STATE-FEDERAL PARTNERSHIPS IN POSTSECONDARY EDUCATION

WIPING THE SLATE CLEAN: A NEW FEDERALISM FOR THE 21ST CENTURY STUDENT

EDUCATION COMMISSION OF THE STATES

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EXECUTIVE SUMMARY

The upcoming Higher Education Act (HEA) reauthorization and a new political administration provide an opportunity to rethink the role of the state and federal governments separately and in partnership with one another and colleges. The dramatic changes in the types of students higher education serves, the changing role of higher education and the broken business model for higher education necessitate a new type of federalism. New approaches to federal and state policies and the federal/state partnership must better enable higher education to meet the escalating talent demands of a 21st century society to ensure a competitive economy and a healthy democracy. Talent gaps currently threaten both. As talent demands escalate higher education must become the economic and workforce development system for the 21st century.

The nation requires dramatic increases in the number of students (traditional and adult) accessing and completing high quality college credentials. They must be part of an affordable system that provides multiple options, including stackable credentials organized in ways that provide for shorter term completions on the path to longer term degrees and career preparation. These paths must have easy on and off ramps to accommodate the many students whose life circumstances require swirling between jobs and education.

Given that nearly eight out of 10 24 year-olds in the upper income quartile already hold four-year college degrees, the bulk of the talent higher education must access to achieve the goal of competitiveness will be found among student populations that higher education has not served well historically: lower income, first generation, adult and students of color. Serving these students to sustain U.S. economic competitiveness requires that any redesign of federal and state policy also must address the challenge of declining affordability and growing inequity in college opportunity and outcomes. The solution to these three challenges is best viewed as a Venn diagram with overlapping but separate policy solutions to grow economic competitiveness while improving college affordability and equity.

Substantial increases in federal support for higher education over the last decade or more have made the federal government the largest direct investor in U.S. higher education. That increase however, has not produced the expected level of increase in college educated people in the workforce. This is largely for two reasons. First the investment model and the higher education system itself are misaligned with the students we must serve and the goals we are trying to achieve. Second, much of the federal investment has supplanted rather than supplemented state investment in higher education.

To improve the return on investment in higher education, we need a redesigned system that requires a different partnership between states and the federal government that defines a new form of federalism for the 21st century. The redesign builds on proposals to better integrate economic and workforce development and higher education agencies, programs and funding streams at all levels to create coherent pathways to and through college to successful careers. The proposed redesign also moves away from the current voucher system for financial aid and loans, focusing on strategies to ensure all students can afford to buy an actual college degree. This paper also recommends the creation of affordability standards through federal/state/institutional partnerships that ensure a sustainable cost-containment model for all students. This partnership involves federal incentives to state and college partners to invest in higher education adequately, target resources appropriately, contain costs effectively and implement reforms that provide equitable outcomes for all students.

Despite the current political climate, it is essential that we build support for both shorter term incremental and longer term redesign strategies. Many of these recommendations can be implemented with thoughtful leadership at the state and federal level within the logical confines of the current system. They would certainly improve our ability to serve the 21st century student, better meet our talent needs and support the nation's economic competitiveness. The more fundamental changes in approach recommended require, if not wiping the slate clean, at least changing core parts of the current system, adopting a new logic model for the form of federalism we need. It is incumbent on all of us to be ready with ideas, advocacy strategies and coalitions of support to take advantage of whatever opportunity for incremental change or true redesign presents itself in the coming years. These windows open and then shut precipitously. The future of millions of talented students who will be left behind by the current system depend on our readiness to respond as does the nation's continued economic competitiveness and the health of its democracy.

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INTRODUCTION

In 1965 as part of the launch of Great Society reforms under President Lyndon Johnson, the U.S. implemented the radical idea to more actively engage the federal government in support of American higher education as a key component of a more successful and equitable society. Through eight reauthorizations, a patchwork of related programs – some wise, some politically expedient, some large, and some small – have been added resulting in a MacGyver-like construction ill-suited to the 21st century student. It is 2016. It is time to rethink the partnership between federal and state governments, accreditors and colleges. The 21st century students we must serve are massively different demographically, economically and in their learning needs from those of the past.[1,2] Adult learners, first generation, low income and students of color now make up the bulk of the talent pool colleges must access if they are to fulfill their role as agents of fairness and economic competitiveness. Yet despite this reality, the inequity of the higher education system is growing. [3]

The traditional higher education business model is broken. States continue to disinvest in public higher education operations.[4,5] State aid programs are typically failing to keep up with rising college costs. Too many states divert scarce aid resources to wealthier families using a distorted definition of merit that exacerbates inequity in college opportunity.[6,7] The vast majority of colleges do not have the brand strength to continue the practice of raising prices to compensate for state disinvestment. Even for institutions that can increase tuition, the political costs of contributing to the college affordability challenge now on the radar of both political parties are growing.

All of this is occurring while the public and policymakers increasingly recognize the central role higher education must play in individual success and sustaining economic competitiveness.[8] The spotlight on that role, while positive, makes the warts on the face of the system all the more apparent. It is time to engage in another radical re-thinking that holds governments and institutions accountable for meeting the needs of 21st century students and the talent demands of a 21st century economy. A conversation about a new federalism is timely as we launch into a new administration and a new federal Higher Education Act (HEA) reauthorization.

A RECENT PEW REPORT SHOWS THAT BY 2010 THE FEDERAL REVENUE SUPPORT PER STUDENT WAS HIGHER THAN STATES FOR THE FIRST TIME IN 20 YEARS.

