COMMITTEE ON EDUCATION AND LABOR REPORT

Don’t Stop Believin’
(in the value of a college degree)

KEY TAKEAWAYS

College degrees yield a large return for individuals: bachelor's and associate's degree holders earn up to $1 million and $400,000 more than high school graduates over their lives, respectively.

College is a worthy investment for state governments: for every $1 states invest in higher education, they receive up to $4.50 back in increased tax revenue and lower reliance on government assistance.

College graduates play a key role in strengthening the American economy. Two out of three jobs are filled by individuals who have at least some college education.

However, barriers continue to prevent many students of color and low-income students from accessing and obtaining college degrees.

The next HEA reauthorization should expand access, improve affordability, and promote completion for all students.

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For generations, America has been a leader in the global economy thanks to the drive and innovative spirit of America's students and workers. But working families have lost ground, finding themselves squeezed between shrinking paychecks and the rising costs of health care, child care, education, and daily expenses. The mission of this committee is simple: Building an America where everyone can succeed.

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EXECUTIVE SUMMARY

A COLLEGE DEGREE HAS LONG BEEN THE BEDROCK OF SUCCESS AND THE SUREST PATH TO ECONOMIC MOBILITY.

Completing a college education gives individuals the skills and experiences to develop productive and rewarding careers. However, steep increases in tuition have caused growing doubt that college is worth the cost. Polling suggests that nearly one in two Americans (46 percent) believe college is a questionable investment.

Despite the recent skepticism regarding the value of a college degree, researchers have consistently found that college is worth the investment. Individuals with a bachelor's degree typically make about $1 million more than high school graduates over their lifetimes and experience higher levels of employment, even through economic downturns. Associate's degree holders also receive positive returns on their college investments, generally earning about $400,000 more than high school graduates over the course of their lives. Researchers have found that the financial benefits of a college degree are greatest for students who are least likely to enroll, such as students of color and individuals from low-income families.

Empowered by their improved financial circumstances, college graduates make significant contributions to their local economies. As the share of college-educated workers in a community rises, employment levels and wages increase for non-college graduates as well. This generates more economic activity and greater tax revenue. In fact, researchers have found that for every $1 a state invests in higher education, it receives up to $4.50 in return. Increased tax revenue supports community-wide improvements, such as better roads and schools.

The benefits of a college-educated populace extend to the national level as well. College-educated workers are critical to ensuring the country remains globally competitive in the age of information. In the last three decades, the number of well-paying[1], high-skill jobs doubled. Today, two out of three (66 percent) jobs are filled by workers with at least some college education, a proportion expected to increase over time.

Staying competitive and meeting future demands for high-skill workers will require increasing access to and completion of two- and four-year degrees, particularly for populations currently underrepresented in college.

Congress passed the bipartisan Higher Education Act of 1965 (HEA) as part of President Lyndon B. Johnson's war on poverty to expand access to postsecondary education for low- and middle-income students. Although more low-income students and students of color enroll in college now than ever before, these students are still lagging their peers. To this day, low- and middle-income individuals are 17 percentage points less likely to enroll in college than their high-income peers. White students graduate from four-year institutions at one-and-a-half times the rate of their black and American Indian/Alaska Native peers. Moreover, despite making large gains in enrollment in the last few decades, Latino students are still 10 percent less likely to graduate from college than their white peers. These figures make it clear that America has yet to achieve equal opportunity to a quality college education.

To advance equity and economic justice, as the HEA originally intended, it is important that the next reauthorization of the legislation focus on ensuring all students have the opportunity to pursue and earn a degree. This means closing existing gaps in college access and completion by supporting traditionally underserved students, such as first-generation students, parents, and working adults, to enroll and graduate. A failure to prioritize equity would be akin to endorsing the idea that students born into privilege are innately deserving of better education than students born into poverty or communities of color.

1 Well-paying jobs pay a minium of $35,000 to workers ages 25 to 44 and a minimum of $45,000 to workers ages 45 to 65.

Ensuring all students have equitable access to a college education and are supported through completion is the only way to meet the promise of the HEA. This will require providing multiple points of entry to postsecondary education.

High-quality certificates that provide both durable, life-long skills and in-demand technical skills, while also creating a structured path to a degree are one possible entry point. Broadening access to job training, however, should not come at the expense of ensuring access to two- and four-year degrees for all.

As public and private funding for workforce training has decreased, recent reauthorization proposals have sought to treat the HEA as no more than federal funding for skills training. Although there is opportunity to thoughtfully expand the workforce development footprint in the HEA via access to high-quality certificates that provide in-demand skills training, these programs must always provide a starting point for further education. Doing so will ensure that certificate holders enter the workforce with a meaningful credential that can be translated into short-term economic gain and will enable students to repay student loans in the long term. Moreover, it will enable individuals who want to pursue a degree to rely on their federally-funded certificates as a foundation for their next degree. Federal policy must ensure that alternate pathways serve to close existing gaps in college access and completion rather than to open new ones.

At the signing of the HEA in 1965, President Johnson said that “education is no longer a luxury. Education in this day and age is a necessity.” This is true today more than ever. To meet the original intent of the HEA, federal policies must ensure that all students, regardless of income or race, have the same opportunities to pursue postsecondary education. The next HEA reauthorization must focus on expanding access to students who have been traditionally underserved by colleges and universities, improving affordability, and closing inequities in completion so that all Americans can achieve their educational and economic goals.

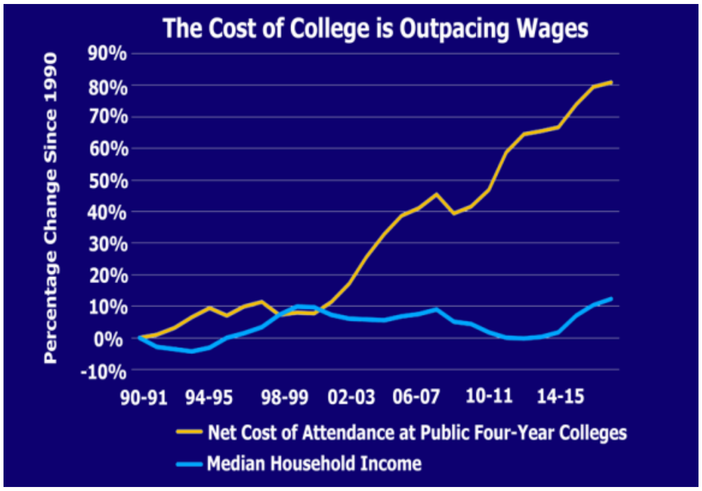
As tuition has risen and family incomes have stagnated, Americans have begun to question the value of a college degree. The current Administration has amplified this fear by publicly claiming that a college education is no longer a worthy endeavor.[1] Yet, research unequivocally shows that – compared to high school graduates – college graduates are more financially stable, enjoy healthier lives, and are better able to pass on their success to future generations. Individuals with college degrees also bring economic strength and stability to local communities and ensure that the nation remains globally competitive. These personal and societal benefits far outweigh the cost of college, both for individuals and the state and federal governments that support them.

The Rising Cost of College

The cost of college has risen dramatically in the last three decades as states have disinvested from higher education.

The cost of college has been increasing at unprecedented speed since the 1990s.

