Blog – Better than Free: What Americans Need More than ‘Free College’ by Dr. William Elliott

One of the primary goals of higher education—and the motivation that spurs Americans to value it so highly—is its promise of financial security and upward mobility. By promising economic gains to all who invest their time and talents, higher education has tremendous potential to reduce inequality in America. It is presumed to be where futures are forged, and it serves as a proving grounds in our supposed meritocracy. Recently, politicians and media representatives have been talking a lot about a free college policy (typically at a two-year college, although some candidates have proposed tuition-free four-year studies, as well) as a way of combating high college costs and growing student debt. Free college proposals might be an improvement over the current debt dependent system, which can deter low-income loan-averse students from attending college (Callendar and Jackson, 2005), reduce completion rates among students who make it to college (Kim, 2007), distort career choices (Minicozzi, 2005), delay marriage (Gicheva, 2011), and lower the return on a college degree among those who manage to graduate from a four-year college (e.g., Elliott and Lewis, 2015a; Hiltonsmith, 2013). Its apparent superiority to the current, failing system; however, does not mean it is necessarily the best investment for strengthening the education system’s ability to reduce economic inequality, which is one of the biggest challenges of the 21st Century.

Similarly, making college free is not without potential problems. While free college proposals have the singular purpose of making college accessible to all, they fail to consider that middle-income and high-income students are considerably more likely to attend and graduate from college in the first place (Bailey and Dynarski, 2011), which means they would benefit first and, perhaps, most. Therefore, it would seem that any financial aid system for the 21st Century needs to work in concert with early education efforts to reduce the gaps in achievement so more children—including those currently disadvantaged—are prepared to attend college. Currently, early education, higher education, and economic mobility policies are often thought about and treated separately, which leaves too many gaps where too many children fall. In addition to failing to address issues related to early education, making two-year colleges, in particular, free may further create a two-tiered system with low-income and minority students disproportionately steered into these colleges because of their financial constraints, when their effort and ability might suggest they would benefit more from a more selective four-year university. Further, free college proposals may not even make much of a dent in student debt. For example, in
Sweden where college is currently free, about 85% of students leave with debt that averages around $19,000 (Phillips, 2013). This is because tuition is not the only costs students face. They also must pay for things like rent, transportation, fees, and food, and ‘free college’ does not reduce costs for all of those other essentials. For those who do manage to graduate from a four-year college, our friends at the Federal Reserve Bank of St. Louis find that Hispanic ($68,379 income/$49,606 net worth) and Black American students ($52,147 income/$32,780 net worth) receive less benefit from having obtained a degree than their White ($94,351 income/$359,928 net worth) and Asian ($92,931 income/$250,637 net worth) counterparts with regard to their 2013 annual median income and median net worth in each group (Emmons and Noeth, 2015). This suggests that strategies that focus only on college affordability may fail to achieve some of our most cherished aspirations for education. When it comes to investing in higher education as a path to the American Dream of equitable opportunity for all, then, ‘free’ may not produce the best results.

To read more go to our blog, The Mobility Beat.

**Paper - Transforming 529s into Children’s Savings Accounts: The Promise Indiana Model**

In August, AEDI released a paper examining Promise Indiana’s approach to CSAs. The Promise Indiana model, which we had a chance to see in action in a trip to Wabash County in April 2015, engages families in college savings at the point of school enrollment, encourages contributions to children’s accounts from local ‘champions’, and cultivates a college-bound culture within the schools and communities surrounding participating children. This model is demonstrating strong results and has garnered the attention of observers inside and outside the Children’s Savings Account (CSA) field. These observers have raised critical questions about how to best scale CSAs to all American children who need these transformative asset experiences. AEDI’s paper, authored by Dr. Elliott and Melinda Lewis, analyzed the distributional consequences of key institutions shaping children’s educational trajectories today, including the current structure and benefits of state-supported 529 college savings plans. The analysis then contrasted those systems with CSAs’ potential to increase disadvantaged children’s opportunities and improve their positioning within the educational apparatus.

The paper has been well received by multiple media outlets. As conversations developed along with this paper, Promise Indiana was featured in an article by MarketWatch’s Jillian Berman. Rachel Black at New America also coauthored an article for the Weekly Wonk on the paper, with Dr. Elliott and Melinda Lewis. This piece was then syndicated in the Pacific Standard. Equally positive was the attention the Promise Indiana paper received from #WealthGapWeds, an effort by PolicyLink’s Access to highlight wealth inequality and its corrosive effects on opportunity and well-being. It was a great Twitter conversation, with people around the country delving into Promise Indiana’s outcomes, lifting up their tremendous work on the ground in Indiana, and asking questions about replication in other contexts. To follow Access’ work on financial security and wealth creation, check them out on Twitter @access2assets.