As this debate begins it would be naïve not to understand that it will be influenced as much by the long-standing ideological divide between state autonomy and federal overreach as by the rational demands for a talent-driven 21st century higher education system. However, that ideological discussion must acknowledge a sea change in funding patterns for higher education. A recent Pew report shows that by 2010 the federal revenue support per student was higher than states for the first time in 20 years.[9] Federal support grew by 32 percent between 2000 and 2012 while state revenue per full time equivalent (FTE) fell by 37 percent. Not factoring in enrollment growth, federal revenue for higher education during this period grew 92 percent ($83.2 billion) while state revenue declined by 9 percent (a $7 billion decline). Increasingly, the federal government is an equal investment partner with the states for higher education (16 percent and 21 percent respectively). This is in addition to a 376 percent increase in the federal loan portfolio since 1990 ($103 billion in 2013).[10] The explosion in federal investment is in part due to the growing recognition of the need for dramatic increases in college attainment to provide the talent needed to sustain U.S. economic competitiveness. However, the increased federal support to date has not produced dramatic increases in college attainment as a return on that investment. The U.S. has seen no significant growth over this period in the percentage of its workforce with a meaningful college credential.[11]

A "BOTH/AND" STRATEGY MUST BE DEVELOPED – A STRATEGY THAT INCLUDES BOTH INCREASED SUPPORT FOR HIGHER EDUCATION AT ALL LEVELS AND REQUIREMENTS FOR GREATER INNOVATION, EFFICIENCY, AND EFFECTIVENESS (THAT IS, BETTER STUDENT OUTCOMES) BY THE SYSTEM.

The lack of return on investment (ROI) on the expansion in federal investment is rooted in a combination of factors. These include (a) the channeling of dollars through an outdated system misaligned with 21st century students and 21st century higher education system realities and (b) state disinvestment in higher education resulting in federal dollars supplanting rather than supplementing state revenue to support higher education. The upshot is that the new federalism discussion must begin with a recognition that the federal government is now the primary investor in American higher education and as such should play a stronger partnership role.

IN THE 21ST CENTURY, THE ECONOMIC AND WORKFORCE DEVELOPMENT SYSTEM FOR THE U.S MUST BE ITS HIGHER EDUCATION SYSTEM.

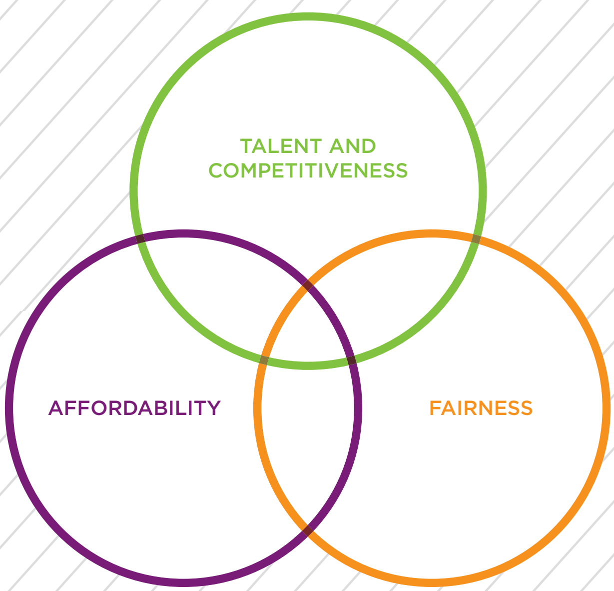
New strategies must support a redesigned partnership between federal, state and colleges that ensures all partners play a significant strategic role in supporting expansion, innovation, and increased efficiency and effectiveness in higher education. A "both/and" strategy must be developed – a strategy that includes both increased support for higher education at all levels and requirements for greater innovation, efficiency, and effectiveness (that is, better student outcomes) by the system. The latter reforms will require strategic deregulation and incentives for innovation in program delivery and business practices.[12]

If we are to engage in a meaningful discussion of a new federalism it must be driven by a shared sense of the overarching goal that a redesign is trying to achieve. That goal should and must be a higher education system that meets the talent demands of a 21st century economy and society. The core of a smart talent strategy lies in developing a college educated workforce that can innovate, respond to escalating talent demands, and adapt to an economy where the only constant is change. In the 21st century, the economic and workforce development system for the U.S must be its higher education system.

POLICY CHANGES MUST MEET THE TALENT DEMANDS OF THE ECONOMY, ADDRESS THE GROWING CHASMS FORMING AROUND SOCIAL CLASS AND COLLEGE OPPORTUNITY, AND RECOMMIT TO THE GOALS OF EQUITY AND FAIRNESS THAT MOTIVATED THE ORIGINAL HIGHER EDUCATION ACT OF 1965. THESE CHANGES ARE BEST VIEWED AS HIGHLY OVERLAPPING CIRCLES ON THE VENN DIAGRAM THAT MUST FRAME OUR CREATION OF A NEW FEDERALISM FOR THE 21ST CENTURY.

Setting this as the central goal of redesign offers several advantages. First it is the right goal. Talent gaps and whole segments of society, for example undereducated adults, shut out of middle class opportunity due to education deficits are a threat to our global competitiveness and to the fabric of our democracy. Second, anyone who has advocated for higher education over the last decade knows this is the most politically potent argument to motivate real change in policy. Third, pursuing this goal will require that we also directly attack the challenges of college affordability and equity. Our untapped talent pool is largely made up of low income, first generation, under educated adults, and students of color. Policy changes must meet the talent demands of the economy, address the growing chasms forming around social class and college opportunity, and recommit to the goals of equity and fairness that motivated the original Higher Education Act of 1965. These changes are best viewed as highly overlapping circles on the Venn diagram that must frame our creation of a new federalism for the 21st century.

SOLVING FOR THE NEW FEDERALISM



COMPLETION FOR WHAT? FOCUS ON TALENT AND COMPETITIVENESS

Not that long ago, college access dominated discussions about improvements in higher education. Increasing recognition of high college drop-out rates expanded that conversation to degree completion as the holy grail for colleges. Today that conversation is expanding once more to include accountability for life and career outcomes for college graduates. “Completion for what?” is an increasingly important question especially for federal and state policymakers looking for a return on investment.

Unfortunately, the current federal/state partnership is not structured to support an effective college to career connection. The siloes begin at the top. Historically the U.S. Department of Labor has led development of workforce programs that focus on speed to employment with less concern for longer term training, much less degree completions. The U.S. Department of Education is only recently beginning to pay attention to post-graduate outcomes (for example, a focus on gainful employment and scorecards). U.S. Department of Commerce programs focused on job creation and the demand-side of the talent equation are even less connected to workforce development/education supply side issues. These federal siloes and the funding streams they provide produce similar divisions at the state and even regional levels within states leading to disjointed and duplicative education to career initiatives.

