

**REAUTHORIZING THE  
HIGHER EDUCATION ACT:  
ACCOUNTABILITY AND  
RISK TO TAXPAYERS**

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**HEARING**  
OF THE  
**COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS**  
**UNITED STATES SENATE**  
**ONE HUNDRED FIFTEENTH CONGRESS**  
SECOND SESSION  
ON  
EXAMINING REAUTHORIZING THE HIGHER EDUCATION ACT, FOCUSING  
ON ACCOUNTABILITY AND RISK TO TAXPAYERS

—————  
JANUARY 30, 2018  
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**Tuesday, January 30, 2018**

U.S. SENATE,  
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:14 a.m., in room 430, Dirksen Senate Office Building, Hon. Lamar Alexander, Chairman of the Committee, presiding.

Present: Senators Alexander [presiding], Cassidy, Young, Scott, Murray, Casey, Bennet, Baldwin, Murphy, Warren, Kaine, Hassan, and Smith.

OPENING STATEMENT OF SENATOR ALEXANDER

The CHAIRMAN. The Senate Committee on Health, Education, Labor, and Pensions will please come to order.

Please excuse my tardiness. I had gone to the Energy Committee to try to provide a quorum for markups, and I unsuccessfully—it didn't happen, so I left at 10 after. So we'll proceed ahead; I'm sorry to hold people up.

This is another in a series of hearings as we work to reach a result by early spring on reauthorizing the Higher Education Act. Senator Murray and I will each have an opening statement, then we'll introduce the witnesses. We thank each of you for being here. After the witnesses' testimony, Senators will each have 5 minutes of questions.

Before we begin, I want to express my concern about the large number of senior positions in the Department of Education that haven't been confirmed by the Senate even though this Committee first approved their nominations in some cases as long as three-and-a-half months ago.

For a while, the responsibility for this delay could be shared with the Trump administration, which was slow to make nominations, but not anymore.

The responsibility lies solely with the Democratic minority which is insisting on taking most of 1 week to confirm each nominee, knowing that there is not that much time for nominations on the Senate floor.

So, 1 year after President Trump took office, only the following four positions at the Department of Education have been confirmed and are on the job: the Secretary; the Assistant Secretary for Spe-

cial Education; the Assistant Secretary for Legislation; the Chief Financial Officer.

This Committee has approved four other senior nominees that are awaiting a floor vote: the General Counsel, who was passed out of Committee on October 18; the Assistant Secretary for Civil Rights, out of Committee January 18; Jim Blew, Assistant Secretary for Planning, Evaluation, and Policy Development, out of Committee December 13; the Deputy Secretary, out of Committee March 13.

Since everyone knows that the Senate majority will confirm these four nominees, and the American people expect the President to be able to have enough administrators in place to be accountable for the Federal activities in 6,000 colleges and 100,000 public schools, my hope is that the minority will quickly allow the Senate to approve these nominees.

This is not only happening at the Department of Education. There are 103 nominations on the Executive Calendar awaiting consideration by the Senate. This doesn't include judicial nominations.

To put this in perspective, on November 21, 2013, when Democrats thought the confirmation backlog was dire enough to use the nuclear option to break the Senate rules, there were 76 nominations on the Executive Calendar, less than today.

Today we are looking at another important focus of our reauthorization of higher education, accountability, whether students are earning degrees worth their time and money.

An important part of that accountability is to find ways to make sure students are not borrowing more than they will be able to pay back.

Today, when students do not make payments on their loans, colleges are held somewhat accountable under the current cohort default rate measure.

I believe Congress should consider new accountability measures that are more effective at holding all individual programs at all colleges and universities accountable for the ability of their students to pay back their loans.

There is a lot of discussion about Federal student loan debt. While the amount spent on Federal aid each year is high—about \$120 billion, \$28 billion in grants which don't have to be paid back, and \$92 billion in loans which do—the average debt per undergraduate student is relatively low.

At one of our previous hearings, Dr. Susan Dynarski testified: "In the United States, typical undergraduate debt is less than \$10,000 for those who don't complete a 4-year degree and about \$30,000 for those who do. What's exceptional about the United States is therefore not student borrowing but a rigid, archaic repayment system that unnecessarily plunges millions into financial distress."

Historically, most student loans have been repaid and taxpayers recover most of their money. However, there are worrisome signs as we look ahead.

Here is what the student loan repayment picture looks like today.

There are two groups of borrowers repaying student loans: nearly half, 46 percent, who are repaying their student loans; and a little more than half, 54 percent, who are in default or are not making their payments on loans.

Of the more than half who are not repaying their student loans, 21 percent are in default, 21 percent of all borrowers in default, meaning they have not made a payment in over 9 months.

The current method of holding colleges accountable for students making their loan payments is based on the cohort default rate, the 21 percent of borrowers who are in default.

There are another 33 percent of all borrowers who are not making their payments on time. These borrowers are not taken into account in the current default rate measure. About two-thirds of these borrowers are not making payments because of economic hardship, and one out of three are at least 5 days late on making a payment for a variety of reasons.

The taxpayer should be concerned not just about the 21 percent in default, but also about the 33 percent of borrowers who are not making their payments on time.

The half who are making payments, nearly two-thirds of them are in the income-based repayment program. The income-based repayment program is a safety net for low-income borrowers enacted by Congress in 2007. It sets a cap on monthly student loan payments. If the loan is not repaid after 20 or 25 years at this capped payment rate, the loan is forgiven.

Today, a portion of these borrowers, while considered in good standing, have a student loan payment of zero because their income is too low.

What was designed as a temporary safety net has become the standard where students expect their debt to be forgiven after a certain amount of time. This may be good for the student, but it is not so good for the taxpayer.

We will not know the impact of so many borrowers being in the income repayment program for another decade, when the first set of borrowers begin to have their debt forgiven.

Since the last bipartisan reauthorization of the Higher Education Act, the Federal Government has become the provider of all loans for students. I didn't agree with that, but now that the Federal Government is the bank, we must do what a bank does, which is to protect its shareholders, and the shareholders are the American taxpayers.

When a commercial bank makes a loan, it underwrites the loan or checks the credit of the borrower to determine whether the borrower is able to pay the loan back.

In the case of student loans, there is no underwriting, no credit check. Students borrow roughly \$100 billion each year in individual loans that may go as high as \$12,500 for an undergraduate and as high as the cost of tuition for graduate students.

As we have just discussed, students may pay their loan back based on their income, and if they are not able to pay it all back in 20 or 25 years, the loan may be forgiven.

I'm not ready to turn roughly \$100 billion in loans into grants, so we need effective ways to protect the taxpayer as well as the student.

As we continue our work on reauthorizing the Higher Education Act, I want to look at how we hold all schools—public, private, and for-profit—accountable when students borrow too much and are not prepared to pay those loans back.

One way to do that is to provide students with more data on the cost of college and what their likely earnings would be in the curriculum or program they choose.

Another way would be to remove barriers and encourage schools to counsel students about the amount of money they can afford to borrow.

Another is to look at ways to hold the schools themselves more accountable.

There are several proposals by Members of this Committee, other Members of Congress, and outside organizations that reflect the interest in holding colleges and universities more accountable for students repaying their loans.

One is a proposal from Senators Hatch and Shaheen. It proposes fixing the cohort default rate system to instead look at the percentage of students who fail to pay down at least \$1 of their principal loan balance within 3 years.

The House Committee on Education took an approach similar to Hatch-Shaheen which required college programs to have at least 45 percent of borrowers in “positive repayment status.”

Another proposal by the Hamilton Project suggests creating a cohort repayment rate, not to be confused with cohort default rate, to look at the percentage of Federal student loan dollars that have been repaid in the 5-years after borrowers leave school.

It would be possible to apply this at the program level as well. Evaluating individual programs rather than applying a blanket sanction to a college that has both excellent and failing programs would help inform students’ choices and spend Federal dollars more responsibly.

Using student loan repayment rates in an appropriate way to measure accountability for all programs at all of our 6,000 colleges and universities would be, in my view, a step in the right direction.

To be clear, we want to ensure students are getting a quality education and that they are not borrowing more than they can afford to pay back to the taxpayers who are making the loan.

This hearing and our continued conversations is one of our five key areas we need to address in our reauthorization of the Higher Education Act this spring. Just as we released white papers in 2015 on accreditation, risk sharing and consumer information, my staff plans to release a staff white paper later this week intended to continue this thoughtful discussion on what it entails to have a robust accountability system.

Senator Murray.

#### OPENING STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you, Chairman Alexander.

One of the reasons you and I are able to work together to tackle big, important issues like higher education is because we work to find common ground and negotiate in good faith.



But our work is never over when the laws are passed. We have to continue to work together, as you well know, to make sure it is implemented as we intended.

I really just want to say at the top that I appreciate that you listened to my concerns about the Department's implementation of the Every Student Succeeds Act so far, and I do look forward to hearing from Secretary DeVos. I really know that you and I can work together to resolve the concerns with implementation of our last bipartisan education law before we begin negotiating on this one, so I appreciate it.

Now, I want to thank all of our witnesses for being here today. I hope to hear from you how we can better hold all of our colleges accountable for students' success in higher education, and your thoughts will be very valuable to us as we begin to negotiate the reauthorization of the Higher Education Act.

I think by now it's very clear the issues in our higher education system are deep-rooted and vast. Our caucus has very clear priorities that need to be addressed if we are going to reauthorize this law.

We have to look at all the challenges that students are facing, including addressing the rising costs of college; providing access to higher education to everyone who wants it; ensuring students are able to learn in a safe environment free from discrimination and harassment and assault; and as we will discuss today, supporting students to help them complete their education and be prepared for success after college. In short, students should be better off, not worse off, after enrolling in college.

It may be hard to get consensus across the aisle on these issues, but I am really hopeful we can get there. And I think it's really clear from the number of times accountability came up in last week's hearing on access and innovation that these issues intersect.

It is important that we reauthorize the Higher Education Act in a way that addresses all of the issues comprehensively and takes into account how they are related to each other.

Now I want to go into what accountability means and why it's so important for students.

We ask our students to make enormous decisions about their future—where to go to school, what kind of program best fits their needs, and what to study.

But in order to make the best decisions, students need better and more complete information to make the right choice for them.

Because the Federal Government invests so heavily in higher education, it is our job to hold all colleges receiving Federal funding accountable when they are failing our students to make sure that taxpayers are getting a good return on that investment.

Students, too, deserve to know they are going to get a return on their hard work and money and won't be saddled with debt they can't repay.

I know there will be many ideas discussed today, but there are three points I feel must be included in any conversations about better accountability in higher education.

First, we cannot create a one-size-fits-all accountability system for the more than 7,000 colleges in our entire higher education system. Community colleges differ vastly from traditional 4-year col-

leges, which differ from colleges that exclusively provide instruction online. And in some cases, schools may have different priorities, including for-profit colleges, which is an industry with a troubling history of sacrificing students' education for financial gain.

It is only logical we would design accountability measures to take into account the different types of colleges and keep a closer eye on bad actors.

Second, we need to hold schools accountable at all stages of a student's education, not just whether or not they can find a job after graduation.

I think we can all agree, one of the core missions of higher education is to prepare students for the workforce, but to get there colleges also need to be encouraging students to complete college. Currently, a staggeringly low 55 percent of students graduate within 6 years.

Accountability systems also need to ensure colleges play a bigger role in making higher education more accessible and supportive for underrepresented students.

By holding schools accountable for all phases of a student's education, we can ensure colleges aren't avoiding enrolling underrepresented students. We can't allow schools and colleges to close the door on the students who have the most to gain from higher education simply because they may face additional challenges than their more advantaged peers.

Finally, our system of accountability also has to recognize the incredible investment we are asking our students and families to make, often in the form of debt.

Colleges that load students with debt that they can't repay, or fail to prepare students to be successful in paying down their debt, should not be able to benefit from taxpayer dollars.

We have a crisis of borrowers falling further and further behind on their debt, particularly students of color, and we have to address the root causes.

When Chairman Alexander and I negotiated the Every Student Succeeds Act, we agreed the previous education law was broken but that we needed to maintain a focus on our most vulnerable students and not allow them to fall through the cracks. And since it is clear students' education very rarely ends with high school these days, we need to maintain that same focus on underserved students in our HEA reauthorization.

As I mentioned, only 55 percent of students are graduating in a timely manner. Disappointingly, that already low number is even lower for Latino, African American, and low-income students.

Just as we clearly required in ESSA, we must ensure higher education is paying attention to groups of students who have previously struggled and using their success as a key factor in our accountability system.

These are really broad issues, and I know many ideas will be discussed today, but I want to make one thing clear: we should be building a stronger accountability system. And all the options discussed today should be in addition to, not in replacement of, our current accountability measures.

We can't loosen guardrails and give colleges free range just because they ask for it.

Instead, we need to use evidence to determine which accountability measures produce good results for our students and which guardrails need to be strengthened. Our students' success should be our number-one priority.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murray.

I'm pleased to welcome our witnesses.

The first witness is Dr. Anthony Carnevale, whom I've quoted frequently in these hearings. He is Research Professor and Director of the Georgetown University Center on Education and the Workforce. He previously worked at the Educational Testing Service, the Committee on Economic Development, the Institute of Workplace Learning. He's held several positions here on Capitol Hill. He's been appointed to various White House commissions by three Presidents. He earned his Ph.D. in Public Finance Economics at Syracuse University.

Ms. Mamie Voight is our second witness, Vice President of Policy Research at the Institute for Higher Education Policy. She leads that institute's projects on affordability and post-secondary data policy. Her team currently manages a program called the Post-Secondary Data Collaborative, which advocates for using high-quality data to advance equity and student success.

Our next witness is Dr. Jose Luis Cruz, President of Lehman College in the City University of New York. He was Provost of California State University-Fullerton, Vice President of Higher Education Policy and Practice at the Education Trust, and Vice President of Student Affairs for the University of Puerto Rico system. He's testified before Congress, received his doctorate from Georgia Tech.

Our fourth witness is Mr. Jason D. Delisle, Resident Fellow at the American Enterprise Institute. His work focuses on higher education financing, with an emphasis on student loans. He was previously Director of the Federal Education Budget Project at New America. He started his career on Capitol Hill with Congressman Tom Petri and later was with the Senate Budget Committee.

Our final witness is Mr. Ben Miller, Senior Director of Post-Secondary Education at the Center for American Progress. His work focuses on higher education accountability, affordability, and financial aid, as well as for-profit colleges and other issues. He was previously the Research Director for Higher Education at New America and a Senior Policy Advisor in the U.S. Department of Education.

I look forward to everyone's testimony. I thank you all for being here.

We would ask you to summarize your comments in 5 minutes so that we can have exchanges with the Senators, and we'll try to keep the exchanges at about 5 minutes as well, so everyone has a chance to participate.

Dr. Carnevale, let's begin with you. Welcome.

**STATEMENT OF ANTHONY P. CARNEVALE, PH.D., RESEARCH  
PROFESSOR AND DIRECTOR, GEORGETOWN UNIVERSITY  
CENTER ON EDUCATION AND THE WORKFORCE, WASH-  
INGTON, DC**

Dr. CARNEVALE. Good morning, Chairman Alexander, Ranking Member Murray, and distinguished Members of the Committee.

The short version of my testimony is that I think American higher education is risky business, has been for a while, and for students and taxpayers it's getting riskier all the time. And I think what we need to do about that in a deliberate way is to begin using information effectively to make markets in higher education work better, initially with transparency and with some considerable accountability to follow, in my judgment.

The truth is we're already awash in data in higher education, but we don't have the data we need, and we don't use it effectively to help consumers or policymakers or taxpayers figure out how to best invest in higher education for themselves or their children.

I would argue that while there's lots of data it would be nice to have, I think what we need most is data that connects programs to jobs and careers. I think that's the priority given the rising costs and the rising importance of post-secondary education in our economy.

I would offer four or five reasons why I think we need to act and need to act as soon as possible.

First, we have real performance problems in American higher education. The Canadians spend 2.6 percent of their GDP on higher ed. We spend 2.7 percent of our GDP on higher ed. They get a 56 percent completion rate. We get a 46 percent completion rate. Every year, 500,000 American high school students graduate in the upper half of their class, but 8 years later, as far as we can track them, they have not achieved either a certificate, a 2-year degree, or a 4-year degree.

So this is not altogether about people being unprepared. It's not about K-12 altogether. There is failure at the higher education level as well.

The best summary evidence I have, I think, of our problem is that the majority of Americans, barely a majority, 51 percent, in a Gallup poll tell us now that if they had it to do over again they would change their degree, their program, their institution, but they don't have it to do over again. So I think the consumers are telling us something loud and clear.

Second, I would argue that we need program-level employment and earnings outcomes because, truth be told, higher education programs have become our biggest and most effective jobs program. In America, it used to be in the 1970's that two out of three workers had high school or less, and they were doing fine. We know how they're doing now. They're very angry. The economy has moved past them. Nowadays, two out of three workers need some post-secondary education and training to get a job that, at a minimum, pays \$35,000 through their 30's, \$45,000 after that, and averages \$55,000 over a career. That is, I think, a fair family wage, especially in a two-earner family, where at least on the ground if you've got somebody at \$55,000, you've got another person at \$40,000.

So I think we have to think of higher education as a jobs program and as workforce development. That is new for higher education. It didn't have to perform that function before. And with the function comes new responsibilities.

I think that we also know that while economic value is not the only reason people go to college, regularly the surveys say about 70 percent, often more, say they go to college to have a career, but in those same surveys, if you look deeper down you'll find that 50 percent say they go to college to study things that interest them, and you always get a number somewhere around 30 percent who say I go to college so I can be a better person.

Americans want a lot out of college. But the first thing they want is a successful career, because in a capitalist economy, if you can't get a job, you're not really a person. So that's the priority for them as a matter of necessity. The other stuff is nice, and I think should be made affordable for them. But the job I think is the priority.

I think in the end, the third reason is that we've come to the point that, in fact, we're already running a higher education system that is a job training program. That is, in the United States now, the market in higher education is more a market in programs than it is in institutions. We're accustomed to thinking of higher education as a market in institutions—do I go to Georgetown, do I go to NYU, do I go to UVA? That's really not the issue.

We now live in an economy where at every level—graduate, BA, a 2-year degree, certificate—the ratio of earnings by field of study at each of those levels exceeds 5-to-1. There's an enormous difference now in the returns to different fields of study. It's really a program-driven system from an economic point of view, and it's a system where nowadays 40 percent of people who get a Bachelor's degree earn more than the average graduate degree, a good 30 percent of people who get 2-year degrees earn more than the average BA because of the field of study they're in. There are lots of certificates now, especially technical certificates, that make more than a 2-year degree or a 4-year degree. And in some cases, when you're talking about social work and counseling, they earn more than graduate degrees. A Master's in social work counseling and early childhood education earns less, a lot less, than people who get a certificate in heating ventilation and air conditioning.

It is a system now where—

The CHAIRMAN. Dr. Carnevale, you're well over time.

Dr. CARNEVALE. Oh, sorry. So my point is that it's a system that already operates in terms of a set of programs and not a set of institutions, and accountability needs to recognize that.

[The prepared statement of Dr. Carnevale follows:]

PREPARED STATEMENT OF ANTHONY P. CARNEVALE

Good morning, Chairman Alexander, Ranking Member Murray, and distinguished Members of the Committee. Thank you for the opportunity to testify today about the return on investment in college programs.

The old rules of thumb—go to college, graduate, and get a job—are no longer enough to navigate today's complex world.<sup>1</sup> The relationship between education after high school and jobs has become much trickier to navigate. Learners and workers need a clear guidance system that will help them make good decisions about col-

<sup>1</sup> Carnevale et al., *Career Pathways*, 2017. <https://cew.georgetown.edu/cew-reports/careerpathways/>

lege and career that lead to fulfilling, purposeful lives while supporting their families.

Today's economy is far more complex than those of decades past. We have more occupations, programs of study, colleges and universities, and students than ever before. Since 1950:

- the number of occupations in the labor market has grown from 270 to 840<sup>2</sup>
- the number of colleges and universities has grown from 1,800 to 4,700<sup>3</sup>
- the number of students enrolled in colleges and universities has grown from 2 million to 20 million.<sup>4</sup>

Meanwhile, since 1985, the number of postsecondary programs of study has grown from 400 to 2,300.<sup>5</sup>

In recent years, the variety of postsecondary credentials—including degrees, certificates, certifications, licenses, and badges and other micro-credentials—has multiplied rapidly. New providers as well as delivery modes and models, such as online and competency-based education, have added further to the growing complexity and confusion. This has translated into an explosion of choices and decisions that make it hard for people to navigate through college and careers.

Colleges have become very expensive, with tuition and fees at public 4-year colleges and universities growing 19 times faster than the median family income since 1980.<sup>6</sup> The trend toward state disinvestment in postsecondary education for the past three decades has shifted the financial burden to students and their families.<sup>7</sup>

As prices have gone up, we've fallen from first to seventh in postsecondary attainment among OECD nations.<sup>8</sup> Our Canadian neighbors now achieve a 56 percent college credential attainment rate by spending 2.6 percent of their GDP on higher education, while America achieves a 46 percent attainment rate by spending 2.7 percent of ours.<sup>9</sup> At this productivity rate, American higher education would have to spend as much as \$200 billion more per year to catch the Canadians—an amount we simply can't afford.<sup>10</sup>

If students are investing more to go to college, they need to have answers to basic questions about the value of postsecondary education. They need better information to make decisions that have lifelong economic consequences, and this information should be delivered in new ways. In addition, the governance, accreditation, and financing of postsecondary education must go beyond student completion as a goal and be connected to measurable post-college outcomes.

While completion is an important metric for improving efficiency, it ignores the relationship between learning and earning in particular fields of study, as well as the social and economic value of general education. If we don't change the way we think about providing postsecondary education and training, we will continue to have a system with runaway costs driven by institutional prestige rather than learning and earning outcomes.

Today's ecosystem of postsecondary credentials is complex, fragmented, and multi-layered. This presents significant challenges to learners, employers, and policy-makers. We don't know enough about the learning and competencies required to receive specific credentials. We also don't know how various credentials across diverse fields are valued, or how they interact with one another. Employers traditionally have used specific credentials as signals of workers' competencies. But today they are unable to assess the value of different credentials and want to know how the competencies that underlie credentials match job requirements. Without clear, comprehensive, and actionable information, mediocrity prevails, and reputation rather than quality (captured by earnings returns) is rewarded.

Measuring learning and earning at the program level is the key to unbundling the value of postsecondary education options. Currently we have ways to measure

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<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Georgetown University Center on Education and the Workforce analysis of the College Board, *Trends in College Pricing 2015*, 2015, Table 2A; U.S. Census Bureau and Bureau of Labor Statistics, *Current Population Survey, March Supplement, 1980, 2016*.

<sup>7</sup> State Higher Education Executive Officers, "SHEF fiscal year 2016," 2017. <http://sheeo.org/shef2016>

<sup>8</sup> OECD, *Education at a Glance, 2017*. <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

<sup>9</sup> Ibid.

<sup>10</sup> Georgetown University Center on Education and the Workforce analysis based on data from the U.S. Census Bureau, OECD, Federal Reserve Bank of St. Louis, and National Center for Education and Statistics surveys. A range of estimates using different methods suggest a range between \$120 billion and \$240 billion.

earning, but we are far away from being able to measure learning. Why is measuring learning important? General education competencies make workers more flexible and more adaptable to changing technology, which is advantageous over the course of a career.

In the long term, we will need to figure out which combination of general and specific competencies prepare workers better for occupations. For now, the new relationship between postsecondary programs and the economy comes with rules that require much more detailed information about the connection between individual postsecondary programs and career pathways:

**RULE 1. On average, more education yields more pay.**

Over a career, an average high school graduate earns \$1.4 million; an Associate's degree holder earns \$1.8 million; a Bachelor's degree holder earns \$2.5 million; a Master's degree holder earns \$2.9 million; a PhD holder earns \$3.5 million; and a professional degree holder earns \$4 million.<sup>11</sup>

**RULE 2. What a person makes depends on what that person takes.**

A major in early childhood education pays \$3.4 million less over a career than a major in petroleum engineering.<sup>12</sup>

**RULE 3. Sometimes less education is worth more.**

Holders of IT certificates who work in field earn \$70,000 per year compared with \$61,000 per year for the average bachelor's degree holder.<sup>13</sup> Thirty percent of associate's degree holders make more than the average bachelor's degree holder.<sup>14</sup>

**RULE 4. What a student studies matters more than where they study it.**

Over the past three decades, the college wage premium—how much college graduates earn relative to high school graduates—has doubled,<sup>15</sup> but the variation in earnings by college major has grown even more.<sup>16</sup>

### Measuring the Economic Value of Programs vs. Institutions

All of our research and that of our colleagues in the field suggests that programs, not institutions, are the fundamental units that transmit economic value to students. That is because it is a student's major or field of study that has the strongest relationship with the kind of career a student pursues after college. The variation in earnings across college programs is far greater than the variation in earnings across colleges.

In other words: What a student studies is more important than where they study it.

That is why many workers with less education earn more than those with more education. For example:

- Bachelor's degree holders who majored in STEM, business, or health fields earn more than graduate degree-holders who studied education or social work.
- Associate degree holders who studied engineering, IT, or health earn more than bachelor's degree holders who majored in the arts or English.

In terms of labor market outcomes, institutions matter, but programs matter more.

Take the University of Texas system, for example. Graduates from open-access UT System colleges who complete degrees in high-paying majors can earn more than UT System graduates from selective colleges.<sup>17</sup> Architecture and engineering; computers, statistics, and mathematics; and health majors at both middle-tier and open-access UT System colleges earn more than those who major in physical sciences, or humanities and liberal arts at selective UT System colleges. In fact, graduates of open-access UT System colleges who majored in architecture and engineering have median earnings greater than 61 percent of all graduates from selective UT System colleges.

<sup>11</sup> Carnevale et al., The College Payoff, 2011. <https://cew.georgetown.edu/cew-reports/the-college-payoff/>

<sup>12</sup> Carnevale et al., The Economic Value of College Majors, 2015. <https://cew.georgetown.edu/cew-reports/valueofcollegemajors/>

<sup>13</sup> Carnevale et al., Certificates, 2012. <https://cew.georgetown.edu/cew-reports/certificates/>

<sup>14</sup> Carnevale et al., The College Payoff, 2011. <https://cew.georgetown.edu/cew-reports/the-college-payoff/>

<sup>15</sup> Carnevale et al., The Undereducated American, 2011. <https://cew.georgetown.edu/cew-reports/the-undereducated-american/>

<sup>16</sup> Carnevale et al., The Economic Value of College Majors, 2015. <https://cew.georgetown.edu/cew-reports/valueofcollegemajors/>

<sup>17</sup> Carnevale et al., Major Matters Most, 2017. <https://cew.georgetown.edu/wp-content/uploads/UT-System.pdf>

### Why We Need Program-Level Earnings Data

The Federal Government has a compelling interest in measuring how well the Nation's large investment in Title IV student aid pays off to students and taxpayers. This can be done most effectively with program-level data. While it is true that colleges provide immense and often unmeasured social value, the economic value the programs provide can and should be measured: the economic benefit associated with college is the chief reason students pursue a college education and one of the principal reasons taxpayers invest in higher education. Higher education has the power to promote economic mobility and equity but will ultimately fail to do so if higher education programs aren't successfully preparing students for careers.

Currently, the Federal governance of higher education is based on a primitive accountability structure, accreditation, that is demonstrably flawed. This system has led to egregious outcomes and a waste of public funds in the case of many for-profit colleges and many programs at nonprofit providers as well. The basic flaw in the model that is used by regional accreditors and other third-party entities is that the system is designed to set standards and provide feedback to colleges, not to measure outcomes and regulate the funding of programs.

Instead, we need to deliver usable consumer information at the program level and to define outcomes-based standards to fund programs based on their employment and earnings outcomes. Doing so would promote efficiency and innovation in higher education by opening up the higher education market to competition among different kinds of postsecondary education and training providers. It would shift Federal governance away from awarding funding based on the number of beakers colleges have in a lab to awarding programs that lead to career and life success for their students. And it will do this while maintaining institutional autonomy.

That newly established consumer information should be made available to postsecondary program providers so they can make informed choices about their program offerings and performance.

Gathering good information is not enough, however. We need to get that information into the hands of consumers in a user-friendly format that aids their decisions. To accomplish that, we must (1) build program-level information systems at a level of aggregation that ensures individuals' privacy and (2) unleash the private sector to transform that aggregated, open-source information into a user-friendly format that aids the education and career decisions of prospective college students and their families.

