THIRD WAY

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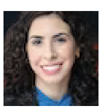
Comments to the Department of Education on Low-Financial-Value Programs



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Mr. Jean-Didier Gaina
US Department of Education
400 Maryland Ave. SW, Room 2C172
Washington, DC 20202

Re: Docket ID ED-2022-OUS-0140

Dear Mr. Gaina:

Thank you for the opportunity to provide written comments in response to the Department of Education's request for information regarding identification and disclosures of low-financial-value postsecondary programs.

Third Way applauds the Department's ongoing commitment under the Biden Administration to policy reforms that support greater transparency for students considering college and promote a strong return on investment for all who enroll in federally funded higher education programs. As the Department acknowledges in its request for information, while financial returns are not the sole benefit purported by the pursuit of higher education, they are the most salient and consequential for students, particularly those who rely on federal grants and student loans to fund their studies. The number one reason today's students choose to go to college is to get a good job and increase their earning potential. [1] The vast majority of Americans think that students who attend an institution of higher education should earn more than those with just a high school diploma and be able to repay their student loans—yet confidence that colleges are delivering a financial return on investment is waning, as far too many students who enroll in a higher education program leave worse off than if they had never attended in the first place. [2]

There are many nested concerns at play: Tuition costs and living expenses are rising, graduation rates are stagnant, and predatory, poor-performing programs across sectors and credential levels saddle students with limited job prospects and unmanageable student debt. **These low-financial-value programs pose legitimate harm to students and their families, as well as to American taxpayers, who are left holding the bag when borrowers are unable to repay their loans.** Accordingly, we were pleased to see this request for information on how to identify low-financial-value postsecondary programs, which builds on the commitment to increased transparency and accountability made by the Biden Administration in announcing its student loan cancellation proposal in August 2022, including the publication of an "annual watch list" of low-value programs with alarming debt outcomes and—importantly—requirements for institutions to submit plans for how to improve those outcomes. [3]

Third Way submits the following comments with strong support for the proposed creation of a public-facing list calling attention to low-financial-value programs, as well as for broader efforts to improve transparency and information quality for prospective college students. Students must have access to clear, usable information about the return on investment they can expect to see from federally supported higher education as they weigh one of the most expensive decisions of their lifetimes. We urge the Department to swiftly take action to provide high-quality and relevant disclosures to students so they can make informed choices about the college program they attend, and to work directly with institutions that house multiple low-financial-return programs to improve the value they offer to students.

In addition, the Department of Education must ensure that this first step toward greater transparency is complemented by other robust measures to strengthen accountability across higher education, including in its forthcoming Notice of Proposed Rulemaking (NPRM) on the gainful employment (GE) regulation. A strong GE rule is essential to ensure consumer protections for students in low-quality, poor-performing career education programs by requiring institutions to demonstrate they provide a baseline level of value to program completers. However, the GE rule only applies to career education programs (and primarily to programs in the for-profit sector), and greater transparency at the program level and across sectors and credential types is also necessary. Other pending Department proposals to cancel large swaths of student debt and institute a new income-driven repayment (IDR) plan that would significantly lower the rate of repayment for most borrowers may introduce new risks of predatory institutions charging more in tuition and policies incentivizing students to take on more debt. To provide critical protections and limit unintended negative consequences in this emerging environment, the Department must put the best interests of students above those of institutions and work to advance both informational and accountability-oriented reforms that promote high-quality, high-value higher education experiences.

Comments on Measures and Metrics

The Department has solicited comments on which program-level data and metrics should be collected and used to understand the financial value offered by a postsecondary program for the purposes of producing a low-financial-value program list and additional disclosures.

The Department's methodology in constructing this list should reflect recognition that:

- Income gains and employment prospects received from higher education are of primary importance to students;
- Both students and taxpayers have a vested financial interest in students' ability to repay their federal student loans, and therefore also in understanding which college programs systemically leave students ill-equipped to repay; and
- Consistency across the Department's transparency and accountability measures for higher education programs will help provide needed clarity and data usability for both students and institutions.

