

# MILLENNIALS AND THE STATE OF POST-SECONDARY EDUCATION

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Young people overwhelmingly believe that a post-secondary degree is important in today's competitive economy. They are right: a college education pays off tremendously.<sup>1</sup> When jobs became scarce with the onset of the Great Recession, many students responded by investing in their future. Perhaps not surprisingly, enrollment in higher education increased 3.5 percent between 2009 and 2012.<sup>2</sup> But the landscape of higher education in America has continued to change in key ways, raising a series of fundamental questions. Is a college degree worth the rising cost of tuition? What degrees are most useful in a 21<sup>st</sup> century economy? With more people today pursuing some type of postsecondary education, we all have a stake in reforms to make higher education more inclusive, affordable, and accessible.

## Current Conditions

Mounting costs frequently headline stories on the state of higher education in America. From 2002 to 2012, prices for undergraduate tuition, room, and board at public institutions rose 40 percent, and prices at private nonprofit institutions rose 28 percent.<sup>3</sup> Since 1978, this rate of increase has been four times faster than inflation.<sup>4</sup> Tuition is rising at public institutions because states are allocating fewer resources to them.<sup>5</sup> In 2013, states spent 28 percent less per student on higher education than they did in 2008.<sup>6</sup> Before the Great Recession, net tuition provided around 36 percent of all higher education revenue, but today it is over 47 percent.<sup>7</sup> Students and families are responsible for a growing share of the cost of college, and many make up the difference in student loans.

Additional factors often cited for rising tuition include expensive labor costs and practices like teacher tenure, inefficient use of high maintenance cost buildings, increased time until students graduate, the need for remedial teaching, and difficulty transferring credits from one institution to another.<sup>8</sup> Despite rising prices, many institutions compete for prospective students with amenities, which end up pushing tuition even higher. Infrastructure improvements at some schools, such as golf simulators, climbing walls and hot tubs, and swimming pools in residence halls, may have dubious educational merit but are emblematic of an educational "arms race."<sup>9</sup> Other research suggests that

institutions have actually cut costs for facilities in recent years, and that the evidence for an "arms race" is less clear.<sup>10</sup>

Another headline is the increasing complexity of our financial aid system. With more people borrowing to attend college, advocates have turned their attention to how complexity can be a barrier for many borrowers trying to navigate financial aid, from applying to aid to repaying loans. For example, when students apply for federal financial aid, the confusion sowed by the FAFSA (Free Application for Federal Student Aid) dissuades millions of students, which subsequently leads to higher levels of student debt.<sup>11</sup> After graduating or leaving school, the nine different repayment plans for federal student loans further confuse borrowers. The complexity of repayment plans likely contributes to rising student loan default rates.<sup>12</sup>

Given these trends, it is not surprising that many people support reforming our system of post-secondary education. A 2013 public opinion survey conducted by the Lumina Foundation found that:<sup>13</sup>

- 77 percent of Americans "do not think that higher education is affordable to everyone who needs it."
- Only 22 percent of Americans says that \$40,000 or more is a reasonable amount for four years of undergraduate education.
- Only 14 percent of Americans say that it is "very easy to find the average amount of loan debt students have when they graduate."
- Only 16 percent of Americans says it is "very easy to find information on financial assistance for a college education."
- 22 percent of Americans said it was "very difficult to find information on the average amount of loan debt" students have when they graduate from the college or university, while only 14 percent said it was very easy.
- 20 percent of Americans said \$20,000 to \$30,000 was a reasonable amount for an undergraduate

student to accumulate over a four-year period; the current average is around \$30,000.

Even though research confirms that earning a bachelor's degree gives graduates an advantage in annual earnings and employment over their less educated peers, a 2014 survey found that 50 percent of Millennials indicated that their biggest regret was "not getting more work experience in college," which was ranked ahead of regrets of studying harder, looking for work sooner, or choosing a different major.<sup>14</sup>

The survey responses show that higher education faces a number of issues beyond cost and financing, such as quality, utility, and alternative pathways. For instance, there is evidence that students are not being trained to fill the jobs that the economy is creating and are taking jobs that do not utilize their educational training.

