BACKGROUND

On January 9, 2015, President Obama unveiled his America's College Promise proposal to make two years of community college free for students.[1] What began as a free community college concept has evolved to include four-year colleges and universities as support has grown following discussions in the 2016 and 2020 Presidential elections. This year President Biden and several Democratic lawmakers introduced measures that would make college free or substantially more affordable. In addition, policy research organizations, advocacy groups, and philanthropic foundations are advocating for free-college policies.

Currently four federal free college plans are under consideration by the Administration and Congress. President Biden has presented his American Families Plan, and in the Congress, three different pieces of legislation have been introduced this year. Any one of these plans, if enacted, would represent an unprecedented national policy shift to make all or a much greater portion of a college education free.

PROBLEMS: Why are these plans necessary?

For Americans in the lowest income brackets, higher education offers a way up the socioeconomic ladder, however, the total cost of college has skyrocketed and heightened student fears about loan debt. In 2020, the national student debt level was approximately $1.6 trillion. Many college graduates have deferred buying homes, starting families, and saving for retirement, or launching a business due to student loan debt. College students choosing not to take student loans are in greater jeopardy of dropping out due to the burden of tuition bills, the need to work more than 20 hours per week to cover living expenses, the responsibility of providing care to family members, and other financial needs that do not disappear because they are pursuing higher education.

The two main costs facing college students are tuition/fees and living expenses (e.g., housing, food, books, supplies, transportation, and often childcare). In California, federal and state aid cover all or most of the tuition/fees for low-income students, however, housing and food are two of the most basic needs these students struggle to afford primarily because financial aid has not kept up with the total cost of college. In the last 53 years, financial aid awards have had a diminishing impact because federal and state resources have not been able to accommodate the rising total cost to attend college.

In 1965, President Lyndon Johnson signed into law the Higher Education Act, which established the Basic Education Opportunity Grant (BEOG) for low-income students.[2] In 1973, the BEOG was renamed the Pell Grant, and in its second year of operation the maximum award was $1,050 per year.[3] While the Pell award has significantly increased since

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[1] Hudson, D. (January 2015). White House Archives. "The President Proposes to Make Community College Free for Responsible Students for 2 Years." Retrieved from: https://obamawhitehouse.archives.gov/blog/2015/01/08/president-proposes-make-community-college-free-responsible-students-2-years

[2] Woodbury, R. (2004). New England Journal of Public Policy. "Higher Education and the Promise of Opportunity" Retrieved from: https://scholarworks.umb.edu/cgi/viewcontent.cgi?article=1121&context=nejpp

[3] U.S. Department of Health, Education, & Welfare (1976). "Basic Educational Opportunity Grant Program End of Year Report, 1975-76." Retrieved from: https://www2.ed.gov/finaid/prof/resources/data/pell-historical/beog-eoy-1975-76.pdf

1974 (the maximum Pell award is $6,495 for 2021-22), it has not kept pace with sharp increases in the total cost of college and has fallen to an all-time low in the share of costs that it covers.

Though California remains a national leader in providing state financial aid, the support offered by programs today is far less generous than at the time they were established. In 1955, Assembly Bill 1546, the Hegland-Shell-Donahoe and Donald D. Doyle Act, established a State Scholarship for students who met certain criteria, including demonstrated financial need.[4] This policy provided competitive undergraduate scholarships for payment of tuition and fees and was the precursor to the Cal Grant A program. At the time, community colleges were free and annual tuition and fees at the University of California and the California State University were $300 and $137, respectively. In 1968, the College Opportunity Grant (COG) was established to provide grant aid to State Scholarship recipients for living costs. The average COG award in 1969 was $906 per academic year. The COG eventually became the Cal Grant B program, which currently provides a maximum award of $1,656. When comparing the 1969 average award and current award, state support available for non-tuition costs has only increased by $705.