Apprehension about the value of college has grown as the cost of obtaining a degree has risen sharply over the last three decades. In constant dollars, net cost of attendance – the amount that students pay to attend college each year after accounting for grants and scholarships – has grown $6,670 (81 percent) at public four-year colleges, $6,770 (33 percent) at private nonprofit colleges, and $1,320 (19 percent) at public two-year colleges since 1990.[2]



Not only have annual increases in the net cost of attending college consistently outpaced increases in inflation, the rise in net cost of college attendance has also far outpaced the rise in household income. **Accounting for inflation, during the time that net cost of attendance increased 81 percent at public four-year colleges, median household income increased by only 12 percent.[3]** These figures suggest that Americans' ability to pay for a college education has decreased significantly over time as tuition has risen steadily while incomes have stagnated.

The rapid rise in the cost of college attendance has particularly harmful effects on low-income students and their families. For these families, the cost of college is disproportionally burdensome.

In 2017, families earning less than $30,000 were expected to contribute more than three-quarters (77 percent) of their income to their student's education at four-year public institutions.[4] The financial burden on families earning more than $110,000, on the other hand, was only slightly higher than a tenth (14 percent) of their income.

Even the cost of attending community college has become prohibitive for low-income families, who are expected to contribute half of their income to attend a public two-year institution. Moreover, these harmful impacts disproportionally affect students of color given that one in two (52 percent) Latino undergraduates and two out of three (64 percent) Black undergraduates come from families making less than $30,000 a year.[5]

The cost of college has increased, in large part, due to state disinvestment in postsecondary education.

One well-documented reason why the cost of college has increased so steeply in recent decades has been the large decrease in state appropriations for colleges and universities.

In today's dollars, state and local appropriations in 2007 provided $9,462 per full-time student to public four-year institutions and $6,256 to two-year institutions.[6] **In 2015, those figures were down to $7,088 at four-year institutions and $5,773 at two-year institutions, a 25% and 8% decrease, in constant dollars, respectively.[7]**

Although states have begun to re-invest in higher education in recent years, annual increases have been modest — on average, such funding rose 2% for four-year institutions and 6% for two-year institutions between 2013 and 2017.[8]

At this pace, it will take another decade before state funding for four-year institutions returns to its pre-recession level.

Faced with steep decreases in state funding, colleges and universities have turned to other sources to make up for lost revenue, including higher tuition costs for students and their families. State disinvestment from postsecondary education has had a direct impact on the rise of college tuition. A rigorous study found that decreased state funding accounts for well over a third (41 percent) of the rise in tuition costs since 2008.[9]

In fact, as state appropriations have decreased, colleges and universities now raise much larger proportions of their revenue from tuition than they did a few decades ago. Whereas public four-year colleges raised 29% percent of their revenue from tuition in the late 1992, that figure has increased to 46 percent in recent years.[10] During that same time, the proportion of revenue apportioned by state and local appropriations dropped from 86 percent to 61 percent.

To adjust to decreased funding from states, public colleges and universities have also found ways to become more financially resourceful. For example, colleges and universities are experimenting with redesigning course structure to eliminate duplication and maximize the use of space on their campuses.[11] Universities increasingly employ higher proportions of non-tenure-track and part-time faculty to save costs on instruction. Between 1993 and 2016, public four-year universities decreased the number of full-time faculty by 10 percent.[12]

> **"And in my judgment, this nation can never make a wiser or a more profitable investment anywhere."**
>
> **President Lyndon B. Johnson**
> **Signing the Higher Education Act of 1965**

These cost-saving measures, however, may have unintended consequences for students. Tenure-track faculty are about 3 times more likely to have a doctoral degree than non-tenure track faculty and are more likely to provide a higher level of expertise than their non-tenure-track colleagues.[13]

Recognizing that investments in higher education yield higher returns than their cost, the federal government has continued to financially support individuals enrolled in higher education.[14] Following the lead of President Johnson, who, at the Higher Education Act (HEA) signing, said "this nation can never make a wiser or a more profitable investment anywhere," the federal government invests in students seeking to improve their life circumstances through advanced education.

However, federal investments in higher education have not kept up with state disinvestment.[15]

Fiscal hawks who have opposed federal spending on higher education have often cited the Bennett Hypothesis as a reason for increased tuition. Named after Secretary of Education William Bennett, who served under the Reagan Administration, the Bennett Hypothesis theorizes that raising the amount of grants and loans available to students leads colleges to raise tuition.[16]

However, research shows that rises in federal student aid have not led to rises in tuition at public colleges.[17] The one institutional sector in which evidence does show that rises in student aid have led to rises in tuition is the for-profit sector. According to a rigorous study published by the National Bureau of Economic Research, for-profit colleges that accept federal aid charge much higher tuition than for-profit colleges that do not accept aid.[18] The difference, researchers found, is almost identical to the amount of federal aid students receive, suggesting that for every extra $1 that students receive in student aid, for-profit colleges raise prices another $1.

Increased reliance on tuition to generate revenue at colleges and universities and the proliferation of high-cost, for-profit options at for-profit institutions have led to a rise in student debt.

As the rise of college far outpaces the rise of household income, students and their families increasingly turn to loans to finance their college education. Currently, federal student debt hovers around $1.4 trillion.[19] This figure has ballooned in the past decade as students find themselves needing to borrow more to pay for college. To keep up with increased tuition costs, students now borrow significantly more than they did two decades ago, even when controlling for inflation.

In constant dollars, the average student now borrows $23,000 in federal loans to complete a four-year degree, $10,804 more than those attending non-selective four-year institutions in 1999, and $6,236 more than those attending somewhat selective four-year institutions in 1999. Students completing two-year degrees now borrow an average of $11,700 to complete a two-year degree, $4,513 more than in 1999.[20]

This national average, however, masks the wide variation in the amount that students borrow to attend different types of institutions. According to the U.S. Department of Education's official figures, students seeking four-year degrees at for-profit institutions borrowed an average of $8,617 in the 2015-16 academic year, whereas students seeking four-year degrees at public institutions borrowed $6,832.[21]

Differences are even starker for students seeking two-year degrees: Students at for-profits borrowed an average of $8,076 to cover expenses in the 2015-16 academic year, almost double the amount borrowed by students attending community colleges ($4,681).[22] Assuming on-time graduation, this would mean that students attending for-profit institutions would need to borrow $7,140 and $6,790 more to afford four-year and two-year degrees, respectively, than students attending public colleges and universities.

As detailed later in the report, students who attend for-profit institutions do not simply borrow at higher rates but also struggle to pay back their loans at higher rates than students who attend either public or private nonprofit institutions.

The Proven Benefits of College

College yields large benefits to graduates, and those benefits have grown larger over time.

Evidence shows that college continues to yield a positive return on investment for students.

