The State of Play in College Access, Affordability, and Completion

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The Context

Total Undergraduate Fall Enrollment in Degree-Granting Institutions

The Context

Percent Change in State Spending Per FTE, 2000-2014
(Inflation-Adjusted)

Source: Urban Institute.
The Context

Percent Change in State Spending Per FTE, 2000-2014 (Inflation-Adjusted)

Source: Urban Institute.
The Context

Percent Change in State Spending Per FTE, 2000-2014
(Inflation-Adjusted)

The Context

Total Student Loan Debt, 2003-2015
(Unadjusted)

The Context

Student Debt Per Capita, 2003-2015
(Unadjusted)

The Context
Completion rates decline slightly.

<table>
<thead>
<tr>
<th></th>
<th>2007 Cohort</th>
<th>2008 Cohort</th>
<th>2009 Cohort</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed (6 years)</td>
<td>56.1%</td>
<td>55.0%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Stopped-Out</td>
<td>28.6%</td>
<td>30.3%</td>
<td>33.0%</td>
</tr>
</tbody>
</table>

(More degrees, but lower productivity.)
## The Context

### Repayment Problems

Five-year Cohort Default Rates By Institution Type

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>1999</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-year Public</td>
<td>24%</td>
<td>38%</td>
</tr>
<tr>
<td>For-profit</td>
<td>29%</td>
<td>47%</td>
</tr>
<tr>
<td>Non-Selective 4-year</td>
<td>19%</td>
<td>27%</td>
</tr>
<tr>
<td>Selective 4-year</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Two-year Negative Amortization Rates By Institution Type

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>2002</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-year Public</td>
<td>37%</td>
<td>64%</td>
</tr>
<tr>
<td>For-profit</td>
<td>44%</td>
<td>74%</td>
</tr>
<tr>
<td>Non-Selective</td>
<td>37%</td>
<td>59%</td>
</tr>
<tr>
<td>Selective</td>
<td>25%</td>
<td>36%</td>
</tr>
</tbody>
</table>

A Defining Middle Class Issue

Heartland Monitor Poll XVI

46. Specifically, which of the following do you believe would do most to improve the economic situation of Middle Class Americans today?

<table>
<thead>
<tr>
<th>Policy That Will Do Most to Improve Middle Class</th>
<th>Total</th>
<th>Middle Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making higher education more affordable and accessible</td>
<td>38%</td>
<td>37%</td>
</tr>
<tr>
<td>Making health care more affordable and accessible</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Making retirement benefits more secure and reliable</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Making home loans and refinancing more affordable and accessible</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Don’t know / refused</td>
<td>9%</td>
<td>8%</td>
</tr>
</tbody>
</table>
Problem Definition
Two Student Debt Stories

1. Conventional wisdom: growth in aggregate debt and individual debt loads are the problems to be solved.
   – Solution: Free college.
   – Solution: Loan refinancing.
   – Solution: Loan forgiveness.

   Focused on \textit{cost-shifting}, not cost reduction.
Two Student Debt Stories

2. Alternative view: student debt struggles reflect low rates of student success and high costs.
   – Solution: Improve academic preparation.
   – Solution: Inform consumers about their options.
   – Solution: Incentives for institutional improvement and cost containment.
Evidence for the Alternative

College completion is the primary predictor of student loan default.

The highest default rates are on the lowest balances.

3-4% of borrowers have balance of $100k or higher.


Small Balances Cause Big Problems

Average Outstanding Balance, In Thousands

<table>
<thead>
<tr>
<th></th>
<th>In-school</th>
<th>Grace</th>
<th>Repayment</th>
<th>Deferment</th>
<th>Forbearance</th>
<th>Default</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>16.9</td>
<td>21.3</td>
<td>22.0</td>
<td>23.6</td>
<td>26.8</td>
<td>14.5</td>
</tr>
<tr>
<td>FFEL</td>
<td>13.6</td>
<td>13.2</td>
<td>19.9</td>
<td>20.2</td>
<td>26.8</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Debt, No Degree is Growing

Borrowers in BPS 1995-2001
- Attained: 63%
- No degree, Still enrolled: 26%
- No degree, dropped out: 11%

Borrowers in BPS 2003-2009
- Attained: 54%
- No degree, Still enrolled: 30%
- No degree, dropped out: 16%

46 percent of borrowers had not completed six years later.