Today, a lack of access to state grant awards and their limited purchasing power over non-tuition costs pose significant barriers to students. Those who are not eligible for Cal Grant Entitlements due to their age, when they graduated from high school, or when they transferred to a four-year institution, are only considered for a Competitive Cal Grant. Student demand within the competitive programs far exceeds available awards; in 2019-20, more than 290,000 students were eligible, but only 41,000 competitive awards were available. This particularly disadvantages community colleges students, who are more often adult or returning learners. According to a report by The Institute for College Access and Success (TICAS), community colleges carry the highest net price when compared to other nearby institutions.[5] While California's community colleges have the lowest fees in the nation, net price depends on non-tuition costs and aid available to address those expenses. Due to limited access to state financial aid and lacking support for non-tuition expenses, many students, particularly at community colleges, struggle to afford higher education.

SOLUTIONS: Four federal plans to make college more affordable

The federal free college plans provide proposals aimed to effectively eliminate or significantly lower student debt levels for current and future students. These plans share the same basic design because they are a response to the same definition of the problem—the skyrocketing total cost of college and disinvestment in higher education by federal and state governments. Proponents argue that insufficient funding from state governments is a problem that cannot be solved by simply increasing federal grant aid, because providing more federal monies without additional requirements could give states license to further disinvest in higher education and cause tuition prices to continue to climb. A federal matching grant that requires a participating state to increase college and university funding,

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[4] California Student Aid Commission (June 2020). Cal Grant Handbook. Retrieved from: https://www.csac.ca.gov/sites/main/files/file-attachments/calgrant_handbook.pdf#:~:text=In%20the%20spring%20of%201955%2C%20the%20Legislature%20passed,be%20used%20for%20payment%20of%20tuition%20and%20fees

[5] The Institute for College Access and Success (July 2020). *What College Costs for Low-Income Californians: 2020*. Retrieved from what-college-costs-for-low-income-californians-2020.pdf (ticas.org)

enough to bring tuition to zero, is an effective solution because it makes college accessible to all students while eliminating or reducing student loan debt.

Below is a summary of each of the four proposals that have been introduced:

President Biden's American Families Plan: On Wednesday April 28, 2021, President Biden released his plan to make college more affordable for Americans. Specifically, his plan:

- Creates federal partnerships with States, Territories, and Indian Tribes that will offer matching funds to increase support for higher education institutions, low-income students, and students from families with annual incomes of less than $125,000. The federal matching funds percentage has yet to be determined.
- Guarantees universal free tuition and fees at public community colleges and allows students to use the benefit for up to three years, and if circumstances warrant, up to four years.
- Increases the Pell grant by $1,400 over the current maximum award ($1,800 total when paired with President Biden's budget proposal that includes a $400 increase to the current Pell award). It permits Pell eligibility for DACA recipients.
- Invests $39 billion in HBCUs, TCUs, and MSIs at associate and bachelor's level to increase affordability for students with family incomes under $125,000.
- Creates a $39 billion grant program to provide funding to improve student outcomes.
- Invests $109 billion for two years of tuition-free community college, $80 billion to increase the maximum Pell Grant by $1,400, and $62 billion for retention and completion programs at colleges serving low-income students.

  Funding Source: Repeals provisions of the 2017 "Tax Cuts and Jobs Act" to reinstate a 39.6 percent tax rate on the wealthiest one percent of individuals.

College for All Act: On April 21, 2021, U.S. Senator Bernie Sanders (I-VT) and Representative Pramila Jayapal (D-Washington) reintroduced the "College for All Act." Specifically, the Act:

- Creates federal partnerships with states and Native American tribes that offer 75 percent matching funds to increase support for high education institutions, student success services, and financial aid. This measure establishes a matching formula that covers 75 percent of the current costs for tuition and fees, based on the actual amount in tuition that students pay, in exchange for a 25 percent state match. It also includes an automatic stabilizer to increase the federal share to 90 percent during an economic downturn and requires participating states to maintain their need-based aid and higher education investment.
- Provides a community college education free for all students regardless of income, and for students from families with an income up to $125,000 eliminates tuition and fees at public four-year colleges and universities, non-profit Historically Black Colleges and Universities (HBCUs), Hispanic-Serving Institutions (HSIs), Tribal Colleges and Universities (TCUs), Asian American and Native American Pacific Islander Serving Institutions (AANAPISIs), and other Minority-Serving Institutions (MSIs).

