

Testimony of Dr. Susan Dynarski

Professor, University of Michigan  
Gerald R. Ford School of Public Policy,  
School of Education &  
Department of Economics

Faculty Research Associate, National Bureau of Economic Research

before the

House Committee on Education and Labor  
Subcommittee on Higher Education and Workforce Investment

The Cost of Non-Completion: Improving Student Outcomes in Higher Education

May 9, 2019

## Biography

Susan Dynarski is a professor of public policy, education and economics at the University of Michigan, where she holds appointments at the Gerald R. Ford School of Public Policy, School of Education, Department of Economics and Institute for Social Research.

Dynarski's research focuses on understanding and reducing inequality in education. She serves as co-director of the Education Policy Initiative. She is a faculty research associate at the National Bureau of Economic Research.

Dynarski earned an AB in Social Studies from Harvard, a Master's of Public Policy from Harvard and a PhD in Economics from MIT. Dynarski has been a visiting fellow at the Federal Reserve Bank of Boston and Princeton University as well as an associate professor at Harvard University.

Dynarski has served on the board of editors of the *American Economic Journal/Economic Policy*, *The Journal of Labor Economics* and *Educational Evaluation and Policy Analysis*. She has been elected to the board of the Association for Public Policy and Management and served as president of the Association for Education Finance and Policy.

The Association for Public Policy and Management awarded her the Spencer Foundation Award for excellence in education research in 2017. The *Chronicle of Higher Education* named her a "Top Ten Influencer" in 2015. The National Association of Student Financial Aid Administrators awarded her the Robert P. Huff Golden Quill Award for her research on student aid.

She has testified before the US Senate Committee on Finance, the Senate Committee on Health, Education, Labor, and Pensions, the US House Ways and Means Committee, and the President's Commission on Tax Reform. She has consulted broadly with government agencies, including the Federal Reserve Bank of New York, the Federal Reserve Board of Governors, the Consumer Financial Protection Bureau, US Treasury, US Department of Education, the Council of Economic Advisers, the US Government Accountability Office, school districts and state offices.

Chairwoman Davis, Ranking Member Smucker, and Members of the Subcommittee, thank you for the opportunity to testify today.

### **A College Degree More Than Pays for Itself**

A college degree is one of the best investments a person can make. A bachelor's degree pays for itself several times over, in the form of higher income, lower unemployment, better health and increased civic engagement (College Board, 2016; Autor, 2014; Barrow and Rouse, 2005).

- College graduates earn about 80% more than do those with only a high school degree
- Within ten years of college graduation, the typical BA recipient will have recouped the cost of attending college

### **Completing College is Key**

Those who attend college without graduating see much smaller benefits. Especially for men, the earnings of non-completers more closely resemble those of high school graduates than of college graduates (Autor, 2014). Completing college is the key to unlocking its benefits.

Rising student debt has shifted financial risk onto students and makes graduation even more important. Those who earn a BA rarely default on their loans (which are typically about \$35,000). Most defaults are by non-completers.

### **A College Completion Crisis**

While college attendance has risen steadily for decades, the share of young people earning a BA has stagnated at about 30%. Among children from low-income families only one in ten earns a BA (Bailey and Dynarski, 2011; Deming 2017a).

While we once led the world in college degrees, we have fallen behind, with a dozen countries surging ahead of us.

The problem? We have a college completion crisis. Half of college students drop out without earning a degree (Deming 2017a; Long, 2018).

## Completion Rates Vary Dramatically by Sector

65% of those who enter a *public, four-year college* will earn a degree within six years (Long, 2018, Table 2).

- 54% earn a degree from that school
- 11% transfer and graduate from another college

76% of those who enter a *non-profit, four-year college* will earn a degree within six years (Long, 2018).

- 64% earn a degree from that school
- 12% transfer and graduate from another college

35% of those who enter a *for-profit, four-year college* will earn a degree within six years (Long, 2018).

- 22% earn a degree from that school
- 13% transfer and graduate from another college

The very low completion rates at for-profit colleges are particularly troubling, for several reasons.

- Students get no earnings boost from attending a for-profit college (Cellini and Turner, 2018)
- Students attending for-profit colleges take on much higher debt and are far more likely to default on their loans (Dynarski, 2016)
- Students turned in large numbers to for-profit colleges during the Great Recession, when public colleges were underfunded and overflowing. The same pattern is likely to recur in the next recession, unless public colleges are protected from state revenue shocks.

## Many Schools Have Shockingly Low Completion Rates

At hundreds of schools only one out of five students will graduate (Turner, 2018).

At 300 colleges, students are more likely to default on their student loans than they are to earn a degree (Turner, 2018).

## **Completion Rates Vary Dramatically by Student Demographics**

Some of the variation between sectors in completion rates is driven by demographic differences between sectors in their students. Disadvantaged students are disproportionately concentrated in the community colleges and less-selective colleges, for example.

- Low-income college students are about half as likely to graduate with a BA as high-income students (Bailey and Dynarski, 2011).

Even within sector, however, there are stark differences by sex, race, ethnicity and socioeconomic status in completion rates.

- At public universities, Black students are about 12 percentage points less likely to graduate than white students (51% vs. 63%; see Long, 2018 Table 4)
- At other public, four-year colleges, Hispanic students are five percentage points less likely than White students to graduate (38% vs. 43%; see Long, 2018 Table 4)

The US Department of Education projects a sharp increase by 2025 in the number of college students who are Black (+22%) or Hispanic (+32%), while the number of White students will barely increase (+3%). As Long (2018) warns, unless we increase graduation rates for disadvantaged, Black, and Latino students, we will see a sharp drop in the education of our population.