Author’s calculations, Beginning Postsecondary Students, NCES.
Stocks Versus Flows
Cleveland Fed Study:

• Outstanding balances have grown 280% since 2005, but average payment up 50% during same period.
  – 50% of borrowers have monthly payments of $203 or lower; 25% have payments between $203 and $400.

• Bottom Line: “... the increase in earnings from going to college more than offsets the cost of student loan payments for most borrowers.”
“What divides the have and have-nots is not student debt. It’s having a college education.”

Dynarski, 2016.
Two Student Debt Stories

• **The Red Herring**: debt balances and tuition prices are the problem to be solved.
  – Solution: mechanically lower tuition and debt loads.
  – Cost-shifting: leaves incentives and cost structures untouched.

• **The Real Problem**: low rates of student success and inflated costs = low value programs.
  – Solution: incentives for institutional improvement, cost containment, and student success.
Two Student Debt Stories

• **The Red Herring**: debt balances and prices are the problem to be solved.
  – Solution: mechanically lower tuition and debt loads.
  – Cost-shifting; leaves incentives and cost structures untouched.

• **The Real Problem**: low rates of student success and inflated costs = low value programs.
  – Solution: create incentives for institutional improvement, cost containment, and informed choices.

Real Problem focuses us on **improving value, not just lowering price.**
UNC a Leader on Completion Rates

Six-Year Completion Rates (Four-year Colleges)

North Carolina Publics (4-yr)
National Publics (4-yr)
Southern Publics (4-yr)

Author’s calculations, Integrated Postsecondary Education Data System (IPEDS).
A Leader in State Funding Per Student

Funding Per FTE, 2000-2014
(2015 Dollars)

North Carolina
Tennessee
Georgia
Alabama
United States
Kentucky
Virginia
South Carolina

Comparatively Low Tuition

In-State Tuition and Fees, Four-Year Colleges (2015 Dollars)

Attainment is Average

Bachelor's Degree Attainment Rate, 2006-2014
American Community Survey

Cost Per Degree is Above Average

Delta Cost Project: Education and Related Expenses Per Degree (2013 Dollars)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>NC</td>
<td>$75,450</td>
<td>$78,880</td>
<td>$75,740</td>
<td>$73,760</td>
<td>$67,740</td>
<td>$69,400</td>
</tr>
<tr>
<td>Rank</td>
<td>42nd</td>
<td>43rd</td>
<td>41st</td>
<td>39th</td>
<td>31st</td>
<td>35th</td>
</tr>
<tr>
<td>US Avg.</td>
<td>$68,450</td>
<td>$65,360</td>
<td>$68,640</td>
<td>$66,790</td>
<td>$64,510</td>
<td>$64,740</td>
</tr>
</tbody>
</table>

Delta Cost Project Database, 2000-2013.
The Geography of Upward Mobility in the United States
Mean Child Percentile Rank for Parents at 25th Percentile ($Y_{25}$)

Note: Lighter Color = More Absolute Upward Mobility

Upward Mobility

48
Raleigh, NC
Atlanta, GA
Charlotte, NC
Higher Ed is a Mobility Enhancer

Adult Quintile by Childhood Quintile and Education (Born in Bottom Quintile)

- No Degree
- Degree

Lessons

• Institutions matter.
• Information matters.
• Institutions can improve and expand... but it requires organizational change.
• Incentives matter.