Experts estimate that the U.S. will fall three million degrees short by 2018. In other words, three million skilled jobs will remain unfilled due to a projected lack of qualified workers. More than 75 percent of manufacturers report a moderate to severe shortage of skilled resources.<sup>15</sup> This "skills gap" could make it difficult for US employers to remain competitive in the global market. Federal, state, and local governments, as well as private entities, are searching for ways to re-define these jobs in ways that make them more attractive.<sup>16</sup> However, there is some debate, as a recent report indicates that a prevalent dynamic in the job market is one where many job candidates have more education than their job requires.<sup>17</sup>

### *Are There Alternatives?*

Our current system of higher education relies on the "credit hour," judging academic progress based on time spent in the classroom. An alternative approach gaining prominence is competency-based education,<sup>18</sup> where a student advances through curriculum based on her ability to show, through assessments, that she has mastered skills and knowledge about a particular topic.<sup>19</sup> Some of the primary challenges facing competency-based learning in the United States include gaining acceptance of the model, choosing the best method of assessment, identifying what data we need to analyze these programs, and working with accreditors and the government to gain accreditation and financial aid, respectively.<sup>20</sup>

Another technological departure from the traditional form of higher education is the proliferation of online educational courses and massive online open courses (MOOCs). These courses offer flexible scheduling, are free or low cost, and offer ease of communication with faculty and fellow students

via blogs, online message boards, and document sharing.<sup>21</sup> However, completion rates for many MOOCs are far below average and their effectiveness remains unclear.

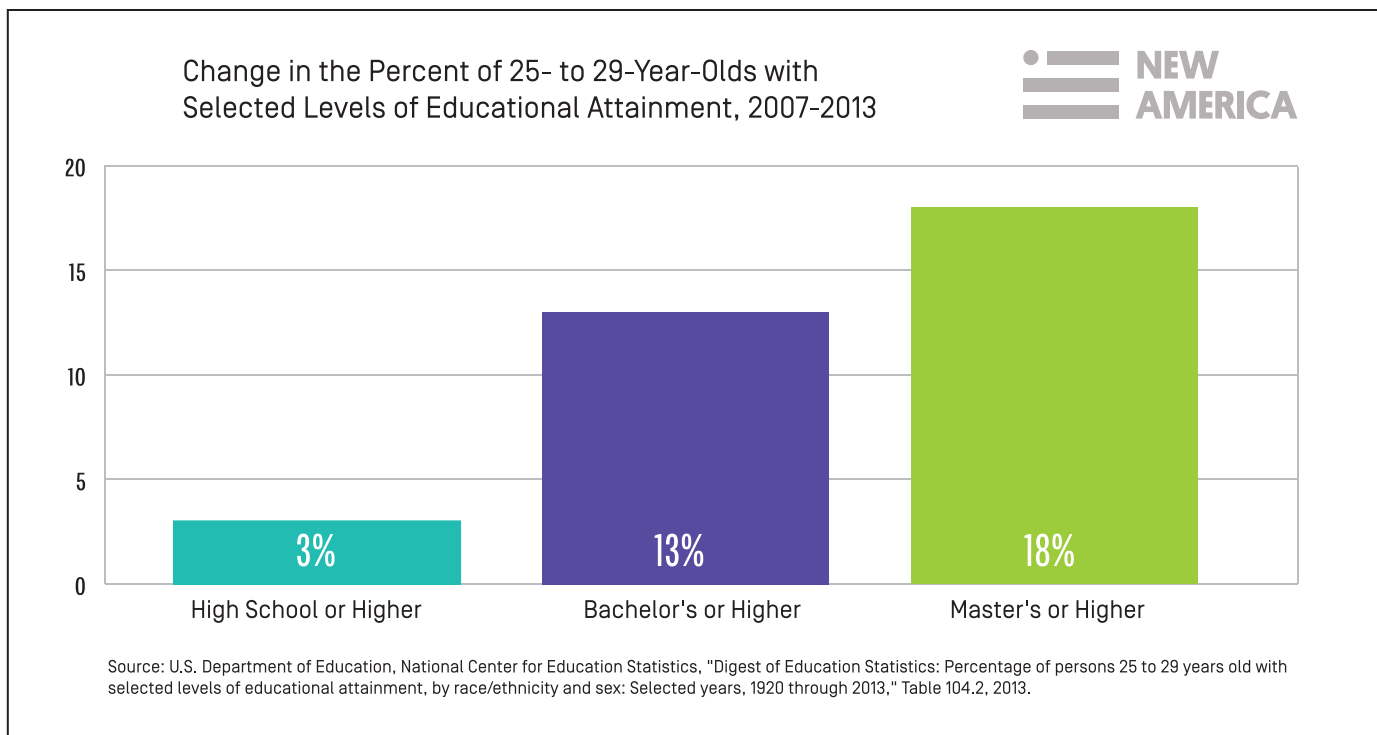
A final category of alternatives to the traditional four-year degree path is apprenticeships. A Department of Labor study showed that apprentices earn an average of \$300,000 more over their lifetimes than people who do not complete apprenticeships.<sup>22</sup> Apprenticeship programs also tackle the problem of growing student debt, since apprentices earn credentials and are paid throughout their training and acquisition of a post-secondary credential.<sup>23</sup> The Obama administration has promoted apprenticeships this year, and its efforts have seen 10,000 more apprenticeships created in America since January.<sup>24</sup>

