



HOUSE  
BUDGET  
COMMITTEE

# Free College

One of Democrats' solutions to fixing America's higher education system is to offer free college. Multiple proposals have been offered to achieve this goal – such as tuition-free two-year community college, tuition-free public four-year college, and forgiveness of all outstanding federal student debt. Unfortunately, each would dramatically and irresponsibly increase the debt and ultimately drive up the overall cost of higher education.

**Free College Would Bust the Federal Budget.** America's current debt exceeds \$21 trillion. By offering free college to students, the federal debt would increase significantly. As outlined in the recently introduced *Aim Higher Act* (H.R. 6543), one such proposal to provide tuition-free community college, Congress would establish a federal program to offer grants to states for tuition-free education at public two-year institutions at a cost to taxpayers of more than \$70 billion over 10 years.<sup>1</sup> Without offsets to this new spending, the proposal would be responsible for increasing net interest by \$5 billion. Other Democratic proposals – such as tuition-free public four-year college – are projected to be even more costly. The Tax Policy Center published a report concluding that tuition-free public four-year college would cost roughly \$807 billion over 10 years.<sup>2</sup> Including interest, this would total more than \$950 billion. Additionally, Democrats have proposed to forgive all outstanding federal student loans, which would amount to roughly \$1.4 trillion in new federal debt.<sup>3</sup> Together, these proposals would cost the Federal Government more than \$2.4 trillion.



**Free College Is Unworkable.** Federal spending on education is already on an unsustainable path, and the price-tag of free college would dramatically increase the problem rather than solve it. Tuition fees at public four-year schools were 3.13 times higher in the last school year (2017-2018) when adjusted for inflation than they were three decades ago (1987-1988), and these fees continue to increase faster than the rate of inflation.<sup>4</sup>

Additionally, the cost of the Pell Grant program has risen from \$12.8 billion to \$23.4 billion between fiscal years 2006 and 2017.<sup>5</sup> Studies have shown that the expansion of federal student aid has contributed to the rise of college tuition. The New York Federal Reserve examined the relationship between expanded federal student aid and tuition and found that on average, for every dollar increase in subsidized loans, tuition increased by up to 60 cents.<sup>6</sup> In other words, even though students currently have more access to federal aid than ever before, they are seeing no relief from the high – and increasing – costs of college.

**Republican Solutions for More Affordable College.** America's higher education system will not be reformed by offering free tuition or forgiving all federal student loan debt. Rather, it would make our universities less competitive and drive up the cost of tuition. And, at the same time, if the Federal Government were to provide funding for any combination of these proposals for free college, the federal debt would ultimately and significantly be increased with the burden placed on all American taxpayers – including students that free college is meant to help.

In the House Budget Committee-passed *Budget for a Brighter American Future*, solutions are provided which streamline higher education programs and financing, increase choice and access, and encourage innovation in higher education. Congress should pursue policies that put higher education programs on a fiscally responsible path, addressing the federal debt while protecting students and taxpayers.

<sup>1</sup>"CBO's Reestimate of the President's Fiscal Year 2017 Budget," Congressional Budget Office, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/dataandtechnicalinformation/51428-Education1.pdf>.

<sup>2</sup>"An Analysis of Senator Bernie Sanders's Tax and Transfer Proposals," Tax Policy Center Tax Policy Center, 9 May 2015, <https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/2000786-an-analysis-of-senator-bernie-sanderss-tax-and-transfer-proposals.pdf>

<sup>3</sup>"Federal Student Aid Portfolio Summary," Office of Federal Student Aid, U.S. Department of Education, <https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>.

<sup>4</sup>"Trends in Higher Education, Published Tuition and Fees Relative to 1986-87, by Sector," College Board, <https://trends.collegeboard.org/college-pricing/figures-tables/published-tuition-and-fees-relative-1987-88-sector>.

<sup>5</sup>"The Budget and Economic Outlook: 2018 to 2028, Pell Grant Program Supplementary Tables," Congressional Budget Office, April 2018, <https://www.cbo.gov/sites/default/files/recurringdata/51304-2018-04-pellgrant.pdf>.

<sup>6</sup>"Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs," Federal Reserve Bank of New York, 2017, [https://www.newyorkfed.org/medialibrary/media/research/staff\\_reports/sr733.pdf?la=en](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf?la=en).