

## POLICY BRIEF

# Guaranteed Debt-Free College

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“While education is no silver bullet to ending inequality, it should nevertheless operate as a right, instead of a debt-riddled privilege.”

– William Darity Jr., Mark Paul & Darrick Hamilton, *An Economic Bill of Rights for the 21st Century*

## The Problem

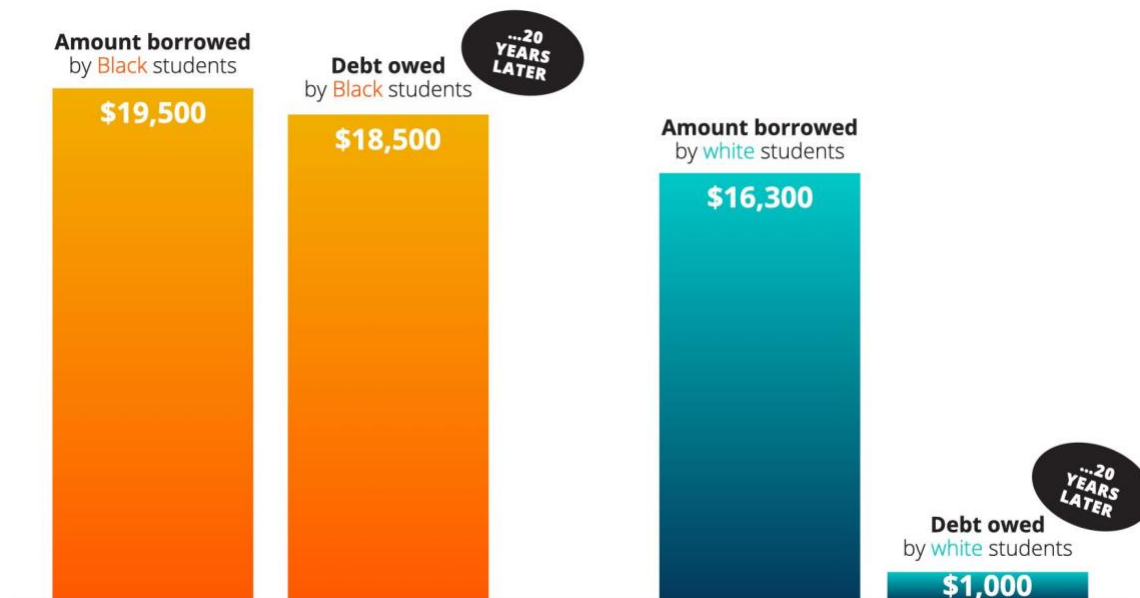
In America, higher education has become a necessary pillar for achieving economic mobility. However, because of [rising tuition](#), [crushing student loan debt](#), [unequal returns on investment](#), and [financial predation](#), our current higher education system too often stalls the financial dreams of people of color and strips away any wealth that they may hold.<sup>1</sup> As a result, this system feeds into the [Oppression Economy](#) that perpetuates racial and economic inequality at practically every turn.

Over the past several decades, as student loan debt in America has ballooned to over [\\$1.7 trillion](#), higher education has become not only less attainable but also crippling for many students of color and their families. For example, 20 years after starting college, the typical Black borrower still owes [95%](#) of their student loan debt. By comparison, two decades after starting their degrees, the typical white borrower owes just [6% of their student loan debt](#).

These disparities can be attributed to a range of factors, including that [over half](#) of all Black students who have student loan debt have no degree to show for it, and that [Black graduates generally](#) – and [Black women graduates specifically](#) – end up owing far more in student debt than white college graduates in the years following graduation. [Similar issues](#) exist within the Latinx community, where [12 years](#) after entering college, Latinx graduates continue to owe nearly 80 percent of their loans.

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<sup>1</sup> Throughout this document, we will use the terms “people of color,” “communities of color,” “workers of color,” and other similar phrases to refer to Black, Latinx, Indigenous, Asian, and Pacific Islander people. We use this term not to erase the experience of any particular group but to demonstrate the shared impact that systemic racism and white supremacy have had on these racial groups. We recognize that these impacts are not equal across groups and that some groups have suffered collectively more than others. Where the experiences of a particular racial and/or ethnic group are uniquely illustrative, we will refer to that group directly.



