for all qualified students at community colleges and public universities. This would control rising costs and improve access to higher education for the majority of Americans.

Why U.S. Financial Aid Fails to Make College Affordable

How can it be that growing amounts of financial aid leave college unaffordable for so many? In the current system, aid based on economic need or academic merit goes to students who choose to pursue associate or bachelors' degrees at institutions of all kinds, public, private, and for-profit. Over time, costs of attendance in all sectors have skyrocketed, but this is particularly true in the for-profit sector where students are encouraged to make heavy use of public aid but often stop their studies short of a degree. Financial aid does not cover as much of the costs as it once did. What is more, even though students from the poorest families are likely to receive grants rather than loans, these students still often end up paying a lot themselves, carrying a proportionately higher burden of costs than students from better-off families.

The bottom line is that the U.S. federal government thinly spreads a financial aid pool of about \$170 billion a year across many types of students and schools, and in the end leaves many low-income families paying too much. Such families shell out about 40% of family income for a member to attend community college, and for four-year colleges the bill can add up to 59% of a low-income family's earnings. Even a middle-class family earning \$81,000 a year may be asked to spend or borrow a quarter of that annual income to finance one child's attendance at a public four-year university. The cost is far higher for most private colleges.

Not only do families face high costs, it is not easy to obtain aid. People must navigate through a highly bureaucratic and time-consuming process with repeated applications and verifications mandated by multiple

layers of government. Students and families often come away unhappy and with too little to pay for college expenses without working very long hours or racking up startlingly high debts. The experience heightens distrust of government and educational institutions.

Doing More by Covering Costs for Two College Years

Financial support for college attendance in America does not have to be so inefficient, poorly targeted, and frustrating. With the same resources already being spent, the U.S. federal and state governments could work together to create a far simpler approach with much better outcomes for students, families, and the country. By focusing public resources on helping qualified students complete their first two years at public colleges and universities, a simple message could be delivered to students from all family backgrounds: If you earn your high school degree, the country will ensure that you can obtain a 13th and 14th year of education at no cost to you beyond doing a modest amount of work while you attend college.

This plan would allow existing financial aid resources to be effectively redeployed to help all qualified students go to college. Ensuring broader access would help the United States regain a leading role in college attainment – something the country badly needs to do to ensure an educated citizenry and a well-prepared work force.

Here are the specifics of how the two-year college plan would work:

- All eligible students would be able to attend any public two- or four-year college or university to which they could gain admittance at no financial cost for the first two years.
- The federal government would redeploy existing financial aid funds to cover first and second-year tuition for all students, and to provide additional funding for colleges that do a good job of educating relatively large numbers of low-income students.
- Per-student funding would be set at a higher level than the average tuition currently charged by community colleges, and at just a slightly lower level than the average charged by four-year public colleges and universities. Institutions participating in the public program would not be able to charge tuition or additional fees to the covered first and second-year students.
- The states would also contribute to the program by redirecting financial aid funds to cover the cost of books and supplies for first and second-year students.
- Students' living expenses would be covered through a public stipend equal to fifteen hours a week of employment at a living wage in the given local area, supplemented by federal work-study funding and access to federal loans equaling up to five hours a week of employment.

The appeal of this new model for U.S. public financial aid to college students is that it would redirect public financial aid resources to control costs, increase quality, decrease achievement gaps, and improve graduation rates by working in partnership with the community colleges and public universities that serve the majority of low- and middle-income students. The system would become much more transparent and cost-effective for everyone – and above all for working families and U.S. taxpayers.

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

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