NEW IDEAS FOR FREE COLLEGE:

Learning from the Landscape of American Public Goods

REPORT BY **SUZANNE KAHN**
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ABOUT THE AUTHOR

Suzanne Kahn is Deputy Director of the Great Democracy Initiative and Education Program at the Roosevelt Institute. Suzanne holds a PhD in American history from Columbia University and a BA from Yale University. Prior to joining the Roosevelt Institute, Suzanne worked as a research analyst at SEIU 32BJ, where she built a program to organize workers in new residential developments and held multiple roles on SEIU's campaign to pass comprehensive health care reform.

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Introduction

Over the last two years, proposals to create a national free or debt-free college program have proliferated. Every serious candidate in the Democratic primary field has a position on the subject, and there are multiple bills in Congress to make these proposals a reality.[1] Despite their differences, these proposals share a very similar structure: creating federal-state partnerships that leverage federal funds both to impose federal regulations on public state institutions and to increase state investments in higher education. But, federal-state partnerships are only one of many strategies the government can use to ensure that essential goods and services reach the public in an equitable manner.

Before settling on this model, policymakers should consider how federal-state partnerships have worked in other policy areas and, conversely, what alternative models for broadening access to higher education are suggested by public options that exist in other policy areas.

Federal-state partnerships have a mixed record. On the one hand, in recent years they have led to some of the largest increases in access to public goods (most notably with the Medicaid expansion under the Affordable Care Act). On the other hand, historically, federal-state partnerships have been used to allow states to pursue inequitable and racist implementation strategies for national social welfare programs. For example, when Congress created the Aid to Dependent Children program (later renamed Aid to Families with Dependent Children, commonly known as "welfare") during the New Deal, it deliberately left it to the states to determine benefit levels and eligibility requirements. Southern states, where the overwhelming number of poor people of color lived, set extremely low benefit levels, created eligibility requirements to keep Black families out, and in a few cases simply decided not to participate at all.[2] In the decades since the New Deal, states looking to limit access to means-tested welfare programs have continued to use the same strategies —creating significant racial disparities in the reach of many federal-state partnership programs, including Medicaid and Temporary Assistance for Needy Families (TANF, the program that replaced Aid to Families with Dependent Children).[3]

This paper seeks to broaden the discussion of how to structure a free college program by offering a survey of some of the programs that the federal government currently uses to ensure widespread access to public goods—Medicaid, Medicare, Unemployment Insurance,

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1 Harris, Adam. 2019. "The College Affordability Crisis is Uniting the 2020 Democratic Candidates." The Atlantic, February 26, 2019, https://www.theatlantic.com/education/archive/2019/02/2020-democrats-free-college/583585/.

2 Katznelson, Ira. 2005. *When Affirmative Action Was White*. New York: W.W. Norton & Company.

3 Parolin, Zach. 2019. "Welfare Money Is Paying for a Lot of Things Besides Welfare." *The Atlantic*, June 13, 2019. https://www.theatlantic.com/ideas/archive/2019/06/through-welfare-states-are-widening-racial-divide/591559/.

K–12 funding, direct provisioning like the postal mail service, and regulated utilities. There are many federal programs with variations on these models left unexplored in this paper, including SNAP, Head Start, and housing subsidies, to name only a few. The programs and approaches featured here were chosen because they represent a diversity of approaches and answers to a few key questions any free college plan must answer:

- **What should the respective roles of federal and state governments be in funding access to higher education?**
- **How should programs be designed to control both overall costs and the costs borne by individuals?**
- **How should the federal government ensure equality in access to and quality of public goods?**

This paper does not conclude that there is one best model. (Indeed, each of the models discussed here has a complicated record and history of flawed implementation, the details of which are mostly left unexplored in this paper.) Instead, this paper identifies and highlights the different components of each model program that usefully help answer the key questions above. Section I begins with a discussion of why free college has become an urgent policy issue. Section II examines different policy models, including Medicaid, Medicare, and the K–12 system. Section III suggests the questions policymakers seeking to build a progressive free college plan should ask as they consider which components of each model to incorporate into their proposals. Using the framework proposed in the Roosevelt Institute's recent paper, "A Progressive Framework for Free College," this paper explores how each model might advance or hinder the goals of creating universal access, remediating racial and economic inequality, building a more inclusive economy, and deploying public power effectively.[4]

Existing US social programs offer many valuable ideas for how to provide broad access to public goods while addressing a wide range of issues that have surfaced in the free college debate—from credentialization to the future of historically Black colleges and universities (HBCUs). Ultimately, the design choices about which pieces of each model to use in the case of higher education come down to questions of values and intent. Policymakers have to begin by deciding what they want a free college policy to accomplish and whom they want it to reach.

4 Kahn, Suzanne. 2019. "A Progressive Framework for Free College." New York: Roosevelt Institute.

I. THE CHALLENGE

It is not hard to understand why free college has become central to the Democratic primary. College prices have risen rapidly over the last few decades, as have students' out-of-pocket costs.[5] In 2019, Americans collectively owe more than $1.6 trillion in student debt.[6] One in five US households owes student loan debt where only one in 10 did in 1989.[7] Americans have come to realize that student debt is constricting the career choices of a generation, holding many young adults back from marrying, having children, and/or buying a house on the timeline they would like.[8] But federal higher education policy can address more than rising costs. Research on the student debt crisis has uncovered a range of contributing factors—including stagnating wages and predatory for-profit colleges—and found evidence that student debt exacerbates racial and economic inequality in many cases. Federal higher education policy reforms should speak to this broad range of problems.

> ***Student debt is constricting the career choices of a generation, holding many young adults back from marrying, having children, and/or buying a house on the timeline they would like.***

At the foundation of the student debt crisis is the rising price of college. College tuition rates have shot up since the 1980s: Tuition at public four-year colleges increased 213 percent from 1987 to 2017 and 129 percent at private not-for-profit colleges.[9] One reason for this is decreasing state investment. A study by the Center on Budget and Policy Priorities found that 45 states spent less on higher education per student in 2018 than in 2008. As states have

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5 Douglas-Gabriel, Danielle. 2017. "Families Are Paying More out of Pocket for College as Tuition Increases Surpass Grant Aid." *Washington Post*, October 25, 2017. https://www.washingtonpost.com/news/grade-point/wp/2017/10/25/families-are-paying-more-out-of-pocket-for-college-as-tuition-increases-surpass-grant-aid/.

6 Friedman, Zack. "Student Loan Debt Statistics in 2019: A $1.5 Trillion Crisis." *Forbes*, February 25, 2019. https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/#63c388a2133f.

7 Kakar, Venoo, Gerald Eric Daniels, Jr., and Olga Petrovska. 2018. "Does Student Loan Debt Contribute to Racial Wealth Gaps? A Decomposition Analysis." *Journal of Consumer Affairs*. Forthcoming. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3094076.

8 Girouard, John E. "How Student Debt Is Destroying the Economy and How We Can Stop It in Its Tracks." Forbes, November 8, 2019. https://www.forbes.com/sites/investor/2018/11/08/how-student-debt-is-destroying-the-economy-and-how-we-can-stop-it-in-its-tracks/#4d6dfd2e6619; Ingraham, Christopher. 2019. "7 Ways $1.6 Trillion in Student Loan Debt Affects the US Economy." *Washington Post*, June 25, 2019. https://www.washingtonpost.com/business/2019/06/25/heres-what-trillion-student-loan-debt-is-doing-us-economy/.

9 Martin, Emmie. 2017. "Here's How Much More Expensive It Is for You to Go to College Than It Was for Your Parents." *CNBC*, November 29, 2017. https://www.cnbc.com/2017/11/29/how-much-college-tuition-has-increased-from-1988-to-2018.html; College Board. 2019. "Trends in College Pricing 2019." https://research.collegeboard.org/pdf/trends-college-pricing-2019-full-report.pdf.

cut higher education budgets, schools have shifted more of the cost onto students.[10]

At the same time that college has become more expensive, it has become both more necessary and less lucrative as an investment. A 2018 Roosevelt Institute paper by Julie Margetta Morgan and Marshall Steinbaum shows that the wages of those without bachelor's degrees have fallen over the last few decades, while the wages of college graduates have stagnated.[11] As the bottom has fallen out of the job market, a BA has become necessary to get jobs that did not previously require them. A recent Georgetown study found that, in 2015, BA holders held 55 percent of the country's "good jobs"—jobs that paid middle-class or better salaries. In the early 1990s, BA holders only held 40 percent of these jobs.[12]

Employer demand for postsecondary degrees has left students vulnerable to predatory for-profit colleges with a business model built around federal student loans. Between 1990 and 2010, the percentage of bachelor's degrees coming from for-profit colleges increased sevenfold.[13] These institutions generally cost more but offer lower labor market returns than public institutions—leading to high default rates among their students.[14]

Even at public colleges, rising costs have led students and their families to take on significant debt. Between 2004 and 2017, outstanding student debt nearly quadrupled.[15] Some of this increase in outstanding debt is the result of increased enrollments, but according to The Institute for College Success, the average balance for a borrower completing a bachelor's degree is now $29,200—roughly a 40 percent increase over the average amount students borrowed a decade ago.[16]

Rising prices, credentialization, predatory institutions, and high debt levels have hit Black students and families particularly hard. Today, Black students are less likely than

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[10] Mitchell, Michael et al. 2018. "Unkept Promises: State Cuts to Higher Education Threaten Access and Equity." Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and.

[11] Margetta Morgan, Julie, and Marshall Steinbaum. 2018. "The Student Debt Crisis, Labor Market Credentialization, and Racial Inequality: How the Current Student Debate Gets the Economics Wrong." New York: Roosevelt Institute. https://rooseveltinstitute.org/student-debt-crisis-labor-market-credentialization-racial-inequality/.

[12] Fain, Paul. 2017. "College Degrees Lead to 'Good Jobs.'" *Inside Higher Ed*, July 26, 2017. https://www.insidehighered.com/news/2017/07/26/increasing-share-good-paying-jobs-go-college-graduates.