The question: How can states drive reform?
Lesson: Institutions Matter

Author’s calculations, U.S. Department of Education, “College Scorecard.”
Lesson: Institutions Matter

Recent research shows that institutional choice has significant effect on likelihood of completion.

What goes on in the “black box?”

Lesson: Information Matters

Students respond to inexpensive informational interventions.

How much can information move the needle?

How do we increase the number of quality seats?

Benjamin L. Castleman and Lindsay C. Page, Summer Melt, 2014.
Lesson: Institutions Can Improve and Expand

Some colleges have made marked improvements in student success rates and/or capacity.

Common themes: data and predictive analytics, proactive advising and services, remediation reform.

What interventions are highest-leverage?
Organizational Change is Key

“Research on organizational effectiveness and improvement strongly indicates that to achieve large improvements in student outcomes, piecemeal changes will not suffice. Rather than trying to bring to scale discrete “best practices,” colleges and universities need to redesign their policies, programs, and services at scale.”

Davis Jenkins, Community College Research Center
What Role for Technology?

Lesson: Incentives Matter

Grants tied to academic incentives increase credit accumulation, grade point averages, and possibly completion rates.

“Finish in Four” programs

What does this mean for federal and state grant programs?


How Are States Driving Reform?

• Attainment goals and strategic plans.
• Outcomes-based funding.
• Guided pathways.
• Data and transparency.
• New educational models.
Attainment Goals & Strategic Plans

• Tennessee: “Drive to 55”

• Texas: *Closing the Gaps 2015* (2000);
  Now: 60x30TX

• *Colorado Competes*
States: Outcomes-Based Funding

HCM Strategists: more than 2/3 of states are developing or implementing OBF.

Source: Martha Snyder, 2014.
Outcomes-Based Funding Examples

• Tennessee:
  – Complete College TN Act (“Drive to 55”).
  – 85% of state funding tied to outcomes.
  – Formulas differ by institution type, and low-income students weighted more heavily.

• Texas State Technical College System:
  – “Returned Value” Formula: Institutions funded based on labor market outcome of graduates.
  – Formula based on the gap between earnings of graduates and minimum wage.
Does Outcomes-Based Funding “Work?”

• Hillman and Tandberg (2013): very little effect on degree completions.
• Kelchen and Stedrak (2016): colleges subject to PBF receive less per-student Pell revenue, suggesting increased selectivity in response to policy.
• BUT: design of OBF is not consistent across states or time periods (early models weaker).
Design of OBF Varies Dramatically

Very different policies likely to have different impacts.

Source: Martha Snyder, 2014.
States: Transparency and Data

• 27 States link postsecondary data and wage information (up from 14 in 2011).

• But few report labor market outcomes at program level: CO, TX, TN, VA, AR, MO, MN, FL, CA.

• Less common: Costs, productivity, & remediation

• Student learning is rare.
New Models and Credentials

• Competency-based education:
  – Western Governors University, College for America, UW Flex, Northern Arizona.

• Microcredentials/stackables:
  – Stackable certificates.
  – “University Learning Store.”

• MOOC for credit:
  – Georgia Tech-Udacity.
  – ASU Global Freshman Academy.
What’s Happening Outside of Traditional Higher Education?

• MOOCs: what now?

• Boot camps.

• Bridge programs.
New Financing Models

• Income-share Agreements.

• Employer partnerships.

• New lenders.
How Should We Measure Success?

- Paper credentials?
- Student learning?
- Labor market outcomes?
- Cost-effectiveness?
How Do We Avoid Unintended Consequences?

Beware Campbell’s Law.

Both strategies are easier than organizational change; but they work against increasing educational attainment.
How Do We Change Cost Structures?

Layering adds fixed costs; reallocating and replacing frees up resources.
What to Do About College Readiness?
Unresolved Questions: Where Will Federal Policy Go?

• Free public option?

• Lower barriers to entry and expand choice?

• All of the above?