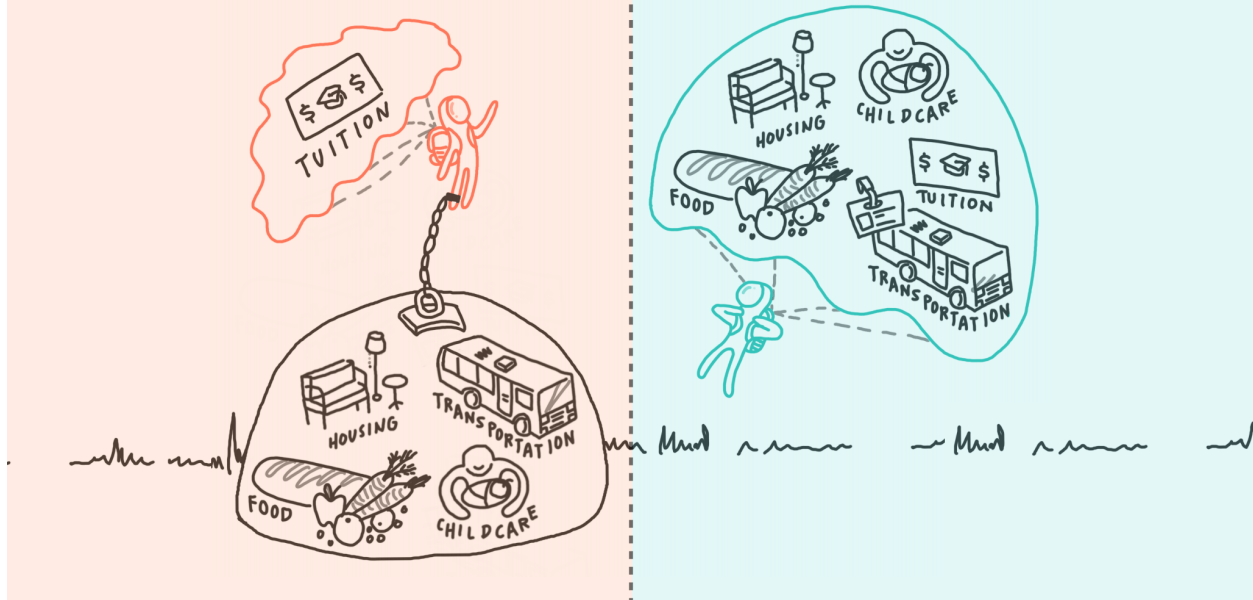
**Source:** "Stalling Dreams: How Student Debt is Disrupting Life Chances and Widening the Racial Wealth Gap," Institute on Assets and Social Policy

Ultimately, these disparities are not the product of individual decisions made by students of color, as some may argue; the truth is that our higher education system is plagued by systemic racism that prevents Black and brown students from achieving economic mobility. If we are to create a [Liberation Economy](#) in one generation, we must ensure that all people of color can not only access higher education but can also do so without taking on deep debt that makes it harder to build wealth and economic security over the long term. **Achieving this Liberation Economy calls for a fundamental restructuring of our current college finance system by guaranteeing a debt-free college education to all, people of color in particular.**

## The Policy Solution and the Potential Benefit for People of Color

Across the country, various [policies and programs](#) to address college affordability often rely on **tuition-free models**. Unfortunately, these models do not do enough to help students of color avoid taking on debt as they fail to account for a range of other college-related expenses that impact our ability to go to and graduate from college (e.g., transportation, textbooks, food, childcare, housing).