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[SUMMARY STATEMENT OF ANTHONY P. CARNEVALE]

American higher education is risky business for students and taxpayers, and it's getting riskier. The cost of college has been rising far faster than family incomes for decades. As prices have gone up, we've fallen from first to seventh in postsecondary attainment among OECD nations. Our Canadian neighbors now achieve a 56 percent college credential attainment rate by spending 2.6 percent of their GDP on higher education, while America achieves a 46 percent attainment rate by spending 2.7 percent of ours. At this productivity rate for American higher education, we would have to spend as much as \$200 billion more per year to catch the Canadians—an amount we simply can't afford. Not surprisingly, a Gallup/STRADA poll found that 51 percent of college graduates would change their degree type, institution, or major if they could do it.

Every year, more than 500,000 of our best students, those in the top half of their high school class, give college a try but never earn a degree or certificate. Even among those who get BAs, more than 20 percent end up in jobs that don't require college-level skills and pay high school-level wages.

Our non-system of postsecondary education is a \$530 billion black box with no operating system. If we are to improve the return on investment to higher education and reduce economic risk to consumers, we need to increase transparency and performance standards at both the institutional and program levels. We are already awash in institutional performance metrics. What we need most is much more program level transparency and accountability. Why?

First, program level data on employment and earnings outcomes is urgently needed because higher education programs have become our biggest and most effective jobs program. Increased economic value is responsible for most of the phenomenal growth in postsecondary enrollment since the 1980's and is the principle reason students attend.

Second, college is becoming a market in programs as much, if not more, than it is a market in institutions. We now live in an economy where there is at least a 5:1 ratio between the highest and lowest paid fields of study at every degree and



certificate level. Because of differences in field of study, 40 percent of BA holders earn more than the average graduate degree holder, 30 percent of AA holders earn more than the average BA holder, and many 1-year certificate holders earn more than many AA and BA holders.

Third, the variety of postsecondary programs and credentials has become too vast for consumers to navigate without help. Colleges and other postsecondary providers are responding with a blizzard of degrees, certificates, licenses, certifications, badges, and other micro-credentials delivered through various media. No one really knows what all these programs and awards mean. As a result, the postsecondary education system has become a Tower of Babel resting on unsupported claims.

Fourth, shifting transparency and accountability to the program level will trigger longer term market-based reforms inside the black box of institutional finances in higher education. Program-level information would unbundle institutional spending, tighten the connection between learning and earning, encourage competition among program providers, and foster specialization. These dynamic market forces are moving us away from the current cafeteria system in which every college has to offer every program to be competitive. Accreditation based on economic outcomes can rejuvenate current practices gone stale. Finally, program-level information on employment and earnings, aggregated and made available to the public, would encourage competition among providers to develop counseling tools for institutions and families.

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The CHAIRMAN. Thank you. We'll look forward to continuing the conversation.

Ms. Voight, welcome.

**STATEMENT OF MAMIE VOIGHT, VICE PRESIDENT OF POLICY RESEARCH, INSTITUTE FOR HIGHER EDUCATION POLICY, WASHINGTON, DC**

Ms. VOIGHT. Thank you, Chairman Alexander, Ranking Member Murray, and Members of the Committee.

My name is Mamie Voight, and I am Vice President of Policy Research at the Institute for Higher Education Policy, or IHEP, a non-profit, non-partisan organization that promotes college access and success, particularly for underserved students.

IHEP also leads the Post-Secondary Data Collaborative, a non-partisan coalition of organizations representing students, institutions, states, employers, and privacy and security experts. Together, we seek to advance the use of high-quality data to improve student success and educational equity.

The research is clear: college investments pay off for students and for our country. Graduates earn more, pay more in taxes, and are healthier. College is a pathway out of poverty, with low-income students five times more likely to climb the economic ladder if they earn a degree.

Yet where a student goes to college ultimately shapes her ability to climb that ladder. Research shows time and again that outcomes vary dramatically across institutions and programs, even those enrolling very similar students.

For our most vulnerable students with the most to gain from college and the most to lose if things go wrong, the stakes are high. And for taxpayers counting on Federal policymakers to responsibly steward their \$157 billion higher education investment, the stakes are equally as daunting. Students and taxpayers should expect some degree of accountability to manage this risk.

Instead, students, policymakers, and institutions cannot answer critical questions about which programs at which institutions provide an adequate return on investment, and for which students.

Any accountability system, whether it be market-based, incentive structures, or other systems, must be grounded in reliable evidence.

This need for evidence holds regardless of who or what is driving the accountability system—student choice, the Federal Government, state governments, or accreditors. Yet both students and policymakers must make decisions with incomplete information.

Imagine buying a car without knowing its fuel economy or safety rating, or purchasing a home without knowing critical details revealed in the inspection. Now imagine assisting a loved one trying to decide between two colleges. She asks questions like: Do part-time black students graduate? What types of schools do students transfer to? And how do graduates fare in the workforce? Your loved one won't be able to answer those questions because the available data are incomplete. And right now, even as stewards of \$157 billion in Federal investments, neither can you.

Federal policy is what stands in the way of answering these questions, even though the data to answer them already exist. Our data infrastructure is duplicative, inefficient, and excludes many students. Institutions and states have recognized this insufficiency of Federal data and tried to plug the holes themselves. But piecemeal, voluntary reporting isn't enough.

In a state like Virginia, many residents would be missing in state-based employment data just because they work for the Federal Government, they are members of the military, or they work across state lines in Maryland or D.C.

Recent Federal attempts to measure workforce outcomes are insufficient too, because they omit the 30 percent of students who do not receive Federal financial aid. By not counting all students, these metrics produce incomplete results, ignore non-aided students' needs, and stymie efforts to evaluate equity. A better, more complete solution exists.

A secure, privacy-protected, post-secondary student-level data network like the one proposed in the bipartisan College Transparency Act would integrate existing Federal, state, and institutional data sources into a more coherent, nimble, secure, and privacy-protected network. It would leverage existing systems to create better information that counts all students, while reducing reporting burden on institutions.

More than 130 organizations representing students, colleges, veterans and employers have endorsed the College Transparency Act, recognizing that it would create a more functional post-secondary marketplace and empower actors across the system.

The Federal Government is uniquely positioned to compile better post-secondary information. It is the only entity with comprehensive workforce data, including for students who cross state lines, and the only entity that can collect consistent, comparable data from colleges across the country.

Good policy and good decisions are grounded in good evidence, transparency, and accountability. As you work to reauthorize HEA, consider the questions you want to ask but cannot answer. Consider your role in protecting students and taxpayers, and consider the student whose college choice will define her future.

Please safeguard taxpayer investment, help students climb the economic ladder, and secure their future.

Thank you.

[The prepared statement of Ms. Voight follows:]

PREPARED STATEMENT OF MAMIE VOIGHT

Chairman Alexander, Ranking Member Murray and Members of the Committee, thank you for the opportunity to testify today.

My name is Mamie Voight, and I am Vice President for Policy Research at the Institute for Higher Education Policy (IHEP), a nonprofit, nonpartisan, research, policy, and advocacy organization working to promote college access, success, and affordability, particularly for students who are underserved by our postsecondary system—including low-income students and students of color.

The research is abundantly clear: investing in a college education pays off.<sup>2</sup> But while college is often a worthwhile investment, students, policymakers, and institutions cannot answer crucial questions about which programs at which institutions provide an adequate return on this investment, and for which students. This failure to answer key questions hampers policymaker efforts to design and implement accountability systems that manage the risk to taxpayers and students.

Those risks are real, especially for the most vulnerable students with the most to gain from a higher education, but also the most to lose if things go wrong. College is a pathway out of poverty, with low-income students five times more likely to climb the economic ladder if they earn a college degree than if they don't.<sup>3</sup> t, where a student goes to college ultimately shapes her opportunity to climb those rungs. Outcomes vary dramatically across institutions and programs—even those enrolling similar types of students. Quality data about postsecondary outcomes are necessary to illuminate those patterns in ways that can inform policymaker efforts to protect taxpayer dollars.

At IHEP, we recognize that the use of high-quality data is necessary to drive improvements in student outcomes and educational equity, which is why we lead the Postsecondary Data Collaborative (PostsecData). PostsecData brings together dozens of organizations committed to the use of high-quality data to improve student success and close equity gaps. Working with these partners, which represent students, institutions, states, employers, and privacy and security experts, we conduct research, identify potential policy solutions, and advocate for higher quality data, all in the interest of better serving students. Grounded in a commitment to equity and better outcomes, more than 130 organizations recommend integrating existing Federal, state, and institutional data sources into a more coherent, nimble, secure, and privacy-protected student-level data network to create more usable information to inform decisionmaking.

**Patterns of evidence: Our current higher education system**

Data build patterns of evidence that can and should shape policymaking. The data we have now paint a troubling picture about student outcomes, especially for low-income students and students of color. While more students from all walks of life are going to college today, enormous gaps still separate black, brown, and low-income students from their peers. In fact, low-income students today go to college at the same rate that high-income students did four decades ago.<sup>4</sup> And among first-time, full-time students at 4-year colleges, only 40 percent of Blacks, 54 percent of Hispanics, and 41 percent of American Indians graduate within 6 years, compared with 63 percent of Whites.<sup>5</sup> All told, White young adults are about twice as likely

<sup>2</sup> Ma, J., Pender, M., & Welch, M. (2016). Education Pays 2016. The College Board. Retrieved from <https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf>

<sup>3</sup> Urahn, S. K., & Plunkett, T. (2013). Moving on up: Why do some Americans leave the bottom of the economic ladder, but not others? (Issue Brief). Retrieved from The Pew Charitable Trusts website: <http://www.pewtrusts.org/en/research-and-analysis/reports/0001/01/01/moving-on-up>

<sup>4</sup> U.S. Department of Education (2010). The condition of education (pp. 208, 210). Retrieved from: <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2010028>; U.S. Department of Education (2017). The condition of education (pp. 234-235). Retrieved from: <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2017144>

<sup>5</sup> U.S. Department of Education (2017). Graduation rates for selected cohorts, 2007–12; Outcome measures for cohort year 2007; Student financial aid, academic year 2014–15; and Admissions in postsecondary institutions, fall 2015: First look (provisional data). Retrieved from: <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2017084>

as Black or Hispanic young adults to have attained a bachelor's degree, and high-income young people are six times more likely than those from low-income backgrounds to have had earned a BA.<sup>6</sup>

Let's be clear: these gaps are not predetermined by demographics. Yes, because our system concentrates low-income students and students of color in K12 schools where we invest less and offer them less access to rigorous courses, some students come to college with less academic preparation.<sup>7</sup> Yet, academic preparation is far from the entire story, and data show us that. High-income students with low math scores attain a bachelor's degree at the same rate as low-income students with high math scores.<sup>8</sup> In other words, immense talent that could help fill workforce needs and build a stronger society is left untapped by an education system that leaves too many low-income students behind—despite their academic strengths.

The patterns illuminated by the data make clear that what institutions do matters immensely for students, especially low-income students and students of color. Study after study finds that similar institutions enrolling similar students produce very different results for those students.<sup>9</sup> Take Georgia State University (GSU) and Kennesaw State University (KSU), for example. The SAT scores of entering students are about the same at both of these public colleges in Georgia, yet Georgia State enrolls higher proportions of low-income students (57 percent at GSU vs. 36 percent at KSU) and students of color (48 percent at GSU and 25 percent at KSU). Yet, graduation rates at Georgia State are 10 percentage points higher than at Kennesaw State (53 percent vs. 42 percent).<sup>10</sup> Georgia State's efforts to use data to increase student success are discussed later in this testimony.

Demography most certainly is not destiny. Indeed, at the average 4-year institution with an above-average share of Pell students, the graduation rate for Pell students is 39 percent. However, we know there are schools serving an even larger share of Pell students that have graduation rates that far surpass that bar, such as Spelman College (72 Pell graduation rate) and Berea College (61 percent Pell graduation rate).<sup>11</sup>

Clearly what colleges do makes a difference for students. These variations in outcomes are exactly why we need quality evidence to inform student choice, protect taxpayer investments, facilitate institutional improvement, and close equity gaps.

### Accountability must be grounded in evidence

Any accountability system—whether it be market-based accountability, bright-line indicators, incentive structures, or other systems—must be grounded in reliable evidence. This need for evidence holds regardless of who or what is driving the accountability system: student choice, the Federal Government, state governments, or accreditors. Indeed, Ranking Member Murray (D-WA) and Speaker Ryan (R-WI) have reinforced a bipartisan commitment to data-driven policymaking by launching the Commission on Evidence-Based Policymaking. This effort brought together experts from both sides of the aisle “to develop a strategy for increasing the avail-

<sup>6</sup> U.S. Department of Education (2017). The condition of education (p. 45). Retrieved from: <https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2017144>; Bailey, M.J. & Dynarski, S.M. (2011). Gains and gaps: Changing inequality in U.S. college entry and completion, National Bureau of Economic Research (4, 26). Authors' calculations using 1997 National Longitudinal Survey of Youth. Retrieved from: <http://www.nber.org/papers/w17633>

<sup>7</sup> Ushomirsky, N. & Williams, D. (2015). Funding gaps 2015. Retrieved from: <https://edtrust.org/resource/funding-gaps-2015/>; Chen, X., Wu, J., & Tasoff, S. (2010). Academic preparation for college in the high school senior class of 2003–04, Table 2 and Table 4 (Issue Tables No. NCES 2010-169). p. 6 and 10. Retrieved: <http://nces.ed.gov/pubs2010/2010169.pdf>

<sup>8</sup> U.S. Department of Education (2005). Youth Indicators 2005 (Table 21, p. 50).

<sup>9</sup> Yeado, J. (2013). Intentionally successful: Improving minority student college graduation rates. Retrieved from: <https://edtrust.org/resource/intentionally-successful-improving-minority-student-college-graduation-rates/>; Yeado, J., Haycock, K., Johnstone, R., & Chaplot, P. (2014). Higher education practice guide: Learning from high-performing and fast-gaining institutions. Retrieved from: <https://edtrust.org/resource/education-trust-higher-education-practice-guide-learning-from-high-performing-and-fast-gaining-institutions/>; The Upshot (2015). Top colleges doing the most for low-income students. Retrieved from: <https://www.nytimes.com/interactive/2015/09/17/upshot/top-colleges-doing-the-most-for-low-income-students.html>; Hiler, T., Erickson

Hatalasky, L., & John, M. (2016). Incomplete: The quality crisis at America's private, non-profit colleges. Retrieved from: <http://www.thirdway.org/report/incomplete-the-quality-crisis-at-americas-private-non-profit-colleges/>; Nichols, A. & Evans-Bell, D. (2017). A look at black student success: Identifying top- and bottom-performing institutions. Retrieved from: <https://edtrust.org/resource/black-student-success/>; Nichols, A. (2017). A look at Latino student success: Identifying top- and bottom-performing institutions. Retrieved from: <https://edtrust.org/resource/look-latino-student-success/>

<sup>10</sup> Data from College Results Online, [www.collegeresults.org](http://www.collegeresults.org)

<sup>11</sup> Third Way analysis of IPEDS data, 2018.

ability and use of data in order to build evidence about government programs, while protecting privacy and confidentiality.”<sup>12</sup> is commitment to evidence is key to designing and implementing good policies, especially within higher education, where data too often are incomplete or insufficient.

### **Much of our existing data are insufficient for students, policymakers, and institutions**

While some postsecondary data, such as information on the student loan program, are relatively complete, of high-quality, and ready to be used to improve accountability systems now, much of our data on student outcomes are insufficient. Through our work with the PostsecData Collaborative we know that our current postsecondary data infrastructure is a disjointed puzzle that needs to be improved. While our system is data rich, we are information poor. Institutions report data to multiple entities—states, accreditors, voluntary data initiatives, and various places within the Federal Government, including the Integrated Postsecondary Education Data System (IPEDS) and the National Student Loan Data System (NSLDS). In most cases, these various data systems do not talk with each other, and in some cases institutions are reporting very similar data to multiple places, piling on reporting and compliance burden that inhibits their capacity to use the data. In other instances, institutions must report data to the Department of Education that another Federal agency already holds, such as data on the receipt of veteran’s education benefits.

The current system falls short of answering critical questions about college enrollment, completion, costs, and outcomes, and many existing data collections fail to capture the diversity of students pursuing college today. To illustrate the lack of data available today, consider this:

Ava is an African-American working mother of two and hopes to enroll at a local college part-time to learn a new skill. As Ava considers the postsecondary options in her community, she seeks answers to the following questions about each college:

- How do students fare in the workforce after leaving college?
- How much do students borrow, and can they successfully repay their loans?
- How many part-time African-American students graduate from colleges near me?
- How long does it take students to complete their degrees or certificates?
- What about the students who do not complete at community colleges? Do they transfer to a four—year school to complete their studies?

Like all prospective students, Ava should be able to answer each before deciding where she will enroll. But existing policies prevent us from answering many of these basic questions.

Furthermore, policymakers—at the Federal, state, accreditor, and institution level—also need answers to these questions to responsibly steward taxpayer funds and spur institutional improvement. Each year we invest billions of taxpayer dollars in our Nation’s postsecondary education system. And targeted student aid helps millions of hard-working students make the promise of a college education an attainable reality. Yet policymakers lack valuable information about which institutions provide an adequate return on investment for which students, making it difficult to enact policies to drive institutional improvement. That needs to change.

Additionally, our Nation’s college leaders seek to provide educational offerings that meet the needs of their students and position them for success. But many lack comprehensive information about how their students fare after leaving their institution—either for subsequent education or for employment. A strong postsecondary data infrastructure will help college leaders develop and implement targeted strategies aimed at supporting student success.

Indeed, college leaders often cite data-use as a driving factor in helping them better serve students, and Federal policy should be responsive to these institutional needs.<sup>13</sup> A more efficient and streamlined reporting system will reduce the current data-reporting requirements as well as the financial and human resources necessary

<sup>12</sup> Commission on Evidence-Based Policymaking, <https://www.cep.gov/>

<sup>13</sup> Rorison, J. & Voight, M. (2016). Leading with data: How senior institution and system leaders use postsecondary data to promote student success. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecdata/docs/resources/ihep-leading-with-data-final.pdf>; Using data to increase student success (case studies). Association of Public & Land-grant Universities. Retrieved from <http://www.aplu.org/projects-and-initiatives/accountability-and-transparency/using-data-to-increase-student-success/index.html>

to complete current requirements. Alleviating this burden, we hope, will allow institutions more time and resources to use the data to improve student outcomes.

For example, some institutions have made marked gains in persistence and completion for students of color and low-income students by focusing deliberately on their data. They use data in two notable ways: (1) to create early alert systems that allow faculty or staff to quickly identify and intervene with students who show signs of being at risk of dropping out and (2) to evaluate trends by race/ethnicity and income to uncover systemic inequities and barriers to student success.

Institutions like Georgia State and Temple University have conducted robust data analyses to identify indicators that show students are falling off track toward graduation. Georgia State has incorporated these indicators into early alert systems, so faculty or staff can reach out if a student exhibits a red flag behavior, such as registering for the wrong class, getting a “C” in the first class in their major, or not registering at all.<sup>14</sup> Temple has used their data to inform advisors about which students are at-risk for what reasons, so advisors have the information they need to serve students well.<sup>15</sup>

To spur systemic change, though, institutions also must evaluate trends in their data. Take Florida State University (FSU), for example. Leadership at FSU developed attrition charts that identified patterns in attrition rates for students of different demographics. They found that while white, non-Pell recipients followed the trends many expect—those who drop out do so in the first year—other student groups followed very different patterns.<sup>16</sup> Some low-income Latina students, for instance, were dropping out later in their college careers, even though they were in good academic standing. Administrators investigated the trend further and found that many Latina students had family obligations far from campus, and those commitments were making it difficult to complete their studies. To alleviate this challenge, the university implemented a bus service to run from Tallahassee to Miami every Friday, returning to campus on Sunday night so students could manage family commitments and get back to class. Data uncovered a trend that enabled administrators to enact an equity-centric solution.

Building strong Federal data systems that compile the data needed at the national level will alleviate compliance burdens on institutions, allowing more of them to undertake these types of robust analyses at the campus level, analyses that can have immediate impacts on students’ lives. Institutions have the power to use detailed data to remove barriers for students, and better designed Federal data networks can free up institutional capacity to do just that.

### The problem: Our current postsecondary data infrastructure

The current puzzle that is our postsecondary data infrastructure is duplicative, inefficient, cumbersome, and worst of all—it does not allow key constituents to answer pressing questions about today’s higher education system. Composed of IPEDS, multiple data systems within the Office of Federal Student Aid, state longitudinal data systems, private data collections, workforce data held by multiple Federal and state agencies, and more, the system is a complex maze riddled with holes.

For instance, IPEDS serves as the primary public tool for collecting and reporting data on higher education. However, IPEDS is an aggregate data collection, meaning more than 7,000 institutions must use student-level data to calculate and report individual metrics. Making a change to IPEDS requires defining a new metric, providing detailed reporting instructions to institutions, and then each of those 7,000 plus institutions must calculate and report the new metric. As a result, changes are slow, and many students remain missing or invisible in IPEDS metrics. For example, the graduation rates in IPEDS only measure the percentage of first-time, full-time students who complete their degree or credential at their first institution within 6 years. It leaves out part-time students, transfer-in students, and does not count outward transfer as an outcome—a particular problem for community colleges. As a result, these first-time, full-time graduation rates that are so often relied upon only reflect about half (47 percent) of today’s entering students.<sup>17</sup>

<sup>14</sup> Collins, S. (2016). Big dreams, big data. Georgia State University Magazine. Retrieved from: <http://news.gsu.edu/2017/11/15/big-dreams-data/>

<sup>15</sup> Ajinkya, J. & Moreland, M. (2015). Driving toward greater postsecondary attainment using data. Chapter 4: How to use student-level data to improve postsecondary student outcomes. Retrieved from: <http://guidebook.ihep.org/data/chapter/four/>

<sup>16</sup> Engle, J. (2012). Replenishing opportunity in America: The 2012 midterm report of public higher education systems in the Access to Success initiative, Florida State University. Retrieved from: <http://edtrust.org/wp-content/uploads/2013/10/2012-A2S-Case-Study-Florida-FINAL.pdf>

<sup>17</sup> IHEP analysis of IPEDS 2015 data.

New Outcome Measures in IPEDS help remedy this problem by collecting completion information for part-time and transfer students, but they are not disaggregated by race/ethnicity, making it impossible to evaluate questions of equity. Also, while these measures count outward transfers, they do not report the type of institution a student transferred to. As a result, community college students still do not know their chance of transferring from a community college to a 4-year program, nor do they have any information about their chance of completing a degree after transfer.<sup>18</sup>

Compared with IPEDS, student-level data reporting is less burdensome and more adaptable to a changing higher education landscape. The Office of Federal Student Aid at the Department of Education (ED) collects student-level data on students who receive Title IV financial aid, and ED has used those data to answer questions about student debt, loan repayment, and earnings.<sup>19</sup> Because ED had student-level data, the agency was able to explore metric definitions and make informed decisions about data quality and appropriate specifications for public reporting. Also, those data on aided students were matched to earnings information held by the Department of Treasury (Treasury). This data match is promising, yet incomplete. Because it is based only on FSA data, it leaves out non-aided students, an issue that is discussed in greater detail below.

The aggregate IPEDS reporting and the incomplete linkages between ED and Treasury offer just two examples of the cumbersome, inefficient, and incomplete data systems that compose our national postsecondary data infrastructure. Because of these inefficiencies, efforts to drive informed decisionmaking are stalled. So how can Federal policymaking help fix these problems, answer key questions about higher education, and make the puzzle pieces fit? By identifying the data to collect and designing an infrastructure to collect them.

### Metrics: What data to collect?

First, policymakers must determine what should be measured. Equitable access and success in higher education relies on information that reflects the higher education experience of all students at all institutions, yet many of today's students are missing or invisible in current data systems. For example, data on graduation rates historically have been limited to first-time, full-time students, data on employment outcomes are limited either to Federal aid recipients or students who do not cross state boundaries, and cost, financial aid, and outcome metrics are not always disaggregated by race/ethnicity or socioeconomic status.

Without more consistent metrics, progress toward equity and success for all students is quite simply stagnated—prospective students and policymakers will continue to be forced to make key decisions without sufficient information. To advance the goals of social mobility and equity, we need a key set of comprehensive and comparable metrics that answer these critical questions about who attends college, who succeeds in and after college, and how college is financed. Specifically, the answers must provide information on how underserved students fare.

Over the past decade institutions and states have recognized the need for better data. As a result, many created and joined voluntary data initiatives to collect better information to inform institutional improvement, consumer information, and policymaking efforts. At IHEP, we reviewed the details of these initiatives and found a great deal of agreement about what is important to measure. In *Toward Convergence: A Technical Guide for the Metrics Framework*, we categorize and define a set of about 30 metrics and 10 disaggregates that states and institutions find important in measuring college access, progression, completion, cost, and outcomes (see Table 1).

These metrics measure performance, efficiency, and equity, and are designed to offer insights to institutions to help them improve. Some of these metrics are not collected at the Federal level at all, and some, such as enrollment or graduation rates, are collected already at the Federal level in ways that fail to include all students. The proposed definitions underlying the Framework in Table 1 are intended

<sup>18</sup> Institute for Higher Education Policy (2017). An evolution of measuring student outcomes in IPEDS. Retrieved from: <http://www.ihep.org/postsecdata/data-at-work/new-postsecdata-explainer-student-outcome-metrics-ipeds>

<sup>19</sup> Executive Office of the President of the United States. (2015). Using Federal data to measure and improve the performance of U.S. institutions of higher education. Retrieved from <https://collegescorecard.ed.gov/assets/UsingFederalDataToMeasureAndImprovePerformance.pdf>; Miller, B. (2016). Building a student-level data system. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecdata/docs/resources/building-a-student-level-data-system.pdf>

to refine metrics to count all students, all institutions, and all outcomes. Given the field's convergence on these metrics, they should be incorporated into government data systems, filling information gaps and answering unanswered questions about student success and equity.

**Table 1: A Field-Driven Metrics Framework**

	ACCESS	PROGRESSION	COMPLETION	COST	POST-COLLEGE OUTCOMES
PERFORMANCE	Enrollment	Credit Accumulation Credit Completion Ratio Gateway Course Completion Program of Study Selection Retention Rate Persistence Rate	Transfer Rate Graduation Rate Success Rate Completers	Net Price Unmet Need Cumulative Debt	Employment Rate Median Earnings Loan Repayment and Default Rates Graduate Education Rate Learning Outcomes
EFFICIENCY	Expenditures per Student	Cost for Credits Not Completed Cost for Completing Gateway Courses Change in Revenue from Change in Retention	Time/Credits to Credential Cost of Excess Credits to Credential Completions per Student	Student Share of Cost Expenditures per Completion	Earnings Threshold
EQUITY	Enrollment by (at least) Preparation, Economic Status, Age, Race/Ethnicity	Progression Performance by (at least) Preparation, Economic Status, Age, Race/Ethnicity	Completion Performance by (at least) Preparation, Economic Status, Age, Race/Ethnicity	Net Price and Unmet Need by (at least) Economic Status, Preparation, Age, Race/Ethnicity Debt by (at least) Economic Status, Age, Race/Ethnicity, Completion Status	Outcomes Performance and Efficiency by (at least) Preparation, Economic Status, Age, Race/Ethnicity, Completion Status
<b>Key Student Characteristics</b>			<b>Key Institutional Characteristics</b>		
Enrollment Status	Economic Status	Sector	Level	Selectivity	
Attendance Intensity	Race/Ethnicity	Credential/Program Mix	Diversity	Minority-serving Institution (MSI) Status	
Credential-Seeking Status	Age	Size	Post-traditional Populations	Modality	
Program of Study	Gender	Resources			
Academic Preparation	First-Generation Status				

Any accountability systems—whether market-driven, government-designed, or accreditor-led—should rely on quality metrics, such as the ones in Table 1. When designing accountability systems, policymakers should select metrics that align with ultimate policy objectives, model the impacts of proposed policies before legislating, and anticipate and protect against unintended consequences.

Consider, for instance, discussions about the use of cohort default rates (CDRs) or repayment rates (RRs) in Federal accountability. Neither metrics is wholly “better” than the other. Rather, each metric measures something different and has its own strengths and limitations.

