THIRD WAY

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Executive Summary - What Free Won't Fix: Too Many Public Colleges are Dropout Factories

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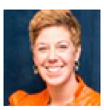

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Public colleges and universities play an essential role in unlocking the doors of higher education for many Americans. Today, more than 6.8 million students attend four-year public institutions, making up nearly two-thirds of the entire bachelor's degree-seeking population in the United States. [1] Close to two-thirds of all students attending these schools take out student loans in order to finance their education, with the average loan-holding student finding themselves more than $20,000 in debt four years later. [2] And American taxpayers spend more than $10 billion dollars a year on federal Pell grants to help more than 2.7 million low- and moderate-income students attending these institutions afford a postsecondary education. [3]

This investment is one most Americans are willing to make—in part because of the irrefutable economic benefits gained in our modern economy by those who earn a college degree. [4] But our analysis of the Department of Education's College Scorecard data reveals that not all four-year public schools are giving students, or taxpayers, a good return on their investment. In fact, at many of these institutions, first-time, full-time students are not graduating, a large number are unable to earn wages higher than the typical high school graduate, and many cannot pay back the loans they've taken out.

While rising costs continue to drive the conversation around higher education in our country, this report and our previous analysis of four-year private, non-profit colleges raise much more fundamental questions beyond sticker price. With outcomes like these, it is clear that simply addressing the rising cost of college isn't sufficient to ensure students are being equipped with the degrees and skills they need to succeed.

Among our key findings:

1. Low Graduation Rates for First-Time, Full-Time Students:

- A typical four-year public college graduates only 48.3% of first-time, full-time students within six years of enrollment. That means first-time, full-time students that enter the average public institution are more likely to NOT graduate than they are to graduate from the school where they first enrolled.

- At only **80 schools** (15.0% of four-year public colleges) did more than two-thirds of first-time, full-time students manage to earn a degree within six years. The graduation rates of the remaining 455 schools are so low that if they were high schools instead of colleges, they would be flagged as dropout factories and be required by federal law to intervene to improve their completion rates.

2. Poor Wage Outcomes for Loan-Holding Students:

- At the average four-year public college, nearly 4 in 10 loan-holding students (36.5%) are unable to earn more than $25,000 (the expected earnings of a high school graduate) six years after enrollment.

- At the average four-year public college, 22.2% of students who had taken out loans were unable to begin paying down their loans three years after leaving school. To put this in perspective, during the height of the housing crisis in 2010, 90-day mortgage delinquencies peaked at around 10%. [5]

3. Not all Public Schools are Created Equal:

- We mapped the schools by how well they were delivering for low- and moderate-income students on a scale we call the "mobility metric."

- There is a 35.5 point difference between the average completion rate at schools in the top quartile (66.5%) and the average completion rate at bottom-quartile schools (31.0%).

- There is a nearly 30 point gap between the average repayment rate at top-quartile schools (90.0%) and bottom-quartile schools (60.7%).

4. Pell Students Tend to Be Concentrated at the Schools with the Worst Outcomes:

- On average, the schools that rank in the top quartile of the mobility metric (meaning they have good outcomes for students) take in 29.3% Pell, while bottom-quartile schools take in 48.6% Pell.

- Among the 81 schools in which half or more of students received Pell grants, only three are in the top quartile of our mobility ranking, and just 14 are in the top half.

- Of the 252 four-year public institutions that have greater than average Pell enrollment (38.2%):

  - Only 16.3% graduated at least half of their first-time, full-time students within six years; and,

  - At only 17.1% do more than two-thirds of loan-holding students earn more than a high school graduate six years after enrollment.

5. Price has Little Relationship to Outcomes:

- Higher cost for low- and moderate-income students (coming from families making $0-$48k/year) does not deliver better results at our public institutions. The average net cost for those students remains virtually the same across the range of schools—whether students are graduating, finding employment, and paying their back loans or not.

- The average top-quartile school (those with good outcomes like completion, earnings, and repayment rates) charges a net price of $10,176, while the average bottom-quartile school (those with the worst outcomes) charges nearly $600 ***more*** ($10,762).

END NOTES

1. United States, Department of Education, National Center for Education Statistics, Table 303.70. 2015. Accessed August 1, 2016. Available at: http://nces.ed.gov/programs/digest/d15/tables/dt15_303.70.asp?current=yes.

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5. Bill McBride, “MBA: Mortgage Delinquency and Foreclosure Rates Decrease in Q4, Lowest since 2007,” Calculated Risk, February 25, 2015. Accessed April 1, 2016. Available at: http://www.calculatedriskblog.com/2015/02/mba-mortgage-delinquency-and.html; See also: Shane M. Sherlund, “Mortgage Defaults,” Report, Board of Governors of the Federal Reserve System, March 8, 2010. Accessed April 1, 2016. Available at: https://www.chicagofed.org/~/media/others/region/foreclosure-resource-center/more-mortgage-defaults-pdf.pdf?la=en.