State and local workforce investment boards, workforce training programs, community colleges and universities are seldom connected at the state or even regional levels in the creation of accessible pathways that support students (especially adult learners) to obtain postsecondary credentials leading to careers rather than a specific job. What is needed is training tied to certificates, industry certifications, and degrees organized in stackable ways that accelerate progress toward the advanced credentials that will be required as talent demands continue to escalate.

For example, welders are in high demand in many states. Greater accessibility to certificates is needed. However, the welding profession is undergoing rapid change. Robots are increasingly used to produce welds beyond the skill of even the most experienced welder. Advances in adhesive manufacturing suggest a lessening demand for “hot welds.” The welding pathway must prepare learners for a changing workplace with (a) knowledge of welding/robotics and (b) the ability to adapt as the profession shifts to new processes. The demand for new talents, ability to accommodate to change, and strong analytic, problem-solving ability is typical of growth areas of the economy that promise anything like a middle-class life.

There are signs of progress in developing a coordinated approach to these challenges. The design of the 2009 Trade Adjustment Assistance Community College and Career Training Grants (TAACCT) program reflected an unusual degree of partnership between the U.S. Departments of Labor and Education. It allowed for longer term approaches to obtaining postsecondary certificates and degrees in high need areas. The recent redesign of the Workforce Investment Act (WIA) into the Workforce Innovation and Opportunity Act (WIOA) program is producing state plans that more fully integrate higher education into workforce development efforts though many plans are still heavily weighted toward entry level certificates or associate degrees at most – even in states where there is a large mismatch between labor market demand and bachelor and above degrees. See Ganzgall, Bird, and Foster for an in-depth review of the new opportunities provided by WIOA.[13]

Programs like Michigan's No Worker Left Behind program demonstrated how states could overcome federal siloes if they were willing to ask for forgiveness rather than permission. A survey found that Michigan's workforce development program was effective.[14] However, such programs remain the exception rather than the rule. Braiding funding streams and integrating agency goals/programs at the state level remain difficult due to federal siloes.

WITHIN STATES AND THROUGH INTERSTATE AGREEMENTS ACROSS STATES, COMPREHENSIVE DATA SYSTEMS MUST BE ABLE TO FOLLOW STUDENTS FROM COLLEGE TO THE WORKFORCE ALLOWING FOR DISAGGREGATED OUTCOME COMPARISONS AT THE INSTITUTIONAL AND PROGRAM LEVELS.

Federal programs and funding streams supporting job creation, workforce development, and higher education must be more effectively aligned at the federal level. Federal program designs must incentivize, if not require, plans that have the engagement and sign-off of multi-sector leadership in the state and its regions. As new HEA legislation is considered, there is an opportunity to include a focus and a funding stream requiring higher education to be a full partner in this conversation at the state and regional levels integrated with WIOA funding.

However, to scale and sustain integrated college to career programs will require more than integrated funding streams and interagency collaboration. Within states and through interstate agreements across states, comprehensive data systems must be able to follow students from college to the workforce allowing for disaggregated outcome comparisons at the institutional and program levels. Such reporting requires an initial heavy lift by the states to connect their higher education and workforce data in a way that is legal, secure and comprehensive. The federal government since 2005 has invested heavily in state longitudinal data systems (SLDS). In 2014, only 14 states could match 95 percent of their college students to workforce outcomes. It is past time to hold states accountable for making the college to workforce connection on a systematic basis.[15] This is not rocket science. Connecting higher education and workforce data systems and developing reporting tools that improve institutional performance and provide consumer information on degree outcomes by institution and programs is doable and must be done if we are to align system capacity with talent demands.

If federal and state governments are to promote talent development aligned with the goal of competitiveness and a healthy democratic society, their partnership must incentivize innovation in education delivery models at the institutional level that accelerate completion at a lower cost to more students (especially returning adult learners). This will require targeted deregulation that maintains adequate consumer protection against predatory providers while opening the door to promising innovations.

The good news is that there are a growing number of innovators and innovations demonstrating new models targeting efficient and effective talent development aligned with societal needs. At this point this work remains at the thousand-points-of-light stage. Scale and replicability remain a challenge. There are too many promising practices to catalogue here. They include the following: (a) thoughtful efforts to gain broad acceptance to core learning outcomes that should define degrees at different levels (such as Lumina Foundation's Degree Qualifications Profile[16]); (b) technology-infused delivery models that improve achievement of learning outcomes at lower cost in less time (such as the Carnegie Mellon University Open Learning Initiative and StraighterLine); (c) online programs that provide competency based academic programs and quality student supports at scale (such as Western Governors University and College for America); (d) credit for prior learning programs that acknowledge learning across the life span and life contexts and in doing so accelerate degree completion especially for underserved groups (such as Learning Counts and Credit for Prior Learning); and e) game changing "pathways" programs, such as Complete College America's Game Changers, that dramatically improve timely college completion aligned with 21st century career demands, especially for underserved students.

The core enabling principle for most of these innovations is a shift away from seat time as a proxy for learning and toward learning outcome (or competency) based standards for degrees tied to rigorous assessment. The more that higher education can shift to this framework the more the system will be open to innovation and the needs of 21st century students. As one often quoted maxim puts it, "If you are focused on seat time as the proxy for student learning, you are focused on the wrong end of the student." The creation of agreed upon learning outcomes and assessments to define credential attainment is hard work. It is best led by faculty in collaboration with those hiring or enrolling college graduates. It is made harder by federal and state regulations that reify time as the criteria for quality and, importantly, for financial aid.

"IF YOU ARE FOCUSED ON SEAT TIME AS THE PROXY FOR STUDENT LEARNING, YOU ARE FOCUSED ON THE WRONG END OF THE STUDENT."

