

Testimony before the House Committee on Education & Labor
Strengthening Accountability in Higher Education to Better Serve Students and Taxpayers

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Chairwoman Davis, Ranking Member Smucker, and Members of this Committee, thank you for inviting me to this hearing on strengthening accountability in higher education. I am honored to participate and I look forward to continuing these conversations with and being a resource for the Committee and your staff.

When at their best, American colleges and universities disrupt deeply rooted inequalities in America. Our nation's 4,300 degree-granting colleges and universities enroll more than 19 million students who, on average, go on to earn more money for each additional year of schooling. A college education also helps students become better problem solvers, more critical and creative thinkers, and more civically minded – so investing in one's own education has spillovers that can improve the quality of life not only for themselves but for their neighbors and communities.¹

Despite these positive outcomes, colleges and universities can also serve to reproduce and reinforce inequality. Students from low-income backgrounds, those who are the first in their family to go to college, or individuals from racial/ethnic minority groups face a number of financial, academic, and social inequalities that can make it difficult to succeed in college. And their colleges may also have unequal financial, technological, and human resources to support the wide and growing range of today's students' needs. Colleges with the greatest amount of resources tend to enroll the smallest shares of these students, resulting in a highly stratified and unequal higher education system.²

¹ Hout (2012). Social and Economic Returns to College Education in the United States. *Annual Review of Sociology*, 38(3); Oreopoulos & Petronijevic (2013). Making College Worth It: A Review of the Returns to Higher Education. *The Future of Children*, 23(1).

² Clotfelter (2017) *Unequal Colleges in the Age of Disparity*; Taylor & Cantwell (2019) *Unequal Higher Education: Wealth, Status, and Student Opportunity*.

The sheer number of colleges and their varying resources, outcomes, and missions present significant accountability challenges that, like any worthy challenge, must be resolved to improve opportunities for all students – especially those who have been traditionally underserved or poorly served by colleges and universities. This Committee has a remarkable task of holding colleges more accountable for promoting student success and, in doing so, should help improve educational inequalities.

I begin with an overview of the accountability triad with an emphasis on key policy levers each entity uses to hold colleges accountable for student outcomes. Next is a description of how accountability takes different forms in different sectors of higher education. It concludes with a discussion of the shortcomings of current accountability efforts and offers evidence-based strategies I believe hold promise for strengthening the triad to better serve current and future college students.

Overview of the accountability triad

The accountability triad consists of three entities: the federal government, states, and accreditation agencies. Starting with the latter, accreditation agencies have a long history of voluntary and non-governmental review of academic programs and postsecondary institutions. Accreditation is designed to assure a minimal level of educational quality and that colleges are conducting themselves in ways consistent with the accrediting body's goals. These goals vary by accreditor but tend to focus on quality improvement, student learning outcomes, and ensuring the institution has adequate financial and human resources to achieve its educational mission. To participate in federal student aid programs, colleges must be accredited by agencies the U.S.

Department of Education recognizes – currently this list includes seven regional, 12 national, and over 30 programmatic accreditation agencies.³

Accreditors focus on *professional* accountability and since the 1950s the federal government has relied on them for quality assurance purposes. In the Veterans Readjustment Assistance Act of 1952 and the National Defense Education Act of 1958, federal policymakers made accreditation a prerequisite for receiving student assistance – students could only use aid at accredited colleges and universities. This was formalized in the 1965 Higher Education Act and today accreditors play a “gatekeeping” role to federal student aid.⁴

Beyond recognizing accreditation agencies, federal policymakers have a range of policy instruments they use to hold colleges accountable for their outcomes. These can be organized into three broad categories.

First is *consumer information* tools such as the College Scorecard, Net Price Calculator, Financial Aid Shopping Sheet, College Navigator, and the College Affordability and Transparency Center. These information tools present a wide range of institution-level information about student loan debt, graduation rates, tuition and financial aid, as well as student loan repayment rates and median earnings for students who received federal aid.