**Paper – A Regional Approach to Children’s Savings Account development: The Case of New England**

In June, AEDI released A Regional Approach to Children’s Savings Account Development: The Case of New England, a paper detailing the growth of CSA policy in the six New England states. Even as the paper was being finalized, new developments necessitated revisions, illustrating the pace of progress in the region. During the 2015 legislative session,
Vermont passed CSA legislation that will open an account for every child, hopefully seeded with private dollars and progressively incentivized. New Hampshire also advanced legislation for CSA pilot projects, informed in part by testimony that drew from AEDI findings about CSAs’ educational effects. In summer 2015, the City of Boston continued to move forward with its already-funded pilot program, expected to launch within the coming year. Connecticut’s outreach approach continues to evolve, with the state now partnering with nonprofit organizations that work directly with new parents, to increase participation in the CHET Baby Scholars program. Finally, Rhode Island’s new, facilitated, enrollment process appears to be increasing uptake of the CollegeBoundBaby $100 seed deposit within the first few months of implementation.

Article - Counterbalancing Student Debt with "Asset Empowerment" and Economic Mobility


Events - Going (For) Broke

Dr. Terri Friedline presented new research on Millennials’ financial capability at a June 5th event at New America in Washington, DC. The talk was titled Going (for) Broke. The event was funded by the FINRA Investor Education Foundation. A report was released concurrently with the event and was co-authored with Stacia West, Building Millennials’ Financial Health via Financial Capability. The findings in this report were used by the President’s Advisory Council on Financial Capability for Young Americans to make recommendations to President Obama that young people have early opportunities to develop financial knowledge and to have hands-on financial experience. The report’s findings were also covered by news and media outlets including TIME, Bloomberg Business News, CBS MoneyWatch, and Pacific Standard.

Events in New York, NY and Washington, DC Examine “The Real College Debt Crisis”

While Dr. William Elliott and Melinda Lewis’s book, The Real College Debt Crisis: How Student Borrowing Threatens Financial Well-being and Erodes the American Dream was not officially released until July 31, events held in collaboration with New America on July 13th in NYC and 15th in DC launched the conversation. The authors were eager to engage Americans in talking about student borrowing, its implications for children’s economic mobility prospects and the equalizing potential of our educational system,
and, perhaps most importantly, alternatives. On Monday, July 13, New America hosted a panel in New York City called Paying the Price. Featuring Meta Brown of the Federal Reserve Bank of New York, the event was moderated by NPR’s Anya Kamenetz, herself the author of Generation Debt, and drew a crowd of students, recent graduates, representatives of the City administration, philanthropists, and concerned New Yorkers. Wednesday’s morning event at New America’s Washington, DC offices was moderated by Danielle Douglas-Gabriel of the Washington Post. Panelists Mark Huelsman of Demos and Kevin Carey of New America’s Education team discussed how reforming financial aid would restore education as a viable pathway to upward mobility, while tracing the forces that have combined to place educational attainment largely out of reach of the most disadvantaged American students. New America produced two short videos from the standing-room event. The Real College Debt Crisis has seen considerable media attention so far, with coverage in Time, KCUR (NPR affiliate), New Books in Education, National Review, USA Today, NBC News, and Newsweek, among others. Dr. Elliott continues to field interview requests related to the book and its thesis: that it’s time for a revolution in education financing, to attempt to make real the American Dream of equal opportunity.

News

CSA Momentum in AEDI’s Own ‘Backyard’

We are excited about our regional research agenda and optimistic about opportunities to scale CSAs. But there is also something deeply satisfying about the chance to experience CSA initiatives as they unfold, right here at home. We have eagerly watched the development of Kansas’ Child Support Savings Initiative, which forgives $2 of state-owed child support arrears for every $1 that families deposit into children’s college savings accounts. Moreover, we were thrilled when we heard that the YMCA in our state capital is starting its own children’s savings program, thanks to the visionary leadership of Topeka YMCA’s President and CEO, John Mugler.

Heading east on I-70 from Lawrence, instead of west, another community-based effort is tackling financial inclusion and children’s educational attainment, with an aim of catalyzing better outcomes within disadvantaged communities. The Alliance for Economic Inclusion brings together more than 225 community partners, including school districts, the Federal Deposit Insurance Corporation, local banks, nonprofit social services, and institutions of higher education. Together, coalition members use their collective resources to tackle economic mobility and financial capability on a variety of fronts. As Alliance members, AEDI provides content expertise, particularly around the importance of assets for later academic achievement. We look forward to seeing what’s next for this community-driven initiative. When we can see our work encouraging a low-income family to open a savings account—and to claim a match for doing so, in both Kansas and Missouri—or when a roomful of influential leaders gets excited about throwing their weight behind children’s savings, it grounds us in a sense of purpose. This is why it matters.