## **Policy Landscape**

Congress is moving toward reauthorizing the Higher Education Act (HEA), the law that governs higher education in the United States.<sup>25</sup> There has been bipartisan agreement that simplifying federal financial aid will result in benefits for students and borrowers.<sup>26</sup> Other topics for reform include holding institutions accountable for student outcomes, the accreditation system, promoting more affordable methods of delivering education like competency-based learning, and altering the federal student loan program and repayment options.<sup>27</sup>

Both the U.S. House and Senate are currently working toward reauthorizing HEA. In the Senate, Chairman Harkin (D-IA) of the Senate HELP Committee has circulated a comprehensive discussion draft of a bill that would amend the current HEA in an attempt to address rising student debt, among other provisions.<sup>28</sup> In the House, Chairman Kline (R-MN) of the Education and Workforce Committee has shepherded three much narrower, bipartisan bills through the House that would provide more information to students deciding on postsecondary education.<sup>29</sup> The comprehensive approach of the Senate and the bill-by-bill approach of the House will have to be reconciled in 2015.

When elected in 2009, the Obama administration set a goal of increasing post-secondary degree attainment from 40 percent to 60 percent, adding an additional 10 million Americans ages 25 to 34 with an associate's or bachelor's degree.<sup>30</sup> But associate's degree attainment has increased just 1.5 percent increase for the over-18 population since 2009, and degree attainment among adults aged 25 to 34 rose less than one percent from 2009-2011.<sup>31</sup> However, the President's goal of achieving five million additional community college graduates seems on track, as schools conferred 2.5 million more associate's degrees from 2009-2012.<sup>32</sup>



The rise of proprietary higher education companies has created an additional set of policy issues. Between 2000 and 2009, full-time enrollment in for-profit degree-granting institutions increased from 366,000 to 1.5 million.<sup>33</sup> However, bachelor's degree completion rates are much lower in the for-profit sector than in other non-profit higher education sectors.<sup>34</sup> Additionally, the average cost of a two-year associate's degree is more than four times higher than the average of the same degree at a comparable community college, which leads to for-profit students graduating with more debt than their non-profit counterparts.<sup>35</sup> The Obama administration promulgated "gainful employment" regulations in 2010 to protect students from institutions that saddle their students with the most debt and the worst employment prospects, but federal courts struck down those regulations in 2011.<sup>36</sup> In response, the Obama administration is in the process of developing new regulations.

There is also a movement to address complexity within financial aid. With all of the existing tools to help students and families compare institutions and learn more about their financial aid options, there is still consensus that young people do not receive the best information about their options in the right format at the right time. The Obama administration has recently proposed a college rating system to make it easier for students and families to make informed decisions about postsecondary education. The goal of the rating system is to increase institutional accountability and help control the rising cost of college. But the rating system has faced some opposition: a bipartisan resolution was introduced in June 2014 opposing the rating system,<sup>37</sup> and only 2 percent of the current higher education community

agrees that students will use it.<sup>38</sup> It remains unclear how effective the rating system will be, or if the availability of federal financial aid to institutions will be tied to it.

### The Challenges to Address

The scale and scope of our higher education system presents a wide range of issues to address, including how students access and afford an education, as well as how the system creates pathways to success. In the coming years, all stakeholders must address key issues around college access, affordability, oversight and accountability, a lack of data, and how to increase opportunities for "non-traditional" students.

