F2CO

Redefining College Affordability:
Securing America's Future with a Free Two Year College Option

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Executive Summary

For almost fifty years, the federal government has tried to make the American Dream universally accessible by using need-based financial aid to lower the price of attending college. The effectiveness of this approach to expanding opportunity and investing in America's future has diminished because of declines in real family income, increases in demand for college enrollment, poor regulation of state funding and institutional costs, insufficient funding for and targeting of grant aid, and a political movement that places the needs of private businesses and banks over those of students and families. The results have undermined the national ideal of equal opportunity to succeed and equal rewards for hard work. Talented students are forgoing college because of the costs, students who start college are unable to complete because they cannot afford to continue, and even students who finish degrees may not realize all of the expected returns because of sizable debt burdens. All but the wealthiest families must borrow or pay an amount equal to or exceeding one-quarter of their annual income in order to finance attending a public 4-year college or university.

Fortunately, financial aid is not the only way to make college affordable. We argue that it is time for the federal government to partner with states, public colleges and universities, and localities and businesses to offer two years of college for free. This paper outlines a Free Two Year College Option (F2CO) that can be funded with existing resources, developed to overcome the problems in previous efforts to make college more affordable, and designed to ensure that wider access occurs without reductions in educational quality.

The effort begins with a simple message to every American interested in pursuing education after high school: If you complete a high school degree, you can obtain a 13th and 14th year of education for free in exchange for a modest amount of work while attending school. Key aspects of the F2CO plan include:

- All eligible students can attend any public college or university (2-year or 4-year) for free for the first two years
- Through a redirection of current federal financial aid funding, the federal government pays tuition for all students, and provides additional performance-based top-up funding for institutions that serve low-income students. We estimate that per-student funding will be higher than the average tuition currently charged by community colleges, and only slightly lower than the average tuition charged by four-year colleges
- Participating institutions cannot charge tuition or additional fees to students
- State funding for higher education will be redirected to cover books and supplies for all students
- Student living expenses will be covered through a state and local stipend equal to fifteen hours a week of living wage employment in the area, federal work-study in an amount equal to fifteen hours a week of living wage employment in the area, and access to federal loans equaling up to five hours a week of living wage employment in the area

We believe that such a policy is long overdue, and will significantly expand the quality, efficiency, and effectiveness of our collective investments in postsecondary education and in a shared and secure future.

Introduction

Speaking of the importance of attending college, Michelle Obama recently reminded high school students of the central promise of the American Dream when she declared, “You can become whatever you dream of becoming” (Get Schooled, 2013). She echoed the hopes of many parents who know that their children are much more likely to live stable and healthy lives if they have at least some education beyond high school. Going to college is important to all families, as it increases the odds of upward mobility for children born into low- and moderate-income families, and protects against falling downward mobility for middle- and upper-income families (Pew Charitable Trusts, 2012). But it is getting harder and harder for all but the wealthiest Americans to afford college, even in the public sector where the majority seek to enroll.

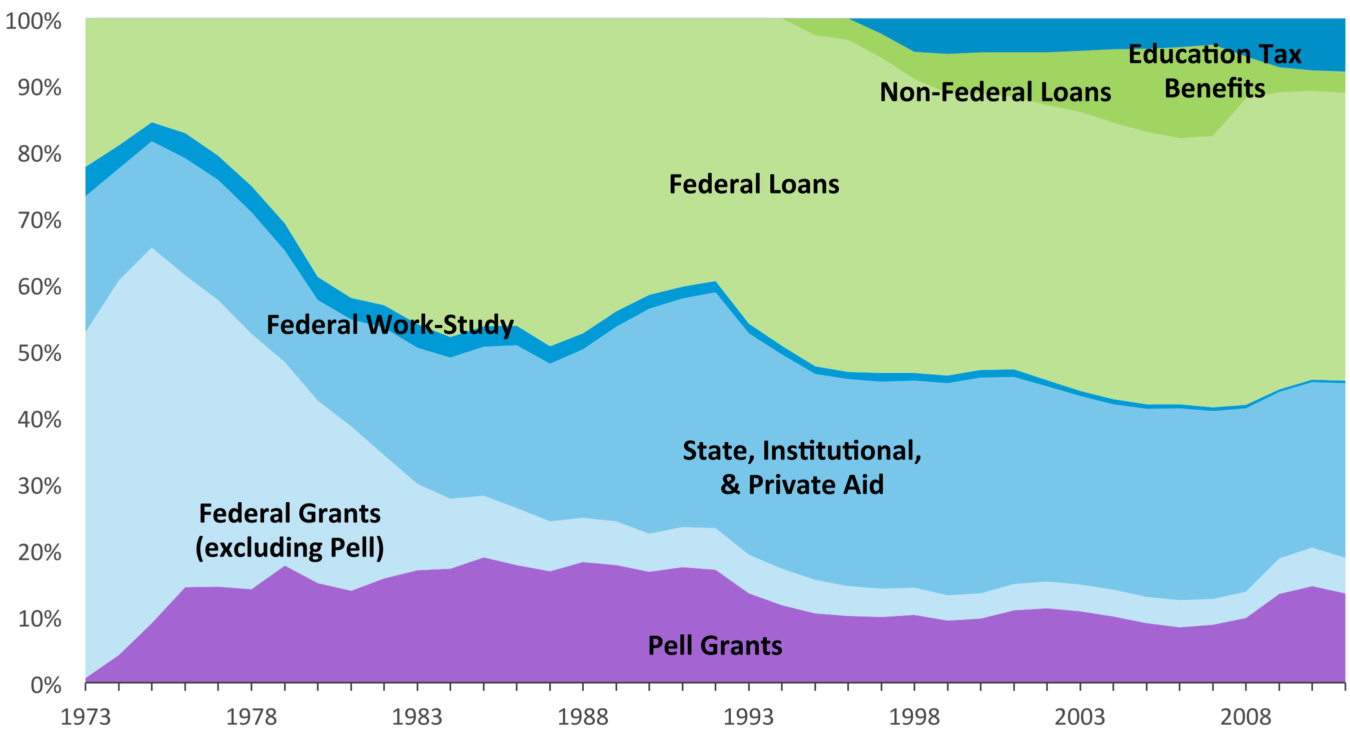
Policymakers, community and business leaders, and citizens recognize the increasing importance of college in personal and national success, and because of this, nearly every child aspires to attend college. But instead of supporting and harnessing this potential, government financial aid policy undermines our national and individual best interests through its deep inefficiencies and inequities. The current approach to achieving affordability through financial aid shackles talented students to unsustainable debt and holds no one accountable for the increasingly few opportunities that low-, moderate-, and middle-income students have to achieve in and complete college. In this paper we propose to replace the current narrow system with a universal approach to financing college that will generate greater returns: a Free Two Year College Option (F2CO).

Financial Aid as Affordability

Acknowledging the central role of higher education in assuring the American Dream, almost fifty years ago the federal government crystallized a set of policy goals that aimed to advance people's ability to pursue a college education irrespective of family income. The Higher Education Act of 1965 created a framework for targeted student financial assistance to help some students offset the price of college. Several years later, Senator Claiborne Pell and his colleagues took additional action by creating the Pell Grant, distributed according to families' financial means, in order to enable students to obtain discounts at the institution where they choose to attend college (Goldrick-Rab, Schudde, & Stampen, in press).

Since that time, government, philanthropic, and educational institutions have urged students from low- and middle-income families to obtain college degrees by using financial aid to make college affordable. The federal government provides 71 percent of the approximately $131 billion (in 2012-2013) of total annual college financial aid and establishes the tone and guidelines for the entire system (College Board, 2013). Financial aid provides a range of mechanisms for discounting the "sticker price" set by colleges, including grants (distributed

Figure 1. Student aid and loans used to finance postsecondary education expenses (percentage of total, 1973-2012)



Source: The College Board. 2013. "Trends in Student Aid 2013" source data, Table 1: Total Student Aid and Nonfederal Loans Used to Finance Postsecondary Education Expenses in 2012 Dollars (in Millions), 1963-64 to 2012-13.

based on financial need and/or academic merit), loans (subsidized and unsubsidized, available to students and parents), work-study, and tax credits. Initially, much of this aid was targeted to the neediest students, but broader demand and a limited willingness to fund need-based grants has led over time to a much greater reliance on the use of tax credits and student loans, which are available irrespective of income. As Figure 1 on the previous page demonstrates, student loans now dominate the financial aid provided to students.

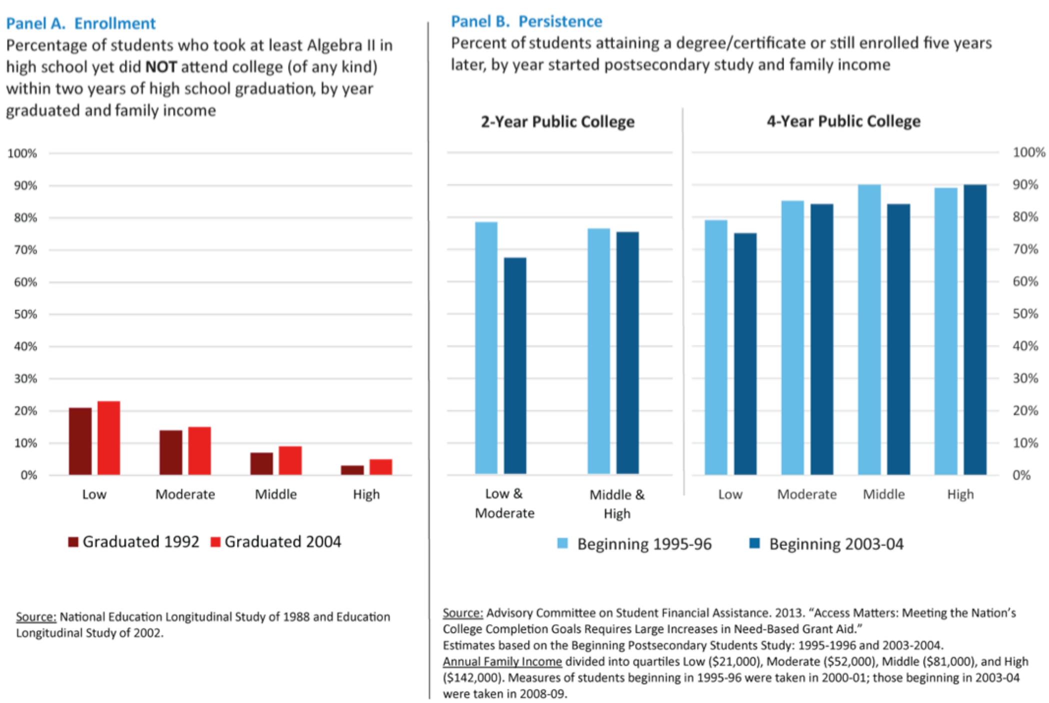
The federal government's loan program is universal, with unsubsidized, non-dischargeable loans available to all students. The government and many institutions of higher education promote loans as a good way to finance college in the short-term, since returns in wage gains over a lifetime are expected to be positive. This reflects a belief that higher education yields mainly private returns, these returns are predictable, and therefore that individuals should feel comfortable taking on debt to invest in their own development. Approximately ten million students took out federal loans for college in 2012-13, up from about six million students in 2002-2003.