Building Capacity at AEDI

We are fortunate to welcome several new faces at AEDI, each of whom brings unique skills and perspective that will augment AEDI’s capacity. A new Graduate Research Assistant joined AEDI in Spring 2015. In June, we added two new Research Project Coordinator positions and this fall, we welcomed two new GRAs. AEDI’s various projects will benefit from these new colleagues’ strong complement of competencies in research design, analysis, and management, as well as from their substantive research interests in areas related to AEDI’s core mission. These contributions are further enhanced by their diversity of training backgrounds from not only social welfare but also psychology, public health and epidemiology, health services research, and economics. This growth would not be possible without the generous support of our core funders: The Charles Stewart Mott Foundation, W. K. Kellogg Foundation, and the Ford Foundation.

Megan O’Brien, PhD, MPH
Research Project Coordinator

Dr. O’Brien holds a PhD in Community Psychology from Wichita State University and a Master’s of Public Health from the University of Kansas School of Medicine. Her prior work has focused primarily on improving access to mental health services for children. As a new member of the AEDI research team, Dr. O’Brien is expanding the scope of her health
services research to include the impact of asset development and financial inclusion. In addition to skills in quantitative analysis, Dr. O’Brien brings interest in the geography of disadvantage, particularly critical to AEDI’s emerging regional approach.

Diane Etzel-Wise, MA  
Research Project Coordinator  
Diane holds a Master’s degree in Health Services Management. Before joining AEDI, she worked for more than 25 years in mental health, homelessness, and social service delivery in all areas of program design, development and evaluation. Diane also brings a considerable skill set in the areas of group facilitation, qualitative research, and grant writing and development. Diane’s research interests encompass solutions to generational poverty and connections among family health status and assets (especially housing). She most recently served for four years as a Senior Program Coordinator with Research Integrity in Human Subjects Protection (IRB) and Conflict of Interest at KUCR and transitioned to the KU Medical Center Office of Compliance in the same capacity.

Chelsea Bailey  
Graduate Research Assistant  
Chelsea Bailey is currently a Ph.D. student in the Department of Sociology. She holds an M.A. in Sociology from the University of Kansas and a Bachelor's Degree in Sociology from Elmira College. Her research has focused on American beliefs and attitudes toward climate change and their effects on both global and local inequalities, although her emerging dissertation emphasis centers on the evolution of families’ educational aspirations and expectations. She has overarching interests in Social Inequality and Qualitative Methods.

Euijin Jung, MA  
Graduate Research Assistant  
Eui Jin Jung is a PhD Student at the School of Social Welfare. She holds an MA in Social Welfare from Seoul National University in Korea and a Bachelor’s Degree in Political Science and Economics from Handong Global University. After her master's degree, she worked as a trainee at the Organization for Economic Cooperation and Development (OECD) and as a research assistant at the Korean Research Institute for Vocational Education and Training. Her research interests rest primarily with understanding poverty, specifically approaches to conceptualizing and measuring poverty as a multidimensional/quality of life issue, as well as poverty among the elderly, and asset-building as a retirement preparation strategy.

Ashley Palmer  
Graduate Research Assistant  
Ashley is a PhD student in the School of Social Welfare. She holds MSW and BSW degrees from Washburn University. After her master’s degree, Ashley worked as a Resource Family Social Worker where she trained, licensed, and supported foster parents as they cared for and advocated for children. Additionally, she provided in-home therapy to children within the foster care system and coordinated a statewide program with community mental health centers across Kansas serving children and adolescents. Her research interests include policy and practice issues related to supporting vulnerable young people (i.e., those lacking material and/or emotional supports) as they transition into adulthood. This includes preventing homelessness, and, in particular, a focus on access to safe and affordable housing located near opportunities for employment and education.

Endowment Campaign Starting Soon  
In furtherance of its work as a backbone institution in the field of children’s asset building, The Center on Assets, Education, and Inclusion (AEDI) at the School of Social Welfare at the University of Kansas is seeking investments in its organizational capacity. Specifically, AEDI is seeking both small and large donations to raise a $4 million endowment for AEDI. This money would complement grant funding for specific research projects and provide AEDI with the flexibility it needs to nimbly and boldly anticipate and respond to emerging developments and activities with considerable potential for positive impact. You can donate by going to https://aedi.ku.edu/donate.

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