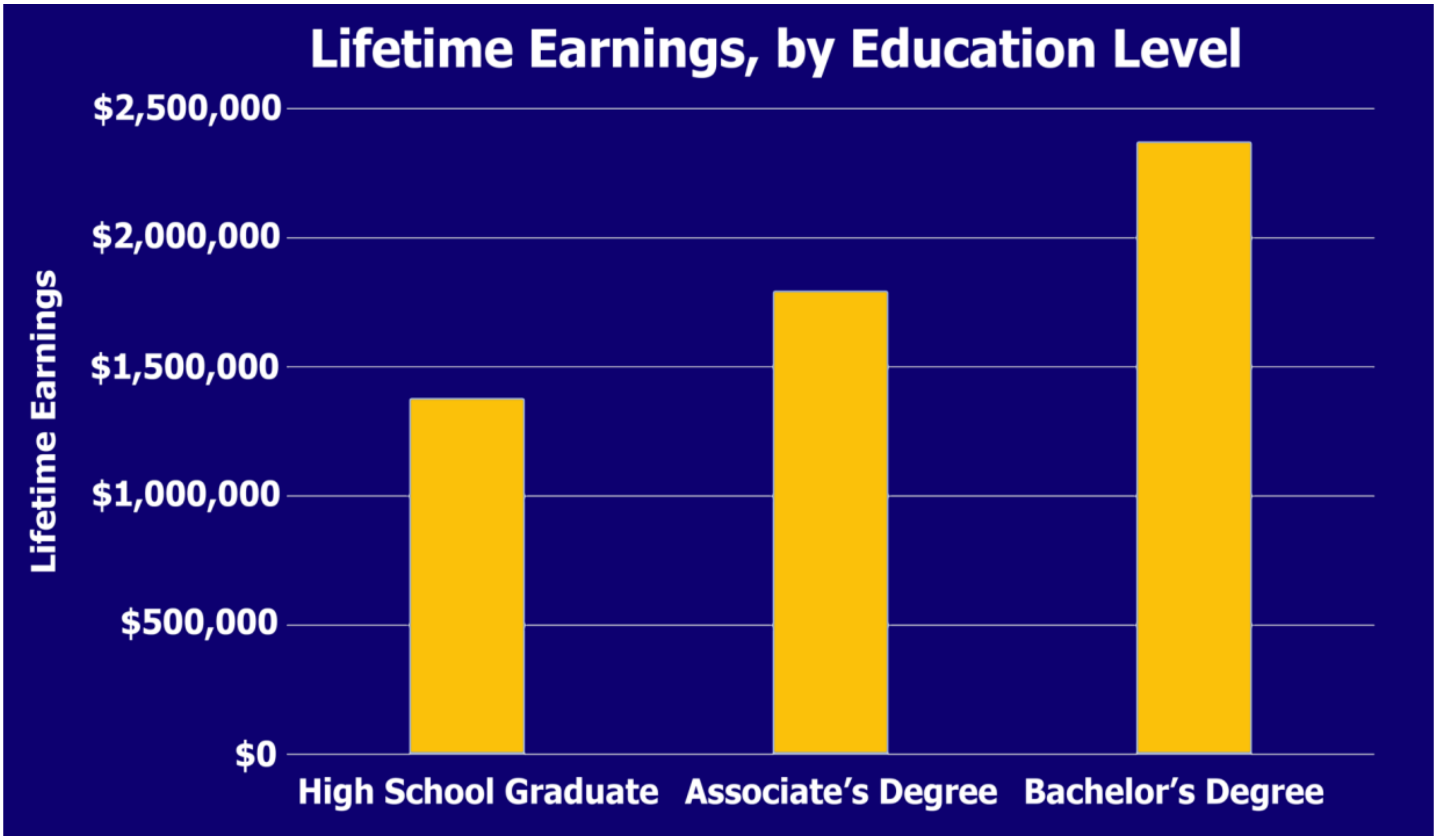
While the cost of college has increased sharply in recent decades, so have the financial benefits of a college degree. Although college-educated workers have consistently earned more than workers with high school diplomas, analyses of national income data show that the gap has been widening over time. In the early 1980s, bachelor's degree holders earned about a third (135 percent) more than high school graduates.[23]

As of 2015, they earned two-thirds more (167 percent) than what high school graduates earned.[24] This difference now amounts to about $1 million over a lifetime in higher wages for college-degree holders. Those with an associate's degree earn $400,000 more than those with high school degrees across a lifetime, demonstrating large returns for two-year degrees as well.[25]

Evidence demonstrates that college-educated workers consistently earn higher wages than high school graduates across all industries and sectors, as well as within every state.[26]

Given the large financial benefit of a college degree, it is not surprising that almost all (90 percent) adults who have received a bachelor's degree say that their education has either paid off or will pay off.[27] Graduates' sense that college pays off is strongly supported by research on the return on investment of a college degree. Even after accounting for the cost of college and foregone wages while enrolled, the average lifetime return for a bachelor's degree is between $350,000 and $450,000.[28]

Although researchers have not yet thoroughly examined returns for two-year degrees, data from state-specific studies suggest that benefits of two-year



degrees earned at community colleges also outweigh their cost.[29]

Not only is the return on a college degree large, but it is likely an underestimation. Researchers often rely solely on wage data to estimate the financial benefits of a degree, which means that calculations do not account for non-wage benefits like health insurance, paid vacation, and matching retirement funds. These other benefits, which provide significant value to workers who receive them, are more likely to go to those with bachelor's and associate's degrees than those with high school diplomas.[30]

Thus, individual returns for college degree completion are likely even higher than current calculations would suggest. These additional gains extend beyond financial benefits as workers with vacation and paid sick time may experience less stress in dealing with unexpected scheduling complications than workers without these benefits. It is unequivocal that despite its high cost, college yields a large, positive value to graduates.

College graduates benefit from growth in well-paying employment opportunities and more stable employment.

College graduates earn higher incomes in large part because their education provides them the skills to fill the well-paying, high-skill jobs that have been growing steadily in the modern economy.

Labor data show that the number of well-paying, middle-skill jobs increased by more than one-quarter (29 percent) between 1991 and 2016, and the number of well-paying, high-skill jobs doubled over that time.[31] **By contrast, the number of well-paying, low-skill jobs is lower today than it was in the early 1990s.[32]**

In fact, well-paying, high-skill jobs have fared very well since the recession. In 2016, the number of well-paying, high-skill jobs stood at around 36 million– 6 million higher than before the recession.[33] On the other hand, low-skill jobs have struggled to recover. In 2016, the number of well-paying, low-skill jobs hovered at 13 million – 2 million lower than before the start of the recession.

It is not surprising then that college degree holders enjoy more stable employment than high school graduates. The unemployment rate of individuals with a bachelor's degree has consistently been about half the unemployment rate of individuals with a high school degree over the last decade.[34]

Even during the recession, college graduates experienced more stable employment than high school graduates. Although unemployment for individuals with a high school degree rose to 11 percent during the recession, unemployment for individuals with bachelor's degrees peaked at 5 percent.[35]

Employment opportunities for college graduates are growing in part because business leaders value the skills that students acquire in college.

College-educated workers also benefit from the fact that business leaders place a high value on college degrees. Business executives are twice as likely (82 percent) as other Americans (42 percent) to endorse a college degree as essential to success.[36] The value that business leaders place on college is clearly reflected in their own educational choices: As of 2013, the latest year for which data are available, every single Fortune 100 CEO had a bachelor's degree.[37] If their own experiences are any indication, Members of Congress also value college as preparation for success. In the recently completed 115th Congress, all Senators and more than nine in 10 members of the House of Representatives held bachelor's degrees.[38]

Business and political leaders value college degrees because the skills that lead to long-term workplace success are durable skills that students learn in college, including teamwork, analytical reasoning, complex problem solving, and emotional intelligence. Employers want workers who can successfully lean on durable skills to adapt to changing environments and transition into different roles over the course of their careers without needing to obtain further formal education.[39]

Research shows that those are the exact skills that students attain in college. Over the course of a four-year degree, students make significant gains in critical thinking and written communication.[40]

This is something that business managers recognize, and three out of four (76 percent) hiring managers report that a college degree signals a candidate's ability to persevere and be self-directed.[41]

The benefits of college extend beyond the financial to include better health outcomes and higher work satisfaction.

