

Statement on Higher Education Act Reauthorization

Higher education has long played a vital role in driving America's economic engine. In today's knowledge-based economy, this role has never been as important for individuals, businesses, and the nation as a whole.

Just 40 years ago, more than two-thirds of adults could find jobs that required no more than a high school education. Driven by technological innovations, the skills demanded in today's workplace have changed dramatically. As a result, a majority of today's jobs require some level of postsecondary education and training. By 2020, this figure is projected to increase to nearly two-thirds of all jobs.¹

Reflecting the growing demand for more skilled workers over the past several decades, undergraduate enrollment in degree-granting institutions jumped from more than 12 million students in 1991 to 18 million students today, while the number of institutions increased from 2,500 to more than 5,000 in that same time period. In addition, innovations such as the delivery of online education—largely driven by a relatively new for-profit higher education sector—has created opportunities for millions of non-traditional students who are often older and working full-time, to seek additional postsecondary education.

Federal policies have also played a significant role in supporting increased access to higher education. Spending on major programs, such as Pell Grants, has increased over the past 20 years from roughly \$8 billion to over \$30 billion and federal student loans have grown even more. In 2015, the federal government will provide roughly \$169 billion through grants, loans, and work-study assistance.

While there has been an increase in the number of students, institutions, and funding, the demand for a skilled workforce has grown even faster. By 2020, it is projected that the United States will fall short by 5 million workers.²

To prevent such projections from becoming reality, we believe there must be a significant rethinking of our current higher education system. We need a system that is far more focused upon meeting the needs of our nation's economy as well as ensuring success of our diverse student population. We must have a system that has the flexibility to be innovative and responsive to employers through improved alignment with career readiness and workforce priorities.

This effort must begin with a redoubling of efforts to improve our nation's secondary education and as a result, student preparation for college. In addition, there must be reforms to federal postsecondary education policies to make college more affordable and

¹ Recovery: Job Growth and Education Requirements Through 2020, Georgetown University, Center on Education and the Workforce, 2013

² Ibid

accessible, reduce burdensome regulations, promote innovation, and hold institutions accountable for results through improved transparency. In order to better meet the needs of students and meet the needs of the employer community, our postsecondary system needs to evolve in several critical ways. Specifically, we must rethink the time to degree as a way to make college more meaningful as well as affordable. We also need to ensure a college education focuses not just on academics, but provides work-ready skills that truly prepare graduates for a career.

A. Improving College and Career Readiness

In the 2011–12 school year, the high school graduation rate hit 80%, the highest level in U.S. history. This accomplishment was achieved despite the increased rigor in many states' academic standards.

However, the fact remains that 20% of students still do not graduate with their peers—and while some will go on to receive their diploma or an equivalent, such as the GED, many others will fall through the cracks, with little to no chance to pursue postsecondary education. Statistically speaking, these students will earn a fraction of what their graduating peers earn over their lifetime.

At the same time, too many of the students who do graduate find themselves ill-prepared for college. This is reflected in data showing that nearly 60% of students must take at least one remedial course after high school graduation. And we know that students who take remedial courses are far less likely to complete their postsecondary studies than students who are prepared to begin credit-bearing courses upon entry. Of community college students assigned to remedial education, only 1 in 10 will earn their associate's degree within 3 years. 70% of students placed into remedial math fail to even attempt a college-level gateway course within two academic years.

While all students should graduate from high school ready for career training, a college education must continue to develop students so they have the work-ready skills necessary for advanced occupations.

To address this issue, we must begin by better aligning our nation's K–12 system with our postsecondary education system as well as the opportunities in today's workforce. Much of this work will be led by states and regions, but there are actions that Congress can take as well.

Recommendations:

- Promote dual credit/International Baccalaureate/Advanced Placement and other programs that provide high school students with college-level credit and ensure such programs are available for students regardless of financial background. Further in this statement, there is discussion of exploring access to Title IV funding via an alternative path other than traditional accreditation. Such an approach would open up the potential for federal

financial aid to be used for credit-bearing, college-level courses at the high school level.

- In addition to improved alignment, college readiness can also be supported by exposing secondary students to effective programs that provide a wide range of support services (particularly for first-generation and low-income students), from college counseling to mentoring, as a means to better prepare them for college. Many of these programs are funded through the federal government and should be supported to the extent they demonstrate effectiveness (GEAR UP/TRIO).

B. Ensuring College Access and Affordability

Rising college tuition and fees, coupled with reduced expenditures for higher education by many states, have eroded the dollar value of federal financial aid, resulting in historic levels of student borrowing and making a college education financially impossible for too many students. This trend, if left unchecked, will have a significant impact on our nation's ability to increase college access and meet future skill demands.

Federal policies must address these issues by streamlining current federal financial aid programs, reducing federal regulations which pass costs onto students with little if any benefit to them, and by leveraging innovations which have the potential of greatly increasing access to postsecondary education for millions of students.

