The Economic Impact of Increasing College Completion

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The Costs of College

Increasing college completion and attainment undoubtedly creates economic benefits, but as always in economics, there is no such thing as a free lunch. To measure the net economic impacts, the cost of greater college attendance must be included. Unfortunately, there is considerable uncertainty in this calculation and a precise estimate is beyond the scope of this analysis. Instead, a plausible cost will be selected to provide an illustration of the order of magnitude of costs. As will be discussed, actual costs could be significantly higher or lower. As a result, this analysis is a projection of what the benefits would look like if costs could be kept in this range, not a projection of what the net cost benefit will actually be.

On the one hand, college is already subsidized and young adults are choosing either to drop out of college or not attend at all. This suggests that additional subsidies may be required, and that the average cost to the government of educating these students could be significantly higher than the average cost of current students.

In addition, for many students, in particular those who will get an associate’s degree rather than just a high school diploma, there may be issues of college preparedness. In order for more high school students to attend and complete college, better outcomes from K-12 schooling may be required to sufficiently prepare them. For these reasons, the full cost of increasing college completion could be higher than the current average student cost.

On the other hand, there is reason to think that low-cost nudges and reforms could also help increase college completion. This could be done by encouraging students to stay in school longer, and by encouraging students to apply to schools with higher completion rates. For example, the majority of high-ability, low-income students do not apply to more selective colleges even though they are likely to be accepted and the costs would be lower as a result of greater resources and financial aid for low-income students at selective colleges. Experimental evidence has shown that low-cost nudges can help students enroll at more selective schools, which is one way to improve completion. In addition, experimental evidence has shown that providing families with information on financial aid availability and helping them fill out federal student aid applications increased college enrollment at a cost of $88 per counseling session that in the end amounted to a cost of $1,100 per each child who ended up enrolling.

In addition, experiments suggest modest to relatively low-cost policies may help colleges increase completion rates. The Accelerated Study in Associate Programs (ASAP) at City University of New York was able to double the three-year graduation rates for associate’s degrees using comprehensive academic and support services. The program also increased the share of students who transferred from associate’s to bachelor’s programs from 17 percent to 25 percent. The results were replicated for Ohio schools at an even lower cost.\footnote{16. Susan Dynarski and Meghan Oster, “Fulfilling the Promise of Community College: The ASAP Demonstrations,” Brookings Institution (2016); https://www.brookings.edu/research/fulfilling-the-promise-of-community-college-the-asap-demonstrations/}.

Overall, estimating the true cost of increasing college completion is a difficult task beyond the scope of this research. For the purpose of providing an illustrative estimate, we assume that the cost of an added year of school is 150 percent of the cost of a current year of college at a public university. To illustrate the importance of lower costs, an additional scenario is projected that utilizes the assumption that costs of an added year of school are 125 percent of current costs instead of 150 percent. In both scenarios, we assume an inflation-adjusted growth rate of 0.7 percent per year going forward.\footnote{17. Data on the cost of college are from the National Council on Education Statistics. The growth rate is the average of the growth rates for private and public universities.} Data from the National Council on Education Statistics places the 2013–2014 cost of a year at a four-year public school at $30,502, putting the cost of marginal students under the higher completion scenario at $45,754.\footnote{18. This does not include such costs to students as housing and food, which could be somewhat higher or lower as a result of college attendance but will generally accrue either way.} By 2046, the real cost of a year of college would rise to an inflation-adjusted $57,509.

Combined with projected increases in years of enrollment under the scenario compared with the baseline, this allows for the estimation of annual costs. It is assumed that the costs of additional enrollment would be paid for by a new federal program, and therefore the fiscal burden occurs at the federal level.

A risk to the projection is that costs of college escalate more quickly, or that the annual cost per student of bringing college completion rates up is more than 50 percent higher than the average cost of attending a public four-year university. Alternatively, the growth of per student costs could be lower than projected, making the projection too pessimistic.