The federal aid system represents a national response to the issue of college affordability. It is part of a political landscape cluttered with an array of higher education policies established at earlier times, which themselves have generated effects causing deviations from their intended purposes (Mettler, 2014). Thus, a nationally representative survey recently found that 75 percent of respondents disagreed with the statement that "college costs in general are such that most people are able to afford to pay for a college education" (Pew Research Center, 2011). Policymakers often assume that these concerns arise from a misunderstanding on the part of families of the difference between the sticker price of college (which is the stated cost of attendance) and the net price of attendance (which is what the family is left to pay after all grants and scholarships are accounted for). Policy responses to familial concerns about affordability therefore often focus on disseminating information about the importance of completing the financial aid application and focusing on net prices (for example, through net price calculators), completing college in a shorter period of time, and enrolling in income-based repayment. Yet many well-informed students and families who understand what college actually costs continue to assert that it is unaffordable, and the sticker price continues to affect enrollment decisions (Monks, 2013).

How the Current System Fails to Support the American Dream

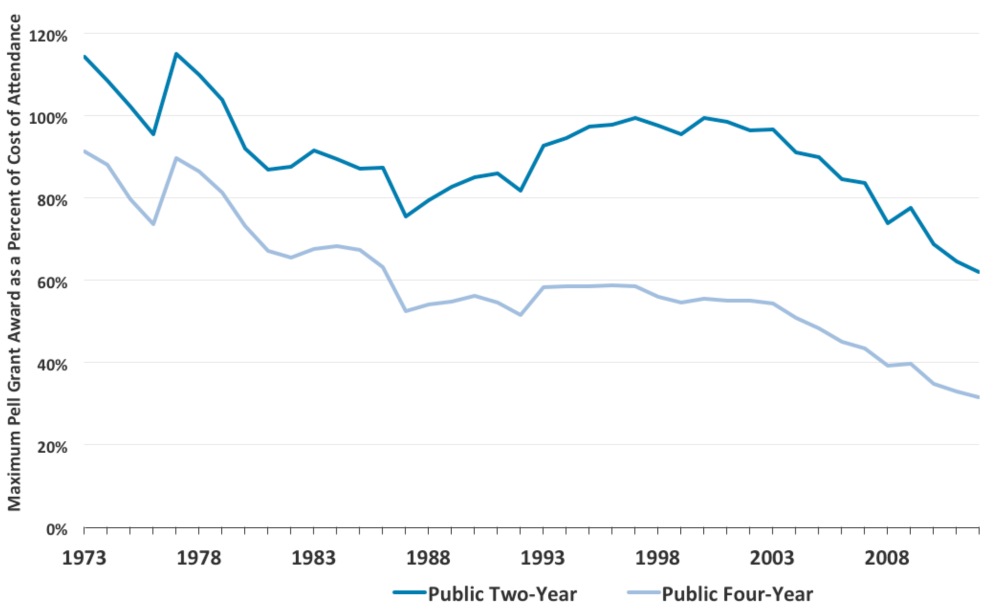
Financial aid was supposed to reduce the influence of existing family financial resources on college attainment, but those resources are now a stronger determinant than ever of children's college prospects. Students from high-income families who enter college are now six times more likely than those from low-income families to complete bachelor's degrees by age 25 (Bailey & Dynarski, 2011). Among individuals born between 1961 and 1964, the income gap in college attendance was 39 percentage points, with 19 percent of children from low-income families entering postsecondary education compared to 58 percent of children from families in the top income quartile. Among those born between 1979 and 1982, 80 percent of children born to wealthy families attended college, and the income gap widened to 51 percentage points. Differences in college completion rates have tracked relatively steadily onto income and attendance gaps. During that time, completion rate gaps also grew from 31 percentage points to 45 percentage points.[1]

Figure 2. Changes in rates of college enrollment and persistence among students completing Algebra II, by family income



This situation undermines Americans' belief in the promise of hard work and a fair chance to get ahead. And the problem is expanding. Nationally-representative survey data indicate that high school graduates who prepared for college by taking rigorous math coursework are 12 to 16 times more likely to forgo college if they report being very concerned about rising college prices (U.S. Department of Education, 2013). While low-income students' college enrollment and completion rates have been hit the hardest, rates of both college enrollment and college persistence are declining among large numbers of academically-prepared students (U.S. Department of Education Advisory Committee on Student Financial Assistance, 2013). As Figure 2 shows, between 1992 and 2004, the fraction of students who took at least Algebra II in high school but did not attend college grew across all income groups. Even more troubling, the fraction of entering college students who persisted in college and completed degrees also waned for all but the wealthiest students. For example, for students beginning at public 4-year institutions, rates of success for middle-, moderate-, and low-income students dropped by six, one, and four percentage points respectively. Only high-income students saw their persistence rates improve. Given the correlation between income inequalities and college attendance and completion gaps, and the exponential rise in income inequality over the last two decades, these negative college trends are likely to affect an increasing percentage of families in the coming years.

Figure 3. Declines in purchasing power of Pell, 1973-2013



Source: *Costs:* U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS). 2013. "Institutional Characteristics of Colleges and Universities," Table 330.10. Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: 1969-70 through 2012-13. *Pell Grant Info:* "Trends in Student Aid 2013," Table 8: Federal Pell Grant Awards in Current and 2012 Dollars, 1973-74 to 2012-13.

The take-away from these data are evident: the current financial aid system is ineffective because it is failing to provide equal opportunities to all qualified Americans to succeed in college, and is therefore serving less and less of a meritocratic function. As a result, an increasing number of Americans cannot reach their full potential. This is a loss for them, for the country, and for the world.

Family Income and College Costs

As many Americans have come to learn, financial aid does not necessarily lower the cost of attending college to the point that families can successfully manage those costs. While spending on financial aid has increased for decades, the sticker prices of colleges and universities — including those in the public sector — have almost always increased faster. As a result, the "purchasing power" of critical programs like the Pell Grant has declined. Forty years ago, a needy student could use the Pell Grant to cover more than 75 percent of the costs of attending a public four-year college or university. Today, as Figure 3 shows, it covers barely 30 percent. The situation is not much better at community colleges, where the Pell Grant offsets only about 60 percent of the cost of attending school, whereas decades earlier it covered those costs entirely.

At the same time that the purchasing power of financial aid has declined (and therefore the net price of college attendance has grown), real family income has eroded for most Americans. The result, depicted in Table 1, is that a college education is

Table 1. Affordability of annual college enrollment by family income and institution type

Panel A. Dependent students, full-time/full-year

Family Income[*]	Public 2-Year		Public 4-Year	
	Net Price/Year	% of Income	Net Price/Year	% of Income
Low ($21,000)	$8,300	40%	$12,300	59%
Moderate ($52,000)	$11,300	22%	$16,200	31%
Middle ($81,000)	$13,300	16%	$20,400	25%
High ($142,000)	$14,000	10%	$22,800	16%

Panel B. Independent students, full-time/full-year

Family Income	Public 2-Year		Public 4-Year	
	Net Price/Year	% of Income	Net Price/Year	% of Income
Low ($2,039)	$11,400	559%	$15,300	750%
Moderate ($13,586)	$12,100	89%	$16,100	119%
Middle ($29,311)	$12,400	42%	$18,300	62%
High ($73,120)	$14,100	19%	$20,100	27%

[*] Source: National Postsecondary Student Aid Study, 2012
Net price is the amount students must cover of annual cost of attendance at an institution after taking into account all grant aid. Dependent students are undergraduates under age 24 who are not married, have no dependents, are not veterans or on active military duty, are not orphans or wards of the court, were not homeless or at risk of becoming homeless, and were not determined to be independent by a financial aid officer using professional judgment. Other undergraduates are considered to be independent. Family income of dependent students includes parental income, and for independent students does not. Income presented is the median for each quartile reported in the study.

increasingly out of financial reach not only for low-income families, but also for moderate- and middle-income families. Outside of the top 25 percent of the income distribution, students all over the country now have to borrow or spend the equivalent of at least 15 percent of their family's income for each year of postsecondary education, after taking all grants into account. For those seeking to spend those years at a 4-year institution, borrowing or spending the equivalent of at least 25 percent of annual income is required. Students from low-income families, the primary target of FAFSA campaigns and school outreach efforts, must now borrow or spend between 40 and 59 percent of their families' annual income to attend one year of college. Low-income older students, those with children, and those who are otherwise independent for tax purposes would seem to be priced out of the system entirely by the requirement that they borrow or spend 559 to 750 percent of their annual salary to attend a year of college.

