

## Is Community College Already Free?

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College prices are at the forefront of national concern and proposals to make public higher education free are gathering steam. While presidential candidate Bernie Sanders proposed a free college model for four-year public colleges and universities, current policy innovation is focused on community colleges. Tennessee's pioneering Promise program covers two years of tuition and fees at its community and technical colleges, and federal legislation known as America's College Promise would expand that effort nationwide. Similar programs are being implemented or developed by states, municipalities, and institutions across the country.

*But is this necessary? Isn't community college already free to students with financial constraints?*

Many people seem to think so.

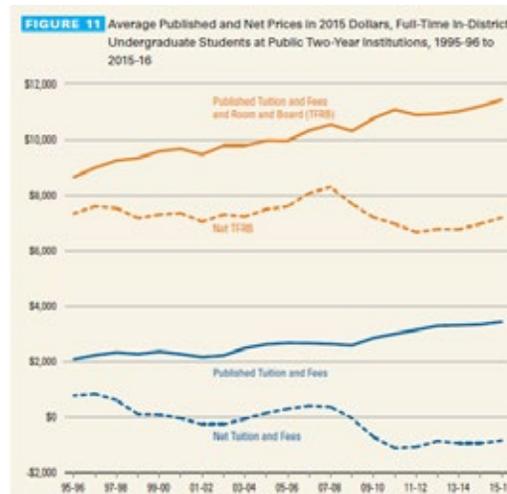
"Two years of college for a low-income student is already free, or nearly free," wrote Senator Lamar Alexander in a Wall-Street Journal [op-ed](#). Representative Steve Cohen from Tennessee, a Democrat, [agrees](#). John Ebersole, president of Excelsior College argued in the [Hechinger Report](#) that "the most powerful argument against "free" degrees or "free" community college is that they already exist."

Are such statements accurate?

The most commonly used reference for numbers on the price of community college is The College Board's Trends in College Pricing. As they note, The College Board estimates that once

financial aid is accounted for, the average community college student pays no tuition or fees. In fact, they are left with some additional funds—\$840—to assist with other costs of attendance (see Figure 1). So it seems that based on these computations, community college has been “free” for at least the last five years.

**Figure 1: Average net tuition and fees at community colleges: 1995-1996 to 2015-2016**



Source: P. 22 of The College Board’s Trends in College Pricing 2015.

Why, then, is there a movement to make community college free?

The answer, in short, is that the real price of community college is higher than The College Board’s estimates indicate, and there is wide geographic variation in that price. In this brief, we address both issues.

### Estimating Net Price

Every college and university has a sticker price—the listed price associated with tuition and fees of that school. Several types of financial aid are available to reduce that price for qualified students. Many policymakers and practitioners suggest that when evaluating affordability, students and families should focus on the discounted “net price” rather than the sticker price, since it is the price they will pay.<sup>1</sup>

<sup>1</sup> This is a questionable assertion, since the net price can change substantially for students while they are in college, depending on their continued eligibility for financial aid. We examine this issue in detail in a forthcoming paper: Sara Goldrick-Rab and Nancy Kendall, 2016, *The Real Price of College*, Century Foundation: New York.

The federal government offers a specific definition of net price: the institution's sticker price (cost of attendance) minus grant aid. This is the measure reported in federal statistics, and it represents the total stated costs that students are expected to face, minus the aid that will be available to them (without repayment) when they need to pay for college.

But when estimating net price, The College Board employs different definitions.

First, it pads the size of the discount students may receive from financial aid by adding educational tax credits and deductions to the grant aid. This makes the net price appear lower. But the practice of treating tax credits and deductions the same is controversial, and out-of-step with federal practice, for several reasons.