Conversations with accreditors and institutions on this topic lead quickly to examples of negative consequences from federal or state regulators for those who take any risk in approving or implementing innovative competency-based approaches. Some of these are apocryphal or red herrings to justify inaction. Some are justifiable concerns. At the federal level there have been efforts to open up the system and provide greater flexibility, but a great deal of uncertainty that inhibits innovation remains in the field. Greater clarity on acceptable, creative uses of the revised definition of the credit hour, developed by the U.S. Department of Education, expanded use of experimental sites authority, and support for direct assessment models could go a long way in moving the system to a focus on learning outcomes rather than time. One of the most thoughtful in-depth analyses of what it will take at the federal level to crack the credit hour is provided by Amy Laitinen in her 2012 analysis of the issue.[17]

These reforms can be most effectively implemented if the federal government and its accreditors work more closely with state higher education regulators – honoring the historic commitment to the triad (states, accreditors and the U.S. Department of Education) that oversees quality and consumer protection in higher education. State higher education agencies working in this space are closer to the ground and the impacts of experimentation on their students. A more explicit role for the states in monitoring and assessing outcomes of innovative approaches will allow states to use their more detailed data on institutional performance to assess the impact of innovation on quality, persistence, completion and career outcomes. States could be empowered to experiment with alternative providers (such as StraighterLine) and certify them for access to state and federal financial aid programs to further open up the system. Currently these alternative providers must partner with traditionally accredited institutions to allow students to use their accelerated programs and access financial aid. Initially this state/federal partnership to support innovation could be circumscribed to target high talent demand areas in the states' economies.

Any discussion of the collaborative redesign of state and federal higher education programs, data system improvements, and support of innovation would be incomplete without explicitly acknowledging that the largest demographic in need of redesign and innovation is the undereducated adult learner already in the workforce (for example adults with no college degree, those with many college credits, military veterans). In the large majority of states, the high school graduate population is flattening and in many it is or soon will be in decline. Most states cannot meet their talent needs with traditional students alone even with dramatic improvements in outcomes. As a new federalism is considered to address competitiveness, affordability and equity, adult students must be at the center – not the periphery – of our vision. Federal and state higher education policy remains grounded in a picture of higher education dominated by high school graduates attending college full-time and living on campus, a group that now makes up only 14 percent or less of the actual student populations.[18]

Fortunately, through the good work of organizations like the Council for Adult and Experiential Learning (CAEL) and others the policies and practices that best serve adult students have been made clear. Again, it is not rocket science.[19,20] It is, however, a path requiring significant change in federal/state policy and incentives to institutions to create accessible programs for this massive talent pool (especially for community colleges and regional comprehensive universities, the backbone of baccalaureate degree production in the four-year system). Many of the needed changes supporting adults through competency based learning models, credit for prior learning, technology-infused program delivery and redesigned student support models are exactly what is needed to better serve all students.

REDEFINING AFFORDABILITY: FOCUS ON PURCHASING POWER

The public dialogue in 2016 has focused on the issue of record income inequality. This comes at a time when data clearly show that a college credential is more economically valuable and essential to a middle-class life than ever before.[21,22] A logical conclusion would be that expanding opportunity to achieve college credentials aligned with workforce needs to lower and middle income people would be an important national strategy to address the growing income divide. More researchers are now addressing the disparities in college opportunity fueled by income inequality and declining affordability. The news is not encouraging.

The most recent comprehensive Pell Institute for the Study of Opportunity in Higher Education report on equity in college opportunity shows that the likelihood of earning a bachelor's degree by age 24 is more than eight times higher for top income quartile people than for those in the bottom income (77 percent versus 9 percent respectively). That is a 37 percent increase at the top since 1960 and a 3 percent gain at the bottom. The completion numbers for the second lowest income quartile are 11 percent in 1960 and 17 percent now. Low income students' unmet need for college costs has doubled since 1990 (an astounding 84 percent of average family income). Even when low income students enroll in college, they are far more likely to attend under-resourced colleges with lower overall success rates and are half as likely to complete their course of study.[23] Remember that if higher education focuses on the massive adult learner market, most of these students would be by definition and given education level, in lower income categories, and hence, would help mitigate the current inequities in the system.

If the bulk of the talent pool that must be accessed to meet talent demands in the 21st century is in this lower income population (adult and traditional) and this is our track record as of 2015, there is much work to be done. An increasingly rich literature is developing on institutional practices that are demonstrating dramatic increases in college access and success for low income and underrepresented students, for example Complete College America.[24,25]

While these interventions are central to addressing this challenge, the focus here will be on aligned federal and state policy work needed to frame and support these reforms. These include changes in federal financial assistance and loan programs and state aid programs separately as well as a call for new forms of partnership and mutual state/federal accountability for affordable college. Some of these changes are incrementally providing important improvements within the current system design. However, a new approach to affordability positioned to serve the goal of economic competitiveness and an equitable system in the long term will require a more fundamental redesign of the very logic of the current system.

INCREMENTAL CHANGES FROM WITHIN.

The Obama administration deserves strong credit for improvements in the federal financial aid and loan system. Simplification of the Free Application for Federal Student Aid (FAFSA) including integration with Internal Revenue Service (IRS) tax data was a large step forward. Change in the timeline for aid applications allowing use of prior-prior year tax data allows students more time to make college decisions with greater knowledge of their aid package. A greater focus on income based repayment plans also was a welcome advance.

More is needed at the federal level. Further simplification is needed allowing low income individuals and families who qualify as low income for one federal program to automatically qualify for others. Incentives should be provided to expand one stop programs that make it easier for low income people to access all they are due from Pell, TANF, Supplemental Nutrition Assistance Program (SNAP), WIOA, health care, housing, and child care programs. Housing these benefit programs in integrated one stop strategies would promote college enrollment and persistence. It should not require a college degree to be able to access the resources needed to obtain a college degree.[26]

IT SHOULD NOT REQUIRE A COLLEGE DEGREE TO BE ABLE TO ACCESS THE RESOURCES NEEDED TO OBTAIN A COLLEGE DEGREE.

Low income students and families need more than help with tuition and books. Most will not live on campus. The College Board estimates that tuition and fees make up only 20 percent of the budget for public two-year college students who pay for off-campus housing.[27] College student poverty rose from 40 to 51 percent between 2008 and 2012.[28] Homelessness, food insecurity and other basic needs are now an important challenge for more than half of our students. Mastering writing or college math is more difficult when you are hungry, worried about where you will sleep or the care of your children. One stop strategies allow for the mobilization of support across programs and agencies to provide an adequate safety net to allow college completion for this population. This strategy will not require additional funding – simply more effective use of the funds already available.

