Tuition-Free Program Design Considerations

An Equity Analysis

HILDRETH INSTITUTE

Recognizing the critical role higher education plays in their economies and for their workforce development, more than 33 states plus Washington D.C. have implemented statewide "Promise Programs" or Tuition-Free Programs. These programs have the common goal of promoting educational attainment by committing to provide a financial award above and beyond existing federal and state grant aid, focusing on providing a tuition-free college education.

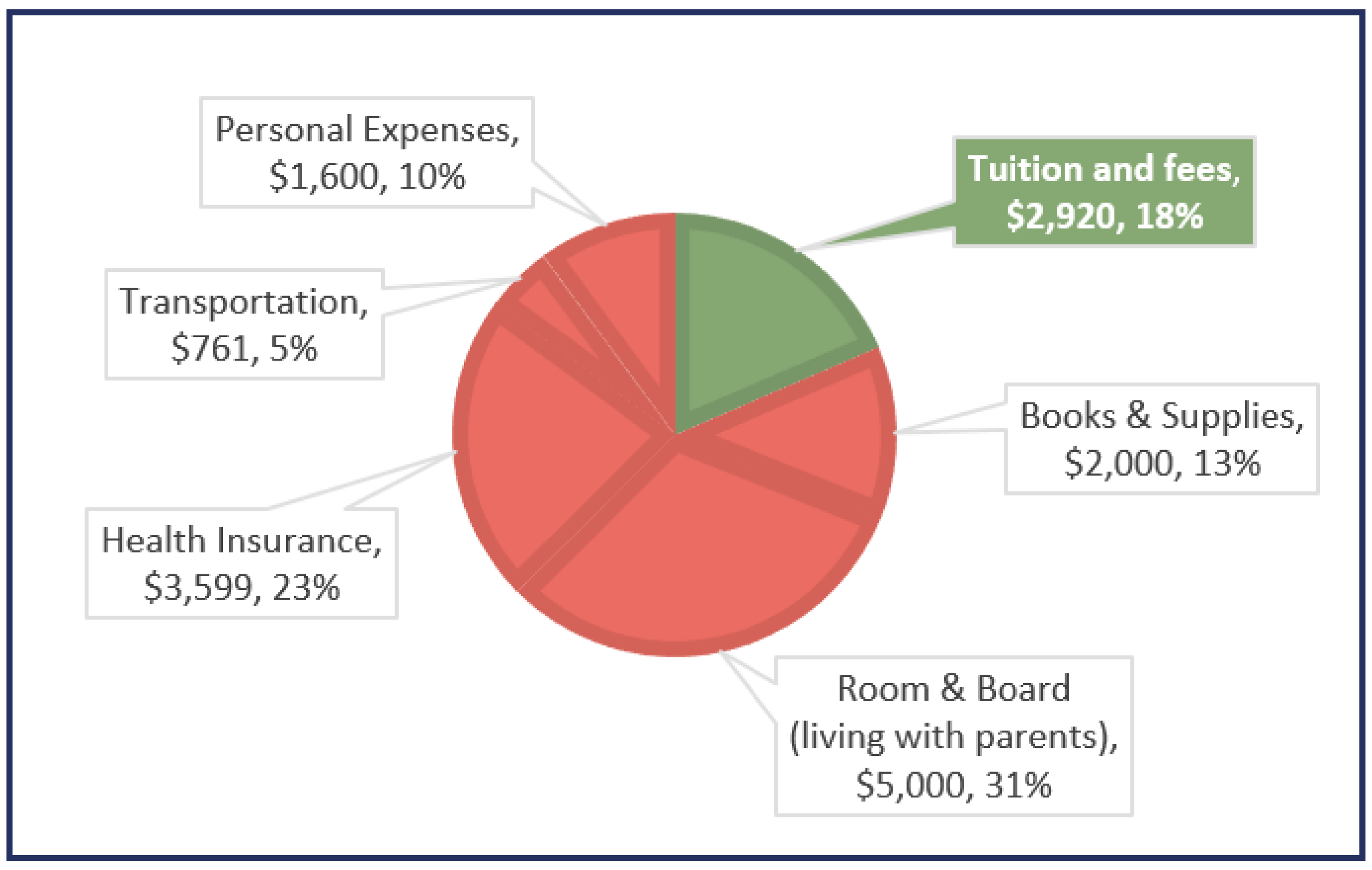
This explainer is follow-up to a comprehensive report we released in 2020 for which we collected data on existing state-level tuition-free programs and analyzed the equity implications of various award calculation methods as well as the criteria used to determine eligibility. This explainer focuses specifically on the effects of the varied award models on different student populations and who benefits the most from each design.