The current financial aid system was developed at a time when it was reasonable to argue for redistributing wealth from the majority of American families to a minority of families who could not afford to attend college, in order to assure that all qualified students could attend college. Targeted aid therefore seemed most progressive. But over the last 20 years in particular, this has become increasingly untenable because most families can no longer manage to pay for college (even in the public sector) without government support. The allocation of families into sectors and types of schools has also shifted, with students from wealthy families increasingly overrepresented in the private sector and students from middle-class and working-class backgrounds increasingly concentrated in the public sector (College Board, 2008).[2] Transforming the public sector is unlikely to change that situation, since it is supported by strong social-class based norms and preferences. As we will argue throughout this paper, in these circumstances, universal programs focused on the public sector become more effective, efficient, equitable, and politically viable than targeted programs spreading scarce resources across both the private and public sectors.

Of course, not everyone agrees that these high net prices of college attendance render it unaffordable. In particular, some people contend that living costs should be set aside, arguing that they are not actually part of the marginal costs of college attendance, since students would have these costs even if not enrolled in school.[3] Currently, living expenses are part of the federal definition of cost of attendance, and financial aid officers focus on providing a "modest but adequate" standard of living for students (National Association of Student Financial Aid Officers, 2013). Excluding these costs would make college, and especially community college, appear much more affordable. Many who take this stance urge policymakers to pursue policy changes such as dis-allowing support for living costs for independent students, focusing more attention on aligning the academic "match" between students and colleges, or simply promoting broader completion of the FAFSA (College Board Advocacy & Policy Center, 2012; Executive Office of the President, 2014).

But this change would be for appearances only, as the costs themselves would remain for students to cover. Moreover, this approach would stand in stark contrast to the approach taken by the very successful G.I. Bill that, in addition to a waiver of tuition and fees, provided veterans attending college with monthly subsistence payments that varied according to family size. In fact, when veterans reported that the payments were inadequate, the government responded by increasing them (Mettler, 2005).

The question of how to think about living costs when assessing college affordability rests on what we know about the current strategies available for making ends meet while attending college. These data indicate that we should not assume that people's living expenses are the same, or can be similarly covered, for students as for non-students. For example, students most often have to work part-time, not full-time, to successfully balance school and living cost obligations. However, part-time employment typically pays less well per hour than does full-time employment (Hirsch, 2005). Part-time work schedules have become less flexible over the past decade, and part-time work does not come with benefits. Moreover, the kinds of part-time jobs that have sustained students in previous generations no longer pay what they used to: for example, waiting tables used to bring the promise of sizable un-taxed cash tips but today, thanks to the use of credit cards, electronic systems, and changes to IRS rules regarding automatic gratuities, tips have declined and taxes have increased. The tipped minimum wage has fallen in value by almost 60 percent since the 1970s (Allegretto & Filion, 2012).

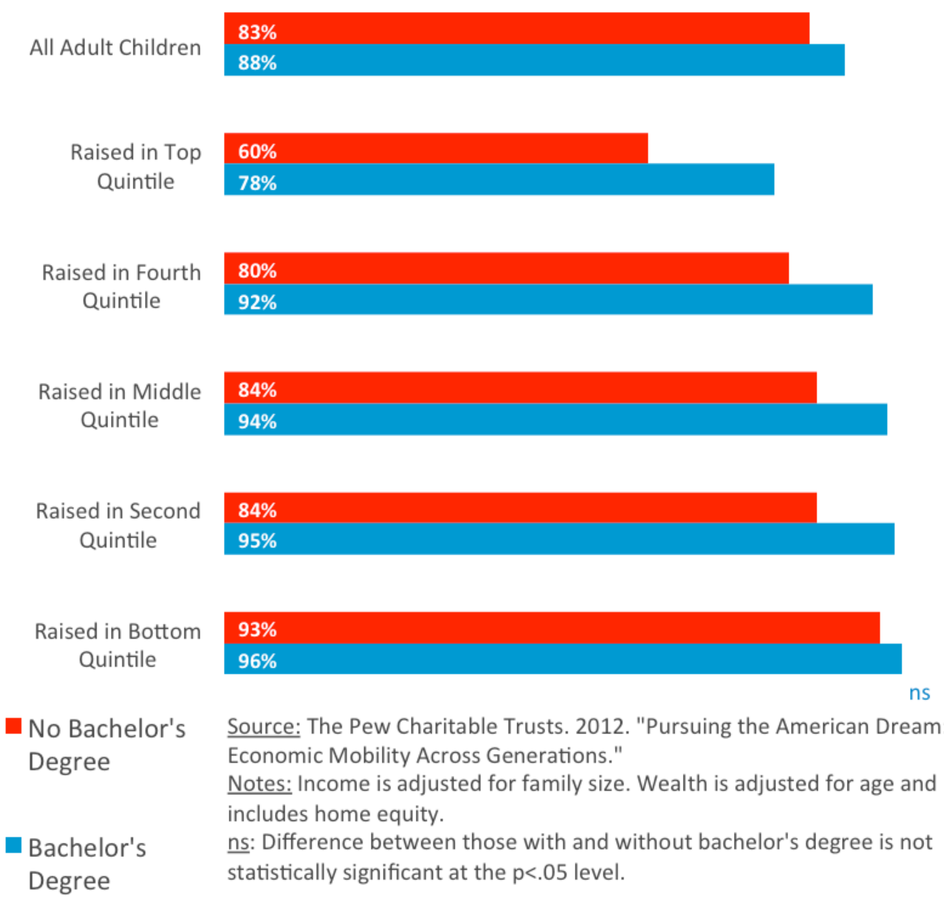
Furthermore, consider the situation facing single parents, who now constitute 13 percent of all undergraduates and one-third of all low-income undergraduates (Goldrick-Rab & Sorenson, 2010; Miller, Gault, & Thorman, 2011). If a single mother is working at a low-wage job, she may qualify for assistance from Temporary Aid to Needy Families, the Supplemental Nutrition Assistance Program, and/or Section 8 housing. If instead she is pursuing a college degree and thus cannot keep up those work hours, she is often rendered ineligible for that assistance, increasing the living costs that she must cover on a monthly basis, while decreasing the sources from which she might obtain support (Shaw, Goldrick-Rab, Mazzeo, & Jacobs, 2009; Lower-Basch, 2007; Broton & Goldrick-Rab, 2013; Grovum, 2014). If juggling work and college, she must also obtain childcare at non-traditional hours, and incur additional transportation costs. The ways that she can obtain living expenses for her and her children are narrowed by going to school, which may in time render college unaffordable. Clearly there are marginal living expenses costs arising from attending college that are not observed in administrative data sets or systematically collected in surveys. Since they are not observed, they are often simply assumed to be zero, helping to make college appear more affordable than it actually is.[4]

Gambling on the Future

In order to cover living expenses and focus on school, an increasing number of undergraduates turn to loans. As described previously, most policymakers and researchers argue that because college is the most promising pathway to socio-economic mobility in the United States,[5] it is reasonable to expect families to borrow loans for college. They argue that children almost always out-earn their parents, and they are especially likely to do so if they attend college (Pew Charitable Trusts, 2012). The risk of default is therefore minimal, and low- and moderate-income students and their families should feel comfortable that the long-term earning gains of a college degree are worth the short-term sacrifice of working more hours and borrowing larger loans.

But default rates are no longer low; they have been rising for six years. The national two-year default rate is ten percent, and the three-year default rate is 14.7 percent (U.S. Department of Education, 2013). The estimated lifetime default rate is even higher, at 17.6 percent on average. Rates are far higher for students attending for-profit institutions and public institutions. For example, 31 percent of students entering public 2-year institutions in 2010 are expected to default on their loans, as are 48 percent of students beginning at 2-year for-profit institutions (Federal Education Budget Project, 2013). Low-income and racial/ethnic minority students are especially likely to default on their loans (Hillman, 2014).

Figure 4. Percent of children with family income above their parents', by college education and parents' income quintile



Source: The Pew Charitable Trusts. 2012. "Pursuing the American Dream: Economic Mobility Across Generations."
Notes: Income is adjusted for family size. Wealth is adjusted for age and includes home equity.
ns: Difference between those with and without bachelor's degree is not statistically significant at the p<.05 level.

Further challenging the assumption that lifetime earnings gains justify a reliance on student loans, while it is certainly true that college enhances mobility overall, the gains are largest for those at the top of the income distribution, who incur the least risk (and debt) in college attendance, and smallest for those at the bottom of the distribution (see Figure 4 on the previous page). Since nearly all children born into poor families can expect to out-earn their parents, college does not improve the chances of that absolute mobility, and 38 percent will remain in the bottom 40 percent of the income distribution even if they earn a college degree (and that is an important "if" given college completion rates) (Haskins, Holzer, & Lerman, 2009; DeParle, 2012). This is not a reason to forgo college, since it brings benefits to individuals and society far beyond economic gains, but it is a reason to question a financial aid system that asks poor students to borrow large sums of money.

Moreover, the estimates of the average lifetime benefits students receive from investing in college may conceal as much as they reveal. These projections reflect the earnings patterns by age and other characteristics in the available data at a point in time. It is possible to forecast future growth patterns based on past patterns using longitudinal data, but this is rarely done. Lifetime earnings differ by degree and institution (differences that are sometimes included in lifetime earning calculators), and also by race, gender, and geographic region, as well as many characteristics and vagaries that are harder to measure (Chetty et al., 2014; Julian & Kominski, 2011). People's identities, personalities, networks, and resources play key roles in determining their employment experiences. So too do more distal factors, such as familial responsibilities, local and trans-local labor markets, and regional and national politics and economies. Forces that individuals cannot predict or control, from natural disasters to whether they enter the labor market during a national downturn or upturn may also have a significant impact on mid- to long-term earnings (Oreopoulos, Von Wachter, & Heisz, 2006; Kahn, 2010). In other words, from the individual's or family's perspective, it always poses some risk to borrow loans against a desired future. This risk is greater for people whose prospects are systematically more limited or marginalized in existing employment markets, but these are also exactly the people whose unmet need for college attendance is likely to be greatest (Gault & Reichlin, 2014).

