How the College Cost Reduction Act Could Threaten the Teacher Pipeline

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Introduction

In January, Representative Virginia Foxx (R-NC), Chairwoman of the House Committee on Education and the Workforce, introduced the College Cost Reduction Act. The bill would substantially overhaul the Higher Education Act, making changes to student borrowing and repayment, borrower protections, college oversight, postsecondary data, and more.

The bill includes a new proposed risk-sharing model that would require colleges to repay the federal government for a calculated proportion of their previously enrolled students' unpaid federal student loans—including missed payments and waived unpaid interest, as well as discharged principal under an income-driven repayment program or under the Public Service Loan Forgiveness program. This proportion would be calculated for each degree program at a college using a formula that accounts for college costs charged to students while enrolled and student earnings after they leave.

Because this proposal would create financial liabilities for colleges that incentivize them to promote some types of degrees and programs and disincentivize others, TICAS analyzed potential effects it would have by program, college, and sector. We found that the proposal would likely discourage colleges from promoting and supporting public service professions in ways that might create significant economic and social harm.

Our analysis specifically finds that the convoluted mechanism proposed in the CCRA would likely restrict access to socially valuable yet lower-paying fields, including teaching and social work. Under the system proposed in the CCRA, schools would likely be forced to shutter programs that serve as pipelines to essential fields due mostly to factors outside the institution's control (e.g., low average earnings in such fields). The CCRA does not include any well-targeted companion proposals to redress this harm.

Notably, we did not calculate dollar amounts of liability payments that colleges are likely to face under this proposal, nor did we model potential funds colleges might receive through a separate "PROMISE" grant proposal included in the legislation. We detail below some of the methodological challenges with the CCRA risk sharing calculation. More information on our methodology can be found in the **Technical Document**.

How the Risk-Sharing Formula Would Work

To determine program-level liability under this proposal, the bill directs the U.S. Department of Education to calculate a quotient measuring the ratio of student earnings after enrolling in a college to the costs they faced while enrolled. The proposed formula uses median value-added earnings, defined for bachelor's programs as median earnings minus 150 percent of the federal poverty level and for master's programs as minus 300 percent of the federal poverty level.

Median value-added earnings are then divided by the total price charged to students, defined as the cost of tuition and fees for the duration of enrollment minus institutional and state grant aid. Federal grant aid is not subtracted from the total price charged. This quotient is subtracted from 1 to determine the liability percentage for the program. Below is an example calculation for a bachelor's degree program with median earnings of $41,597 (2021 dollars) and a total price charged of $34,260.

$41,597 - $19,320 = **$22,277 (value-added earnings)**

$22,277 ÷ $34,260 = **.65 (quotient)**

1 - .65 = **.35 (liability)**

Since median value-added earnings for this program represent 65 percent of the total price charged, the institution's liability for the program is 35 percent. **This means that the institution is responsible for paying 35 percent of the unpaid loans of borrowers from the program**.

The CCRA Risk-Sharing Calculation is Methodologically Fraught and Unworkable Over Time

Current publicly available data from the College Scorecard is insufficient to estimate the dollar impact on institutions without making assumptions that would undermine the reliability of the estimates. Estimating liability quotients—as we do in this analysis—is thus the best available proxy for the effect CCRA would have on college programs.

The quotient is calculated using the estimated total price charged to students, but risk-sharing penalties depend on how much of that amount students borrow and how much they can repay. These factors are widely variable—and would be impacted by other components of the bill, including the elimination of Graduate PLUS loans. Even if we were to model the risk-sharing proposal independently of these changes, the legal uncertainty around current income-driven repayment (IDR) programs poses a significant challenge to estimating the amount of money on the line. The risk-sharing proposal combines labor market earnings data for individual occupations with student loan payments (or lack thereof) and it must attribute data from multiple time horizons and sources to an individual college program. The challenges to estimating the impact of this program are likely to reflect potential implementation issues.

Further, median earnings can be expected to vary over time through the business cycle, with some occupations experiencing more cyclicality than others. The Great Recession, for example, affected some industries (e.g., automobile manufacturing) more than others. We note that this could create occupation-specific effects.

We remain concerned about the lack of data on program-level outcomes and the uncertainty that creates in predicting the real-world effects of the proposal. Data necessary to calculate the liability quotient, much less specific dollar amounts it may translate into, are missing or privacy-suppressed for tens of thousands of programs. We can estimate liability quotients for only one-third of all bachelor's degree programs, and just 28 percent of master's degree programs. While we know that this subset of programs serves a majority of students, evaluating a policy proposal without estimating its impact on two-thirds of programs is troubling.