There are three main award calculation methods used by tuition-free programs

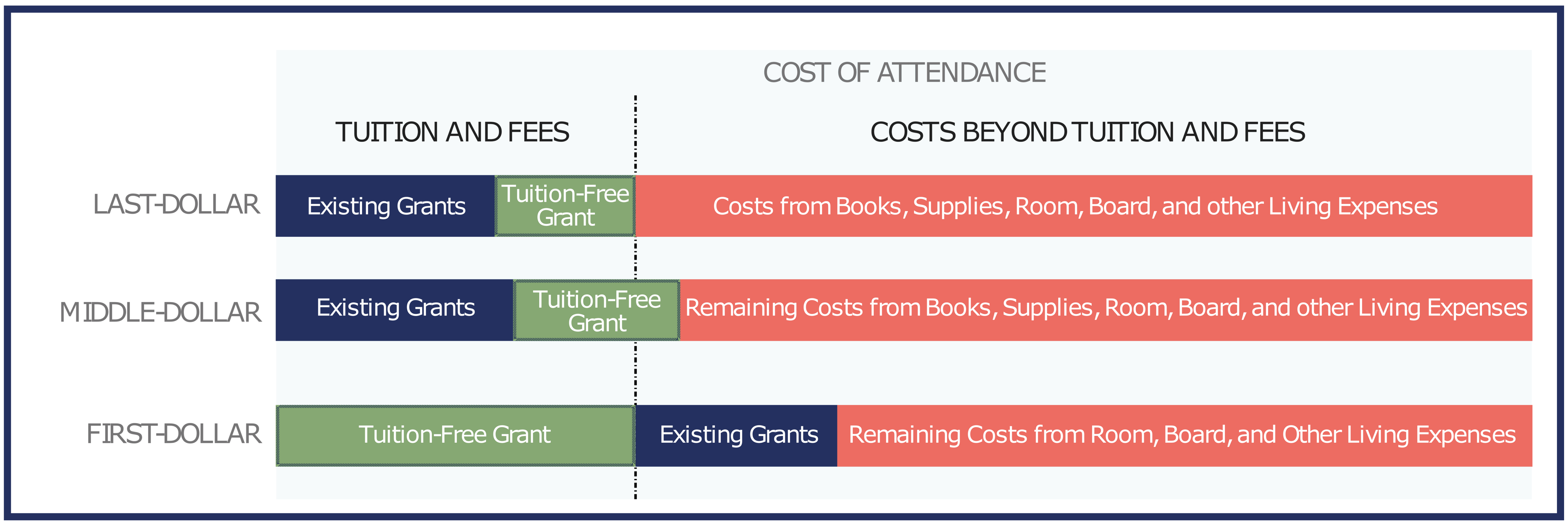
	Award Allocation Methods for 'Tuition-Free' Programs	Calculation
Last-dollar Scholarships	provide a grant equal to the amount remaining after existing grants and scholarships are subtracted from tuition*	Tuition - Existing Aid = Grant Amount
Middle-dollar Scholarships	operate like last-dollar scholarships, but they also provide a fixed grant for those whose tuition is already covered with existing grant and scholarship money.	Tuition - Existing Aid = Grant Amount If Tuition - Existing Aid = 0, then a fixed grant amount to be used for costs beyond tuition
First-dollar Scholarships	provide a grant equal to the amount of the full tuition, regardless of the availability of existing grants and scholarships.	Tuition = Grant Amount

*Some programs also include tuition, fees, and some book allowances in what is covered by the tuition-free grant

Real-Life Example:
True Cost of Attendance for an Academic year as a Full-Time Student at Roxbury Community College



Allocation of Tuition-Free Designs By Cost of Attendance



*This is a visual representation and is not to scale

AN EQUITY ANALYSIS OF LAST-DOLLAR TUITION-FREE PROGRAMS

Most tuition-free programs around the nation are at the community college level, with a last-dollar design. Since they rely on existing grants and scholarships, many states see this allocation method as an appealing and less expensive option for tuition-free community college.

However, it is important to recognize that the **last-dollar model is regressive**, as it provides the smallest financial benefit to lower-income students whose existing eligibility to need-based financial aid already covers a large portion, if not all, of the tuition (and fees) charged at community colleges.

WHO GAINS FROM A LAST-DOLLAR TUITION-FREE PROGRAM?