- CDRs are a short-term measure of default. They give policymakers and institutional leaders a critical look at students’ risk of bearing the most damaging outcome of taking on student debt: default. By virtue of what they measure, CDRs incent institutions to keep a watchful eye on vulnerable students at risk of this life-altering outcome. However, CDRs have limitations. They only measure default within a 3-year window, with the latest data showing that about 12 percent of students default on their Federal loans within 3 years.<sup>20</sup> Recent research, however, projects that nearly 40 percent of students may default within a 20-year window.<sup>21</sup> Furthermore, institutions can influence CDRs by encouraging borrowers to enter deferment or forbearance to delay default, even if those options are not in students’ best interest. These limitations are real, should be understood, and where possible steps should be taken to mitigate them. However, they do not negate the value of the measure itself.<sup>22</sup>
- RRs measure borrower progress in repaying their Federal loans and have been proposed as a replacement to CDRs. RRs are a valuable metric that provide a more nuanced understanding of borrower success in retiring debt because they capture as negative outcomes borrowers who are avoiding default, but not making progress in paying down loan principal. In this sense, repayment rates focus policymaker and institutional attention on struggling borrowers who are not

<sup>20</sup> U.S. Department of Education (2014). FY2014 Official Cohort Default Rate Briefing. Retrieved from: <https://ifap.ed.gov/eannouncements/attachments/FY2014OfficialCDRBriefing.pdf>

<sup>21</sup> Scott-Clayton, J. (2018). The looming student loan default crisis is worse than we thought. Retrieved from: <https://www.brookings.edu/research/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>

<sup>22</sup> Janice, A. & Voight, M. (2016). Making sense of student loan outcomes: How using repayment rates can improve student success. Retrieved from: <http://www.ihep.org/research/publications/making-sense-student-loan-outcomes-how-using-repayment-rates-can-improve>



seeing the desired return on their educational investment, even though their situation may not be quite as dire as those facing default.<sup>23</sup>

Both of these metrics are valuable at measuring different things, and each focuses decisionmakers' attention in different ways, so they should not be pitted against each other as an either/or choice. Indeed, this example shows how multiple high-quality measures can work in concert with each other to inform complex decision-making for students, policymakers, and institutions.

### The solution: Fixing our postsecondary data infrastructure

The voluntary initiatives, like Complete College America and Achieving the Dream, mentioned above have illuminated data gaps and proven that it is possible to collect better data. However, they do not serve as a replacement for data collection at the Federal and state levels. By their nature, these initiatives are voluntary, so they do not include information on all institutions. When faced with life-altering, expensive college decisions, students should not have to rely upon voluntary reporting or search through more than a dozen initiatives to find the information they need. Furthermore, it is burdensome for institutions to participate in multiple voluntary initiatives. We must learn from these initiatives and use their experiences to implement a more permanent and effective policy solution.

As evidenced by the voluntary initiatives, the inability to answer critical questions and collect the metrics outlined above comes not from a lack of data, but rather from policy barriers that prevent existing postsecondary data systems from being linked. Integrating existing Federal, state, and institutional data sources into a more coherent, nimble, secure, and privacy-protected network would create more usable information that could help students navigate the complex higher education marketplace. This type of network also is crucial to produce the information necessary to evaluate and meet workforce demands, to identify and close equity gaps in our postsecondary system, and to inform policy design.

Agreement is growing around the best way to modernize our Nation's postsecondary data infrastructure. Through the Postsecondary Data Collaborative, IHEP engaged with organizations representing institutions, states, students, employers, and privacy and security experts to explore options for improving our Nation's postsecondary data infrastructure.<sup>24</sup> This research found that the best approach to producing the information necessary to answer students' questions is to develop a secure, privacy-protected postsecondary student-level data network.<sup>25</sup> In fact, members of both the Senate and the House have introduced the bipartisan College Transparency Act to create such a network housed at the National Center for Education Statistics (NCEES).<sup>26</sup> More than 130 organizations, representing students, institutions, veterans, college access providers, and employers, have publicly endorsed the College Transparency Act out of a recognition that this system would create a more functional postsecondary marketplace that serves all students.<sup>27</sup> This type of system would:

- Empower all students to make more informed choices about where to spend their precious time and money,
- Be used to help students,
- Protect student privacy,
- Adhere to best practices in data security,

<sup>23</sup> Janice, A. & Voight, M. (2016). Making sense of student loan outcomes: How using repayment rates can improve student success. Retrieved from: <http://www.ihep.org/research/publications/making-sense-student-loan-outcomes-how-using-repayment-rates-can-improve>

<sup>24</sup> Institute for Higher Education Policy. (2015). Envisioning the National Postsecondary Data Infrastructure in the 21st Century (paper series). Retrieved from <http://www.ihep.org/postsecondary-data/mapping-data-landscape/national-postsecondary-data-infrastructure>

<sup>25</sup> Rorison, J. & Voight, M. (2015). Weighing the options for improving the national postsecondary data infrastructure. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/docs/pubs/weighing-the-options-for-improving-the-national-postsecondary-data-infrastructure-september-2015.pdf>

<sup>26</sup> Student Right to Know Before You Go Act, S.1195, 114th Congress (2015). Retrieved from <https://www.Congress.gov/bill/114th-congress/senate-bill/1195>; Student Right to Know Before You Go Act, H.R.2518, 114th Congress (2015). Retrieved from <https://www.Congress.gov/bill/114th-congress/house-bill/2518>; College Transparency Act, S.1121, 115th Congress (2017). Retrieved from <https://www.Congress.gov/bill/115th-congress/senate-bill/1121>; College Transparency Act, H.R.2434, 115th Congress (2017). Retrieved from <https://www.Congress.gov/bill/115th-congress/house-bill/2434>

<sup>27</sup> Postsecondary Data Collaborative (2017). Postsecondary Data Collaborative and Workforce Data Quality Campaign applaud bipartisan, bicameral College Transparency Act. Retrieved from: <http://www.ihep.org/press/opinions-and-statements/postsecondary-data-collaborative-and-workforce-data-quality-campaign>

- Reduce reporting burden for colleges and universities by replacing the student components of IPEDS,
- Better steward taxpayer dollars,
- Uncover equity gaps so colleges and universities can change policies and practices to better serve underrepresented students, and
- Align education with labor market demand and help employers identify programs that are effectively preparing students for the workforce.

Such a network would be limited in scope to answer only questions of national interest about college access, progression, completion, cost, and outcomes. Other systems, such as institutional data systems and state longitudinal data systems would still be necessary to answer more detailed questions specific to localized needs.

Student protection must be at the heart of any data system. It must protect their privacy alongside their right to information, while securing their data using industry leading protocols, such as those developed by the National Institute for Standards and Technology (NIST) and by the International Organization for Standardization (IOS) and the International Electrotechnical Commission (IEC).<sup>28</sup> Strong data governance structures should minimize the data collected, ensure all data are used in compliance with the law, provide notice to students of the collection, prohibit the sale of data or use of the system for law enforcement, issue penalties for misuse, conduct periodic audits, limit disclosures, especially of personally identifiable information, and craft provisions to handle a breach. Data should be used only to help, and never to harm students or limit opportunity, and this principle should serve as the foundation of all governance policy. IHEP's report, *A Blueprint for Better Information: Recommendations for a Federal Postsecondary Student-Level Data Network*, details recommendations for building strong data governance policies.

#### **Why should the Federal Government act now?**

In 2015-16, the Federal Government disbursed more than \$157 billion in Federal student aid,<sup>29</sup> and it needs better information to steward that taxpayer investment. Furthermore, at kitchen tables around the country, students like Ava are wrestling with life-changing postsecondary decisions, making choices with their families about where to go to college, what to study, and how to pay for it. Today they make those decisions in an unbalanced marketplace with limited access to information. For the marketplace to function effectively, all students need access to high-quality information to help them make postsecondary decisions. The same information is needed to help state and Federal policymakers and college and university educators implement policies and practices to help more students succeed, especially low-income students and students of color.

#### **Federal Government's Unique Position**

The Federal Government is uniquely positioned to compile that information—even if non-Federal entities disseminate it. For example, consider how valuable the weather app on your phone is. I know I use mine daily to make decisions, such as what to wear and whether to walk to work or take the bus. These decisions are important, but the decision of where to go to college or what to study is a much higher stake decision. Even privately developed weather apps are primarily made possible by data from the National Oceanic and Atmospheric Association's National Weather Service, housed at the U.S. Department of Commerce. The data are made available to non-governmental experts to translate into information for public use. Just as the Federal Government is uniquely positioned to compile weather data because it has access to satellites, for example, it also is the best option for compiling data on education and the workforce—given the information it already holds.

#### **Federal Data on Workforce Outcomes**

The Social Security Administration (SSA) and Internal Revenue Service (IRS) hold administrative data on employment outcomes for essentially all workers.<sup>30</sup>

<sup>28</sup> Grama, J.L. (2016). Understanding information security and privacy in postsecondary education data systems. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecddata/docs/resources/information—security—and—privacy.pdf>

<sup>29</sup> Baum, S., Ma, J., Pender, M., & Welch, M. (2017). Trends in student aid 2017. The College Board. Retrieved from <https://trends.collegeboard.org/sites/default/files/2017-trends-student-aid—0.pdf>

<sup>30</sup> Zinn, R. (2016). Classroom to career: Leveraging employment data to measure labor market outcomes. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecddata/docs/resources/leveraging—employment—data—0.pdf>

fact, the Federal Government is the only entity with such comprehensive wage record data, making it the best source of workforce outcome information for colleges and universities.

Many states currently report workforce outcome data by linking education data to unemployment insurance (UI) records. However, these UI records—and the metrics they generate—are limited because they omit Federal employees, military employees, the self-employed, and people who move across state lines.<sup>31</sup> Consider a state like Virginia, for example, where many residents work just across the state border in Maryland or Washington, DC, and many residents work for the Federal Government. Federal sources fill these gaps by relying on tax records for people nationwide, regardless of where they study, live, or work.

To be sure, these workforce data are highly sensitive and must be closely secured. To provide the aggregate institution and program-level information that students, policymakers, and institutions need, the personally identifiable information (PII) on earnings should never be shared externally and never even needs to be shared with ED. ED would send student-level data organized in program and institution-level cohorts to the Department of Treasury to link with individual-level data on wages. Treasury would calculate the results for specific programs and institutions and share the aggregate information back with ED. The College Scorecard already uses this information-exchange process to calculate employment outcomes for students who receive Federal financial aid.

These data are illustrative of the value such information can provide, but the Scorecard's employment metrics should be improved in two ways. First, future efforts should report employment data at the program-level, rather than only the institution-level because employment outcomes vary by program even within institutions.<sup>32</sup> Second, improved data metrics and data systems must include students who do not receive Federal aid, as discussed below.

### Counting All Students

Existing employment metrics only include students who received Federal Title IV financial aid because ED only has data on these students in NSLDS, and statutory barriers prevent ED from collecting student-level data on non-Title IV students. However, data on aided and non-aided students are essential to answer critical questions about our higher education system for several reasons:

- 1. All students—regardless of whether they receive Federal aid—deserve quality information on education and employment outcomes to help them make informed decisions. Only the Federal Government has access to complete earnings information, so institutions, states, and private entities cannot answer questions about workforce outcomes as accurately as the Federal Government. To be useful in a variety of contexts, workforce outcomes must include all students.
- 2. About 30 percent of students do not receive Federal financial aid,<sup>33</sup> and in some institutions and systems, even greater proportions of students do not receive Federal aid. Consider the California Community College System, where about 20 percent of beginning students received Pell Grants and 2 percent received Federal loans in 2016–17. Omitting non-federally aided students leaves out about three-quarters of students (more than 1.5 million) in this large system because many students forgo applying for Federal aid.<sup>34</sup> metrics are calculated on only a subset of students—those receiving Title IV aid—then the results will be skewed. Just as first-time, full-time graduation rates do not paint a complete

<sup>31</sup> Zinn, R. (2016). Classroom to career: Leveraging employment data to measure labor market outcomes. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecdata/docs/resources/leveraging-employment-data-0.pdf>

<sup>32</sup> Schneider, M. (2014). Measuring the economic success of college graduates: Lessons from the field. American Institutes for Research. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecdata/docs/resources/leveraging-employment-data-0.pdf> / <http://www.air.org/sites/default/files/downloads/report/Measuringpercent-thepercent-Economicpercent-Successpercent-Collegepercent-Graduates-Markpercent-Schneider.pdf>; Carnevale, A.P., Cheah, B. & Hanson, A.R. (2015). The economic value of college majors. Georgetown University Center on Education and the Workforce. Retrieved from <https://cew.georgetown.edu/wp-content/uploads/The-Economic-Value-of-College-Majors-Full-Report-Web.compressed.pdf>

<sup>33</sup> Executive Office of the President of the United States. (2015). Using Federal data to measure and improve the performance of U.S. institutions of higher education. Retrieved from <https://collegescorecard.ed.gov/assets/UsingFederalDataToMeasureAndImprovePerformance.pdf>

<sup>34</sup> IHEP analysis of California Community Colleges Chancellor's Office data. Retrieved from: <http://datamart.cccco.edu/Services/FinAid-Summary.asp>

- picture of completion, neither do metrics limited to Title IV recipients. Both students and institutions deserve information that reflects the full student body.
- 3. Institutions as a whole, and all of their students, benefit from taxpayer investment through Title IV aid and Federal higher education subsidies. As such, outcomes data should reflect the entire institution, not simply a fraction of its students.
  - 4. Non-Title IV recipients also reap the benefits of Federal investment in higher education. All tuition-paying students can claim education tax benefits, and in fact, the IRS already holds some data on essentially all students based on the 1098-T form,<sup>35</sup> which is used to process education tax credits and deductions.<sup>36</sup>
  - 5. Non-Title IV students must be included in a student-level data collection if it is to replace the student components of IPEDS and reduce burden on institutions. Many metrics in IPEDS, such as graduation rates and enrollment figures, include aided and non-aided students.
  - 6. To promote equity and champion civil rights, data must allow policymakers and institutions to identify and close socioeconomic gaps in college access, success, and outcomes. To accomplish this, we need quality information on low-income students (i.e., Pell Grant recipients) and non-low-income students (i.e., students who do not receive Federal aid).

### Conclusion

Our country was built in part on the idea that, with hard work and a good education, any American can climb the ladder of social and economic mobility. And by 2020, there will be 55 million new job openings,<sup>37</sup> providing the very economic opportunity that can help our cities and communities thrive. Nearly two-thirds of all jobs will require some postsecondary education and training.<sup>38</sup>

Each day, millions of Americans are wisely investing in their futures by acquiring new knowledge and skills in college classrooms and are working hard to climb that ladder.

Senators, you are entrusted to responsibly steward taxpayer dollars and make sound investments to help students access and succeed in our higher education system. Certainly, you should act on the quality data you do hold now, like information on student loan outcomes. But as you consider your responsibility and seek to hold institutions accountable to taxpayer dollars, I ask you to consider the key questions you cannot currently answer and the appropriate means for gathering and sharing that information.

A secure, privacy-protected student level data network would address the shortcomings of our current system by producing the information necessary to inform policymakers' decisions.

Before Ava decides exactly where to invest her time and resources, she and millions of others just like her deserve answers to these same questions.

As you work to reauthorize HEA, consider the questions you cannot answer. Consider your role in protecting students and taxpayers. And consider the student whose college choice will define her future. Now is the time to act. Now is the time to answer unanswered questions. Now is the time to tighten the rungs of the ladder of economic mobility.

Thank you.

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[SUMMARY STATEMENT OF MAMIE VOIGHT]

The research is abundantly clear: investing in a college education pays off.<sup>1</sup> But while college is often a worthwhile investment, students, policymakers, and institu-

<sup>35</sup> Bergeron, D.A. (2016). Leveraging what we already know: Linking Federal data systems. Institute for Higher Education Policy. Retrieved from <http://www.ihep.org/sites/default/files/uploads/postsecdata/docs/resources/linking-Federal-data-systems.pdf>

<sup>36</sup> Internal Revenue Service. (2016, September 23). Form 1098-T, Tuition Statement. Retrieved from <https://www.irs.gov/uac/form-1098-t-tuition-statement>

<sup>37</sup> Carnevale, A.P., Smith, N., & Strohl, J. (2013). Recovery: Job growth and education requirements through 2020. Georgetown University Center on Education and the Workforce. Retrieved from <https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR-Web-.pdf>

<sup>38</sup> Carnevale, A.P., Smith, N., & Strohl, J. (2013). Recovery: Job growth and education requirements through 2020. Georgetown University Center on Education and the Workforce. Retrieved from <https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR-Web-.pdf>

<sup>1</sup> Ma, J., Pender, M., & Welch, M. (2016). Education Pays 2016. The College Board. Retrieved from <https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf>

tions cannot answer crucial questions about which programs at which institutions provide an adequate return on this investment, and for which students. This failure to answer key questions hampers policymaker efforts to design and implement accountability systems that manage the risk to taxpayers and students.

Those risks are real, especially for the most vulnerable students with the most to gain from a higher education, but also the most to lose if things go wrong. College is a pathway out of poverty, yet where a student goes to college ultimately shapes her opportunity to climb those rungs. Outcomes vary dramatically across institutions and programs—even those enrolling similar types of students—so quality data about outcomes are necessary to illuminate those patterns in ways that can inform policymaker efforts to protect taxpayer dollars.

Any accountability system—whether it be market-based accountability, bright-line indicators, incentive structures, or other systems—must be grounded in reliable evidence. This need for evidence holds regardless of who or what is driving the accountability system: student choice, the Federal Government, state governments, or accreditors.

While some postsecondary data, such as information on the student loan program like cohort default rates and repayment rates, are relatively complete and of high-quality, much of our data on student outcomes are insufficient. Our system is data rich, but we are information poor, relying on a duplicative, inefficient, and cumbersome postsecondary data infrastructure designed for yesterday's college and yesterday's student. As a result, we cannot answer many basic questions about college access, success, price, and post-college outcomes.

However, a solution exists. Members of both the Senate and the House have introduced the College Transparency Act, a bipartisan solution to create a secure, privacy protected student-level data network. More than 130 organizations, representing students, institutions, veterans, college access providers, and employers, have endorsed the College Transparency Act, which would publicly report aggregate institution and program-level outcomes to inform student, policymaker, and institutional decisions. Critically important, these aggregate outcomes would include information on all students, not only those who receive Federal aid. Counting all students is necessary to accurately reflect institution and program outcomes and to evaluate equity.

Senators, you are entrusted to responsibly steward taxpayer dollars and make sound investments to help students access and succeed in our higher education system. Certainly, you should act on the quality data you hold now, such as information on student loan outcomes. But as you undertake your efforts to responsibly steward taxpayer dollars and provide students with the information they need to make decisions, I ask you to consider the key questions you cannot currently answer and urge you to implement sound policy that will advance the use of quality data and evidence.

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The CHAIRMAN. Thank you, Ms. Voight.  
Dr. Cruz, welcome.

**STATEMENT OF JOSE LUIS CRUZ, PH.D., PRESIDENT, HERBERT H. LEHMAN COLLEGE, CITY UNIVERSITY OF NEW YORK, BRONX, NY**

Dr. CRUZ. Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify before you this morning on the critical issue of accountability in higher education.

My name is Jose Luis Cruz, and I am the President of Lehman College of the City University of New York, a beautiful campus located in the proud, resilient borough of the Bronx. Our college serves approximately 13,000 undergraduate and graduate students in 90 degree programs, plus 12,000 students in certificate and workforce development programs. Fifty percent of Lehman undergraduates have a household income of \$30,000 or less, 80 percent are students of color, and 41 percent speak a language other than English at home. Lehman's students embody the aspirations of

over 140 ancestries and exhibit the drive of those who strive to make their life in the great city of New York.

As the Committee moves to reauthorize the Higher Education Act, I hope you proceed in a thoughtful, purposeful, and bipartisan way that recognizes the fundamental American values that are at stake and that acknowledges that the resulting legislation will impact the America of tomorrow in ways as significant as the overhaul of the tax code, the reconceptualization of our health care system, and our immigration laws.

We're here to discuss accountability and the role equity must play to ensure colleges help students of color and students from low-income families succeed. To better serve students, the new HEA should protect them from the tyranny of low expectations, defend their right to meet their full potential, and provide a level playing field as they work to improve their lot in life through a post-secondary education.

We also need to remember that because the Higher Education sector is diverse, a Federal accountability system must be tailored to account for differences in institutional missions, student demographics, program objectives, and governance structures. But for the system to work, we need to have the courage to confront those who dare abuse it.

We cannot forget that what schools do matters. Two schools serving very similar populations can have vastly different outcomes. My former school, Cal State-Fullerton, was just highlighted for having a graduation rate for Latino students that is 24 points higher than one of its peer institutions, the University of Texas-San Antonio, despite the fact that both are large, public, moderately selective Hispanic-serving institutions with comparable levels of Latino and low-income students.

Fullerton's success was no accident. It was the result of very intentional action, and the impetus for that work was equity-focused accountability from institutional and state leaders. The imperative to focus on equity cannot be overstated. The original HEA passed in 1965, yet low-income students today are only just beginning to catch up to the rate their high-income peers enrolled in college were 40 years ago. One reason for this disparity in college going, a factor that also manifests itself in gaps in college completion, is that to this day, we as a country continue to give students from historically underserved communities less of the things they need.

We give them less funding, less access to effective in-field experienced teachers, and less access to a college or career-ready curriculum in advanced course work. Moreover, just the fact that low-income students and students of color who do enroll in college are far less likely to enroll in institutions where most students graduate and far more likely to enroll in those institutions, including in the for-profit sector, that graduate fewer of their students and create disproportionate debt.

The good news is that designing an equity-focused accountability system is possible. Here are several recommendations.

First, make sure equity matters in accountability metrics. Students who aren't measured don't count. If we want institutions to pay attention to the outcomes of low-income students and students of color, we must make the same shift our country has made in K-

12 to demand disaggregated outcomes data. There should be minimum standards for the enrollment of Pell students, graduation rates, and loan repayment for all students, and by race and income. We need to couple increased expectations with focused investments and provide time for campuses to improve before any sanctions attach. The ASPIRE Act, sponsored by Senator Isakson and Senator Coons, follows this model.

Second, work to provide focused investments in building the capacity of colleges to use evidence-based innovation, particularly for the two-and 4-year public institutions that serve the majority of America's students. You heard last week from my colleague about CUNY ASAP. Programs like that show what is possible with the right incentives and supports necessary to ensure that all students have equitable opportunities and outcomes in higher education.

Finally, be unwavering in your commitment to protecting students and taxpayers from fraud and abuse. Congress must ensure that every dollar the Federal Government invests in higher education is used effectively, efficiently, and in the best interest of the increasingly diverse public. An equity-focused accountability system for higher education can address this need and help improve student outcomes across the board by better serving our historically underserved low-income students and students of color.

Thank you.

[The prepared statement of Dr. Cruz follows:]

PREPARED STATEMENT OF JOSE LUIS CRUZ

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify before you this morning on the important issue of accountability in higher education.

My name is Jose Luis Cruz, and I am the President of Lehman College of The City University of New York. Located in the storied and resilient borough of The Bronx, Lehman College serves as a driver of transformative change to approximately 13,000 undergraduate and graduate students across 90 degree programs, plus 12,000 students in certificate and workforce development programs. Fifty percent of Lehman undergraduates have a household income of \$30,000 or less; 80 percent are students of color; and 41 percent speak a language other than English at home. Lehman's students embody the aspirations of over 140 different ancestries and exhibit the drive of those who strive to make their life, in the world's greatest City, the city of New York.

The perspectives I bring today have been shaped by my experiences as an undergraduate and graduate student who benefited from a quality public higher education thanks to the support of many Federal and state aid programs; a parent of five children—one who is currently completing her undergraduate degree in a public research institution and two who completed undergrad and grad degrees from private institutions within the past year; a faculty member and administrator at three large university systems; and a former vice president of Higher Education Policy and Practice at The Education Trust.

**On the Formidable Goal of HEA Reauthorization**

Before I present my thoughts about the equity implications of accountability and recommendations for how best to consider equity in accountability, I want to commend you, Mr. Chairman, and Ranking Member Murray, for convening this hearing to "explore how Federal policymakers can modernize Federal higher ed accountability to better protect students and taxpayers and ensure schools provide students the opportunity to earn certificates and degrees that are worth the time and money students spend on them."

It is my position that to achieve this goal, the Committee must proceed in a thoughtful, purposeful, and bipartisan way that recognizes the fundamental American values that are at stake in the reauthorization of the United States Higher Education Act and acknowledges that the legislation that results today will impact the America of tomorrow in ways as significant as the overhaul of the tax code, the

reconceptualization of our health care system, and the redesign of our immigration system.

As it works to do so, it is my hope that the Committee will take the time to fully parse, discuss, and reach a shared understanding of the goal they are trying to meet—as my initial attempt to do so below suggests it is a formidable goal indeed.

First, the Committee seeks to modernize Federal higher ed accountability. The use of the word modernize suggests an interest in adapting the Higher Education Act to better respond to the challenges and opportunities faced by our country’s increasingly diverse population as it relates to our Nation’s multisector system of higher education. This is a most worthy objective as there are certainly myriad areas ripe for intervention, ranging from data transparency, misaligned incentive structures, lack of effective controls for toxic programs, etc. But it is important that the objective behind the word modernize not be misconstrued to mean a broad, indiscriminate dismantling of the regulatory structure that is in place under the guise of “less regulations lead to better outcomes” mantra that is so pervasive in our political discourse. In seeking to remove the regulatory burden, I encourage the Committee to first ask if the right inducements and system dynamics are in place to avoid regrettable unintended consequences that could exacerbate what one can only hope are the unintended outcomes of our current system. Indeed, it’s important to remember that many existing regulations were put in place to address real issues with low-quality institutions that leave students worse off than if they had never attended. While we should be thoughtful about the burden we are placing on good actors, protecting students must be our first priority in any and all regulations.

Second, the Committee wants an accountability system that will better protect students and taxpayers. In my opinion, to better serve students, the new HEA should protect them from the tyranny of low expectations, defend their right to seek to meet their full potential, provide a level playing field as they work to improve their lot in life through postsecondary education, and recognize that institutions play a big role in determining whether or not a student completes college or defaults on her student loans. And that the best way to protect taxpayers is by not losing sight that the overall return on their investments in individual students and the postsecondary institutions that educate them are not only measured by the cost of the Federal student loan program, but also in terms of the contributions to the public good that students and institutions make.

Third, the Committee wants a reauthorized HEA that will ensure schools provide students the opportunity to earn certificates and degrees that are worth the time and money students spend on them. To achieve this objective, in crafting the new HEA, the Committee should recognize that what schools do matters; that while the standards for an accountability system could be designed such as to apply for institutions across all sectors of higher ed, a differentiated set of inducements and controls is needed to account for differences in institutional missions, student demographics, program objectives, and governance structures; and that for the incentives and penalties contemplated in the HEA to be credible, we need to have the courage to confront those who are currently abusing our accountability system.

The good news is that all of these considerations can be taken into account if the Committee views the hard, important work ahead through an equity lens. After all, as I indicated in my testimony to the U.S. House of Representatives Committee on Education and the Workforce on Feb. 7, 2017, if we are to preserve our democratic ideals, secure our Nation, and compete in the global economy, we must significantly improve postsecondary educational attainment. And because of current demographic and economic shifts, the only way we can do this is by ensuring quality higher education options are accessible and affordable to all members of our increasingly diverse population.

Of course, in today’s America this is easier said than done—mainly because of how inequitable policies and practices across each level of the educational pipeline have undermined our ability to fulfill our twin promises of opportunity and upward mobility for all who work hard to reach their full potential.

### **The Equity Imperative**

Since the original Higher Education Act (HEA) was passed in 1965, the U.S. has made substantial progress in college access. College-going rates have climbed for students from all economic and racial groups. Yet despite this progress, low-income students today are only just beginning to catch up to the rate their high-income peers enrolled in college over 40 years ago.

One reason for this gap in college-going—a factor that also manifests itself in gaps in college completion—is that to this day, we as a country give students from historically underserved communities less of all the things they need: less funding; less



access to effective, in-field, experienced teachers; less access to a college or career-ready curriculum; and less access to advanced coursework.

Moreover, there's the fact that low-income students and students of color who do enroll in college are far less likely than other students to enroll in institutions where most students graduate and far more likely to enroll in the institutions, including those in the for-profit sector, that graduate few of their students and create disproportionate debt.<sup>1</sup> These trends put students in a precarious position to successfully repay their student loan debt and emphasize the need to ensure colleges responsibly recruit, enroll, and graduate their students.

These disparities are complicated further by the negative impact that increased institutional costs, state disinvestments (down 20 percent since 1990), inequitable state financial aid programs, and insufficient maximum award levels in the Pell Grant program (down since its inception from roughly 75 percent of the cost of attending a public 4-year college to 30 percent) have had on the total cost of attendance for our lowest income students. The net effect? Today, low-income students must find a way to finance an amount equivalent to 76 percent of their family's annual income to attend a public university for 1 year, even after accounting for all grant aid—a far higher burden than the 17 percent figure required for the highest income students.<sup>2</sup>

These intergroup inequities have a profound impact on individual lives and our country's competitiveness. For every 100 white kindergartners, roughly 90 end up with a high school diploma, and, of those, 40 get at least a bachelor's degree. Plenty of opportunity for improvement, to be sure. But the bachelor's degree attainment rate among black adults is just over half that of white adults, and among Latino adults, only just over one-third. Similarly, students from high-income families are approximately five times as likely as students from low-income families to obtain a bachelor's degree by age 24.