## **Academic Preparation Matters but Is Not the Whole Story**

Some of the variation in schools' completion rates is due to variation in the types of students that attend those schools. Students with weaker academic preparation are more likely to drop out, unsurprisingly (Chingos, 2018).

Yet even well-prepared students drop out of college. Low-income, high-performing students are no more likely to graduate from college than are high-income students with mediocre preparation (Dynarski, 2015).

There is strong evidence that schools with more resources are better able to get students to graduation (Deming, 2017a; Turner 2018; Deming and Walters, 2017).

## **Students with Greatest Need Go to Colleges with Fewest Resources**

In elementary and secondary schools, we steer additional resources toward students with greater need. Federal funding supplements spending on students who are English language learners, who have learning disabilities, and who grow up in economically disadvantaged families.

In college, the equation is flipped: schools that enroll students with the greatest need get the fewest resources (Deming, 2017b).

Disadvantaged students are concentrated in community colleges and non-selective four-year colleges, while high-income students are concentrated in elite universities.

Annual instructional spending (per full-time student, College Board, 2018, Figure 18):

- Community colleges                      \$10,000
- Public 4-year colleges                  \$14,000
- Private universities                      \$45,000

## **School Resources Matter for College Completion**

Schools with more resources have higher graduation rates (Turner, 2018). This is, in part, because the strongest students are concentrated in these schools. But a growing body of evidence shows that resources matter for college completion, especially for disadvantaged students (Schneider and Clark, 2018).

- At the City University of New York, increased academic and financial supports more than doubled the graduation rate of community college students (Dynarski and Oster, 2016)
- A replication in Ohio has had similar success (Dynarski and Oster, 2016)
- Increased state spending on public colleges produces more college graduates (Deming and Walters, 2017; Bound, Lovenheim, and Turner, 2010)

Spending on public colleges (which educate 80% of undergraduates) took a hard hit during the Great Recession. This resulted in decreased resources, higher tuition prices, higher student debt – and lower completion. This pattern is likely to repeat itself with the next recession, leading to another spike in dropout, student loan defaults, and financial distress.

## References

- Autor, David (2014). “Skills, Education, and the Rise of Earnings Inequality Among the ‘Other 99 Percent,’” *Science* 344, no. 6186 (May 2014): 843–51.
- Bailey, Martha J. and Susan M. Dynarski (2011). “Gains and Gaps: A Historical Perspective on Inequality in College Entry and Completion,” in Greg Duncan and Richard Murnane, eds., *Whither Opportunity?* New York: Russell Sage.
- Barrow, Lisa and Cecilia Rouse (2005). “Is College Still Worth It?” *The Economists’ Voice* 2:4.
- Bound, John, Michael Lovenheim, and Sarah Turner (2010). “Why Have College Completion Rates Declined? An Analysis of Changing Student Preparation and Collegiate Resources.” *American Economic Journal: Applied Economics* 2 (3): 129–57.
- Cellini, Stephanie and Nicholas Turner (2018). “Gainfully Employed? Assessing the Employment and Earnings of For-Profit College Students Using Administrative Data.” <https://www.nber.org/papers/w22287>
- Chingos, Matt (2018). “What Matters Most for College Completion? Academic Preparation Is a Key Predictor of Success.” <http://www.aei.org/publication/what-matters-most-for-college-completion-academic-preparation-is-a-key-predictor-of-success/>
- College Board (2016). *Education Pays*. New York: College Board Publications. <https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf>
- College Board (2018). *Trends in College Pricing*. New York: College Board Publications. <https://trends.collegeboard.org/college-pricing>
- Deming, David (2017a). “The Diploma Gap: Growing Costs of an Unfinished College Education.” *Econofact*. <https://econofact.org/the-diploma-gap-growing-costs-of-an-unfinished-college-education>
- Deming, David (2017b). “Increasing College Completion with a Federal Higher Education Matching Grant.” [http://www.hamiltonproject.org/assets/files/increasing\\_college\\_completion\\_with\\_federal\\_higher\\_education\\_matching\\_grant\\_pp.pdf](http://www.hamiltonproject.org/assets/files/increasing_college_completion_with_federal_higher_education_matching_grant_pp.pdf)
- Deming, David and Christopher Walters (2017). “The Impact of Price Caps and Spending Cuts on U.S. Postsecondary Attainment.” [https://scholar.harvard.edu/files/ddeming/files/DW\\_Aug2017.pdf](https://scholar.harvard.edu/files/ddeming/files/DW_Aug2017.pdf)
- Dynarski, Susan (2015). “For the Poor, the Graduation Gap Is Even Wider Than the Enrollment Gap.” *New York Times* (June 2). <https://www.nytimes.com/2015/06/02/upshot/for-the-poor-the-graduation-gap-is-even-wider-than-the-enrollment-gap.html>
- Dynarski, Susan (2016). “A Conveyor Belt of Dropouts and Debt at For-Profit Colleges.” *New York Times* (October 28).

Dynarski, Susan and Meghan Oster (2016). “Fulfilling the Promise of Community College: The ASAP Demonstrations.” <https://www.brookings.edu/research/fulfilling-the-promise-of-community-college-the-asap-demonstrations/>

Long, Bridget Terry (2018). “The College Completion Landscape: Trends, Challenges, and Why it Matters.” <http://www.aei.org/publication/the-college-completion-landscape-trends-challenges-and-why-it-matters/>

Turner, Sarah (2018). “The Policy Imperative: Policy Tools Should Create Incentives for College Completion.” <http://www.aei.org/publication/the-policy-imperative-policy-tools-should-create-incentives-for-college-completion/>

Schneider, Mark and Kim Clark (2018). “Completion Reforms That Work: How Leading Colleges Are Improving the Attainment of High-Value Degrees.” <http://www.aei.org/events/elevating-college-completion-what-can-be-done-to-raise-postsecondary-attainment-in-america/>