[13] Surowiecki, James. 2015. "The Rise and Fall of For-Profit Schools." *New Yorker*, November 2, 2015. https://www.newyorker.com/magazine/2015/11/02/the-rise-and-fall-of-for-profit-schools.

[14] Liu, Yuen Ting, and Clive Belfield. 2014. "The Labor Market Returns to For-Profit Higher Education: Evidence for Transfer Students." New York: Center for Analysis of Postsecondary Education and Employment. https://capseecenter.org/labor-market-returns-to-for-profit-higher-education/.

[15] "Student Debt Continues to Rise." Peter G. Peterson Foundation (blog), July 18, 2018. https://www.pgpf.org/blog/2018/07/the-facts-about-student-debt.

[16] The Institute for College Access and Success. 2019. "Student Debt and Class of 2018." https://ticas.org/our-work/student-debt/; Powell, Farran, and Emma Kerr. 2019. "See 10 of Average Total Student Loan Debt." *U.S. News and World Report*, September 11, 2019. https://www.usnews.com/education/best-colleges/paying-for-college/articles/2018-09-11/see-how-student-loan-borrowing-has-risen-in-10-years.

their white counterparts to start college, complete a degree, or attend an elite institution. Black students who do enroll in postsecondary programs are significantly more likely to take on student loan debt.[17] One study found that for the 2003 entering cohort of college students, 78 percent of Black students took out loans compared to 57 percent of white students.[18] Black students are also significantly more likely to complete their degrees at for-profit schools, which typically cost more while offering fewer pathways to good jobs at their conclusion. Of the students who complete bachelor's degrees, almost 30 percent of Black students finish their education at a for-profit college, compared to 11 percent of white students.[19] After leaving school—public or private—Black student borrowers have a harder time paying down their debts. Twelve years after entering college, the median white borrower owes 65 percent of what they originally borrowed, but the median Black borrower owes 113 percent. At the 12-year mark, 49 percent of Black borrowers had defaulted on a student loan, compared to only 21 percent of white borrowers.[20]

The higher education system is rife with other economic inequities as well. Students from wealthier families are far more likely to attend college than students from low-income households. In 2016, 46 percent of students in the lowest-income quartile began a postsecondary degree, compared to 78 percent from the highest-income quartile.[21] Further, students from lower-income families enroll disproportionately in less selective and less resourced schools, like open-access four-year colleges and community colleges.[22]

Overall levels of student debt and the deep racial and economic inequities throughout the higher education system signal that the federal government's current tools for broadening access to higher education are not working as well as intended. Since the passage of the 1965 Higher Education Act, the federal government has employed two main tools to promote

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[17] Huelsman, Mark. 2015. "The Debt Divide: The Racial and Class Bias Behind the 'New Normal' of Student Borrowing." New York: Demos. https://www.demos.org/sites/default/files/publications/Mark-Debt%20divide%20Final%20%28SF%29.pdf; Supiano, Beckie. 2015. "Racial Disparities in Higher Education: An Overview." *Chronicle of Higher Education*, November 10, 2015. https://www.chronicle.com/article/Racial-Disparities-in-Higher/234129; Ashkenas, Jeremy et al. 2017. "Even with Affirmative Action, Blacks and Hispanics Are More Underrepresented at Top Colleges Than 35 Years Ago." New York Times, August 24, 2017. https://www.nytimes.com/interactive/2017/08/24/us/affirmative-action.html.

[18] Miller, Ben. 2017. "New Federal Data Show a Student Loan Crisis for African American Borrowers." *Center for American Progress* (blog), October 16, 2017. https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-federal-data-show-student-loan-crisis-african-american-borrowers/.

[19] Libassi, C.J. 2018. "The Neglected College Race Gap: Racial Disparities Among College Completers." Center for American Progress. https://www.americanprogress.org/issues/education-postsecondary/reports/2018/05/23/451186/neglected-college-race-gap-racial-disparities-among-college-completers/.

[20] Miller, Ben. "New Federal Data"; Kahn, Suzanne et al. 2019. "Bridging Progressive Policy Debates: How Student Debt and the Racial Wealth Gap Reinforce Each Other." New York: Roosevelt Institute. https://rooseveltinstitute.org/wp-content/uploads/2019/08/RI_Student-Debt-and-RWG-201909.pdf.

[21] "Facts & Figures: The Income Gaps in Higher Education Enrollment and Completion." 2018. *AAC&U News*, June/July 2018. https://www.aacu.org/aacu-news/newsletter/2018/june/facts-figures.

[22] Fry, Richard, and Anthony Cilluffo. "A Rising Share of Undergraduates Are from Poor Families, Especially at Less Selective Schools." *Pew Research Center*, May 22, 2019. https://www.pewsocialtrends.org/2019/05/22/a-rising-share-of-undergraduates-are-from-poor-families-especially-at-less-selective-colleges/.

access to higher education: Pell grants and federally subsidized loans. Pell grants are need-based financial aid grants administered by the Department of Education. Pell grants follow students to the school of their choice; the size of each student's grant is determined by family income. These grants are typically paid directly to schools, which apply them to tuition, fees, and room and board, and—if there are leftover funds—issue them to students to cover further expenses.[23] To receive Pell grants, higher education institutions need meet only a few qualifications: They must be accredited by an agency recognized by the secretary of education, they must be licensed or legally authorized to provide postsecondary education in the state in which they are located, and they must not have a student loan default rate that exceeds a rate set by the Department of Education. Furthermore, as recipients of federal aid, institutions receiving Pell grants must comply with federal civil rights laws.[24] These limited standards give the federal government relatively little ability to control cost or quality.

Pell grants have dramatically decreased in purchasing power over the last few decades. In 1975, Pell grants covered almost 80 percent of the average cost of attending a public four-year college (inclusive of tuition, fees, and room and board). Today, Pell grants cover only 29 percent of these costs.[25] As the value of Pell grants relative to the cost of attendance has fallen, students and their families have come to rely more and more on federal student loans through which the Department of Education lends directly to students and their families.[26] Nearly 90 percent of students whose family incomes qualify them for federal Pell grants graduate college with an average of $30,000 in debt.[27]

Limited standards give the federal government relatively little ability to control cost or quality.

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[23] Federal Student Aid Website. https://studentaid.ed.gov/sa/fafsa/next-steps/receive-aid.

[24] Kreighbaum, Andrew. 2019. "Student Loan Default Rate Continues to Decline." *Inside Higher Ed*, September 26, 2019. https://www.insidehighered.com/quicktakes/2019/09/26/student-loan-default-rate-continues-decline; Carey, Kevin. 2013. "Fixing Financial Aid." *Chronicle of Higher Education*, March 4, 2013. https://www.chronicle.com/article/Fixing-Financial-Aid/137593; Quick, Kimberly, and Tariq Habash. 2017. "K–12 Private School Vouchers and College Pell Grants: An Ill-Fitting Comparison." The Century Foundation, April 24, 2017. https://tcf.org/content/facts/k-12-private-school-vouchers-college-pell-grants-ill-fitting-comparison/.

[25] Protopsaltis, Spiros, and Sharon Parrott. 2017. "Pell Grants—a Key Tool for Expanding College Access and Economic Opportunity—Need Strengthening, Not Cuts." Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity.

[26] Harris, Adam. 2019. "How the Democrats Got Radicalized on Student Debt." The Atlantic, June 5, 2019. https://www.theatlantic.com/education/archive/2019/06/democrats-debt-cancellation-free-college/591043/.

[27] Protopsaltis and Parrott. "Pell Grants."

When the federal government created the voucherized system of grants and loans in the 1960s, the architects of the policy believed that loans and grants would work together to broaden access in a fair way. The theory went: Low-income students could take out loans to supplement grants because the return on their educational investment in themselves would allow them to easily pay off their debts.[28] This theory has not kept pace with a reality in which wages have stagnated while tuition costs have risen rapidly. Moreover, the availability of federal funds without any controls on prices or quality led colleges to quickly jack up their prices and, in some cases, loosen admissions standards in order to raise money by capturing federal loans. Student loan policies allowed schools to do this with impunity because there were no consequences for the institution if students subsequently dropped out and/or defaulted on their loans.[29] Furthermore, there is increasing recognition that financing higher education with loans poses a much greater risk to minorities and women who pay the same amounts for a college education but face systemic discrimination when they enter the job market. If you are likely to earn less but require the same (or, in reality, often larger) loans to finance your education, in the long run your education will almost definitionally cost more.[30]

In response to these facts, members of Congress and 2020 presidential candidates have offered free college plans that seek to reverse the trends that have most immediately created and/or been exacerbated by the student debt crisis. The most comprehensive proposals for free college under wide discussion—the plans presented by Sen. Bernie Sanders's and Sen. Elizabeth Warren's 2020 presidential campaigns—propose creating federal-state partnerships to fund state investment in higher education. Both also propose improving existing federal higher education programs to help cover non-tuition costs for low-income students.[31]

The federal-state partnership model at the heart of both of these proposals is the same model at the center of all recent, major pieces of free college legislation: Sen. Sanders's College for All Act would offer a two-to-one federal match to states that guarantee tuition-free admissions to their public four-year colleges and universities as well as community colleges. In addition, the act provides at least $1.3 billion a year to help private, minority-serving institutions reduce tuition and fees. The bill, which is estimated to cost $2.2 trillion, is paid for by a tax on Wall Street speculation.[32] Using the same model, Sen. Brian Schatz's

[28] Mitchell, Josh. 2019. "The Long Road to the Student Debt Crisis." *Wall Street Journal*, June 7, 2019. https://www.wsj.com/articles/the-long-road-to-the-student-debt-crisis-11559923730.

[29] Ibid.

[30] Miller. "New Federal Data."