Obtaining a college degree improves students' lives in ways that extend beyond the financial benefits accrued through well-paid, stable work. Adults with college degrees are more likely to feel better about their jobs than high school graduates. Those with college degrees report higher job satisfaction, a greater sense of accomplishment, and more independence at work to pursue creative projects.[42]

A large and robust research literature has also consistently documented a close relation between higher education and health.[43] Obtaining a college degree is associated with better health outcomes, including lower rates of smoking, obesity, and depression.[44] The health benefits of a college degree even extend to future generations as women who have higher levels of education are less likely to have pre-term births and more likely to have infants with higher birth weight, two important signs of healthy babies.[45] Children of college-educated adults are also more likely to live with two parents.[46]

A college-educated workforce enables the American economy to remain globally competitive.

As technology and innovation are changing the nature of work, college-educated workers are becoming leaders in the development of the national economy. Between 1992 and 2010, the number of jobs for bachelor's and associate's degree holders increased by 26 percent, while the number of jobs for high school degree holders decreased by 2 percent.[47] At present, two out of three (66 percent) jobs require at least some postsecondary education.[48] Well-paying job opportunities are growing fastest for individuals with college degrees.

48% of Americans ages 25-34 have a postsecondary credential

66% of jobs require such credentials.

If the demand for college-educated workers continues to increase as projected, scholars predict that that the inability to fill those high-skill jobs will harm the country's ability to stay competitive in the global economy.[49]

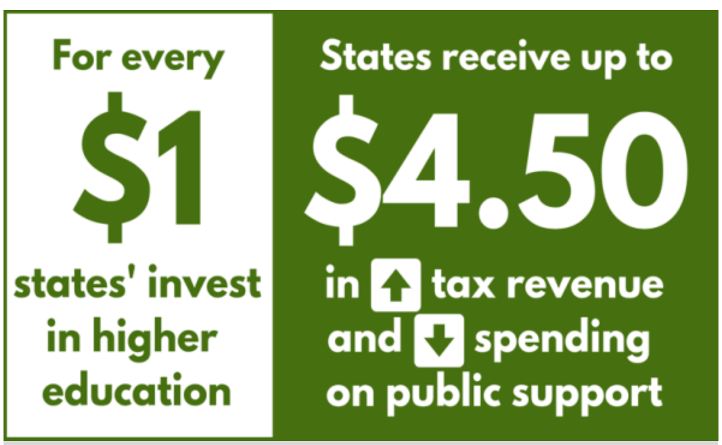
Currently, only one in two (48 percent) American young adults ages 25 to 34 have obtained some sort of postsecondary credential.[50]

In Canada and Japan, 60 percent of young adults have obtained postsecondary education.[51] In Korea that figure reaches 70 percent.[52] Altogether, the data suggest that America may be failing to keep up with other global leaders, where credentials equivalent to two- and four-year degrees have become the norm rather than the exception.

Investments in postsecondary education support state and local economies by yielding higher tax revenue and decreasing public welfare costs.

Failing to meet future demands for college-educated workers will not only hurt our country's global competitiveness but also negatively impact state and local economies. College graduates are large contributors of tax revenues levied within states. According to one estimate, over a lifetime, each bachelor's and associate's degree holder generates about an extra $500,000 and $200,000, respectively, in tax revenue than a high school graduate.[53]

College degree earners are also more likely to participate in the labor market and generate economic outputs, which strengthen local economies. Three out of four (74 percent) college graduates participate in the labor market compared to fewer than two out of three (58 percent) high school graduates.[54]



Researchers have estimated that for every dollar that states spend on higher education, states receive up to $4.50 back in the form of increased tax revenues and decreased reliance on government support.[55]

Moreover, college graduates use fewer government services and are less likely to become involved with the criminal justice system than high school graduates, saving large sums of taxpayers' money each year.[56]

Altogether, researchers have found that states raise much higher revenues from and spend less on individuals with a college degree than those with a high school education. Taking those benefits into account, analyses have shown that state investments in higher education can quadruple over time.[57]

Investments in postsecondary education benefit members of the public who do not themselves engage in postsecondary education.

Beyond higher tax revenue, college graduates also generate labor and social benefits for the individuals in their local communities who do not themselves have college degrees.

Research shows that as the proportion of college-educated workers in a local labor market increases, those with high school degrees and even those who dropped out of high school experience an increase in their own wages.[58] Thus, having more college-educated workers strengthens local labor markets in ways that benefit the entire community.

College graduates also provide social support to their local communities through more frequent volunteering and larger donations to charitable organizations.[59] Furthermore, college graduates are more likely to stay civically engaged through voting.[60]

Colleges and universities themselves also strengthen local economies. Many colleges and universities are pillars of their communities, providing jobs and services that support local residents. For example, Historically Black Colleges and Universities (HBCUs) contribute a combined $14.8 billion annually to the economy and employ 134,000 workers, about as many employees as Apple.[61]

In fact, universities represent the largest employers in 10 different states around the country.[62] The largest employer in the state of California is the University of California, which employs over 400,000 workers – as many employees as the Target Corporation.[63]

Moreover, the University of California has an annual impact of $46.3 billion on its state's economy. Wisconsin's largest employer is the University of Wisconsin, which provides jobs to 167,000 individuals and contributes $24 billion to the economy each year.[64]

These represent just some examples of the great economic footprint that colleges and universities have on local communities and the nation as a whole.

The research is clear that obtaining a college degree, despite its high cost, is a worthy investment. Adults with four-year college degrees out-earn their high school educated peers by about $1 million dollars over their lifetimes and those with two-year degrees out-earn them by $400,000. College graduates enjoy more stable work and more enjoyable work, and often have the flexibility of paid vacation and sick time to deal with unexpected life circumstances without the threat of job loss.

Adults without college degrees do not simply miss out on these benefits; over time, they face an increasingly tighter labor market. Whereas job prospects for college-educated workers have increased steadily in past decades, the country has struggled to provide well-paying jobs for high school graduates. As these trends continue, Americans who do not have access to postsecondary education may be left behind, further fueling inequality.

The Importance of Quality

The benefits of a skilled, well-educated workforce will be strongest when all postsecondary education options provide quality education.

As the number of jobs for high school-educated workers decreases and the demand for college-educated workers outpaces supply, it becomes crucially important that all Americans have access to a college education.

Providing multiple pathways to a degree will ensure that students have the flexibility to enroll in programs that fit their needs and bring their goals within reach. Pathways should include dual enrollment and early college programs that enable students to complete college credits in high school at low or no cost, simultaneously promoting a college-going culture and reducing costs for families. These programs have been shown to increase college enrollment by 10 percentage points and completion rates by up to 20 percentage points.[65] Research suggests that these programs tend to be particularly beneficial for students of color and low-income students.[66]

High-quality certificates[i] that provide in-demand technical skills as well as the foundation for a degree should also be an option for students. Expanding access to certificates, however, should not come at the expense of supporting students who want to pursue two- and four-year degrees. Many of today's students experience barriers to enrollment and completion, leaving them unable to reap the large and undeniable benefits of college.

