



Research

Heads Up America: Free College Doesn't Get You What You Want

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Key Findings:

- 61 percent of community college students fail to earn a degree or credential in 6 years.
- Only \$32 billion of the \$80 billion combined federal and state investment for President Obama's proposed free college program would result in a degree or credential. The majority – \$48 billion- would be a loss.

Introduction

In this year's State of the Union Address President Obama announced an initiative to provide two years of [free community college](#). States would be required to opt into the proposed program and commit 25 percent of the necessary funding. Schools receiving the dollars would be required to adopt evidence-based reforms to improve student outcomes as well as create programs that provide occupational training or fulfill transfer requirements to 4-year schools. In return the federal government would pick up the remaining 75 percent of funding for tuition and fees. The program is estimated to [cost the federal government \\$60 billion](#) (\$20 billion for states) over 10 years.

Analysis

In general, federal investments in higher education are made in an effort to increase the degrees and credentials needed to ensure a productive workforce with lower unemployment rates and higher wages that support greater consumer spending and investment. Yet in November of 2014, just two months before the president unveiled his plan, the National Student Clearinghouse released an [in-depth study](#) that found the public 2-year colleges at the heart of the president's plan typically fail to get students over the finish line with a degree or credential needed to reap any economic benefits.

Chart 1. Six-Year Outcomes by Starting Institution Type



Source: National Student Clearinghouse Research Center

As the figure shows, after six years only about 39 percent of public community college students end up completing a degree.^[1] In other words, the president's free college proposal would spend \$36 billion of a \$60 billion investment on up to 5.4 million students who will likely never receive a degree or credential. Add the \$20 billion that states would be required to invest on top of the federal match and the total potential loss on an \$80 billion federal and state investment could be close to \$48 billion.

It's important to note that the federal taxpayer's \$60 billion investment is not directed towards student services such as remedial support or counseling or even childcare. This proposal quite plainly provides grant dollars to students regardless of whether they actually receive a degree. It provides aid whether the student is part of a family of four that lives below the poverty line or are part of a family that earns just under \$200,000 per year.

Conclusion

Federal and state budgets simply don't have the surplus capacity to absorb billions of dollars of economic loss. College affordability is important, but should be addressed with efficient programs.

There are better ways to spend \$48 billion that can improve affordability and graduation rates, such as the federal Pell Grant program. Pell grants target federal grant aid to needy students but are portable, so that students can pursue more advanced degrees at 4-year colleges and universities where there is an improved chance of receiving a degree.

[1] Shapiro, D., Dundar, A., Yuan, X., Harrell, A. & Wakhungu, P.K. (2014, November). Completing College: A National View of Student Attainment Rates – Fall 2008 Cohort (Signature Report No. 8). Herndon, VA: National Student Clearinghouse Research Center.