[31] Golshan, Tara. 2019. "Bernie Sanders's Free College Proposal Just Got a Whole Lot Bigger." *Vox*, June 23, 2019. https://www.vox.com/policy-and-politics/2019/6/23/18714615/bernie-sanders-free-college-for-all-2020-student-loan-debt.

[32] "The Bernie Sanders College for All Fact Sheet." 2019. https://www.sanders.senate.gov/download/college-for-all-fact-sheet-updated?id=00EDE21B-E2CE-4397-908D-7A763C115A2F&download=1&inline=file.

Debt-Free College Act offers one-to-one federal matching funds to states that agree to cover any higher education costs—including costs beyond tuition—that are beyond families' expected contribution under the FAFSA.[33]

The proposals on the table focus on increasing state and federal funding to public institutions to reduce tuition and students' reliance on loans. Any proposal for free college needs to do these things, but crafting a free college policy is also an opportunity to think more expansively about how to use federal policy to reform the higher education system. This is a chance to rebalance state and federal financing in the higher education system, to rethink how public and private institutions of higher education should be regulated, to shape the relationship between higher education institutions and employers, and to consider how the choices we make regarding these and other structural issues shape how equitable higher education outcomes are.

II. MODELS FOR FREE COLLEGE FROM OTHER FEDERAL SOCIAL PROGRAMS

From libraries and museums to health care and retirement security, federal and state governments work to ensure some level of equitable access to goods they deem important to the general public. In some cases, they do this by serving as a safety net—a provider of last resort for people who cannot afford to purchase resources on the open market. In other cases, they provide broad access to a basic level of a good. In still other cases, governments simply impose strict regulations on private providers in order to ensure widespread availability.[34]

Free college is not an entirely new idea in the US. Many states have experimented with offering tuition-free higher education. But these past state and local experiments suggest the need for federal involvement to create a sustainable program. Historically, two of the most widely known examples of tuition-free, public higher education are California until 1980 and New York City until 1976.[35] Both California's and New York's "free systems" were remarkably open. In 1960, California adopted a principle of universal access, guaranteeing all California students access to a university, college, or community college. Similarly,

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[33] Kreighbaum, Andrew. 2019. "Senator Pushes 'Debt-Free' as Solution for College Costs." *Inside Higher Ed*, March 7, 2019. https://www.insidehighered.com/news/2019/03/07/schatz-reintroduces-debt-free-college-bill.

[34] Sitaraman, Ganesh, and Anne L. Alstott. 2019. The *Public Option: How to Expand Freedom, Increase Opportunity, and Promote Equity*. Cambridge: Harvard University Press.

[35] Marnel Shores, Lauren. "A Brief History of UC Tuition." *The Bottom Line*, October 22, 2017. https://thebottomline.as.ucsb.edu/2017/10/a-brief-history-of-uc-tuition; Stone, Michael. 2016. "What Happened When American States Tried Tuition-Free College." *Time*, April 4, 2016. https://time.com/4276222/free-college/.

from 1970 to 1976, CUNY responded to grassroots demand with an open-admission policy alongside free tuition for any student who graduated from a New York City high school.[36]

Both the California and New York City systems fell victim to contracting state budgets. CUNY caved to federal and state pressure to start charging tuition during New York City's 1970s fiscal crisis. The New York City Board of Higher Education initially resisted imposing tuition on CUNY students, even after the state cut from its budget an amount equivalent to what it would gain by charging tuition at the level of New York state schools, but in 1976, the board was forced to cave.[37] Notably, four years later, CUNY enrolled 50 percent fewer Black and Latinx freshmen than it had in 1976.[38] The University of California system's imposition of tuition was less abrupt. As the state budget contracted in the 1970s, the state higher education system began to introduce fees. The passage of Proposition 13 in 1978 and its effect on the state's revenue base hastened this process, leading to the imposition of tuition two years later.[39]

The California and New York stories make clear that higher education funding often rises and falls with state and local budgets. When budgets get tight, higher education is a relatively easy place for politicians to make cuts because it directly affects only a small percentage of a state's population at any given time.[40] Yet, because college enrollments generally rise during a recession, funding generally falls at the exact moment it is most needed.[41] Unlike the federal government, states cannot deficit-spend during recessions. As a result, the federal government can serve as a critical backstop to protect state free-tuition programs during a financial downturn.

Although there is a clear need for an increased federal role in any free college policy, there is no need to limit our vision for higher education reform to the federal-state partnerships in existing legislation. The federal government encourages the provision of many goods and

[36] https://www.gothamgazette.com/city/6444-could-cuny-be-tuition-free-again; Freeman, Joshua. 2000. Working-Class New York: Life and Labor Since World War II: 232-233. New York: The New Press. (Notably, neither system was completely free for all students. The California system and City University of New York (CUNY) charged fees—including, in the UC system's case, a $150 "educational fee" starting in 1970. Both systems also charged out-of-state or -city students tuition.)

[37] Freeman. *Working-Class New York*: 264.

[38] Freeman. *Working-Class New York*: 271.

[39] "Proposition 13: Its Impact on California and Implications." 1997. California Budget Project. https://calbudgetcenter.org/wp-content/uploads/2018/09/Issue-Brief_Proposition-13-Its-Impact-on-California-and-Implications_04.1997.pdf; Stone. "What Happened When American States Tried Tuition-Free College." (California's community colleges have had more protected funding than the rest of the system because they have been incorporated into the state's K–12 funding formulas since 1988. This has allowed for a long-standing program to offer free community college to qualifying students (Johnson, Hans. 2010. "Higher Education in California: New Goals for the Master Plan." Public Policy Institute of California. https://www.ppic.org/content/pubs/report/R_410HJR.pdf.))

[40] "Better Together: How A Reimagined Federal-State Partnership to Fund Public Higher Ed Could Help Bring College Within Reach for All." 2019. The Institute for College Access & Success. https://ticas.org/wp-content/uploads/2019/10/Better-Together.pdf.

[41] Ibid.: 10.

services. Each existing program offers a potential model for free college and important ideas about how to balance federal and state funding, control costs, and ensure access and quality.

> ***Although there is a clear need for an increased federal role in any free college policy, there is no need to limit our vision for higher education reform to the federal-state partnerships in existing legislation.***

This section considers how a variety of models developed for other public goods might be applied to higher education reform and what the benefits and drawbacks of each model might be. Each of the programs discussed here has significant flaws, only some of which are addressed in this paper. The goal in presenting these programs is not to offer a comprehensive analysis of each, but to suggest them as schematics that could be adopted—either wholesale or in combination with each other—to build a free college program.

Medicaid

Medicaid, the federal-state partnership program that encourages states to create health insurance coverage programs for low-income individuals, was created in 1965 alongside the fully federal Medicare program.[42] At this point, every state has a Medicaid program. Under Medicaid, the federal government provides a minimum of a one-to-one match on state dollars spent on the program; states receive a more generous match if they have low average per capita incomes and/or if they provide coverage to some specific populations.[43] States use these federal funds alongside their own contributions to pay both public and private providers for providing medical services to low-income people.[44] Importantly, Medicaid is an entitlement—it is funded independent of the yearly appropriation process, and its budget has to meet the demand, not the other way around.[45] Furthermore, the federal match is open-ended; in other words, every dollar a state spends is matched without a cap on state spending, encouraging states to invest in the program.[46] In addition, under Medicaid, the

[42] Hoffman, Beatrix. 2012. *Health Care for Some: Rights and Rationing in the United States since 1930*: 134. Chicago: University of Chicago Press.

[43] Kaiser Family Foundation. nd. "Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier." https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

[44] Kaiser Family Foundation. 2013. "Medicaid: A Primer." https://www.kff.org/wp-content/uploads/2010/06/7334-05.pdf.

[45] Center on Budget and Policy Priorities. 2016. "Policy Basics: Introduction to Medicaid." https://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid.

[46] Snyder, Laura, and Robin Rudowitz. 2015. "Medicaid Financing: How Does it Work and What Are the Implications." Kaiser Family Foundation. https://www.kff.org/medicaid/issue-brief/medicaid-financing-how-does-it-work-and-what-are-the-implications/.

federal government requires states to create a separate funding stream that goes directly to hospitals that serve high numbers of Medicaid-covered patients.[47]

Today, Medicaid's funding model means it functions as a successful countercyclical, safety-net program that ensures that low-income Americans have access to basic health insurance and that provides essential funding to hospitals serving the poor. The program's partial funding as a federal entitlement allows it to expand during economic downturns even as state budgets contract. Largely because of significant variations in how states implement the program, Medicaid is less successful at ensuring equitable access to quality care than it is at providing safety-net care during economic downturns.

In order to receive federal Medicaid dollars, states must meet basic federal guidelines—including offering coverage to specified populations (for example, pregnant women with income below 138 percent of the poverty line) and covering certain medical services (for example, X-rays). Beyond those guidelines, states have a great deal of flexibility in designing and implementing Medicaid programs.[48] For example, states can decide to impose cost-sharing in the form of co-payments and deductibles for many services, although the federal government sets strict maximums on these and prevents states from doing so for emergency services, family planning, and preventative services for children.[49] Some states have imposed work requirements or other limitations on the Medicaid-eligible population.[50] And, as has been well documented, many states did not accept the expansion of Medicaid to new populations enabled through the Affordable Care Act.[51]

States' ability to limit or deny their citizens coverage is not an accident of program design. Rather, it is the result of a deliberate choice by policymakers in the 1960s to create a safety-net program that allowed states—especially southern states with larger minority populations—to opt out or create benefit structures that limited access. Not until 1982 did all states have a Medicaid program.[52]

The federal government also leaves it to states to set reimbursement rates for providers

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[47] Ibid.

[48] Center on Budget and Policy Priorities. "Policy Basics: Introduction to Medicaid."

[49] "Cost Sharing Out of Pocket Costs." Medicaid.gov. https://www.medicaid.gov/medicaid/cost-sharing/out-of-pocket-costs/index.html.