- *Timing:* Unlike grants, tax benefits are not available to help students pay for college when the bills are typically due—at the start of each semester. A student who enrolls in the fall will not receive the tax benefit until the following January at the earliest, and a student who enrolls in the spring must wait for more than a year.
- *Eligibility:* Consider the American Opportunity Tax Credit (AOTC). This is a complex but substantial benefit, which applies up to \$2,500 against a student's tax liability (not taxable income), and it is 40% refundable. But students are only eligible if they have tuition expenses remaining after the application of grants and scholarships. Tuition is fully covered by the credit only for those whose tax liability is greater than tuition expenses and whose tuition expenses are equal to or less than \$2,000 (with an income phase-out beginning at \$160,000 for joint filers and \$80,000 for single filers). It is for this reason that the non-partisan Congressional Research Service described the AOTC as primarily benefiting middle-income households (Crandall-Hollick 2014).
- *Complexity and uncertainty:* Receipt of tax benefits depend on many factors: household income, tuition costs, and financial aid, and this makes it hard to know if one is eligible. As a result, many people eligible for the AOTC do not claim it, and this tendency is more pronounced among lower-income households (Bulman and Hoxby 2015).

Thus, tax benefits for higher education are quite different from grants—and their impacts on student behavior are different too. While the research literature clearly suggests a positive impact of grants on students' decisions about enrolling, persisting, and graduating from college (Angrist et al. 2014; Castleman and Long 2013; Deming and Dynarski 2010; Goldrick-Rab et al. 2016), it also clearly indicates that tax benefits are rarely helpful (Dynarski and Scott-Clayton 2015; LaLumia 2012; Long 2004; Turner 2010). Two recent rigorous studies specifically investigated the impact of the AOTC on college enrollment and estimated that it was negligible (Bulman and Hoxby 2015; Hoxby and Bulman 2015).

Second, The College Board omits items on the other side of the ledger—students' college expenses. Its reports typically focus on tuition and fees, especially when discussing community college prices, and it is therefore unsurprising that readers of these reports also focus on tuition and fees. But the full cost of attending college includes room and board, books, supplies, transportation, health care, and an allotment for miscellaneous expenses such as laundry and personal care. Together with tuition and fees, these expenses constitute the full "cost of attendance" reported by every college and university.

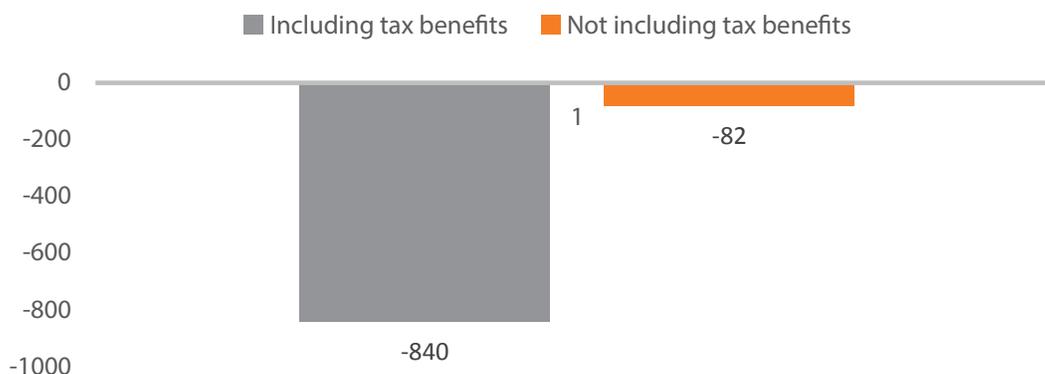
The College Board includes some of these costs in some of its reporting, but not all of them. As Figure 1 shows, tuition, fees, room and board are displayed, alongside tuition and fees alone. But

The College Board’s reports do not warn readers that books, supplies, transportation, and health care—known costs of attending college that must be covered if a student is to focus on school—are omitted. Students must pay the price of these living expenses on top of the estimated net price that The College Board presents. Such expenses are addressed in comprehensive free college proposals, such as America’s College Promise, because they constitute more than half of the cost of attending community college today (Goldrick-Rab, Broton and Eisenberg 2016).

## Re-estimating the Net Price of Attending Community College

In an effort to more accurately estimate the net price of community college attendance, we first recomputed average net tuition and fees by subtracting only grants from the sticker price (e.g., not subtracting for tuition benefits). Our data come from *The College Board’s Trends in Community Colleges: Enrollment, Prices, Student Debt, and Completion* (Ma and Baum 2015). The results, presented in Figure 2, show that the nationwide average net tuition and fees is still below zero, at \$-82. But this is far more than the \$-840 typically reported, and students are not left with much support to apply to the other costs of attendance.