The next reauthorization of the *HEA* should ensure that the federal government expands access to quality postsecondary programs, improves affordability for students and their families, and strengthens completion, all while ensuring that existing two- and four-year degree enrollment and completion gaps are eliminated.

Ensuring multiple pathways to a degree will maximize individuals' ability to fulfill their educational goals.

Maximizing the many benefits of a well-educated workforce requires that all Americans have access to college degrees. Making this a reality means providing multiple pathways to a degree, including high-quality certificates. Because not all individuals who seek postsecondary education want to invest in two- and four-year degrees, it is important that high-quality, stackable certificates are available.

Certificates have increasingly garnered attention from political leaders as both private firms and the federal government have decreased investments in worker training. In recent decades, private firms have reduced on-the-job employee training by up to 40 percent.[67] Employers now only pay for training for about half the number of employees whose training they financially supported in 1996.[68]

Moreover, the federal government has steadily reduced funding for workforce training allocated through the Comprehensive Employment and Training Act, now the Workforce Innovation and Opportunity Act, and the Carl D. Perkins Vocational Education Act, now the Strengthening Career and Technical Education for the 21st Century Act, over the past three decades.[69]

As workforce training has become less accessible, workers have been left to find other avenues through which to gain the skills they need to successfully participate in the workforce. For workers who enroll in postsecondary education to acquire in-demand skills

[i] In this report we use the term certificate to refer to short-term postsecondary programs below the bachelor's and associate's levels.

that allow for rapid entry or re-entry into the workforce, certificates provide a fitting alternative.

High-quality, stackable certificates should serve as a starting point that can help students build toward a college degree.

High-quality certificates have the potential to provide specialized skills that enable workers to succeed in high-paying, emerging fields such as healthcare and IT.

For example, data from several studies across a variety of states show that students who pursue certificates in the healthcare field tend to have consistently positive returns on their degrees.[70] A study from California showed that, compared to all other fields, students who obtained certificates in the health field had the steepest gains in income following enrollment.[71]

Moreover, high-quality certificates developed with input from industry leaders provide individuals the opportunity to acquire the skills that can strengthen the future of local communities across the nation.

In addition to providing workforce skills, certificates funded through Federal Student Aid can and must also serve as a starting point for two- and four-year degrees.

Although not every student will want to pursue a degree beyond a certificate, those who do should be able to apply their certificate toward a more advanced degree, especially if the certificate was funded with federal student aid.

Research shows that students who are interested in continuing their education are likely to be successful.[72] According to a recent study, students who transferred from community colleges to selective four-year institutions graduated at slightly higher rates than their peers. Federal policy should ensure that a credential can be used as a springboard to more advanced education. Developed methodically to align with college requirements and state workforce needs, certificate programs that provide meaningful skills and are stackable have the potential to help students attain short-term economic stability while opening the pathway to a four-year degree.

Too many certificate programs at for-profit institutions supported by federal student aid fail to provide the relevant skills that lead to additional education or well-paying jobs.

Despite the fact that there are only half as many for-profit institutions as community colleges around the country, for-profit institutions enroll twice as many students in certificate programs as community colleges.[73]

> **Certificate-earning students at for-profit institutions default on their loans 2.5x more than those who start but never complete a public college degree.**

These institutions enroll such a high proportion of students in part due to generously funded marketing and high-pressure recruiting tactics that prey on low-income students, who are disproportionately likely to be students of color, in search of a better future.[74] To attract these students, for-profit institutions offer a wide set of online and evening courses and ensure a smooth enrollment process.[75]

Although there are certificate programs at for-profit institutions that deliver quality skills training, many of these programs fail to follow through on their promise to provide students with the tools to succeed in the labor market.

To cover the high cost of certificate programs at these institutions, students at for-profits are three times more likely to take out federal loans than students enrolled in certificate programs at public institutions

(83 percent vs. 24 percent).[76] However, the financial returns of for-profit certificates are too low to offset their high cost.

Researchers recently found that students who attend certificate programs at for-profit institutions earn $2,144 less annually than their peers who attend certificate programs at community colleges. The evidence actually suggests that students who attend certificate programs at for-profit institutions earn $1,075 *less* annually six years after enrollment than prior to enrolling in the program.[77] This has led to alarmingly high rates of loan default among students who obtain certificates at for-profit institutions (44 percent vs. 9 percent at public colleges).[78] In fact, certificate students at for-profit institutions default at a rate two-and-a-half times that of students who start but never complete a degree at public colleges (44 percent vs. 17 percent).[79] This evidence shows that, financially, students would be better off not having attended the certificate program at all.

Just as alarming is evidence showing that for-profit certificate programs, which lead to the worst outcomes, are the ones enrolling students in the most financially precarious circumstances. Data show that students enrolled in for-profit certificates have lower pre-enrollment earnings and are less likely to be employed than students enrolling in certificate programs at community colleges.[80]

These findings suggest that for-profit certificates may be exacerbating differences in access to quality education rather than closing them, working against the *HEA's* goal of educational equity.

The evidence on exceedingly high federal student loan defaults for students who enroll in certificate programs at for-profit institutions is cause for concern. When federal aid is used to fund enrollment at high-cost, low-quality programs, students and taxpayers lose money. The expansion of federal aid, including Pell Grants, to short-term certificates through *HEA* reauthorization must be careful to avoid exacerbating this issue. Rather, future expansions of aid to certificates must ensure that programs receiving funds are worth the cost.

> **Congress must ensure that any expansion of federal aid to certificates reaches programs that provide quality education and prepare students for success in the workplace and a starting point for college.**

Recent *HEA* reauthorization proposals, however, have sought to further the interests of corporations by enabling for-profit institutions to receive additional federal aid to fund low-quality skills training that is not linked to further education.[81] The *HEA* must be improved to steer away from weak policies that enable for-profit institutions to administer programs that result in low wages and high default rates on student loans, not expand them.

Crafting federal policy that provides low-quality certificate programs with more access to federal student aid dollars would be a huge disservice to students who invest considerable time and money on their education expecting to gain skills that allow them to better their lives.

Enabling low-quality certificate programs to continue charging students and the federal government for worthless degrees will also perpetuate the perception that workers with certificates are underprepared for rigorous work.

As higher education systems in Germany and Switzerland attest, rigorous postsecondary options that provide students with both technical and durable skills can become widely-recognized indicators that graduates are well-prepared for challenging work.[82] Yet certificate programs in the United States will struggle to reach the same prestige that these credentials hold in other countries until low-quality programs are replaced with programs that produce skilled workers and truly prepare students for modern workplace demands.

> **"It means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States & not be turned away because his family is poor."**
>
> **President Lyndon B. Johnson**
> **Signing the Higher Education Act of 1965**

A bipartisan reauthorization of the *HEA* has the potential to thoughtfully expand workforce development by providing access to short-term certificate programs that promote in-demand technical skills and create a path to a degree.

The next iteration of the law should ensure *HEA*-funded certificate programs accomplish a dual mission – providing an entry point into the postsecondary education system and serving as a gateway to good jobs. Doing so will position certificates as leverage to close gaps in college access and completion, in keeping with the longstanding intent of the *HEA*.

Confronting Racial & Economic Inequity

Congress must ensure that persistent racial and economic inequities in access to and attainment of college degrees are eliminated.

The HEA was enacted to close inequities in postsecondary education access and attainment.