[50] Katch, Hannah et al. 2018. "Taking Medicaid Coverage Away from People Not Meeting Work Requirements Will Reduce Low-Income Families' Access to Care and Worsen Health Outcomes." Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/research/health/medicaid-work-requirements-will-reduce-low-income-families-access-to-care-and-worsen; https://www.kff.org/wp-content/uploads/2010/06/7334-05.pdf; Kaiser Family Foundation. "Medicaid: A Primer."

[51] Kaiser Family Foundation. 2019. "Status of Medicaid Expansion Decisions: Interactive Map." https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/.

[52] Oberg, Charles N., and Cynthia Longseth Polich. 1998. "Medicaid: Entering the Third Decade." *Health Affairs*, Fall 1998. https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.7.4.83. (Arizona was the last state to adopt the program.)

under Medicaid. On average, the rates are significantly lower than the rates doctors receive from Medicare or private insurance companies for performing the same procedures. For example, one study found that, in 2016, Medicaid payments of physicians' fees amounted to 72 percent of the reimbursement rate for the same services under Medicare.[53] These rates also limit Medicaid recipients' access to quality care. Physicians do not have to accept Medicaid. Indeed, in 2012, a survey found that one-third of primary care doctors were not accepting new Medicaid patients, many citing low reimbursement rates as explanation.[54]

A Medicaid model for higher education could be taken in a number of directions. Strictly speaking, it could look like federal-state partnerships to reinvest in Pell grants to create a more robust but still means-tested grant program. Under a Medicaid-inspired, free college plan, low-income students could use grants at any participating higher education institution (public or private) that met certain participation requirements. The system would thus look very similar to the way Pell grants function today, but with the federal government leveraging an increased state role to help raise the grant funding level. Such a federal-state match program might also consider using a formula like that used by Medicaid to give lower-income states and/or states serving target populations a higher match rate. This could help address current disparities in state funding for higher education without simply rewarding wealthy states that have chosen not to invest in their systems to date.[55] At the same time, if federal higher education funding became an official entitlement program and if the federal funding that states received automatically rose alongside their own spending, federal funding would encourage states to continue to fund their free college programs during economic downturns. During better times, making a federal match program open-ended like Medicaid would significantly increase the incentive for states to invest in their higher education programs.

A key difference between current Pell grants and Medicaid is the role states play in rate-setting. While states determine reimbursement rates under Medicaid, currently the Department of Education leaves it to schools to set tuition rates. Adopting a Medicaid model for higher education suggests empowering states to set tuition rates at public *and private institutions,* at least as charged to students receiving grants. This could help address the rapid increases in tuition prices we have seen across higher education institutions in recent years.

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[53] Ollove, Michael. 2015. "Some States Pay Doctors More to Treat Medicaid Patients." *PEW Stateline*, April 17, 2015. https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/4/17/some-states-pay-doctors-more-to-treat-medicaid-patients. (Under the Affordable Care Act, the federal government made money available to states to raise Medicaid reimbursement rates to the level of Medicare reimbursements for two years.)

[54] Ibid.

[55] This worry was expressed by Kevin Carey in a column earlier this year. Carey, Kevin. 2019. "What Sanders and Warren Get Wrong on Free College." *Washington Monthly*, July/August 2019. https://washingtonmonthly.com/magazine/july-august-2019/what-elizabeth-warrens-free-college-plan-gets-wrong/.

Another useful strategy for controlling rising tuition levels comes from how the federal government controls state-imposed co-pays under Medicaid. Under Medicaid, the federal government sets maximum allowable co-pays based both on type of service and recipients' income.[56] A similar model for higher education might mean treating the "Expected Family Contribution" calculated through the FAFSA as equivalent to Medicaid's maximum allowable co-pay and preventing schools from charging students and their families anything beyond it.

The limitations in access to Medicaid and variation in coverage across states are a large potential pitfall in adopting a federal-state partnership model when designing a free college program. Unless a free college policy is carefully designed to prevent such behavior, states may impose onerous limitations on their free college program or lower quality (possibly by pushing schools to rely more heavily on adjunct faculty) to save money. Other states may simply refuse federal funds altogether, especially if free college becomes a partisan flashpoint in the vein of the Affordable Care Act.[57] Furthermore, if participating states set tuition rates at too low a level, schools themselves could opt out of accepting students using grants.

It is worth noting that, although they rely on federal-state partnerships, none of the main free college proposals being debated takes the form described here. Instead, each proposal uses federal funding to encourage states to make only their public higher education institutions completely free. This emphasis on existing public infrastructure makes a good deal of sense—76 percent of all undergraduates are enrolled at public institutions, and 64 percent of bachelor's degrees awarded are from public institutions.[58] Nevertheless, because federal funding from Pell grants and student loans currently flows to both public and private institutions, these proposals have raised questions about what will happen to private institutions that rely on these funding streams, especially private HBCUs and other minority-serving institutions.

One idea to address concerns comes from Medicaid's "disproportionate share payments." A similar system could be adapted to address this question of vulnerable private institutions that serve a disproportionate share of low-income students. HBCUs and other minority-serving institutions, as well as community colleges, almost universally have less funding available per student than state flagship schools. A disproportionate share formula whereby these institutions receive direct payment from the federal government would help equalize

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[56] "Cost Sharing Out of Pocket Costs." Medicaid.gov.

[57] Matthew Yglesias pointed out this risk in a 2016 column (Yglesias, Matthew. 2016. "There's a Big Problem with Bernie Sanders's Free College Plan." *Vox*, March 14, 2016. https://www.vox.com/2016/3/14/11222482/bernie-sanders-free-college.

[58] The Institute for College Access & Success. "Better Together."

funding across institutions while eliminating tuition for students.[59]

Medicaid thus offers both insights and cautions for policymakers designing a free college program. **A Medicaid model for higher education could include:**

- Federal-state partnerships to create a more robust grant system for low- income students;
- Empowering states to sets their own per-student "reimbursement rate" for all participating schools and limit charges to students beyond that; and
- Extra federal subsidies to schools serving a disproportionate share of low-income and minority students.

Medicare

The logical alternative to a Medicaid model for higher education is a Medicare model. Unlike Medicaid, Medicare is a multipart, federally administered, and federally financed health insurance program with coverage standards and reimbursement rates set by experts at a national level.[60] The program is not means-tested. Everyone over 65 is eligible to buy into Medicare, although many people have premium-free access to Medicare Part A, which covers hospital care, as a result of their work histories. Medicare Part B, which covers physicians visits and preventative services, and Part D, which covers prescription drugs, do require premiums. Traditionally, through Medicare Parts A and B (the original two program components), the federal government makes payments directly to physicians and hospitals treating Medicare patients based on rate and fee schedules predetermined by experts.

[59] The recently passed FUTURE ACT authorized $255 million in annual federal funding for HBCUs and other minority serving institutions, an important step in this direction.

[60] Kelchen, Klee, Barbara S. et al. 2018. "Brief Summaries of Medicare & Medicaid." Center for Medicare and Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/Downloads/MedicareMedicaidSummaries2018.pdf; American Medical Association. nd. "RBRVS Overview." https://www.ama-assn.org/about/rvs-update-committee-ruc/rbrvs-overview.

PRIVATIZATION OF MEDICARE AND MEDICAID

The number of Medicare and Medicaid beneficiaries enrolled in health insurance plans managed by private companies paid by the government has shot up in recent years. Medicare patients choose to enroll in these programs (known as Medicare Advantage/ Medicare Part C), for which the federal government pays a flat monthly fee to a private insurance provider.[61] One-third of Medicare patients are enrolled in privately managed Medicare Advantage plans.[62] In contrast, states decide to contract with privately managed care companies to provide care to Medicaid recipients.[63] Over two-thirds of Medicaid recipients are enrolled in privately managed Medicaid programs.[64]

Proponents of enrolling Medicare and Medicaid recipients in private plans have claimed that this will reduce costs and increase efficiencies, but recent studies show that these public-private partnerships have actually driven up costs. When the Affordable Care Act was passed, the federal government was paying Medicare Advantage plans $1,100 more per enrollee than it would have cost for the same beneficiaries to remain in the traditional Medicare program.[65] (The Affordable Care Act has since brought these costs more in line with the costs under traditional Medicare).[66] Meanwhile, a 2018 NPR report investigating private contractors who administer Medicaid managed care plans found a lack of oversight allowing plans to skimp on care and increase overall spending.[67]

These outcomes also hold lessons for free college programs. Policymakers should be wary of promises that delegating administration to private companies will lead to greater efficiencies. The federal government actually has proved itself to be the most efficient administrator of health care programs.

[61] Starr, Paul. 2011. *Remedy and Reaction: The Peculiar American Struggle over Health Care Reform*. New Haven: Yale University Press.

[62] Kaiser Family Foundation. 2019. "Medicare Advantage." https://www.kff.org/medicare/fact-sheet/medicare-advantage/.

[63] Hinton, Elizabeth et al. 2019. "10 Things to Know about Medicaid Managed Care." https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-managed-care/.

[64] Terhune, Chad. 2018. "Private Medicaid Plans Receive Billions in Tax Dollars, with Little Oversight." *NPR*, October 18, 2018.

[65] Angeles, January. 2010. "Health Reform Changes to Medicare Advantage Strengthen Medicare and Protect Beneficiaries." Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/research/health-reform-changes-to-medicare-advantage-strengthen-medicare-and-protect-beneficiaries.

[66] Kaiser Family Foundation. 2019. "Medicare Advantage." https://www.kff.org/medicare/fact-sheet/medicare-advantage/.

[67] Terhune. "Private Medicaid Plans Receive Billions in Tax Dollars, with Little Oversight."