However, without robust user testing and evaluation it is unclear how effective these passive informational tools are in shaping students college-going decisions. College choice is a highly localized process where the majority of undergraduates enroll in a college located 25 miles from their permanent home address and many communities have no (or very few) colleges

³ Council for Higher Education Accreditation (2018). CHEA- and USDE-Recognized Accrediting Organizations: https://www.chea.org/sites/default/files/other-content/CHEA-USDE-Recognized-Accrediting-Organizations_0.pdf

⁴ Hegji (2017). An Overview of Accreditation of Higher Education in the United States. Congressional Research Service.

nearby.⁵ Similarly, the majority of high school students apply to just one or two colleges in the first place.⁶ The most mobile students tend to be the wealthiest and they appear to be the same group that is most responsive to passive information provided by the College Scorecard.⁷

The second category, *regulatory action*, is developed through the negotiated rulemaking process where the U.S. Department of Education implements program integrity rules such as Gainful Employment.⁸ This particular rule focuses on academic *programs* rather than the whole institution, and it focuses on career education and non-degree programs at for-profit, non-profit, and public colleges and universities. The rule requires programs to disclose performance information to prospective students and it requires graduates must pass a debt-to-earnings ratio test.⁹ Failing this test can result in losing access to federal student aid.

The third federal category is *legislative action*, where accountability policies such as the Cohort Default Rate (CDR), Financial Responsibility standards, and the “90/10 rule” are codified into the Higher Education Act itself.¹⁰

Of these three, the CDR gets perhaps the most attention since it affects all institutions participating in Title IV aid programs. Nearly 532,000 borrowers who entered repayment in fiscal year 2015 – about one in ten of the total – defaulted on their loans within three years.

⁵ Lopez Turley (2009) College Proximity: Mapping Access to Opportunity. *Sociology of Education*, 82(2) and Hillman & Weichman (2016). *Education Deserts: The Continued Significance of Place in the Twenty-First Century*. American Council on Education. Also see National Postsecondary Student Aid Study 2016 public table: https://nces.ed.gov/datalab/index.aspx?ps_x=ckcbmfffc

⁶ See High School Longitudinal Study of 2009 public table: https://nces.ed.gov/datalab/index.aspx?ps_x=ckcbmfadb

⁷ Hurwitz & Smith (2018). Student Responsiveness to Earnings Data in the College Scorecard. *Economic Inquiry*, 56(2).

⁸ See Natow (2016). *Higher Education Rulemaking*. Johns Hopkins University Press.

⁹ See Itzkowitz (2017) How the Gainful Employment Rule Protects Students and Taxpayers. *Third Way* <https://www.thirdway.org/memo/how-the-gainful-employment-rule-protects-students-and-taxpayers> and Delisle (2019) *Accountability for Higher Education*. National Affairs <https://www.nationalaffairs.com/publications/detail/accountability-for-higher-education>

¹⁰ See Kelchen (2018). *Higher Education Accountability*. Johns Hopkins University Press.

When following students for five instead of three years, the default rate doubles.¹¹ Even after accounting for students' academic and socioeconomic backgrounds, research consistently finds for-profit colleges, those with low graduation rates, and institutions accredited by specialized agencies and career education groups have disproportionately high default rates.¹²

Moving to the third leg in the triad – the states – accountability takes a different approach that can complement the other two legs of the triad. State accountability tends to focus on: *academic program review; state authorization; and performance management*. When public colleges want to develop a new academic degree program (e.g., a bachelor's of science in engineering) they must get approval from the state's higher education governing boards and/or state higher education agencies. This academic program review process ensures colleges are not unnecessarily duplicating programs and that these programs will meet each state's educational needs. States also determine which institutions or academic programs are authorized to operate in their borders, they establish standards for occupational licenses, and provide oversight of distance education programs operating across state lines.¹³

Finally, states have increasingly turned to performance management as an accountability tool for monitoring, reporting, and – in at least 30 states – tying state appropriations directly to educational outputs. In these 30 “performance-based funding” states, colleges and universities earn a portion (and in some states all) of their base budget according to how well they perform on a wide range of measures including: credit hour completion, graduation rates, degree

¹¹ Looney & Yannelis (2015). A Crisis in Student Loans? See also College Board summary table <https://trends.collegeboard.org/student-aid/figures-tables/five-year-federal-student-loan-default-rates-institution-type-over-time>

¹² See Looney & Yannelis (2015) A Crisis in Student Loans?; Scott-Clayton (2018) The Looming Student Loan Default Problem is Worse Than We Thought; Hillman (2014) College on Credit. Review of Higher Education, 37(2) and Hillman (2015) Cohort Default Rates: Predicting the Probability of Federal Sanctions. Educational Policy, 29(4).