The more than 50 options currently available for federal loan repayment need to be reduced to only a few that are the best options for today's students. Emphasis should be on streamlining the confusing array of income-based repayment plans with similar names, making well- designed income based repayment plans the default option for students. The redesign of income based repayment programs should eliminate many of the "gotcha" provisions in current plans:

- Loan repayment plans should not confuse students with various repayment periods.
- Spousal income should not be included, unless we intend to discourage marriage.
- The possibility of negative amortization should be eliminated. This occurs when monthly payments are less than monthly interest increasing the loan even with on-time payments.
- Payment levels should be graduated and capped at a certain percent of income.
- Borrowers should have access to information about likely income levels for graduates in their chosen fields to combat over borrowing.
- Student loan debt should be dischargeable under bankruptcy.

The states, for the most part, are not in the loan business. However, there are examples of states developing effective programs to provide greater transparency on costs and aid and discourage over borrowing.[29] The states can play a valuable role helping students navigate complex financial aid and loan issues through consumer education programs.

Still, it is state financial aid programs that are a crucial component of the package low income, and increasingly, middle class students need to obtain a college degree providing $11.7 billion in aid in 2014.[30] The most straightforward recommendations for state aid programs have been outlined in multiple analyses over the last several years.[31] The first and most important is to eliminate programs that base awards on a distorted conception of merit that reinforce inequity by using test scores that correlate with income level and concentrating awards to students who attend high school in wealthy districts. Low income students who are struggling to overcome the challenges of hunger, homelessness, and poor schools have merit too. With the right supports academically, socially, and financially they are the vibrant talent pool that we must access. State aid programs should exclusively target students with the greatest need and who cannot attend college without federal and state support. Fortunately, there is evidence of movement away from purely merit based state aid programs.[32]

Both federal and state aid programs are in need of a redesign involving much more than simplification and better targeting need. As noted, the undereducated adult learner already in the workforce (or unemployed) is higher education's primary market for talent development. Most colleges are significantly behind the curve in adapting to this market programmatically. Even worse, current financial assistance programs seem almost designed to minimize support for adult learners. For example, flying directly in the face of research showing that continuous enrollment is especially important to completion for adult students, Congress eliminated the summer Pell program after 2011.

State aid programs are similarly misaligned with the needs of this group. A recently released report details the need for redesign to serve adult learners who benefit most from online, blended learning, experiential and competency based learning and courses. The authors identify needed changes to state programs (some of which apply to federal programs as well) that prioritize need-based aid and better support the true cost of attendance for adult students. Taliaferro and Duke-Benfield also call for elimination of eligibility criteria that disqualify many adults such as intensive enrollment demands, time limits on eligibility after high school, and criminal records.[33] In short, a full review of federal aid and loan programs and state aid programs is needed using the lens of the massive undereducated adult learner market whose college success is key to economic competitiveness.

Any discussion of needed changes in the current financial aid system must include acknowledgment of the role of institutional waivers and grants. The College Board found that, "Grant aid from colleges and universities in the form of discounts to students grew from an estimated $30.6 billion (in 2014 dollars) in 2006-07 to $41.9 billion in 2010-11, and to about $50.7 billion in 2014-15." Also, "In 2014-15, institutions provided an estimated $39.8 billion in grant aid to undergraduate students. This constituted 22 percent of total undergraduate aid and 38 percent of undergraduate grant aid. Between 2009-10 and 2014-15, the largest increase in aid to undergraduate students, both in dollars and in percentage terms, was in institutional grant aid, which increased by $9.6 billion (32 percent)." This eclipsed all other forms of direct aid.[34] In 2011, the Education Trust identified troubling trends in institutional aid that were disadvantaging low income and underrepresented students.[35] While understanding the complex issues colleges try to address with their waivers and aid, it would seem the least states and the federal government could do would be to monitor and report on who is receiving this substantial part of the aid system. A constructive additional step would be to incentivize and hold institutions accountable to focus aid on enrolling and graduating more underserved students.

CONSIDERATIONS FOR A BASIC REDESIGN OF THE FINANCIAL AID LOGIC MODEL.

All changes outlined above are designed to improve affordability for 21st century students while maintaining the fundamental logic of current financial assistance programs. This is a voucher system using funds from aid or loans to support students' college attendance – a system disconnected from policy decisions that impact college costs and that fails to take into account market demand for college graduates. A more fundamental redesign has been suggested that holds promise for a better return on federal and state investment. This approach upends the idea of aid (and loans) "to focus on what it buys, not how much it pays."[36] Ensuring the buying power of assistance for college credentials requires a new partnership between federal and state governments that prohibits supplanting of state support with federal dollars, incentivizes containment of college costs, encourages smarter consumer choices, and forces reconsideration of where the federal government and states invest (such as prioritizing support for institutions that enroll and graduate underserved students). It also demands that institutions be full partners in reducing college costs, enrolling and graduating more low income, first generation, adult and students of color, and concentrating institutional aid on those groups.

At the heart of this redesign is the creation of affordability standards for a meaningful college credential. What should people pay for a college degree and how should they pay for it? Recent thoughtful approaches to the concept of affordability standards suggest they should embrace some or all of the following:

a. Calculations of affordability should include a combination of expected family contribution (EFC) or student savings, student work in college linked to a reformed work study program, and financial aid/loans, with expectations for what is affordable graduated by income (for example Minnesota's State Grants program), as well as national efforts.[37,38]
b. Graduated standards should make it possible with a reasonable college student work requirement for low income students to "buy" a college degree with financial aid alone. Middle income students should be able to afford a degree with their EFC, work, and a combination of aid and subsidized loans. Upper income students, if in need of additional support, should be expected to obtain that through subsidized and unsubsidized loans (the latter from a better regulated private loan market achieved through public-private partnerships).
c. Standards should be geographically sensitive (perhaps following the model of federal housing subsidies) since what is affordable given income levels and costs varies widely across states and regions. This is particularly important given that the majority of students attend college close to home.[39,40,41]
d. Affordability should be defined using a reasonable completion expectation. For example, the ability to cover the average cost of a four-year public university degree in a state. This standard, if adopted, would provide two and four-year college options to a student and provide disincentives for over borrowing for expensive college options.

Affordability standards, developed collaboratively between the federal government and the states, are a part of a refocus on what student aid should buy – a degree rather than a bundle of credit hours that add them to growing proportion of the workforce with "some college and no degree." However, if after setting standards states continue to disinvest, institutions do not focus on cost containment and better outcomes for student groups ill-served to date, and a both/and strategy is not adopted, we run the risk of rapid escalation of costs that outstrips our ability to meet, over time, any standard that is set. That puts us back in the business of excluding the very students needed to support the country's economic competitiveness.

