



The Our American States podcast—produced by the National Conference of State Legislatures—is where you hear compelling conversations that tell the story of America’s state legislatures, the people in them, and the policies, process and politics that shape them.

You can subscribe through iTunes, Google Play, Stitcher or Spotify.

Free College? It’s a Little More Complicated Than That | Aug. 22, 2021 | OAS Episode 140

Ed: Hello and welcome to “Our American States,” a podcast from the National Conference of State Legislatures. This podcast is all about legislatures: the people in them, the policies, process and politics that shape them. I’m your host, Ed Smith.

“The federal government historically and continuing now, this is current policy, has very little to say about the decisions that states make when it comes to how much money they decide to spend on higher education, what their access policies will be, and how much money they choose to charge students.”

“In the early 1990s, about four percent of the people who earned a bachelor’s degree in this country came from the bottom household income quintile. That’s pretty bad. Today, it’s 13 percent of the bachelor’s degree completers are coming from the lowest income quintile.”

That was Kevin Carey and Jason Delisle, both experts on higher education policy and my guests on the podcast.

The cost of higher education, the amount of student loan debt, the percentage of students who receive degrees and other related issues have been debated in legislatures and on the campaign trail in recent years. Proposals for new federal/state partnerships on higher education and for free community college are among the issues being debated.

Carey is the vice president for education policy and knowledge management at New America, a policy research organization. Delisle is a senior policy fellow at the Urban Institute. The two discuss the track record on affordability, access and outcomes in U.S. public higher education and the different approaches states have taken.

They also assessed proposals for state/federal partnerships and the likelihood that different states might have very different attitudes toward the type of partnerships being proposed.

While they differ on a number of points, both agree the complexities of how a federal/state partnership would work are largely missing from public debate. Here’s our discussion.

Kevin, Jason, welcome to the podcast.

Kevin: Great to be here.

Jason: Thanks.

Ed: First, thanks to both of you for coming on the show. Our focus today is college affordability and how to get there. As someone who is not an expert in this area, unlike the two of you, I go into our conversation assuming it would be a good thing if more people could attend and graduate from college with less debt. And if you disagree with that, feel free to challenge that assumption.

Time Marker (TM): 02:48

Ed: So, let's start there. I'd ask each of you to assess how well our education system has done in the past 20 years of increasing access and completion, while maintaining reasonable tuition rates. Kevin, why don't you take that question first?

Kevin: I think the answer is different for the two parts of that question. We have not seen a decline in people going to college. So, we continue to have a good flow of students graduating from high school; more students are graduating from high school than once did and going into the higher education system.

Where we do have problems is in graduation, which is a longstanding issue. Many students who go to college don't graduate. And certainly, we're doing worse on affordability than we were doing 20 years ago. How much worse? Depends on your circumstances, depends on what state you live in, which makes a big difference. States vary a lot in their commitment to making college affordable. And there are some methodological debates about how exactly to calculate the cost of college.

But overall, about the same on access; substantially worse on affordability.

TM: 03:52

Ed: Jason, what's your view of the country's track record in this area over the last 20 years?

Jason: There are lots of different statistics on how you can measure college access and college affordability. There are some statistics that I think are pretty hopeful on college access, though we don't hear a lot. I think they're kind of drowned out by the negative.

I'll give you one. If you look at, for example, the share of students who earned a bachelor's degree in recent years, and the family income background that they came from. So, you said 20 years ago in your earlier question... so, in the early 1990s, about four percent of the people who earned a bachelor's degree in this country came from the bottom household income quintile.

That's pretty bad. Today, it's 13 percent of the bachelor's degree completers are coming from the lowest income quintile.

If you go up another income group, another income quintile, so this is still very low income, back in the 90s, about seven percent of bachelor's degree completers came from that income group. Today it's 13 percent. And so, we've seen a huge shift in the terms of the share of people getting bachelor's degrees who are coming from low-income backgrounds

You can look at it other ways, where it doesn't look so good. There are a lot of different ways to sort of slice the data. But I think that's a pretty remarkable achievement. It's become a much more equitable distribution across who is getting a college degree in this country.

