Community College Affordability: Policy Priorities in a Political Season

Written by
David Baime - Sr. Vice President, Government Relations and Policy Analysis

American Association of Community Colleges • Washington, DC

Keeping community college affordable remains top-of-mind for campus leaders. From the start, community colleges have emphasized largely open-door admissions policies and low tuitions to foster broad participation. But fully eliminating financial constraints for community college students is a constant challenge, if not a pipe dream.

Community college affordability is particularly front stage at this moment given that federal legislators, a number of presidential candidates, and a variety of advocacy and research groups have put major new affordability proposals on the table. This brief is designed to inform community college leaders and other stakeholders about the current debate on enhancing community college affordability, and to share AACC's priorities and views on this subject.

This document examines:

- the definitions of affordability;
- the present state of community college affordability;
- affordability and student success – complicated relationship; and
- federal policy proposals to enhance affordability.

Definitions of Affordability

"Affordability" in the community college context has many facets. Tuition and fees are characteristically low at most community colleges; however, students are also faced with other unavoidable expenses. These include transportation, child care, a computer or the like, and that bundle of costs known as "living expenses." These needs are reflected to some extent in the "cost of attendance" definition used in the Title IV, Higher Education Act (HEA) student financial aid programs and are what most analysts would consider the bare minimum of what it takes to make college "affordable." However, the HEA's Title IV programs (and their funding) do not ensure that these expenses can be met, hence the frequently used term "unmet need."

This traditional concept of affordability, derived from the student aid structure, is increasingly being questioned, particularly for low-income community college students. This is because some student financial and related needs do not readily fit into the Title IV framework. These expenses or needs include ongoing food insecurity, access to housing, and medical care, and other basic social services. Their incorporation in the affordability debate reflects a broader conception of student need, looking at the whole individual rather than someone who enrolls in college for a limited time with tightly defined financial requirements. Critically, because so many community college students are heads of households or otherwise help support their families, their actual financial situation is not adequately reflected in the cost of attendance. In recent years, this broader concept of affordability has spawned a number of pieces of legislation.

Integrating these broader student needs into a policy framework that fairly and efficiently distributes government resources remains challenging, but, across the country, community colleges are increasingly engaged in ensuring that their students access all the non-Title IV federal and other government (and private) supports that are potentially available. This is a natural outgrowth of their community-oriented philosophy, and efforts are expanding. For example, Portland Community College in Oregon is the lead college for a statewide initiative called Pathways to Opportunity. This project, along with companion legislation, brings the Oregon community colleges together with Oregon agencies, such as the Department of Human Services, to develop collaborative partnerships that move students out of poverty through education and training.

A key element influencing, and limiting, community college affordability is the fact that many students come from backgrounds that have not provided the experience and tools to effectively manage the resources that they do have. The financial capability of college students is getting more attention and more interventions by institutions, governments, and other parties. The Trump Administration recently released a document for higher education institutions on this issue. Ensuring that these complicated responsibilities are managed successfully by thousands of community college students is key. The skills learned also apply later in life and with loan repayment.

Another aspect of affordability is the income that many community college students forego by enrolling in higher education. While some students simply integrate their courses into their existing committments, many others reduce their working hours in order to accommodate college. While allowing for greater focus on academics, these adjustments can negatively impact affordability and/or plunge students deeper into debt. Further complicating the issue is the fact that full-time attendance has a positive impact on completion and success for students but adds to the challenges of affordability.

Present State of Community College Affordability

The Great Recession that started in the U.S. in 2008 significantly impacted community college students and institutions alike. In the depths of the recession and its immediate aftermath, sharply increased enrollments helped some community colleges cope with deep state and local funding reductions. Tuitions also spiked, in percentage terms, but increases soon returned to their more modest rates. In the fall of 2019, average community college tuition and fees were $3,730, compared to $10,440 at four-year public institutions. However, the share of tuition as a revenue stream has grown for community colleges since before the recession. Tuitions, too, have increased in real terms, by more than a third over the last decade, though they started from a low base.

Grant aid

The federal Pell Grant program remains overwhelmingly important for community college students. Institutions would have a completely different student profile if the program did not exist. Depending on the year, about 35% of all students receive a Pell Grant. The program continues to command strong bipartisan support.

