



August 31, 2016

## **Our Best Estimate on the Enrollment Effects of Clinton's Free College Proposal**

**Background:** *Hillary Clinton, the Democratic nominee for the presidency, has proposed that public colleges and universities eliminate tuition for all in-state students whose families make less than \$125,000 per year.*

*The Georgetown University Center on Education and the Workforce has been asked by various individuals and organizations to project the impact such a policy would have on enrollment in higher education. The greatest obstacle to making a projection is the lack of comparable previous policy changes. Given the lack of analogous cases and the lack of legislative and regulatory specificity in the Clinton proposal, our best informed guess is that the overall impact would be a 9-22 percent increase in enrollment at public colleges and universities, with a median projected increase of 16 percent.*

### **How CEW arrived at this range**

*We found plenty of evidence that the postsecondary education market is sensitive to price. Unfortunately, virtually all that evidence tracks the marginal effects of price increases, not price declines, on enrollments.<sup>1</sup> We posit that the effects of making college "free" would be much more powerful than marginal changes in prices, up or down. Economists and marketers have grasped the powerful behavioral lure of making something "free."<sup>2</sup>*

*One issue is whether the Clinton free college initiative would overcome the deeper information barriers to college enrollment and completion. At this juncture the Clinton proposal is too sketchy to address the core findings on the negative effect of information barriers to enrollment.<sup>3</sup> Many people who are qualified to attend college never go or never graduate; roughly half a million students graduate every*

<sup>1</sup> <https://muse.jhu.edu/article/30089>  
<http://epa.sagepub.com/content/33/4/435.short>  
<http://article.sapub.org/10.5923.j.economics.20150503.01.html>  
<http://faculty.arts.ubc.ca/nfortin/fortcaned.pdf>  
<http://ftp.iza.org/dp8364.pdf>  
[https://deepblue.lib.umich.edu/bitstream/handle/2027.42/111597/ankroth\\_1.pdf](https://deepblue.lib.umich.edu/bitstream/handle/2027.42/111597/ankroth_1.pdf)  
<http://files.eric.ed.gov/fulltext/ED231286.pdf>  
<http://eric.ed.gov/?id=ED148209>

<sup>2</sup> <http://pubsonline.informs.org/doi/abs/10.1287/mksc.1060.0254>  
<http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-marketers-guide-to-behavioral-economics>

<sup>3</sup> Young adults are often misinformed or poorly informed about the postsecondary requirements for entering their chosen field of work, are confused about their postsecondary prospects, or say they are interested in multiple possible majors, all of which have widely divergent education requirements. Young adults who fit any of these definitions are the least likely to enroll in college. See S.L. Morgan, T.S. Leenman, J.J. Todd, and K.A. Weedon, "Occupational Plans, Beliefs about Educational Requirements, and Patterns of College Entry," *Sociology of Education*, August 24, 2012



*year with test scores in the upper half of their high school class but never go on to get a certificate or college degree.*

*A second issue is that the relationship between particular curriculums and learning and earnings outcomes is opaque, at best. While there has been tremendous technical progress on measuring postsecondary program level earnings outcomes through the funding of state administrative data systems (SLDS), these systems are not extensively integrated into policy or practice. And they are not part of the Clinton proposal as far as we can tell.*

*Nevertheless, some good examples may shed some light on the sheer volume of the expected increase in enrollment. For example, when the Middle Income Student Assistance Act of 1978 was passed, lifting restrictions on low-interest student loans, demand exploded.<sup>4</sup> Federal subsidies of the program went up by a factor of six times in just two years. Other decreases in tuition have had some short-term effect, but there is little evidence of significant long-term changes in enrollment.<sup>5</sup> None of these examples, however, involved dropping tuition altogether.*

*The best recent analog is probably the Tennessee Promise program, which made public community and technical colleges free in Tennessee, beginning in 2015. This resulted in enrollment increases of about 20-25 percent in the first year.<sup>6,7</sup> The Center's projections were calculated using those results, other data sources, and best-guess assumptions. (It is important to note that the Tennessee example involves making only public two-year colleges free, not all public two-year and four-year institutions, as Clinton is proposing.)*

*In creating these estimates, we used three sets of figures, corresponding to what we would expect to be low, medium and high responsiveness to implementation of a free college plan. We estimate that the actual response would be closest to our median estimates, but give the range of figures so policy leaders can prepare for different scenarios.*

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<sup>4</sup> <http://www.nytimes.com/1981/08/23/nyregion/public-college-students-to-bear-most-of-cuts-in-guaranteed-loan-program.html?pagewanted=all>

<sup>5</sup> About two dozen small liberal-arts colleges have decreased tuition, some by up to 43 percent. Typically, these colleges have seen a short-term increase in applications and enrollment, but over the long term, the gains have not always been sustainable. Some parents and students prefer a higher-priced college with larger discounts. <https://www.insidehighered.com/news/2013/09/16/small-private-colleges-steeply-cut-their-sticker-price-will-it-drive-down-college>

<sup>6</sup> Enrollment increased at community colleges by 24.7 percent and at technical colleges by 20 percent. <https://www.washingtonpost.com/news/storyline/wp/2015/01/09/how-many-students-will-sign-up-for-obamas-free-community-college-plan-the-evidence/>

<sup>7</sup> In another example, enrollment at some Texas community colleges increased by about 20 percent as college taxing districts expanded over time, allowing them to cut tuition by an average of 50 percent. <https://www.washingtonpost.com/news/storyline/wp/2015/01/09/how-many-students-will-sign-up-for-obamas-free-community-college-plan-the-evidence/>



## Findings

The Georgetown University Center on Education and the Workforce projects that the free college plan proposed by Hillary Clinton would result in an increase in enrollment at public colleges and universities of 9 percent to 22 percent, with a median estimate of 16 percent.