## Tuition-Free College vs Debt-Free College

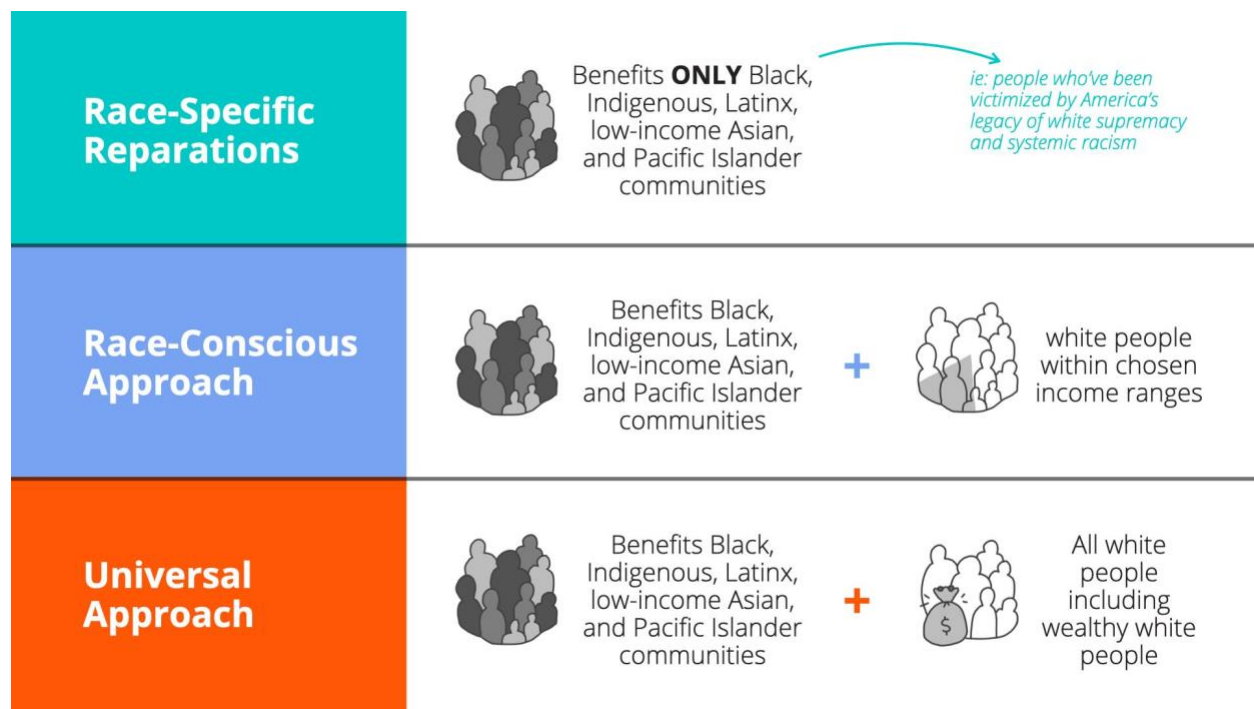


Creating an equitable higher education system requires that we do more than helping students of color afford the price of admission – it requires that our higher education system be centered around a **debt-free model** that fully supports them with both tuition and non-tuition costs. Though making the transition from tuition-free to debt-free would not address the persistent disparities students of color face in the workforce after college, including [earning less than their white counterparts](#), it would help to level the playing field so that higher education truly serves as a pathway for achieving economic mobility for communities of color.

With that in mind, drawing and building from ideas put forward by policymakers, advocates, community organizers, and other proven and emerging leaders of color, the solutions elevated and articulated in this brief aim to end the debt sentence for future generations. At the same time, considering that a debt-free higher education model would not help absolve student loan debt and its impact on current and previous students and their families, the policies detailed in this brief also aim to eliminate this burden for existing borrowers. By addressing both ends of the spectrum, we aim to ensure that all people of color have access to higher education and are valued and compensated appropriately.

## Moving Toward Liberation: Guaranteed Debt-Free College Policy Design

Creating a higher education system where future generations of students are not forced to take on crushing debt *and* where prior generations are not forced to carry a life-long debt sentence requires careful considerations, not just from a technical perspective but also from an equity perspective. For example, the policies outlined below could be implemented as **race-specific reparations**, meaning that they are offered exclusively to people of color – Black, Indigenous, Latinx, Asian, and Pacific Islander communities – who’ve been victimized by America’s legacy of white supremacy and systemic racism. They could also be implemented through a **race-conscious approach** that uses income as a proxy to target support to those with the least resources,<sup>2</sup> or they could be implemented through a **universal approach**, meaning that supports are broadly available to all.