Meet Alex and Kyle

Alex and Kyle are two full-time students enrolled at Roxbury Community College. The total cost of attendance is about $15,903 a year, of which $2,920 is tuition and fees. Below breaks down of how much they would receive under a fully-funded last-dollar tuition-free grant:

Alex

Family Income less than $30,000

Existing Need-based Federal and State grants = $5,500

Does not qualify for last-dollar grant

Still faces an unmet need of $10,400

Kyle

Family Income more than $150,000

Existing Need-based Federal and State grants = $1,300

Receives a $1,642 last-dollar grant

Does not have any unmet need to begin with

THE UNIQUE DESIGN OF MASSGRANT PLUS

MASSGrantPlus (MG+) was launched in 2018 as a last-dollar program to cover tuition and fees, as well as some book expenses - if funding levels permit (also referred as direct costs) - for all community college students. It has been expanded to include all income eligible full-time students at the state's nine public universities and the four University of Massachusetts undergraduate campuses.

MG+ has a unique feature, as it factors in **the federally-calculated expected financial contribution (EFC).** Therefore, MG+ covers any unmet financial need towards direct costs after a student's EFC and all other financial aid is applied. The calculation used is:

Tuition/fees - (Existing Aid + EFC) = MG+ Amount

While taking EFC into consideration decreases the cost of the program for the state, it also remedies some of the regressiveness typically seen with a last-dollar program. For example, Kyle, in the example above, would likely not qualify as his EFC would cover direct costs along with his existing aid.

However, a small fraction of the student population is eligible for and sees a benefit from the program. This is especially true at the community college level - where existing aid and EFC often cover the full direct costs of attendance - even as many students are still faced with high unmet financial need. In order to provide financial relief to these students, the MG+ must be broadened to cover costs beyond tuition and fees.

Although the MG+ program aspires to largely eliminate "unmet need" of direct costs for Pell-eligible students at public four-year institutions and for all community college students, the current funding level for MG+ does not come close to meeting this promise. According to our rough estimates, at least $240M would be needed to provide a last-dollar, tuition free program across all sectors of public higher education.

One solution would be to provide Pell-eligible community college students a stipend regardless of whether their direct costs have been covered by existing financial aid or EFC. Under a plan like this, Massachusetts would be providing a middle-dollar tuition-free community college program. Another, more extensive solution would be to offer a first-dollar tuition-free program at community colleges. We provide a short equity analysis of both these options next.

AN EQUITY ANALYSIS OF MIDDLE-DOLLAR TUITION-FREE PROGRAMS

Middle-dollar tuition-free programs have a similar design to a last-dollar program, except they also provide a fixed minimum grant so that eligible students whose direct costs are already (or partially) covered with existing grants are provided some additional assistance. This remedies the regressiveness of a last-dollar design, as students from lower-income households receive some grant money to cover costs beyond tuition. The larger the minimum grant amount, the less regressive the program. Montana and Oregon are two examples of states who have middle dollar promise programs for their community college students.

WHO GAINS FROM A MIDDLE-DOLLAR TUITION-FREE PROGRAM?

This is how the financial aid of Alex and Kyle would change if they benefitted from a middle-income tuition-free program at Roxbury Community College that provided a $1000 middle-grant (stipend) for costs beyond tuition and fees, regardless their eligibility for existing financial aid.

Alex

Family Income less than $30,000

Existing Need-based Federal and State grants = $5,500

Qualifies for $1,000 stipend

Still faces an unmet need of $9,400

Kyle

Family Income more than $150,000

Existing Need-based Federal and State grants = $1,300

Receives a $1,642 last-dollar grant + $1,100 stipend = total $2,642

Does not have any unmet need to begin with

AN EQUITY ANALYSIS OF FIRST-DOLLAR TUITION-FREE PROGRAMS

First-dollar tuition-free programs provide a grant equal to the amount of the full tuition (and fees), regardless of students' eligibility for existing grants and scholarships. With this design, students are relieved from covering the cost of tuition, and can use their existing grants/scholarships to cover costs beyond tuition, effectively lowering the need to borrow. At the national scale, Senator Bernie Sanders' College for All Act also called for a first-dollar tuition-free Community College program for all. Three states, California, New Mexico, and Washington, have enacted programs that use this method. CA and WA has set an income cap which reduces the cost of the program. The New Mexico Opportunity Scholarship, however, opted to send a simple message that all students, regardless their income level, are eligible for tuition-free college.

WHO GAINS FROM A FIRST-DOLLAR TUITION-FREE PROGRAM?

This is how the financial aid of Alex and Kyle would change if they benefitted from a first-income tuition-free program at Roxbury Community College.