Sustaining the ability to meet affordability standards requires a combination of the following:

a. Redesign federal support to leverage maintenance of effort (MOE) from states for higher education learning from the unintended consequences of such efforts in the past. Miller and Flores provide insights into how this might be done drawing from current efforts to expand Medicaid and to provide low income housing.[42] A federal block grant program could be given to states that meet certain funding criteria per full-time student to incentivize sustainable state support (see detailed proposals by American Association of State Colleges and Universities and Education Trust).[43,44] The dramatic growth of federal investment in higher education increases the leveraging power of the federal dollars making this a more powerful strategy than in the past. Recent federal efforts have edged toward MOE provisions, but to date the funds at stake have been too small to truly incentivize states many of whom remain in fiscal crisis (the College Access Grant program, for example). States should be given maximum flexibility in how they do their part to meet affordability standards including increasing their funding to institutions, creating or expanding their need-based financial aid programs, or mandating that institutions meet the guarantee as a condition of receiving state support.

b. Incentives to institutions through a Pell Grant Matching Program that reward institutions who create an affordability guarantee ensuring Pell recipients will pay not more than a certain percentage of income on college.[45,46]

c. State aid programs focused on need rather than reinforcing the inequalities embedded in K-12 schools and test scores. State programs should also adopt incentives for institutions to improve outcomes for underserved students.

d. Given states' severe fiscal stresses, consideration should be given to weighting even traditional state operational support in the public sector toward institutions that serve most of these students.[47]

ADJUSTING FOR INFLATION, THE COST OF A COLLEGE DEGREE TODAY IS ABOUT THE SAME AS IT WAS DECADES AGO.

A FINAL NOTE ON AFFORDABILITY.

Reform within the current aid system even as we rethink its basic design logic will be required to enable higher education to meet the changing talent demands of the 21st century. However, meeting that challenge also will require states and the federal government to increase overall support for higher education. The federal government has been on that course and must accelerate. States, unfortunately, have been moving in the opposite direction.

Adjusting for inflation, the cost of a college degree today is about the same as it was decades ago. What has changed radically is who is paying for it – the student. Many of these students come from income strata where income growth has stagnated for years. Thoughtful reforms being widely discussed now in this volume and elsewhere, as needed as they are, will not move the needle if we abandon the idea of higher education as a public good and continue to underinvest in the nation's 21st century talent development system. The scale of re-investment requires partnership support from federal, state, and local governments as well as the private sector (who, after all, is a primary beneficiary of talent production).

RECOMMITTING TO FAIRNESS: EQUITY IN HIGHER EDUCATION AS AN ECONOMIC IMPERATIVE

We will not meet our economic competitiveness and talent development goals without significantly improving college completion rates of students who have been traditionally underserved by or have not participated in our nation's higher education system. A more aligned, affordable system with clear pathways to careers will support this goal given the large and disturbing connection between ethnicity and income. In fact, most of the reforms outlined above to enhance affordability should directly support closing gaps as well.

However, part of the equity in higher education challenge, which is a circle in our Venn diagram, is about more than better integrated, aligned approaches to talent demands, affordability and income. It is about accountability for an inclusive higher education system that in its people and practices reflects 21st century society and promotes fairness in opportunity. Structural racism is alive and well and the higher education system is not immune.

Again, there is some good news. We have seen sustained increases in college completion for both white and minority students. However, these increases have not made a significant dent in college success gaps for students of color. A 14 percentage point opportunity gap exists for underrepresented students who are still not graduating at the rate of white students 10 years ago.[49] While comparable national data on completion rates for low-income students are not readily available, the percentages of postsecondary enrollment among high- and low-income students illustrate similar trends. In 2012, for example, 82 percent of 18 to 24 year olds from the top family income quartile participated in college, compared with 45 percent of those in the bottom quartile.[50]

To fully address this opportunity gap, both state and federal governments must require and spotlight regular reporting of disaggregated outcomes and help develop reporting tools that put those results in the hands of policymakers, colleges, students, parents, and employers committed to a diverse workforce, and advocacy groups fighting for equity and fairness in higher education. Consumers of higher education are a particularly important audience. A man of color, or the parent of a child of color are ill-served by generic measures of college access, persistence, and success. They need to compare their options based on how colleges serve students that look like them and share their life experience. Transparent, easily understandable outcomes delivered in traditional and social media on multiple platforms will leverage continuous institutional improvement and improve consumer choices. These reports must target accountability for equity across the spectrum of college outcomes – access, persistence, transfer, completion, and career success.

Similar to the recently unveiled federal College Scorecard, several states and postsecondary systems are creating user-friendly tools – or dashboards – to arm students and families with information about tuition and costs, financial aid, faculty and the success of various student groups during and beyond their college careers. Most states already collect and report fairly extensive data through state longitudinal data systems (SLDS), which often span from preschool to the workforce. While evaluations of their effectiveness are preliminary and mixed, at least 30 states are developing or implementing postsecondary outcomes-based funding systems.[51] Several models include – or should include – performance measures related to low-income, minority and adult students to incentivize institutions to focus on their success as well as the entire student population.[52,53] In addition, a number of states' strategic plans incorporate performance benchmarks and/or goals related to access, persistence, completion and attainment for students, and often for those who have been underserved.[54] Collaboratively, the federal government and states should leverage and expand these existing data sets to offer more comprehensive, accessible and valuable information that also prioritizes equity-minded metrics.

States are in the best position to also provide regular analyses of the make-up of the faculty and staff on campuses who serve students. It is important to the success of underrepresented students to connect to people on campus who share their cultural experience. The data we do have show an enormous and growing disconnect between the race and ethnic make-up of college faculty and professional staff and the students they serve.[55] State and federal support for scalable, effective programs to diversify college personnel and greater accountability for institutions to hire and maintain a more diverse staff are crucial to closing opportunity gaps.

The vast majority of underrepresented students is served by community colleges and non-elite public and private four year colleges. Federal and state policy and funding must be structured to support and reward colleges that effectively serve these students. In addition, innovation funds are needed to incentivize poorer performers to implement programs showing promise to close opportunity gaps for underserved students. Unfortunately, state disinvestment since the recession has typically had just the opposite effect, hitting hardest the community and regional comprehensive colleges as well as private colleges committed to the underserved and hence most dependent on state aid programs. State commitments to support these sectors must be strengthened and federal incentives for states and institutions to improve equitable outcomes in higher education must target them.