Providers who accept Medicare agree to its rates under two different schemas: Participating providers agree to "always take assignment," which means the provider agrees that rates and fees set by Medicare and a patient-paid 20 percent coinsurance charge will be his/her full payment for the service. Non-participating providers accept Medicare insurance but do not accept Medicare's fees and rates as full payments. At the federal level, these providers are allowed to charge patients an additional fee of up to 15 percent of the Medicare rate on top of their 20 percent coinsurance charge.[68] As an incentive to participate, Medicare only pays non-participating providers 95 percent of the set rates and fees.[69] Some states have further limited what non-participating providers can charge—for example, New York limits non-participating providers' fees to 5 percent instead of 15 percent.[70] A third set of providers entirely refuses to accept Medicare payments and thus can charge patients whatever they want as long as they follow a few limited consumer protection provisions, including having a patient sign a contract acknowledging that Medicare will not reimburse him/her.[71]

Medicare's system of direct payments to both public and private providers has many similarities to the current Pell grant system, but with a few key differences: Medicare is not means-tested, the federal government has a number of mechanisms for controlling costs in the Medicare program that are unavailable in current federal higher education funding programs, and Medicare is ostensibly a social insurance program. Given that the Medicare disbursement model is already somewhat analogous to how federal funding in higher education works, it is worth considering what extending the rest of the model to higher education could look like.

A Medicare-inspired free college program could be structured as a benefit for all high school graduates.[72] Experts would determine a reasonable fee schedule for either specific degrees or on a per-credit basis (possibly with regional or other adjustments). The federal government would then agree to pay participating schools at those rates for any enrolled student.[73]

Medicare features a much more robust set of cost controls than either current federal higher education funding or Medicaid. In addition to using a federal panel of experts to

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[68] Medicare Rights Center. nd."Participating, Non-Participating, and Opt-Out Providers."https://www.medicareinteractive.org/get-answers/medicare-covered-services/outpatient-provider-services/participating-non-participating-and-opt-out-providers.

[69] American Academy of Family Physicians. nd. "Medicare Options." https://www.aafp.org/practice-management/regulatory/medicare.html.

[70] Medicare Rights Center. "Participating, Non-Participating, and Opt-Out Providers."

[71] Ibid.

[72] Policymakers could decide if the benefit should also extend to GED recipients or returning students.

[73] A Medicare-inspired plan could also include a nominal tuition payment from students, set by the federal government, that would be roughly equivalent to the premiums paid by those enrolled in Medicare Part B.

set base rates, Medicare adjusts payments to providers up and down based on certain quality measurements.[74] A similar adjustment system could encourage higher education institutions to do anything from diversifying their student bodies to reducing their reliance on low-paid adjunct labor to improving their job placement rate for graduates. These incentivized behaviors would exist alongside baseline requirements to be eligible to participate in the program at all.

A free college program modeled on Medicare could also adopt its three-tiered provider participation system. Doing so might address concerns that schools might opt out of the program. Under the Medicare model, all public schools might be required to accept federal higher education payments as full tuition, but private schools could make that choice as well. Other private schools could, like non-participating providers, accept federal higher education payments and charge students a limited fee on top of that. Still other schools might opt out entirely. In a world where some schools accepted federal higher education payments as full tuition and thus were free to students, schools deciding to charge fees on top of these payments would have limited appeal. They would have to compete to attract students away from functionally free institutions.

Because it would be federally administered and not means-tested, a Medicare-inspired higher education plan should offer more equitable access to students across the country than a Medicaid-inspired program. That said, there would likely still be significant differences in quality across states based on variation in state investment in their higher education systems. Furthermore, if the system adopted a three-tiered provider participation model, economic inequities might quickly reappear. Some students would be able to afford the supplemental costs of attending a non-participating school, whereas others would be limited to participating institutions. Schools that can attract the wealthiest students or fully fund their own financial aid programs might opt out of participation entirely. One way to address this would be to layer the existing means-tested grant and loan program on top of a Medicare-inspired higher education reform and allow low-income students to use grants and loans to fund attendance at a "non-participating" school. In that case, however, policymakers would want to be sure to include further mechanisms (discussed below) to control costs and address labor market inequities in order to prevent the student debt crisis from repeating itself.

It is important to recognize that Medicare is conceived of as a social insurance program. Some, although by no means all, of the funding for the program comes from a specific

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[74] American Academy of Family Physicians. nd. "Merit-Based Incentive Payment System Payment Adjustments." https://www.aafp.org/practice-management/payment/medicare-payment/2019-mips-payment-adjustments.html; Starr. *Remedy and Reaction.*

payroll tax.[75] Arguably, this fact accounts for some of the program's popularity. People feel they paid into Medicare and thus earned their benefit.[76] There could be a social insurance component to a higher education plan with a dedicated payroll tax coming from families, employers, or both. Indeed, an employer payroll tax to fund an entitlement to a "higher education benefit" has a certain logic since employers benefit directly from the training that their future employees receive.

Medicare offers a model for creating a federal higher education system that gives broad access to and controls costs at both public and private institutions; however, the model also contains the risk of creating new inequities in access to elite institutions. The model also proposes what could be an extremely costly shift of financial responsibility onto the federal government and away from both state governments and private institutions. Mechanisms would need to be put in place to require participating private institutions with their own financial aid programs to continue those programs at their current levels. **A Medicare model for higher education could include:**

- A federally funded and administered entitlement program for all high school graduates;
- Federal higher education grants awarded to all high school graduates and which can be used at any public or private institution that accepts them; and
- A federal board of experts that sets tuition rates and "adjusts" base payments to schools in order to incentivize certain educational and management practices.

[75] Kaiser Family Foundation. 2019. "An Overview of Medicare." https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/.

[76] Starr. *Remedy and Reaction*.

ENTITLEMENTS

Both Medicare and Medicaid are entitlement programs. This means that those who meet the eligibility criteria receive their benefits independent of the yearly budget appropriations process and even if it means running a deficit.[77] Entitlements are considered a binding obligation; eligible recipients who are denied benefits can sue.[78]

Pell grants are often considered a "quasi-entitlement" because Congress has to fund the program through the yearly budget process, but the program is allowed to run a deficit so that all students who qualify for a grant are guaranteed aid. Nevertheless, the budget process creates an annual vulnerability for the program, and it is responsive to budget shortfalls and surpluses.[79]

Entitlement structures are particularly important for countercyclical public goods, like higher education, where demand generally increases just as budgets fall. Any federal plan to create free college should strongly consider creating an entitlement structure.

Unemployment Insurance

The federal-state Unemployment Insurance (UI) program was created as part of the 1935 Social Security Act. Like Medicaid, it is a federal-state partnership and a countercyclical program, but some key differences in its structure and operation make it worth considering as yet another alternative model for higher education reform.[80]

The federal government's role in unemployment insurance—as both a regulator and a funder—is much lighter than its role in Medicaid. The funding and administration of the program rests mostly with the states. States set eligibility requirements and benefit size and duration. The federal government provides very basic regulations for what qualifies as an unemployment insurance program; states that meet these minimum requirements

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[77] Bauer, Elizabeth. 2018. "Yes, Social Security Is an Entitlement." *Forbes*, November 5, 2018. https://www.forbes.com/sites/ebauer/2018/11/05/yes-social-security-is-an-entitlement/#4f885307500d.

[78] "Entitlement." Senate Glossary. https://www.senate.gov/reference/glossary_term/entitlement.htm.

[79] Moore, Mallory. 2019. "In the Changing Financial Aid Landscape, Pell Grants Hold Steady." *Chicago Maroon*, February 27, 2019. https://www.chicagomaroon.com/article/2019/2/28/changing-financial-aid-landscape-pell-grants-hold/.

[80] A recent report from TICAS bases its principles for federal-state partnerships in higher education on Unemployment Insurance and thus provides much useful detail for considering this option (The Institute for College Access & Success. "Better Together: How a Reimagined Federal-State Partnership to Fund Public Higher Ed Could Help Bring College Within Reach for All.").

receive federal funds to support their programs' administrative costs but not the benefits themselves.[81]

The federal government contributes more funds to state unemployment insurance programs during economic downturns. Historically, during recessions, the federal government has extended unemployment insurance benefits through special legislation. In addition to these one-off extensions, the Permanent Extended Benefits Program is a federal-state matching program that funds a minimum of 13 weeks of unemployment when unemployment levels in a state reach certain predetermined trigger levels.[82]

By federal design, funding for UI at both the state and federal level comes from an employer payroll tax. Employer unemployment insurance taxes are determined using an "experience rating" system, where employers with a history of laying off workers who then draw on UI are charged more.[83]

UI thus provides an alternative method for balancing state and federal funding and addressing higher education's countercyclical nature. Instead of designing a free college program as an entitlement program, the federal government could encourage states to create free college programs for which it would provide minimal funding during a normal economy, but to which it would automatically increase its contribution when state unemployment levels reached a certain level.

One way to address the credentialization that has helped drive the student debt crisis would be to fund a higher education program with an employer payroll tax under which employers who demand higher credentials of their workers must pay more.

It is also interesting to consider what an employer tax with an experience rating system could offer higher education. One way to address the credentialization that has helped drive the student debt crisis would be to fund a higher education program with an employer

[81] Stone, Chad, and William Chen. 2014. "Introduction to Unemployment Insurance." Washington, DC: Center on Budget and Policy Priorities. https://www.cbpp.org/research/introduction-to-unemployment-insurance.

[82] "Better Together: How a Reimagined Federal-State Partnership to Fund Public Higher Ed Could Help Bring College Within Reach for All"; Sen. Harkin's 2014 Higher Education Affordability Act included a countercyclical measure to this end (S. 2954: Higher Education Affordability Act. November 20, 2014. https://www.congress.gov/bill/113th-congress/senate-bill/2954/text).

[83] Stone and Chen. "Introduction to Unemployment Insurance."

payroll tax under which employers who demand higher credentials of their workers must pay more. It does not seem unreasonable to require that employers who demand a more educated workforce contribute more to the higher education system. Meanwhile, employers who do not actually need workers to hold advanced degrees would be incentivized to stop demanding the credential.