- Doubles the maximum Pell Grant award from $6,495 to $12,990 commencing with the 2021-2022 school year and treats it as a "first-dollar" program so students can use their awards to cover non-tuition expenses, ties Pell Grants to annual inflation adjustments, increases the lifetime eligibility from 6 years to 7 years and 6 months (15 semesters), and fully funds Pell Grants as a mandatory program. Permits Pell eligibility for DACA recipients and excludes for-profit institutions from the grant funding increase.
- Establishes requirements for states and Indian Tribes to join the partnership, which include:
  - Maintain institutional expenditures on academic instruction that are equal to or exceed the previous award year.
  - Ensure tuition and required fees for eligible students are eliminated.
  - Maintain state expenditures on need-based financial aid programs.
  - Ensure that no later than five years after the first award year, at least 75% of instruction at eligible institutions is provided by tenure-track or tenured faculty.
  - Ensure students who receive maximum Pell Grant awards have the rest of their need met by institutional aid.
  - Ensure that participating institutions do not adopt policies to reduce enrollment.
- Triples federal TRIO and doubles GEAR UP funding to serve millions of additional low-income students, students with disabilities, and first-generation college students in their pursuit of a higher education.
- Establishes a $10 billion grant to address equity gaps at public colleges and universities and non-profit HBCUs, HSIs, AANAPISIs, TCUs, and other MSIs. Requires participating institutions to use the grant to invest in reforming remedial education, academic advisors, mental health counselors, and tutors, and reduce class sizes.
- Allows the Secretary of Education to define the meaning of low-income for purposes of this bill but stipulates that the definition must include Pell Grant recipients.
- Amends the IRS Code to ensure that federal Pell Grants received shall not be taxable under any circumstances.

  Funding Source: Imposes additional, new taxes generating up to $2.4 trillion over the next decade, including: a 0.5% on stock trades (i.e., 50 cents for every $100 worth of stock), a 0.1% fee on bonds, and a 0.005% fee on derivatives.

Debt-Free College Act: On April 22, 2021, Senator Schatz (D-HI) and Representative Pocan (D-WI) reintroduced their 2019 bill, the "Debt-Free College Act." Specifically, the Act:

- Creates a new federal partnership with states that provides a dollar-for-dollar federal match in exchange for a commitment from the states to help students pay for the full cost of attendance at public institutions. Any college costs above a student's expected family contribution would be covered with priority going to Pell Grant recipients. It requires 95 percent of the grant funds to be used to cover a student's unmet need for financial assistance for students who have not yet earned a bachelor's degree and utilization of a fiscal model that disburses funds according to financial need. It also requires participating states to submit a plan to achieve debt-free college for in-state students within five years.

- Covers the total cost of a college education, including books, food, housing, childcare, transportation, and education related supplies. However, this bill is explicit about requiring students to contribute their full Expected Family Contribution (EFC) first.
- Requires eligible students to complete the Free Application for Federal Student Aid (FAFSA), qualify for a Pell Grant, meet Satisfactory Academic Progress standards, and attend a public institution. It also permits Pell eligibility for DACA recipients.
- Removes the question-related to federal drug convictions on the FAFSA.
- Enables participating states to allocate up to 10 percent of their federal funds toward building capacity and improving educational quality, such as increasing class offerings, investing in student support services, and repairing campus infrastructure.
- Extends the Partnership's plan to public and private non-profit MSIs, including HBCUs, TCUs, and HSIs. For such institutions that serve at least 35 percent low-income students (defined by eligibility to receive Pell Grants), the Partnership includes a grant program to reduce or eliminate the need to borrow for college.
- Creates a new office at the Department of Education for the purposes of administering grants, monitoring compliance, conducting annual evaluations, providing technical assistance to states, and providing information to students in participating states.
- Allows for 5% of grant funding to be used for building public higher education systems for state partners, such as building new facilities.