It is because of the profound effect this state of affairs has on the ability of working families to succeed, the competitiveness of our economy, the security of our country, and the merit of our meritocracy, that I believe the eradication of intergroup inequities to be among the most important challenges that higher education institutions—and our nation—will face in the years ahead. To meet this challenge, we must develop, implement and scale equity-driven policies and practices that will restore faith in Horace Mann's articulation of education being “beyond all other devices of human origin. . . the great equalizer of the conditions of men, the balance-wheel of the social machinery.”

#### **A Reason for Hope: Similar Institutions, Similar Students, Vastly Different Outcomes**

The good news is that—even under the current regulatory structure—there are many higher ed institutions that are bucking these trends, demonstrating that what institutions do matters in determining whether or not a student's demography will determine their destiny. Indeed, evidence suggests that similar students can have drastically different outcomes at campuses serving similar students with similar resources.

For example, in The Education Trust's recent report on Latino student success, they found that two campuses, California State University-Fullerton and The University of Texas at San Antonio serve a student body that is nearly 40 percent Latino and nearly half low income; however there is an over 20 percentage point gap in their overall graduation rate. And what's interesting to note is that Fullerton's success was the result of intentional action, and the impetus for that work was equity-focused accountability from institutional and state leaders.

I know this from first-hand experience as I served as the Provost and Vice President of Academic Affairs at Cal State Fullerton and am now using the experiences lived and lessons learned to guide my work as president of Lehman College of The City University of New York. And I know that it can be replicated, as my work with the Access to Success Initiative at the close of the past decade suggests.

So, the question really is how do we infuse equity into the reauthorization of HEA to replicate these results? I am pleased to present the following recommendations for your consideration.

<sup>1</sup> Ed Trust analysis of IPEDS Fall enrollment, Fall 2014 (by race) and NCES National Postsecondary Student Aid Study (NPSAS:12), 2011–12 (by Pell recipient status).

<sup>2</sup> Ed Trust analysis of NPSAS:12, using PowerStats. Results based on full-time, full-year, one-institution dependent undergrads at public and private nonprofit 4-year colleges.

### Recommendations

First, I recommend that the Committee privilege equity in accountability metrics. If issues of equity are not intentionally addressed in policy design, outcomes and inequity may increase simultaneously. This is what we have seen happen in a number of states with performance-based funding where the lack of intentionality on this front when establishing financial incentives to hold campuses more responsible for student completion outcomes resulted in negative impacts on issues of equity, as campuses responded by becoming more selective in order to improve their outcomes.

Although most existing and emerging state policy proposals incentivize completion for Pell grant recipients as a way to address equity, there are additional considerations to ensure equity isn't just symbolic, but is a priority. Equity metrics should be mandatory, not optional and ensure equity measures are given their proper weight, so they are not perceived as an optional, or insignificant bonus on top of a rewards system that clearly prioritizes overall completion. And they should not be limited to income, which is unable to account for racial inequality. Students of color less likely to apply, persist, complete college, and are more likely to have unmet financial need, thus policies should include incentives for enrolling and graduating students of color. The Center for Postsecondary and Economic Success at the Center for Law and Social Policy (CLASP) suggests in the context of state Outcomes Based Funding that the weight of the equity measures should be sufficient to counteract the strength of the incentives to increase selectivity.

In the "Tough Love" report, The Education Trust suggested that Federal accountability policy should redefine the standards, so that "low performing" doesn't just mean low graduation rates, but also means an unacceptable effort to enroll and graduate low-income students. Ed Trust suggested reducing or eliminating financial investments in colleges that were in the bottom 5 percent of Pell enrollment. This idea was also incorporated into the ASPIRE Act, introduced by Senators Isakson and Coons, which suggested giving colleges time to improve Pell enrollment or pay a penalty that would be redirected to under-resourced colleges struggling to graduate their students.

More recently, Georgetown's Center on Education and the Workforce suggested that selective campuses with the highest completion rates can afford to increase their enrollment of Pell Grant recipients to 20 percent, a strategy they believe will increase outcomes for low income students.

These increased expectations must be coupled with increased investment and time for campuses to improve. Institutions should also be provided with technical assistance and rewards or incentives for making improvements. It is especially important that these resources be targeted to campuses serving large proportions of low-income students that are making active efforts to improve completion rates. For institutions already on the right track when it comes to access and completion, new incentives—both financial and non-financial—can be provided.

While there should be some consequence for a failure to improve, we must stop thinking about "accountability" as meaning all-or-nothing eligibility for Title IV aid, except in the most egregious cases of fraud and abuse. And we would do well to address the causes of regrettable outcomes, not just their symptoms.

The system of higher education is extremely stratified; students who require the most support are concentrated at institutions with the fewest resources and the lowest completion rates. Thus, Federal accountability should be designed in way that considers campus type, resources, scope, size, and mission when defining institutional success and identifying peer groups. For example, limiting Title IV eligibility for institutions that may have low completion rates, but enroll larger proportions of low income students and students of color could have a major impact of higher education equity. Therefore using gradual sanctions like those suggested by The Institute for College Access and Success (TICAS), before Title IV eligibility loss, and providing support for improvement at at-risk institutions can ensure accountability policies enhance opportunities for students, rather than limit them.

Often proposals, like risk sharing, aimed at holding institutions of higher education more responsible for poor outcomes and increasing costs, use students' ability to repay their student debt—as measured by cohort default and/or repayment rates—as a primary indicator of performance. These metrics are important because the student debt crisis has had a disproportionate impact on students of color, especially Black students who are nearly 20 percentage points more likely to borrow student loans and Black Bachelor's degree holders are five times more likely to default on their student loans than White college dropouts. But the metrics simply describe the symptom. And as it turns out, in this case, rather than limit access to loans or repayment options, we'd do better by attacking the underlying causes. Namely,

the facts that Black students disproportionately enroll in low-performing colleges, particularly for-profit institutions that have lower graduation rates and higher cohort default rates<sup>3</sup> and that the strongest predictor of loan default is whether or not a student completes college. Thus, limiting the risk to taxpayers associated with our \$1.3 trillion Federal loan portfolio is more about focusing on completion and strengthening protections for students against low-quality, fraudulent and predatory for-profit institutions, and less about the protections we provide borrowers (e.g., income-based repayment plans).

Second, I recommend that the Committee work to incentivize intentionality, unleash innovation, and reward success. Enrolling low income students and students of color is not an excuse for poor outcomes. As you look to reauthorize the Higher Education Act, you have a prime opportunity to provide the incentives and supports necessary to ensure that all students have equitable opportunity and outcomes in higher education. An equity-focused accountability is a key lever for making that change.

There is evidence that certain student behaviors, such as taking summer courses, can increase their likelihood of completing their degree program. Federal policy can be designed in a way that incentivizes these behaviors, ultimately leading to increased college completion. For example, students who are able to work less and take more courses have better grades are more likely to complete college, than their peers who work more hours and take fewer courses. Therefore, outcomes driven policies should provide additional resources and incentives for students to take more credits, such as year-round Pell grants—which I am grateful Congress has reinstated—and financial aid that can be applied to non-tuition, living expenses to ensure students can afford to take more credits per semester and complete college at higher rates.

Federal policy designed to increase college completion must invest in the capacity of campuses to better serve students, especially those that have the least resources, but maintain a commitment to educating the students least likely to complete college. This capacity building should be centered on campuses implementing evidence based strategies, such as those used by Georgia State University or in City University of New York's Accelerated Study in Associate Programs (ASAP), that are shown to improve student outcomes.

The average campus leader can identify several practices that can improve completion, like co-requisite remediation, guided pathways, intrusive advising, and data-based decisionmaking, but often lack the financial or human capital needed to effectively implement these strategies. Implementing these strategies can improve student outcomes and ultimately save campuses resources that they can apply to sustaining and expanding these initiatives, however, many campuses require an initial investment to help them build the infrastructure and human capital needed to start the initiative.

There are examples of emerging proposals, such as the ASPIRE Act that couples the introduction of increased accountability for completion, with focused investments in the capacity of campuses—particularly those that are struggling but striving to improve—to implement effective strategies. I appreciate Senator Isakson's work on this legislation and hope to see Congress continue to explore its ideas. More broadly, Congress should also pursue additional investments in improvement targeted at campuses like community colleges and Minority Serving Institutions that serve large proportions of low income students and students of color, but also have limited institutional resources.

Third, I recommend that the Committee be unwavering in its commitment to protect students and taxpayers from fraud and abuse. For proprietary colleges, this means they must deliver on the promises of success they are making to students and taxpayers alike. The promise is clear and unambiguous, seen in the recruitment ads depicting happy graduates working in state-of-the-art jobs they acquired thanks to their newly earned for-profit college degrees. The ads of course do not include the “results are not typical” or “individual results may vary” disclaimers we are accustomed to seeing when the exception, rather than the rule, is showcased. But, unfortunately, they do present the exception. The data show that rather than getting a relevant credential and a job that pays a living wage, too many students walk away from these institutions with nothing but excessive debt and, ultimately, blame for their institutions' low graduation and high loan default rates.

On March 10, 2011, I testified before this Committee. I respectfully submit said testimony into today's record. At the time, I unequivocally stated that for-profit college companies demanded new attention and a new approach to regulation, because

<sup>3</sup> Ed Trust analysis of IPEDS Fall enrollment, Fall 2014 (by race)

existing structures were ill-equipped to deal with the aggressive business models that fueled their growth.

Since then, the implementation of the gainful employment rule, restrictions on incentive compensation, and enactment of borrower's defense have gone a long way to protecting taxpayers and students from the worst corporate offenders. But it is extremely worrisome to see the current Department of Education walk away from these protections when they should in fact be strengthening them.

As part of this accountability conversation, we should be continuing these guardrails in addition to taking further steps such as requiring accreditation agencies to emphasize student outcomes and measures of academic quality and financial stability in their evaluations and accreditation decisions; and strengthening Federal aid eligibility requirements like the 90/10 rule so that for-profit institutions are not mostly publicly funded.

We can't meet the high-skill workforce demands of tomorrow unless we cleanup the for-profit college sector today. We have to rein in those that abuse our social investment and prey on our underserved population.

### **The Case for Investments in Public 2-year & 4-year Institutions**

Having been allowed to weigh in on the Committee's deliberations, it would be irresponsible of me to not use the occasion to remind its Members of the incredible opportunity the reauthorization of the Higher Education Act presents to unleash the transformative power of our country's public 2-year and 4-year institutions, the institutions that because of who and how many they serve, predominantly and disproportionately shoulder the responsibility of increasing educational attainment in America.

Because, in my opinion the public 2-year and 4-year sector represents our country's best bet to once again lead the world in educational attainment. Particularly if we can find a way to build capacity within the sector so those institutions that are outperforming their peers, can model to others how they too can take more intentional action to better serve the millions of students who are coming of age in America today, but who—because of the color of their skin, the balance of their checking account, their place of origin, and/or the tenets of their faith—have historically been underserved as they have sought to meet their full potential.

Imagine the benefits that would accrue from additional investments in institutions such as The City University of New York—which according to The Equality of Opportunity Project has propelled almost six times as many low-income students into the middle class and beyond as all eight Ivy League campuses, plus Duke, M.I.T., Stanford, and Chicago, combined—that would allow them to scale their best practices to accelerate progress on their goals to expand access, improve learning, increase graduation rates, reduce time to degree, and prepare students for meaningful employment and future study.

I, for one, have a clear vision of what such investments would do for Lehman College: it would serve as a catalyst for the urgent action required to create the conditions whereby the promise of prosperity of a resurgent Bronx is within the reach of all those who seek to meet their full potential—action captured in our college's goal to double from 45,000 to 90,000 the number of high-quality degrees and credentials that lead to fulfilling careers and future education that we produce by the year 2030, an initiative we refer to as 90x30.

This is no easy feat. The Bronx is moving forward and trending upward—median income levels are up and unemployment rates are at historic lows. But the borough's poverty rates are on the rise and not all families are positioned to benefit from our booming economy. The largest demographic living in poverty in the Bronx today? Females aged 25-34. The income mobility rate for children in poor families? Among the lowest in the Nation. The growth rate of the school-age population in the borough? Among the fastest in the state. And at 28 percent, the Bronx is next to last in educational attainment of the 62 counties in New York State.

The magnitude of this challenge could paralyze most. But imagining what a better educated Bronx would look like provides a powerful impetus for us to forge ahead.

Now, the crisis of educational inequality is not a local issue. But to truly reverse existing inequities in higher education, we need equity-driven policies and practices that will allow those institutions who can disproportionately contribute to our national goals to advance their missions and meet their full potential as vehicles of social mobility and drivers of transformative in their communities.

### **Conclusions**

Accountability in higher education is not a new conversation, nor is it a partisan one. Many of the ideas presented herein and others that will surely be discussed

today—including the importance of looking at outcomes in a disaggregated way by student group—have been discussed since the George W. Bush administration with the Spellings Commission. It is time for those conversations to ripen into policy action.

Congress must ensure that every dollar the Federal Government invests in higher education is used effectively, efficiently, and in the best interest of the increasingly diverse public. It is clear that a thoughtful, equity-focused accountability system for higher education is both necessary to safeguard the money invested by the taxpayers, protect students from fraudulent and predatory institutions, and improve student outcomes across the board, but particularly for low-income students and students of color.

I believe that the reauthorization of the Higher Education Act can help institutions make it not only possible, but probable that more low-income students and students of color can rise to the middle class, paving the way for less inequality, more social mobility, and better overall prosperity in America. And, as I've stated herein, I believe that the best ways to do this are by applying an equity-lens to the policies and practices that shape the work of higher education institutions across our Nation and targeting resources to those 2-year and 4-year public institutions that have demonstrated the capacity to transform lives and communities.

On behalf of Lehman College, please know that we welcome the opportunity to work with you and other institutions across the country, as we move to do the hard, but important work required to ensure that our higher education system works for all Americans.

Thank you.

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[SUMMARY STATEMENT OF JOSE LUIS CRUZ]

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify before you this morning on the critical issue of accountability in higher education.

My name is Jose Luis Cruz, and I am the President of Lehman College of The City University of New York, located in the proud, resilient borough of The Bronx.

We are here to discuss accountability and the role equity must play to ensure colleges help students of color and students from low-income families succeed. To better serve students, the new Higher Education Act (HEA) should protect them from the tyranny of low expectations, defend their right to seek to meet their full potential, provide a level playing field as they work to improve their lot in life through postsecondary education and recognize the critical role institutions play in a student's success.

We also need to remember that the higher education sector is diverse and a Federal accountability system must be tailored to account for differences in institutional missions, student demographics, program objectives, and governance structures. But, for accountability to work, we need to have the courage to confront those who are currently abusing the system.

The good news is that designing an equity-focused accountability system is possible. Here are several recommendations.

First, equity must matter in accountability metrics. There should be minimum standards for the enrollment of Pell students, graduation rates, and loan repayment-for all students and by race and income. We need to couple increased expectations with focused investments and provide time for campuses to improve before any sanctions attach.

Second, work to provide focused investments in building the capacity of colleges to use evidence-based innovation, particularly for the 2-and 4-year public institutions that serve the majority of America's students. You heard last week from my colleague about CUNY ASAP. Programs like that show what is possible with the right incentives and supports necessary to ensure that all students have equitable opportunities and outcomes in higher education.

Finally, be unwavering in your commitment to protecting students and taxpayers from fraud and abuse.

Congress must ensure that every dollar the Federal Government invests in higher education is used effectively, efficiently, and in the best interest of the increasingly diverse public. An equity-focused accountability system for higher education can address this need and help improve student outcomes across the board by better serving our historically underserved low-income students and students of color.

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The CHAIRMAN. Thank you, Dr. Cruz.

Mr. Delisle, welcome.

**STATEMENT OF JASON D. DELISLE, RESIDENT FELLOW,  
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Mr. DELISLE. Thank you. Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify today about the student loan program, and costs and risks to taxpayers, and accountability policies.

I want to say before I get started that my views today are my own. They are not the views of the American Enterprise Institute, which to the best of my knowledge doesn't have any views about student loans.

Chairman Alexander, you already mentioned that the student loan program is large. It makes about \$100 billion a year in loans, and this accounts for about 90 percent of all lending, college lending and higher education lending in the economy. There are no income limits, no means testing for the loans, and for graduate students there's not even a cap on the amount they can borrow. They can borrow up to the full cost of attendance, effectively no questions asked.

In recent years we've had a big run-up in the amount of outstanding debt. There's \$1.3 trillion in Federal student loans outstanding. Just to put that into context, that means the Federal student loan program now rivals the FHA's single-family home mortgage program, making those two programs the largest Federal credit programs the government operates.

So given the size of the Federal loan program, I think it's important that we really understand how much it costs, and getting a handle on those costs shows us that there is a need for policies that protect against waste, fraud, and abuse, and that borrowers who attend poorly performing schools and low-quality schools and overpriced programs are going to struggle to repay their loans and increase costs imposed on taxpayers.

So let me go through some of those costs.

One is defaults. When students default on their loans, it costs taxpayers money. According to the Department of Education, it's about \$4 billion a year. The reason why this costs money is the Department of Education, even though it's pretty good at getting the money back, it is still unable to recoup all of the costs that it incurs in collecting the money, and there is also a lot of time spent. So a dollar that you're owed today but is maybe collected 20 years from now isn't worth a dollar anymore.

Now, we have the cohort default rate that, as accountability policy, sort of gets at this. But another big source of cost that's even larger than default that we really have no accountability policy aimed at is the cost of the income-based repayment program. So when students repay their loans using the income-based repayment program, payments are generally low relative to what would be required to fully pay off the loan. So the Department of Education estimates that a lot of students who are using this program are going to have their loans forgiven, and currently a lot of students are using this program. There is about \$46 billion out of the \$100 billion lent each year that the Department of Education is expecting will be repaid to this program. That equates to about a \$12 bil-

lion annual cost for income-based repayment, significantly larger than the cost of defaults, about three times.

Another source of cost is from discharges due to fraud, closed schools. This is becoming more of an increasing issue. The Department of Education just wrote down the value of the outstanding loan portfolio by \$5 billion because their estimates show that there's going to be more discharges due to closed schools and fraud and misrepresentation.

Another source of cost is just the overall cost of the loan program. A lot of people believe that the loan program makes money for the government. The CBO puts out statistics that appear to show that this is the case. But the CBO, the Congressional Budget Office, also warns that these estimates "do not provide a comprehensive measure of what Federal credit programs actually cost the government and, by extension, taxpayers." So the agency has suggested a more comprehensive measure of cost called fair value accounting, and when the CBO uses that method they show the program is expected to cost at least \$183 billion over the next 10 years. That's a very significant cost. So those who would say we can sort of turn a blind eye to accountability policies because the program doesn't lose money needs to look at the CBO's estimates according to fair value.

In my testimony, my written testimony, I go through a number of principles that I think will help the Committee develop better accountability policies. I'm a little bit short on time and I won't go into them here, but I'll be happy to talk about them in some of the questions.

Thank you. That concludes my testimony.

[The prepared statement of Mr. Delisle follows:]

PREPARED STATEMENT OF JASON D. DELISLE

Chairman Alexander, Ranking Member Murray, and Members of the Committee, thank you for the opportunity to testify about the risks and costs in the Federal student loan program and the need for accountability policies for higher education institutions.

The Federal Government's Direct Loan program dominates the student-loan market today, issuing 90 percent of all loans made across the country each year. Students pursuing everything from short-term certificates to master's degrees qualify for nearly \$100 billion in loans every year at terms more generous than most private lenders would offer.

The Federal role in higher-education lending has grown ever since lawmakers enacted the first loan program under the National Defense Education Act of 1958. The Higher Education Act of 1965 expanded access to loans to more colleges and students through the Guaranteed Student Loan Program, but the interest rate subsidies it provided were restricted to students from low-income families. In 1980, Congress created a loan program for parents of undergraduates (Parent PLUS), and then in 1992, eliminated annual and lifetime borrowing limits for those loans. That year, lawmakers also authorized the Unsubsidized Stafford Loan program, which allows all undergraduate students to borrow Federal loans regardless of their financial circumstances. In 2006, Congress created the Grad PLUS loan program, which removed limits on the amount graduate students could borrow.<sup>1</sup> This expansion, along with rising college costs and increasing student enrollments, has led to a rapid increase in the stock of outstanding debt in recent years. Now at \$1.3 trillion,

<sup>1</sup> For more information about the history and expansion of the Federal student loan program, see: Jason D. Delisle, *Private in Name Only: Lessons from the Defunct Student Loan Program*, American Enterprise Institute, February 2017, [www.aei.org/wp-content/uploads/2017/02/Private-in-Name-Only.pdf](http://www.aei.org/wp-content/uploads/2017/02/Private-in-Name-Only.pdf).

the student loan program rivals the Federal Housing Administration's largest mortgage program in size.<sup>2</sup>

Given the size and scope of the loan program, it is important to understand that the loan program imposes costs on taxpayers. Such costs speak directly to the need for policies that guard against fraud, waste, and abuse along with policies that provide information about loan performance. Borrowers who attend poor quality or overpriced programs will struggle to repay their debt and in turn impose losses to taxpayers.

### Loan-Based Accountability Policies and their Limitations

In the early 1990's, Congress enacted its first loan-based accountability policy: the cohort default rate. The cohort default rate measures the share of an institution's former students who borrow Federal loans and default within 3 years of entering repayment.<sup>3</sup> Institutions with high default rates lose eligibility for Federal student aid programs because lawmakers saw high default rates as a proxy for low-quality institutions of higher education.

The Obama administration's "gainful employment" regulations again sought to use loans as a proxy for value and quality, but in a different way. The initially proposed rule included a measure of whether borrowers who completed a particular program paid down principal on their student loans. The final rule does not include that measure but instead uses the amount of debt a student takes on (relative to his earnings) to gauge eligibility for Federal aid by program.

Then there are proposals for a third loan-based accountability measure: risk sharing. These proposals—advanced by think tanks, researchers, advocates, and some lawmakers—would require institutions that pass the other measures of accountability to pay penalties to the Federal Government commensurate with the amount of loans that perform poorly.<sup>4</sup>

Despite the sound rationale for loan-based accountability policies, these measures still have limitations. By design they exclude all students in programs or institutions who do not borrow. Programs and institutions that mainly use Federal Pell Grants, and few loans, are also excluded from the accountability measure. This implies that there is not a need for accountability measures for grant aid or for students who pay out of pocket. If the accountability measure is supposed to prevent taxpayer resources from supporting overpriced and low quality programs—or protect consumers from squandering their time and limited Federal aid—then focusing accountability only on loan performance falls short of that goal.

Even the loan-based metrics themselves are imprecise. While defaulting on a student loan is clearly a bad outcome, policymakers should be careful when interpreting that event as a signal that borrowers' debts are unaffordable, that their earnings are low, or both. Data suggest that about one in seven borrowers with incomes between \$60,000 and \$70,000 default within 4 years of entering repayment.<sup>5</sup> That is a high default rate for borrowers who do not appear to have low incomes.

While those figures suggest default rates may overstate what the accountability metric seeks to measure, benefits in the loan program that allow borrowers to postpone payment and avoid default can understate the extent to which an institution's students are struggling. Recent research shows that lifetime loan default rates are much higher than the rates captured in the 3-year cohort default rate window.<sup>6</sup>

Another limitation comes from the income-based repayment programs. Borrowers can enroll in income-based repayment options that allow them to pay down debt slowly. In some cases they may never have to make payments on the loan if their incomes are low enough. These borrowers would be avoiding default despite making no payments. Meanwhile, the highest default rates occur among borrowers with post-enrollment incomes between \$10,000 and \$20,000—income levels at which most

<sup>2</sup> Board of Governors of the Federal Reserve System, "Mortgage Debt Outstanding," March 2017, [www.federalreserve.gov/econresdata/releases/mortoutstand/current.htm](http://www.federalreserve.gov/econresdata/releases/mortoutstand/current.htm).

<sup>3</sup> To be counted as a default in the cohort default rate, a borrower must miss making a payment for 360 days or more. For more information, see Cornell Law School, "Calculating and Applying Cohort Default Rates," [www.law.cornell.edu/cfr/text/34/668.202](http://www.law.cornell.edu/cfr/text/34/668.202).

<sup>4</sup> Ben Miller and Beth Akers, "Designing Higher Education Risk-Sharing Proposals," Center for American Progress, May 22, 2017, [www.americanprogress.org/issues/education-postsecondary/reports/2017/05/22/432654/designing-higher-education-risk-sharing-proposals/](http://www.americanprogress.org/issues/education-postsecondary/reports/2017/05/22/432654/designing-higher-education-risk-sharing-proposals/).

<sup>5</sup> Constantine Yannelis, "Strategic Default on Student Loans" (working paper, New York University, New York City, 2016), <http://faculty.chicagobooth.edu/workshops/financelunch/past/pdf/Strategic%20Default.pdf>.

<sup>6</sup> Jennie H. Woo et al. "Repayment of Student Loans as of 2015 Among 1995–96 and 2003–04 First-Time Beginning Students," (National Center for Education Statistics, 2017), <https://nces.ed.gov/pubs2018/2018410.pdf>.



borrowers would qualify for \$0 payments under income-based repayment if they enrolled.<sup>7</sup> Using loan repayment rates like the Obama administration's original gainful employment regulation might be more precise for overcoming that limitation, but that metric entails other limitations. For example, educational programs that lead to careers in public service may be more likely to exhibit low repayment rates as their graduates may be more likely to enroll in income-based repayment plans. Some policymakers, however, may not consider those educational programs to be of poor quality or low value despite the low repayment rates.

### The Cost and Risks of Federal Student Loans

Keeping these limitations in mind, my testimony will now detail how the loan program imposes costs and risks on taxpayers to illustrate why accountability policies are necessary. While my discussion focuses on costs, this is not to suggest that loan program is not valuable for students and the economy as a whole. Generally, I believe a well-designed Federal student loan program plays an important role in our higher education system and is worth the budgetary costs.

However, my goal today is to focus on the cost side of that cost-benefit analysis. My testimony today examines the loan program by looking at four categories of costs: loan defaults; Income-Based Repayment and loan forgiveness programs; loan discharges for fraud and closed schools; and last, comprehensive budget cost estimates for the entire loan program. These categories are not mutually exclusive, but they provide a useful framework for evaluating the major costs within the loan program. In discussing costs in these categories I also dispute the erroneous view that the government profits when borrowers default on their loans and that it profits on the overall loan program. In my concluding remarks, I offer some general principles that I believe should guide any reform to accountability policies for Federal student aid.

### The Cost of Student Loan Defaults

When borrowers default on their Federal student loans they impose costs on taxpayers on average. Recent data have revealed that these costs have been rising in recent years.

There are over eight million borrowers currently in default on their loans and that number has increased sharply in recent years. In 2013, just over six million borrowers were in default. Based on my calculation of Department of Education data, about one in five borrowers whose loans have come due were in default at the end of 2017.<sup>8</sup> The Department of Education projects that 16.6 percent of loan dollars issued in fiscal year 2018 will default at some point in their repayment. But a default, which is defined in the program as 270 days without an on-time payment (or 360 days for the cohort default rate measure), is not necessarily a measure of loss to the government as is often implied.<sup>9</sup>

The Federal Government contracts with private collection agencies to recover defaulted loans and has its own recovery techniques such as wage garnishment and offsets of payments like tax refunds. While the Department reports that these efforts allow it to recover most of the money owed on defaulted loans, a significant amount is never recovered. The Department's latest report puts its estimated recovery rate at just 76.9 percent of dollars in default (See Figure 1).<sup>10</sup> That equates to a cost to the government from defaults of \$4 billion per year, or at least \$40 billion

<sup>7</sup> *Ibid.*, 36.

<sup>8</sup> Jason Delisle and Clare McCann, "Who's Not Repaying Student Loans? More People Than You Think," *Forbes*, September 26, 2014, [www.forbes.com/sites/jasondelisle/2014/09/26/whos-not-repaying-student-loans-more-people-than-you-think/#51d8345e4c0c](http://www.forbes.com/sites/jasondelisle/2014/09/26/whos-not-repaying-student-loans-more-people-than-you-think/#51d8345e4c0c).

<sup>9</sup> 20 USC 1085(1) defines a technical default as a 270-day period over which a borrower fails to make a payment. This definition applies for all uses of default except for cohort default rate, which is defined as a 360-day period in 34 CFR 668.202(c)(1)(iv). For more information, see Department of Education, "Definition of Default for Student Eligibility and Cohort Default Rate Calculations," February 25, 2011, <https://ifap.ed.gov/eannouncements/022511DefiDefaultEligiCDR.html> and Cornell Law School, "Calculating and Applying Cohort Default Rates," [www.law.cornell.edu/cfr/text/34/668.202](http://www.law.cornell.edu/cfr/text/34/668.202).