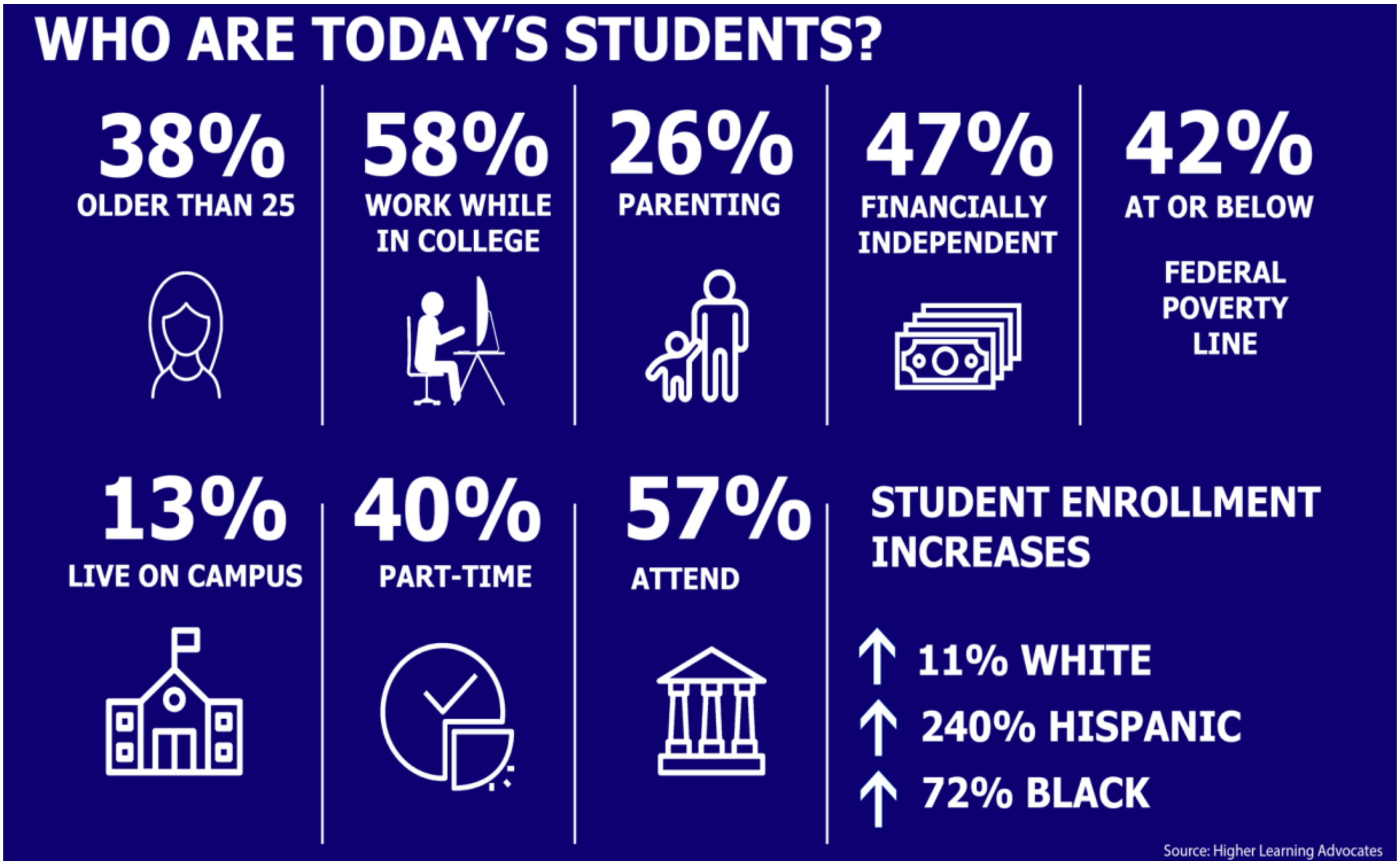
Congress originally passed the *HEA* as part of a broader set of efforts to fight poverty and racial inequality through groundbreaking federal laws.[83] The *HEA* specifically aimed to remove monetary barriers to postsecondary education to give low- and middle-income students the opportunity to pursue the same postsecondary degrees already available to high-income students.[84]

President Johnson made this intent clear on the day he signed the *HEA* into law when he stated that "It [*HEA*] means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States and not be turned away because his family is poor."

Although college students are more diverse than ever, inequities in college access persist.

Since the enactment of the *HEA*, the demographics of the college student population have changed considerably. Now, almost half (43 percent) are students of color and one in three (32 percent) receive need-based grant aid.[85] Moreover, more than one in three (38 percent) students are older than 25, one in four (26 percent) are parents, one in ten (11 percent) have a disability, and one in twenty (5 percent) are veterans.[86]

Students are also likely to balance school with work responsibilities, as more than one in three (40 percent) students are enrolled part-time and almost two out of three (58 percent) work while in college.[87] Today's students are more diverse than ever.



Although traditionally underserved students have made gains in college access, barriers continue to prevent many individuals from accessing postsecondary education at the same rates as their peers, particularly for students of color and low-income students.

In 2016, the proportion of young adults who enrolled in college immediately after graduating from high school was 17 percentage points higher for high-income students (83 percent) than for low-income students (65 percent; due to rounding, this difference amounts to 17).[88] A similarly large gap also exists between Black (57 percent) and white (70 percent) students.[89]

Notably, the gap in immediate college enrollment between white (70 percent) and Latino (72 percent) students has disappeared in recent years.[90] However, these data mask the fact that the rate of high school graduation is much lower for Latino students (79 percent) than white students (88 percent); thus, many

Latino students never even have the chance to pursue college.[91]

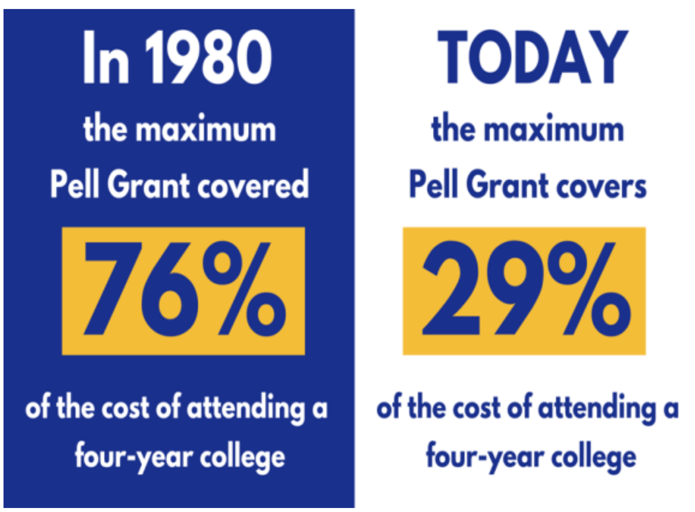
These stark disparities must drive conversations about the next reauthorization of the *HEA*. As the data clearly show, traditionally underserved students still lag their peers. Discussions centered around these gaps will demonstrate a commitment to the understanding that students' chances of attaining a college degree should not depend on their racial or socioeconomic background.

Accepting anything less would be akin to endorsing the idea that students born into privilege are innately deserving of better education than students born into poverty or communities of color.

High cost is a barrier to college access for students of color and low-income students.