The federal-state partnership structure of UI has left many people without access to unemployment insurance. Many workers meet the basic federal criteria for eligibility but fail to meet their state's criteria. According to the Center on Budget and Policy Priorities, since the 1950s, fewer than half of unemployed workers have received unemployment insurance outside of a recession.[84] Among unemployed workers, Blacks and Latinxs are 25 percent less likely to receive UI benefits—the result, in large part, of state policies excluding part-time and seasonal workers from UI eligibility.[85] As we saw with Medicaid, models that allow states wide latitude in establishing eligibility criteria consistently run the risk of excluding people the initial legislation wished to reach.

Unemployment Insurance offers interesting ideas for structuring federal funding and addressing the intersection of the higher education system and job market. **Applying an Unemployment Insurance model to higher education could include:**

- The federal government encouraging states to create free college programs and establishing minimal standards for such programs;
- A system to automatically increase federal funding to support state programs during economic downturns; and
- An employer payroll tax that is adjusted based on the average level of education an employer requires workers to have.

K–12

Federal and state governments take a very different approach to funding K–12 education than they do to higher education. Every state has created a constitutional right to K–12 education and thus ensures that K–12 education is universally and freely available.[86]

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[84] Ibid.

[85] Kirwan Institute for the Study of Race and Ethnicity. 2010. "Unemployment Insurance, the Recession, and Race: A Kirwan Background Report." http://kirwaninstitute.osu.edu/my-product/unemployment-insurance-the-recession-and-race/; Stone and Chen. "Introduction to Unemployment Insurance."

[86] Wong, Alia. 2018. "The Students Suing for A Constitutional Right to Education." *The Atlantic*, November 28, 2018. https://www.theatlantic.com/education/archive/2018/11/lawsuit-constitutional-right-education/576901/; Lepore, Jill. 2018. "Is Education a Fundamental Right?" New Yorker, September 3, 2018. https://www.newyorker.com/magazine/2018/09/10/is-education-a-fundamental-right.

Because the question of access is largely taken care of, the federal government's central policy question regarding K–12 education is how to ensure equitable outcomes across socioeconomic and racial divisions.

The federal government's role in K–12 education developed during the Great Society with the explicit goal of addressing this question of equity.[87] Title I of the Elementary and Secondary Education Act of 1965 created the first federal funding stream for K–12 education. Title I provides funding to states and school districts based on the number of low-income children between the ages of 5 and 17 in the school system (the specifics of the Title I funding formula, its strengths, and weaknesses are beyond the scope of this paper, but have been discussed at length in recent reports by The Century Foundation and the US Commission on Civil Rights, among others).[88]

Federal K–12 funding is, in some ways, the inverse of federal higher education funding. In both cases, the federal government has funding streams dedicated to increasing opportunity for low-income students. For the K–12 system, federal money goes directly to public school districts based on the student body's demographics; in contrast, in higher education, federal money flows to low-income students and follows each student to the institution they choose to attend, whether it is public or private. Arguably, by reducing the number of parties involved, the K–12 system leads to greater efficiency in terms of regulation. Here, it is worth pausing and considering that current free college legislation's focus on creating tuition-free options only at state schools mirrors this aspect of K–12 funding and thus has significant regulatory advantages.

States themselves employ a number of different policy strategies to use their own funds to try to create some equity across K–12 districts, despite the fact that the system is primarily based on local property taxes. The most common strategy used at the state level is the "foundation grant," whereby the state sets a base level of per-student funding. Students are then assigned a weight based on the expectation that some students—for example English language learners or special needs students—cost more to educate. Districts are given an expected budget based on a formula using the base per-student funding and their weighted student population.[89] Districts can spend above that level, but not below; if a district cannot

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[87] Conklin, Kristin D., and Sandy Baum. 2017. "The Federal-State Higher Education Partnership: Lessons from Other Federal-State Partnerships." Washington, DC: Urban Institute. https://www.urban.org/sites/default/files/publication/90301/2017.4.26_lessons_from_partnerships_finalized_1.pdf, 14.

[88] McClure, Phyllis. 2008. "The History of Educational Comparability in Title I of the Elementary and Secondary Education Act of 1965." Washington, DC: Center for American Progress. https://cdn.americanprogress.org/wp-content/uploads/issues/2008/06/pdf/comparability_part1.pdf; US Commission on Civil Rights. 2018. "Public Education Funding Inequity." https://www.usccr.gov/pubs/2018/2018-01-10-Education-Inequity.pdf; Kahlenberg, Richard et al. 2019. "A Bold Agenda for School Integration." New York: The Century Foundation. https://tcf.org/content/report/bold-agenda-school-integration/.

[89] Griffith, Michael. 2005. "State Education Funding Formulas and Grade Weighting." ECS Policy Brief. May 2005. https://www.ecs.org/clearinghouse/59/81/5981.pdf.

meet the foundation budget through its own tax base, the state will supplement. A similar but slightly different strategy is used by Massachusetts and Wyoming. Like foundation budget states, Massachusetts and Wyoming specify an amount that it costs to educate different types of students, but instead of using a base level and assigning students weights, they write the specific per-student costs into legislation.[90] Other states try to make funding more equitable across districts by matching what districts raise through taxes. Yet another set of states has centralized funding, providing an equal amount of per-student funding to every district while preventing districts from spending beyond this.[91]

Many people have suggested that increased federal investment in higher education should be focused on equity considerations, as is the case for federal K–12 investment. The inequities in the higher education system are quite stark. An Urban Institute study found that in 2013–2014 states spent an average of 36 percent more per student at four-year universities than at public two-year colleges.[92] Another study by Georgetown University's Center for Education and the Workforce found that every year, selective public colleges spend almost three times as much as open-access schools.[93] As we have seen, these less selective schools educate a disproportionate number of low-income and minority students.

Federal and state K–12 funding models offer some ideas for what a federal higher education policy centered on equity might look like. The federal government could decide to try and ensure a more equitable postsecondary experience for all students enrolled in public institutions. From there, Title I (or a similarly conceived but different formula for funding) could be expanded to cover higher education institutions, with the federal government awarding funds to public colleges and universities based on the number of low-income students they serve.[94] These funds could sit alongside a new system in which all states have made their public higher education institutions free, alongside our current grant and loan system, or alongside an expanded grant system based on Medicare or Medicaid.

Alternatively, the federal government could look to the foundation budget model to create a more equitable experience for students. Under this model, an expert panel or Congress would prescribe per-student funding levels for public higher education institutions (they

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90 Ibid.

91 Chingos, Matthew, and Kristin Blagg. 2017. "Making Sense of State School Funding Policy." Urban Institute. https://www.urban.org/sites/default/files/publication/94961/making-sense-of-state-school-funding-policy_0.pdf.

92 Chingos, Matthew, and Sandy Baum. 2017. "The Federal-State Higher Education Partnership: How States Manage Their Roles." Washington, DC: Urban Institute. http://www.urban.org/sites/default/files/publication/90306/2017.4.26_how_states_manage_their_roles_finalized_0.pdf.

93 The Institute for College Access and Success. 2019. "Inequitable Funding, Inequitable Results: Racial Disparities at Public Colleges." https://ticas.org/wp-content/uploads/legacy-files/pub_files/inequitable_funding_inequitable_results.pdf.

94 TICAS's recent report "Better Together" has an excellent discussion of how any federal funding mechanism can and should be designed to maintain state funding levels.

could vary by type of student, region, and institution) and then distribute money based on each state's postsecondary student body and a determination about what each state can itself afford to provide. States could spend over this amount but not under.

Currently, our higher education system spends more on elite students than low-income, often higher-need students. We recognize this to be a problem in the K–12 system, but not for postsecondary students. **A higher education system that centered equity as the K–12 system does could:**

- Expand Title I to higher education institutions so that the federal government subsidizes public institutions based on the number of low-income students they serve; or
- Create a foundation budget model that allocates federal money to states based on the kinds of students they serve and their ability to raise funds from their own tax base.

> ***Currently, our higher education system spends more on elite students than low-income, often higher-need students. We recognize this to be a problem in the K–12 system, but not for postsecondary students.***

Direct Federal Provisioning

Unlike the case studies above where the federal government subsidizes state and local or private providers, there are many public goods—for example national parks, postal mail services, and Social Security—that the federal government directly provides. In each case, the federal government has decided that the most effective way to provide a service is doing it directly. Notably, the federal government is not always the exclusive provider of these services. There are private mail services, private parks, and private retirement accounts, but the federal government has made a baseline available.

This model of direct provisioning is another option for a free college program, albeit one that would be a massive change in the federal government's current relationship to the higher education system. Indeed, the idea for a national university directly provided by the federal government dates back to the founding fathers, who envisioned a central institution for the nation. Needless to say, despite endorsements from George Washington, James Madison, and Benjamin Franklin, the idea never materialized beyond federal military academies.[95] Nevertheless, direct federal provisioning is worth reconsidering as we look

[95] Sitaraman and Alstott. *The Public Option*.

for ways to reform the higher education system to create more equitable access and better control costs for both the federal government and individuals.

The internet means direct federal provisioning of higher education need not look like a single centralized university or even the federal takeover of all state schools. For example, Ganesh Sitaraman and Anne Alstott's recent book The Public Option calls for a national online university. They envision a federally funded and managed catalogue of introductory classes—the 101 courses that are usually taught as large lecture classes at universities. Public colleges and universities would have to accept credits for these courses but could stop investing their own resources in creating duplicative offerings. Sitaraman and Alstott argue that this system would both offer a more affordable option directly to students and, as a result, create useful competition to high-cost alternatives in higher education.[96]

Sitaraman and Alstott's proposal would constitute a massive change in the federal government's role in higher education—from subsidizing higher education to actually dictating and creating content. Stepping back to think about the building blocks of higher education—academic knowledge production and the course credit system—reveals another model for the direct federal provisioning of higher education. Instead of offering classes, the federal government could merely offer evaluations and credits for certain subjects. Students could choose how to obtain the knowledge needed to receive a credit as long as they passed a final examination. This is analogous to competency-based education models with which some schools are experimenting.[97] It is also similar to the way bar certification for lawyers used to work and continues to work in a few states to this day.

