

IMPROVING ROI FOR STUDENTS AND TAXPAYERS IN HIGHER EDUCATION

OVERVIEW

The Arnold Ventures' goal is to improve return on investment for students—especially historically marginalized students—and taxpayers in higher education. Through our investments in research, policy, advocacy, and litigation, we seek to build a higher education system that ensures students are better off for having attended higher education and that taxpayers aren't left holding the bag for unscrupulous institutions. High-quality research is critical to drive effective, lasting policy change. The document outlines our two primary areas of interest in policy research: assessing and refining accountability structures; and evaluating how the student loan program functions and affects student and institutional behavior.

RESEARCH METHODS

We invest in research that (1) demonstrates the causal impact of policies or programs aimed at improving return on investment (ROI) for student and taxpayers, through randomization or rigorous comparisons; (2) analyzes pilot policies or programs and how to implement them effectively (with a clear path to a future causal impact study); or (3) produces descriptive work in areas where the higher education field lacks information and needs policy-relevant research to guide reform.

#1: *Assessing and Refining Accountability Structures*

Accreditation

Accrediting agencies are meant to ensure institutional quality, but too often even low-performing institutions are able to maintain their accreditors' approval for years without improving their students' outcomes. Meanwhile, there is little research that empirically demonstrates the best opportunities for accreditors to ensure improved student outcomes.¹

- **Policy goal:** To strengthen accreditation as an effective accountability lever.
- **Research objectives:** Identifying when and how accreditors' policies and actions improve student outcomes; understanding the impact of NACIQI's activities on accreditors' practices and standards; and identifying how the Department of Education can incentivize accreditors to take those actions.

State Authorization

States are responsible for protecting consumers in higher education through authorization to operate for institutions. However, many states engage in only minimal oversight, most don't have established performance standards, and protections vary widely from state to state. Moreover, research on state authorization processes is relatively limited.²

- **Policy goal:** To strengthen accreditation as an effective accountability lever.
- **Research objectives:** Identifying which state authorization practices and policies drive improved student outcomes; understanding how states can support these authorization efforts; and determining to what extent states should customize policies and practices to different types of institutions and contexts.

Differentiated Consequences for Institutions with Poor Outcomes

The Department of Education, accreditors, and state authorizers all have some systems in place to ensure heightened oversight of schools that fail to meet their standards and to warn students of the potential risk at those institutions. There is no comprehensive accounting of the types of actions short of termination that regulators can take, nor is there clear research on the impact of the various sanctions.

- **Policy goal:** To strengthen our quality assurance system through differentiated accountability, with clear incentives and consequences that are tied to improving student outcomes.
- **Research objectives:** Determining the landscape of existing warnings and sanctions; understanding how and how often these actions are used; and understanding their consequences and impact.

#2: Evaluating How the Student Loan Program Functions and Affects Student and Institutional Behavior

Income-driven Repayment

The current IDR system is not always serving its intended purpose as a safety net for students who see a lower ROI on their investment in college. Instead, evidence indicates that higher-earning borrowers with graduate degrees receive a disproportionate share of the benefits, while low-income borrowers often fail to enroll in IDR at all and Black borrowers suffer poor repayment outcomes even when enrolled in IDR plans.³

- **Policy goal:** To identify and implement structures for IDR that promote ROI for both students and taxpayers.
- **Research objectives:** Assessing the financial impact of IDR as currently structured and evaluating how prospective reforms could more equitably distribute benefits, reduce harms to students and borrowers, and mitigate adverse incentives for students and institutions.

Graduate and Parent PLUS Loans

Early research suggests that the lack of guardrails for PLUS loans may help subsidize low-quality programs and put students and their families, as well as taxpayers, at risk. Yet many low-income students and students of color, and their parents, have had to rely on these loans to finance their postsecondary education.⁴

- **Policy goal:** To reform the PLUS loan programs in order to increase ROI for students and taxpayers, while maintaining access to higher education for students of color.
- **Research objectives:** Assessing the sustainability of the PLUS loans programs and the short- and long-term impact of these programs for students and schools; understanding how past program changes affect student outcomes and taxpayer liability; and understanding the intersections between for-profit colleges and companies and Grad Plus loans.

Student Loan Servicing

Servicers are the primary points of contact for borrowers once they leave school, and they are responsible for helping borrowers manage their loans. Until recently, however, student loan servicing had received very little attention in the research, including to develop empirical evidence on practices that improve student repayment outcomes.

- **Policy goal:** Reform the student loan servicing system to improve borrower experiences and make servicers more accountable for their performance in ensuring positive borrower outcomes.
- **Research objectives:** Understanding what components of past programs led to student repayment stability and completed repayment.



Breaking Down Silos in Financial Aid System Research

Historically, public policy affecting the student loan system has been created to solve individual problems. For example, the current IDR system is a culmination of piecemeal policies that have led to an inefficient and confusing system to navigate. However, students and borrowers don't experience each individual policy in a silo. Reforms to one aspect of our student financial aid system impact other areas, with cascading impacts for both students and taxpayers.

- **Policy goal:** To develop a better, more equitable, and more efficient financial aid system—from start to finish—that promotes a strong ROI for both students and taxpayers.
- **Research objectives:** Understanding how all of the pieces of the student loan repayment system interact with one another and influence one another; assessing how the Biden Administration's actions (including debt cancellation, proposed new IDR plan, and PSLF and IDR waivers) impact other aspects of the higher education system; and understanding how institutions respond to significant policy changes at the federal level, affecting the overall costs of the programs and taxpayers' ROI.

Have a Research Idea?

Reach out to **Jessica Taketa** (jtaketa@arnoldventures.org). While these are our main areas of interest, we are open to research ideas that will help build the evidence to drive return on investment for students and taxpayers in higher education policy.

ENDNOTES

1. Childress, Ward, Davidson Pisacreta, & Chen (2022). "[Overseeing the Overseers: Can Federal Oversight of Accreditation Improve Student Outcomes?](#)"
2. Tandberg, Bruecker, & Weeden (2019). "[Improving State Authorization: The State Role in Ensuring Quality and Consumer Protection in Higher Education.](#)"
3. Congressional Budget Office (CBO). 2020. Income-Driven Repayment Plans for Student Loans: Budgetary Costs and Policy Options; Wessel, D., & Yu, P. 2022. Income-Driven Repayment of student loans: Problems and options for addressing them. The Brookings Institution; Lacy & Smith (2019), "Another Day Another Dollar Metric? An Event History Analysis of Student Loan Repayment," *Education Finance and Policy*, 14, 627-651.
4. Kelchen (2019), "Does the Bennett Hypothesis Hold in Professional Education? An Empirical Analysis," *Research in Higher Education*, 61, 357-382; Kelchen (2019), "An empirical examination of the Bennett hypothesis in law schools prices," *Economics of Education Review*, 73.