<sup>10</sup> Department of Education, Student Loan Overviews: Fiscal Year 2018 Budget Proposal, [www.ed.gov/about/overview/budget/budget18/justifications/q-sloverview.pdf](http://www.ed.gov/about/overview/budget/budget18/justifications/q-sloverview.pdf).

over the congressional 10-year budget window. The recovery rates are in line with recovery rates for defaults on home mortgages.<sup>11</sup>

Figure 1: Student Loan Default and Recovery Rates, FY17 & FY18 Estimates

The most recent projected recovery rate reflects a significant downward revision from the past years when the Department estimated recoveries at 84.3 percent of defaulted dollars (see Figure 1).<sup>12</sup> That change caused the Department to effectively write down the value of loans issued in the past that are still outstanding by \$14.6 billion, as the Department put it, “reflecting lower actual collections on defaults.”<sup>13</sup>

While the Department shows that defaults do indeed impose a cost on taxpayers, some observers have erroneously claimed that the Federal Government actually makes money when borrowers default. They claim that the penalty fees and additional interest that borrowers accrue while in default nets the government more money than if the borrower repaid on time without penalty. While some budget documents do appear to support the “government profits on defaults” view by showing a recovery rate that exceeds 100 percent, these estimates do not net out the fees the government must pay to collection agencies to recover the loans and do not factor in the time-value of money, effectively valuing a dollar recovered 20 years from now as worth the same as a dollar collected today.<sup>14</sup> Once this misleading accounting is corrected and recovery rates are adjusted for costs, the Department reports the 76.9 percent recovery rate stated above, meaning a default costs taxpayers 23.1 percent of all loan dollars that go into default.<sup>15</sup>

### Income-Based Repayment and Loan Forgiveness

Another category of costs and risks in the loan program are the losses taxpayers face when students repay their loans through the Income-Based Repayment (IBR) program. Under the most recent version of IBR, which Congress and the Obama administration enacted in 2010 and made available to all new borrowers beginning in July 2014, borrowers pay 10 percent of their discretionary income toward the loan. After a 20-year repayment period, any remaining balance is forgiven. Borrowers who complete 10 cumulative years of payments in any public sector or most non-profit jobs qualify for the Public Service Loan Forgiveness (PSLF) program and have their debts forgiven at that point, 10 years earlier than other borrowers using IBR.<sup>16</sup>

IBR can provide a large benefit to borrowers at substantial cost to the government. The Department projects that many borrowers who use IBR will not repay their loans in full and thus receive forgiveness either through PSLF or after 20 years of payments for those working in the for-profit sector. The Department estimates that it costs taxpayers \$27 for every \$100 of loans a borrower repays through IBR due to forgiven interest and principal.<sup>17</sup> The Department also estimates that of the 2018 cohort of loans, \$47 billion will be repaid in IBR.

The benefits that the program provides are not limited to borrowers with perpetually low incomes. The changes that the Obama administration made to the program in 2010—reducing the share of income on which payments are based from 15 percent to 10 percent and reducing the time to loan forgiveness from 25 to 20 years—allow borrowers with higher incomes to benefit if they borrow large sums to

<sup>11</sup> Constantine Yannelis, “Strategic Default on Student Loans” (working paper, New York University, New York City, 2016), <http://faculty.chicagobooth.edu/workshops/financelunch/past/pdf/Strategic%20Default.pdf>.

<sup>12</sup> Department of Education, “Student Loan Overviews: Fiscal Year 2018 Budget Proposal,” [www.ed.gov/about/overview/budget/budget18/justifications/q-sloverview.pdf](http://www.ed.gov/about/overview/budget/budget18/justifications/q-sloverview.pdf).

<sup>13</sup> US Department of Education, External Stakeholders Meeting on December 7, 2017, PowerPoint presentation.

<sup>14</sup> Office of Management and Budget, “Federal Credit Supplement: Budget of the U.S. Government Fiscal Year 2018,” [www.govinfo.gov/content/pkg/BUDGET-2018-FCS/pdf/BUDGET-2018-FCS.pdf](http://www.govinfo.gov/content/pkg/BUDGET-2018-FCS/pdf/BUDGET-2018-FCS.pdf).

<sup>15</sup> Even that rate may be overstated as the Congressional Budget Office reported in a 2007 working paper. When discounting the recovery rates for not just the time-value of money, but also the market risk inherent in the cash flow, recovery rates drop to 50 percent. For more information, see Congressional Budget Office, “Guaranteed Versus Direct Lending: The Case of Student Loans,” June 2007, [www.cbo.gov/sites/default/files/110th-congress-2007-2008/workingpaper/2007-09-studentloans-0.pdf](http://www.cbo.gov/sites/default/files/110th-congress-2007-2008/workingpaper/2007-09-studentloans-0.pdf).

<sup>16</sup> Under current law, borrowers must pay Federal income taxes on the amount forgiven under the 20-year forgiveness benefit (not PSLF), but its political unpopularity makes it uncertain that this provision will go into effect, so the offsetting effects of this provision are ignored here.

<sup>17</sup> White House, Department of Education Budget Fiscal Year 2018, <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/edu.pdf>.

finance a graduate education.<sup>18</sup> Indeed, the Department recently estimated that the majority of debt repaid under IBR will be for graduate degrees and among those borrowers, most will earn over \$100,000 on average during repayment.<sup>19</sup>

An accountability measure that looks at defaults alone is unlikely to capture the costs to taxpayers associated with IBR as these borrowers can generate costs without defaulting. An accountability measure that includes how quickly borrowers pay down principal, like the metric the Obama administration proposed, would identify institutions or education programs where large shares of former students both use IBR and have earnings that are low relative to their loan balances. For many borrowers, using IBR is not a negative outcome per se. What matters for accountability purposes is whether students from a particular program or school use IBR and pay down their loans at an unusually slow rate due to low incomes. That means IBR is not an impediment to using a loan repayment rate for accountability purposes, but it does need to be factored into what the minimum level for repayment rate should be.

### **Borrower Defense to Repayment and Closed School Discharges**

A third category of costs in addition to losses from default and IBR are loan discharges in the case of fraud and school closures. In these cases, lax accountability policies can expose taxpayers to losses because they do not sufficiently guard against fraud or screen out institutions likely to close for some other reason.

Under current law, a Federal student loan borrower who believes that he was deceived by an “act or omission” of his institution may assert a “defense to repayment,” which would entitle that borrower to full or partial relief from his student loan obligations, potentially including amounts already paid on the loan.<sup>20</sup> For most of its existence, borrower defense was a little-used provision. That changed with the 2015 collapse of Corinthian Colleges when tens of thousands of former Corinthian students had loans discharged, with a cost of \$247 million as of October 2016.<sup>21</sup>

In 2016, the Obama administration issued a regulation to clarify the standard for borrower defense.<sup>22</sup> This rule expanded the range of actions by an institution that could justify a loan discharge, including “statements with a likelihood or tendency to mislead under the circumstances.” Secretary of Education Betsy DeVos postponed the regulations and proposed a new set of rules that would create a stricter standard (relative to the Obama rules) for discharges.<sup>23</sup>

Estimating the future cost to taxpayers of borrower defense discharges is difficult, as the discharges are a recent phenomenon. In late 2017, the Department estimated that an increased number of borrower defense discharges on outstanding student loans would cost taxpayers \$5.1 billion.<sup>24</sup> The Obama administration estimated that its version of the borrower defense rules would cost taxpayers \$14.9 billion over 10

<sup>18</sup> Jason Delisle and Alex Holt, “Winners and Losers in President Trump’s Student Loan Plan,” Brookings Institution, August 3, 2017, [www.brookings.edu/research/winners-and-losers-in-president-trumps-student-loan-plan/](http://www.brookings.edu/research/winners-and-losers-in-president-trumps-student-loan-plan/); Jason Delisle and Alex Holt, “A Student Loan Blind Spot,” Washington Post, February 20, 2015, [www.washingtonpost.com/opinions/the-22-billion-student-loan-blind-spot/2015/02/20/e3413e82-b6f5-11e4-aa05-1ce812b3fdd2—story.html?utm—term=.0d573827272a](http://www.washingtonpost.com/opinions/the-22-billion-student-loan-blind-spot/2015/02/20/e3413e82-b6f5-11e4-aa05-1ce812b3fdd2—story.html?utm—term=.0d573827272a).

<sup>19</sup> Department of Education, “Comparison of Total Originations to the Net Present Value of Payments in Each IDR Repayment Plan: All Borrowers Expected to Enter IDR Repayment in 2016,” [www2.ed.gov/about/overview/budget/budget17/idrtables.pdf](http://www2.ed.gov/about/overview/budget/budget17/idrtables.pdf).

<sup>20</sup> Cornell Law School, “20 USC 1087e—Terms and Conditions of Loans,” [www.law.cornell.edu/uscode/text/20/1087e](http://www.law.cornell.edu/uscode/text/20/1087e).

<sup>21</sup> Department of Education, “U.S. Department of Education Announces Final Regulations to Protect Students and Taxpayers from Predatory Institutions,” October 28, 2016, [www.ed.gov/news/press-releases/us-department-education-announces-final-regulations-protect-students-and-taxpayers-predatory-institutions](http://www.ed.gov/news/press-releases/us-department-education-announces-final-regulations-protect-students-and-taxpayers-predatory-institutions).

<sup>22</sup> Department of Education, “Student Assistance General Provisions, Final Regulations,” 2016, [www2.ed.gov/policy/highered/reg/hearulemaking/2016/bd-unofficialfinalregs-102716.pdf](http://www2.ed.gov/policy/highered/reg/hearulemaking/2016/bd-unofficialfinalregs-102716.pdf).

<sup>23</sup> Department of Education, “Borrower Defense and Financial Responsibility,” 2017, [www2.ed.gov/policy/highered/reg/hearulemaking/2017/borrowerdefense.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2017/borrowerdefense.html); Department of Education, “Secretary DeVos Announces Regulatory Reset to Protect Students, Taxpayers, Higher Ed Institutions,” June 14, 2017, [www.ed.gov/news/press-releases/secretary-devos-announces-regulatory-reset-protect-students-taxpayers-higher-ed-institutions](http://www.ed.gov/news/press-releases/secretary-devos-announces-regulatory-reset-protect-students-taxpayers-higher-ed-institutions).

<sup>24</sup> US Department of Education, External Stakeholders Meeting on December 7, 2017, PowerPoint presentation.

years, though this estimate is highly uncertain.<sup>25</sup> As of October 2017, over 135,000 student borrowers had applied for loan relief under borrower defense.<sup>26</sup>

The closure of an institution of higher education can also allow students to have their Federal student loans discharged. The Secretary of Education may cancel loans for borrowers who were enrolled in an institution at the time of its closure, or withdrew fewer than 120 days before the institution closed.<sup>27</sup> If a student completes his degree program or successfully transfers his credits to another institution, he is not eligible for a closed school discharge.

While school closures are rare, their number has increased in recent years. During the 2015–16 academic year, 66 degree-granting institutions closed their doors, up from just 11 in 2005–06.<sup>28</sup> In addition, the closure of one large chain of institutions can result in significant costs to taxpayers. When Corinthian Colleges closed in 2015, it left its 56,000 students potentially eligible for a closed school discharge; those students accounted for 64 percent of all students in schools which closed that year.<sup>29</sup> Another major chain, ITT Technical Institute, closed in 2016 and will generate \$461 million in closed school discharges according to a court filing in March 2017.<sup>30</sup> Estimating how much taxpayers will lose on future closed school discharges, however, is difficult and not included as a line item in the Federal budget.

### Overall Budget Cost of the Loan Program

So far my testimony has discussed different types of costs in the Federal loan program to illustrate why accountability policies are necessary. Another case for accountability policies in the loan program is that the program as a whole imposes costs taxpayers. It should therefore include policies to limit those costs and prevent limited resources from being wasted.

Some observers have argued that the Federal loan program does not impose budgetary costs on the government and instead earns a profit from lending. Like the earlier case of default costs, this view is also based on misleading accounting.

While the Congressional Budget Office publishes estimates each year showing that the loan program appears to earn a profit for the government, the agency has criticized the accounting rules—written by Congress in the Federal Credit Reform Act of 1990 (FCRA)—that require it to publish such figures. According to those rules, Federal student loans issued over the coming 10 years will earn the government \$28 billion. CBO argues that the accounting rules that require it to produce that estimate, “do not provide a comprehensive measure of what Federal credit programs actually cost the government and, by extension, taxpayers,” and the agency has suggested a more comprehensive measure called fair-value accounting.<sup>31</sup> Under that method, CBO reports that the loan program will cost taxpayers \$183 billion over the next 10 years. Fair-value accounting, CBO explains, includes a more comprehensive measure of risk that effectively assigns a cost to the loans because the interest rate the government charges borrowers is not enough to fully compensate for the risk of losses from default and loan forgiveness.

### Guiding Principles for Federal Student Aid Accountability Policies

My testimony today has detailed the ways in which the Federal student loan program entails financial risk for taxpayers and results in budgetary costs. Those risks and costs are the underlying reason why accountability policies are an essential feature of the loan program. Low-quality education programs, overpriced courses, and sham credentials exacerbate costs in the loan program by driving up defaults, loan

<sup>25</sup> Department of Education, “Student Assistance General Provisions, Final Regulations,” 2016, [www2.ed.gov/policy/highered/reg/hearulemaking/2016/bd-unofficialfinalregs-102716.pdf](http://www2.ed.gov/policy/highered/reg/hearulemaking/2016/bd-unofficialfinalregs-102716.pdf)

<sup>26</sup> Department of Education, “Borrower Defense and Financial Responsibility,” 2017, [www2.ed.gov/policy/highered/reg/hearulemaking/2017/borrowerdefense.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2017/borrowerdefense.html).

<sup>27</sup> Cornell Law School, “34 CFR 685.214 Closed School Discharge,” <https://www.law.cornell.edu/cfr/text/34/685.214>.

<sup>28</sup> National Center for Education Statistics, “Table 317.50: Degree-granting Postsecondary Institutions That Have Closed Their Doors, by Control and Level of Institution: 1969-70 through 2015-16,” <https://nces.ed.gov/programs/digest/d16/tables/dt16-317.50.asp?current=yes>.

<sup>29</sup> Government Accountability Office, “Education Should Address Oversight and Communications Gaps in Its Monitoring of the Financial Condition of Schools,” August 2017, [www.gao.gov/assets/690/686709.pdf](http://www.gao.gov/assets/690/686709.pdf).

<sup>30</sup> Jillian Berman, “Taxpayers Could End Up Paying \$460 Million Because of ITT Tech’s Collapse,” MarketWatch, March 20, 2017, [www.marketwatch.com/story/taxpayers-could-end-up-paying-460-million-because-of-itt-techs-collapse-2017-03-20](http://www.marketwatch.com/story/taxpayers-could-end-up-paying-460-million-because-of-itt-techs-collapse-2017-03-20).

<sup>31</sup> Congressional Budget Office, “Fair-Value Accounting for Federal Credit Programs,” Issue Brief March 2012, [www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/03-05-fairvaluebrief.pdf](http://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/03-05-fairvaluebrief.pdf).

forgiveness, and discharges. This is not to suggest, however, that the current set of accountability measures are optimal. To conclude, I will suggest several guiding principles that I believe will lead policymakers to adopt fair, consistent, and efficient accountability policies for Federal student aid programs.

### **Go Beyond Loans**

The introduction of my testimony already made the case for accountability measures that go beyond student loans. At a minimum, accountability measurements should include Federal grant aid, and possibly even gross tuition prices that cohorts of students paid. They might also include Federal tuition tax credits as another source of aid. After all, current policies use loans as a proxy to gauge both Federal funding and price. If policymakers want to measure those things for accountability purposes, there are more comprehensive ways to go about it.

Consider that the Federal Pell Grant program, which disburses approximately \$28 billion in aid annually, has far fewer accountability measures attached to it than the loan program.<sup>32</sup> Many in the policy community advocate for further accountability measures based on loan payments (e.g., risk sharing and repayment rates) but ignore the Pell Grant program. An accountability measure could be based on a “grant-to-income” ratio or a “total-aid-to-income” ratio like the one that exists for loans under the gainful employment regulation. Furthermore, institutions of higher education can already opt out of the loan program to avoid its accountability measures while maintaining access to Pell Grants and their relatively lax quality assurance policies.<sup>33</sup>

Low-tuition institutions, such as community colleges, that still participate in the loan program but whose students infrequently borrow also skirt accountability measures that rely solely on loan repayment measures. Their students’ small loan balances may make it appear as if the institutions provide good value, but that may not be the case if former students’ earnings are measured against Pell Grant aid or total tuition.

Of course, loans offer a convenient but crude proxy for gauging a student’s post enrollment earnings in a way that grants or out-of-pocket tuition payments can never capture. Grants and out-of-pocket payments do not generate a repayment cash-flow like loans, so there is no way to infer whether a student has sufficient earnings. Policymakers could, however, measure earnings more directly by querying payroll tax information as they have done under the Obama administration’s gainful employment regulation.

### **Apply Accountability Standards Consistently to All Institutions or Programs**

There are a number of places where statute and regulation impose different accountability standards on institutions of higher education depending on whether an institution is for-profit. Policymakers are rightly concerned about taxpayer and consumer protections for Federal student aid spent at those institutions. But bad student outcomes are no less worrisome if they occur at public or private non-profit institutions.

For example, there are likely many graduate degree programs at private non-profit and public universities whose graduates have low earnings or low repayment rates relative to the price students paid and the Federal loans they borrowed. Yet the gainful employment statute (and therefore the regulations) does not apply to degree programs at such institutions, only those at for-profit institutions. Graduate certificate programs, however, are treated equally across institution types which resulted in a revealing case in 2016 when a Harvard University graduate certificate in theater and drama performance ran afoul of the gainful employment regulation’s debt-to-income test. Had this credential been a degree and not a certificate it would have escaped the accountability measure because Harvard is a non-profit institution.<sup>34</sup> (Harvard shuttered the program after the finding.)

This case illustrates why it makes sense to treat institutions and programs consistently. If former students end up with high debt and relatively low earnings, the

<sup>32</sup> Department of Education, “Fiscal Year 2018 Budget Summary and Background Information,” <https://www2.ed.gov/about/overview/budget/budget18/summary/18summary.pdf>.

<sup>33</sup> Deborah Frankle Cochrane and Robert Shireman, “Denied: Community College Students Lack Access to Affordable Loans,” The Institute for College Access and Success, April 17, 2008, <https://ticas.org/sites/default/files/pub-files/denied.pdf>.

<sup>34</sup> Kevin Carey, “Programs That Are Predatory: It’s Not Just at For-Profit Colleges,” New York Times, January 13, 2017, [www.nytimes.com/2017/01/13/upshot/harvard-too-obamas-final-push-to-catch-predatory-colleges-is-revealing.html](http://www.nytimes.com/2017/01/13/upshot/harvard-too-obamas-final-push-to-catch-predatory-colleges-is-revealing.html).

type of institution or credential should not have a bearing on whether accountability measures to protect taxpayers and consumers should apply.

Of course, the Harvard example is one program and one school, albeit a high-quality prestigious one. A more comprehensive analysis shows weak loan performance across institution types. For example, one recent study found that 74 percent of students who attended a for-profit institution owed more on their loans 2 years after beginning repayment in 2012 than when they entered repayment.<sup>35</sup> That is clearly a troubling statistic. These students either defaulted or entered into a forbearance to postpone payments on their debts. Yet public and private nonprofit 2-year institutions performed nearly as bad. Among their students, 64 percent owed more on their loans after the 2-year mark.

### **Resist the Urge for Central Planning in Accountability Policies—Set a floor Instead**

There is a temptation in designing accountability measures to overreach and use Federal policies as a central planning system. Under this view, accountability measures should channel Federal funds to the “best” programs or the “most in-demand credentials” and cut them off for others. The Obama administration’s abandoned attempt to rate institutions of higher education falls within this type of policy. Another is a plan in Kentucky to provide free short-term credentials at public community colleges, but only in fields approved by policymakers.<sup>36</sup> These fields are supposed to be in high demand in the labor market, except policymakers are not likely to be good judges of that criteria and will surely make politically driven decisions about which credential to support. The same dynamic can be expected to occur at the Federal level, which is why policymakers should strive to leave such decisions to the market. Instead, accountability measures should strive to set a reasonable floor that guards against waste and fraud.

### **Data and Information Alone Can be an Effective Accountability Policy.**

Finally, policymakers should consider that information can be an effective accountability tool—even if it does not include triggers for punitive actions. Consumer information plays a vital role in a smooth functioning market. Institutions and programs that offer low returns on investment—but not low enough to trigger accountability measures—would be disciplined by market forces. The role for accountability policy here is that unlike a publicly traded company that must disclose its own detailed financial statements each quarter, universities cannot be made to disclose information on student outcomes because they have no way to reliably collect this information. The Federal Government can, however, collect that information through payroll tax and other data collection efforts. The Department of Education is making some of this information available, but could go further.<sup>37</sup>

To offer one specific example, the College Scorecard data could be expanded to include graduate schools and programs. Those data are currently excluded. Meanwhile, in recent years the Federal Government has greatly expanded financial aid to graduate students by eliminating borrowing limits in the Federal loan program and offering more generous income-based repayment plans. That likely has contributed to the large increase in borrowing among graduate students.<sup>38</sup> Emerging evidence shows that graduate degrees have a wide range of returns in the labor market, and most alarmingly, some degrees lead to earnings no higher than those for associate degrees.<sup>39</sup> When those degrees are financed with Federal loans and generous income-based repayment plans that include loan forgiveness, policymakers have an interest in exposing and mitigating the risk of taxpayer losses that stem from such outcomes.

<sup>35</sup> Adam Looney and Constantine Yannelis, “A Crisis in Student Loans? How Changes in the Characteristics of Borrowers and in the Institutions They Attend Contributed to Rising Loan Defaults,” Brookings Institute, September 2015, [www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf](http://www.brookings.edu/wp-content/uploads/2015/09/LooneyTextFall15BPEA.pdf).

<sup>36</sup> Preston Cooper, “Why ‘Free College Lite’ Doesn’t Make Sense for Kentucky,” *Forbes*, April 19, 2017, [www.forbes.com/sites/prestoncooper2/2017/04/19/why-free-college-lite-doesnt-make-sense-for-kentucky/#39e0650775b0](http://www.forbes.com/sites/prestoncooper2/2017/04/19/why-free-college-lite-doesnt-make-sense-for-kentucky/#39e0650775b0).

<sup>37</sup> Department of Education, “College Scorecard,” 2018, <https://collegescorecard.ed.gov/>.

<sup>38</sup> Jason Delisle, “The Graduate Student Debt Review,” *New America*, 2014, <https://static.newamerica.org/attachments/750-the-graduate-student-debt-review/GradStudentDebtReview-Delisle-Final.pdf>.

<sup>39</sup> Mark Schneider and Jorge Klor de Alva, “The Master’s as the New Bachelor’s Degree: In Search of the Labor Market Payoff,” *American Enterprise Institute*, January 2018, [www.aei.org/wp-content/uploads/2018/01/The-Masters-as-the-New-Bachelors-Degree.pdf](http://www.aei.org/wp-content/uploads/2018/01/The-Masters-as-the-New-Bachelors-Degree.pdf).

That concludes my testimony today and I look forward to answering any questions that you may have about Federal student loans and accountability policies.

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[SUMMARY STATEMENT OF JASON D. DELISLE]

The Federal role in higher-education lending has grown ever since lawmakers enacted the first loan program under the National Defense Education Act of 1958. This expansion, along with rising college costs and increasing student enrollments, has led to a rapid increase in the stock of outstanding debt in recent years. Now at \$1.3 trillion, the student loan program rivals the Federal Housing Administration's largest mortgage program in size.

Given the size and scope of the loan program, it is important to understand that the loan program imposes costs on taxpayers. Such costs speak directly to the need for policies that guard against fraud, waste, and abuse along with policies that provide information about loan performance. Borrowers who attend poor quality or overpriced programs will struggle to repay their debt and in turn impose losses to taxpayers.

In that regard, my testimony details how the loan program imposes costs and risks on taxpayers to illustrate why accountability policies are necessary. While my discussion focuses on costs, this is not to suggest that loan program is not valuable for students and the economy as a whole. Generally, I believe a well-designed Federal student loan program plays an important role in our higher education system and is worth the budgetary costs. However, my goal today is to focus on the cost side of that cost-benefit analysis.

My testimony today examines the loan program by looking at four categories of costs: loan defaults; Income-Based Repayment and loan forgiveness programs; loan discharges for fraud and closed schools; and last, comprehensive budget cost estimates for the entire loan program. These categories are not mutually exclusive, but they provide a useful framework for evaluating the major costs within the loan program. In discussing costs in these categories I also dispute the erroneous view that the government profits when borrowers default on their loans and that it profits on the overall loan program. In my concluding remarks, I offer some general principles that I believe should guide any reform to accountability policies for Federal student aid.

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The CHAIRMAN. Thank you, Mr. Delisle.  
Mr. Miller, welcome.

**STATEMENT OF BEN MILLER, SENIOR DIRECTOR, POSTSECONDARY EDUCATION, CENTER FOR AMERICAN PROGRESS, WASHINGTON, DC**

Mr. MILLER. Good morning, Chairman Alexander, Ranking Member Murray, and other Members of the Committee. Thank you for the opportunity to testify today.

Federal student aid is a deal between taxpayers, students, and institutions. When students don't keep up their end of the bargain, we hit them hard, wrecking their credit, docking their wages, seizing their tax refunds or Social Security checks. But there's almost no accountability when colleges break their promises or repeatedly fail to educate students.

Yes, there are thousands of institutions that deliver on the American Dream by moving students into the middle class. But our current accountability system does not do enough for students traditionally underserved by post-secondary education. One million borrowers default on their Federal direct student loans each year. Half of African American borrowers default on their loans within 12 years of entering college. Nearly 90 percent of defaulters also received a Pell Grant at some time.

Poor outcomes cost taxpayers, too. We invest billions in schools that repeatedly fail to educate most of their students. Our economy

suffers from the lost earnings potential of students who did not receive the knowledge and skills needed to succeed in the workplace.

The Department of Education's main accountability metric is the cohort default rate. Yes, default is a horrible outcome, but this measure is little more than a finger wag. Just 10 schools were at risk of losing Federal aid last year for high default rates; 99.9 percent of defaulters attended schools that have little to fear from this measure.

Repayment rates are potentially a stronger and more aspirational accountability measure. They send a message that we want our borrowers to repay successfully, not just avoid the worst possible outcome.

But we still must figure out the proper way to define and use repayment rates. For instance, there's no agreement on what constitutes successful repayment. The most common approach is to say a borrower needs to pay at least \$1 of their principal balance within 3 years of entering repayment. We may be better off judging whether or not borrowers are on track to repay within 20 or 25 years. We also must define what repayment standards schools should be held to.

These are tough issues that demand additional data that is already held by the Department of Education to properly understand the different effects of repayment rate regimes.

But Congress must also understand that repayment rates are just one component of making Federal accountability work. A reauthorization of the Higher Education Act must establish a Federal accountability system that aligns the interests of students, schools, and taxpayers.

That starts with using multiple accountability measures and looking at results by racial, ethnic, and socioeconomic subgroups. Using just one indicator is insufficient because it is too easy to game. And we must look at outcomes through an equity lens in order to identify unacceptable performance gaps and ensure our higher education system is truly a ladder of opportunity.

There's more to accountability than just outcomes, though. We also need stronger gatekeeping to keep lousy actors out of the aid programs and ongoing guardrails to keep schools from breaking bad.

Recent history illustrates how insufficient our guardrails are. In the late 1990's and early 2000's we had several for-profit colleges that had good business models and decent outcomes. But financial incentives encouraged them to grow too big too fast, or they were bought by Wall Street-backed firms that changed how they operated. It took years for us to see the results of this, and it wasn't pretty. At their peak, private for-profit colleges enrolled a little over 10 percent of students but produced nearly half of defaulters. Stronger guardrails should have discouraged hyper-growth or blocked sales to questionable owners.

We also need more flexible consequences that go beyond terminating financial aid for the worst performers. We need stronger minimum bars for Federal student aid, but we also need incentives to boost performance of schools with mediocre results.

Accountability must also acknowledge the diversity of our higher education system. While all colleges should be held accountable for



loan outcomes, we should not pretend that the business models and incentives of a college backed by Wall Street are the same as the local community college.

Finally, the rest of the higher education system must step up. No one has kept up their end of the bargain around funding or cost containment. States, the Federal Government, and accreditors have played accountability hot potato for too long. The result is too many states fail to provide proper oversight of the colleges serving their students, and some accreditation agencies turned a blind eye while places like Corinthian Colleges and ITT Technical Institute faced a raft of lawsuits and complaints.

It has been nearly a decade since Congress last reauthorized the Higher Education Act. Since then, many students have suffered from unaffordable loans and insufficient educations. Millions more will be harmed going forward if we don't get accountability right this time.

Thank you for the opportunity to testify, and I look forward to answering any questions you may have.

[The prepared statement of Mr. Miller follows:]

PREPARED STATEMENT OF BEN MILLER

Chairman Alexander, Ranking Member Murray and other Members of the Committee, thank you very much for the opportunity to testify today.