To this end, we strongly recommend that the Department use the metrics it has proposed for the GE rule as the basis for identifying low-financial-value programs across sectors and credential levels for the purposes of this list and associated disclosures to students. Through the negotiated rulemaking process, the Department indicated its intent to use two measures to determine the value of GE programs: a debt-to-earnings rate and an earnings threshold. [4] Each of these components presents an established and effective metric for determining program value. The debt-to-earnings rate was part of the prior GE rule and the Department's College Scorecard tool has for several years published a high school earnings threshold (at the institution level), recognizing that this metric provides meaningful information for students comparing college options. Of critical importance, these measures are also highly intuitive for consumers, providing tangible insights into the relative manageability of debt after completing a program and the financial value-add (or lack thereof) typically gained from that program compared to the counterfactual of never having pursued higher education in the first place. [5]

We encourage the Department to maintain consistency in its transparency and accountability initiatives by constructing this low-value program list using the debt-to-earnings measure and earning threshold in its forthcoming GE rule. Doing so will provide continuity for students, ensure the proposed measures are well-supported and defensible, and lay the necessary data collection and dissemination groundwork for the Administration's ongoing efforts to hold institutions accountable for their program outcomes.

Comments on List Structure

The Department has requested input on whether to use 4-digit Classification of Instructional Program (CIP) codes to define programs where a 6-digit CIP code is unavailable. We suggest the Department does so, while adhering to all relevant data privacy obligations, in order to provide students with access to the best possible information related to outcomes in their field of study. While the resulting information may be less granular than a 6-digit CIP code reflecting a single major or academic program, the student will still receive more actionable information than if they were offered no program-level data whatsoever.

In response to the Department's questions regarding the production and structure of the published list, we urge the Department to produce comprehensive, downloadable lists that can be used by researchers, school counselors, and others supporting students in their college search, and that these lists complement additional public dissemination efforts (addressed further in a subsequent section). We encourage the Department to produce lists separated by credential level, as measured by an institution's predominant degree awarded. With very limited information publicly available about student outcomes and borrowing from graduate degree programs, separating lists by undergraduate and graduate levels would also present a significant value-add for prospective graduate students.

Comments on Data Elements

The Department has asked about additional data collection efforts that would improve its capacity to provide useful and accurate data on program value for the public, as well as the potential administrative burden posed by collection requirements.

In accordance with our recommendation for the Department to use the metrics put forth in its GE rule to identify low-financial-value programs, the Department should swiftly ensure that it has data collection mechanisms in place to produce debt-to-earnings rates and median earnings for programs across sectors and credential levels—not only those that are subject to the GE rule.

Additional areas in which more, better, and finely disaggregated data are critical for fully understanding value include program-level completion, graduate education, and distance education. Students are often left in the dark when it comes to disparities that may exist in tuition paid, typical debt loads, and completion and repayment outcomes in graduate and distance education programs, hindering their ability to make informed enrollment and borrowing decisions. [6] We strongly support expanded data collection on graduate and online program offerings, given rising enrollment in graduate programs and proliferation in the number and type of programs operated fully or partly in an online modality. We also support the dissemination of this data in the College Scorecard and other public-facing tools.

Data collection on student tuition paid—rather than listed tuition and fees or net price (which includes living expenses beyond required tuition charges)—across all credential levels and program modalities would also unlock useful new insights for understanding how students finance their education and allow for consideration of tuition-to-earnings rates for transparency and accountability purposes. Such data would prove especially useful for graduate programs, where permissible borrowing levels are tied to institutionally determined costs of attendance, providing poor incentives for institutional pricing discipline. Given the many valid questions that have been raised about how the Department's newly proposed IDR plan may impact tuition charges and enrollment, the Department should take steps now to ensure that its data collection processes will provide the capacity to to flag schools and programs that have experienced large spikes in tuition paid and/or in enrollment growth over a given period of time. This will allow for greater exploration of the IDR plan's effects and consequences going forward.

While administrative burdens are inherent in all new or expanded reporting requirements, institutions already collect this type of information, and are in some circumstances already required to report these data points (which are not made available for public consumption); thus, we anticipate comparably minimal added burden from this expanded reporting, which would provide a wealth of useful information for students and consumers.

Comments on Public Dissemination

Lastly, the Department seeks information on how best to make students aware of programs that have been identified as providing low financial value and to call public attention to this list.