Despite entering high school with college-going aspirations, students of color and low-income student face challenges that prevent them from enrolling in college.[92] Research suggests that students of color and low-income students can be discouraged from enrolling in college when they believe they cannot afford the price of attendance.[93]

Surveys of high school students reveal that cost is a particularly important consideration in the college selection process for students of color and low-income students. For example, a recent survey of high school juniors showed that three out of four students in all but the highest quintile of the income distribution reported that cost played a very important role in their college decisions.[94]



Another survey of college-bound high school students showed that Black and Latino students were more likely than their white peers to report financial factors as important determinants of college choices.[95]

The complexity of the Free Application for Federal Aid (FAFSA) may exacerbate the difficulties that students of color and low-income students face in trying to enroll in college.[96] Non-completion of the FAFSA prevents many students from accessing federal aid, meaning that students leave aid unclaimed.

Analyses reveal that as many as 2 million students who are eligible for Pell Grants currently do not receive this need-based aid due to FAFSA under-completion.[97] This means that approximately $3 billion of Pell Grant aid is unused each year.[98]

Even if all students received the aid for which they are eligible, however, covering college costs would still be a challenge for many low-income students. The value of Pell has not kept pace with the growing cost of tuition.[99] As a result, the real value of Pell has decreased dramatically since it was first introduced.

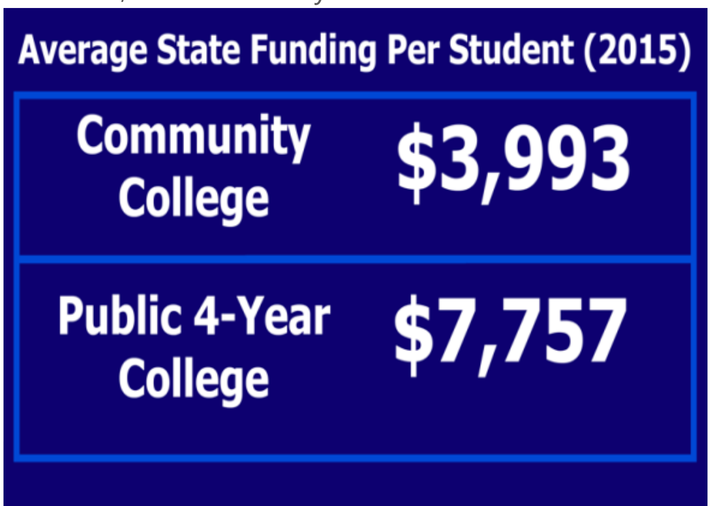
In 1980, the maximum Pell Grant covered three-quarters (76 percent) of the cost of attendance at public four-year colleges.[100] **Today, the maximum Pell Grant covers just over one quarter (29 percent) of the cost of attendance at public four-year colleges and half (49 percent) of the cost of attendance at public two-year colleges.[101]**

Because community colleges often provide a more affordable education than four-year institutions, students of color and low-income students disproportionally enroll at these colleges.

Community colleges enroll many students traditionally underserved by four-year programs. Data show that one in three (33 percent) Black students, and nearly half of Latino (44 percent), Asian American and Pacific Islander (48 percent), and first-generation (48 percent) students enroll in community colleges.[102] Moreover, more than one in three (37 percent) low-income students enroll in these institutions.[103]

These students enroll at community colleges for a variety of reasons. One important advantage of community colleges over four-year institutions is cost – the net cost of attendance at community colleges is half (56 percent) the cost of public four-year institutions.[104]

As institutions that support diverse segments of local communities, many community colleges also provide flexible schedules that enable students to continue working while obtaining their degree. Moreover, due to their widespread accessibility, community colleges offer students the ability to stay close to home while enrolled. This enables students to attend to both educational and family responsibilities, like childrearing and financially supporting family members, simultaneously.



In 2015, the average public community college received $3,993 per full-time student from state appropriations.[105] That same year, public four-year institutions received double that amount ($7,757 per full-time student) from states.[106]

Unfortunately, community colleges have long been under-resourced, as evidenced by state funding. This disparity in funding unfairly penalizes vulnerable students.

With a tighter budget, community colleges often have less capacity to provide key student services that students of color and low-income students, many of whom are first-generation students, need to persist through transfer or degree completion. Community colleges around the nation have reduced or eliminated student services, including computer labs, classes designed to support students whose first language is not English, and distance learning programs that bring higher education within reach of rural communities.[107]

Americans have felt these effects, and in a recent poll two out of three (66 percent) Americans endorsed increased funding of community colleges as a priority for the new Congress.[108]

Despite the high cost of low-quality, for-profit programs, a disproportionate number of students of color and low-income students are lured into these institutions through deceptive marketing techniques.

Obtaining postsecondary credentials is particularly costly at for-profit institutions, which disproportionally recruit students of color and low-income students to increase profits.[109] Through ruthless marketing tactics, many for-profit colleges lure students with lofty promises of economic success despite having little data to support their claims.[110]

Black students are particularly vulnerable to these institutions – these students are three times more likely to enroll in for-profit colleges than their peers.[111] For-profits have also attracted many low-income students. Students in the bottom income quartile are twice as likely to enroll in for-profit colleges than students in the top quartile.[112]

Although for-profit colleges claim to engage in innovative and responsive practices, in truth many of these institutions provide costly services that have little value.

To cover the high cost, students enrolled in for-profit colleges borrow a disproportionately high amount of federal student loans. At the end of 2018, students who had borrowed to attend for-profit colleges were responsible for 18 percent of all outstanding federal student loans – **three times the amount one would expect given that they only comprise about 5 percent of the student population.[113]**

Furthermore, student loan trends suggest that once students borrow to attend for-profit colleges, they struggle to repay their debt. According to the U. S. Department of Education, students who attend for-profit colleges are more likely to default on their loans

(16 percent) than those who attend public colleges (10 percent) or private nonprofit colleges (7 percent).[114]

The cost of attending for-profit colleges is three times that of attending a community college.[115]

Well-funded colleges and universities under-enroll students of color and low-income students.

While community colleges and for-profit institutions enroll many students of color and low-income students, most selective public colleges and universities continue to under-enroll students of color and low-income students.

In fact, data show that two out of three selective public universities have reduced the share of students they enroll from families in the bottom 40 percent of income since the 1990s.[116] This is disappointing given that students of color and low-income students who enroll in selective colleges graduate at similar rates as their peers and often make large leaps in economic mobility as adults.[117] Efforts to reduce disparities in college access still have far to go in ensuring equity at all levels of the system.

Enrolling in college is just the start – completion is most important to reaping benefits.