TM: 05:36

Ed: So, Jason, what do you see as the root cause of the progress or lack of progress toward those goals?

Jason: Yeah, I think that we have a really generous financial aid system. This is a goal for colleges themselves and for policymakers and for advocates, is to help increase access to college. We have a very generous financial aid system; we have a pricing structure with very low prices for low-income students; we have admissions offices and institutions whose goal is explicitly to increase the share of students from lower-income families that get bachelor's degrees.

So, we've got policies aimed at doing it. We've got people in leadership roles that are focused on increasing access. You can see from the data that there has been success.

TM: 06:30

Ed: Kevin, what's your perspective?

Kevin: Jason is correct in all the statistics he is citing. We have done a much better job of getting more students and more different kinds of students into college and through with degrees. But I think it also sort of bespeaks a narrow perspective on what success means.

Our public policy apparatus and higher education itself-- I've shared for a long time-- which is just any access is a success and any degree is a success. And I think the questions we have to ask ourselves are: Access to what kind of college? Access to what kind of degrees? At what price and for how much debt on the back end?

And I think if you broaden it to all those questions, I don't think the picture is as good. The institutions that we give low-income students access to aren't funded at the same level as the institutions that we give more well-off socioeconomically access to. A lot of students don't graduate. And it's not clear that all of those bachelor's degrees are good bachelor's degrees. And the price has gone up and students are borrowing more money.

The U.S. Department of Education over just the last few years has started releasing very detailed information about how much students borrow to not only go to specific institutions, but specific programs inside institutions. And then how much money do they make after they finish college?

There are thousands of programs at colleges around the country where it's not clear there's any return on investment at all, where students are paying and, in some cases, indebting themselves for degrees, and then when they go into the job market, they're making minimum wage or not any more than the average high school graduate makes.

So, I think when we look at it that way, we still have a lot of work to do.

TM: 08:12

Ed: Well, Kevin, let me stay with you. We are, of course, very oriented toward policymakers on this podcast. So, looking at the policies states and the federal government have pursued over the last, let's say, 20 years, how successful have those policies been in improving outcomes in affordability?

Kevin: I think that they've not been as successful as they could be. I mean, there is kind of a strange and unstable dynamic in the relationship between the federal government and state governments when it comes to financing higher education, where the federal government historically and continuing now, this is current policy, has very little to say about the decisions that states make when it comes to how much money they decide to spend on higher education, what their access policies will be, and how much money they choose to charge students.

The federal government is just kind of a blind purveyor of grants and loans into the system. Any student who is eligible for a Pell grant gets a Pell grant to go to any accredited institution, and any student who wants to borrow money can borrow money up to certain limits for undergraduate degrees and, of course, no limits at all for graduate programs.

States have not always kept up their end of the bargain in my opinion, although, again, it varies widely by states. And I think the last 10/15 years are a good example. Although this was all happening before the Great Recession, all of these dynamics were accelerated by it. After the Great Recession in 2008, every state cut funding for higher education because they didn't have as much money, and colleges can raise tuition and K-12 schools can't.

In some ways more interesting is what happened afterwards, which is some states just never put any of the money back. They just kept the cuts in place, even as their tax revenues rebounded and the budgets were in better shape, they just said, you know what, we're just going to keep things the way they are.

Other states put all the money back. This is something that people in higher education don't always like to admit because there's kind of a universalist narrative of state disinvestment in higher education.

But, in fact, if you look at a state like California or New York before last year, they were funding at a better level than they were pre-Great Recession. They put all the money back. These are states that have higher taxes and generally a political climate that's more focused on public investment.

Other states – Arizona, Louisiana, some others I could name – nothing.

TM: 10:30

Ed: Jason, what's your assessment of these policies at both the federal and state level?

Jason: Kevin is absolutely right on this. I think the issue is more where you come down on... I mean, he's right in that the federal government has had very little to say to states on what they should do on their higher education policy and has essentially just provided loans and grants.