Alex

Family Income less than $30,000

Existing Need-based Federal and State grants = $5,500

Receives a $2,920 grant to cover full tuition and fees

Unmet need drops to $7,600 (since she can use her existing aid to cover costs beyond tuition and fees)

Kyle

Family Income more than $150,000

Existing Need-based Federal and State grants = $1,300

Receives a $2,920 grant to cover full tuition and fees

Does not have any unmet need to begin with

While well-targeted first-dollar tuition-free programs are offering the most progressive approach to providing financial aid to those who need it the most, the limited focus on covering tuition and fees fails to recognize that for millions of students, the concern is not only how to pay for tuition and fees but also how to afford other necessities like textbooks, computer, software and Internet access, housing, food, childcare, and transportation.

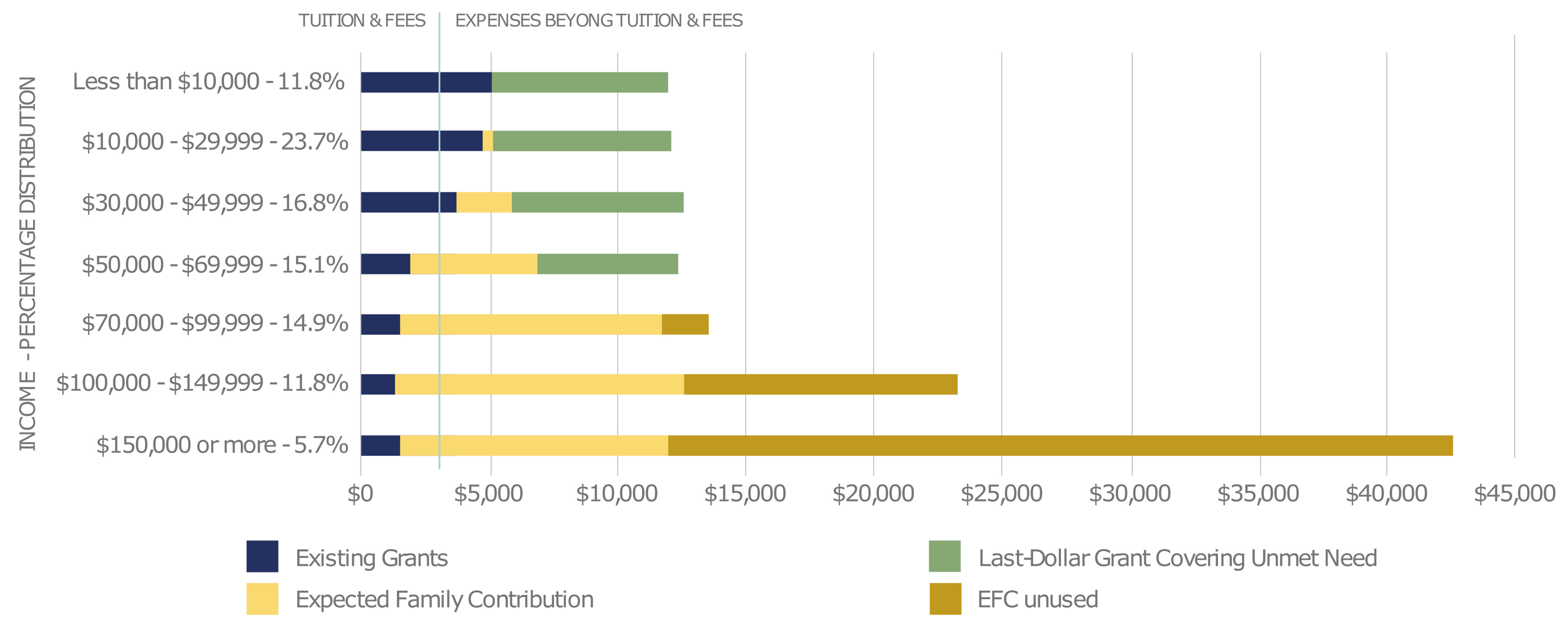
AN AMBITIOUS BUT EQUITABLE PROPOSAL

Without accounting for the full cost of attendance and a student's ability to pay, tuition-free programs tend to be ineffective in allocating limited resources in a most targeted way. To continue using the same terminology used by tuition-free programs, we propose **a last-dollar scholarship on the full cost of attendance**. This is equivalent to meeting the student's unmet need, which will effectively reduce (if not eliminate) the need to borrow for public higher education.

While it is understandable that some states cannot take on the substantial cost of providing this type of program to all residents. A partial version of this program could provide a flat or progressive grant that considers a student's true cost of attendance and covers a portion of their unmet need. This allocation method will still target financial aid to those who need it the most, taking an important step forward to reducing the debt-burden among low-income students.