An increasing percentage of Americans are responding rationally (and, many would argue, responsibly) to these realities and deciding not to borrow risky amounts of loans, and yet large investments are being made in interventions designed to change their minds, largely by providing information that researchers believe will convince people of the long-term benefits of a college degree (Executive Office of the President, 2014). For example, researchers attempted to increase enrollment rates by providing information about the availability of need-based aid to low- and moderate-income individuals at H&R Block. This effort failed to increase rates of FAFSA application or college enrollment. Coupling that information with concrete, in-person assistance in completing the FAFSA generated improvements, including impacts on college enrollment, yet rates of enrollment remained low overall. Moreover, the intervention's impacts were much more substantial for dependent students than for independent students, for whom knowing the net price of college attendance only increased enrollment rates by two percent (What Works Clearinghouse, 2013). The inability of these interventions to generate sizable improvements in college attendance, despite increases in knowledge about financial aid, may reflect the fact that college costs remain prohibitive for many students even after grants and scholarships are taken into account.

In sum, significant fractions of all but the wealthiest students and families in America are rejecting the logic of the current financing system by voting with their feet. As noted earlier, college attendance and completion rates of academically prepared high school graduates are declining. Despite the longstanding distribution of financial aid, almost half

(48%) of college-bound high school seniors say they rule out colleges on the basis of sticker price alone, including 62 percent of moderate-income families (College Board and Art & Science Group, 2012). In a survey of people ages 18 to 34, 38 percent said that they had delayed or put off continuing college or other postsecondary training because of the economy and its impact on them (Young Invincibles & Demos, 2011). They are urged to these decisions by the terms of today's loans, which are disadvantageous for students (loans are largely or entirely unsubsidized, cannot be discharged in bankruptcy, are sometimes offered at higher-than-market rates, and even in the best case scenario under income-based repayment plans must be paid off by high percentages of take-home income every month); the ways that the system discourages financial responsibility (by, for example, penalizing students for working); and the extent to which post-college opportunities (required to pay back loans) feel insecure, unequal, and outside of students' personal control.

Students' Experiences of Affordability

While Americans pride themselves on the quality of our postsecondary educational system, a decreasing proportion of students are gaining the skills and knowledge that colleges have to offer. Low wages and the declining value of financial aid mean that an increasing number of students' college experiences are shaped by a tightrope walk between borrowing and earning enough to pay to attend school, and having enough time and energy to study and do well in school. While in prior generations it was possible to either borrow or work, today many students wrestle with the need to both borrow and work, and still may fall short of needed resources (Kirshstein, 2012). Students from families earning $25,000 to $50,000 a year need to borrow $7,500 a year in federal loans (the maximum available) and earn at least $4,500 to $11,000 a year by working (or borrowing additional PLUS loans if their parent qualifies), in order to enroll each year at a public university (U.S. Department of Education Advisory Committee on Student Financial Assistance, 2013). Yet engagement in college and the likelihood of degree completion decline with substantial work hours, especially among full-time students, pushing students towards additional borrowing in lieu of work (Darolia, 2014). If they refuse to do so and instead work long hours, their grades can suffer. Due to satisfactory academic progress standards for financial aid, this can in turn compromise their ability to continue to access any kind of federal student aid (including loans), creating a downward spiral of college affordability.

Making matters worse, the system penalizes students for working while receiving aid. While unaided students can keep all of their work earnings, aided students run the risk of working their way out of financial aid eligibility even when they have unmet financial need and their earnings amount to less than the grant aid they stand to lose (Goldrick-Rab & Sorensen, 2010). The current system thus provides strong incentives for all students to borrow loans, and stronger incentives for academically weaker students to borrow more, despite their lower odds of degree completion and their higher risk of non-repayment.

The result of the constellation of assumptions and corresponding constraints placed on today's students creates a trajectory of college enrollment fraught with uncertainty, stress, and even fear. As part of the Wisconsin Scholars Longitudinal Study, which Goldrick-Rab has directed since 2008, researchers observed 3,000 Pell Grant recipients as they enrolled in a wide range of public 2-year and 4-year colleges and universities and pursued degrees.[6] From the start, these students were focused and ambitious — nearly all aspired to earn at least a bachelor's degree and no one expected to drop out of college un-credentialed. With all available grant aid in hand, these students — from families earning an average of $29,000 a year — faced annual unmet need of more than $8,300 per year.[7] Only 14 percent of these students — among the neediest undergraduates in the state — declined loans, even though almost half expressed a desire to avoid debt (Goldrick-Rab & Kelchen, 2013). Over the next four years, most saw their support from grant aid decline (partly because the state failed to maintain its investment and partly because institutions offer "incentive" grants to incoming students that only cover the first year of college), witnessed college sticker prices rise, and even after working on and off-campus, still had to accept loans.

The continuous difficulties associated with making ends meet during college made college stressful, competed with the time and energy required to get good grades, caused many students to forgo books and supplies needed for school, and even led students to postpone critical basic needs such as medical and dental care. Ultimately, among the 1,500 Pell Grant recipients who entered the 13 public universities in the study starting in 2008, just 18 percent earned bachelor's degrees by 2012. Those provided with an additional $3,500 in grant aid fared somewhat better, but even with that support fewer than 25 percent of students completed a degree in four years (Goldrick-Rab, Kelchen, Harris, & Benson, 2014).

Repeated, in-depth interviews conducted with these students over five years revealed the central role that college costs played as an overarching problem for these motivated students.

For example, one young woman attending a 2-year college completed her FAFSA, obtained a Pell Grant and another need-based grant based on her zero expected family contribution, and still faced unmet need of $7,000. She borrowed $3,500 in subsidized loans, and took two minimum-wage service jobs at 20 hours a week to cover the rest. She even moved in with a man she was dating to save additional money, and lived far on the outskirts of town to save further. By the middle of the term, her grades were suffering, as her unstable work schedule caused her to miss classes, work late at night, and devote too little time to studying. At the end of the term, her C- grade point average caused her to be placed on academic probation, putting all of her financial aid in jeopardy. Faced with the prospect of having to finance college without aid, she left school without a degree, and within a few short months had to begin repaying her loans even though she could not find employment. Years later, she is a member of the U.S. military who describes herself as a "button pusher," aspiring to advance in her career but unable to do so without a college degree.

Another student pursuing a bachelor's degree at a moderately selective university began her first year with three-quarters of her costs of attendance covered by grant aid, including the Pell, and the rest made up by loans. She got off to a good start, earning As and Bs, and enjoyed her first year. But when she returned in the fall, she discovered that her aid from grants had declined, since a specific grant given by her college just for entering students had been removed. Faced with the decision to take on unsubsidized loans or work, she decided to take a job. Unfortunately, her work schedule was inconsistent, often failing to provide enough hours to meet her needs, and so she decided to accept a loan as well, determined to remain enrolled. Though her grades were a bit lower than her first year, she continued on a strong academic path, and at the end of her sophomore year, she once again completed her FAFSA. This time, she was in for a surprise. While the year had seen much happiness for her family, as her father had obtained a job after a long period of unemployment, this new source of income rendered her ineligible for the Pell Grant (and another grant that required Pell receipt). As a result, for her junior year of college she faced costs of attendance that were nearly $5,000 higher than those for her sophomore year. She had no idea how to cover them. Her family desperately needed her father's income, as they had put off needed medical expenses and car repairs, and relied for years on credit cards to cover their bills. Even with the maximum federal loans in hand, she was short the funds needed and decided to withdraw from school. She moved back home, began working, and has not yet obtained a college degree.

In the current financial aid system, the risks and benefits of borrowing to finance college are unevenly distributed. The risks of failure are highest for those who begin college with the fewest financial resources, and yet failure is most costly for these students. Not only are some students left in debt and without degrees, but their parents may be obligated as well. While these outcomes might be problematic for wealthier students, they can be catastrophic for students whose families and communities cannot offer a safety net to tide over emergencies, setbacks, and unexpected events. In the current system, relatively advantaged families are able to provide a financial safety net unavailable to students from lower-income families, even though the latter group is more likely to need such a resource given their greater levels of debt (Gross, Cekic, Hossler, & Hillman, 2009). And there have not been so many families without a safety net in decades: the 2010 Survey of Consumer Finance found the highest percentage of US households with no or negative wealth (32.5%) and lowest percentage of households with sufficient emergency funds (32.4%) since 1989 — the first year with consistent data (Weller, 2012).

In this context, when student debt goes bad, families and communities view the results as a powerful signal about the possibilities and the promises of education in this country. It is not surprising that the palpable sense of risk involved in borrowing has generated a backlash against government and schools that frame student loans as “aid.” Some vocal current and former students describe loans as “financial band-aids over a bullet hole” (Cady, 2014a; Cady, 2014b) and say that calling them financial aid is “deceptive” (Daoud, 2014) and part of those “lies we tell ourselves” (Bush, 2014). As more students and families experience the failure of the financial aid system to support their college aspirations, trust in the system is likely to decline and further imperil college enrollment and completion rates, including for qualified low- and moderate-income students.

Of equal concern, even as financial aid fails the very students it is meant to serve, those students have become the target of animosity. At the start of the Great Recession, spending on the Pell Grant grew by over $10 billion a year due to policy changes that expanded program eligibility, growth in college enrollment, and economic conditions that increased unemployment and reduced family financial strength. But rather than viewing this increased spending as a positive step toward maintaining support for college access during a time of familial and national financial stress, this heightened spending led many in Washington, DC to question whether grants are an effective way to boost college attainment. Legislators, policy analysis, and newspapers even began to brand Pell Grant recipients as unmotivated, undeserving, and fraudulent (Cheston, 2013; Field, 2011; McCluskey, 2008; Nelson, 2013; Terkel, 2011), even though there was little evidence that widespread abuse existed (The Institute for College Access and Success, 2011). This shoddy treatment of a public program that is viewed as being aimed at poor people is not uncommon (Bruch, Ferree, & Soss, 2010; Soss, Fording, & Schram, 2011; Schram, 1995). Such targeted programs only appear to garner political support when they are viewed as rewarding hard work or promoting opportunity (Gilens, 1999), and critics of the Pell program frequently question both (Sawhill, 2014). The political future of the current approach is dimming, and doing significant damage to public perceptions of and responses to hardworking students whose families cannot afford college.

