Insight

A $60 billion dollar bad investment

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Since taking office in 2008, President Obama claims to have a successful record in expanding federal support to help more students afford the costs of college. Indeed, during his time in office we have seen the maximum Pell grant increase nearly $1,000. It has now risen to $5,730 for the 2014-15 award year. In addition, the American Opportunity Tax Credit, which provides nearly $10,000 in federal tax reductions has been protected. And the costly Income Based Repayment Program has expanded to include a new Pay as You Earn option; further reducing the amounts student borrowers are expected to repay for their loans. Sadly, these taxpayer funded solutions have yet to address the underlying problems of the skyrocketing cost of a college education, dismal rates of time to completion, or ballooning student debt. In fact many studies have shown that with increasing federal aid, schools "in large part capture aid money rather than become more affordable." Still, undeterred by the research and in an effort to double down on costly federal solutions, President Obama has decided to offer up a $60 billion plan to provide students with two years of free community college. The complete details of the plan have yet to be provided, but to qualify students would have to maintain a 2.5 GPA, attend school at least half-time, and stay on track to receive a two-year degree or transfer to a four-year college. Community colleges would have to strengthen their academic offerings and improve graduation rates, while states would have to share in 25 percent of the overall cost of the program.

The administration's brief description of the proposal certainly leads to a number of other questions, but one question worth considering, as we wait for the details of the plan, is whether the proposal is a sound investment for taxpayer dollars. Consider this:

For the 2014 spring semester 6,179,033 students were enrolled in community colleges (2,400,199 full time & 3,778,835 part time). These students were paying an average tuition cost of $3,347. To aid in this expense, the Federal Pell Grant (the largest component of federal grant aid) provided an average of $3000 to nearly 40 percent of community college students. This totaled $11.1 billion or more than half of the estimated $20 billion in annual tuition costs at community colleges. A substantial federal investment, and that is only reflective of one type of aid – GI Bill, Federal Work Study, Campus Based Aid and others add to the total – but the returns on these investments are far from guaranteed.

The National Postsecondary Student Aid Study (NPSAS) for 2011–2012 estimates that 41 percent of community college students are placed into remedial courses. However, as the College Board points out "other studies on developmental education estimate 58 percent to 63 percent of community college students nationwide take at least one developmental education course in reading, writing or mathematics at a level below the college level." While these are sobering numbers it merely uncovers the larger problem of these students' failure to complete. Organizations such as Complete College America have published studies that show students required to enroll in remedial courses fail to graduate, suggesting that only 22 percent of those students complete within two years. In short, according to the College Measures organization a mere 18 of 100 full time enrolled 2 year students will reach completion. This failure to complete comes with a hefty price tag. Estimates have shown that at two year colleges, Federal grant aid to FTE students (first time/full time) who enroll but do not begin a second year, costs taxpayers $328 million.

Ensuring America's future workforce is prepared to fill the nearly 60 percent of jobs requiring some college is something everyone can support, however, providing two free years of community college does not achieve that goal and is a poor use of taxpayer dollars.

With an overwhelming majority of community college students requiring remedial education and data showing that those students' chance of completion hovers around 20 percent, these funds would be put to better use ensuring students are prepared to complete college level courses. Many states are already taking action enacting policies that ensure students are college ready, requiring developmental classes to be folded into credit bearing courses, or providing the necessary help to students in these courses. A $60 billion federal investment would see a better rate of return by seeking to help states achieve these policy objectives.