**Oral remarks**

Federal student aid is a deal between taxpayers, students, and institutions. When students don't keep up their end of the bargain we hit them hard—wrecking their credit, docking their wages, seizing their tax refunds or Social Security checks. But there's almost no accountability when colleges break their promises or repeatedly fail to educate their students.

Yes, there are thousands of institutions that deliver on the American dream by leading students into the middle class. But the results of our current accountability system are grim, especially for students traditionally underserved by postsecondary education. One million borrowers default on their Federal Direct loans each year.<sup>1</sup> 1/3 of African American borrowers default on their loans within 12 years of entering college.<sup>2</sup> Pell Grant recipients comprise nearly 90 percent of defaulters.<sup>3</sup>

Poor outcomes cost taxpayers too. We invest billions in schools that repeatedly fail to educate most of their students. Our economy suffers from the lost earnings potential of students who did not receive the knowledge and skills needed to succeed in the workplace.

The Department of Education's main accountability metric is the cohort default rate. Yes, default is a horrible outcome. But this measure is little more than a finger wag. Just 10 schools risked losing Federal aid last year for high default rates—99.9 percent of defaulters attended schools that have little to fear from this measure.<sup>4</sup>

<sup>1</sup> Office of Federal Student Aid, "Default Rates," available at <https://studentaid.ed.gov/sa/about/data-center/student/default> (last accessed November 2017).

<sup>2</sup> Ben Miller, "New Federal Data Show a Student Loan Crisis For African American Borrowers," Center for American Progress, October 2017, <https://www.americanprogress.org/issues/education-postsecondary/news/2017/10/16/440711/new-Federal-data-show-student-loan-crisis-african-american-borrowers/>.

<sup>3</sup> Ben Miller, "Who are Student Loan Defaulters?" Center for American Progress, December 2017, <https://www.americanprogress.org/issues/education-postsecondary/reports/2017/12/14/444011/student-loan-defaulters/>.

<sup>4</sup> Ben Miller, "Improving Federal Accountability for Higher Education," Center for American Progress, October 2017, <https://www.americanprogress.org/issues/education-postsecondary/reports/2017/10/24/440931/improving-Federal-accountability-for-higher-education/>.

Repayment rates are potentially a stronger and more aspirational accountability measure. They send a message that our loan system should expect student success, not just avoid the worst possible outcome.

But we still have to figure out the proper way to define and use repayment rates. For instance, there's no agreement on what constitutes successful repayment. The most common approach is to say a borrower needs to pay at least \$1 of their principal balance by the end of 3 years. We may be better off judging if borrowers are on track to repay within 20 or 25 years. We also must address issues around repayment rate benchmarks and how to treat subsequent enrollment.

These are tough issues that demand additional data already held by the Department of Education to understand the potential effects of different repayment rate regimes.

Congress must also understand that repayment rates are just one component of making Federal accountability work. A reauthorization of the Higher Education Act must establish a Federal accountability system that aligns the interests of students, schools, and taxpayers.

That starts with using multiple accountability measures and looking at results by racial, ethnic, and socioeconomic subgroups. Using just one indicator is insufficient because it is too easy for bad actors to game. And we must look at outcomes through an equity lens to catch unacceptable performance gaps and ensure our higher education system is the ladder of opportunity it needs to be.

There's more to accountability than just outcomes, though. We need stronger gatekeeping to keep lousy actors out of the aid programs and ongoing guard rails to keep schools from breaking bad.

Recent history illustrates how insufficient our guardrails are. In the late 1990's and early 2000's we had several for-profit colleges that had good business models and decent outcomes. But financial incentives encouraged them to grow too big or they were bought by Wall-Street backed firms that altered how they operated. It took years for us to see the change in outcomes, and it wasn't pretty. At their peak, private for-profit colleges were a little over 10 percent of students and nearly half of defaulters. Stronger guardrails should have discouraged hyper growth or blocked sales to questionable owners.

We also need more flexible consequences that go beyond terminating financial aid for the worst performers. We need stronger minimum bars for receiving Federal aid. But we also need incentives to boost performance of schools with mediocre results.

Accountability must also acknowledge the diversity of our higher education system. While all colleges should be held accountable for their loan outcomes, we should not pretend that the business model and incentives of a college backed by Wall Street are the same as the local community college.

Finally, the rest of the higher education system must step up. No one has kept up their end of the bargain around funding or cost containment. States, the Federal Government, and accreditors have played accountability hot potato for too long. The result is too many states fail to provide proper oversight of the colleges serving their students, and some accreditation agencies turned a blind eye while places like Corinthian Colleges and ITT Technical Institute faced rafts of lawsuits and complaints.

It has been nearly a decade since Congress last reauthorized the Higher Education Act. Since then, millions of students have suffered from unaffordable loans and insufficient educations. Millions more will be harmed going forward if we don't get accountability right this time.

Thank you again for the opportunity to testify and I look forward to answering any questions you may have.

### **Additional comments on repayment rates**

#### *The case for and limitations of repayment rates*

Currently, the Education Department's sole measure for judging colleges' student loan outcomes is to look at the percentage of borrowers who default within 3 years of entering repayment.<sup>5</sup> Though default is unquestionably the worst outcome for a loan borrower, it's an insufficient measure for Federal loans, especially when tracked for such a short timeframe. That's because Federal debts contain a host of repayment options that allow borrowers to pause payments without going delinquent. These tools can easily push defaults outside the 3-year measurement window, making results appear overly rosy. For instance, a Center for American Progress analysis found that of borrowers who defaulted within 12 years of first entering college, only a slim majority did so in the first 3 years after entering repayment.<sup>6</sup>

<sup>5</sup> <https://www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html>

<sup>6</sup> Miller, "Who are Student Loan Defaulters?"

Creating a repayment rate measure would not fix the potentially insufficient measurement window, but such a rate would offer a broader view of what it means to struggle with student debt. It would look at whether borrowers make progress retiring their loans, rather than avoiding default through deferment or forbearance—thus holding colleges accountable if larger numbers of their borrowers appear to be making few if any payments. Repayment rates can also identify colleges where more borrowers may be relying on tools to pause payments because they are facing economic hardships or unemployment—potential signs their education was of insufficient quality.

Focusing on repayment, not just default, would also set a higher performance bar for institutions. Meeting default rate requirements simply entails pushing students to enter any status other than default. By contrast, most suggested definitions of successful repayment require borrowers to be making payments toward retiring their debt, or in some cases using repayment options tied to their income.

Repayment rates, however, are a complicated measure that touch on issues related to how students move through higher education and repayment. Failing to understand these nuances can result in a repayment measure that unfairly labels successful programs as failures. To avoid that challenge, there are six policy choices that Congress must consider as it weighs how to define and use repayment rates.

### **Policy Choice #1: What is successful repayment and how should it be calculated?**

While there is strong bipartisan interest in making repayment rates an accountability metric, there is less agreement about what should constitute successful repayment and how it should be calculated. Different approaches to calculating a repayment rate would likely produce wildly different results. Unfortunately, insufficient data from the U.S. Department of Education make it impossible to tell exactly what the effects of various calculations are. Before it implements any proposed repayment rate, Congress should obtain detailed modeling data to ensure it fully understands the ramifications of any calculation.

#### **Defining successful repayment**

To date there are two main proposals for how to define successful repayment. The most recent comes from legislation introduced in the U.S. House of Representatives to reauthorize the Higher Education Act. It proposes that successful repayment means a borrower did not default, is not in certain deferment statuses, and is not more than 90 days delinquent at the end of the third fiscal year in repayment.<sup>7</sup> Borrowers who have an in-school deferment or a military service deferment at the time of measurement count as repayment successes.

Though called a repayment rate, this measure is more a reflection of an active repayment status or excused absence. It does not tell us much about a borrower's long-term repayment trajectory. And by testing for delinquency only at the end of the measurement window it allows a college to get credit for a borrower that corrected their status only days before being assessed.

The most commonly used definition of repayment rates lacks some of the flaws in the House bill, but raises other issues. This definition has appeared on both the College Scorecard and as part of the original proposals from the Department of Education to define what it means to provide training that leads to gainful employment in a recognized occupation. It defines success as a borrower who has not defaulted and repaid at least \$1 of their original principal balance after 3 years in repayment. This measure deems a borrower as a success if they simply owe anything less than what they borrowed.

The challenge with this approach is a \$1 reduction in principal after three or more years in repayment is not evidence of a path toward paying off a loan in any reasonable amount of time. For example, a borrower who owes \$10,000 with a 5 percent interest rate when they enter repayment would have retired just over a quarter of what they owed after 3 years in repayment on the standard 10-year plan. Even if they are paying off the loan over 25 years, they should have reduced their principal by almost 10 percent.<sup>8</sup>

<sup>7</sup> Kristin Blagg, "Large uncertainty under the PROSPER Act's proposed student loan accountability metric," Urban Institute, January 18, 2018, <https://www.urban.org/urban-wire/large-uncertainty-under-prosper-acts-proposed-student-loan-accountability-metric>.

<sup>8</sup> Ben Miller, "Do Income-Based Repayment Plans Really Ruin Repayment Rates?" New America, December 2013, <https://web.archive.org/web/20150405035404/www.edcentral.org/in->

**What Congress should do:** Given these concerns, Congress should strive for a more ambitious bar for what it means to achieve repayment success. It should define success as meaning borrowers have not defaulted and owe no more than what we would expect to still be outstanding on their loan if they were to pay down the debt over a 25-year period. What this tests for is whether it looks like borrowers are going to pay off their loans within the longest timeframe afforded prior to loan forgiveness. The goal is to ensure we do not issue too many loans that appear to be headed toward eventual forgiveness.

### Calculating repayment rates

The next issue is whether to calculate repayment rates based upon students or dollars involved. Both have benefits and drawbacks. Unfortunately, without better data available, it is difficult to know which is the superior approach.

A student-based calculation treats all borrowers equally. This formula defines a threshold for the percentage of students who attended an institution or program who must have demonstrated successful repayment within the desired number of years after entering repayment. In the most common form of repayment rates, this has meant saying programs or institutions must have at least 45 percent of their borrowers repaying.

The main argument for a student-based approach is it ensures that poor results of lower-debt dropouts do not get masked by successful completers. Within a given program or institution students who graduated tend to have higher debt levels than those who dropped out. But dropouts are also more likely to struggle with their loans. A student-based measure ensures a school will remain concerned about dropouts because they can hurt its overall rate.

A dollar-based approach, by contrast, allows a sufficient number of successes to cancel out failures. There are two ways to use a dollar-based approach: to weight students or pooled. The weighted student approach calculates the result for each student, but expresses the result in terms of their loan balance. An example illustrates what this means. Imagine a school had two borrowers who entered repayment, one who owed \$10,000 and another who owed \$30,000.

The borrower who owes \$30,000 repays while the other does not. In a dollar-weighted formula the repayment rate is thus 75 percent (\$30,000 divided by \$40,000) because three-quarters of the loan dollars are held by students who are repaying.

Using a student-weighted dollar approach is less desirable than a student-based approach. Focusing on dollars instead of students lessens the plight of dropouts. It is also less intelligible as a consumer measure.

A pooled approach is the better option for judging repayment based on dollars. This calculation treats all the loans issued to a given institution or program as if they were one big loan, and then tests whether the total amount is repaid. In other words, if the total original principal balance of all loans at a school is \$100,000, the school would have to show that the cumulative remaining balance after several years meet the bar for successful repayment.

The advantage of a pooled approach is there is no need to figure out the threshold for repayment rates. The summed loan balance either did or did not repay. This approach also gives schools credit for students who pay down a lot because they can counterbalance other balances that may have grown. Whether that's a desired goal or not depends on how worried Congress is about the plight of low-balance borrowers.

**What Congress should do:** Obtain data and modeling from the U.S. Department of Education to understand the effects of different repayment calculations. This should include asking for how results might vary by income and race.

### Policy Choice #2: What should be the repayment rate benchmark?

Congress also needs to determine thresholds for repayment rates. Unfortunately, there is no widely accepted benchmark for a repayment rate measure. Earlier iterations of the gainful employment regulation suggested programs should face sanctions if 35 percent or fewer of their borrowers repaid. A judge, however, ruled that the Education Department did not properly justify that threshold. A House bill to reauthorize the Higher Education Act suggested a threshold of 45 percent on a measure with a different definition.

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*come-based-payment-plans-really ruin-repayment-rates /*

The lack of accepted repayment rate benchmarks creates challenge for its use. From a philosophical standpoint, the notion that having fewer than half of borrowers successfully repay seems like an awfully low bar. At the same time, there has not been enough research into the repayment path of borrowers who do not repay. This makes it hard to understand whether the bar for successful repayment is high enough that setting such a seemingly low benchmark is acceptable.

**What Congress should do:** Obtain better data from the Education Department to model the effects of different repayment rate benchmarks. This should be supplemented by student-level analysis of how non-paying borrowers experience repayment. For instance, this analysis should look at whether borrowers missing the repayment test are simply payments that are not large enough, are using deferments or forbearances, or doing other things that explain why they come up short.

### **Policy Choice #3: How should repayment rates address subsequent enrollment at another institution?**

Any discussion of repayment rates needs to include a discussion about how to treat students' subsequent enrollment at other institutions. This is especially an issue for students who go to graduate school, but also matters for those who transfer among undergraduate institutions.

Students who acquire debt from multiple institutions create complicate the repayment rate in two main ways: (1) balance growth due to in-school deferment and (2) behavioral changes due to higher debt levels.

When students enroll at another institution of higher education, they get an in-school deferment, in which some loan types will continue accumulating interest that is then added to their principal balance the next time they enter repayment. This matters because a student who enters repayment, then transfers or goes to graduate school, could appear to fail a repayment test solely because they aren't paying accumulating interest while enrolled again. Failing to account for interest accumulation while enrolled at another institution can make the original school's results seem unfairly negative for reasons outside of its control.

This problem is likely a bigger deal with graduate school enrollment than with transferring. That's because students who enter graduate school most likely had a longer gap between enrollment than someone who transfers. By taking time off between finishing their undergraduate education before going to graduate school many of these students enter repayment—establishing the initial balance for measuring repayment—and then receive an in-school deferment where their balance grows. By contrast, students who transfer are less likely to have a large enough gap between enrollment to enter repayment. As a result, their balance tracked for repayment rate purposes is more likely to be determined after their enrollment in another institution.

Long-term repayment data from the Department of Education suggest that in-school deferments may be contributing to students to owing more than they originally borrowed. Of students who started school in 2003–04, borrowed, and in 2015 owed more than they originally borrowed, 54 percent had used at least one in-school deferment. That's 12 percentage points higher than individuals who owed less than they originally took out but had not paid off their loan.<sup>9</sup>

The second issue with debt from multiple colleges is that a higher total loan balance can affect repayment behavior. Imagine a student starts at community college and borrows \$5,000. They then go to a public 4-year school and borrow another \$20,000. That additional debt burden may make them more likely to use income-driven repayment (IDR) because they get a larger payment reduction, possibly resulting in them not paying enough to retire the original debt at a speedy pace. Alternatively, they may not be able to handle that total balance, forcing them into a deferment or forbearance. Similarly, if a borrower cannot afford the full payment on their loan balance, then partial payments may not reduce the lower debt from the first school as much as it otherwise would.

**What legislators should do:** Addressing the problem of debt from multiple institutions requires distinct solutions for subsequent student enrollment and the potential effects of having a greater loan balance.

For the subsequent enrollment issue, institutions should be held accountable for the balance owed upon entering repayment after the in-school deferment. In other words, if a student borrows \$10,000, enters repayment, then goes back to school where the balance grows to \$12,000, that last amount should be the starting point

<sup>9</sup> National Center for Education Statistics, "DataLab, Beginning Postsecondary Students 2004–2009, Table ccabka13," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

for measuring whether a borrower has reduced their original balance. This approach ensures that the first school will not be held accountable for in-school interest accumulation due to attendance at another institution.

Looking at a balance once a student leaves a second school also has implications for what cohort a student should be placed in. Students should only be measured for repayment purposes after it has been at least 3 years since their last in-school deferment and subsequent grace period. This means a student who is in repayment for 2 years and then goes to graduate school gets placed into a later cohort that starts after they enter repayment again. While this may seem more complicated to administer, it's a necessary change to ensure that borrowers are judged on a better measure of their balance upon entering default, and then tracked for sufficient time to be fairly assessed on whether they can repay.

Concerns about how greater debt balances affect repayment is best addressed by assuming all payments get applied to debt from each school. An example highlights how this would work. Assume a borrower has \$20,000 total, with \$5,000 coming from one school and \$15,000 from another. Their monthly payment is \$200, with \$50 going to the \$5,000 debt and the rest to the other loan balance. The repayment rate calculation should act as if the entire \$200 payment went to both sets of loans. While this does result in double counting payments, it ensures that neither school is potentially harmed by the presence of debt from another institution.

### **Policy Choice #3: How should repayment rates address income-driven repayment?**

The income-driven repayment (IDR) plans present complexities for repayment rates. These plans are a crucial safety net for borrowers that must be preserved. They help borrowers avoid default on debts they could not otherwise afford and give them an eventual path out from under their loans. An IDR plan, however, is not a get-out-of-jail-free card for institutions. Schools where large numbers of students avail themselves of IDR plans may be providing educations that are too expensive compared to their economic return.

Using IDR can alter a borrower's perceived repayment success in a few ways. First, by offering borrowers payments below what they would make on the standard 10-year plan, it is possible that a borrower may be making all their required payments but still seeing their balance grow due to interest accumulation or their principal balance not get retired more slowly. However, it is important to understand that just going on IDR does not guarantee a borrower will fail to cover their interest payments. For example, a borrower who owes \$10,000 must earn about \$32,500 to make payments on IDR akin to what they would on the 10-year standard plan. If they make more than about \$23,500 then they will still cover some of their accumulating interest.<sup>10</sup>

The timing lag of IDR payment calculations further complicates this issue. In most cases, a borrower's payment for IDR purposes is based upon their income from the calendar year for which they most recently filed taxes. In other words, a borrower applying for IDR today might well be using 2016 income. This matters because students who go onto IDR right away will likely have their payments based off of the lower income they had in their last year of school, not their current earnings. This likely results in lower payments for their first year in IDR, which can affect overall interest accumulation.

It would be easy to label a borrower making IDR payments that do not keep up with interest as a failure under a repayment rate test. But this brings up the second challenging effect of IDR—these plans make repayment progress non-linear. Many borrowers on IDR plans are still expected to repay within a 20 year timeframe, by paying down a much greater share of their loan balance within the final few years of repayment. Consider, for example, a borrower who owes \$6,000 with a 5 percent interest rate and starts making \$16,000 in annual income on the Revised Pay as You Earn plan. In their first few years of repayment they will not keep up with interest growth. If their income grows at a steady rate of 5 percent, they will start paying down principal in the sixth year of repayment and pay off their loan entirely before receiving forgiveness.

Unfortunately, there is no ideal solution to the treatment of IDR plans in a repayment rate. Treating all borrowers in IDR as a success creates a good incentive for institutions to push struggling borrowers to sign up for these plans. While that is a good outcome for borrowers, it would provide a way for institutions that charge too much or produce insufficient return to avoid accountability under the repayment rate measure. On the other hand, treating all borrowers who make insufficient pay-

<sup>10</sup> Miller, "Does Income-Based Repayment Really Ruin Default Rates?"

ments on IDR as a failure has its own shortcomings. Some unknown share of these borrowers may actually be on an income trajectory that eventually results in paying off their debts before receiving forgiveness. Labeling them a failure would be potentially unfair to institutions. Even an in-between solution has challenges. For example, the first gainful employment rule included a provision that allowed programs to count up to 3 percent of total loan balances using IDR as a success. This acknowledges some usage of IDR is acceptable, but excessive usage is not. But it also establishes a cliff effect where an institution close to the tolerance has an incentive to potentially counsel struggling borrowers away from IDR. It is also unclear how this tolerance would be applied for borrowers who are on IDR but are making repayment progress.

**What Congress should do:** Demand more data from the Department of Education about the usage of IDR and how it might affect repayment rates. This includes data on the percent of borrowers and loan dollars using IDR by school or program, what percent of these individuals would fail or pass various repayment rate tests, and how these results vary based upon the measurement timeframe used.

**Policy Choice #4: Should repayment rates be assessed at the program or institutional level?**

Evidence increasingly shows that on indicators like earnings, the results across programs within a given institution may be as great or greater than the differences observed across colleges. That suggests a program-level approach to accountability may be a more fruitful approach than looking only at an institution overall. It has the added benefit of providing additional flexibility—an institution may very well have exceptional and abysmal programs and a program-level approach potentially holds the latter accountable while leaving the former untouched.

Congress must grapple with two challenges if it wants to consider program-level repayment rates: how to handle non-completion and whether there is always a meaningful distinction between programs.

**Non-completion**

It is easy to know if a student dropped out from an institution. However, what program they dropped out of may not be as clear. At more traditional institutions that predominantly award bachelor's or associate's degrees, a student may not declare a major or program until after their first or second year. That means a student who drops out before that point may not actually be tracked to a given program yet. How these students get assigned for the purposes of repayment rate accountability could have significant implications for whether a program passes or fails.

The challenge of dropouts not tied to programs appears to be particularly acute at community colleges. Approximately one-quarter of community college students who owed more than they originally borrowed within 12 years of entering school never declared a major or were not in a degree program.<sup>11</sup> This is a smaller issue at private for-profit colleges, but their students still represent 10 percent of non-rePAYERS. How those students get distributed across programs could lead to unexpected passage or failure of a repayment rate.

Simply forcing institutions to assign all students to a program may not be a workable solution. Consider a student who indicates they wish to pursue a specific program, then takes four courses their first term, each in a different program, drops out, and does not repay. Is it fair to attribute the failure to that program when it could in theory be applied to any of the other three?

While it is well established that outcomes vary among graduates of different programs, we do not know if that is also the case for dropouts. The table below shows the percentage of borrowers who started at public colleges and who either owed more than they originally borrowed or defaulted within 12 years of entering college. It shows that the results by program dropouts are relatively similar. This suggests that the important distinctions at the program level may be best considered for graduates only.

<sup>11</sup> National Center for Education Statistics, "DataLab, Beginning Postsecondary Students 2004–2009, Table cgabkkc5," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

Share of public college dropouts who owed more than 100% of their original balance or defaulted within 12 years of entering school, by program

	Owed Over 100 percent	Defaulted
Undeclared or not in a degree program	44	35
Humanities	34	39
Social/behavioral sciences	44	43
Life sciences	38	39
Computer/information science	31	41
Engineering/engineering technologies	41	47
Education	36	27
Business/management	48	39
Health	36	42
Vocational/technical	29	42
Other technical/professional	38	45

National Center for Education Statistics, "Datalab, Beginning Postsecondary Students 2004-2009, Table baabknacc and baabkn1c," available at <https://nces.ed.gov/datalab/> (last accessed January 2018).

There is no clean fix for this issue. One approach could be to treat institutions that require program declaration upon entry differently from those who do not. In other words, a vocational or graduate institution that has little overlap across programs would use a program-level approach, while other schools would be judged institutionally. This adds complexity and could create confusion about who is judged in which manner.

Alternatively, Congress could decide to run repayment tests on graduates at the program level and judge institutions overall on dropout repayment outcomes. In general, program-level accountability is better suited to looking at graduates because they are a more clearly defined group and it is more reasonable to expect that the outcomes for someone who finished different types of programs might vary more than the results for dropouts. If Congress takes this approach, it would need to set a higher repayment bar since graduates are more likely to succeed in general. This approach creates challenging accountability questions. How should Congress interpret an institution where its dropouts overall fare poorly but its graduates do well? That would lead into questions of not just repayment success but also acceptable completion rates.

**What Congress should do:** Request greater data from the Department of Education to allow for an understanding of how repayment outcomes vary by completers versus non-completers and whether the Education Department can track non-completion by program.

#### Program distinction

The point of program-level accountability is to assess where Congress believes outcomes may be so different across majors that it is unfair to lump results together. This approach makes a great deal of sense for career-focused programs that are training students to do very specific and disparate jobs with different salary prospects.

It is less clear whether a program-level approach is as useful for undergraduate liberal arts degrees. For instance, a student receiving an English degree is generally considering the same range of occupational options as someone who majors in history or philosophy. Tracking all these results by program may not be particularly useful, and could also make it harder to assess outcomes because some programs have very few students.

**What Congress should do:** Congress should consider whether it is feasible to assess results by undergraduate college instead of program, particularly at liberal arts institutions. This avoids making distinctions between, for example, history and English, but would still allow for separating liberal art majors from those pursuing engineering. Additional data from the Department of Education would assist in judging the feasibility of this approach as well as the anticipated effects. This should also consider whether graduate-level programs need any sort of aggregation too.

#### Policy Choice #6: What should be the consequences for missing the repayment rate benchmark?

The consequences attached to failing a repayment test matter too. Loss of Federal aid eligibility must be one of the options on the table. But it cannot be the only one.



Schools are so dependent on Federal aid that its removal is seen as a nuclear option that is very tough to use. Putting all accountability emphasis only on aid loss thus creates a dynamic where policymakers will be reluctant to use the one tool at their disposal.

**What Congress should do:** Consider the roles of other incentives in shaping an accountability system. That means considering whether there are performance levels that might only require disclosures of results. Other results may indicate the need for greater financial protection, such as a letter of credit or risk sharing.

These incentives and measures also cannot operate in a vacuum. Congress should consider performance on multiple measures. For instance, poor performance on several measures might be just as worrying as abysmal results on a single indicator. Similarly, it should establish a system of bonuses that reward institutions that demonstrate the ability to succeed with traditionally underserved populations.

### Conclusion

Theoretically, repayment rates are a better measure of student loan success than default rates. They capture a broader range of outcomes and represent a higher standard for the protections we want students to receive. But the repayment rate is also a more complex concept that raises issues around students' long-term trajectories in terms of earnings and income.

Unfortunately, our existing data on loan repayment provides an insufficient base to properly judge the effects of potential tradeoffs to address these issues around student movement and program differentiation. The good news, is the Education Department already has the data needed to understand these tradeoffs better. It just needs to better leverage its data on repayment. As a result, Congress should demand greater data and modeling from the Department of Education about the potential effects of different repayment definitions and formulas before enacting a particular regime into law.

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#### [SUMMARY STATEMENT OF BEN MILLER]

Federal student aid is a deal between taxpayers, students, and institutions. When students don't keep up their end of the bargain they face severe consequences. But there's almost no accountability when colleges break their promises or repeatedly fail to educate their students.

The results of our current accountability system are grim, especially for students traditionally underserved by postsecondary education. We have 1 million borrowers defaulting each year and particularly bad results for borrowers of color.

The existing cohort default rate is insufficient to fix our accountability challenges—just 10 schools risked losing Federal aid last year for high default rates—99.9 percent of defaulters attended schools that have little to fear from this measure.

Repayment rates are potentially a stronger and more aspirational accountability measure. They send a message that our loan system should expect student success, not just avoid the worst possible outcome.

But we still must answer key questions about repayment rates. This includes what constitutes successful repayment, the benchmark for schools, whether program-level is the right measure, and some technical issues around enrolling in multiple schools and income-driven repayment. The Department of Education has the data to answer these questions, but they must be released.

Congress must also understand that repayment rates are just one component of making Federal accountability work. A reauthorization of the Higher Education Act must establish a Federal accountability system that aligns the interests of students, schools, and taxpayers.

That starts with using multiple accountability measures and looking at results by racial, ethnic, and socioeconomic subgroups. It also means stronger gatekeeping to keep lousy actors out of the aid programs and ongoing guard rails to keep schools from breaking bad. Accountability must also not stop with terminating financial aid for the worst performers. We need incentives to boost performance of schools with mediocre results. And we must acknowledge the diversity of our higher education system and create incentives that address different business models and risks.

Finally, the rest of the higher education system must step up. No one has kept up their end of the bargain around funding or cost containment. States, the Federal Government, and accreditors have played accountability hot potato for too long.

The CHAIRMAN. Thank you, Mr. Miller. And thanks to each of you.

We'll now begin a 5-minute round of questions. We'll try to keep the back and forth to about 5 minutes.

We'll begin with Senator Young.

Senator YOUNG. I thank the Chairman and Ranking Member for holding this hearing to discuss accountability and taxpayer risk in our higher education system.

I'll just note as I start here that I have a provision in the reauthorization of this Higher Education Act that we'll ultimately consider related to income share agreements, where philanthropic or private capital is used to fund degree programs. One would think that whoever puts that money forward would, of course, have a great incentive to see that that student completes their course of study. So it's one of many benefits of the income share agreement approach.

Dr. Cruz, I understand that the City University of New York is on the forefront of policies focused on helping students complete their education and not just enroll in a program, and I commend the university for that. It's voluntarily investing in this initiative, and we have other schools that are doing it as well, but you're really a standout in this regard. Because of your institution's commitment to retention and completion, graduation rates have significantly improved.