Undermining the College Experience

The financial aid system does more than affect students and their families. It also contributes to a structural problem by orienting higher education institutions around its logic, which places the responsibility for ensuring college quality on students. Money follows students, and students are therefore expected to "shop around" for the institution that will best meet their needs. This is increasingly encouraged, despite evidence that urging consumers to compare prices can backfire (Dholakia & Simonson, 2005). Once students enroll in a particular college, institutions can use revenue from tuition and fees largely as they wish, with no direct accountability to students, their families, or aid providers. Financial aid comes unencumbered by effective accountability mechanisms (ineffective ones include accreditation and cohort default rates) to ensure that students receive a quality education, and it exerts no demands and provides no supports for colleges to serve low-income students, other than by providing Pell Grants that cover a small fraction of college costs.

The availability of Pell Grants and student loans has facilitated the development of an entirely new sector of for-profit higher education. This has allowed for more rapid expansion of the college system than might otherwise have been possible, but on average, these private institutions do a decidedly worse job of graduating low- and moderate-income students than do most public institutions, and as noted earlier their students suffer higher rates of loan defaults (Lochner & Monge-Naranjo, 2014; Deming, Goldin, & Katz, 2013). This should not be surprising: more low- and moderate-income students are enrolling in these institutions, in part because of the speed of degree and flexibility that they claim to offer for working and independent students' schedules. These are exactly the students who need the most support to achieve in and complete college, but the financial aid system has no accountability mechanism for assuring that the grants and loans that they bring to institutions are being used to provide this support and improve the quality of their education.

College and university accreditation systems — parallel mechanisms that are supposed to assure a basic level of educational quality across all institutional types — have also done little to ensure that institutions act in concert with the federal government to broaden opportunities to obtain degrees by creating the conditions for student success. The lack of public investment in ensuring that college is truly affordable is thus accompanied by a lack of commitment to ensuring that publicly funded college opportunities are of high quality and responsive to students' needs.

In this way, the financial-aid-as-affordability approach encourages all colleges and universities and the states in which they are located to believe that they can and should set their prices according to market demand rather than societal need. The responsibility of paying those prices is left to individual students and families, with diminishing support from government and philanthropic-backed financial aid. In other words, the pricing system does not take account of who is responsible for supporting whose education. For private universities, this does not pose a particular problem: they are responsible for making a profit, not serving the public good. For public universities, this approach can be disastrous, as their responsibility to serve the citizens of their state — and particularly more marginalized citizens from their state — comes increasingly under pressure from market logics. Just as the financial-aid-as-affordability model does little to protect families from rising costs, it also does little to protect public institutions from adopting logics that do not serve their core constituents or their central mandate. Since financial aid recipients are not a powerful constituency with strong voice in the college system, their claims on the public system become more tenuous and the artifice that purports to maintain college affordability increasingly erodes.

Reconnecting College and the American Dream

If financial aid fails to make college affordable and an increasing number of American families face risky levels of debt and unsustainable financial strains to access a postsecondary education, does this mean that broad access to college is still a goal worth pursuing? Our answer is most decidedly yes. College is not always a salve, nor should it be the only available salve, but a college degree continues to be a key ingredient for advancement in the U.S. People across the country express their desire to attain it. Political, social, and economic leaders have detailed the centrality of higher education to the nation's future: from its role in creating socio-economic mobility, to its centrality in creating a more perfect social union, to the essential role it plays in assuring our position in the global knowledge economy (Mettler, 2005). At the individual and familial level, having a college degree continues, on average, to be correlated with many positive, non-remunerative outcomes, including greater resilience to economic downturns, better health and well-being, longer lives, and even greater happiness (Meara, Richards, & Cutler, 2008; Oreopoulos & Petronijevic, 2013; Stevenson & Wolfers, 2008).

These correlations suggest far more than individual impacts. They aggregate to more engaged citizens, families more able to withstand shocks and nurture their communities, a stronger and more unified society, and people ready and able to invent, innovate, and push the boundaries of our communal knowledge. Indeed, while current higher education financing models emphasize individual outcomes, we argue, as have an increasing number of social scientists that have examined the effects of increased education and increased inequality on societies (e.g. Bloom, Hartley, & Rosovsy, 2006; Oreopoulos & Salvanes, 2011; Pickett & Wilkinson, 2010; Stiglitz. 2013; Wilkinson & Pickett, 2006; Woolf, Johnson, Phillips, & Philipsen, 2007), that social and national outcomes to higher education should drive the next higher education policy and financing framework.

Reimagining the Goals of Higher Education

College affordability policy needs to evolve to focus on providing policies that provide meritocratic, stable, secure, and low-risk pathways for all hard-working Americans to pursue college. America has long been a place committed to the ideal of shared opportunity, and this means that the question of college affordability is not merely about whether one's own children can afford to attend, but also whether other people's children can afford to attend without creating hardships that compromise their and their family's stability. Affordability is central to understanding the role of education in a democratic society in which fair treatment is of central concern. It is critical to ensuring that hard work is reflected in opportunities to do well and further contribute to our collective betterment. And, finally, given that nearly all students come to college intending to complete some form of credential, it is about whether everyone who is qualified can receive a degree without sacrifices that will do harm to their futures.

The current financial aid system drives students, families, and colleges to think about themselves as operating in a market. Students and families are expected to be rational consumers who select and consume the best college product for their own situation and advancement. Individual investment benefits may include long-term and financial payoffs (e.g., lifetime earnings), or near-term and consumptive experiences (e.g., is the football team good? Is the social scene what they expected? Do they enjoy classes?). Either way, students and families are urged to think about their own goals and desires when making decisions about college, rationally choose to take on risk to achieve these ends, and then personally reap the benefits that accrue from college-going.

Because students and families are conceptualized as (ideally) operating in a free market, the onus to obtain and use information about which college to attend is placed on individual student-consumer/ investors, who are expected to shop, calculate rates of returns, move to meet their needs, and generally hold institutions accountable through their choice of where to attend college. Similarly, students are expected to choose their classes, majors, and extracurricular activities with a cost-benefit calculator in mind. While student success is ascribed to individual hard work and "smart choices," student failure is ascribed to their own poor choices, lack of capacity, or lack of work ethic. Structural constraints placed on students' engagement with college, and the outcomes of loan-taking on their futures, are not of communal or national concern. And because the risks taken on to pursue college increasingly include such high levels of debt, students' and families' rational calculus must de-facto focus on financial outcomes. If an independent student who was a foster child wants to become a social worker dedicated to improving the foster care system, the current financial system would mediate against him getting a college degree and pursuing his dream. In fact, he would be foolish to do so. This calculus is a disastrous approach for assuring that every person — much less the country as a whole — reaches his or her full intellectual, social, and economic potential.

From an institutional perspective, the market approach results in similar distortions. It urges colleges and universities to: (1) downplay professional judgments of what constitutes a quality learning experience in a given domain in favor of student interests; (2) ignore state and national judgments of what programs of study and types of knowledge are needed to improve society in favor of programs that students like;[8] (3) increase tuition and fees without regard to how these affect diverse students and families, as long as "the market" supports the higher fees; and (4) pay greater attention to the demands and desires of students and families that can pay more for their services, as opposed to addressing the needs of moderate and lower-income students and families for whom college is supposed to play a meritocratic function in the United States. This is particularly problematic for public institutions, as it tends to shift their attention from in-state students (who pay lower tuition because they are at the core of institutional missions) to out-of-state students (Groen & White, 2004; Hoover & Keller, 2011).

The policies resulting from this logic have neither strengthened the quality of the higher education system, nor served our society well. For example, efforts to reduce costs for the many financially constrained students who do not qualify for full financial aid often inadvertently fail to help (or even harm) the most vulnerable students. Consider that in an effort to make college more affordable for the middle-class (which is largely excluded from the Pell Grant program), policymakers are focused on accelerating time-to-degree, reducing or eliminating remediation, and using technology to replace more expensive in-person instruction. But these efforts promise to exacerbate inequality, since students from low-income families are more likely to require remediation, benefit from face-to-face interactions, and need to spend more time in college in order to reach their goals (Jaggars, 2011; Bound, Lovenheim, & Turner, 2012). And, in turn, both low-income and financially-constrained students are harmed by college efforts to respond to the demands of financially-unconstrained students. One recent study found that when state universities yield to the desires of wealthier undergraduate-consumers, creating opportunities and settings for the "party pathway" college experience that they desire, they alienate students with fewer resources (Armstrong & Hamilton, 2013).

Shared Benefits

Thinking about college only as a consumer product tied to future wages narrows the range of potential goals, values, and desired outcomes that we as a society should hold for higher education. It is also unsustainable. Labor market transformations and political resistance to fairer wage policies make it unlikely that the wage premium for college degrees will continue to be substantial even if college enrollment fails to expand. Despite this, we should continue to do everything in our power to expand enrollments because of the significant and multiple *non-wage* individual, social, and national benefits of college attendance. The future of teaching and learning at the postsecondary level thus requires grounding in purposes far greater than wage returns. We argue for a new approach to financing postsecondary education that expands our support for one another to jointly build a better future. Such an approach must incorporate the strengths of the current financial aid system (particularly its success at expanding the number of middle-class students who attend college) and address the weaknesses caused by the impoverished market model that shapes individual and institutional logics at this time. It must realign institutional, political, economic, and social support for higher education around a shared vision for an educated, productive, and united populace. Public support for college would then focus on assuring that each person achieves their full capabilities, that all students receive a high quality education, and that students' successes benefit not only themselves and their families, but also the greater good. Achieving this realignment of public support for higher education will not simply require a new, collective vision. It also will require that institutions, students, and leaders be aware of and held accountable for the public support that they receive, and that the current distortions caused by financial aid to individual actions and institutional practices are directly addressed and transformed.

A Free Two Year College Option

Making college affordable without asking Americans to embrace fairytale dreams about government support and college wage returns requires shifting to a new policy approach based on shared sacrifice and systematic distribution of responsibility across *all* beneficiaries of postsecondary education: federal, state, and local governments, businesses, colleges and universities, communities, and individuals. Providing a Free Two Year College Option (F2CO) that guarantees that everyone can afford to attend two years of college is consistent with the widespread value that we place in the United States on hard work and educational achievement. Reinstalling responsibility at the center of educational policy, reinvigorating Americans' agreement to give everyone opportunities to succeed, and replacing the current focus on individual risk and hypothetical reward with a vision of a shared brighter future, will revitalize the American Dream.