Of course, the tradeoff between these choices is that only people of color will directly benefit

<sup>2</sup> Ideally, using wealth as a proxy to target support would better serve to uplift communities of color. Unfortunately, as of today, governments – both at the federal and state level – have not developed reliable and consistent methods to value assets and track wealth over time as they have for income.

from a race-specific reparations approach, while in a race-conscious approach, a large percentage of people of color will benefit; however, many white people who fall within the chosen income targets will benefit as well. In a universal approach, the tradeoff may be that many wealthy white households and wealthy households of color may also benefit from the policy, making it perhaps the least equitable response to the student debt challenges we face in the Oppression Economy.

Ultimately, as policymakers, advocates, and organizers consider policies to support the creation of a Liberation Economy, such as those listed below, they must also deeply consider the tradeoffs involved in applying race-specific, race-conscious, and universal approaches.

### **MAKE ALL PUBLIC COLLEGES AND PRIVATE MINORITY-SERVING INSTITUTIONS DEBT-FREE**

Collectively, the overarching goal of the policies detailed below are aimed at fundamentally reimagining our higher education system by making all two- and four-year public colleges and universities and private minority serving institutions (MSIs) debt-free for all students that choose to attend these institutions. While there are a number of ways that this can be accomplished, below we offer components of the actions that Congress (or state legislatures) can and should take to make this vision a reality.

- **Make two- and four-year public colleges and universities and private MSIs tuition-free:** First, building on [proposals](#) from the Biden administration and other [proposals](#) in Congress to meaningfully reduce the cost of obtaining a higher education, Congress should move to subsidize the full cost of tuition at all public two- and four-year public colleges and universities, as well as at all private Historically Black Colleges and Universities (HBCUs) and MSIs. Further, to the extent possible, states should also move to increase public funding for MSIs and HBCUs.

While a universal approach here would absolutely benefit wealthier students, Congress could decide to target the subsidy to families earning under a certain amount (as separate proposals from President Biden, and Representative Jayapal and Senator Sanders suggests), thus ensuring that these supports go to students who need the greatest support. Ultimately, increasing support in this way would elevate our higher education system to be on par with K-12 as being a true public good. And more importantly, making higher education tuition free – especially at MSIs and HBCUs, [which](#)

[do a tremendous job of serving Black students](#) – would help to further ensure that students of color are not saddled with debilitating life-long debt.

- **Double the Pell Grant to further help students avoid taking on debt:** Next, Congress should take a race-conscious approach by [doubling the maximum annual Pell Grant](#) award from \$6,495 to \$13,000. As designed, the Pell Grant is income-targeted and covers a [large percentage](#) of students of color, who tend to have lower incomes than white borrowers. However, over the past four decades the Pell Grant’s purchasing power has [effectively decreased by about 63%](#) (going from covering about 80% of the cost of attending a public four-year college in 1976 to about 30% of these costs in 2016).

The move to double the Pell Grant, which could be done in concert with the action above (and the next action listed below), would help to provide a greater subsidy to low-income students of color to cover the true cost of college attendance. Specifically, doubling the maximum Pell Grant award would increase the average annual awards received by students of color by [over \\$2,000, further expanding](#) on critical support that the Pell Grant program currently provides these students. Such an increase would significantly help students enrolled at HBCUs, where [75% of undergraduate students currently use Pell Grants to pay for their college costs](#).

Currently, while the recently introduced [Pell Grant Preservation & Expansion Act of 2021](#) would double the maximum Pell Grant award amount,<sup>3</sup> the increased funding would occur over five years. Given that education costs are expected to [continue quickly rising](#), we believe that doubling the Pell Grant should happen immediately. In the end, while the race-conscious approach to double the Pell Grant would benefit everyone who qualifies, it would especially be beneficial to Black and brown students who are hardest hit by student loan debt.