Because of their low tuitions, Pell Grant assistance goes farther at community colleges than at other institutions—the current maximum grant of $6,195 covers a full-time, full-year tuition except in two states, and in most places it helps pay for books, transportation, and other expenses.

But in order to receive a grant, a student first has to apply. Regrettably, community college students have the lowest Free Application for Federal Assistance (FAFSA) rates of students in any sector, despite their having the lowest incomes of any sector (excluding for-profit colleges). This low rate is due to many factors, including FAFSA complexity and the subsequent verification process required of many students. Research shows that another significant deterrent is a lack of awareness of the availability of student aid along with an appreciation of the need for it. However, along with all college students, community college application rates are increasing. Some deliberate public policies have had a positive impact, such as requiring that in order to be eligible for Promise programs or even graduate high school, a FAFSA must be submitted.

Student borrowing and repayment

Community college students continue to borrow at relatively low rates and amounts. According to the latest National Postsecondary Student Assistance Survey (2015-16), only about 13% of all credit students borrow, a number that has significantly declined this decade. However, a much higher percentage of full-time and Pell Grant recipients take out loans. Clearly, for many students debt financing is necessary to meet basic education and related expenses, and 41% of all community college students who graduate with an associate degree carry student debt. Unfortunately, community college students have high default rates (15.9% for the most recent, FY 2016, cohort), complicating the advisability of borrowing. Colleges and state systems have taken very different approaches to loan financing—some embrace it, others think it an unfortunate necessity, while still others are so reluctant to see their students using debt financing that they choose not to participate in the Direct Loan program. This latter decision has led to public criticism and spawned legislative responses that required institutions to participate in Direct Loans if their students receive Pell Grants.

Different subgroups have different propensities to borrow and, in general, have different repayment patterns. For example, Hispanic students have a much lower borrower incidence than African-American students. And, 20 years after starting college, the median debt of white students with loans has been reduced by 94%—with almost half holding no student debt—whereas black borrowers at the median still owe 95% of their cumulative borrowing total.

The availability of income-dependent repayment options for federal loans would seem to protect most, if not all, borrowers from falling into delinquency or default, but it has far from ensured that outcome. This suggests that there are important non-financial factors influencing non-repayment, including, in addition to inadequate loan servicing, a possible lack of a sense of obligation to retire a debt because of a perceived unsatisfactory educational experience. Despite the perception of a student debt crisis, those with larger loan balances remain much likelier to retire their obligations than those with smaller ones, no doubt because of the increased earnings associated with greater postsecondary education attainment, particularly graduate and professional education.

Affordability and Student Success: A Complicated Relationship

Adequate financing is intertwined with student success. As described above, finding a common definition of adequate resources is complicated. What is clear, however, is that massive disparities in access and success to college are related to income. There remains a stubborn correlation between family income and the likelihood of attaining a college degree.

Even relatively small differences in available funds have been documented to be a determining factor in keeping low-income students enrolled, and a number of state and institutional programs have been created to provide these funds—so called "emergency" grants. These are important steps. But student success is determined by many factors outside of student financing, as well. It remains the case that institutions of similar size and with similar resources and student populations have starkly varying outcomes.

Analysts have closely studied the role of debt financing in community college success. As mentioned, some argue that, given students' difficulties with repayment, community colleges and related public policies should emphasize limiting student borrowing wherever possible. AACC continues to support giving colleges the authority to reduce borrowing for defined categories of students in defined circumstances or programs. The association maintains that not all students are equally good candidates for carrying loans, despite advantageous federal terms and conditions.

Significantly, it is the small volume borrowers who tend to default most frequently. For community colleges, this generally means those students who do not complete their programs. This dynamic has led to advocates asserting that community college students should be encouraged to borrow more, not less, on the rationale that greater resources, even loan resources, can allow students to enroll at greater intensity and devote more time to their studies than would otherwise be the case. A variety of studies have shown that when borrowing leads to greater enrollment intensity and fewer hours of employment, student success can follow.

Student aid researchers have long pursued a potential relationship between student aid funding and student success. A recent Stanford University report presents a systematic review and meta-analysis of the causal evidence of the effect of grant aid on postsecondary persistence and degree attainment. This meta-analysis of 42 studies show that grant aid increases the probability of student persistence and degree completion between two and three percentage points and estimates that an additional $1,000 of grant aid improves year-to-year persistence by 1.2 percentage points. These results underscore the imperative of healthy grant financing.