Reforming Federal Financial Aid

The main forms of (non-research based) federal support for student aid include grants, student loans, and tax incentives. There are important improvements to be made in each of these areas.

Grants

Pell Grants form the foundation of federal student financial assistance and provide the funding that serves as the gateway to participation in higher education for millions of low-income students. In 2013, more than 9 million students, or one-quarter of all undergraduates, received over \$30 billion in Pell Grants. Pell Grants are targeted to those students who are in most need of financial aid. Nearly three-quarters of the grants go to students with incomes of less than \$30,000. Pell Grants follow students to any of the roughly 5,400 postsecondary institutions of their choice.

The federal government also supports several smaller grant programs, including TEACH Grants, which incentivize academically strong students to pursue teaching in high-need schools; Supplementary Educational Opportunity Grants, providing campus-based aid; and several smaller grant programs targeted to veterans.

Work-study is another important program that provides grant aid to students who work in certain university-sponsored jobs. While usually not classified as strictly “grant aid,” cooperative education programs also can provide an important source of funding for students employed in these programs while attending college.

Student Loans

As the price of attending college continues to rise, federal student loan programs have become more and more of an important source of funding to help students and families meet postsecondary education costs. This is reflected in the fact that the total outstanding student loan balance recently surpassed \$1 trillion for the first time, exceeding the amount of credit card debt held by Americans. In addition, the average student loan has continued to grow over the past decade, from \$17,233 to \$33,000.

A vast amount of student loan volume comes from federal programs (private student loan volume makes up only about 15% of volume.) These loans originate through the Direct Loan program—consisting of subsidized, unsubsidized, student parent loans (PLUS), and consolidation loans—and allow borrowers to combine all of their federal higher education loans. In addition, the much smaller Perkins Loan program provides supplementary loans that are serviced directly by institutions.

Tax Incentives

Federal tax policy is a crucial component of many students’ financial aid packages and should maintain its focus on making college more affordable. While not part of the Higher Education Act reauthorization, a close examination of current tax code provisions like the deductibility for student loan interest; state-sponsored savings plans (529 plans); Coverdell Education Savings Accounts; and tax-free employer education reimbursements should be part of comprehensive tax reform; as well as the standard deductions for higher education expenses and other related provisions that have been successful in helping to ensure expanded access for students from lower- and middle-income families. This examination should include an assessment of the relative benefit of expanding such tax incentives, including increasing the current employer deduction for tuition assistance.

Recommendations:

- Grants and loans provided by the federal government should enable consumer access to a broad and diverse marketplace of postsecondary education and training providers. This requires consideration be given to

accessing Title IV funding not only from the traditional accreditation system, but through alternative quality assurance systems based on proven outcomes, employer signaling, and endorsements. Such an expanded marketplace would promote competition that rewards programs and providers that provide the highest quality education and training at the lowest cost and with the best results.

- Providing grant aid must continue to be the cornerstone of improving access to low-income students. Although these grants, particularly Pell Grants, are among the most efficient and effectively targeted student aid programs, consideration should be given to looking at ways to further improve their potential. This should include simplifying the application process, ensuring funds are targeted to those students most in need, and targeting grant aid to individuals entering programs of study in high-need fields.
- Consideration should also be given to consolidating certain grants to limit the burdensome process many students must go through to access multiple sources of funding.
- Demonstration projects should be launched that explore market-based innovations in higher education finance and student loans, such as equity-based financing. These programs and financial instruments can transform the delivery of loan counseling and risk management while also leveraging private sector resources and wrap-around student supports that increase college completion rates and improve career transitions.
- Current efforts to promote prior learning assessments (PLAs) should be expanded as a means to providing flexibility in federal student aid. Such efforts have the potential to significantly improve completion of a post-secondary degree or certificate.
- Pell Grants should be made more flexible by reinstating “year-round Pell.” By providing students access to draw down funds at their own pace, they have the opportunity to complete their degree over a shorter period of time.
- Work-study programs should prioritize high-quality employer engagement tied to a program of study in an in-demand field, such as internships or employer-sponsored project-based learning challenges. A portion of funding should be awarded on a competitive basis to those programs that demonstrate employer partnerships in fields where there is a demonstrated workforce need.
- Federally subsidized and unsubsidized loans must continue to be available to students who need them. However, the current patchwork of student

loan programs must be simplified to improve access to loans and reduce the complexity regarding options to pay back the loans. Such options should include time-based or repayment plans based upon earnings.

- Institutions must also be allowed to work more closely with students to determine proper borrowing levels as a way to reduce the extent of over borrowing.
- The application process for federal student aid—including both grants and loans—must be reformed. Despite attempts to simplify the Free Application for Federal Student Aid (FAFSA), more needs to be done to reduce the application’s complexity. Too often, it creates a barrier for students to fully understand the assistance available to them and prevents their participation in postsecondary education.

