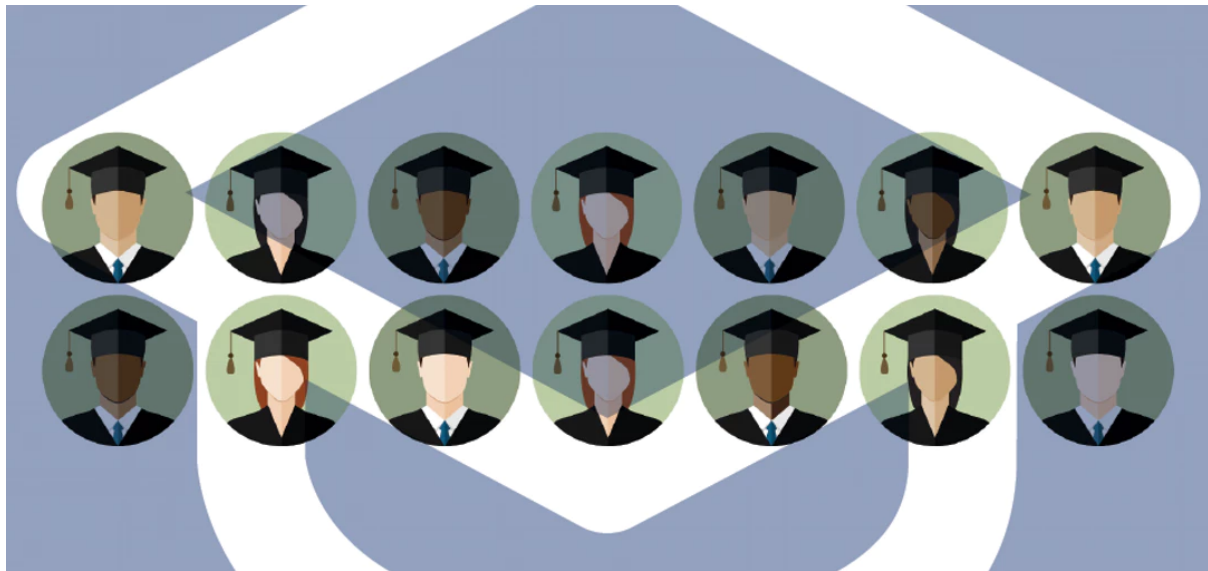


# Executive Summary - Incomplete: The Quality Crisis in America's Private, Non-Profit Colleges



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## Is college good enough?

There are more than a thousand four-year private, non-profit colleges in the United States. They enroll approximately 2.7 million students each year, with roughly 1.7 million full-time students taking out student loans to finance their education. <sup>1</sup> In 2013–2014 alone, more than 1.1 million Pell Grants were awarded to recipients attending these institutions, adding up to a total of \$4.5 billion federal tax dollars. <sup>2</sup> These four-year institutions promise to educate and graduate young men and women and prepare them to succeed in the working world. We rely on these schools to be mobility engines for low and middle income people. And from one perspective, that assumption is right—today, the unemployment rate for college graduates stands at 2.6% compared to 5.4% for those with only a high school diploma. <sup>3</sup> And it is estimated that a college graduate will earn an average of \$1 million more in wages over the course of a lifetime than his or her non-college educated peers. <sup>4</sup>

But in an analysis of full-time, loan-holding students at four-year private, non-profit colleges, we found a stunning

level of institutional failure in fulfilling this mobility promise to students.<sup>5</sup> Analyzing data from the Department of Education's College Scorecard, we found that at the average institution, nearly half of the students aren't graduating, many students aren't earning sufficient incomes even years after enrollment, and far too many are unable to repay their loans. And in a measurement we developed called the mobility metric, which ranks how well these colleges do for students of low and moderate incomes, we found levels of achievement so abysmal as to call into question the very promise of higher education at many of these schools.

This degree of institutional failure goes well beyond the current discussion about rising tuition costs to the very essence of what colleges spend billions of dollars purporting to do: provide an education worthy of the time and cost associated with it. And this analysis begs the question, what can be done about the quality crisis in our nation's colleges?

Among our key findings:

## **1. Chronically Low Graduation Rates:**

- A typical four-year private, non-profit college graduates only 55% of full-time freshmen within six years of enrollment. When students don't earn a degree within six years, they are unlikely to finish at all.
- In only 266 schools (26% of all four-year private, non-profit colleges) did more than two-thirds of full-time freshman with federal loans manage to earn a degree within six years of enrollment. The graduation rates of the remaining 761 schools are so low that if they were high schools instead of colleges they would be flagged for special attention under the recently passed *Elementary and Secondary Education Act*.

## **2. Poor Wage Outcomes for Loan-Holding Students:**

- At the average four-year non-profit, just 63% of students who entered with federal loans earned yearly salaries and wages that exceeded \$25,000 (more than the average high school graduate) six years later.
- At the average institution, 19% of students who had taken out loans were already behind on their repayment just three years out. And at 230 of 1,027 four-year non-profit schools (22%), at least one-quarter of loan-holding students were behind on their payments three years after leaving school.