Federal Policy Proposals to Enhance Affordability: How Do They Impact Community Colleges?

AACC has a longstanding federal policy agenda on affordability. Its priorities are robust grant funding, particularly for Pell Grants; favorable borrowing terms and conditions with repayment options tailored to students' post-college circumstances; and, the recognition that support provided outside of federal student aid can hugely impact student success. These priorities are reflected in AACC's Higher Education Act (HEA) reauthorization agenda and its overall congressional agenda.

AACC's policy agenda also is being influenced by broader debates in higher education-specifically, widespread public anxiety over college affordability, and rising aggregate student debt (though not so much at the individual level). This rhetoric has spurred highly ambitious, costly, and politically visible proposals. These big ideas are being debated in 2020 election campaigns and are already part of the HEA reauthorization debate, and they could have a huge impact on community college affordability. AACC's perspective on some of these concepts follows.

1) *Pell Grant Program*

Pell Grants remain the bedrock of community college financing. The program is fundamental to community college student success, ensuring that the most financially disadvantaged students will be able to count on a base of student assistance that does not need to be repaid. The maximum Pell Grant exceeds the average cost of community college tuition, providing essential support for other student expenses.

Policymakers need to remain focused on maintaining, if not expanding, current eligibility and providing regular increases to the maximum grant. No other policy proposals, however innovative, remove the need for a robust Pell Grant program.

The Pell Grant program has been blessed with longstanding bipartisan support, in both the executive and legislative branches, reflected in sustained increases in the maximum grant. However, the sheer size of the program means that financing these increases is a challenge, whether it be done through the annual appropriations process or through mandatory funding. In recent years, declining postsecondary enrollments and a strengthening economy resulting in increased family contributions have mitigated financial pressure on the program, but it is only a matter of time before this changes and a Pell Grant shortfall re-emerges. At that time, difficult policy choices may have to be made, either to identify new resources for the program or to trim student eligibility. This last occurred in 2012 and resulted in a new limit on lifetime Pell Grant eligibility and elimination of the Ability-to-Benefit access to Title IV funds. The year before that, the year-round Pell Grant was eliminated, solely for fiscal reasons.

2) *No Tuition Community College—Federal Policy*

There is a very strong case for a national policy of zero community college tuition. Ongoing economic and technological development require greater educational attainment for all citizens; some postsecondary education is vital to a family-sustaining wage. Community colleges are the logical place to achieve this goal.

The most prominent vehicle for establishing a national program of "free" community college tuition is the America's College Promise (ACP) proposal advanced by President Obama in 2015 and subsequently introduced in both houses of Congress. Designed to make high-quality community college uniformly accessible, the America's College Promise legislation could significantly spark greater postsecondary enrollment. While the college promise effort originated primarily in Washington, DC, it has not been implemented there. Rather, it has taken root, and taken off, at state and local levels. There is significant and growing evidence that Promise programs, in their different forms, are responsible for increased community college enrollments, despite ongoing enrollment declines at most institutions.

The proposed federal ACP legislation is costly but does not represent an exponential investment in higher education. Depending on how the program is structured, making all community college credit courses zero tuition, assuming a state share, is slightly more than $10 billion annually, in contrast to current Pell Grant program expenditures of $28 billion.

Some other considerations include:

- As discussed, tuition alone is only a portion of student cost. While having a tremendous impact, Promise programs as currently configured alone do not make community college affordable. Irrespective of any funding provided for Promise, significant need-based student financial assistance and other assistance must be provided.

- From the federal perspective if no other, Promise programs must be "first dollar," and eliminate tuition for all students, certainly the more financially needy ones. Most state and local programs are "last dollar," relying on federal and other programs as a base on which to top off tuition.

- Any major federal investment in community colleges will inevitably be accompanied by a raft of requirements that states and institutions would have to meet in order to receive funding. Identical House and Senate ACP legislation introduced in the 116th Congress has stipulations relating to outcomes, transfer, and other conditions (including limiting student eligibility to three years). Some of these requirements simply reflect current state policies, but others would involve the federal government with community colleges in a new and potentially problematic fashion.