To arrive at this estimate, we project:

- Enrollment at private colleges would decline by 7-15 percent, with a median estimate of 11 percent. We believe that a significant number of students attending private colleges and universities, particularly less selective ones, would be lured to transfer to public colleges because they would no longer have to pay tuition.<sup>8</sup>
- The largest enrollment increases in public colleges would be at open-access institutions. The range of potential increases is 13-31 percent, with a median projection of 23 percent. The enrollment would rise at these institutions so much for three primary reasons:
  - They have potentially unlimited enrollment because everyone who applies is accepted.
  - Students who cannot afford private colleges and do not qualify for more selective public universities would have no choice but to go to open-access institutions if they want to go to college.
  - There would be a cascading effect as students who could not get admitted to more selective flagship and mid-tier public universities choose to go to open-access institutions.

In making these projections, we assume that selective public universities will not increase capacity, or increase it very little. Mid-tier public universities typically have some room to grow, but they can't grow overnight by up to 22 percent.

We would expect selective institutions to fill first. State flagships and the most selective publics would experience a surge in applicants, but could become even more selective by turning more prospective students away. The most selective colleges and universities would have their pick of the most qualified and highest achievement students from their expanded pool of applicants. Then, the mid-tier public universities would have their pick of the students who were well-qualified but couldn't get into the flagships.

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<sup>8</sup> Public institutions' enrollments are also related to the cost of alternatives such as private institutions and vice versa, suggesting that relative prices help determine the balance between sectors.

<http://epa.sagepub.com/content/33/4/435.short>



The result is that, in a cascading effect, less qualified candidates would get bumped down the chain into less-selective and open-access colleges. California's three-tiered public university system has demonstrated this effect for years, and we would expect it to be mirrored in other states.<sup>9</sup>

In addition, we expect that the greatest growth in new students would be among those who had not been considering higher education as an option until it was made free. The preparation and interests of those students would likely make them better suited for open-access institutions, such as community and technical colleges, than for four-year Bachelor's level colleges and universities.

Around three-quarters of the enrollment growth in the public college sector would result from overall increases in college enrollment; the other quarter would result from declines in private college enrollment.

### Effects on Class/Racial Diversity

Since test scores are correlated with race/ethnicity and family income, increased selectivity based on this factor would likely negatively impact diversity at the top tier of public institutions.<sup>10</sup>

Furthermore, upper-middle and higher income families would have the greatest incentive to switch: they face the highest tuition at private institutions and would therefore stand to benefit the most from switching to free public institutions.<sup>11</sup> These families are overwhelmingly white.

We surmise that the most prestigious private universities in the U.S. would be relatively unaffected by the Clinton plan because of the perceived value of a degree from those universities. Even when faced with free competition, we believe that a sizable number of consumers would still elect to pay tuition at a highly-ranked private university. The question would be where does that perceived value of prestige begin to dissipate? Is it after the top 250 private universities? The top 100? The top 20? In any case, the financial resources, recruiting networks, and enrollment policies of those institutions would allow them to be as diverse as they choose to be.

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<sup>9</sup> The California Master Plan, for example, limits attendance to the University of California system to the top 12.5 percent of high school graduates in the state, and to the California State University system to the top 33 percent of high school graduates. All other high school graduates are directed to the state community college system. <http://www.ucop.edu/acadinit/mastplan/mpsummary.htm>

<sup>10</sup> A historical case can help shed some light here: the imposition of tuition at CUNY for the first-time in 1976 along with other changes was related to an increase in diversity as white students less likely to qualify for means-tested financial aid sought alternatives. [https://works.bepress.com/ezekiel\\_dixon-roman/9/](https://works.bepress.com/ezekiel_dixon-roman/9/)  
<http://www.cshe.berkeley.edu/sites/default/files/shared/publications/docs/ROPS.CSHE.10.15.Geiser.RaceSAT.10.2.6.2015.pdf>  
<http://www.aera.net/Newsroom/Recent-AERA-Research/Exploring-the-Effects-of-Relative-Tuition-Increases-on-the-Racial-Ethnic-Composition-of-Public-Colleges>

<sup>11</sup> <https://www.brookings.edu/research/who-would-benefit-most-from-free-college/>



Outside that most prestigious cluster, many private institutions would likely be forced to become more elitist and less diverse as their dependence on students that could pay full tuition becomes even greater as price-sensitive students shift to public competitors.<sup>12</sup>

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<sup>12</sup> <http://www.theatlantic.com/education/archive/2016/08/the-pitfalls-of-free-tuition/494372/>