Because of these issues, we do not calculate specific dollar amounts to avoid implying a degree of specificity that we believe is not attainable given current data availability and the fraught methodology of the proposal.

In addition to the payments colleges would be required to make, the bill also includes a performance bonus grant program, known as PROMISE (Promoting Real Opportunities to Maximize Investments and Savings in

Education). PROMISE grants would be based on a calculation that includes a quotient of earnings over price, average total Pell Grant awarded, and completion rate within expected completion time. These variables are not constructed to defray the occupation-level effects described below. Given our analysis of the relationship between value-added earnings and price in the examined programs of study, they may even exacerbate pipeline issues through institutional incentives. We do not include a separate calculation for PROMISE grant payments, though this could be an avenue for further analysis.

High Risk of Liability for Teacher Education and Social Work Programs

We were particularly interested in how this proposal would affect programs that serve as pipelines to the socially valuable, lower-paying fields of teaching and social work. Our analysis shows that for public service fields like social work and teaching, lower pay—often determined by state and local governments and largely outside the control of colleges—would result in substantial liability for colleges offering these critical programs. Many colleges may seek to minimize this liability by limiting access to or even eliminating such programs. We offer nursing as a higher-paying counterexample to better illustrate how earnings differentials are likely to affect liability quotients.

Table 1 (below) shows the distribution of bachelor's and master's degree programs for these CIP codes. Each cell in the table shows the percentage of programs within the given occupation (e.g., social work) and level (e.g., bachelor's), for which we estimate a liability in the given range. For example, 23.7 percent of social work programs at the bachelor's degree level would face a liability of between 40 percent and 59 percent. At both levels, more social work and teacher education programs face higher liability than nursing programs. Nearly four in five social work programs and more than three in four teacher education programs at the bachelor's degree level would face at least some liability. At the master's degree level, these differences are even more extreme. While fewer than seven percent of master's programs in nursing would face any liability, nearly 93 percent of social work programs and nearly 91 percent of teacher education programs would face at least some liability.

Table 1: Proportion of Programs in Liability Range, Selected Programs

Degree Type	0%	Less than 20%	20 - 39%	40 - 59%	60 - 79%	80 - 99%	100%
Social Work (Bachelor's)	21.7%	17.0%	17.0%	23.7%	20.2%	0.5%	0.0%
Social Work (Master's)	7.3%	3.6%	7.7%	16.5%	33.5%	27.4%	4.0%
Teacher Education (Bachelor's)	23.0%	12.5%	16.5%	19.7%	27.2%	1.0%	0.0%
Teacher Education (Masters)	8.8%	5.8%	13.1%	19.3%	29.8%	17.6%	5.7%
Registered Nursing (Bachelor's)	57.1%	14.2%	21.3%	7.1%	0.4%	0.0%	0.0%
Registered Nursing (Master's)	93.3%	3.5%	2.7%	0.5%	0.0%	0.0%	0.0%

Note: Includes all programs with data

The driving force behind these differences becomes clear in **Table 2** (below). While the average total price charged among nursing bachelor's degree programs is higher than social work and teacher education, median earnings—and, thus, value-added earnings—are also higher in nursing programs. And while there is a $25,000 increase in median earnings from a bachelor's in nursing to a master's in nursing, median earnings for social work and teacher education increase only minimally.

Since the value-added threshold for master's programs is 300 percent of the federal poverty level (instead of 150 percent as for bachelor's programs), the value-added earnings for social work and teacher education programs are significantly lower than for nursing, and, in fact, lower than for bachelor's degree programs in the same fields.

Table 2: Costs and Earnings, Selected Programs

Degree Type	Average Total Price Charged	Median Earnings After 2/4 Years	Average Value-Added Earnings
Social Work (Bachelor's)	$42,683	$44,132	$24,773
Social Work (Master's)	$27,356	$45,732	$8,179
Teacher Education (Bachelor's)	$44,468	$43,651	$24,317
Teacher Education (Masters)	$27,208	$48,340	$10,812
Registered Nursing (Bachelor's)	$51,368	$75,425	$56,081
Registered Nursing (Master's)	$29,182	$101,530	$64,009

Conclusion

Our analysis suggests that it will be essential for the CCRA proposal to change markedly to avoid significant negative effects for preparation programs for socially valuable careers, including teaching and social work. If policymakers are not attentive to these types of occupational effects, there is a risk of creating or feeding future workforce shortages. **It is crucial that we create effective guardrails to protect students and taxpayers from fraud, waste, and abuse—but it is essential that policy proposals to do so are well-crafted and clear in their effects.**