



ISSUE BRIEF

# How Does Tuition-Free Aid Support Low-Income Students at Selective Institutions?

Understanding the Effects of Bucky's Tuition Promise on Persistence, Completion, and Debt

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**Bucky's Tuition Promise is a financial aid program covering four years of tuition and fees for University of Wisconsin-Madison students from families with incomes below a specified adjusted gross income (AGI).**

Selective colleges typically have more resources to help students succeed in college, yet disproportionately few students from low-income backgrounds attend these institutions.<sup>1</sup> To address this problem, the University of Wisconsin-Madison (UW-Madison) launched “Bucky’s Tuition Promise” (BTP) in 2018 to send a simple and clear message to the state’s lowest-income students: tuition and fees will be free for four years if your family income is below \$56,000 (since increased to \$65,000).

BTP was designed to reduce barriers to participation, including:

- Basing eligibility on AGI, which families are likely more aware of than Student Aid Index (SAI)
- Automatically applying aid to eligible students if they file the FAFSA
- Guaranteeing eligibility for four years, even if a student’s income changes

BTP is a last-dollar program, meaning all other gift and scholarship aid is applied to a student’s tuition bill first, and BTP covers the difference to make the tuition balance zero. Some BTP-eligible students receive zero dollars from BTP because their tuition and fees are covered from other sources including state and federal aid and scholarships. These students are still considered part of the BTP program, a designation that matters for outreach efforts, such as voluntary programs on financial health, and future awarding if other aid changes.

**Our findings show that BTP increases student retention, has no identifiable effect on graduation, and may decrease debt.**

Prior research shows BTP-eligible students are more likely to enroll at UW-Madison and receive higher grant aid packages.<sup>2</sup> The current study assessed longer term outcomes including retention into the second year, debt accumulated within four years, and graduation within four years.

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<sup>1</sup> Caroline M. Hoxby and Christopher Avery, “The Missing “One-Offs”: The Hidden Supply of High-Achieving, Low Income Students,” *National Bureau of Economic Research*, 2012, <https://doi.org/10.3386/w18586>.

<sup>2</sup> Elise Marifian, “Cost Uncertainty, Financial Aid, and the Enrollment Choices of Low-Income Students,” *SSRN Electronic Journal* (November 2023) <https://doi.org/10.2139/ssrn.4816609>.

Table 1 shows average differences between BTP participants and a comparison group of non-participants with AGIs below \$120,000 in the Fall 2018 and Fall 2019 cohorts. BTP students' retention and graduation rates are similar to non-participants, while debt is substantially lower on average.

Next, to see if differences in student outcomes are caused by BTP, the analysis compared students on either side of the income eligibility threshold using a regression discontinuity design. Under specific conditions met in this study, students are considered essentially randomly assigned to treatment, so the results can be attributed to BTP rather than other factors. Figure 1 depicts the trend in student outcomes across income levels. A discontinuity, or jump, in the trend line indicates the outcome is different from what would be expected had BTP students not participated in the program.

For students close to the eligibility threshold, results indicate that:

- BTP improves student retention into their second year by about three percentage points.
- BTP has no detectable effect on graduation, but BTP students are graduating at similarly high rates as their non-BTP peers overall.
- BTP may decrease debt. Other sources of financial aid were packaged to avoid a large drop-off in aid for ineligible students, so the trend in debt levels is fairly continuous around the cutoff. Average differences in Table 1 are largely driven by the lowest and highest income students in the sample.

**Tuition-free financial aid programs can be designed to support low-income students at selective institutions by awarding aid generously, limiting barriers, and increasing services.**

Free college programs like BTP can affect student outcomes through direct cost reduction as well as through messaging and price simplification. Messaging will be most effective when eligibility criteria are easy to understand, like AGI. Criteria based on information campuses already collect, like FAFSA data, eliminate the need for additional applications. Programs guaranteeing continuous aid based on initial eligibility can reduce the barrier of aid loss and help students plan ahead.

The cost of college extends well beyond tuition, and students often need additional support to persist. Following BTP, UW-Madison developed a new

program covering full cost of attendance for Pell students.<sup>3</sup> Other efforts connect students to basic needs resources and waive fees for campus activities.<sup>4</sup> Non-financial supports can strengthen student success as well. Many selective institutions have historically enrolled high-income students, and campuses need to assess practices which may hinder belongingness for low-income students.

The cost of tuition-free programs will vary widely across institutions depending on eligibility criteria, tuition costs, and enrollment. At UW-Madison, robust institutional aid meant most low-income students' tuition was covered prior to launching BTP, reducing the amount needed to fund the new program as a last-dollar design. Institutional leaders estimating the cost of implementing a similar program should consider the gap between tuition costs and average federal, state, and existing institutional aid by income. Institutional leaders should also consider the additional costs of marketing, administration, and student support services.