#### *Access and Affordability*

Maintaining student access to institutions is paramount to ensuring that all Americans can gain the necessary skills and education they need. The rising cost of college and growing complexity of the federal financial aid system are barriers to access. One program that directly addresses college cost is the Pell Grant program. It is essential to maintaining access because it funds grants for lower-income students and families who might not be able to afford college otherwise. However, the Pell Grant program faced a shortfall in 2010,<sup>39</sup> and may face a short fall in Fiscal Year 2017.<sup>40</sup> Additionally, simplifying the federal financial aid system, including the FAFSA, is an important measure to ensure that those seeking postsecondary education can secure the funds to do so. Federal incentives to states that encourage education spending on state financial aid programs that are valuable

supplementary tools to the federal financial aid system are also needed to preserve access.

As tuition continues to rise unsustainably, we must address the issues of college cost and student debt. Congress and the Obama administration must find a way to sustainably fund Pell grants, deal with skyrocketing tuition, and address the growing body of student debt. The federal government will also “earn” \$127 billion over the next ten years by financing student loans.<sup>41</sup> Where will these dollars go? Will the government reinvest these funds in students?

#### *Oversight and Accountability*

There is growing concern about how to improve student outcomes at various institution types. Initiatives like performance-based funding at the state level and tying financial aid and other funding to student success at the federal level are two examples. The Obama administration’s rating system is an example of an oversight and accountability initiative. Institutions are very concerned about the impact of the ratings system,<sup>42</sup> while education advocates want it to serve a variety of purposes like institutional accountability and information for consumers. It remains to be seen if the rating system will be used as just an informational tool or something to hold poorly performing institutions accountable.

Additional challenges include reforming accreditation, which recently has come under fire for being a rubber-stamp that protects the interests of accrediting agencies’ membership over students and taxpayers.<sup>43</sup> Finally, policymakers will have to decide if they want to extend more consumer protections to student loan borrowers, including helping the Consumer Financial Protection Bureau assist students in getting refunds and forgiveness from student loan servicing firms,<sup>44</sup> as well as the ability to discharge student loans in bankruptcy, upon the death of the primary borrower, or if the borrower can show medical distress.<sup>45</sup>

#### *Lack of Data*

With the rise in tuition and growing complexity within federal financial aid, it is now more important than ever to convey accurate, helpful information to students and families about college and how to pay for it. Students often lack the tools they need to make the right decisions about college and whether their investment will pay off. One problem is the lack of information about outcomes, which prevents students, families, institutions, and policymakers from learning the answers to important questions about the value of higher education.<sup>46</sup> Information such as how easily graduates from different institutions find jobs and if they will earn enough to pay off their student debt is unavailable despite the fact that many institutions and government agencies already have the information.<sup>47</sup> Creating a student

record system would allow anonymized data to be disaggregated to the benefit of the public making important financial decisions, as well as reducing compliance costs for institutions and connecting existing governmental information systems, reducing bureaucracy.<sup>48</sup> Better-targeted and consumer-tested financial aid counseling would also increase financial literacy among those who finance their education by taking out student loans.

#### *“Non-Traditional” Students*

Our current postsecondary system was set up to primarily accommodate first-time, full-time students entering four-year colleges directly out of high school. This disadvantages students who do not go straight from a secondary education to a postsecondary education. But in reality, adults aged 24 and older comprised 43 percent of all college students in 2001, and part-time students outnumber full-time students 62 percent to 38 percent.<sup>49</sup> These “non-traditional” learners typically have limited available time, fewer resources to draw on, and other priorities to balance beyond academics.<sup>50</sup> A number of reforms are worth considering, including not requiring constant refiling of FAFSA, awarding grant aid as an account that can be drawn upon as a person moves in and out of postsecondary education, having colleges be more proactive in requiring students to develop degree plans to avoid accruing credits that do not yield a degree, and experimenting with a Pell “bonus” for students who hit certain credit momentum points. All of these proactive steps might help re-shape the American education system to accommodate and assist the large and growing numbers of non-traditional students pursuing post-secondary education and training.<sup>51</sup>

Implementing these and other changes that explore alternative models to the traditional instruction of higher education and the policies that govern access to and affordability of institutions of higher education are necessary to establishing a system that provides a pathway for economic advancement for students and meets the labor needs of a dynamic economy.

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#### **Endnotes**

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