Stronger and more stable state investments and federal incentives focused on equity would help expand recent policy and instructional reforms aimed at the challenges facing underserved – and often underprepared – students and moving them toward greater success.

For example, we have seen extensive efforts to redirect students from the typical dead-end road of remedial education to enrolling them in credit-bearing courses as soon as possible. These approaches save students time and money and increase their chances of completion. A recent report estimated that remedial courses cost students and their families about $1.3 billion across the 50 states and the District of Columbia every year. Minority students often take the biggest hit financially and in terms of earning a degree. The paper notes that 56 percent of African American students and 45 percent of Latino students enroll in remedial courses nationwide, compared with 35 percent of white students.[56]

As mentioned in the Talent and Competitiveness section, a growing number of postsecondary systems and campuses are providing students with a guided pathway through their program of study to help them avoid unnecessary courses, save money and accelerate their completion of a degree. A few states are jumping on this bandwagon by encouraging or requiring the use of guided pathways. These innovations are often accompanied by intensive advising and support services, which include connecting students from similar backgrounds.

Finally, given that the inequities in the K-12 education system feed directly into and are compounded in higher education, federal and state policy must continue to strengthen requirements for shared data and strategic partnerships between the two sectors. This includes support for innovations in educator preparation programs that diversify the K-12 workforce and better prepare educators to ensure all students leave high school college-ready. P-20 councils and conversations have been with us for decades. The results have been mixed and vary widely across states. Unfortunately, the recently passed elementary and secondary federal authorization, the Every Student Succeeds Act (ESSA), provides little guidance, much less accountability, for states to ensure strong engagement of higher education with K-12 systems in the development of state plans. The burden is now on states to ensure K-12 and higher education buy-in and use of K-12 assessments from elementary to secondary schools that provide continuous feedback on students' progress on meeting college readiness standards are jointly developed with higher education.

The initial broad support for the common core state standards and the PARCC and Smarter Balanced assessments of those standards was a cause for optimism about a national approach that would in fact support a path to college readiness for all students using rigorous college readiness standards and internationally benchmarked assessments. Though that momentum has lessened, some states are holding the line. Other states interested in improving equity across their education sectors would do well to consider or reconsider this or a similar approach.

However K-12 efforts are implemented, states must ensure higher education is meaningfully engaged with middle and high schools to validate standards and assessments and create programmatic pathways to college without remediation. Higher education can also be a partner to ensure equal opportunity for college credit opportunities in high school and develop multi-sector faculty partnerships to ensure alignment of learning outcomes in key areas such as mathematics, English, and science. It is a critical moment as states develop their plans in response to the new ESSA. States will either use their increased flexibility to implement policies that ensure partnerships that reduce gaps for students across sectors or weaken alignment between sectors and intensify inequities that currently plague the education system as a whole. Federal policy may have a role to play here but, given the negative consequences of the recent backlash against federal involvement in standards and assessments, states must take the lead.

SUMMARY AND RECOMMENDATIONS

The upcoming HEA reauthorization and new political administration provide an opportunity to rethink the role of the state and federal governments in higher education both individually and in partnership. The dramatic changes in the students that higher education serves, the roles higher education must now serve, and the changing funding streams and business model for higher education necessitate a new type of federalism. The conversation about a new federalism should be guided by a clear vision of the primary goal the redesign must serve – making higher education the talent development system that will sustain economic competitiveness in the 21st century.

Talent gaps fueled by inequity in college opportunity currently threaten economic competitiveness and a healthy democracy. The nation requires dramatic increases in the number of students (traditional and adults) accessing and completing high quality college credentials. They must be part of a system that provides stackable credentials organized in pathways that provide for shorter term completions on the path to longer term career preparation outcomes. These paths must have easy on and off ramps (to mix metaphors a bit) to accommodate the many students whose life circumstances require swirling between jobs and education.

Given nearly eight out of ten 24-year-olds in the upper income quartile already hold four-year college degrees,[57] the bulk of the talent to be accessed to achieve the goal of competitiveness will be found among populations of students that higher education has not served well historically – lower income, first generation, adult, and students of color. To sustain U.S. economic competitiveness, the redesign of federal and state policy also must address the challenge of declining college affordability and growing inequity in college opportunity and outcomes. The solution to these three challenges is best viewed as a Venn diagram with overlapping, but also separate, policy solutions.

Substantial increases in federal support for higher education over the last decade or more have made the federal government the largest direct investor in U.S. higher education. That increase has not produced the level of increase in college educated people in the workforce that would be expected. This is largely for two reasons. First the investment model and the higher education system itself are misaligned with the goals we are trying to achieve. Second, much of that investment has supplanted rather than supplemented state investment in higher education. States have continued to significantly disinvest in higher education since the recession. To better align investments and the system with 21st century students and demands for talent, the following recommendations are made.

FEDERAL POLICY

1. Require better integration of funding streams and programs across the current siloes created by the U.S. Departments of Commerce, Labor, and Education so that job creation, workforce development and college completion are strategically addressed at the federal, state and regional levels as equal partners in closing talent gaps. In the shorter term, consider including in the new HEA reauthorization a funding stream tied to WIOA funding that supports and requires colleges as part of that solution.
2. Require federally funded plans addressing job creation, workforce development, and college completion to have multi-sector (commerce, workforce, higher education) approval from state and regional leadership to ensure collaboration for greater impact.
3. Require – and where possible incentivize – states to connect higher education and workforce data systems and develop comprehensive, transparent reporting tools tracking career outcomes for college graduates by institution and college major. Build on the federal investment since 2005 in state longitudinal data systems. These systems should support institutional improvements in graduate's outcomes as well as consumer decisions before and during college.
4. Provide clear guidance on acceptable uses of the U.S. Department of Education's revised definition of the credit hour, guidance that supports technology-infused innovation in delivery models for learning and competency based approaches.
5. Expand and incentivize use of experimental sites and direct assessment models and consider ways to certify alternative providers of adequate consumer protection and access to financial aid.
6. Partner with states to create affordability standards for college credentials ensuring adequate aid to allow students at all income levels to afford a college degree.
7. Make Federal Block Grants available to states who meet their responsibilities for supporting higher education and students to meet affordability standards.
8. Review all federal aid and loan programs to ensure they are aligned with the needs of adult learners (including veterans) and support best practices for adult college completion.
9. Continue efforts to simplify current aid and loan programs with emphasis on income based repayment as the default option for the latter. This should include simplification of the process to qualify for financial aid. Ideally qualifying as low income in one federal program should serve as a qualifier for others.
10. Make income based repayment programs the default option for loans. Make them simpler and more consumer friendly, eliminating many of the counterproductive features of current approaches.
11. Incentivize development of one-stop approaches at the state and institutional levels to ensure more effective utilization of federal funds across programs that should support college completion for low income people, such as Pell, Perkins, TANFF, WIOS, SNAP and other