As noted above, we strongly encourage the Department to publish these lists in a downloadable format for use by high school counselors and advisors who assist students in their college search process, as well as by education researchers. **Critically, we also recommend the Department ensure this information is readily available to students—who are unlikely to independently be aware of or seek out such a list on the Department's website—by disseminating these data using platforms students already use when considering and applying to colleges.** This effort should include the College Scorecard, the Department's primary public-facing college comparison tool, where a visual flag should be included on an institution's profile denoting low-financial-value programs. The Department of Education should also work with the Department of Veterans Affairs and Department of Defense to ensure that similar flags are included in the comparison tools managed by those agencies for students using GI Bill benefits, to better ensure that our nation's veterans and military-connected students have access to the best possible information as they apply their federal education benefits in pursuit of a postsecondary credential.

The Department should further include low-financial-value program flags directly on the Free Application for Federal Student Aid (FAFSA). While students may list institutions on the FAFSA rather than individual programs, this still provides an avenue for the Department to denote those institutions that are home to a large proportion of low-value programs—i.e., institutions where the majority of programs are present on a low-financial-value program list. By applying a broader institution flag on the FAFSA, the Department can help ensure that students have key information available to them and provide additional links and sources through which they can research specific programs of interest at a given institution.

Research has indicated that "naming and shaming" tactics alone often have little tangible effect on student decision-making and borrowing behavior or institutional improvement.[7] That is in part because informational interventions without consequences provide no means of real accountability, and often do not even require the active acknowledgement of the consumer of the information, making it all too easy to bypass the warning signals entirely. Third Way continues to unequivocally support the implementation of true accountability mechanisms across our higher education system that impact institutions' ability to accept Title IV funds if they fail to provide value to students. We also hope that the watch lists the Department endeavors to create following this RFI will contribute to an environment of greater transparency that paves the path for such accountability. To this end, we encourage the Department to incorporate the best-known practices from the research literature to maximize the effectiveness of this new low-financial-value program list.

As such, we strongly urge the Department to provide disclosures directly to students and require their attestation at the time of enrollment and acceptance of federal student aid.[8] Requiring students to sign off in acknowledgement that they have been informed of the low financial value typically associated with their program of choice would in no way prohibit students from making that choice for themselves—but would, at least, prompt their focused attention to the higher risks before they commit to attend. It is the Department's responsibility to provide students with every possible opportunity to actively receive these warning signs and interact with them prior to enrollment and acceptance of taxpayer-backed federal student loans.

We also hope to see the Department follow through on its stated intent to require institutions that have many failing programs implicated on low-financial-value program lists to submit improvement plans that demonstrate how they intend to strengthen their value proposition to students. Having a significant number of programs flagged for not providing sufficient financial value should trigger an accreditor review for the institution to initiate an improvement plan process, and accreditors with these institutions in their portfolio should be required to address that process during their reviews before the National Advisory Committee on Institutional Quality and Integrity (NACIQI). This should be a structured opportunity for institutions to reflect on their program offerings and affiliated tuition rates to assess their alignment with local labor market needs and students' typical post-college earnings, as well as to evaluate the supports they provide to assist students with completing their programs, finding suitable career prospects, and successfully entering repayment. As with gainful employment programs, this should also serve as a reminder that not all postsecondary programs offer true value, and not all programs need to accept federal financial aid dollars to operate**. As a primary steward of taxpayer dollars, the Department of Education must heed its obligation to support American students in their pursuit of credentials and degrees from programs of value that will leave them better off than when they first enrolled.**

We thank the Department for issuing this public request for information and for the opportunity to provide input on forthcoming efforts to identify low-value programs that put students at risk of financial harm. We look forward to the result of this inquiry and to supporting the Biden Administration in its laudable efforts to strengthen our higher education system and promote greater transparency and accountability to the benefit of students and taxpayers.

If you have any questions regarding these comments or would like to discuss further, please do not hesitate to reach out to us at MDimino@thirdway.org or LErickson@thirdway.org.

Sincerely,

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TOPICS

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ENDNOTES

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6. Robinson, Chazz. "5 Things We Don't Know About Graduate Student Debt," Third Way, 6 Dec. 2022, https://www.thirdway.org/blog/5-things-we-dont-know-about-graduate-student-debt.

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8. This attestation should be limited to documenting borrowers' awareness of this public disclosure and must be written in such a way to expressly protect the right to access borrower defense claims at a later point in time if eligible due to institutional misconduct subject to the borrower defense regulations.