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Why are free college, or Promise, programs becoming more common? **College Prices**

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College has become more expensive.

Free college programs have been spurred in part by rapidly rising college tuition. Tuition increases have outpaced inflation for the past three decades, although grant aid (the kind that does not need to be repaid) has also increased. Still, this complex situation—high prices and high aid—means that students don't necessarily know what costs they will face until they actually enroll. This has helped drive the proliferation of free college programs that simplify the system while offering new financial support.

Policy Considerations

- Promise programs can improve college access by reducing uncertainty about the aid students will receive as well as the actual costs of attendance.
- Program design is important, and simple eligibility criteria and clear messaging are more effective at reducing uncertainty than more complex programs.
- Stakeholders should avoid eligibility requirements that create barriers and decide how their funding will interact with other sources of financial aid.

What We Know

Tuition prices have far outpaced inflation in recent decades, and, while financial aid is often available to somewhat offset prices, the system is complex.¹ Higher-education costs vary according to students' and families' ability to pay, and, in many cases, students from low-income and those from high-income backgrounds will face very different out-of-pocket costs to attend the same institution. The idea behind this model is that students with fewer resources will pay less; however, the system this creates is not transparent. As a result, students considering a college education often lack a solid understanding of what their true out-of-pocket costs will be. In addition, students and families may find it difficult to navigate the financial aid application process, hindering their ability to access aid they are entitled to receive.²

¹ Turner, S. (2018). [The evolution of the high tuition, high aid debate](#). *Change: The Magazine of Higher Learning* 50(3-4), 142–148.

² Dynarski, S. M., & Scott-Clayton, J. E. (2006). [The cost of complexity in federal student aid: Lessons from optimal tax theory and behavioral economics](#). *National Tax Journal* 59(2), 319–356.

Rapidly rising postsecondary tuition and fees—often referred to as list or sticker prices—are one piece of this cumbersome system. Over the past three decades, published list prices have increased faster than inflation in all sectors of higher education. Over the 30-year period from 1991 to 2021, average list tuition and fees to attend a public, two-year institution rose from \$2,310 to \$3,800 (65%) in real terms. Costs for public, four-year institutions increased from \$4,160 to \$10,740 (158%) and in the private, four-year sector from \$19,360 to \$38,070 (97%). And, of course, the full cost of attendance goes beyond tuition and fees to include expenses like room and board, transportation, books, and other educational materials.³ Such trends have fueled the perception that the United States is facing a crisis of college affordability.⁴

Over the same period, the generosity of grant-based financial aid—aid that students do not have to repay—has also increased. This means that the out-of-pocket costs students face after financial aid is taken into account has increased at a slower rate than list prices and has been relatively stable in recent years.⁵ Of course, even stable net costs are no guarantee of affordability.

In sum, financial aid has grown in importance over time in helping students meet the high sticker price of college. However, these patterns also point to the increasing challenge that students and families face in determining what costs they will confront individually. Under the current system, students do not know the exact amount they will have to pay to attend a particular school until they have applied for both admission and financial aid, received a financial aid package from that school, and if

required, verified elements of their financial aid applications with additional documentation. In this context, it is no wonder that place-based financial aid programs that include the nomenclature of free college or a simple guarantee of financial aid have proliferated. Not only do many of these programs provide new financial support, but they also may help streamline the aid process and help alleviate the complexity of the system and the anxiety it can engender.⁶

Recommended Reading

Ma, J., & Pender, M. (2021). [*Trends in college pricing and student aid 2021*](#). College Board.

This report, updated and published annually by the College Board, presents a detailed overview of trends in college costs and financial aid. The report includes breakdowns by sector as well as by state to illustrate the tremendous variation that exists across contexts.

Scott-Clayton, J. (2017). [*Undergraduate financial aid in the United States*](#). American Academy of Arts and Sciences.

This report published by the American Academy of Arts and Sciences includes a section on the design features of financial aid programs that is relevant for the (re)design of Promise programs.

Net Price Calculators

All colleges and universities that are beneficiaries of federal financial aid are required to have Net Price Calculators on their websites. These web-based tools are intended to help students and families gain a more accurate estimate of the expected out-of-pocket costs at a particular school. Users of these tools should know that Net Price Calculators provide “ballpark” estimates rather than exact figures.⁷

³ Ma, J., & Pender, M. (2021). [*Trends in college pricing and student aid 2021*](#). College Board.

⁴ Heinrich, M. (2017, November). [*The college affordability crisis in America*](#). Report to the U.S. Congress Joint Economic Committee.

⁵ Ma, J., & Pender, M. (2021). [*Trends in college pricing and student aid 2021*](#). College Board.

⁶ Dynarski, S., Page, L., & Scott-Clayton, J. (2022). [*College costs, financial aid, and student decisions*](#) (NBER Working Paper No. 30275). National Bureau of Economic Research.

⁷ Anthony, A. M., & Page, L. C. (2021). [*How big is the ballpark? Assessing variation in grant aid awards within net price calculator student profiles*](#). *Education Finance and Policy*, 16(4), 716–726.