The current means-tested system of financial aid costs as much as our proposed universal model, but it is increasingly ineffective at helping students complete their degrees, unaccountable to the taxpayers who fund it, and fundamentally unfair, as low, moderate, and middle-income families across the nation are discovering. In contrast, a F2CO policy making two years of college available for free at all public colleges and universities (without mandating participation) will enjoy the following characteristics:

- **Fair and efficient.** Need-based grant aid neither reaches many of the people it is designed to serve, nor addresses the full financial needs of low-, moderate, and increasingly middle-income students and families. The costs of not addressing inadequate rates of college completion among moderate- and middle-income families, and doing nothing to contain costs at the institutional level, are likely higher than the costs-savings achieved through means-testing.
- **Higher quality.** The current means-tested system demands nothing from colleges and universities in terms of program quality, beyond the limited demands of accreditors. By investing in a universal system, the federal government can engage states and institutions in a conversation about what is required to ensure that students begin and complete a quality college education. This is only appropriate in the public sector and thus it is where the effort will focus: F2CO will prioritize providers with the explicit, government-backed mandate to serve the public good.
- **Stable and predictable.** Universal programs enjoy broader and more consistent political support than means-tested programs, which is important for ensuring predictability in the cost of college-going for all families. Fluctuations and a lack of transparency in the current system make it hard for families to effectively plan for college and manage resources while attending college.
- **Simple.** The messaging involved in means-tested programs is inherently divisive and more difficult to communicate when compared to the widespread and consistent messages that can be conveyed with universal programs. Evidence indicates that simple messages such as "free" are more attractive to low-income families than complex price-discounting schemes

(Palmeira & Srivastava, 2013; Sunstein, 2013).

- **Less bureaucratic.** Means-tested programs require paperwork and administrative activities designed to ensure compliance with targeting that is not required of universal programs. A move to F2CO would transform Federal Student Aid and financial aid offices across the country from gatekeepers of limited resources to supporters and facilitators of all college students' success.
- **Shared responsibility.** The F2CO model brings federal, state, and local governments, institutions of higher education, students and families, and community and business leaders together in pursuit of a common goal. The expectations and requirements for participation at each level will be clearer, and the system will not work without full and consistent participation from all stakeholders. Importantly, any breakdown in the effort will be felt by all families, who can therefore collectively hold parties accountable and work towards quick and effective solutions.

A F2CO policy shifts the model of college affordability in at least three important ways. First, it acknowledges the central role that higher education plays in our national wellbeing and in our social fabric. College is not only a private investment in an individual's human capital; it is also our nation's primary mechanism for creating a meritorious socioeconomic system, for encouraging people's development of their full capabilities, and for assuring that our society benefits from everyone's best ideas. It is, as such, an essential public good requiring public investment. Second, a F2CO policy is more fully responsive to all Americans' needs. It responds directly to low- and middle-income students' experiences and college goals in a variety of ways, from their concerns about the consequences of loan-borrowing, to their greater need for stable sources of support, to their experiences in unwelcoming institutions, to their stated preferences for college locations (student surveys indicate that the majority of students are increasingly interested in attending a public college or university in their home state, along with their plans to work at least part-time while in school) (College Board and Art & Science Group, 2012). Third, a F2CO policy creates robust linkages of accountability among students, families, communities, institutions, and government that simply don't exist in the current system. From assuring that students receiving public support are on-track to graduate, to improving college quality, to providing democratic oversight of taxpayer's investment in our future, F2CO addresses the significant distortions caused by the current system.

Program Overview

The F2CO begins with a simple message to every American interested in pursuing education after high school: If you complete a high school degree, you can obtain a 13th and 14th year of education for free in exchange for a modest amount of work while attending school. In order for college to be affordable to all students, including students who are already marginalized in labor, housing, food, transportation, and health systems, we argue that it must be free. But the term "free" will require redefinition from its common usage in U.S. higher education. Currently, when people think of "free" higher education they typically summon images of either California or the City University of New York (CUNY Newswire, 2011). This is unfortunate, since in neither case was college made free; only tuition was waived, leaving students to cover the rest.

"Free" as defined by F2CO means that students will not face any costs for tuition, fees, books or supplies, and will receive a stipend and guaranteed employment at a living wage to cover their living expenses. Unsubsidized, dischargeable loans of a small amount will also be available for those who need them.

The costs of F2CO will be met through a partnership between all levels of government (see Table 2). The federal government will cover the largest fraction of the bill, providing grants to institutions for allowable expenses required to deliver a high-quality postsecondary education. In exchange for these resources, institutions will have to commit to charging students no tuition or fees, driving the sticker price to zero. By simply redirecting existing federal spending on higher education, which serves only a fraction of students, the amount of this support will, in almost every case, exceed current per-student spending on undergraduate education in the public sector, which at community colleges now lags behind spending in k-12 education.[9] Allowable expenses will be assessed in relation to other public institutions in the geographic region and not allowed to exceed or fall below one-half a standard deviation of those peers. With current resources, described in the next section, we expect that the government can commit to funding at least $9,500 per full-time-equivalent student, on average.

Additional top-up expenses will be provided for institutions serving large numbers or fractions of students from below 200 percent of the poverty line. This will help to ensure that where actual costs of educating students in a quality manner are higher, adequate resources are provided. A system similar to institutional certificates of need in health care could be developed for this purpose. Specifically, public colleges and universities enrolling more than 500

Table 2. Difference between the status quo and a free 2-year college option

	Status Quo	F2CO
Message to Students	Apply for aid and if you are needy we will make college "affordable"	You can obtain a 13th and 14th year of education at any public college or university for free.
Who Pays?		
Tuition	For needy students only: largely covered by grant aid	Federal government provides funding for all students, with additional performance-based top-up funding provided for institutions serving low-income students. Institutions may not charge tuition.
Fees	For needy students only: sometimes covered by grant aid	Not allowed; all costs must be wrapped into tuition and approved
Books and supplies	For needy students only: sometimes covered by grant aid	State funding based on average costs across schools
Living expenses	Loans or work-study	State and local stipend in an amount equal to 15 hours/week of living wage employment in local area Federal work-study in an amount equal to 15 hours/week of living wage employment in local area Federal Loans in an amount equal to 5 hours/week of living wage employment in local area, unsubsidized, income-based repayment, and dischargeable in bankruptcy
What is Required?		
Students	Aid application, borrowing, working on and off campus	Enroll. Option to work up to 15 hours a week through work-study, and option to borrow for living expenses.
Colleges and Universities	(1) Costs: Largely not subject to approval, other than what is charged in tuition (must be approved by state). (2) Admissions: Institutional discretion with state approval	(1) Costs: Must be approved to justify tuition charged (2) Admissions: Choose either an open-door policy or use selective admissions but in that case must collect data and report on enrollment and graduation rates of disadvantaged students. (3) Room and Board: Per-student prices charged must not exceed local standards for affordable housing
Localities and businesses	(1) Property taxes to community colleges subject to state approval (2) Employer-provided tuition assistance at discretion	Must collaborate to contribute at least 10% of costs of stipend to cover living expenses
States	(1) Appropriations to institutions made at discretion (2) Appropriations to grant aid made at discretion	(1) Must fund books and supplies and living expenses grants as described above. (2) Must accredit public institutions using a revised set of standards designed to ensure quality (3) Must ensure ease of transfer among institutions
Federal government	Financial aid provided to needy students only through 10 tax-incentive programs, grants, loans, and work-study	(1) Direct aid to institutions to fund tuition and work-study based on enrollment (2) Provide unsubsidized loans

students with household income below 200 percent of the poverty line, or those with a student body that is composed of at least 50 percent students with household income below 200 percent of the poverty line, may apply for and receive additional funds for holistic social services for students and their child dependents including: (1) health services, including medical, dental and mental health; (2) housing; (3) free breakfast and/or free lunch programs; (4) childcare; (5) public benefits screening, (6) case management, (7) transportation services, or (8) supplementary instructional assistance. These funds will be provided for three years based on need, after which institutions will have to report on the number of students served as well as the rates of academic momentum and degree completion of those students. Those figures will be compared to the rates of success of similar students at colleges in the same geographic region to assess performance. Funding will thereafter be provided based on successfully meeting baseline performance benchmarks.

The rising cost of books and supplies is an often hidden burden shouldered by students. In F2CO, state governments will be responsible for covering these costs. This will provide states with an additional incentive to ensure that costs are kept as low as possible. Having saved resources currently appropriated to public institutions for tuition and fees, states will be fiscally equipped to do this.

Students' living expenses will be met through a federal, state, and local partnership to provide subsistence payments. The base of this support will come through a revitalized and expanded federal work-study program. Work-study is a very popular program. According to the last federal report, fully 97 percent of participating students were satisfied with it, 95 percent said they would participate in again if given the opportunity, and 80 percent said that federal work-study helped them gain useful job skills. Notably, more than 90 percent of students said that they would prefer a work-study job to additional student loans (U.S. Department of Education Office of the Undersecretary, 2000). Under F2CO, guaranteed employment for 15 hours of work per week paid at the living wage in the region will be provided (currently, work-study jobs must only meet the federal minimum wage threshold).[10] The federal government currently contributes up to 75 percent of wages paid to a student, and this will continue, with employers providing the remaining 25 percent (U.S. Department of Education, 2012).

Perhaps most importantly, a critical intention of the work-study program will be revived: "… to encourage students … to participate in community service activities that will benefit the Nation and engender in the students a sense of social responsibility and commitment to the community."[11] A study of the current work-study program found that 80 percent of students who did community service for their work-study position indicated that their experiences would stimulate their future participation in community service activities. While currently 40 percent of work-study jobs are clerical or office work, community organizations (and potentially local businesses as well) will be given incentives to partner with institutions to provide work-study jobs that serve as apprenticeships, helping students participate in their communities and learn a trade or prepare for a career. Such expansion of the work-study program promotes an emphasis on hard work and giving back, rather than risk-taking in exchange for education.

