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Hillary Clinton's Free-College Plan Draws Scrutiny

Some experts say there is no guarantee schools would spend extra federal dollars wisely

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Hillary Clinton has reached out to younger voters and parents with a plan to allow most Americans to attend state colleges tuition-free, arguing it would remove one of the fastest-growing costs for households while boosting the nation's workforce.

But a growing chorus of policy experts, economists and some college officials say the plan would deliver hundreds of billions of additional dollars to schools with no guarantee that they spend it wisely and keep costs in check. New York Federal Reserve research shows that increases in federal grants and loans to students in recent years have led schools to raise tuition rather than cut costs.

Others say there are bigger problems facing higher education than student debt, including high dropout rates and a lack of thought among students and educators about which programs might help them succeed given the economy's needs.

State Support

While states have boosted spending overall since 1990, per-student funding has fallen because college enrollment has climbed faster.

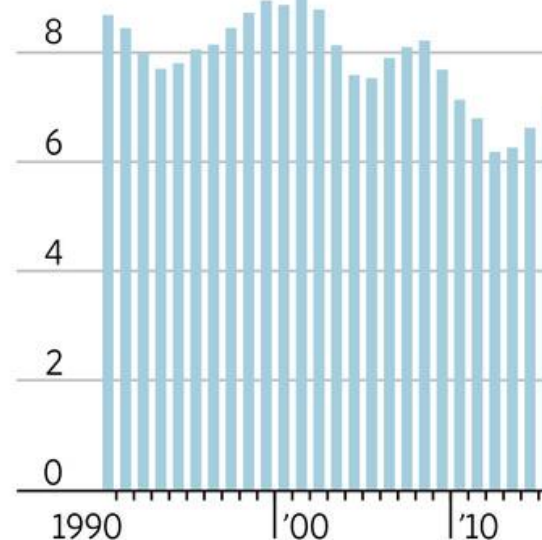
Overall state spending on higher education in 2015 dollars

\$100 billion



Educational appropriations per student in 2015 dollars

\$10 thousand



Source: State Higher Education Executive Officers Association

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The Clinton plan would allow any American from a household making up to \$85,000 today—and \$125,000 in 2021—to attend state schools without having to pay tuition. Instead, school would be paid for through an infusion of federal grants sent to states to encourage them to boost their own funding for higher education. She estimates the proposal would cost \$500 billion over 10 years.

The plan would also require the federal government to set more stringent standards to gauge whether the colleges are doing a good job preparing students for the workplace, an objective that has so far eluded the Obama administration. The government would pull funding from schools that fall short of that goal.

Mrs. Clinton and her supporters say the plan is designed, above all, to encourage states to boost spending on higher education. They see inadequate state spending as the primary driver of rising tuition costs, and thus student indebtedness. While states' appropriations for higher education have risen 27%, after inflation, since 1990, college enrollment has climbed faster, according to

the State Higher Education Executive Officers Association. When averaged per student, state spending has fallen an inflation-adjusted 11% over that period.

“Secretary Clinton knows that higher education provides a ladder to the middle class, and that’s why she’s committed to making it affordable for all,” said Tyrone Gayle, a Clinton campaign spokesman.

Republican presidential nominee Donald Trump has called for lowering college costs by removing what he characterizes as burdensome federal regulations on schools that have led to “administrative bloat.” Sara Goldrick-Rab, a Temple University professor and free-college advocate, said there is no evidence the rise in student debt is tied to higher costs due to regulations.

Mr. Trump has also said he would consider removing tax breaks on college endowments for schools that don’t control costs. And he has called for making it easier for borrowers to enter plans that tie monthly payments to a share of their incomes, and to have balances forgiven after 15 years of payments.

Tuition at community colleges is already free for most students, after grants are factored in, according to the College Board. Yet just 4 in 10 students who enter a two-year public college earn a degree within six years, according to the nonprofit National Student Clearinghouse.