Dr. Cruz, could you share with us what best strategies you've learned about to keep students in school and to increase their likelihood of graduating, and also discuss your assessment of whether these strategies are scalable to other schools?

Dr. CRUZ. Thank you, Senator Young. All of the strategies are predicated on the good use of data, actionable data that identifies which students need which supports at what time during their trajectory. So, for example, understanding that low-income students at community colleges may not only need additional financial supports beyond Federal Pell Grants but also for Metro cards and to be able to purchase their books, understanding that they may need some more structure as they proceed through their educational journey, and providing them cohort-based models where they have blocks of time where they take their classes, all of their classes in the morning, afternoon, at night; and also understanding that these students need intrusive advising and the tools in order to be able to progress through their studies in a timely fashion.

Those are some of the strategies. More generally, we see that we also need to take care of other aspects of the students' lives—counseling services, health care, child care. We also need to make sure that these students have access to what we call high-impact practices, which are practices that have been shown to disproportionately benefit underserved students—peer mentoring, supplemental instruction, undergraduate research.

Senator YOUNG. It sounds like you're talking about personalized services. You really need to get to know the circumstances, the challenges, the talents and so forth, of the individual student so that you can draft an individualized, a personalized approach to dealing with that student's challenges, kind of back to the basics, right?

Dr. CRUZ. That's right, and you have to structure all of your organizational resources toward that end.

Senator YOUNG. Okay. It takes leadership from the top, so I commend you for that. Are there particular tools that you think institutions need or encouragement that they should receive, perhaps from government, to ensure that they adopt evidence-based policies and we increase graduation rates on the back end of such adoption?

Dr. CRUZ. Sure. I think that we need some minimum standards on what is expected for access, for completion, for time to degree, for loan outcomes. We need some incentive structures that would provide those who are willing and able to pursue improvement to do so; and then, of course, we need some strategies to be able to make sure that those that are not doing their part do not get access to the same resources that others do.

Senator YOUNG. Thank you.

Mr. Delisle, thank you for being here, sir. I am aware of proposals for risk sharing, so-called skin-in-the-game proposals. Some of my colleagues have put forward different proposals. But it's not easy to construct a policy proposal to deal with making sure institutions of higher education have skin in the game for their students' successful outcomes. Questions remain regarding nuances and loopholes that could create perverse incentives or potentially punish certain institutions for outcomes that are way outside of their control.

When examining policies or structures of a risk-sharing model, requiring colleges to pay back a statutory percentage of unpaid student loans sounds, at least, like a good idea, in theory, but there could be a variety of complicating factors. How can we create risk-sharing models that are fair for all participants?

Mr. DELISLE. Well, I think one important thing in thinking about a risk-sharing model is I think you'd want to pursue this policy as a replacement for existing accountability policies and not in addition to. So in terms of fairness, I think one thing that's fair to institutions is, as Ben Miller mentioned earlier, we have many of them because some of them fail in some circumstances, and the approach has been to sort of layer them on because one is failing. I think you're right, a risk-sharing approach is a better way to go. It's not going to be perfect, but I think it should be pursued as a replacement rather than as an additional accountability measure.

Senator YOUNG. Okay. I'll follow-up with you, perhaps, on some more specifics. My time is out.

Thank you, Chairman.

The CHAIRMAN. Thank you, Senator Young.

Senator Murray has deferred to Senator Casey.

Senator CASEY. Mr. Chairman, thank you; and thank you to the Ranking Member as well. I want to thank her for letting me jump the line.

I want to thank our witnesses today. A lot of critically important issues here to cover. I'll try to cover maybe two.

The first thing I wanted to focus on—and I'll start with Ms. Voight—is the question of tracking outcomes. We can compare what happens at the elementary and secondary education level as opposed to the higher education. We know that, for example, tracking outcomes for individual groups of students, so-called subgroups,

to ensure that schools are responsible for every child regardless of race or language proficiency or disability or income. So we've made some progress in that context at that level, elementary and secondary, and by progress I mean helping to close the achievement gap. But in higher education, data on graduation rates by subgroups is scarce, and that might be an understatement, particularly data with regard to students with disabilities.

I've introduced legislation called the RISE Act, which is also sponsored by Senator Cassidy, Senator Hassan, and Senator Hatch, which would help address the issue by requiring institutions of higher education to both collect and report this data to the extent it would not reveal personally identifiable information. The collection would include data on graduation rates for students with disabilities, as well as the number and percentage of students with disabilities accessing or receiving accommodations.

Here's the question. Is having this type of data important to closing the achievement gap for students in higher education?

Ms. VOIGHT. Thank you for that question and for that focus on the most vulnerable students who are attending higher education.

Disaggregated data is absolutely essential to closing gaps and to ensuring that all students have an equal opportunity to access college and to succeed in college. We've seen that the graduation rate data, it's limited to first-time, full-time students, but it is disaggregated by race, ethnicity, and gender, and what that's done is uncovered many gaps in completion by race and ethnicity. It's really shone a light on some of these problems. So it's an example of how better information, especially when disaggregated by key demographic characteristics like race, ethnicity, and income status, can identify problems within the system and then help us to solve those problems through strategies like Jose has identified.

Absolutely, we need to strive to get better information, more disaggregated information to answer the very challenges that you raised. We now have better information on completion for part-time and transfer students, which is a great thing, and CS has been able to make those changes. But those part-time and transfer rates are not disaggregated by student characteristics like race, ethnicity, or disability status, for example. So there's a great room for improvement to get better information in that way.

Senator CASEY. Thank you for that. Any other additional categories that would be important to helping institutions improve these outcomes?

Ms. VOIGHT. Sure. Race/ethnicity is key, as is socioeconomic status. Those are the two that are most often considered in terms of disaggregating data at the Federal level. Gender is a key disaggregate that is included. More and more we're looking for information on students who are veterans as well, and understanding how veterans are faring within our higher education system, and age is an important demographic characteristic as we think about serving today's student who often is not your traditional 18-year-old going right from high school into college. So that's another characteristic to keep in mind.

Senator CASEY. Thank you very much.

I'm down to a minute. But, Dr. Cruz, I'd ask you as well, what are the strategies institutions can use to support students with disabilities?

Dr. CRUZ. Institutions need to create the right climate. They need to provide their faculty and their staff the right training to understand that it's beyond accommodations and beyond what the law requires to serve these students well, that it's about making sure that they have the same types of support to be successful to complete their degree and get a good-paying job to pursue further study.

Institutions need to staff their disability offices better. Unfortunately, across the country we have a situation where these offices are overworked and rarely get a chance to go beyond the scheduling of accommodations and assistive devices.

We also need to invest in innovative programs that will connect our student with disabilities to internships and will help them get a leg up if they continue to pursue work later on in life.

Senator CASEY. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Casey.

Senator Cassidy.

Senator CASSIDY. Thank you all. I enjoyed your testimony, each of you, and if I had more time I would ask each of you questions. What I will say now will not be to challenge, will not be to disagree as much as to challenge and hopefully advance.

Ms. Voight, first, thanks for the shout-out on the College Transparency Act. We have 130 different folks endorsing it, and it's Cassidy, Hatch, Warren and Whitehouse, and we'd welcome everybody else. Thank you, and we think it's a good place to start. Going to the student level, everything you just mentioned would be reported, so just to say that.

Mr. Carnevale, if I have your last name pronounced correctly—it's a little bit like "carnival."

Dr. CARNEVALE. That's what it means.

Senator CASSIDY. That's what it means.

The old Pogo line, 'We've met the enemy, and he is us,' you're asking for accountability, we are asking for accountability from academia. I have a New Republic article which I'm sure pained them to write, that Rick Perry is right, but they were saying he was right about his proposed higher ed reforms in Texas. Among, I think, these reforms—and I'm pulling it up—was asking universities to give prospective students choosing college more information about class size, graduation rate, and earnings in the job market after graduation. That was one of seven, but the blowback from academia was intense. They quote there the American Academy of Universities somehow saying that they were going to punish the universities that complied with this. There are other factors, but this is one of them.

Are we going to have severe pushback if we do the College Transparency Act that Ms. Voight spoke of? You're an academician. What is Georgetown going to say if we talk about earnings in the job market after graduation?

Dr. CARNEVALE. Well, we've come to a point in the politics of this where the higher ed community has finally accepted the notion

that they have to focus on completion. Now, the completion goal is very self-serving. That is, if you say that what we're going to do is provide money so that people complete college by race, gender, et cetera, what you're saying is, if I'm running a pizza stand, we want you to sell more full pizzas to people. So what we're saying is we're going to let them—the real issue is completion for what, and that's where you get pushback. That is, if you ask higher education to reach beyond its own interests and think about the students' interests after they leave, to some extent they're right, they don't have as much control over that. That's a more complicated outcome.

But what we have so far is agreement, kicking and screaming, on the part of higher education that they're Okay with completion because that is a reflexive—

Senator CASSIDY. But what about earnings after graduation? Because Mr. Delisle's testimony says Harvard dropped a program, graduate study in art and theater. LSU, King Alexander, the President of LSU, will talk about how the post-graduation looks pretty good because we put a lot of engineers out there, LSU does, so it compares favorably. Will the universities be kicking and screaming to give that information?

Dr. CARNEVALE. Well, in a sense, we already have it. That is, the Congress has dropped \$780 million on state longitudinal data systems beginning in the Bush administration, fully funded in the Obama stimulus package. So in any public institution in any state in America, because the states did take the money, we now know because we can hook up wage record data from employers and transcript data from colleges, we know what happens to anybody who takes a program in a public institution, whether they get a job and how much—

Senator CASSIDY. But the purpose of our bill is that I gather that's not readily available to the graduating high school seniors trying to decide. Is that a fair comment?

Dr. CARNEVALE. We built these information systems. They're largely owned by data warlords in different states. In Virginia you can find out what you can earn whether you get a job, no matter what you take, no matter where you go, in a public institution, but the institutions don't tell you that. It's that simple.

Senator CASSIDY. How do we make it better? Is it just passing the College Transparency Act?

Dr. CARNEVALE. You make them tell the students.

Senator CASSIDY. That sounds like another—

Dr. CARNEVALE. I don't know why we're keeping secrets from the students, but we are.

Senator CASSIDY. I agree with that.

Mr. Delisle, one more thing. In your testimony you—one of the big things about all this is privacy, and in your testimony you spoke of taking Federal income tax data and sometimes working it backward. I could imagine that would be very scary to privacy advocates. Any thoughts on that?

Mr. DELISLE. Well, I think when you're reporting statistics about averages, means, percentiles, none of this is actually reporting information about individual students. I think the privacy concern—and there are also protections that you can take. You can suppress

any information if the number of students leaving a particular program is small. So if it's fewer than 30, maybe you wait until you gather more data before you put that out.

But in terms of the privacy concerns, again, we're not talking about releasing individually identifiable micro data. Everything is sort of rolled up.

Senator CASSIDY. Okay. Well, I'm out of time. I yield back. Thank you.

The CHAIRMAN. Thanks, Senator Cassidy.

Senator Murray.

Senator MURRAY. Thank you.

Dr. Cruz, thank you. Thank you to all of you for your testimony.

Thank you for emphasizing the need for Federal accountability systems to really examine outcomes by student's race and income. Despite the implementation issues we've had by the Department of Education, I still believe that maintaining a focus on outcomes for student subgroups was one of the biggest successes of our bipartisan reauthorization of the Elementary and Secondary Education Act, and I agree that holding colleges accountable for achievement gaps is necessary and really long overdue in higher education.

I wanted to ask you as a college president, can you describe how, if you had a better accountability system that put more focus on underrepresented students, it would help guide your institution's policies and practices to improve student outcomes?

Dr. CRUZ. Sure. I'm fortunate to be at an institution that takes very seriously its role as an engine of opportunity and is working hard to look at this data as we speak, with a goal to double the number of degrees that we produce by the year 2030.

But having that be sort of a mandate through an accountability system would only strengthen our ability to ensure that we're focusing on the right issues, and hopefully that accountability system will come with some incentives that will then allow us, because we are so focused on this issue, to get the resources we need to scale up those things that are really working for our students. We would, of course, hope that those incentives would also come with protections for other institutions across the country who may not be doing their part to move in the same direction.

Senator MURRAY. Okay, thank you.

Mr. Miller, I really appreciate your overview on how to improve our accountability system and your thoughts on the unique risks that are prevalent in the for-profit sector. Can you elaborate for us what some of those risks are and what Congress should be doing to address them?

Mr. MILLER. Absolutely. Thank you very much. I think it really boils down to the fact that we've seen that the Federal financial aid system is constructed so that for-profit colleges can generate large profits and large sums of money and grow without having to show a corresponding level of student outcomes. And what makes that even harder is because the Federal taxpayer is the one financing most of the cost of these places, in the wrong hands the business model becomes all about recruitment, not quality.

I think what we really need here is sort of a combination of some things that deal with the outcomes side as well as the business model and financing side. I think that means both having stronger

requirements around loan outcomes and completion, because one of the things we've seen here is that there are some places that have decent outcomes for graduates, but only one out of every five people is graduating.

Then I think the second thing is I think we have to acknowledge that we need stronger financial accountability here. We need to make sure that the taxpayer is not the only one paying for these educations, and we also need to make sure that there are stronger checks to say that you don't grow unless you've got the outcomes to show that you really can sustain the student base you have.

Senator MURRAY. How should Congress balance changes that would mitigate those unique risks posed by the for-profits while extending a broader accountability framework for other institutions of higher education?

Mr. MILLER. Absolutely. I think the first part is we really need to make sure we're tackling the financial incentives at the for-profit colleges. That to me means a private market test, as well as really thinking about growth strategies and outside ownership, because I think when you have a disconnect between who is running the school and who owns the school, that's sometimes where the financial incentives get mixed up.

Then I think we should have a conversation about what are the outcomes we want from everybody, and I think that gets into a measure of something with loan success, a measure around completion, and there has to be a measure around access because we want to make sure that schools are taking in our students who are traditionally underserved and looking at that from an equity standpoint.

Senator MURRAY. We don't want a disincentive for having—

Mr. MILLER. Absolutely. I don't think we want to create an incentive that has schools wanting to turn away students of color or low-income students.

Senator MURRAY. Low-income, right. Okay.

Mr. Delisle, I believe that a more robust Federal accountability system can help prevent some of the poor student loan repayment outcomes that you talked about. You recently wrote in an editorial that a strong incentives-based accountability system is needed to guard against the lowest-quality colleges and programs, as well as those that are wildly overpriced.

What are the three key elements of a strong incentive-based accountability system that would achieve those goals?

Mr. DELISLE. Well, I think one is you need to go beyond loans. A lot of times this conversation around accountability is kind of stuck around loans. I understand how it got there, but what I'm getting at here is there's a lot of grant aid that goes to these programs, and we're measuring outcomes against loans. So this is a principle I would put out there.

I think the reason why in the past policymakers have chosen to measure loans is that they see loans as a proxy for first price, how much did you pay, so that's how much you borrowed, and then second is how much are you earning, but that's actually translated in the loan context through a payment. So how much did you borrow and how much are you paying down is really supposed to be measuring how much did you pay and how much are you earning.



Well, I think if that's what we're after, if that's what Congress is after, they have the means to measure that more precisely than through loans, and then I think that becomes an easy thing to look at in grant aid as well, because there is almost \$30 billion in grant aid being distributed with none of the accountability measures that apply to loans.

Senator MURRAY. Okay, and I'm out of time. But, Mr. Chairman, I do have some testimony from Senator Durbin. He asked that we put it in the record, and I would ask unanimous consent to do that.

The CHAIRMAN. Thank you, Senator Murray. We'll do that.

[The prepared statement of Senator Durbin follows:]

PREPARED STATEMENT OF RICHARD J. DURBIN

I would like to thank Chairman Alexander and Ranking Member Murray for holding this hearing to focus on two very important topics that must be part of the Senate's debate on reauthorizing the Higher Education Act—accountability and taxpayer risk.

A college education today is an important stepping stone for many on the path to the American Dream. We know that those with a college degree earn significantly more on average over the course of their lifetime than those without a college education.

At the same time, students are spending more than ever before to obtain a degree. Cumulatively, Americans today hold more than \$1.4 trillion in student loan debt while the average student graduates with more than \$30,000 in debt. It also means the Federal Government's investment in higher education continues to grow. The Department of Education distributes almost \$130 billion per year in Federal aid to students.

Unfortunately, for too many students these days, the payoff of a college education isn't being realized. They have to take on more debt than they can reasonably repay. They struggle to make their high monthly student loan payments, forcing them to put off buying a house, starting a family, and saving for retirement. They get no help from Department of Education-contracted student loan servicers who often do not provide them with information about alternative repayment options like income based repayment programs. They are unable to refinance their Federal student loans at lower interest rates or discharge their loans in bankruptcy. They find themselves in default with their credit scores ruined and debt that follows them to the grave.

While this scenario is repeated over and over across our higher education system, nowhere is the problem more pronounced than with students who attend for-profit colleges. For-profit colleges only enroll 9 percent of all post-secondary students, but receive 17 percent of all Federal student aid and account for 35 percent of all Federal student loan defaults. These companies lure students with flashy advertising, often making false claims about their students' job and salary prospects. They tend to charge much higher tuition than their public and not-for-profit counterparts, leading students to take on more debt. Students who graduate from a for-profit college program often find that employers don't recognize their degrees. They're left with worthless degrees and more debt than they can ever repay.

Over the last several years, nearly every major for-profit college has been the subject of multiple state and Federal investigations and lawsuits related to consumer fraud. Companies like Corinthian Colleges, Inc., ITT Tech, and Westwood Colleges closed—collapsing under the weight of their own wrongdoing—and left tens of thousands of students across the country in the lurch. The companies lured students to attend with false promises, pocketed billions in Federal student aid, and then closed—leaving students and taxpayers to pay for the mess they left behind.

A Higher Education Act reauthorization must address the risk for-profit colleges pose to students and taxpayers. For too long, weak accountability and poor oversight of schools and accreditors has made Congress and the Federal Government complicit in for-profit colleges' exploitation of students and bilking of taxpayers. That must change.

We can start by reforming the accreditation process. Accrediting agencies, along with states and the Federal Government, form what is known as the Triad, which is tasked with oversight of schools. Accrediting agencies serve two key roles in this Triad—ensuring schools meet a basic level of academic quality and being the gate keepers of Federal financial aid.

In practice, accrediting agencies have struggled to fulfill both of these roles. Too often they have failed to identify bad actors like Corinthian Colleges and ITT Tech, which were still accredited up to the moment they declared bankruptcy, and to take strong action when misconduct was brought to light. At the same time, the Federal Government, which recognizes accrediting agencies, doesn't have the tools it needs to ensure that these agencies are holding the schools they accredit accountable for their students' outcomes.

A recent Government Accountability Office (GAO) report commissioned by Senator Schatz, Representative DeLauro and myself entitled "Higher Education: Expert Views of U.S. Accreditation" compiled feedback from accreditation experts to develop recommendations. The report highlights a number of failings in the current accreditation system, including poor oversight of academic quality and lack of information sharing with the rest of the Triad and the public. The report also identifies a number of strategies to improve each of these areas. I urge the Members of this Committee to review this study to inform your decisions as you work through this reauthorization.

Senators Elizabeth Warren, Brian Schatz, and I will soon reintroduce the Accreditation Reform and Enhanced Accountability Act (AREAA). Among other reforms, the bill eliminates the provision in current law which forbids the Department of Education from setting and enforcing student outcomes standards, makes it easier for accreditors to take action against schools for not meeting standards, improves conflict of interest protections, increases public transparency around the accreditation process, and gives the Department additional tools to ensure accreditors are aggressively overseeing schools.

The best way to prevent students and taxpayers from another Corinthian or ITT Tech, is to improve oversight of schools on the front end by accreditors—making it less likely that predatory and poor performing schools are allowed to participate in Federal student aid program. But, no matter when misconduct occurs, schools must be accountable to their students.

But a practice, used almost exclusively in higher education by for-profit colleges, currently prevents students from holding their schools accountable for fraud and deception. As part of the enrollment agreements for-profit college students must sign, companies often bury mandatory arbitration clauses in the fine print. By agreeing to these clauses, students forfeit their right to sue the schools either as individuals or as part of a class. Instead, students are forced to resolve disputes between themselves and their school in an arbitration proceeding where the deck is stacked against students. Because, the outcome of arbitration proceedings are often secret, the practice also serves to hide misconduct from accreditors and regulators.

It also means that instead of seeking financial relief directly from their school when misconduct occurs, students are forced to seek relief from taxpayers. The Higher Education Act allows students who have been defrauded by their schools to assert a Borrower Defense to Repayment, which allows them to have their Federal student loans discharged—ultimately putting taxpayers on the hook for the misconduct of schools. By allowing students to seek redress directly from schools, taxpayers could be saved millions of dollars.

I, along with Senators Whitehouse, Warren, Reed, Brown, Blumenthal, Hirono, Markey, introduced the Court Legal Access and Student Support (CLASS) Act (S. 553) to end this unfair practice. This legislation prohibits schools that receive Title IV dollars from interfering with a student's ability to seek redress through the courts either as individuals or as part of a group. If it had been illegal for Corinthian Colleges to use mandatory arbitration, the government may not be facing the tens of thousands of Borrower Defense claims, worth tens of millions of dollars, that it is today as a result of Corinthian's predatory practices.

In order to prevent another Corinthian disaster, we must ensure that schools can operate without Federal taxpayer support. Too many for-profit colleges rely too heavily on Federal dollars to keep their doors open. When the Department of Education delayed Title IV disbursements to Corinthian by a couple of weeks because of the company's misconduct, it created a cash-flow crisis for the company that led to its collapse. No company should be dependent on one source for its revenue. But current law allows for-profit colleges to receive up to 90 percent of their revenue from Federal taxpayers. The other 10 percent must come from non-Federal sources like tuition payments, private donors, etc.

However, a loophole in the law treats Federal education investments through the Department of Veterans Affairs GI Bill and Department of Defense Tuition Assistance (TA) program as non-Federal revenue. As a result, the law incentivizes for-profit educational institutions to aggressively recruit and target veterans, service members and their families. By enrolling large numbers of these students, many

predatory for-profit colleges obtain more than 90 percent of their revenue from Federal taxpayers while still complying with the law.

To better protect students and our taxpayer dollars, I introduced the Protecting Our Students and Taxpayers (POST) Act, which would change the definition of what counts as Federal revenue so that it includes all Federal funds like GI Bill and TA funds and reduces the amount of Federal revenue from 90 percent to 85 percent.

If we are going to ensure that the investments students and taxpayers make in higher education pay off, we also need to give schools a financial stake in the success of their students. Unfortunately, our existing system requires schools to assume little to no responsibility for what happens to students after they graduate. Earlier this year Senators Reed, Murphy, Warren and I reintroduced the Protect Student Borrower's Act (S. 2028), which would create a graduated system of penalties for schools with high default rates or "risk sharing." By giving schools "skin in the game" when it comes to their students' success, we give them a financial incentive to do everything they can to ensure their students are well prepared for good paying jobs and the future.

I also want to say, that if we are truly interested in accountability and risk to taxpayers, the Higher Education Act reauthorization should embrace the Gainful Employment and Borrower Defense rules finalized under the Obama administration. The Gainful Employment rule holds career education programs accountable for meeting their statutory requirement to prepare students for "gainful employment." Under the rule now in effect, programs that consistently load students with more debt than they can reasonably repay will lose Federal student aid dollars. It protects students from incurring high debt levels for worthless degrees and protects taxpayers from wasting funds on poor performing programs.

The Borrower Defense rule, finalized by the Obama administration, set up a more borrower-friendly process for students to submit claims for relief. But it also included important accountability and taxpayer protection mechanisms. It established triggers around which schools would be required to post Letters of Credit to the Department to guard against taxpayer losses associated with Borrower Defense claims by the school's students. It also, wisely, cracked down on schools' use of mandatory arbitration clauses in enrollment agreements—ensuring that schools could be held directly accountable by students.

Unfortunately, Secretary DeVos has refused to enforce either rule—for which she is being sued by state attorneys general and others. In our consideration of a Higher Education Act rewrite, Congress should reject the DeVos Department of Education's stance on these two important rules. Instead, we should do our job to legislate important protections for students and taxpayers included in the Obama rules.

I thank the Ranking Member, Senator Patty Murray, for submitting this testimony on my behalf and I urge the Committee to take seriously the need to improve accountability in our higher education system to better protect students and taxpayers.

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The CHAIRMAN. But let me pick up on your question, because that's the same question that I've had. We've had a series of hearings. If we want better accountability, more effective accountability so that colleges have more responsibility for helping to make sure students don't borrow more than they can pay back, what, in addition to the cohort default rate, should we do? That's basically what Senator Murray was asking, I think, and you in your testimony, in your written testimony, said something about it. She asked you for the three most effective things, and is one of them that we would look at the rate of repayment of the loans that the students make? Continue your answer to Senator Murray a little bit.

Mr. DELISLE. Sure, I'd be happy to. I think that the loan repayment is a more comprehensive and more accurate measure of whether or not students are repaying their loans than default. As I mentioned in my testimony, the defaults are costly, they're \$4 billion, but income-based repayment, which allows students to pay down their loans very slowly if their income relative to their debt is low enough, default rate doesn't capture that. So you can essen-

tially impose costs on taxpayers by slowly paying down your loan using income-based repayment, but you're not in default.

I think a repayment rate, which has traditionally now come to be defined as is the student paying down principle by some time-frame, I think that starts to show you the taxpayer interest in preventing lots of losses under income-based repayment, but also the interest in protecting the consumer, who has also essentially probably borrowed or paid too much relative to what they're actually earning.

The CHAIRMAN. What about barriers to colleges that exist today? Are there Federal barriers that keep colleges from advising students how much they should borrow? Anyone have an answer to that? Are there laws/regulations the Federal Government imposes on campuses?

Mr. DELISLE. Well, it's my understanding that they—I'm not sure they can actually provide financial advice and counseling, and generally what you hear from financial aid offices is they tend to feel that they have to offer what the Federal Government says they can offer in terms of loans. I mean, these are entitlements. So on the one hand, the school is entitled to the loan as it's specified in Federal law if they meet the eligibility criteria.

The CHAIRMAN. Ms. Voight, you and Dr. Carnevale were talking about data. One of the worries I have, I used to look at the Federal Government from the point of view of a Governor, and I also saw it when I was education secretary, and basically what I see is a lot of data already, just all over the place. And every time a new set of Members of Congress gets elected, they say we need more data, so we just stack it up on top of other data. Dr. Carnevale was saying it sounds like we have a lot of good data, but we're keeping it secret from students.

My question is what would you advise us as we revisit the Higher Education Act, how do we do two things? One is how do we keep from piling requests for new data on top of data we're collecting which isn't as useful? And No. 2, how do we make sure that whatever we collect that's useful is available to students without micro-managing 6,000 or 7,000 campuses?

Ms. VOIGHT. That's a great question. You raise an important point because we really are in a situation where we are data rich but information poor. We have a lot of data, but it's unable to be converted into information to help students make the best decisions.

The CHAIRMAN. So would you repeal a lot of laws requiring data, or what would you do about that?

Ms. VOIGHT. We need to streamline data reporting—

The CHAIRMAN. What does that mean?

Ms. VOIGHT —requirements so that the burden on institutions is less. Right now, an institution—

The CHAIRMAN. Well, who would do that?

Ms. VOIGHT. Well, the College Transparency would do that. It would streamline reporting for institutions so the burden would be lower on them. Right now, every institution, to complete the IPEDS requirements, needs to run code on their campus to calculate those aggregate metrics. They also have to report data, sometimes very similar data, to the Office of Federal Student Aid, as well as their

state data system and their accreditors. So the College Transparency Act would allow them to report in a more simple way and make it easier for them to focus on—use their resources on things like—

The CHAIRMAN. I'm almost out of time. Let me ask Dr. Carnevale, you look at a lot of data, what's your answer to that?

Dr. CARNEVALE. Well, I'm one-note-Johnny on this, let me warn you, and that is that if I'm a college student or the parent of one, I want to know how much it's going to cost, and when I graduate am I going to get a job and how much am I going to make and what kind of career am I looking at. And then either myself or maybe the government can help me, or a counselor can figure the cost against the return and I can decide what I want to do.

The rest of it, to me, is research data. That is, we have plenty of data on subgroups and so on in higher education. As a political matter, it seems to me it's worth the trade to get rid of a lot of the data collection we do now and just have four or five things that we need, instead of adding more and more and more data into the equation. That's a complicated bargain to put on a piece of paper.

The CHAIRMAN. Thank you very much.

Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman. This has been fascinating and fantastic. I think this is the most important discussion in the context of higher education reauthorization, getting the accountability metrics right because, as has been stated, we are wasting billions of dollars. We are wasting billions of dollars on educations that never get completed. We are wasting billions of dollars on schools that aren't delivering outcomes. And, as we've discussed here, there are some pretty simple ways to maybe not get this perfectly right but get it a lot better than we have today.