In addition to the work-study program, states, localities, and businesses will share the costs of providing a monthly subsistence payment to students enrolled full-time, in an amount equivalent to 15 hours of work a week paid at the living wage in the region (90% to be paid by the state, and 10% shared by localities and businesses). This payment is necessary to assure that students can afford to attend college without reproducing current patterns of overworking or taking on too-large debts for college. Unsubsidized student loans of a limited amount will also be available.

Figure 5. Examples of affordability under F2CO

Students pay nothing for college and can live above the poverty line while in school without borrowing or working off-campus. Calculations are based on 9 months of enrollment per year, just as the current aid system provides. Extension to summers is possible with additional resources.

Example 1

Student with no children living in Madison, Wisconsin	
Living wage = $9.54/hour; Poverty line = $10,837	
Expenses	
Tuition & Fees	$0
Books	$0
Living Costs	
Stipend	$5,152
Work-study	$5,152
Loans Available	$1,717

Example 2

Student with 2 children living in Seattle, Washington	
Living wage = $24.76/hour; Poverty line = $18,304	
Expenses	
Tuition & Fees	$0
Books	$0
Living Costs	
Stipend	$13,370
Work-study	$13,370
Loans Available	$4,457

Example 3

Student with no children living in Chicago, Illinois	
Living wage= $10.48/hour; Poverty line = $10,837	
Expenses	
Tuition & Fees	$0
Books	$0
Living Costs	
Stipend	$5,659
Work-study	$5,659
Loans Available	$1,886

Example 4

Student with one child living in Miami, Florida	
Living wage= $21.87/hour; Poverty line = $14,560	
Expenses	
Tuition & Fees	$0
Books	$0
Living Costs	
Stipend	$11,810
Work-study	$11,810
Loans Available	$3,937

Source: Living wage and poverty line calculated from MIT Living Wage calculator: http://livingwage.mit.edu
Stipend and Work study calculated by multiplying living wage by 540 hours. Loans available are one-third of that amount.

The resources available to students under F2CO will therefore vary by where they live in the country (see Figure 5 for illustrations), but will otherwise not depend on which public institution they choose to attend, and most importantly all students will face the same upfront cost of attendance: nothing.

In order to participate in the F2CO program, which will be optional and available only to public institutions, schools must commit to either an open-door admissions policy, or to providing data to assess the success of all students admitted under a selective admissions policy. In addition, if housing is provided on campus, that housing must be accessible to F2CO students and therefore cannot exceed the costs of affordable housing standards in the local area. Finally, institutions must be part of a state that participates in the F2CO. In order to participate, states must provide the funding contributions described above, agree to revised accreditation standards intended to ensure that the federal contribution to postsecondary education is well-spent, and ensure that pathways to education beyond the 14th year are as smooth as possible. Critically, there will be no need for paperwork on the part of students in the F2CO model and costs will be adjusted not according to the needs of institutions of higher education, but according to changes in the economy. For example, determining which institutions are serving low-income students and therefore qualify for additional top-up expenses will be based on the addresses (Census blocks) of those students — not complex forms like the FAFSA. The size of grants, work-study, and loans available at institutions will be based on the living wage for the geographic region, and thus enable students to choose more easily among public institutions. Administrative bureaucracy will be further reduced by nudges that encourage institutions to admit all applicants and eliminate the need to creatively assemble financial aid packages for students, delineating between those who do and do not qualify, or who are and are not deserving of institutional support.

Paying for F2CO

The federal government currently spends more than $80 billion annually on financial aid, with most of that support targeted to students from the lower half of the income distribution. This distribution to the poor contributes to the characterization of federal student aid as charity (despite the terms of student loans and the fact that tax benefits and loans are used by families across the board). Moreover, aid flows to both public and private institutions, with spending in the private sector disproportionately larger than its share of enrollment. For example, while 29 percent of undergraduate enrollment was in the private sector in 2012-2013, that sector received 35 percent of all Pell Grants, 49 percent of Supplementary Education Opportunity grants, and 47 percent of work-study funds—approximately $18 billion in total (College Board, 2013). The inclusion of private institutions in the current system makes it especially hard to extract accountability in exchange for resources. When the program began, the private colleges and universities worked hard to ensure that they were included, and today they are working actively to thwart efforts to attach accountability mechanisms to the program (Lederman, Stratford, & Jaschik, 2014; Weissman, 2013).

In contrast, F2CO distributes resources through a universal program that benefits families irrespective of income and focuses the funds on the public sector, where there is a mandate for serving all students in order to benefit the greater good, and where accountability to the public can most effectively be required in return for public resources. Based on current and projected enrollment in postsecondary education, we anticipate that between 8 and 10 million students a year will engage in F2CO.[12] Redirecting all federal higher education grants (~$50 billion) and tax benefits (~$32 billion), as well as current allocations for education and training in the Workforce Investment Act (~$3 billion) to cover the allowable tuition costs described provides the immediate basis of support for F2CO. The average per-student allocation could range from $8,500 to $10,600 with no increase in federal spending. This amount is consistent with current average per-student expenditure at public institutions of higher education, and is higher than current expenditures at many community colleges. The work-study program will be maintained to support students' living costs and should also be expanded. Current state (~$80 billion) and local government (~$9 billion) appropriations will be transferred into covering the costs of living stipends. Direct loans (~$40 billion) will also be maintained to cover additional living expenses.

Later Years of Postsecondary Education

Two years of postsecondary education, especially when it results in a certificate or associates degree, has considerable value in today's labor market. But we are not suggesting that students will complete bachelor's degrees in two years, and do expect that F2CO may exert some draw away from those degrees. This is a compromise, but current trends suggest the strongest individual and social need is for some additional years of education and their attendant certification, not necessarily bachelor's degrees.

There are some distinct benefits to investing in the completion of two years of college, and especially associates degrees. Jobs requiring associates degrees pay almost as well as those requiring bachelor's degrees ($61,000 vs. $63,000), and pay far better than those requiring some college but no degree ($44,000) (Sommers & Morisi, 2012). Just in financial terms, the return on investment for an associates degree is strong; the Brookings Institution estimates it at 20 percent, well above the return on bachelor's degree at 15 percent. Of course this is enhanced by the lower costs of the associates degree, and the lifetime earnings of bachelor's degree recipients remain stronger than those with associates degree. But with large numbers of students starting and never completing bachelor's degrees and the costs of those degrees rising substantially, the difference in those returns may subside (Greenstone & Looney, 2011). Moreover, the odds of success in bachelor's degree completion appear to be enhanced by completing the associates before transfer (Crook, Chellman, & Holod, 2012).

Importantly, F2CO supports two years of education at any public college or university, not only at community colleges. While making two years of college free does not immediately solve the affordability problem for those pursuing 4-year degrees, it will fundamentally shift the national conversation, greatly broaden the perception and people's experiences that real educational opportunities are provided to all, and create a simpler mechanism for targeting aid for 4-year degrees. It is not financially feasible to provide bachelor's degrees for free without a significant increase in public funding for higher education. At the same time, if we do not assure that successful low-income students can continue their education, neither individuals nor the country can fully benefit from F2CO and a new inequity will have been created. The problem of how to assure such advancement, however, is much more readily solved once F2CO is in place. A need-based grant system can be established for the third and fourth years of college for F2CO students who qualify by establishing a record of success during their first two years of college, perhaps drawing largely on institutional and private scholarships. Thus, funds for a four-year degree could be easily targeted to all of the neediest students who have already proven their academic capabilities, assuring the best use of public investment in four-year degrees.

Of course, additional steps could be taken to moderate any negative impact on bachelor's degrees. For example, other rules could be instituted, including limitations on the amount of tuition that can be charged to upper-level students at participating institutions. It might also be advisable to create a continuation program such that F2CO graduates are eligible for additional work-study and loan support in pursuit of bachelor's degrees; for example, those graduating in the top 25 percent of their class may receive a grant amounting to 25 percent of the tuition at public in-state institutions.

Potential Consequences

The main tradeoff that F2CO makes is that it prioritizes accessibility, educational quality, and degree completion over consumer and institutional choice. Specifically, the range of providers financed by the federal government for the provision of the 13th and 14th years of education will be restricted to public colleges and universities. Institutional and individual participation is voluntary, but no other sources of federal aid will be available to non-participants.

Admittedly, this approach will reduce the government largesse that substantially benefits private institutions, reducing the extent to which their operating costs are subsidized by taxpayers (Mettler, 2014). Some may be concerned that low-income students will lose opportunities currently found at private institutions. However, even with federal subsidies now available, private schools enroll but a small fraction of low-income students and devote to them little institutional aid, which is often distributed based on "merit" rather than need (Burd, 2013). The social pressures to enroll socioeconomically diverse classes will continue, and absent government subsidy, push private institutions to operate in a true marketplace, using their own resources to finance need-based aid where they see fit. At the same time, social pressures will continue to lead wealthier families to focus their attention on the private sector, sending their children there rather than to the public sector. Just one in ten students attending community college, and 15 percent of students at public 4-year non-doctorate granting universities (which together comprise the majority of the public sector institutions) comes from wealthy families (College Board, 2008).

The F2CO model will also reduce the focus on consumption goods, which may frustrate some students and parents, who have come to use the presence of fancy buildings and gyms as proxies for college quality (Jacob, McCall, & Stange, 2013). Instead, F2CO will level the playing field and raise educational quality by focusing students on their collective mission: to learn. Research indicates that the quality of students' experiences on campuses is being compromised by incentives that institutions face to cater to wealthy students. Absent the ability to charge tuition and fees, schools will be harder-pressed to do this. This change may have positive ripple effects for all: studies have found that all students' success is enhanced when schools focus on creating community rather than dividing students according to what they can afford (Armstrong & Hamilton, 2013; Stephens, Fryberg, Markus, Johnson, & Covarrubias, 2012).