I think what people need to be explicit about is that there is more movement towards more federal control over how states operate their higher education systems. The sort of hands-off approach from the federal government has been purposeful. There hasn't been a lot of support for the federal government amongst the states and amongst Congress for the federal government dictating things like prices and other kinds of financial aid policies.

Kevin is pointing at that this is a change in the policy conversations toward wanting more federal involvement. And that's where the Biden administration is headed as well with the free college plans. They have a long list of requirements for states if they're going to participate, which is unprecedented. That's a very new role.

TM: 11:56

Ed: There's been a lot of talk about the need for state/federal partnership in higher education. There certainly was a lot of discussion about this during the 2020 presidential campaign. The Biden administration has proposed its own state/federal partnership in two parts: free community college, and student success state matching grants.

How would these state/federal partnerships work, and do you think this partnership is necessary? Jason, let's stay with you.

Jason: I don't think that people have put a lot of effort in, at least the legislation that I'm seeing. It seems overly simplistic in how it would distribute this new funding. We've never done this before. We've never had a federal formula fund for higher ed, anything on this kind of scale. How you do it seems to matter a lot and I think the approach that people are taking or advocating on this... I think Kevin is an exception – Kevin is one who has said this may not be the way you want to do this if you want to do it.

And it's essentially saying we take the average amount of tuition that states charge, and we provide a percentage of that to every state. So, we take the average amongst all states and then give a share of that to every state.

States spend very different amounts, and they charge very different amounts. So, you're going to bake in these disparities in a national funding formula. Usually when we do funding formulas, they're based on counts of people, they're based on other indicators. But this is just: What is your tuition? And here's the check.

TM: 13:39

Ed: Kevin, what's your view of this state/federal partnership?

Kevin: If you're a state official, state legislator listening to this podcast, here's what I think you probably should keep in mind, which is: 1) there's an enormous amount of political pressure to do something about college affordability. We can agree or disagree with the specifics of that, but I think the fact of it is very real.

That political pressure is reflected in the priorities of the Biden administration and what would be historic proposals for new federal programs to fund higher education, which are now being considered by Congress and we'll see how that goes.

If the federal government takes this step and goes beyond its role as just a provider of student financial aid and student loans and actually gets into the business of essentially providing direct aid to support higher education, it is not going to do that without putting stronger requirements on states somehow, I don't think.

And the two big questions are: 1) How much money are states spending on higher education? and 2) What tuition prices are they charging? I think it's unrealistic to think that the federal government will continue to have no say whatsoever in those two questions going forward.

So, states are going to have some choices to make about whether they want to participate in this kind of new federal partnership where, all of a sudden, Congress and the U.S. Department of Education or whomever is judging them and to some extent limiting their choices in the same way that it does with other big federal/state partners.

Like if you want to be part of the Medicaid program as all states are, you can't just do whatever you want. You're in a relationship with the Department of Health and Human Services. Same thing on highway funding, right? All this stuff is kind of very put together.

So, this would be an historic change in the nature of both financing and also governing higher education. It's going to be complicated for the reasons that I think Jason was alluding to, which is that states have made really different choices about how much they choose to spend on higher education.

The Biden administration and Congress essentially have two choices. They can either have a very efficient and broad approach to reducing the price of college, which basically bakes in all the inequality in-between states and is a bonanza for states that have chosen to not invest in keeping prices low.

If you have what amounts to a largescale tuition replacement program, then whatever state is charging the most tuition gets the most money because you're just replacing it. Well, the states that charge the most tuition are also the states that spend less. That's more or less the mechanical relationship between how much states spend and how much tuition is.

That's horribly unfair to states that have chosen to spend money to keep tuition down, and those states know who they are. I'll point to one person in particular, which is Senator Richard Burr from North Carolina, who is the ranking member of the Senate Education Committee and is from North Carolina. So, although Senator Burr is a Republican, North Carolina is a high-

spending state when it comes to higher education. They spend much more money than average, and their tuition is quite low. And he represents his state.