If the federal government started offering evaluations and credits, it could also award degrees for certain numbers of credits and, at the same time, require that such credits be accepted at any public school or higher education institution receiving federal funds. Students could decide whether to complete a federal degree or apply credits toward a degree at a school of their choice. One advantage to federal credits would be that they could be made permanently valuable where, under the current system, many schools' credits expire if you do not complete the degree in a certain period of time.

This sort of public provision of higher education could be further strengthened if the federal government created public access to the scholarly research behind its credit system. The Library of Congress could purchase and make publicly available digitized textbooks and scholarly publications. While there would likely be strong resistance (in the form of high

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[96] Ibid.

[97] Larsen McClarty, Katie, and Matthew N. Gaertner. 2015. "Measuring Mastery: Best Practices for Assessment in Competency-Based Education." Washington, DC: Center on Higher Education Reform, American Enterprise Institute. https://www.luminafoundation.org/files/resources/measuring-mastery.pdf.

prices) to this move from academic and textbook presses, the federal government could at the very least consider requiring that the end products of scholarly research funded with federal funds (as much scientific and some humanities research is) be made freely available to the public.

Direct federal provisioning of credits and academic knowledge would curb some of the power of universities and other institutions in the higher education industry—such as journals and publishing houses—to determine the availability of knowledge and who can claim to hold it. Creating a baseline, quality, free (or affordable) higher education option would also offer a significant and useful challenge to predatory higher education institutions like for-profit colleges that have made a tremendous amount of money off the federal loan system while preying on low-income people of color. **To create this kind of baseline, the federal government could:**

- Offer its own 101 courses;
- Award credits for passing subject tests it administers and degrees for amassing a certain number of specific credits;
- Require that federal credits be accepted at all public higher education institutions; or
- Make academic publications based on federally funded research publicly available online.

Regulated Utility

While the federal government provides some services directly, in other cases it simply steps in to strongly regulate private providers in an industry. States also regularly take this approach to ensure that basic necessities like electricity and water are widely available. Another possible policy approach to make higher education more accessible comes from this regulated utility model. Under the regulated utility model, the government ensures that necessary goods are available to the public by allowing private providers to continue to offer the good while imposing strict limitations on the way these providers can act, including limiting the prices the company can charge in order to ensure widespread availability.[98] For example, regulated energy companies are authorized by state utility commissions to offer services in specific areas. In exchange for this authorization, the commission oversees the rates the utility companies can charge customers, how the companies invest money, and where they operate.[99] The regulated utility model offers useful ideas for how the federal

[98] Sitaraman and Alstott. *The Public Option.*

[99] American Council for an Energy-Efficient Economy. nd. "Utility Regulation and Policy." https://aceee.org/topics/utility-regulation-and-policy.

government might control costs and guarantee quality among higher education institutions without putting an immense amount of new funding into the system.

Today, public utilities are generally thought of as appropriate for situations in which "natural monopolies" requiring large upfront investments occur. But Demos President Sabeel Rahman has argued that it's time to think more expansively about the concept. He points back to progressive-era thinkers who understood "public utilities as required where a good was of sufficient social value to be a necessity, and where the provision of this necessity was at risk of subversion or corruption if left to market forces."[100] With the majority of well-paying jobs in the US now requiring a postsecondary degree, it makes sense to understand higher education as "of significant social value."

Meanwhile, the growth of for-profit colleges and the rise of tuition across the board over the last 20 years have shown that market forces are corrupting and subverting the mission of higher education institutions. It's not just for-profit colleges that are affected by market forces. Public universities are increasingly entering into arrangements with private companies to offer expensive and profitable online degree programs.[101]

Furthermore, academic journals and database companies make huge profits from federally subsidized research conducted at universities. Currently, just five companies publish over half of academic science articles. These companies make enormous profits mostly through fees charged to academic libraries—the largest brought in returns that were twice that of Netflix in 2018—but the scientific knowledge from which they are profiting is largely produced using government funding.[102] Increasingly, there have been calls to break up this monopolized industry.[103]

The federal government does impose some regulations on universities now, but the regulations are typically based solely on the level and types of federal funding an institution receives. At the very least, the regulated utility model suggests that the government could play a stronger role in regulating different aspects of higher education institutions' offerings and investments regardless of its investment in a specific school. A stronger use of this model could make some higher education institutions responsible to a higher education commission that would function much like state utility commissions—setting tuition and seriously analyzing costs, revenues, corporate structures, and admissions practices.

[100] Rahman, K. Sabeel. 2018. "The New Utilities: Private Power, Social Infrastructure, and the Revival of the Public Utility Concept." Cardoza Law Review 39, no. 5: 115. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2986387.

[101] Carey, Kevin. 2019. "The Creeping Capitalist Takeover of Higher Education." *HuffPost*, April 1, 2019. https://www.huffpost.com/highline/article/capitalist-takeover-college/.

[102] Resnick, Brian, and Julia Belluz. 2019. "The War to Free Science." *Vox*, July 10, 2019. https://www.vox.com/the-highlight/2019/6/3/18271538/open-access-elsevier-california-sci-hub-academic-paywalls.

[103] Ibid.

Under this model, schools would have to seek approval for and justify hikes in tuition and significant infrastructure investments. The commission could also oversee and set standards for school admissions processes and hiring practices.

This model might be particularly appropriate for the for-profit higher education industry—both for-profit schools and journals and databases. For-profit colleges, where some of the worst and most predatory behavior under the current system has flourished, could be declared regulated utilities, as could for-profit journals, databases, and other pieces of the academic ecosystem. These for-profit institutions would have to be authorized to enter the market, have their rates set by a higher education commission, and have their corporate practices reviewed by the same commission.

A regulated utility model would not create universal free college in and of itself, but the model could be usefully combined with other federal investments in higher education to regulate costs and ensure access not just to postsecondary programs but also to other academic products. **Treating higher education more like a regulated utility could involve:**

- The federal government more strongly regulating higher education institutions regardless of the level of federal funding a specific institution receives;
- Creating a higher education commission to set tuition rates and approve investments, expenditures, admissions standards, and other administrative practices at for-profit higher education institutions and industries; or
- Regulating the rates and practices of industries that use federally funded research for profit.

III. CRAFTING A MODEL

None of the above models should be adopted wholesale. Instead, they offer potential components for a well-crafted free college policy. As laid out in the recent Roosevelt Institute paper "A Progressive Framework for Free College," there are four basic goals that any progressive free college policy should seek to achieve: creating universal access; remediating the racial and economic inequality embedded in our current system; building a stronger, more inclusive economy; and deploying public power effectively. This section examines the ideas in each program model that could speak to these goals, as well as other key considerations like quality and program cost.

Universal Access

Each of the models discussed above offers mechanisms that would go a long way toward creating more equitable access to higher education, but each achieves the goal of universal access to varying degrees. Some of the models—like Medicare, the K–12 model, and direct federal provisioning—create close to universal access by their very nature. A Medicare-like payment system or federal courses/course credits could be open to anyone who graduated from high school; the K–12 model includes an assumption that states would guarantee universal access to higher ed as they do for K–12. As models, state-based systems like Medicaid and Unemployment Insurance could create universal or means-tested access, but both programs' legacies of tighter restrictions at the state level than at the federal level are a caution against using federal-state partnerships to create universal access.

> ***One key question policymakers must answer is which institutions they are trying to create universal access to.***

Even among the models that attempt to create universal access, there is important variation. One key question policymakers must answer is which institutions they are trying to create universal access to. Current policy proposals from Sen. Sanders and Sen. Warren attempt to broaden access to public institutions. In a sense, these proposals flip the structure of Medicaid and propose to use a federal-state partnership to provide universal access at a limited number of relatively inexpensive public institutions instead of means-tested access to a range of providers. If policymakers want to give students more choice, Medicare offers a relatively successful model for creating universal access that includes private institutions while controlling costs. On the other end of the spectrum, proposals for direct provisioning through a set of federal online courses or, simply, federal examinations and credits could offer universal access to a single higher education source.

Remediating Inequality

Numerous studies have shown that the current higher education funding system exacerbates racial inequalities.[104] The student debt crisis has hit Black students especially hard. Black students generally have to take on more debt to finance their education and have a harder time paying that debt back. It is also important to note that, historically,

[104] Kahn et al. "Bridging Progressive Policy Debates: How Student Debt and the Racial Wealth Gap Reinforce Each Other."

higher education policies have exacerbated inequality even more directly. Every major federal investment in higher education prior to the 1970s—from the Morrill Acts to the GI Bill to the 1965 Higher Education Act—funded a formally segregated higher education system. Thus, free college plans should not only be written to ensure they do not exacerbate inequality but also to proactively address past wrongs.

Currently, many free college proposals include tacked-on provisions to provide money to minority-serving institutions. This is important not only as a means of rectifying past underfunding but also because, without such provisions, there is a concern that free college proposals will drive students to public state institutions and decimate already-struggling private HBCUs, minority-serving institutions, and other higher education institutions that service students from historically excluded populations.[105] These institutions play a critical role in educating some of the most vulnerable students; for example, HBCUs award 17 percent of all bachelor's degrees and fully a quarter of all degrees in STEM received by Black students.[106]

In considering the issue of minority-serving institutions, the K–12, Medicaid, and Medicare models have the most to offer. The K–12 model would focus an increase in federal funding on underfunded public institutions that serve low-income and minority students. Medicaid's disproportionate share payments offer a way that a special funding stream could be directed at minority-serving institutions, public or private. Any higher education legislation could include a disproportionate share payment system. This would make a good deal of sense since many of these institutions also have significantly lower endowments with which to subsidize student funding, even as they may need to fund additional services to support the populations they serve.[107]

The Medicare model offers another option. It would eliminate the problem of defunding HBCUs and other private minority-serving institutions altogether by providing payments to public and private institutions alike. In addition, the model provided by Medicare adjustments that increase or decrease payments to incentivize certain behavior could be used to encourage schools to take proactive steps to remediate inequality and increase diversity among their student bodies. That said, as discussed above, there are other aspects of the Medicare model—in particular the ability of some institutions to charge more than

[105] Darrick Hamilton et al. 2015. "Why Black Colleges and Universities Still Matter: The Continuing Case for America's Historically Black Colleges and Universities." *American Prospect*, November 9, 2015. https://prospect.org/article/why-black-colleges-and-universities-still-matter.