¹³ Sharyl Thompson (2017). State Authorization and Professional Licensure. WICHE State Authorization Network.

completions, and time-to-degree.¹⁴ My own academic research and the most rigorous studies in field routinely find colleges in performance-based funding states do not typically outperform other states that have more traditional budget accountability models.¹⁵ There are some cases where small improvements are made over several years,¹⁶ but also where undesirable outcomes like restricting access,¹⁷ encouraging gaming,¹⁸ and rewarding colleges that already perform well occur.¹⁹ These results are consistent with findings from other government services where performance-based funding may not be an effective or equitable incentive strategy for improving educational outcomes.²⁰

Federal and state accountability across sectors

At the state level, accountability policies focus primarily on public institutions and have relatively little to do with private colleges except in the areas of licensing and state authorization. At the federal level, all public, private, and non-profit institutions participating in Title IV financial aid programs must annually report basic consumer information for the tools mentioned earlier. Institutions across all sectors must also meet federal CDR accountability standards.

¹⁴ Martha Snyder & Scott Boelscher (2018). Driving Better Outcomes: Fiscal Year 2018 State Status & Typology Update.

¹⁵ For a summary see Hillman (2016) Why Performance-Based College Funding Doesn't Work. The Century Foundation.

¹⁶ For example, Hillman, Tandberg, & Gross (2015). Performance Funding in Higher Education: Do Financial Incentives Impact College Completions? *Journal of Higher Education*, 85(6).

¹⁷ Birdsall (2018). Performance Management in Public Higher Education: Unintended Consequences and the Implications of Organizational Diversity. *Public Performance & Management Review*; Umbricht, Fernandez, & Ortagus (2015). An Examination of the (Un)Intended Consequences of Performance Funding in Higher Education. *Educational Policy*.

¹⁸ See Hillman, Fryar, & Crespin-Trujillo (2017). Evaluating the Impact of Performance Funding in Ohio and Tennessee. *American Educational Research Journal*.

¹⁹ Hagood (2019). The Financial Benefits and Burdens of Performance Funding in Higher Education. *Educational Evaluation and Policy Analysis*; Favero & Rutherford (2019). Will the Tide Lift All Boats? Examining the Equity Effects of Performance Funding Policies in US Higher Education. *Research in Higher Education*.

²⁰ For a summary see Gerrish (2015) The Impact of Performance Management on Performance in Public Organizations: A Meta-Analysis. *Public Administration Review* and Hillman (2016) Why Performance-Based College Funding Doesn't Work. The Century Foundation.

However, some policies apply only to private colleges like the Financial Responsibility standard and 90/10 rule. The Financial Responsibility standard ensures institutions are financially solvent and, since public colleges have full faith and credit of their states, they are exempt from this accountability policy.²¹ Unfortunately, the research evidence to date does not find low-scoring colleges are systematically changing their revenues, expenditures, or student enrollments after receiving poor scores.²² Turning to the 90/10 rule, which is designed to ensure for-profit institutions are not overly-reliant on the federal student aid system, colleges closest to hitting the 90/10 ratio also have high default rates and low loan repayment rates.²³

Shortcomings of current accountability efforts

States performance-based funding policies have made progress on differentiating performance metrics according to institutional missions and goals. For example, some states allow colleges to apply their own weights to various performance indicators and others give bonuses for serving targeted population groups (e.g., students of color, low-income students, adult students) with evidence these bonuses may promote access for some groups.²⁴ Weights and bonuses can be viewed as an indirect way policymakers adjust outcomes according to inputs; more direct ways might include using regression-based adjustments if appropriate data are available and adjustment models are well designed.²⁵ The federal accountability policies outlined

²¹ U.S. Department of Education (2019). Federal Student Aid Handbook.

²² Kelchen (2018). Do Financial Responsibility Scores Affect Institutional Behaviors? *Journal of Education Finance*, 43(4).