- The politics of Promise at the federal level are difficult. Four-year colleges, both public and private, have stated their opposition to a federal promise program, on different grounds. The creation of large new federal programs is rare. However, all of the current leading Democratic presidential candidates (Biden, Sanders, Warren) have stated their support for either free community college or free public college. If one of these individuals is elected in 2020, political stars could align to see a tuition-free community college program established. Also, the College Affordability Act, House Democrats' HEA reauthorization legislation, includes a robust Promise program.

3) *Federal-State Partnership*

A federal-state partnership in higher education has been advanced by numerous legislators and advocacy groups.

(Note that these proposals are to some extent a subset of the Promise plans.) The rationale for this is to use the federal government's financial strength to leverage greater state investment in higher education, reversing the long decline in this area. But the proposals are complicated with uncertain effects:

- A more deliberately integrated relationship between federal and state higher education systems and policy is certainly desirable. Despite the compelling diversity of community college state systems, consistencies in financing, particularly for students, would represent a major step forward.

- While this investment could certainly help address community college affordability, some question remains to what extent states can be induced to make substantial additional contributions. Higher education is often perceived as a "private good," thereby undermining the inclination, whatever the incentives, to more robustly fund higher education.

- Not surprisingly, private colleges strongly oppose new initiatives to support public higher education, as embodied in these proposals. This will make enactment of a partnership more challenging.

4) *Loan Forgiveness/Cancellation*

The steady increase of student debt has given rise to a variety of policy interventions. The most dramatic is being offered by Democratic presidential candidate Bernie Sanders, to entirely wipe out all federal student debt. Elizabeth Warren also has proposed forgiving most student debt. Still, for most undergraduates, student debt has not reached crushing levels ($29,200, on average, for the 65% of four-year graduates in 2018 who had debt), particularly when viewed in the context of the enhanced earnings that generally result from greater educational attainment.

As outlined, and by design, community college student borrowing differs from those of students in other sectors. The following considerations guide AACC in evaluating plans to address student borrowing and debt:

- Broad-based plans to forgive student debt are regressive and a questionable use of federal resources. Students who assume the largest debts earn, on average, the highest incomes. Therefore, plans to reduce student debt need to be targeted on those with lower incomes and, generally, those with lower debt levels. Designing an equitable approach is extremely complicated, because students also need to be given incentives to limit borrowing initially. Furthermore, assistance needs to be concentrated early in borrowers' post-college years, when incomes are lower and repayment more challenging.

- Students who have defaulted within the past five years, and who are below a given income level, should have their debts formally forgiven and their credit standing restored. Applications should be made to the secretary of education for those wishing to become eligible. This policy would address the inequity of forgiving some students' current debt and providing nothing for those who recently have suffered hardship through student loans.

5) *Tax Incentives for Working Individuals*

AACC believes that the federal government is missing an important means of promoting skill development for students through the Lifetime Learning Tax Credit (LLC). Students enrolled less than half-time or taking non-credit workforce-oriented programs can receive the LLC, and, as its name implies, the LLC was ostensibly designed to assist this population. However, the LLC covers only 20% of eligible tuition and/or fees, which means that students who enroll in low-cost, workforce-oriented community college programs receive very little benefit. Alternatively, graduate and professional students who attend high-cost programs commonly receive the full $2,000 credit because they pay tuitions over $10,000. To a large extent, the LLC has become a $2,000 subsidy for graduate and professional students.

Higher priority should be given to using the LLC to help individuals who are trying to maintain their current jobs or get a better one. This would immediately boost the economy and provide meaningful upward mobility in an economy where inequality has increased. Therefore, the Lifetime Learning eligibility formula should be changed to cover 75% of a student's first $2,000 of eligible expenses, and 50% of the next $1,000. This would create a more rational and equitable federal policy in promoting true "lifetime learning." AACC urges federal policymakers to implement this policy.

Conclusion

College is fundamentally about opportunity—opportunity for further education, employment, and other less tangible but equally real benefits. Affordability is essential to realizing that opportunity and is inherent to student success. As public policy evolves and new ideas are considered, the characteristics of community college students need to be the lens by which new policies are viewed and evaluated. With politicians on both sides of the aisle attempting to address the affordability issue, community college leaders need to be informed and ready to advocate on behalf of their students.

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WRITTEN BY

David Baime, Sr. Vice President of Government Relations and Policy Analysis
dbaime@aacc.nche.edu

CONTACT AACC

One Dupont Circle, NW | Suite 700
Washington, DC 20036
(202) 728-0200
www.aacc.nche.edu