[106] Anderson, Monica. 2017. "A Look at Historically Black Colleges and Universities as Howard Turns 150." *Pew Research Center Fact Tank*, February 28, 2017. https://www.pewresearch.org/fact-tank/2017/02/28/a-look-at-historically-black-colleges-and-universities-as-howard-turns-150/; Williams, Krystal L., and BreAnna L. Davis. "Public and Private Investments and Divestments in Historically Black Colleges and Universities." UNCF and American Council on Education Issue Brief, January 2019, 2.

[107] Hamilton et al. "Why Black Colleges and Universities Still Matter."

the Medicare payment—that could easily allow inequalities to return.

Building a Stronger, More Inclusive Economy

Progressive policies are not just about improved social benefits: They are rooted in the notion that the economy is strongest when prosperity is broadly shared. Federal funding for higher education should be designed with higher education's role in the economy in mind. To that end, policymakers should embrace higher education's countercyclical nature and consider making higher education an entitlement program.

Free college legislation could also contemplate how to use funding sources to influence employer behavior as it relates to higher education. There need not be a dedicated source of funding for a free college program, but adopting the social insurance model with the kind of payroll tax used by Medicare would send an important signal about higher education's value to society. Alternatively, the UI model of an experience-rated employer payroll tax would send an important signal about the value of free college programs to employers while potentially curbing the trend of employer credentialization.

Deploying Public Power Effectively

Over the last half-century, policymakers have narrowed the policy tools available to them almost entirely to market-based solutions such as grants to spur private-sector innovation and subsidies to encourage private providers to meet public goals. These methods have allowed corporate power to grow as public power has weakened.[108] Simply by providing a public option, free college should curb corporate power in higher education—especially

> ***Simply by providing a public option, free college should curb corporate power in higher education.***

reducing the ability of for-profit colleges to attract students. But there are additional steps that the direct provisioning and regulated utility models suggest as well.

It is important to recognize that higher education institutions themselves are not the only profitable industries in the academic ecosystem. Textbook companies, academic journals, database software companies, not to mention student loan servicers, and others all make

[108] Abernathy et al. 2019. *New Rules for the 21st Century: Corporate Power, Public Power, and the Future of the American Economy*. New York: Roosevelt Institute. https://rooseveltinstitute.org/wp-content/uploads/2019/04/Roosevelt-Institute_2021-Report_Digital-copy.pdf.

large profits from higher education. If the federal government created public access to these educational resources, higher education would be more accessible, and these companies would have less influence.

A regulated utility approach could also address the trend toward financialization of colleges and universities documented in a recent Roosevelt paper, “The Financialization of Higher Education: What Swaps Cost Our Schools and Students.” The paper shows that colleges and universities have increasingly relied on debt-financing to fund expansions, but this debt has proved risky and imposed unnecessary costs on schools, which in turn have passed those costs on to students.[109] A regulated utility approach would give the government a much more active oversight role in school investment and expansion projects.

Quality

The current federal student loan system has allowed for a proliferation of low-quality, often predatory institutions. Any new system must pay attention not just to controlling cost but also ensuring quality. Under any of these models, the federal government could play a more active role in setting quality standards. But, a few of the models offer specific tools for doing so that any free college policy should consider adopting. At its most expansive, the regulated utility model calls for establishing higher education commissions to oversee not just prices and investments but also quality. This heavier hand in quality regulation could set a higher baseline for quality by refusing to authorize institutions that do not meet it. Another option for establishing a floor comes from the direct provisioning model. If the federal government began to directly offer some courses, those courses would set a floor for quality more costly institutions would have to surpass. Medicare’s adjustments system offers yet another model: using carrots instead of sticks to incentivize higher education institutions to meet certain quality standards—measured possibly through testing, job placement, or instructor qualifications—by increasing per-student funding for improved institutional performance.

The above examples of how to increase quality are all best-case scenarios. One could also easily argue that the floor set by directly provisioned online classes would not be good enough or that excessively rigid standards imposed under the regulated utility model would not allow for flexible and creative curriculums. Here, policymakers will have to evaluate whether the risks in each model outweigh its possible benefits and ability to solve other intractable problems in the higher education system.

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[109] Russel, Dominic et al. 2016. “The Financialization of Higher Education: What Swaps Cost Our Schools and Students.” New York: Roosevelt Institute. https://rooseveltinstitute.org/wp-content/uploads/2016/09/Financialization-of-Higher-Education.pdf.

Cost

Cost is an inevitable question in designing any program to broaden access to public goods. In 2017, federal spending on major higher education programs—not including student loans and tax expenditures—totaled $74.8 billion. State and local governments spent another $97.6 billion.[110] The programs explored above could either replace or sit alongside these existing investments.

One might argue that once the federal government creates a robust public option, it should stop funding programs like loans and grants that subsidize individuals who choose a different, more expensive choice (indeed, leaving such a system in place would be fairly similar to a voucher system in K–12 education). Instead, critics might argue, that money should go into the public option. On the other hand, if we expect some institutions to continue to charge fees (as we would under many of the models explored above), continuing the grant and loan system could provide more equitable access to a broader range of options.

It is hard to say which of these models would be most cost-effective, but it is safe to assume that the direct provisioning of online courses would be the lowest-cost option for reaching the most people. In contrast, the history of Medicare costs suggests that there are real risks that private providers with access to federal funds will inflate costs. When weighing costs, the question policymakers will have to answer is how to balance choice and accessibility against expense and quality.

It is also important to recognize that some of the models, like Medicare or direct federal provisioning, would involve a substantial shift of cost away from states and private institutions and onto the federal government. Furthermore, any model that funds both public state and private institutions may lead states to try and cut their costs by reducing public slots and pushing students to private schools. A free college policy should consider the relationship between federal and state taxes alongside shifts in responsibility from state to federal government. Regulations might also address some of these cost-shifting concerns: States should be required to maintain a minimum of the number of public higher education seats that exist when legislation is passed, and, as noted in the Medicare section, private institutions receiving federal funds under a new free college program should be required to maintain current levels of private financial aid.

In addition to the cost of the actual program, policymakers must also consider what mechanisms are built into a program to contain rising costs. This is especially true for

[110] A Pew Charitable Trusts. 2019. "Two Decades of Change in Federal and State Higher Education Funding: Recent Trends Across Levels of Government." https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/10/two-decades-of-change-in-federal-and-state-higher-education-funding.

programs that make new federal funds available for extraction. Because Medicare has had to address this problem, it offers one model for controlling costs: rate-setting by a panel of experts. The regulated utility model offers a similar benefit in this regard if paired with an infusion of cash to the higher education system. The creation of a federal credit system offers another model: It could bring down costs by providing a free public option with which private institutions would have to compete.

And More

Beyond these goals, free college plans can attempt to correct other systemic problems on university campuses. The tuition-free and debt-free college plans that have been put forward thus far all include components addressing a range of issues. For example, the College for All Act tries to address the casualization of higher education faculty by requiring schools receiving funds to limit the number of courses taught by non-tenure-track faculty. For another example, Sen. Schatz's Debt-Free College Act requires participating states to devote some of the funds to increasing funding for college completion programs.

These extra goals can be tacked onto legislation based on any of the models discussed above, but the regulated utility and Medicare models are particularly well-suited for free college legislation that seeks to restructure higher education institutions more broadly. The use of "adjustments" to incentivize behavior in Medicare could be adapted to help advance any number of goals. For example, the reimbursement rate for schools could increase if the number of courses taught by full-time faculty is above a certain percentage. The regulated utility model would do the inverse and simply include these goals in the regulations imposed on colleges and universities.

CONCLUSION

The intent of this paper is not to suggest that one of these options is the correct choice. Each of the above models is better suited for part-mining than wholesale adoption. At the point when actual decisions are being made about adopting any of these practices and policies, there are far more lessons to be learned about the unintended consequences and faulty implementation that have occurred during their application in other policy areas. The intent of this paper is to broaden our thinking so that we can include in ongoing discussions the elements in each model that offer elegant solutions to many of the problems currently being debated by free college advocates. **For example:**

- Medicaid's disproportionate share payments are a ready-made model for addressing concerns about unequal funding among institutions and the threat free college policies could pose to private, minority-serving institutions.

- Medicare's payment adjustment model holds promise for free college programs that would like to encourage schools to restructure their employment practices. Schools that do not engage in a race to the bottom away from full-time faculty could receive higher per-student payments.
- The Unemployment Insurance program's experience rating system for taxing employers offers a strategy for raising funds while disincentivizing credentialization.
- At both the state and federal levels, K–12 funding models offer examples of how to design an equity-first intervention in education funding.
- The direct provisioning model could address the exorbitant cost of academic resources, like textbooks and journals, and thus bring down the cost of one very expensive component of higher education.
- The regulated utility model could keep tuition costs in line with what providing an education requires and prevent tuition from inflating in response to new federal funding.

These are just some of the design elements existing public option programs have to offer policymakers rethinking our higher education system. As policymakers consider these and other choices, it is critical that they recognize that in today's job market, higher education is an essential, not a luxury good. The federal government can play a vital role in ensuring that a quality higher education is broadly accessible. To define the exact nature of that role, policymakers must be clear about their goals for the higher education system.

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