programs supporting housing, transportation, health care, and child care. This strategy does not require additional funding, but encourages more strategic use of current funds.

12. Work with states to improve reporting of outcomes by income and race/ethnicity at the institutional and college major levels. Focus on outcome metrics that include ALL students including adult and part-time learners, such as using measures of degrees granted per 100 FTE in addition to graduation metrics that only include first time, full time traditional students. Key outcomes reported should span enrollment, persistence, completion and post-graduate success.

13. Expand funding to support the scaling of programs that have demonstrated effectiveness in closing gaps for low income and students of color particularly at colleges that serve large numbers of those students. Leverage federal financial aid to motivate implementation of reforms and improved outcomes, for example using Pell Matching Grants tied to affordability and success for underserved students.

14. Redesign and expand work study programs targeting underserved groups and supporting shared responsibility models for college financing.

STATE POLICY

1. Require meaningful multi-sector engagement in design of programs and funding addressing talent demands in the state. Those leading economic development, workforce development and higher education must be equal partners in program design and funding allocations at the state and regional levels. In most states connecting these siloes will require strong gubernatorial leadership.
2. Incentivize creation of guided pathways programs aligned with state needs across public and (where state aid is provided) private colleges that can lead to a bachelor's degree with associate degrees and stackable credentials embedded.
3. Ensure state longitudinal data systems can follow college graduates into the workforce comprehensively and over time by institution and student major. Lead development of interstate agreements that expand that capacity.
4. Provide state data and technical assistance to create multi-sector networks in each economic development region to collaboratively develop goals, metrics and programs that address regional education and economic needs and roll up to state goals, such as a network including workforce investment boards, colleges, NGOs, employers and mayors.
5. Create or enhance financial literacy programs that help students be wise consumers in both choosing a college path and managing college finances before and during college; examples of such program could include maximizing financial assistance and managing loan debt.
6. Support the creation of a one-stop program to ensure low income students access all the federal and state support due to them in support of college completion.
7. Ensure state and institutional financial assistance targets students who need that aid to attend college.
8. Provide stable, predictable funding to higher education that allows for the planning necessary to enhance productivity and contain costs.
9. Identify cost drivers for higher education and work with colleges to contain costs while improving quality and student outcomes.
10. Target improvement in college outcomes for low income and underrepresented students especially at institutions serving most of those students through (a) transparent, public data reporting, (b) one-time innovation cost funding and technical assistance for reforms proven to reduce or eliminate opportunity gaps, and (c) rewards for institutional enrollment and graduation of these students.
11. Track and report progress in diversifying the higher education workforce. Create goals and strategies for creating a workforce that reflects the diversity of students.
12. Ensure meaningful higher education involvement in the development of state ESSA plans and require partnerships to strengthen standards, assessments and programs supporting college readiness for all students.

FEDERAL/STATE PARTNERSHIP REDESIGN

1. Collaboratively develop affordability standards focusing on what students should be able to buy with federal/state/institutional support, for example the full cost of a four-year public college education. Standards should be graduated by income and sensitive to geographic differences in per capita income and costs.
2. Assume shared responsibility for college affordability with colleges themselves. Develop MOE agreements and incentives that ensure mutual accountability. Consider federal block grants for states and Pell Matching Grants that incentivize state and institutional support to sustain affordability standards and improve outcomes for underserved students. Learn from partnership strategies used in other sectors such as health care and low income housing.
3. Collaboratively support development of shared responsibility models for funding college across the states requiring the integration of federal, state, institutional, and student resources required to identify and adequately meet the costs of meeting college completion goals.
4. Partner to create richer, more transparent data reporting tools for college outcomes, affordability and equity useful to institutional improvement and consumers. Improve reporting disaggregated by income and race/ethnicity in the process.
5. Align federal and state funding to target institutions serving the majority of low income, adult and underserved students to support improved student outcomes.
6. Incentivize implementation of academic and student support innovations proven to reduce gaps. Hold those institutions accountable for improvement and reward those who are.

Many of these recommendations can be implemented with thoughtful leadership at the state and federal level within the logical confines of the current system. They would certainly improve our ability to serve the 21st century student, meet our talent needs and support the nation's economic competitiveness. The more fundamental changes in approach recommended require – if not wiping the slate completely clean – at least changing core parts of the current system, adopting a new logic model for the new form of federalism we need. This may seem politically impossible in the current climate. Still, it is incumbent on all of us to be ready to take advantage of whatever opportunity for incremental change or more basic redesign presents itself in the coming years through HEA reauthorization or changes in political leadership. These windows open and shut precipitously. The future of millions of talented students who will be left behind by the current system depends on our readiness to respond as does the nation's continued economic competitiveness.

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ABOUT THE INITIATIVE

Education Commission of the States coordinated the creation and dissemination of a series of policy briefs focused on the interaction between state- and federal-level policies pertaining to higher education. The briefs are composed by a diverse collection of education policy and thought leaders representing state and federal perspectives. The goal of this collection of briefs is to highlight how federal and state higher education policies can provide a cohesive policy playbook to support student success and the progression toward meeting aggressive attainment goals.

The brief production process began in late-summer 2016 with authors beginning the writing process. Dissemination of the briefs was provided through informal policy briefings with state and federal audiences through fall 2016 and the public release in December 2016. Topics explored in the briefs include, but are not limited to, financial aid, data policies, funding, the “triad” and workforce needs.

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