PROPOSED LAST-DOLLAR GRANT COVERING UNMET NEED

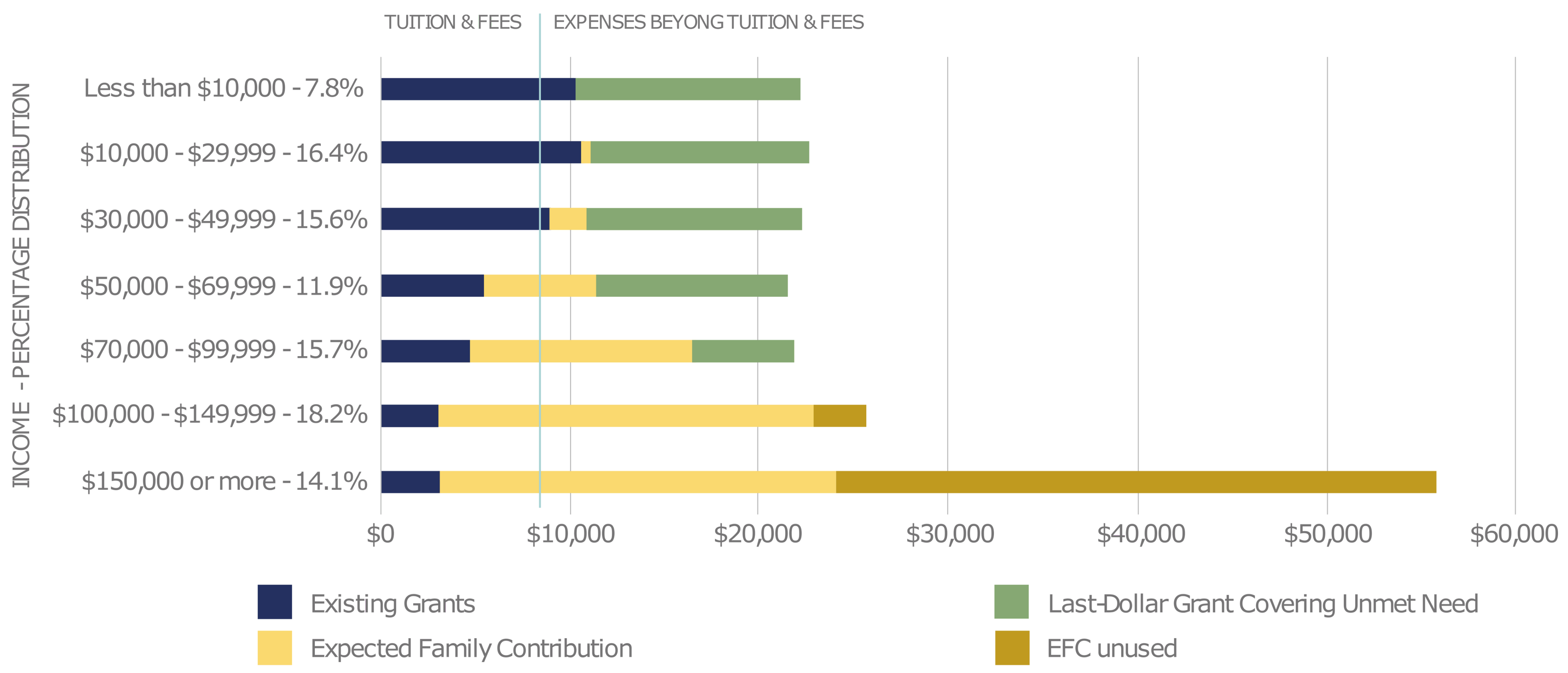
BY INCOME FOR IN-STATE FULL-TIME STUDENTS AT 2-YEAR PUBLIC INSTITUTIONS



Source: U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16)

PROPOSED LAST-DOLLAR GRANT COVERING UNMET NEED

BY INCOME FOR IN-STATE FULL-TIME STUDENTS AT 4-YEAR PUBLIC INSTITUTIONS



Source: U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16)

WHO GAINS FROM OUR PROPOSAL?

This is how the financial aid of Alex and Kyle would change if they benefitted from a last-dollar scholarship that covers their unmet needs towards the full cost of attendance at Roxbury Community College, which is $15,903.

Alex

Family Income less than $30,000

Existing Need-based Federal and State grants = $5,500

Receives a $10,402 grant to cover full unmet need

Has no unmet need

Kyle

Family Income more than $150,000

Existing Need-based Federal and State grants = $1,300

Doesn't qualify as he does not have unmet need

Does not have any unmet need to begin with