I've been in hearings when he's said this, I've watched hearings when he's said this – whenever this comes up, he's like look, you can't penalize us, North Carolina, because we did the right thing here. So, I don't think we will, and I think the Biden administration recognizes that. But what it means is the states that aren't spending money are going to have a hell of a time being able to comply with the terms of some kind of new federal/state partnership because it would essentially require them to spend a lot of money in order to meet this zero-tuition threshold.

So, my guess is if the Biden free community college plan goes into effect, we will have a lot of variance in adoption. Not all states will say yes to it. Either they don't want to for political reasons – we saw that after the Affordable Care Act where some states just opted out because they said we're not into this whole thing; or they just don't have the money – it would just be too expensive.

Ed: Kevin, thanks. We'll be right back after this quick break.

MUSIC and Gene VO

NCSL's Legislative Summit is back. Connect with your colleagues November 3rd through the 5th in sunny Tampa, Florida to gain unique insights and practical knowledge to drive results for your state. Early-bird pricing is available through August 31st. Register today at ncsl.org.

TM: 18:04

Ed: I'm back with Kevin Carey and Jason Delisle. Kevin, let me follow up with you on what we were discussing before the break. So, you raised the notion of how this state/federal partnership might not be too attractive to some states. Do you think states would participate? And how would the higher education system as a whole respond?

Kevin: If you're in California, absolutely you'll do it. You know why? Because community college is already free in California for most students. So, why wouldn't you say yes to it?

If you're a state that charges a ton of money for community colleges, it might not be a good deal.

TM: 18:38

Ed: Jason, what are your thoughts on participation? Do you think states will vary in their enthusiasm because of how it will affect them?

Jason: It changes a little bit I think maybe when it's just community colleges, which is what's on the table right now. That's my sense. It may be an easier lift for some. I mean, some states yeah, that's right, you can do one or the other like Kevin said. You can either give people more money if they've been charging more to help them get down to free, which is baking in a bunch of disparities and is unfair.

Or you can do what I think they're doing now in the Senate. I've seen bills proposed to do exactly this. And also in the House, which is you provide an average. You take the national average. What's interesting there is to Kevin's point, yeah, there are states that will have a long way to go to get to free and they may not opt in.

But I also think it's interesting in that scenario. There are states like California that get more than they need to bring tuition down to zero. They essentially get a windfall of extra money that they would have to spend on community colleges.

Now, people will have different views on that's good, that's bad, and it's the opposite issue of what Kevin was talking about. So, now you actually reward states with extra money that have been keeping tuition low.

I wonder how many members of Congress though are going to be in favor of providing extra money into community colleges beyond what they need to provide free, particularly when other states won't even get enough to bring their tuition down to free.

TM: 20:25

Ed: Let's set the state/federal partnership notion aside for a moment. What do you think states can do to improve higher ed outcomes and reduce debt? Jason, why don't you tackle that first?

Jason: What we've been seeing is states have been pursuing more generous financial aid programs themselves that are targeted. Some of my colleagues at the Urban Institute are working on a big project on how to improve those state grant programs. That's certainly an area where states can ramp up and do more.

There are also issues of... I've been doing a lot of work on looking at living expenses at colleges. We tend to talk a lot about tuition as the real problem. I look at tuition prices at public universities and at community colleges for low- and middle-income students and if you look at the student aid that's there, tuition is really low. But living expenses have been going up, and I think that's an area for lawmakers to take a harder look at. Why are they going up?

Is subsidizing living expenses at whatever they may be at a college, whatever the college may say they are, is that really the best approach? So, I think that's an area where policymakers could exercise a little more scrutiny in the college price issues.

TM: 21:47

Ed: Kevin, what do you think states could do to improve the situation?

Kevin: States still have a super important role to play. Our higher education system is a state-founded system. States charter these institutions, they govern them; they mostly are the ones that fund them. And I don't think that's going to change. States have a big role to play and when it comes to affordability, it's not complicated.

Obviously, there are some decisions to make about how much to spend on higher education and that matters. But mostly it's just a function of how much states want to spend to keep tuition

down. If they want to spend more money to keep tuition low, then tuition will be lower. If they want to put money into financial aid programs for low-income students, they can do that. There is not any secret about how to do these things. A dollar more is a dollar less in tuition. That's just the decision you have to make and, again, states really vary a lot.