- **Make it easier for students to cover non-tuition costs with their Pell Grants:** Next, building on the movement to [double the Pell Grant](#), Congress should also pass the [Tax-Free Pell Grant Act](#), which would exempt any Pell Grant funds used for non-tuition expenses from being considered taxable income (qualified tuition expenses are

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<sup>3</sup> The Pell Grant Preservation & Expansion Act of 2021 would also extend Pell Grant access to DREAMers, or young undocumented immigrants who were brought to the US as children; reinstate Pell Grant eligibility to 18 semesters (up from the current 16 semesters); and provide an additional award of \$1,400 to students and families who receive a federal benefit such as Supplemental Nutrition Assistance Program (SNAP) and Medicaid.

exempt). Doing so would help students cover a myriad of other non-tuition expenses that can impact their ability to go and graduate from college without facing a surprise tax bill. It would also move us in the direction of ensuring that students of color can avoid taking on unnecessary debt to further their education.

- **Provide direct cash assistance to students in need:** Additionally, considering that structurally marginalized students often need support navigating their financial needs throughout their time in college, the federal government should re-authorize and make permanent the recently created pandemic [Higher Education Emergency Relief Fund](#) (HEERF). In doing so, Congress should expand the eligibility period for a permanently authorized HEERF to help students over the course of their first four years of higher education, similar to the [American opportunity tax credit](#) (AOTC).

In acknowledging the systemic racism that has prevented students of color from attending and graduating college, a direct cash assistance program like this could be designed as race-specific reparations, serving to bridge financial gaps and economic barriers uniquely faced by students of color. For example, based on their self-reported need and their official [expected family contribution](#) (EFC) status, each applicant of color could be made eligible to receive up to \$2,000 in support for each of their four eligible academic years from this renewed HEERF program. To ensure these funds reach students of color in need, the disbursement of these direct cash payments could be passed through campus offices that focus on student minority affairs and diversity initiatives.

- **Further level the playing field for HBCUs to better compete and serve students of color:** Building on the efforts by [previous](#) and [current](#) presidential administrations to better support and further strengthen the country's HBCUs, Congress should take another step toward race-specific reparations by providing more mandatory and discretionary funding for these institutions, including dedicated institutional and student support funding. Additionally, considering that federal law [groups all MSIs under one large, uniform umbrella](#)— which leaves [smaller MSIs to compete against larger institutions](#), including state university systems — Congress should also [tweak grant funding rules](#) to ensure that HBCUs and MSIs are fairly competing for institutional and research funding with similarly sized, mission-driven institutions.



To further level the playing field for HBCUs and the students served by these institutions, Congress should also meaningfully work to close the sizable and long-standing endowment gap between HBCUs and non-HBCUs. Specifically, Congress should make a [\\$40 billion investment](#) to substantially increase the size of these schools' endowments, which have long lagged behind other institutions due to historical discrimination, disparities in state funding, and [decreasing federal support](#). Such an investment would allow HBCUs to better serve students and families of color by both reducing their need to borrow to obtain an education and eliminating the student debt held by these families. Considering that HBCUs provide access to higher education for structurally marginalized students, such an investment would allow these institutions to provide an array of reparative support to their students. This may include but is not limited to minimizing the cost of tuition and fees, reducing the overall cost of attendance for students, reducing the need to borrow to obtain an education, and eliminating student debt held by students and families of color.

#### **ELIMINATE FOR-PROFIT SCHOOLS AND ESTABLISH STRICT OVERSIGHT OF SCHOOLS CONVERTING TO NON-PROFIT STATUS**

- **Bar for-profit schools and universities from receiving federal financing:** Too often, for-profit colleges and universities — which are more expensive and ineffective than traditional, public higher education schools — predominantly prey on Black, Latinx, and low-income students. Antithetical to where our higher education system needs to move toward, these institutions drive students to enroll in high-debt programs with the sole purpose of [exploiting](#) and extracting as much financial resources from students as possible. To this point, for-profit schools are responsible for [50% of student loan defaults](#), despite only enrolling 10% of US college students. If we are going to create a fairer, more equitable higher education system for all, we must remove for-profit institutions from the equation altogether and instead help communities of color attend institutions that create stronger long-term outcomes for the students they serve.