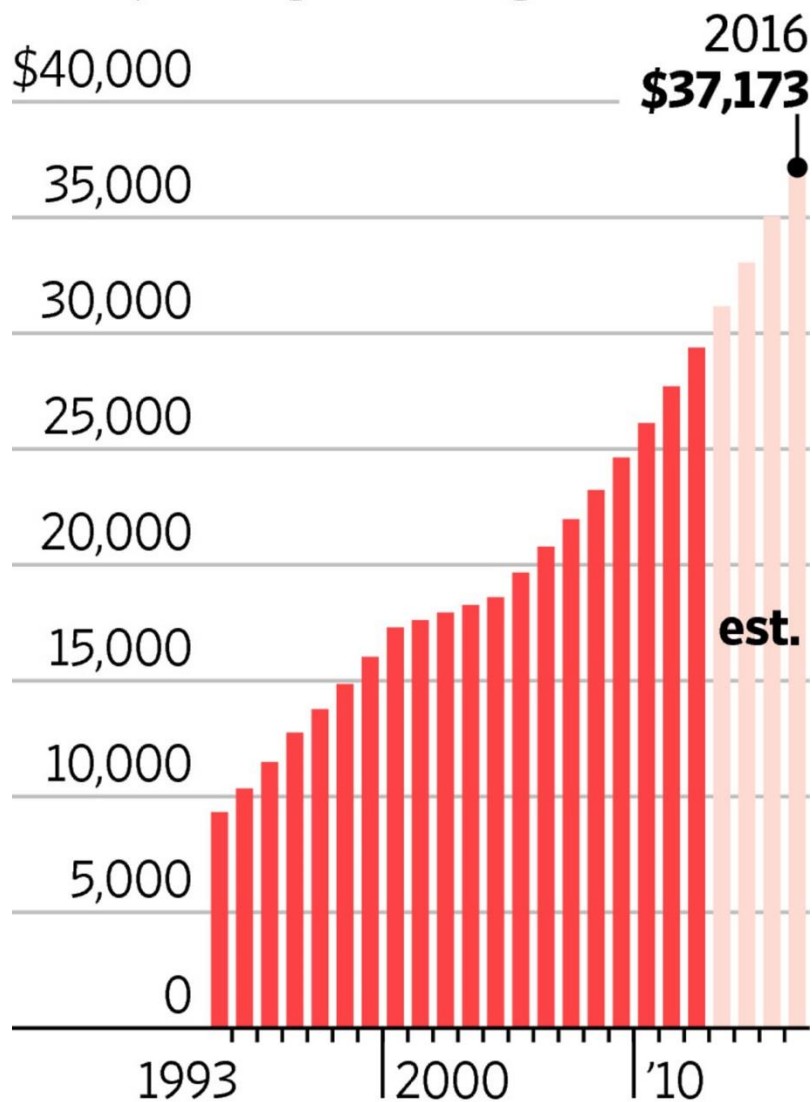
Neal McCluskey of the Cato Institute, a libertarian think tank, says having students pay for their schooling—either through savings or debt—gives them a bigger stake in their educations than if they were to get it free. Recent research supports that claim: Third Way, a center-left think tank, reports that students with a modest amount of debt are more likely to earn a college degree than those with no debt at all.

“The less of your own money you spend on something, the less you tend to be focused in on whether or not you’re doing the best, most efficient thing,” Mr. McCluskey said.

Others say free college wouldn’t help address the U.S. economy’s growing need for workers in STEM fields—science, technology, engineering and math. The government projects such jobs will grow 10% over the next decade, compared with a 6.5% rise in all other jobs. But analysts at Bank of America Merrill Lynch, in a recent research note, said that in most countries that have free college, the share of students in STEM majors is lower than the 34% share in the U.S.

Steeper Slope

Average debt per borrower in each year's graduating class



Note: Figures are for academic years ending in the year shown

Source: Mark Kantrowitz

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The analysts also noted that nations with the highest share of young people who are college graduates—South Korea, Japan and Canada—don't offer free tuition. Sweden offers free college, but its share of young workers with college degrees is roughly the same as the U.S. "This suggests that affordability may not necessarily lead to more educated [workers]," the analysts wrote.

Supporters of the plan say rising tuition and student debt has increasingly made going to college a risky proposition, and that that is hurting the economy. The cost of attending college or grad school has grown an average of 5.2% a year over the past decade, more than twice as fast as overall inflation, according to the Labor Department. The average student-debt balance among graduating seniors who borrowed has risen 79% over that time to \$37,000, private-sector search shows.

Georgetown University's Center on Education and the Workforce estimates an immediate shift of hundreds of thousands of students to public schools should the Clinton proposal be enacted. It projects enrollment would drop 11% at private schools and increase 16% at public ones. Private-school officials say some schools would shrink or close as a result.