### **3. No Discernible Connection between Price and Quality:**

- Using our mobility metric, the average net tuition paid by low- and moderate-income students was lowest at top-quartile schools (\$15,938) and highest at bottom-quartile schools (\$18,776).

### **4. High-Performing Schools Enroll Comparatively Few Pell Students:**

- Schools in the top decile of our mobility metric averaged 18.9% Pell enrollment. Schools in the top quartile of our mobility metric averaged 23.5% Pell enrollment. The average four-year, non-profit school had an enrollment of 38.4% Pell students.
- Only 8.6% of top-quartile schools in our mobility metric ranking enrolled more than 38.4% Pell students (above average). In the bottom quartile, four out of five schools (80.1%) took an above average number of Pell students.

### **5. Poor Outcomes at Schools with Very High-Density Pell:**

- Among the 214 schools in which at least half the student body received Pell grants, only four are in the top quartile of our mobility metric ranking, and just 22 are in the top half.

- Of the 465 four-year private, non-profit schools that have Pell enrollment greater than the mean (38%):
  - Only 27% of these schools graduated at least half of their students within six years;
  - Only two-thirds have more than half of their loan-holding students earning greater than \$25,000 six years after enrollment; and
  - A mere 30% have loan repayment rates above the average (81%) three years out.

## Recommendations in Brief:

The current focus on college affordability is important but too narrow. State and federal governments are the largest payers of college tuition. Recognizing their stake in the quality and outcomes of college, we recommend the following proposals to improve both:

- **Skin in the Game:** Colleges should have some “skin in the game” when large numbers of students fail to graduate, gain employment, or pay back loans. Specifically, schools should be required to pay back some fraction of the federal loans their students cannot repay, a rate which can be adjusted based on the nature of the student body at particular schools. Having skin in the game will encourage colleges to care more deeply about student outcomes.
- **Better Teaching & Supports:** Every school with a graduation rate of less than 67% should develop and implement a plan to increase student completion, including improving classroom teaching by professors and adjuncts and using data analytics to detect early dropout indicators. Schools need to return to the core mission of instruction.

- **Title I for Colleges:** Schools that enroll high numbers of Pell students should receive special assistance from the federal government similar to Title I funding for K-12 education. We must recognize that schools that serve large low-income student populations have unique challenges that require additional resources.
- **Pell Floor:** High-performing schools should be encouraged and incentivized to accept and educate far more low-income students. 134 schools have Pell enrollment of less than 19%, which is half the average enrollment for four-year, non-profits. Congress should explore whether schools with low Pell enrollment should be barred from certain funding programs.
- **Open Data:** We must end the opacity of college-specific outcomes data to help students, parents, and policymakers discern whether schools are succeeding or failing. Colleges and universities should be required to make public the outcomes they are achieving with different categories of students, so that consumers are empowered to make the best choices about where to invest their time and money.

## TOPICS

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## END NOTES

1. United States, Department of Education, National Center for Education Statistics, Table 331.20, 2014. Accessed April 25, 2016. Available at: [https://nces.ed.gov/programs/digest/d14/tables/dt14\\_331.20.asp](https://nces.ed.gov/programs/digest/d14/tables/dt14_331.20.asp); See also: United States, Department of Education, National Center for Education Statistics, Table 303.70. 2014, Accessed April 25, 2016. Available at: [http://nces.ed.gov/programs/digest/d14/tables/dt14\\_303.70.asp](http://nces.ed.gov/programs/digest/d14/tables/dt14_303.70.asp).

- 2.** United States, Department of Education, “2013–2014 Federal Pell Grant Program End-of-Year Report,” Tables 13 and 18. Accessed April 12, 2016. Available at: <https://www2.ed.gov/finaid/prof/resources/data/pell-2013-14/pell-eoy-2013-14.html>.
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- 4.** Anthony Carnevale, Ban Cheah, and Andrew Hanson, “The Economic Value of College Majors,” Report, Georgetown University Center on Education and the Workforce, 2015. Accessed March 23, 2016. Available at: <https://cew.georgetown.edu/wp-content/uploads/Economic-Value-of-College-Majors-Full-Report-v2.compressed.pdf>; See also: United States, Department of Education, “College Scorecard,” version 1.7.7. Accessed April 12, 2016. Available at: <https://collegescorecard.ed.gov/>.
- 5.** United States, Department of Education, National Center for Education Statistics, Table 331.20, 2014, Accessed April 25, 2016. Available at: [https://nces.ed.gov/programs/digest/d14/tables/dt14\\_331.20.asp](https://nces.ed.gov/programs/digest/d14/tables/dt14_331.20.asp); See also: United States, Department of Education, National Center for Education Statistics, Table 303.70, 2014, Accessed April 25, 2016. Available at: [http://nces.ed.gov/programs/digest/d14/tables/dt14\\_303.70.asp](http://nces.ed.gov/programs/digest/d14/tables/dt14_303.70.asp).