I think the reason why you hear a lot of focus on this question of for-profit colleges is not because we want them to be held to a different accountability system but because the development of for-profit colleges, which happened since the passage of the last higher education reauthorization, has made accountability more important. When everybody is not-for-profit, when you are all in the business of delivering an education rather than trying to achieve the highest return for your shareholders, accountability isn't as important. It's not that it isn't important, but when you insert into higher education a motivation to deliver return for shareholders, then all of a sudden you see the results we have today where 10 percent of students are going to for-profit schools but 25 percent of all Federal aid is going to for-profit schools and 30 percent of all defaults are happening at for-profit schools. It begs us to be more concerned about this accountability question.

I have two questions. Dr. Cruz, I want to ask you this question in the context of your testimony that any Federal accountability system has to be tailored to account for differences in institutional missions, and that really is the difference between a for-profit and a non-profit. The mission is different.

How do you tailor an accountability system to account for those differences in institutional missions between for-profits and not-for-profits?

Dr. CRUZ. I think in the non-profits and the publics we know what that would look like, which is the discussion we're having about integrating equity metrics into our systems, having better data, and ensuring that the campuses have the right incentives to look at that data and implement the best practices we all know about in order to better serve their students.

In the for-profit sector, of course, the incentives are different, and the accountability structure is as well, not just from the Federal Government's perspective but also from a state perspective and an accreditation perspective. So I would look at the need to better understand what are the incentives and unintended consequences, or perverse incentives for that matter, that get in the way of for-profit institutions investing more of their earnings toward student success rather than profit. That's the lens we should have when we look at accountability for them.

Senator MURPHY. Mr. Delisle, I wanted to followup on this fascinating conversation you were having with the Chair and Ranking Member as they were continuing to press you on measurements other than student loan rates that you would recommend going to an accountability system. I'm intrigued by that notion, but I don't think you ever got to the set of indicators outside of student loan performance that you would recommend be part of an accountability measurement. We sort of shifted from student loan default to student loan repayment, but we're still on student loans.

You were suggesting that there's more relevant data that gets more finely to the point of performance and outcomes than just student loan data, so let me just press you once again on that, because I think that's a really important conversation. What else would you recommend we look at in an accountability system outside of the entire subject of student loans?

Mr. DELISLE. Well, first let me say, picking up on this other conversation here, that I think that if you have a student-based outcome measure that you were interested in terms of accountability, you can apply it to different kinds of institutions with different missions because you just care about the objective outcome of the students, right? So I don't think that's preventing you in any way from applying it to different institutions.

But in terms of other accountability measures, in terms of the Pell Grant program, you could look at how much do students earn who get the Pell Grant, even though they don't take out loans, or perhaps the institution doesn't take out loans at all. Here again, you probably want to look at earnings, are students earning more than a minimum wage, on average, or a certain cut. I think we can debate the details of where the cut points are, but the Pell Grant program is a big investment.

Some people say, well, we don't need to worry about accountability for students because they don't have to pay that back, but they do get a limited amount of Pell Grants, and so they're using up their limited amount of aid by spending time at a school that may not be paying off, and they're also spending an awful lot of time. So I think we owe it to them in that regard to attach accountability to grants as well as loans.

Senator MURPHY. Thank you, Mr. Chairman.

The CHAIRMAN. Thanks, Senator Murphy.

Senator Hassan.

Senator HASSAN. Well, thank you very much, Mr. Chairman, and thank you to all the witnesses for being here today.

Mr. Miller, I wanted to start with a question for you. The Higher Education Act requires a college to be approved by a combination of oversight bodies, the state Department of Education-approved accreditation body and the Federal Government, to receive Federal financial aid. While this approach creates a system with checks and balances, it can also open the door to parts of the triad not fulfilling their role as intended by the Higher Education Act.

In your testimony you say that states, the Federal Government, and accreditors have played accountability hot potato for too long. You mention that this has led to many states and accrediting agencies to not provide enough oversight, which allowed predatory for-profits like Corinthian Colleges and ITT Technical Institute, to take advantage of students.

Can you explain how in your research states and accrediting agencies have struggled to hold colleges accountable? In particular, how do you think states can improve how they work with the Federal Government and approved accreditors to better examine student outcomes and ongoing guardrails to fulfill their role as a key part of the program integrity triad?

Mr. MILLER. Absolutely. Very briefly, just to start with accreditors, one of the things we saw there was that the extent to which they were really considering outcomes was not as strong as it could have been, and that often the orientation was far more toward saying we'll give you another year to improve rather than saying, you know, at some point there's enough smoke here, we think there's a fire, and enough is enough.

On the state side, I think we have a couple of issues. One is the amount of state capacity for oversight of its schools is not particularly high. But I think the thing we could at least start to expect is states being greater overseers of their own money. So, for example, in California, the Cal Grant program has its own default rate and graduation rate requirements attached to it. You could see other states start to do that with their financial aid money.

The other part is I think states need to make authorization a more meaningful thing. In some places it's not much more than a business license and a few hundred dollars, and if that's a path that's going to end ultimately with Federal aid money and billions of taxpayer resources, it should be a higher bar than that.

Senator HASSAN. Well, thank you, I appreciate that.

Dr. Carnevale, there's been a lot of conversation during this reauthorization process about moving from an accountability system focused on institution-level accountability to one focused on program-level accountability. While having access to transparent program-level measures is valuable, especially for prospective students, we've seen time and again what happens to student outcomes when institutions are not held to a high standard.

I have concerns that if we narrow our accountability metrics to only look at program-level outcomes, we'll let institutions off the hook. It's the institution's leadership, the president, senior administrators, and governing board, that determine what programs are

offered and how the college manages the marketing and recruitment of its students.

What do you think we would lose if we switched from institution-level accountability to program-level accountability? Do you think there's a way to use both approaches to best serve students?

Dr. CARNEVALE. I think in many cases you want to do both. You want to do suspenders and a belt in many cases, institution and program. But if we're ever going to crack the black box of higher education financing and cost, which is the primary public issue, I think we're going to have to change the terms of competition. If we change the terms of competition to the program level, we'll draw in more providers. We should be neutral with respect to providers, for-profit or not. We will then, at the same time, set up a situation where every college doesn't have to have every program, the cafeteria style. You can have a college that has one. You set up a whole new competitive environment when you go to the program level, and you can then track that, incidentally, once you get to the program. You can track it to occupations.

The institution, I think, is really an artifact of our history. I think in many respects it's passe. We're now in an era in learning where the micro-economics of learning are really what matter. We'll never crack the code in financing in higher ed unless we get below the institutional level.

Senator HASSAN. I do understand that. I think the concern is, though, that it is still, within institutions, it is the institutional leadership that make decisions based on what's happening with the program, and I think there is some concern that if you insulate the programs too much in terms of accountability, or perhaps the way lawyers think about it, liability, you don't have the institutional leadership really looking at that level of service and results that we want from all of our programs. Is that a concern?

Dr. CARNEVALE. Frankly, I don't think so. I think institutional leaders—higher education is a business, has a business model, and the business model we're running now at the institutional level is incredibly inefficient, in large part because it doesn't operate at the program level. It's a package of goods, some consumed, some of investment value.

Incidentally, Georgetown won't go away. That is where I am. In the end, if you get a Bachelor's degree with 40 percent in a field of study and 60 percent in general education, we know over the longer term that has more economic value. So when you look at the program data, that will show up. So I think institutional leaders, they have budgets and boards, and in the end we should drive higher education through those mechanisms.

Senator HASSAN. Thank you very much.

And thank you for your indulgence, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Hassan.

Senator Smith.

Senator SMITH. Thank you very much, Mr. Chairman and Ranking Member, and to our testifiers today. It was very interesting.

I'd like to go to something that you said, Mr. Miller. You said how student aid is a deal between students and taxpayers and institutions, and that really makes a lot of sense to me. I think about this in terms of a situation we had in Minnesota in September



2016. Hennepin County District Court ruled that two for-profit institutions, Globe University and Minnesota School of Business, violated laws around consumer fraud and deceptive trade practices. Then, of course, their licenses were revoked, and months after that they lost their accreditation and could no longer receive financial aid dollars.

Here is clearly a situation where the deal didn't work for students and taxpayers. Of course, these students lost not only their money, but so much of it is their time.

As we are working to rewrite the Higher Education Act here, I also understand that the Department of Education is going through a rulemaking process around this issue of gainful employment. Could you just talk a little bit about this, how you see that, and what legislative changes you think we ought to be making as we look at this whole issue?

Mr. MILLER. Absolutely, Senator. One thing I would just note very briefly is part of what happened with those two schools you mentioned was a failure of their accreditation agency to oversee what was happening there properly. The Department of Education in 2016 rightfully removed that accreditor's ability to access Federal financial aid. Now this Department of Education is trying to let them back in later this year, which I think is concerning.

I think part of it, again, gets back to this issue around the business model and the recruitment strategies, and that's where we really see a lot of the problems arise, and that's where part of it is I think the Department of Education, as well as states and accreditors, need to be doing a better job looking at what the marketing materials actually say, what are the promises made to students, and how are those things conveyed.

We talk a lot about secret shopping on the servicing side of loans. We don't really talk about it at all on the actual education side of things.

I also think we probably need to do a better job getting money before things go out of business, because what we've seen is the instant the Department of Education levies a massive fine, the school will immediately close up shop, leaving students and taxpayers holding the bag. We should be much more aggressive in demanding letters of credit from schools up front, and we should also probably consider whether it's worth having a Federal tuition recovery fund. Many states have this in place where basically you can at least get your money back, but we don't have one at the Federal level. So it becomes basically who is going to take the loss, the student who has paid or the taxpayer who has paid, and we should really try to get the money from the school first.

Senator SMITH. Thank you. You said that part of the failure with Globe and Minnesota School of Business was the failure of the accreditation agency. So what is the rationale for having this accreditation agency kind of come back into the fold?

Mr. MILLER. I'm really not sure. I think part of it is that they are trying to claim that they are a new actor and they've changed their ways, but it's only been about 2 years, which is not very much time. It takes time to rewrite standards.

It's not just about saying you're going to be a good actor on paper but walking the walk and talking the talk. I am not clear that

there's really been enough time to show that their act has really changed and they've gotten better.

Senator SMITH. Thank you.

Let me just go back to this question that Senator Hassan was probing on, which is the relative importance of looking at program accountability versus institutional accountability. I'd be very interested to hear what others on the panel think about this and how we balance these, so really anybody can chime in.

Ms. VOIGHT. Sure. So, especially when thinking about transparency for students, they need information at the program level to make decisions. Students are sometimes choosing between multiple institutions, but sometimes they're only choosing between programs within an institution. So they need that information especially on things like workforce outcomes that are closely tied to the program that a student is enrolled in.

At the same time, the institutions often are the locus of control for making policy decisions that impact all programs across the institution. So there's a role to play, like Dr. Carnevale said, for both program-and institutional-level data, transparency and accountability here. Leadership really matters, and that leadership often is at the institution level.

Senator SMITH. Great. Thank you.

Anybody else want to comment on that in just a few seconds?

Mr. MILLER. I think there are two other issues at the program level. One is we need to keep the overall institutional finances in mind, and the second thing is we know outcomes vary by graduates of programs. We don't know if they vary by dropouts. So one of the things you see is, for example, about a quarter of community college students who do not reduce their loan balance never declared a program. So where do they fit within a program accountability structure?

Senator SMITH. Great. Thank you very much, Mr. Chair.

The CHAIRMAN. Thank you very much.

Senator Warren.

Senator WARREN. Mr. Chair, if it's all right with you, I'll yield to Senator Kaine.

The CHAIRMAN. It's all right with me if it's all right with Senator Kaine.

Senator Kaine. I very much appreciate that, Senator Warren, and to the Chair and Ranking.

The CHAIRMAN. Senator Kaine.

Senator Kaine. Thanks for this great hearing, and thanks for all of your testimony. My colleagues have asked most of the questions that I was interested in, but there's one particular thing I'll focus on, and that is military families and veterans.

I'm on the Armed Services Committee. I'm the father of a Marine. With Senator Burr, I'm the chair of the Military Family Caucus here in the Senate.

There was a letter that was sent to the Ranking and Chair in both Houses in February from a group of military, military family, veteran organizations. I'm just going to read the first two paragraphs of the letter, and then I'll ask that it go into the record.

"Dear Chairmen and Rankings, on behalf of national organizations representing our Nation's military service mem-

bers, veterans, survivors, and military families, we write to urge you to ensure that important laws and regulations protecting students are not watered down or eliminated. We hope that bipartisan agreement is possible in order to protect America's military heroes and their families."

Next paragraph: "As you may know, veterans, service members, survivors and military families are too often singled out and targeted with the most deceptive and fraudulent college recruiting. A loophole in the Higher Education Act's 90/10 rule has the unfortunate effect of incentivizing proprietary colleges to view veterans, service members, survivors and military families as nothing more than dollar signs in uniforms, and to use aggressive marketing to draw them, as Holly Petraeus, the former head of the Service Members Affairs at the U.S. Consumer Financial Protection Bureau, explained. This is because the U.S. caps the Federal funds proprietary schools can receive but fails to list funds from the Departments of Defense and VA, and many proprietary colleges target DOD and VA funds to offset the cap on Federal funds. As a result, our Nation's heroes are targeted with the most deceptive and aggressive recruiting. Thus, it is critical to fully uphold the existing protections that help stop these abuses."

I'd like to introduce that for the record if I might, Mr. Chair.

The CHAIRMAN. Thank you. It will be.

[The following information can be found on page 75 in Additional Material:]

Senator Kaine. My question to each of you—and, Ms. Voight, you talked about veterans as sort of being a group that we're now paying some attention to as a subgroup, and in an important way I see this in all my colleges. As we're grappling with the Higher Education Act, talk a little bit about things like the 90/10 rule and potential reforms to it, or gainful employment. You were responding to Senator Smith generally about that topic, what we ought to be sensitive to so that we can protect the military, military families and veterans from being targeted with deceptive practices. And I direct that to anyone.

Mr. Miller, you look like you want to jump in.

Mr. MILLER. Sure. So, first of all, Senator Kaine, as you mentioned in that letter, we absolutely have to close the loophole in the 90/10 rule. We don't want to create a situation where essentially veterans are multipliers for financial aid.

The second is I think we need to be doing a better job looking at the actual outcomes achieved of veterans and holding schools accountable for not serving them well. So right now we don't have as much reporting on that as we should.

The third thing is we talk a lot about accountability to help protect them, and we don't talk enough about what do we do to help a veteran student if they are stuck in a school that is not using their time well, that is not giving them a good education. I think part of that is we don't want them to lose their housing benefits if a school closes right away, and we also want to make sure that we have plans in place to help them with credit transfer and to

really guide them so they don't suddenly find themselves stuck having invested large periods of time with no help.

Senator Kaine. You respond talking about veterans, and this is more broadly veterans/military families/active duty who receive a tuition assistance benefit because they're active-duty status. This affects an awful lot of people, and I see all of them on my campuses in Virginia.

Are there others who would like to address the topic? Yes, Dr. Carnevale.

Dr. CARNEVALE. Myself, my two brothers, my father and my uncle all went to college on veterans benefits. I never knew—the check just came, which I think is the problem now, because there's an issue about how the veterans are using that money. I remember this all began with the for-profit schools dust-up over on the House side when I was involved some, and what stuns me is that we still don't know how veterans use their benefits. We don't know what majors they're in, what programs they go to, what the benefit is relative to the—that is, we don't collect basic gainful employment data on veterans.

Part of that is—because I've been in conversation with the VA and DOD and others about this—is that they're worried that it won't be flattering. I think they're wrong. I think it will be flattering, at least from what I know about veterans and their tendency to pick fields of study that have an earnings return. I think the VA will come off very well. But that simple step of stop just sending the checks and ask somebody to find out what they're doing with those checks, whether they're in programs that help, whether they're getting decent counseling—I don't think they are—that, to me, is the answer here.

The for-profit school thing is, to some extent on this issue, a bit of a red herring. We don't know how they do in the other schools, either.

Senator Kaine. Mr. Chair, thank you. I'm going to yield back to my colleague, and I'm going to ask a similar question QFR for those who couldn't respond. I'd love your ideas to help us as we work on HEA.

Thank you, Senator Warren.

The CHAIRMAN. Thank you, Senator Kaine.

Senator Warren.

Senator WARREN. Thank you, Mr. Chairman.

There seems to be a difference of opinion about whether we should have an accountability system that treats for-profit colleges differently from other colleges and universities, so I just want to jump straight into that discussion.

Mr. Miller, which colleges are driven by the personal financial interests of private investors rather than accountability to state taxpayers or volunteer boards of trustees?

Mr. MILLER. For-profit colleges, Senator Warren.

Senator WARREN. For-profit colleges. And which colleges have to demonstrate quarterly profit growth to please Wall Street shareholders?

Mr. MILLER. Those would be publicly traded for-profit colleges.

Senator WARREN. And which colleges usually spend far more money on marketing and advertising than they spend on actually teaching anything?

Mr. MILLER. Those are also in the for-profit sector.

Senator WARREN. And which colleges enroll less than 10 percent of all students but are responsible for nearly 30 percent of all student loan defaults?

Mr. MILLER. That's the for-profit college sector.

Senator WARREN. And which colleges are more often investigated or sued by state and Federal authorities for defrauding students?

Mr. MILLER. Those are also for-profit colleges.

Senator WARREN. And which colleges are the only schools that force their students to sign away their legal rights through arbitration agreements?

Mr. MILLER. Those are also in the for-profit sector.

Senator WARREN. And which colleges are responsible for 98.6 percent of all fraud claims from defrauded students?

Mr. MILLER. For-profit colleges, as well.

Senator WARREN. So two of the largest college collapses in the history of American higher education occurred recently when Corinthian and ITT imploded, ruining the lives of hundreds of thousands of students. What kinds of schools were those?

Mr. MILLER. They were for-profit colleges, Senator Warren.

Senator WARREN. Mr. Miller, are for-profit colleges different, and should the Federal Government have rules that acknowledge that difference?

Mr. MILLER. I believe they are, Senator Warren. I mean, I believe we've seen that we have a financial aid system now that allows for profit without showing high-quality student outcomes as well, and that the business model in the wrong hands becomes too much about recruitment and not quality.

Senator WARREN. Well, thank you. You know, investors in for-profit colleges often focus on boosting their profits by squeezing every possible dime out of students and out of taxpayers by any means necessary, even if it sometimes means breaking the law. For-profit colleges are different, and when the Federal Government pours billions of dollars into these colleges, we should put some restrictions on the money that recognize those differences.

History shows us that for-profit colleges need heightened accountability, but I think there is a much larger problem here, and that is all colleges pretty much that access the Federal dollars, no matter the quality of the education that they provide, and no matter how high tuition rises, and no matter how hard it is for students to repay their loans, we have built a system where everyone but the wealthiest students need a Federal grant or a Federal loan in order to afford college, and then the Federal Government and the accreditors put their rubber stamp of approval on these schools, and students reasonably conclude that those schools will pay off for them because we have vouched for them.

Mr. Delisle, I know you're concerned about accountability for the taxpayer, but isn't the best way to protect the interests of the taxpayer to stop rubber stamping bad schools and funneling Federal dollars into them in the first place so that students can get cheated by them?

Mr. DELISLE. Well, I mean, I think you're right in terms of some of the gatekeeping role that accreditors have played and state authorization. I mean, clearly, it hasn't prevented a lot of problems and a lot of bad outcomes. I think that—but I also think that if you have a sort of student outcome in mind that you think is acceptable and a student outcome in mind that you think is bad and unacceptable, I think that standard can apply to institutions regardless of how much money they're getting and regardless of their tax status or whether or not they have private investors.

Senator WARREN. I'd be fine with that if the schools were the same. But I think, as the list of questions I went through with Mr. Miller show, we know where the principal problem is, and we need to focus on that principal problem. It's hurting a lot of students.

I think part of what we're talking about here is about incentives, and I think that most schools are acting rationally within the terrible system of incentives that we've set up. Now, I believe that we should have some risk sharing and some accreditation reform legislation to realign our incentives. We have made terrible choices in this country, to rely on student debt as the way that most students have access to higher education, and it has really thrown our thinking about accountability out of whack.

Instead of asking whether or not students are leaving college ready to focus on successful lives that aren't dominated by monthly debt, we focused almost exclusively in terms of accountability on whether students literally can pay the bare minimum to repay their debts to the Federal Government. I don't see how we can reauthorize this law without fixing both the college accountability problem and the structural student loan debt problem that's behind this entire business.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warren.

Senator Murray, do you have any—

Senator MURRAY. I don't have any additional questions; I will submit some for the record. But I just want to thank all of you for being here. I think this has been a very productive session. Accountability is obviously important, but it seems to me a one-size-fits-all for 7,000 different colleges is not one that's going to work. And as Senator Warren just talked about, the bad actors, we need to think about that and how we make sure that we look at how we do accountability in the right way.

But this has been a very productive hearing, and again I want to thank all of our witnesses. Mr. Chairman, thank you for holding this hearing.

The CHAIRMAN. Well, thank you, Senator Murray. This has been a good hearing. It's another where we try to have bipartisan hearings in the sense that we agree on the witnesses so we get different points of view.

I would encourage each of you, if you have additional thoughts—remember, we're going to be writing a bill in the next few weeks, and if you have specific—I mean, I would invite you to put yourselves in our shoes and say if I were Senator Alexander or Senator Murray, I'd write it this way. If you want to send us two, three, four pages, that could be very helpful to us and to our staff as we work together to do that.

Listening to Senator Warren's comments, I just can't help but ask Dr. Carnevale, I know Dr. DeGioia at Georgetown University is a very successful president. Dr. Carnevale, what if he announced to his board he intended to operate Georgetown University at a loss for the next 10 years? What do you suppose would happen?

Dr. CARNEVALE. I suppose he would—he's one of the longest tenured presidents, and that would end.

The CHAIRMAN. So I gather you think that relying on the outcome of different universities, different kinds of campuses is more important than looking at whether they're for-profit or public or private—

Dr. CARNEVALE. I think the for-profit schools have performed—I've been the expert witness who shut down 45 of them. But I think the for-profit schools have performed an admirable function in the United States because they're like the German and the Japanese in the 1970's and '80's when we started to fail in manufacturing. That is, they've raised all these issues. Their behavior resulted in gainful employment on the table. I agree with them that what's good for the goose is good for the gander. If we set standards and they don't make them, then they shouldn't get Title 4 money. But that should also be true for the rest of the higher education system.

The CHAIRMAN. Thank you.

I think Senator Murray's question earlier was the one we're really trying to focus on today, in addition to cohort default rate, what you would be looking at, and you've given us some good answers about that. And in terms of data, which is another way of accountability, how do we make sure we're getting the right data without just imposing multitudes of new requirements for data for researchers that students never see or never use. I think that's part of our challenge.

The hearing record will remain open for 10 business days. Members may submit additional information and questions to our witnesses for the record within that time, if they would like.

The next meeting of the full Committee will be on Tuesday, February 6th at 10 a.m. on reauthorizing the Higher Education Act, improving college affordability.

Thank you for being here today.

The Committee will stand adjourned.

#### ADDITIONAL MATERIAL

*February 2, 2017.*

Hon. LAMAR ALEXANDER,  
*U.S. Senate Committee on Health, Education, Labor, & Pensions.*

Hon. VIRGINIA FOXX,  
*House Committee on Education & the Workforce,*  
*U.S. House of Representatives.*

Hon. PATTY MURRAY,  
*U.S. Senate Committee on Health, Education, Labor, & Pensions.*

Hon. BOBBY SCOTT,  
*House Committee on Education & the Workforce,*  
*U.S. House of Representatives.*

DEAR CHAIRMEN ALEXANDER AND FOXX, AND RANKING MEMBERS MURRAY AND SCOTT:

On behalf of national organizations representing our Nation's military servicemembers, veterans, survivors, and military families, we write to urge you to ensure that important laws and regulations protecting students are not watered

down or eliminated. We hope that bipartisan agreement is possible in order to protect America's military heroes and their families.

As you may know, veterans, servicemembers, survivors, and military family members are too often singled out and targeted with the most deceptive, fraudulent college recruiting. A loophole in the Higher Education Act's "90/10 rule" has the unfortunate effect of incentivizing proprietary colleges to view veterans, servicemembers, survivors, and military families as "nothing more than dollar signs in uniform, and to use aggressive marketing to draw them," as Holly Petraeus, the former head of Service Member Affairs at the U.S. Consumer Financial Protection Bureau, explained.<sup>1</sup> This is because the loophole caps the Federal funds proprietary schools can receive, but fails to list funds from the Departments of Defense (DOD) and Veterans Affairs (VA), and many proprietary colleges target DOD and VA funds to offset the cap on Federal funds. As a result, our Nation's heroes are targeted with the most deceptive and aggressive recruiting. Thus, it is critical to fully uphold the existing protections that help stop these abuses.

We hope you will stand with America's heroes by opposing any efforts to weaken or eliminate existing protections for student veterans and their families, including:

- The Gainful Employment Rule, which enforces the Higher Education Act's requirement that career education programs receiving Federal student aid must "prepare students for gainful employment in a recognized occupation." This common-sense requirement applies to career education programs at all types of colleges (public, nonprofit, and proprietary) and protects both students and taxpayers from waste, fraud, and abuse. Veterans express anger when they discover that the government knew that a career education program had a lousy record but allowed them to waste their time and GI Bill benefits enrolled in it. The Gainful Employment Rule requires schools to disclose basic information about program costs and outcomes and prevents funding for programs that consistently leave students with debts they cannot repay. Because the rule eliminates funding for wasteful programs, the Congressional Budget Office estimates that repealing the rule would increase spending by \$1.3 billion over 10 years.<sup>2</sup>
- New regulations on Federal student loan relief for defrauded borrowers and college accountability, which make it harder for schools to hide fraud and clarify avenues for students to receive the loan relief they are entitled to under the Higher Education Act. America's heroes are targeted for such fraud because of the 90/10 loophole, and deserve the relief they are entitled to under the law.
- The ban on incentive compensation (sales commissions) in the Higher Education Act, which was enacted more than 20 years ago with broad bipartisan support to reduce high-pressure, deceptive sales tactics. Sales commissions incentivize college recruiters to "do anything and say anything" to get veterans to enroll. Veterans, who are frequently encouraged to enroll on the spot, are particularly vulnerable to high-pressure recruiting: over 60 percent are the first in their family to attend college. In 2015, the Education Department's Inspector General called for greater oversight and enforcement of the ban to prevent fraud and abuse. We urge you to oppose the creation of any loopholes in the ban.
- The Enforcement Unit at the Education Department, which is taking steps to protect all students—but has explicitly embraced a goal of prioritizing veterans and servicemembers—from any illegal conduct by any college.

<sup>1</sup> Hollister K. Petraeus, "For-Profit Colleges, Vulnerable G.I.'s", New York Times (Sept. 21, 2011)

<sup>2</sup> CBO preliminary estimate prohibits the Department of Education from implementing any rulemaking relating to "gainful employment" and from making any future rules related to "gainful employment," July 7, 2016. Estimate includes both mandatory and discretionary spending.



We would be grateful for the opportunity to discuss these concerns with your staff.  
Thank you for your time and attention.

Sincerely,

CARL BLAKE,  
*Associate Executive Director,  
Paralyzed Veterans of America.*

BONNIE CARROLL,  
*President and Founder,  
Tragedy Assistance Program for Survivors.*

JOSEPH CHENELLY,  
*Executive Director,  
AMVETS National Headquarters.*

ANTHONY HARDIE,  
*Director,  
Veterans for Common Sense.*

ANNA IVEY,  
*Co-Founder,  
Service to School.*

MARY M. KELLER, ED.D.,  
*President and Chief Executive Officer,  
Military Child Education Coalition.*

PETER JAMES KIERNAN,  
*President,  
Ivy League Veterans Council.*

MICHAEL S. LINNINGTON, LTG (RET), U.S. ARMY,  
*Chief Executive Officer,  
Wounded Warrior Project.*

JARED LYON,  
*President & CEO,  
Student Veterans of America.*

JEFFREY E. PHILLIPS,  
*Executive Director,  
Reserve Officers Association of the United States.*

JOYCE RAEZER,  
*Executive Director,  
National Military Family Association.*

RANDY REID, USCG (RET),  
*Executive Director,  
U.S. Coast Guard Chief Petty Officers Association & Enlisted Association.*

KATHY ROTH-DOUQUET,  
*CEO,  
Blue Star Families.*

JOHN ROWAN,  
*National President,  
Vietnam Veterans of America.*

MARK C. STEVENSON,  
*Chief Operating Officer,  
Air Force Sergeants Association.*

CARRIE WOFFORD,  
*President,  
Veterans Education Success.*

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[Whereupon, at 12 p.m., the hearing was adjourned.]

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