That's the thing I think people probably don't understand is the extent to which states vary, and not in ways that are super obvious. Some states just have different traditions and structures and histories that all tend to kind of get baked into the status quo, which then tends to get sustained even as different political parties come and go.

States also have different structures in place in terms of how they choose to create institutions that are meant to serve different kinds of students, which is also, side note, an issue if we're going to make community college free. What's community college exactly? I mean, there are legal definitions you can find.

Some states have chosen to build more community colleges than others. You can take two identical states, one of which has more students in institutions that are called community colleges and then others that basically take in the same students and are offering them the same programs including, by the way, associate degree programs, but they're being offered at four-year universities.

So, we're going to make one free and the other one not free. Again, this is all just a whole bunch of super interesting and not very easy to resolve set of policies that will have to be explored and worked out if the federal government is going to, again, move out of this role as a very simple, very passive investor in student financial aid, which is, on the education side of things, all it has ever been to a first degree of approximation.

I think it is unfortunate that states are diverging as they are, and they are diverging, it should be said, on fairly clear ideological grounds. The states that chose not to reinvest in higher education over the last 10 years were, for the most part, Republican lead states. The states that chose to reinvest were, for the most part, Democrat lead states. There are exceptions. I want to acknowledge that. Then there are also Republican states that are good investors and Democratic states that haven't done a great job.

That seems to be consistent with kind of the ideological polarization of the electorate, which now splits up on education grounds into ways it didn't even 15 years ago. So, it's all concerning to me in that sense.

Ed: I have to say after listening to this that I'm impressed with how much more complicated this issue is than I realized, and I think that's probably true for some of the listeners as well. The sort of sloganeering that goes on in a campaign doesn't leave room for these more nuanced discussions.

TM: 25:04

Ed: Before we wrap up, I wonder if you have any final thoughts. Kevin, why don't you go first?

Kevin: I used to work for a state legislature, so I have a little insight into how they see things. When I worked there, the dominant institutions politically were the flagship institutions. I worked for the state senator from Indiana University of Bloomington, and also for the state senator from Purdue University. In states, these flagship institutions are very influential. A lot of state legislators are alumni of their state public universities.

Flagship state universities don't want to be free. News flash: they don't want to be free. They don't want the federal government to give them more money and reduce tuition. They want to be in the business of excelling expensive things to wealthy people because they see their peers as private universities.

The University of Michigan doesn't care about the rest of the Michigan public university system. It's like: What's going on at Harvard? What's going on at MIT? What's going on at maybe a few other flagship public universities? So, the higher education industry is sort of good about its public relations and they're not out there trying to be against free college. But when it comes down to actually making deals and passing laws through Congress, I think that the support will be more varied than people might imagine.

TM: 26:26

Ed: Well, that's a very interesting observation and you're right. I think that would be lost on a lot of us. Okay, Jason, you get the final word.

Jason: Kevin is doing great stuff out there trying to tell people that this is more complicated than either the debates are really letting on and the actual, when I'm looking at the legislation, definitely more complicated than the actual legislation is acknowledging.

I really think for your listeners, I think this just needs to be more debated. We've got a budget bill moving in the Senate and we could have free community college with a federal formula opt-in program by December. The kinds of things, the issues that Kevin is raising, you can go either way – they need to be addressed and people need to make an explicit decision about how to do it.

What I'm worried about is we wake up in January and suddenly start realizing all of these complicated tradeoffs that were hidden in this bill that no one really made a good decision on or debated.

Ed: Well, I think we're going to wrap it up with that. Thank you both again for shedding a lot of light on this complex topic. Take care.

MUSIC

Ed: And that concludes this edition of our podcast. We encourage you to review and rate our episodes on iTunes, Google Play or Spotify. You may also go to Google Play, iTunes or Spotify to have these episodes downloaded directly to your mobile device when a new episode is ready. For the National Conference of State Legislatures, this is Ed Smith. Thanks for listening and being part of "Our American States."