**Table 1: Average Student Characteristics by BTP Status**

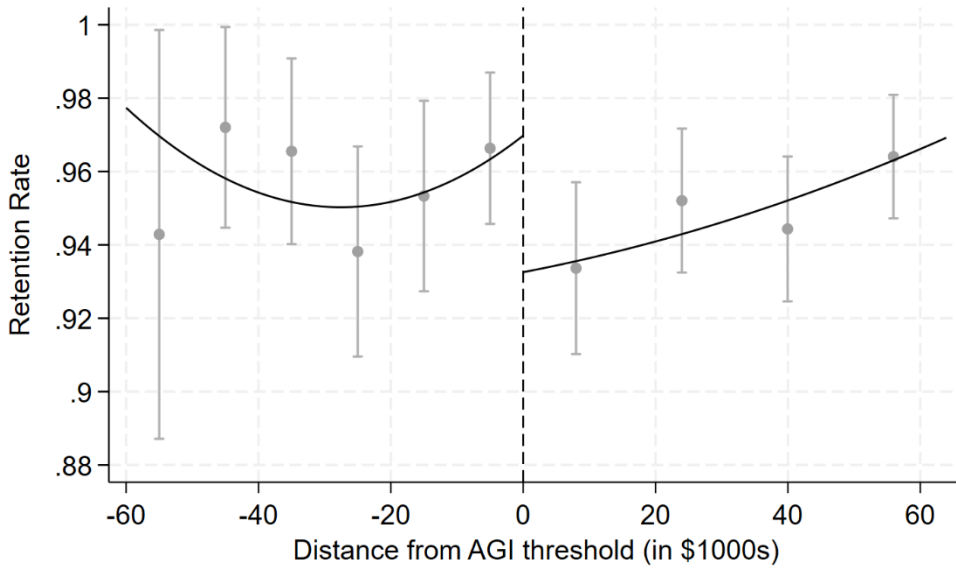
Outcomes	BTP participants	Non-participants
Continuous Enrollment into Year 2	95.8%	94.9%
Graduated Within Four Years	67.1%	69.6%
Total Debt	\$2,930	\$16,872
Number of Students	1,300	1,912

<sup>3</sup> “Bucky’s Pell Pathway,” University of Wisconsin-Madison, Office of Student Financial Aid, <https://financialaid.wisc.edu/types-of-aid/pell-pathway/>.

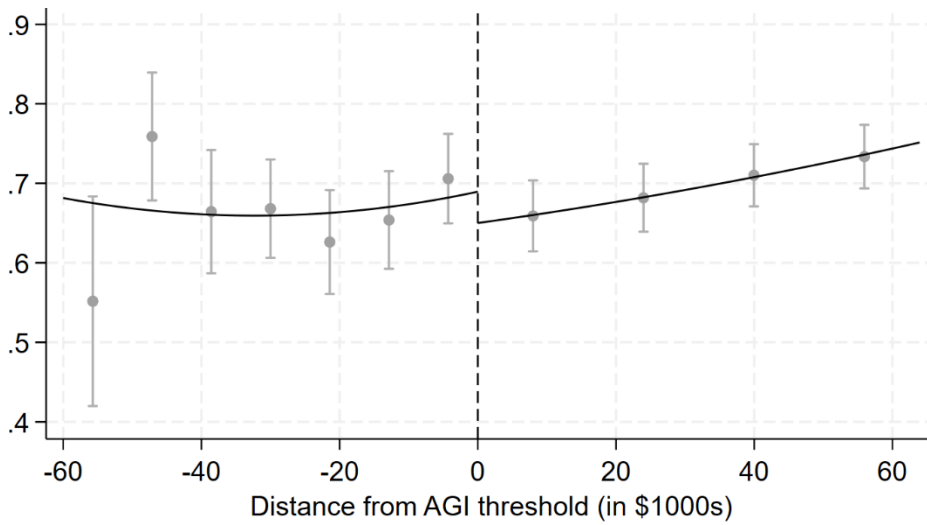
<sup>4</sup> “Basic Needs Student Support,” University of Wisconsin-Madison, <https://basicneeds.students.wisc.edu/>; “The No Fees Project,” University of Wisconsin-Madison, Office of Student Financial Aid, <https://financialaid.wisc.edu/services/no-fees-project/>.

Figure 1: Discontinuities in Student Outcomes at the BTP Eligibility Threshold

Panel A: Retention



Panel B: Graduation



Panel C: Debt