As a racially conscious policy, barring these institutions from federal financing will ensure that the future of our higher education system is based on equity, access, and fairness for all and serves in the best interests of students of color specifically and the public good at large.



- **Provide stringent oversight of for-profit schools that convert to non-profit status and of schools that provide online education services:** In addition to barring for-profit schools from receiving federal student aid dollars, the federal government must also take steps to prevent for-profit institutions from circumventing the law. For example, [converting from a for-profit to tax-exempt non-profit](#) is one of the many loopholes used by for-profit schools to continue perpetuating their underhanded methods. By establishing stricter rules on when and how for-profit colleges can convert their operations, the federal government can further protect students of color from falling victim to the behavior and actions of predatory for-profit institutions seeking to re-brand themselves.

At the same time, considering the concerning rise of [online program managers](#) – which are for-profit companies that partner with colleges and universities to run their online program often at exorbitant costs – the federal government should also establish rules to curb the costs of these inflationary programs. Additionally, the federal government should also require all institutions to reveal which of these for-profit companies they utilize to provide online education.

## **CANCEL ALL STUDENT LOAN DEBT**

- **Eliminate all forms of existing federal and private student loan debt:** While the aforementioned policies would lead us in the direction of guaranteeing a debt-free college education to all, we must also address the current student debt crisis that has weighed down generations of students and their families, particularly those of color. For this reason, we join the growing call for student debt to be canceled. However, while many existing federal proposals for canceling student debt seek to only cancel a portion of student loan debt, the foundation for a Liberation Economy demands that we do more than partial relief; it requires that the federal government eliminate the entire [\\$1.73 trillion in student debt](#) that is currently outstanding.<sup>4</sup>

At the same time, whether through the [Student Loan Tax Relief Act](#) or some other mechanism, the federal government must also ensure that students do not face a

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<sup>4</sup> Though the federal government is best positioned to address the existing student debt crisis, colleges and universities can, if they choose to do so, begin addressing this issue now through funding made available through the federal emergency HEERF program, which allows for funding to be used to cancel student debt and/or reduce the balances due by students.

surprise tax bill by excluding any forgiven debt from being considered taxable income. While current proposals being called for by policymakers, notably Senators Bernie Sanders and Elizabeth Warren, are universal and would benefit wealthy white borrowers, we believe that this is an acceptable tradeoff as it would also result in the cancellation of student loan debt for all borrowers of color.

Finally, alongside complete student debt cancellation, Congress and/or the appropriate federal agencies must also direct all credit bureaus to permanently remove delinquency reports and/or collections for past and current student loans. Working in tandem with debt-free college proposals, eliminating all outstanding student debt would allow us to create a higher education system that truly serves and supports all students of color.

## The Road Ahead to Liberation

Creating debt-free college will require structural policy change. But not all policies will dismantle the [Oppression Economy](#) and build toward a [Liberation Economy](#), nor will they come to fruition on their own. As a national movement-support organization building the power of people of color to totally transform the economy, we believe that those closest to the problems are best suited to develop, shape, and advance the solutions that will get us to where we need to go.

In creating this brief, which is part of an ongoing series of [resources](#), we aimed to provide organizers with bold policy platforms and policy design frameworks that can be used to guide conversations with their communities and policymakers about how policy can be shaped to advance racial justice. We invite you to use and refine the information in this brief in whatever ways are most helpful for your work and your community. We also invite you to [engage with Liberation in a Generation](#) in further developing this idea. In the end, if we are going to build a Liberation Economy in one generation, we must ensure that advocates, community organizers, residents, and other proven and emerging leaders of color are empowered and at the center of the work to create an economy where all people of color can truly prosper.