Research shows that students who graduate from college experience much larger benefits than those who enroll but never complete. Yet, many students who enroll fail to complete. More than one out of three (41 percent) students who enroll in four-year degrees fail to graduate.[118]

At community colleges, where available information about non-traditional students is limited due to a legislative ban on collecting student level-data, data show that two out of three (70 percent) students fail to graduate.[ii]

Unfortunately, there has been little improvement in these rates over the last 20 years. Specifically, the rate at which students fail to complete has only decreased by 4 percentage points at four-year institutions (from 45 percent to 41 percent) and has not changed at two-year institutions since 2000.[119] Today, more than 35 million adults over the age of 25 have some college experience but not degree.[120]

Worse are the large disparities in the rates at which students complete. **White students graduate from four-year colleges and universities at one-and-a-half times the rate of Black students (64 percent vs. 40 percent).[121]**

The gap between white and Latino students is smaller but still large (10 percent).[122] Gaps in graduation rates are also large across family income: students who receive Pell Grants are 18 percent less likely to graduate than students who do not receive Pell.[123]

In part, many students of color and low-income students fail to graduate because they enter college underprepared for advanced coursework. Although

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[ii] Note that this figure includes students who transfer to four-year degree programs before receiving an associate's degrees, meaning that those students are accounted as not having completed despite having transferred. Moreover, completion rates do not account for part-time students, who represent 63 percent of all community college enrollees (see American Association for Community Colleges *Fast Facts 2018*) or returning students.

one in two (51 percent) community college students and more than one in four (29 percent) students at public four-year institutions take remedial courses, remediation disproportionally affects students of color.[124]

About half of Black (56 percent) and Latino (45 percent) college students take remedial coursework compared to just one out of three (35 percent) white students.[125] Remedial coursework puts students at risk for dropping out before they complete a degree. Research shows that students who take remedial coursework are 74 percent more likely to drop out of four-year institutions and 12 percent more likely to drop out of two-year institutions than their peers.[126]

While improvements to remedial education are not likely to eliminate pervasive and systemic inequities that leave too many students underprepared for college coursework, research shows that a variety of innovative strategies that improve outcomes for this population already exist.[127] Implementing these strategies more widely would reduce the time and cost it takes students to complete.[128]

Disparities in graduation rates mean that students of color and low-income students miss out on the numerous advantages of a college education, which can have an especially impactful effect. Data suggest that students of color and low-income students are particularly likely to experience upward mobility as a result of obtaining a college degree.

Specifically, students whose parents are in the bottom quintile of the income distribution can double their chances of moving up the income ladder if they obtain a degree. Students in the bottom income quintile who do not obtain a college degree only have a one in two (53 percent) chance of moving up the income ladder as adults.[129] For their peers who do obtain a college degree, the odds rise to nine out of ten (90 percent).[130]

The benefits of a college degree are so large for low-income students that researchers have shown that the greatest gains in absolute wealth in the past generation have gone to individuals growing up in the lowest income quintile who earned a bachelor's degree.[131]

Just as many students of color and low-income students fail to benefit from college degrees, other traditionally underserved students may also lack appropriate support to complete their education. For example, student parents may need child care support and working students may need more flexible schedules to devote the necessary time to their studies while fulfilling their other responsibilities. First-generation students and adult learners going to college for the first time may also benefit from extra support from administrators and advisors navigating college. Students with disabilities need accessible materials and other learning accommodations that allow them to fully participate in the college experience. Policies that seek to remedy disparities in completion should account for the fact that college students today come from all walks of life.

Ensuring all students have the opportunity to obtain a college degree will yield a strong future for the entire nation.

Expanding Opportunity Means Growing the Economy

Supporting students to reach completion through strategies such as investments in student supports and multiple pathways to a four-year degree will open the key to a better future for everyone.

Researchers have predicted that meeting future demands for high-skill workers, particularly in the sciences and technology fields, will require a substantial rise in the proportion of students of color and low-income students who obtain college degrees.[132] The benefits of ensuring that traditionally underserved students have the opportunity to attain a college degree were made clear in an analysis showing that a rise in the proportion of adults with a four-year degree to 40 percent would lead to a stronger national GDP and lower unemployment across the country.[133]

Greater federal investments aimed at expanding access, improving affordability, and supporting completion will ensure that the national economy continues to thrive under a well-educated workforce that puts innovation at the forefront and works to make life better for generations to come.

Principles for Reauthorizing the Higher Education Act

As Congress prepares to reauthorize the *HEA*, policymakers can use valuable insights from the field and apply evidence to guide their decisions. Reauthorization can strengthen the postsecondary education system, ensuring multiple pathways for students to obtain postsecondary degrees so that the United States can continue to produce a well-educated workforce ready for the challenges of a modern global economy. The data reviewed in this brief point to several key steps the federal government can take to close inequities in college access, affordability, and completion.

Expanding Access

Although rates of college **access** have improved for some groups over time, students of color and low-income students still face considerable barriers to enrolling in college, particularly in selective four-year colleges and universities. Individuals who want to pursue a baccalaureate degree should have the opportunity to enroll in those programs and complete their degrees. Individuals who may not be ready to pursue a four-year degree should have the chance to earn an associate's degree or a high-quality stackable certificate that can launch them into the labor market or transition them into a four-year program.

To improve access for all these pathways and reduce gaps between student populations, the next iteration of the *HEA* should take a multi-pronged approach that includes the following:

- Supporting high school students to earn college credits early;
- Strengthening college access programs that provide services for vulnerable student populations;
- Simplifying FAFSA;
- Expanding access to high-quality short-term stackable certificates that create an entryway to further education.

Improving Affordability

The rapid rise in college tuition has led to unprecedented costs of attendance. As states disinvest in higher education and household income remains stagnant, families lose their ability to pay for college. Given the extensive evidence showing the positive returns of higher education investments for federal and state governments, the next *HEA* reauthorization should improve **affordability** and ensure all students can pursue postsecondary education without undue financial burden by:

- Increasing grant aid to help students cover the costs of college;
- Creating federal-state partnerships that encourage states to reinvest in higher education;
- Improving the federal student loan system so that students understand their loan terms and are better able to manage repayment; and
- Strengthening institutional quality and accountability to ensure return on investment for students and taxpayers.

Promoting Completion

The research is clear that the highest returns of college go to those who obtain a degree. Americans with college degrees enjoy higher salaries, lower unemployment, higher job satisfaction, and better health than those who do not have postsecondary degrees. **Completing** college can have a particularly large impact on low-income students and students of color, for whom obtaining a degree can lead to upward mobility and a brighter future. Available evidence suggests that Congress can enact policies that improve completion rates by:

- Improving postsecondary data infrastructure to help students, families, policymakers, and institutions answer critical questions about college outcomes;
- Expanding access to multiple pathways, including dual enrollment and short-term certificates, so that students can complete college credits in quality programs that fit their needs and goals;
- Improving remediation so that more students can earn college credits;
- Investing in student supports like child care, mental health services, and tutoring to ensure students can focus on learning and skill-building;
- Investing in community colleges, HBCU's, and Minority Serving Institutions so that traditionally underserved students have access to the same quality experience as others; and
- Supporting campus diversity and ensuring a safe learning environment for all students.

Conclusion

The research reviewed in this report conclusively demonstrates that both two- and four-year degrees at public and private nonprofit colleges and universities are worthy investments.

Individuals who obtain college degrees reap large financial benefits, with bachelor's degree holders earning as much as an extra $1 million and associate's degree holders earning an extra $400,000 over their lifetimes compared to high school graduates. College graduates are also healthier and enjoy higher work satisfaction than high school graduates. In addition to the benefits that individuals receive, state governments see their investments in postsecondary education returned in the form of higher taxes and lower use of government assistance at sums that far exceed their original value.

Moreover, college graduates drive the development of the national economy and enable the United States to remain competitive in the age of information.

Yet, more than 50 years after the initial passage of the HEA, America still falls short of the law's original promise to open the door to and extend the benefit of higher education to all students. The next reauthorization of the HEA should aim to finally close those gaps in access, affordability, and completion that continue to prevent so many students from fulfilling their greatest potential.

Broadening access to postsecondary education through multiple pathways that lead to a degree will ensure that all students who want to pursue postsecondary education can do so through programs that meet their needs and bring their aspirations within reach. Investing in higher education means investing in the country's future and expanding opportunities for the newest generations to make our nation a better place.

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