



Insight

Taking Colleges to School

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On January 16 the President will host college leaders from across the country to discuss ways to improve higher education outcomes in the United States. As these leaders come together to talk about issues facing their industry, here are a few topics and solutions for the days agenda:

COSTS AND COMPROMISE

The annual survey by the College Board released in October of last year was quick to point out that published tuition fees had grown by the smallest percentage in decades. The report was not as quick to point out that, despite the happy headline, with the exception of public two-year institutions, published tuition rates grew by more than double the rate of inflation. In fact, published tuition rates have increased over twice as much since the 1983-84 school year, and for public-four year institutions rates have more than tripled, even after adjusting for inflation.

One of the White House agenda items is encouraging colleges to enroll a larger number of Pell-eligible students – low-income students who qualify for federal grant aid. While enrolling more low-income students and helping them achieve collegiate success is an almost universal theme in higher education circles, it may be helpful for the White House to ask harder questions about college costs. Despite pouring public funding into the Pell grant program, higher education enrollment is on the decline, and after showing signs of improvement, the percentage of low-income graduates enrolling in college immediately after high school has started to slide as well, down from its peak of 56.1 percent in 2008 to 52.1 percent in 2011.^[1]

Rising tuition rates may be part of the reason low-income students aren't making their way to college at the same rate they had previously. Almost certainly, the thought of borrowing to pay for college and becoming part of the \$1.1 trillion portfolio of outstanding loans is not encouraging to low-income students thinking about a degree.

In response to the rising tuition (and related debt levels), colleges argue that reduced state funding combined with continued enrollment has increased pressure on tuition rates, but this doesn't entirely account for more than 40 years of tuition hikes. Starker budgets for higher education are a relatively recent development, as state and federal funding grew steadily prior to the 2009 recession. Colleges and universities were able to enjoy the best of both worlds: continued growth in public assistance and increased tuition revenue as long as enrollment continued to grow.

Moreover, the Pell grant program, long considered the foundation of federal financial aid, has swollen considerably in recent years, growing 253 percent in inflation-adjusted dollars between 2003 and 2011. That might be considered a good thing, but despite this growth, the average Pell grant only covers about 30 percent of the cost of a college education, and it appears to have had no effect on low-income students transitioning to college. That's very little improvement in outcomes for low-income students behind a very large expenditure of public funds.

At the same time, Pell grant recipients tend to drop out of college at a higher rate than their peers, leaving without a degree, and in two out of three cases, student loans to boot.

Regardless of how you view it, the current situation is a mess. After massive increases in federal funding for the Pell grant program, tuition rates have continued to rise, low-income student attendance has stagnated or fallen, and completion rates for low-income students lag further behind their more economically advantaged peers. There needs to be an honest conversation about how to effectively use the Pell grant program to boost low-income student attainment. The Pell program as it exists today appears to have limited impact on attendance or outcomes: just as the program's funding peaked, low-income enrollment has trended down. There is absolutely no reason that spending upwards of \$35 billion per year can't have better outcomes for low-income students, but it will take a serious discussion about the future of the program to make any real progress.

THE ROLE OF FOR-PROFITS

It would be refreshing for the White House and college leaders to take a break from the drum beat of 'bad actors' in higher education and focus on universal regulations across postsecondary education that are truly in the students' interest. All students would benefit from:

- Simplicity in a streamlined and understandable student aid system, where students and their families fully understand their financial responsibilities;
- Accountability in terms of student outcomes and academic achievement;
- Transparency across all consumer information, that empowers the student to make an informed choice based on easy to find data that is consistent from one institution to another.

The Department of Education has relied on the accreditation bodies to ensure colleges and universities of all types follow the federal guidelines to remain eligible for federal financial aid; however, in recent years, they appear to be dissatisfied that accreditors haven't taken a tougher approach to governing for-profit providers. But why single out one type of academic institution? It would seem that what's good for the goose should be good for the gander, as any open-enrollment institution such as for-profit schools and community colleges could be guilty of the kind of performance some for-profit schools have demonstrated that has drawn the Department's ire. After all, selective institutions such as private and or state universities can cherry pick the best students, while open enrollment institutions typically get less academically successful, lower income, students.

If one of the administration's goals is to encourage more low-income students to enroll in college, then instead of implementing highly disputed regulations for for-profit schools pertaining to "gainful employment" and debt-to-income ratios, the administration should keep in mind that for-profit providers have historically enrolled higher numbers of low-income students. Unfortunately, since 2011 when the administration first issued the gainful employment regulations that were ultimately struck down in federal court, low-income enrollment is down, perhaps an unintended consequence of the Department's hard line with the for-profit sector..

IS COLLEGE REALLY FOR EVERYONE?

It's no longer politically correct to say it, after decades of hearing that a college education should be the goal of every student, but the reality of our workforce today is that a very large proportion of the workforce doesn't

require a four-year degree. In fact, most of the fastest growing jobs require less than a four-year education, and instead need specific skills. It's long overdue that we remove the stigma from 'vocational' training and admit that this is no longer a 20th-century workplace. Specialized career training, whether a short-term IT certificate or advanced manufacturing training, can be a shorter-term answer to a much better future for a lot of students. The growth of certificate training is a positive thing, and the Department's move to accept it through awarding federal financial aid is a good thing as well. Could the higher education community come together and admit that a lot of their students could complete sooner and enter a productive workforce with the right training, rather than requiring students to slog through four semesters, or more, of unrelated programs?

Of course, there will always be a concern that the liberal arts will die off as more students pursue professional training, but the number of students taking on debt to pay for college, many of whom may have to work more than one job to pay them back, isn't leaving a lot of free time for students to read the classics.

MAKING WAY FOR COMPETENCY-BASED EDUCATION

The shift in the direction of awarding credit for competency is a very important one, but it's not happening fast enough. The White House and the higher education community could clear the way for students to obtain credentials for what they know, rather than judging them by how long they've sat in a chair during the semester. While a handful of pioneers have taken the leap into competency-based learning (Excelsior and Western Governors University, as two examples), the trend has been slow to be accepted, hindered in part by antiquated rules around the disbursement of federal financial aid. Although the 'nudge' forward towards competency-based education is a signal that the Department is headed the right direction, the administration could accelerate competency-based learning by opening up the regulatory process to explore easier regulations around awarding college credit based on what a student knows – a more productive use of the federal regulatory process than the Department's recent applications.

THE REALLY HARD QUESTION

Given the rapid rise, and nearly as rapid fall, in popularity of the Massive Open Online Course or "MOOC" phenomenon, it is tempting to say that the old model of higher education isn't in any need of change. What the MOOCs have been successful in showing is that when the doors to knowledge are opened wide, the amount of thirst is nearly unquenchable. Unfortunately, the popularity of free college content runs into the hard reality that credentials are not yet free. But that may not be true forever. It could be that higher education becomes less about the piece of paper that says you know something, and more about what you know. The MOOCs may not have found their footing, but they've certainly unsettled the establishment. This could be the start of something good, but it needs definition and encouragement to reshape the way we think about credentials, and both the administration and the colleges and universities in attendance can help promote a new way of thinking around validating what students have learned.

The White House and the higher education leaders will probably find lots to talk about, and we'll probably even hear about some great statistics of colleges and universities reducing remedial education rates, or increasing low-income participation, and that is great. But we should not be happy with marginal improvements when what we increasingly seem to need is transformational.

[1] NCES, *Digest of Education Statistics 2012*