Policymakers often express concern that rapid expansion of higher education will decrease quality and slow expansion of post-graduation opportunities, but these, we argue, are of far lesser importance than they are typically given credit for. Almost by definition, educational quality is equated with high costs and low participation in the current system — the schools said to be the best are those that cost the most and are the most difficult to access. The current system designates Harvard and Stanford "high-quality" and Miami Dade College "low-quality," even though the former educate a tiny fraction of the population and only serve those who have already accumulated many educational advantages, while the latter accepts every student who seeks to enter and enrolls more than 160,000 students a year, and performs well enough to have been among the top ten finalists for the Aspen Prize for Community College Excellence. It is difficult to find a better environment in which to learn the skills required to connect and innovate in a global economy than Miami Dade, where students come from all over the world to learn in vocational, academic, and honors programs, and yet its accessible approach — and its accompanying low costs – are often viewed as faults rather than assets. That does not mean, however, that advance planning should not take place to address the complications that massification will bring to the system. Institutions must be sufficiently staffed and space available for this effort; however, there is no better time in the history of our country to undertake this expansion. There is a large pool of un- or underemployed post-baccalaureate graduates who would gladly participate in this expansion as instructors and faculty members. Infrastructure development will fuel employment at a time when jobs are desperately needed. And all of these efforts can draw on cutting edge practices of sustainability, participation, and democracy (e.g., green buildings and communities fully engaged in planning processes).

Another reason educational quality is currently inadequate is that institutions of higher education are given insufficient support and responsibility for ensuring all students' success. It is more expensive to serve low-income and marginalized than it is to serve more privileged students, and systems must recognize and directly address this to assure real opportunity for all. Thus, there is a tradeoff between reaching all students and providing the same (lower-cost) services to all students. System growth will need to be responsive to the realities of low-income and marginalized students' lives, which is likely to entail addressing instructional needs and new forms of support services: day care, health clinics, transportation services, student groups, peer counseling, and so forth. This is accounted for in the proposed budgeting processes, as described above. Providing resources requested by institutions for specific needs while ensuring that those resources are reasonable will help level the playing field across public institutions while granting institutions the ability to make enrollment choices. The use of "top-up" allocations combined with performance-based funding in specific budgetary categories to serve students with the greatest needs helps to ensure that institutions will not only continue to serve these students, but will have the capacity to develop a best-in-class reputation for doing so.

Finally, there will be some concern that students obtaining a free education will not value it because they did not pay for it. While this is a common sentiment often expressed by skeptics of those seeking to reduce the family contribution to higher education, there is little evidence to support this hypothesis. In fact, behavioral economists have found that people react strongly and positively to the offer of something for "free" (Ariely, 2010; Shampanier, Mazar & Ariely, 2007). We should anticipate a positive response, and adequately prepare for it.

Next Steps

The movement to provide some form of postsecondary education for free is well underway. Since Fall 2013, community and technical college education has been provided tuition-free to students in Nashville, Tennessee (Fingeroot, 2013). In Mississippi, Republican state legislator Gene Alday is pushing legislation that would make community college tuition free for more than 75,000 students (Turner, 2014). Democratic legislator Mark Hass is pursuing a similar law in Oregon (Benham, 2013). Over the past decade, numerous well-known politicians, including former U.S. Senator and presidential aspirant John Edwards and current Massachusetts Governor Deval Patrick, have voiced similar ambitions. Education activist Robert Samuels (2013) has an excellent new book out called *Why Public Higher Education Should Be Free*.

A good initial step towards implementing the F2CO model would be to support (and improve upon) these state efforts by providing federal funding in exchange for reporting on outcomes. Right now the state programs may fail to live up to their potential by only covering tuition rather than the full cost of attendance, targeting very small groups of students, and/or requiring stringent academic criteria for maintaining the subsidy. They will be more effective if they are better resourced and their efforts coordinated and informed by lessons learned in each case.

It would also be useful to establish additional demonstration programs, perhaps through the upcoming First in the World initiative, to allow for states to pilot the F2CO model. The shape and scope of the proposed F2CO model can and should be scrutinized by a broad range of actors, from students, to community and business leaders, to politicians, to determine whether it can form the foundation for a different approach to envisioning our shared future and the role that college plays in it. Will the proposal serve the needs of all students more fairly, efficiently, and effectively? Does it provide the appropriate mechanisms for funding and accountability? Does it address real concerns about intergovernmental coordination?[13] How can the needs of qualified students for education beyond the 14th year best be met? And how can college play a more central role in building our country so that it, and each of its citizens, reaches full potential? These questions should be answered through democratic forums and processes, even as the federal government supports states that are willing to test a F2CO model and provide additional evidence through which a robust and effective national program might be crafted.

As many policy scholars have noted, the design of government policies have the ability to shape beneficiaries' experiences of what it means to be a citizen, and even have implications for civic participation (Edelman, 1964; Mettler, 2005; Piven & Cloward, 1971, 1977; Schneider & Ingram, 1993, 1997). The current approach to distributing financial aid divides Americans and angers them by failing to provide adequate support for college completion even while promoting college enrollment. It does not, in other words, inspire confidence in government. A better way to support all Americans as they pursue college dreams is to support them with sustainable social policies rather than poverty programs (Skocpol, 2000). As Theda Skocpol (1995) has argued, "Americans will accept taxes that they perceive as contributions toward public programs in which there is a direct stake for themselves, their families, and their friends, not just 'the poor.'" A move to a broader-based policy that makes support available to all Americans in equitable ways will return financial aid policies to their original intention, and like the remarkably successful G.I. Bill, has greater potential to generate long-lasting benefits as generations of successful college graduates become involved participants in their nation's future.

Endnotes

1 Income disparities in college access and success persist even once academic ability is taken into account. Just 29% of low-income students who score highly on an 8th-grade math exam complete college, compared to 75% of high-scoring, high-income students (Gould, 2012).

2 In 1970, 34% of students from the poorest families enrolled in the public sector and 7% enrolled in the private sector, while the rest (almost 60 percent) did not attend any college. At that time, 50% of students from the wealthiest families enrolled in the public sector, and 21% enrolled in the private sector, with just 30% of students not attending any college (Manski, 1992). More than thirty years later, rates of college enrollment were up for all students, but just 9% of students from poor families enrolled in the private sector, compared to 27% of students from wealthy families (authors' calculations using the Educational Longitudinal Study of 2002).

3 For example, see footnote 8 in Dynarski, 2000.

4 While living expenses should, we argue, continue be considered part of the cost of attending college, there is a need for more close attention to how institutions are calculating these costs. Braden Hosch of Stony Brook University has shown that there is wide variation in the reported cost of living off-campus reported by institutions within the same geographic area.

5 Though even then, it should be noted that the U.S. has one of the lowest rates of economic mobility of all industrialized countries. The chance of moving from the lowest to the highest income quintile sits at about nine percent (Chetty, Hendren, Saez & Kline, 2014).

6 For information on the Wisconsin Scholars Longitudinal Study please see www.finaidstudy.org .

7 Unmet need is the difference between the institution's cost of attendance and a student's expected family contribution (computed using a federal aid application), less all grant aid.

8 Carroll (2005) and Mamdani (2007) offer critical insights into this process through their studies of Makerere University, Uganda, which undertook one of the most radical decentralizations and quasi-privatization processes of any flagship research university in the world over the last 30 years. The financial, social, and political implications of this shift indicate the problems this approach poses to offering the courses of study that most readily feed into four-year colleges and a national research agenda, and to addressing national labor needs.

9 According to the Desrochers and Kirshstein (2012), per-student expenditures for undergraduate education at public 4-year institutions is just over $12,000 a year while at community colleges it is just over $9,000 a year. Spending at private institutions is far higher, subsidized by endowments and federal student aid.

10 A living wage is the minimum income necessary for a worker to meet their basic needs to maintain a safe, decent standard of living in a community.

11 See sections 441(c) and 443(b) of Title IV of the Higher Education Act. See section 443(b)(7) of the Higher Education Act.

12 This is the projected number of students in degree programs at public institutions divided by half, since students past the second year of college are not included.

13 See, for example, Fullerton & Hochman 2012 for a discussion of this phenomenon in relation to ESEA.

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Nancy Kendall is Associate Professor of Educational Policy Studies at the University of Wisconsin-Madison. She is an affiliate of the Africa Center, Development Studies Program, Department of Gender and Women's Studies, and Global Health Institute, and Chair of the School of Education's Qualitative Research Minor. Her primary research interests relate to the consequences of (trans)governmental educational reform efforts on young people's daily lives. She has conducted multi-sited ethnography to examine the effects of macroeconomic adjustment, political democratization, Education For All, childhood vulnerability funding, abstinence-only sex education, and HIV/AIDS prevention and treatment on the lives of Malawian and U.S. youth and schools. Kendall has conducted extended research in Malawi, Mozambique, and the U.S., and has conducted short-term research in Colombia, Kyrgyzstan, Tajikistan, and Zimbabwe. Kendall was a 2009 National Academy of Education/Spencer Foundation postdoctoral fellow, and has received research support from the Fulbright Foundation, SSRC, TAG Philanthropic Foundation, UW, and the Wenner-Gren Foundation, among others. She is the author of *The Sex Education Debates* (University of Chicago Press, 2012), and has published on issues related to education policy, gender and sexuality, childhood vulnerability, participation, and international development in journals including *Current Issues in Comparative Education*, *Compare*, *Comparative Education Review*, *Educational Assessment, Evaluation, and Accountability* (forthcoming), *International Journal of Educational Development*, I*nternational Review of Education*, and *Sexuality Research and Social Policy*. Kendall partners extensively with colleagues from diverse disciplinary, sectoral, and methodological traditions, including agriculture, community organizing, medicine, nutritional studies, and public health, and aims through her work to inform multiple fields about the benefits of partnering with youth and communities to understand and respond to young people's needs, desires, and daily experiences in and out of schools. She is involved in current educational programs aimed at improving community participation in schooling and increasing girls' education, and is conducting research on adolescent girls' economic, social, and communal survival strategies.

The Education Optimists is a consultancy group led by Sara Goldrick-Rab. For more information, please see www.theeduoptimists.com.