AV POLICY FOCUS: DATA IN HIGHER EDUCATION

Arnold Ventures

Solving the Root Problems in America's Higher Education System

For years, policymakers, experts, students, and families have loudly raised alarms about America's higher education system as increasing costs and growing student loan debt, have raised real questions about higher education's value to students. With outstanding student loan debt at $1.6 trillion, and with 3 in 5 students still not graduating after six years, hundreds of thousands of students who invested in a higher education have found themselves worse off.

The increasing debt burden on students is a symptom of fundamental problems in higher education, including rising prices, low completion rates, and too many low-quality, unaccountable institutions. Policymakers have the opportunity to chart a different path and solve the issues with our higher education system at the source.

WHAT ARE THE CORE ISSUES?

Transparency

Students and families making one of the biggest investments of their lives do not have full and transparent information about the schools and programs they are considering. That's because we cannot answer basic questions about which institutions are serving students and the country well without better information about their graduation and career success. In fact, federal law actually prohibits connecting data the federal government already has so that it can be usable for consumers.

Institutional Accountability

Every year, the Department of Education spends over $115 billion on federal financial aid for higher education students, primarily in the form of Pell Grants and student loans. However, there is almost no quality control to ensure those dollars are actually helping students and providing them value, and institutions aren't held accountable if, year after year, they fail to provide value to students and taxpayers.

Student Loans

As student loans have become an increasingly important part of our higher education system, it is clear that low-income families are asked to shoulder too much of the costs of higher education, and schools are raking in too much taxpayer funding for low-value programs, especially through graduate loans. Meanwhile, too many of the students who most need help continue to struggle with their loans, and the repayment system that is supposed to help them is overly complex. These structural challenges could put college access at risk for future generations.

Student Outcomes

Three in 5 students don't graduate within six years of starting in college, with major financial implications for those students. Those with debt but no degree are three times more likely to default on their loans. Yet there has been far too little research on how institutions can improve student outcomes, and there are too few incentives for institutions to adopt programs that have been shown to work.

WHAT POLICY CHANGES SHOULD BE MADE TO SOLVE THESE PROBLEMS?

The federal government invests in higher education because it is key to economic mobility and stability in our country. We need these investments to continue, but there are clear policy changes that Congress can make to ensure those dollars are well spent and students aren't going into debt they will be unable to repay. Arnold Ventures supports a roadmap of five key policy changes to support a more efficient, effective, and accountable higher education system:

1. ***Increase transparency in our higher education system so prospective students and their families can make informed choices.***

   Congress should immediately pass the College Transparency Act and support a privacy-protected student level data network to publish program- and institution-level information about institutions' outcomes. Congress and the Department of Education should also ensure greater transparency for students and their families about these college costs and outcomes through consumer-tested disclosures.

2. ***Establish a quality assurance system based on student outcomes for all schools and all programs, including short-term, undergraduate, and graduate programs.***

   This accountability system should be based on whether students are typically better off for having attended an institution or program. There are a number of potential models for how this system could be designed, including the use of multiple metrics to limit institutions' ability to game the system. Importantly, because graduate debt is ballooning, the accountability framework must include graduate programs. The Department of Education should also ensure strong accountability through regulations like the gainful employment and borrower defense rules.

3. ***Reform college financing to preserve access without requiring families to take on unmanageable debts.***

   Increasingly, the costs of higher education have been shifted to students and their families, largely in the form of loans. The PLUS loan program (which includes both Parent PLUS for parents of dependent undergraduates and Grad PLUS for graduate students) enables those borrowers to take on debt up to the full cost of attendance at an institution, without regard to the quality of the program or the value it will provide. Congress should establish reasonable limitations on graduate student and parent borrowing while ensuring continued access to high-quality programs, especially for high-need students and families, and should hold institutions accountable for the outcomes of all borrowers.

4. ***Ensure an effective student loan repayment system.***

   Right now, there are students who might have gotten a solid education from their institution but who struggle to afford their debt because of our overly complex and burdensome repayment system. Congress and the Education Department need to act to streamline the system, including:

   - Ensuring that student loan repayment plans (like income-driven repayment) and forgiveness programs (like borrower defense discharges, closed school discharges, and Public Service Loan Forgiveness) are easily understandable and accessible to borrowers, automating access wherever possible, particularly for borrowers who struggle most to repay their loans
   - Helping borrowers to avoid default and its most serious financial consequences by increasing access to income-driven repayment and limiting wage garnishment and offsets of tax refunds
   - Providing for high-quality customer experiences through the student loan program, including by setting clear expectations, providing the necessary resources, and ensuring accountability for student loan servicers

5. ***Invest in boosting completion rates.***

   Students who complete a college degree experience better employment outcomes, higher earnings, and a greater ability to repay their student loans — while borrowers who left school with debt but no degree are most likely to default on their student loans. Investing in college completion through an evidence-based, dedicated retention and completion grant program will help more students make it across the finish line to a valuable degree and be able to repay their loans. The Department of Education and Congress should also work to ensure other federal higher education programs, including competitive grant programs, encourage and invest in evidence-based practices and high-quality, rigorous evaluations.