Figure 2: Net tuition and fees at community colleges(\$)



Those remaining costs are substantial. As Figure 1 shows, The College Board estimates that room and board adds an average of \$8,700 to the annual cost of attending community college, after discounting for grants and tax benefits, for a total cost of \$7,860. If we remove the tax benefits, that amount rises to \$8,618. Moreover, these figures continue to omit standard components of the cost of attendance—books, supplies, transportation, and health care. These additional expenses amount to at least another \$3,000 to \$6,000, bringing the actual average net price of attending community college to more than \$10,000 per year.<sup>2</sup> A community college student receiving grant aid would have to work at least 30 hours per week at the federal minimum wage of \$7.25 to cover

<sup>2</sup> The IPEDS 2013-14 data for 1,025 public 2-year institutions indicates an average cost of books and supplies at \$1,361 (SD=\$357). In a recent analysis, we estimate transportation costs at over \$2,000 (mean=\$2621, SD=374), health care at just under \$2,000 (mean=\$1982, SD= \$516), and more than \$750 in miscellaneous costs (mean=\$796, SD=\$113) (Kelchen, Hosch and Goldrick-Rab 2014).

this amount, which also exceeds the \$5,500 loan limit for federal borrowing for first-year dependent students.

## The Distribution of Community College Costs

Community colleges are located in nearly every community across the nation, and most Americans who attend community college pick the one nearest their home. National averages, therefore, mean very little to them. If we want to know if community college is affordable, we need to consider the distribution of prices.

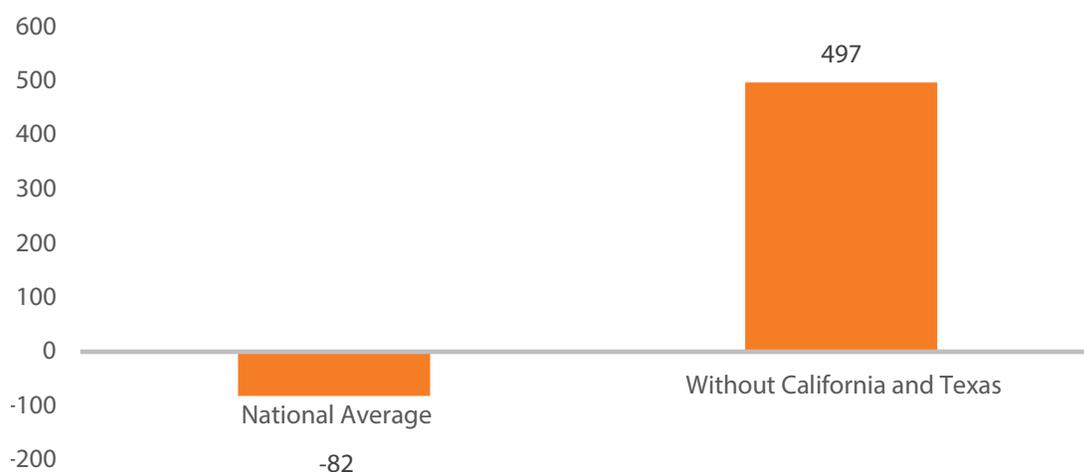
California has an outsized influence on pricing in higher education, as it enrolls 20% of community college students in the nation (on a per-FTE basis). It also has a legacy of adhering to a low-tuition, moderate-aid model of pricing, and has kept community college tuition especially low. According to The College Board, California's net tuition and fees come to -\$1,750 for full-time students (without considering tax benefits).

Texas is also a large state, accounting for 10% of all community college students, and it too keeps community college tuition quite low. The College Board reports net tuition and fees in Texas at -\$730.

Thirty percent of all community college students reside in two low-tuition states. But what about the college prices facing Americans who do not live in California or Texas?

We re-computed the national average net tuition and fees, excluding California and Texas, and compared the results. The revised average is \$497. That is, after accounting for grant aid, community college students in 48 states (excluding California and Texas) are left to pay an average of almost \$500 in tuition and fees, in addition to room, board, books, supplies, and transportation.