Funding Source: No specific funding source is identified.

America's College Promise Act: On April 27, 2021, Senator Baldwin (D-WI), Representative Levin (D-MI), Senator Murray (D-WA), and Representative Scott (D-VA), reintroduced their measure, "America's College Promise Act." Specifically, the Act:

- Creates new federal partnerships with states and Indian Tribes, that provide a 75 percent match with states to help waive resident tuition and fees for two years (six semesters) at community and technical college programs. This measure establishes a matching formula that would give states a 75 percent match based on the national average community college tuition in exchange for a 25 percent state match. States are responsible for covering the remaining 25 percent and required to certify their commitment to align K-12 and higher education, improve transfer pathways between institutions of higher education, and promote key reforms to accelerate student success. The plan guarantees federal funding for the partnerships through "mandatory" spending, as opposed to funding the partnership through the annual appropriations process. It calls for programs that offer academic credits which can be fully transferable to four-year institutions in each state or occupational training that leads to recognized credentials.
- Requires participating states to meet maintenance-of-effort requirements by maintaining higher education spending at a level equal to the average of the three previous years.
- Defines an eligible student as an individual enrolled at a community or technical college in an eligible program at least half-time, a state resident student, a student enrolled

fulltime or part-time for no more than 6 semesters (or the equivalent) for which a community college fee waiver was provided under provisions of this Act, and undocumented students are permitted to receive program benefits.

- Establishes an annual $1 billion formula-based grant program, the Student Success Fund, to support evidence-based strategies aimed at improving student outcomes. States receiving these funds would be required to cover 25 percent of their allocation for the first four years of the program; 50 percent for years five and six; 75 percent for years seven and eight; and 100 percent for years nine and ten.
- Authorizes a state with remaining grant funds after covering tuition and fees for all eligible students to use those funds to improve student outcomes, diversify the academic workforce, expand high-quality academic and occupational skills training programs at community colleges, or expand access to dual or concurrent enrollment.
- Provides significant tuition and fee grant aid for two years at eligible four-year HBCU or MSI. The plan specifies that use of federal grant funds by a State or Indian Tribe may not be used for administrative purposes.

  Funding Source: No specific funding source identified.

Impact on California

While California is a national leader in offering the lowest tuition rates at public colleges and most generous state financial aid program (the Cal Grant), a major new federal investment would dramatically further those efforts, making higher education more affordable and attainable for thousands of students. Depending on the nature of any maintenance of effort provisions adopted, state policymakers could even have an opportunity to consider how to allocate funding within higher education to best leverage the new federal resources and support students. An increased federal investment, taken with the state's own resources in higher education, would create the opportunity to establish truly debt-free pathways for California students to pursue higher education and graduate without incurring debt.

Questions regarding Impact on California and Commission programs:

- What effects, if any, would each plan have on Cal Grant programs (policy changes, process/procedure changes additional costs, additional workload, etc.)?
- Would Cal Grant funding be included in any calculation towards the state matching requirements?
- How will the federal funding formula be structured, and will it be based on actual tuition costs incurred by students or the funds required to provide student access (i.e., will California be penalized under any potential formula for already having such a lower "sticker price" for community college tuition than other states?)?

Next Steps

The likeliest course for enactment is for one of the bills summarized above to be included in a "budget reconciliation" measure, using the same parliamentary procedure as the American Rescue Plan Act, which only requires 50 affirmative votes in the Senate. The budget reconciliation bill would likely be passed late this summer or in the fall and include components of President Biden's American Jobs Plan and the America's Family Plan. Given the current composition of the Senate, it is unclear the scope of new federal spending that would be approved towards these investments in higher education, however it is worth noting the support for “free-college” programs in states represented by Republicans in Congress, as evidenced in Tennessee.

Commission staff continue to track the development of these policy proposals with an aim toward working with other California partners to inform the state’s Congressional delegation on how to craft any potential federal-state partnership program to provide the greatest impact to California students.