Promoting Provider Flexibility and Responsiveness and Reducing Regulatory Burden

Regulatory burdens placed upon institutions of higher education have grown tremendously over the past decade. These regulations – which often reflect significant overreach on the part of the Federal government – far too often have the effect of reducing education options to students, driving up costs and stifling innovation. This includes innovations through which private-sector partnerships help develop new and improved models of education and financial aid delivery. Such regulations often also have no discernable benefits for students. For example:

- Efforts to regulate the definition of “gainful employment” for purposes of program eligibility (mainly within for-profit institutions) is expected to cost institutions more than \$200 million to comply with the paperwork requirements (based upon the government’s own projections.)
- Recent “state authorization” regulations mandate aspects of what states must do as part of authorizing institutions to operate within their state and have created significant confusion among institutions. Attempts to apply these requirements to distance education programs will ultimately drive some institutions away from providing online programs and result in denying access to programs for students based upon what state they may reside.
- Regulations to define a “credit hour” through which to award student aid has raised questions regarding the ability to promote innovative programs such as competency-based education.

Recommendations:

- A full review of federal regulations in higher education should be undertaken in an effort to reduce unnecessary and often outdated requirements and mandates placed upon institutions of higher education. Included in this process should be a review of the Department of Education's Integrated Postsecondary Education Data System (IPEDS) [and other federally reported data] in an attempt to discontinue the collection of data that is no longer useful or necessary.
- To the extent specific federal regulations, which focus on accountability, are deemed necessary and appropriate, they should apply to all institutions—public, private and for-profit—and hold all institutions accountable for their performance in the very same way. The information must be accurate, reliable, and correctly reflect an institution's performance.

Promoting Innovation

Higher education policy must enable postsecondary education institutions to drive a culture of continuous innovation and quality improvement. Such efforts have the potential to expand access and completion in higher education, reduce costs, and make postsecondary education more relevant to employers and more rewarding for students.

Examples of such innovation include efforts to develop competency-based education programs that enable students to obtain a degree or certificates over a far shorter period of time than traditionally required and at less expense. By recognizing specific competencies, such programs also enable employers to better understand the skills obtained by students in making hiring decisions.

Recommendations:

- Policies should support initiatives that enable students to more easily patch together skills attained through a wide variety of resources—from traditional universities to community colleges to the growing movement of Massive Open Online Courses (MOOCs).
- Critical to increased completion and addressing costs is the acceptance of credits by institutions. At a minimum, the federal government should require a level of transparency about transfer of credit (TOC) policies of institutions wishing to accept federal financial aid. Students should not be burdened with the time and cost of retaking courses due to overly rigid TOC policies and federal policy should support and incentivize states/institutions to improve articulation agreements. Although the Higher Education Act currently requires institutions to post their transfer-

of-credit policies, disclosure should also include the process used in making such decisions as well as specific policies with respect to the transfer-of-credits earned through a prior-learning-assessment.

C. Increased Accountability and Transparency

The diverse marketplace of higher education provides prospective students literally thousands of options through which to pursue their postsecondary education. However, sorting out these options can be difficult in terms of comparing programs and institutions.

Although certain data is currently available to students, most is derived from the Integrated Postsecondary Education Data System (IPEDS). Unfortunately, the data collected under IPEDS is limited to first-time, full-time, degree-seeking students, which for many institutions make up just a small fraction of their enrollment. As a result, prospective students are unable to make informed decisions based upon the information available.

Recommendations:

- Collect and report more accurate information to the consumer. In order for this marketplace to work effectively, students and parents must have access to usable information such as true cost, student learning outcomes, transfer of credit policies, completion rates, labor market outcomes, as well as accreditation reviews.

The collection and disclosure of such outcomes and performance data should take the place of less critical information, which is increasingly contributing to the rising cost of higher education, while lacking any true benefit to students. In addition, efforts should be made to better coordinate and align requirements among the various federal education programs in order to reduce duplicative data collection and to make such information more meaningful to consumers.

- Address gaps in IPEDS. Data is currently not available for part-time students, transfer students, students aged 25 or older, gateway course success for remedial students, credit accumulation, time to degree, course completion, and most importantly, the system does not track Pell Grant recipients.
- Include information on all institutions—public, private and for-profit—and hold all institutions accountable for their performance in the very same way. The information must be accurate, reliable, and correctly reflect an institution's performance.
- Students and their families should be supported in understanding the outcomes and performance of programs and providers as well as who

endorses them (e.g. employers). This should also include how such outcomes are linked to employer measures. In addition to supporting better and more consistent data collection from accredited programs, alternative quality assurance systems should be explored and piloted that build off of proven industry standards (e.g., ISO 9000) and methodologies.