²³ Lee & Looney (2019). *Understanding the 90/10 Rule*. Brookings Institution.

²⁴ Gándara & Rutherford (2018). Mitigating Unintended Impacts? The Effects of Premiums for Underserved Populations in Performance-Funding Policies for Higher Education. *Research in Higher Education* 59(1); Kelchen (2018). Do Performance-Based Funding Policies Affect Underrepresented Student Enrollment? *Journal of Higher Education*, 89(5).

²⁵ See for example Núñez & Rodríguez (2018). Making Accountability Fair for Hispanic Serving Institutions. *Accountability and Opportunity in Higher Education: The Civil Rights Dimension* and Miller (2016). *Higher Education Outcomes-Based Funding Models and Academic Quality*.

in this testimony do not offer many examples of using input adjustments or disaggregation, yet federal accountability affects a far wider range of colleges than states. Federal policymakers may be interested in exploring how such an approach might help shed new light into institutional performance while offering fuller accounts of colleges' contributions to student outcomes – particularly among institutions that have broad-access missions and serve the majority of our nation's lowest income students and students of color.

The policy instruments outlined in this testimony focus largely on consumer information and financial incentives. These instruments play an important role that could be enhanced by incorporating more “capacity building” efforts across the triad. A brief example will illustrate this point. Two colleges may have equally poor outcomes – one may have the resources needed to improve but fails to do so while the other may be taking the right actions but not have the resources to do them well. Both institutions would likely benefit from improvement plans, technical assistance teams, and performance reviews. The second institution may also benefit from receiving supplemental financial, technological, or human resources to help them improve performance. Researchers have found clear links between organizational capacity and performance,²⁶ suggesting policymakers may want to ensure colleges – especially those with the least amount of resources serving students with the greatest need – have adequate capacity to perform and improve over time.

Finally, the current data and evaluation infrastructure within the accountability triad has significant room for growth and improvement. Only 29 states currently have longitudinal data

²⁶ See Jones et al (2017). Outcomes Based Funding and Race in Higher Education; Favero & Rutherford (2019). Will the Tide Lift All Boats? Examining the Equity Effects of Performance Funding Policies in US Higher Education. Research in Higher Education; Deming (2018). To Increase College Completion Rates, Invest Directly in Public Postsecondary Institutions, Brookings Institution <https://www.brookings.edu/blog/up-front/2018/02/12/to-increase-college-completion-rates-invest-directly-in-public-postsecondary-institutions/>

systems linking postsecondary education with K-12 and the workforce, making it difficult if not impossible for many states to identify problems and solutions for their educational needs. The federal data environment has made progress in recent years but – particularly in the area of student financial aid – many pressing questions are left unanswered because researchers have little access to resources such as the National Student Loan Data System and there is currently a ban on federal student unit record system that could help states, students, and researchers understand the various pathways students take through college.

Better data quality is a necessary step in improving any accountability systems because it not only helps policymakers identify problems but can also be leveraged to promote research-to-practice partnerships committed to improving student success while addressing educational inequalities. This is why I was motivated to help establish the Student Success Through Applied Research lab at the University of Wisconsin-Madison. In partnership with the university's Office of Student Financial Aid, we have developed an innovative research-practice partnership where my research team uses data and analysis to help improve the administration of aid programs to support student success on campus. Our work connects policy and data with on-the-ground practices to better support students, a feedback loop that is sometimes missing from accountability conversations. Yet this feedback loop is critical for improving student outcomes and I would be happy to share more insights into our approach, examples of our work, and early lessons learned.

To conclude, the accountability triad plays a central role in promoting student success and could do more to ensure student and taxpayer investments pay off both individually and socially. I believe public policy problems concerning unequal college completion rates, quality assurance, affordability, and burdensome student loan debts would be worse without the

accountability triad's oversight. I also believe these problems can be solved or at least improved via better accountability that addresses root problems, incorporates promising design features, focuses on students, and keeps an eye toward inequality. I hope my testimony provides useful guidance for your Committee and I commend you for your service and for addressing these important accountability issues to promote better student outcomes. Please know it is my honor and privilege to be a resource today; I am happy to be a resource to you and your staff as these conversations continue. Thank you.