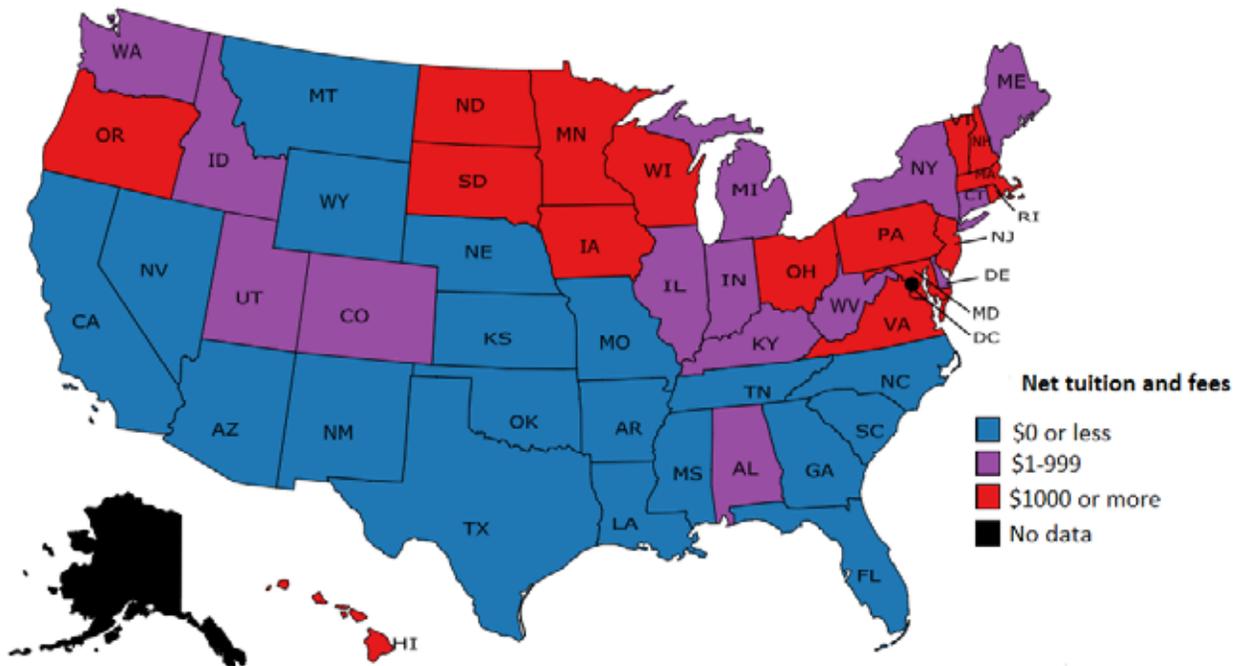
Figure 3: Net tuition and fees at community colleges (\$)



But even these averages fail to paint the full picture of how community college pricing varies across the nation. In 19 states, net tuition and fees are zero dollars or less. These states are concentrated in the South and West, and tend to have the highest official poverty rates.

Meanwhile, in sixteen states, net tuition and fees exceed \$1,000. These states are mostly in the Northeast and Midwest, and include Vermont, New Jersey, and Wisconsin. Together, they account for 22% of the total community college population – more than 1.4 million students (860,000 FTEs). In fourteen other states, costs are between these extremes.

Figure 4: Net tuition and fees by state.



Geographic variation in living costs is also substantial, increasing the amount of variation in the total costs of attendance. The College Board's conservative calculations for net tuition, fees, room and board reveal a wide range, from a low of \$3,800 in Delaware to a high of \$17,890 in New Hampshire. In all but six states, net tuition, fees, room and board for community college exceeds \$6,000 in 2015-16. Again, these estimates omit many standard expenses, including transportation, books and supplies, and health care.

## Conclusion

So—is community college already free? The answer depends on how the price is estimated and the state in question. Including tax benefits in the calculations makes community colleges appear less expensive, even though those resources are difficult to obtain and poorly timed to influence college choices. Focusing on national averages also makes community college look free. It is

especially possible to argue that community college is free by assuming that students only pay for tuition and fees, and incur no other expenses while in college.

But most students do badly in college when they cannot afford books or supplies, travel to class, or cover their living expenses. When students work extensively their schooling suffers. They could instead borrow, but taking on debt for a community college education is risky, given low rates of degree completion (Goldrick-Rab 2016).

Making college affordable requires a comprehensive discussion grounded in the real prices confronting today's students. This brief demonstrates that it is often the case that community college is not free. Let's start there.

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