THIRD WAY

REPORT *Published June 6, 2018 • 11 minute read*

Protecting Federal Dollars Flowing to New Short-Term Programs of Higher Education

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Today's ever-changing economy requires a workforce with constantly updating skills needed to meet employer demand. If one thing is for sure, it's that the new jobs of tomorrow are going to be very different from the jobs of yesterday, including the reality that by 2020, two-thirds of all jobs will require some sort of postsecondary credential.[1] To meet these evolving demands of employers more rapidly, the entire higher education system—from certificate programs to four-year degrees and beyond—must become more innovative and nimble than ever before

There has been increasing interest in Congress in the idea of extending federal student aid dollars like Pell Grants and student loans to non-traditional, short-term programs that do not currently qualify for such aid (including Senators Rubio and Bennet's *Higher Education Innovation Act*).[2] However, opening up the door to the nearly $130 billion pot of federal student aid comes with its own risks, especially if those programs do not have proven outcomes or may do little to economically benefit the students they serve. To ensure that we do not send financial aid dollars to low-quality or unnecessary higher education programs, any new pathway to access those taxpayer dollars should resemble the charter school authorization approach in the K-12 system, which in its best form requires schools to meet certain access and success criteria and only authorizes them for a limited amount of time.

The Problem

In the last decade alone, the number of employed Americans with a high school diploma or less has decreased by nearly 3 million people—even after nine straight years of economic growth.[3] And while postsecondary attainment is on the rise, skills gaps and labor shortages still exist, showing a potential need for new, innovative programs.[4]

Short-term programs have limited access to federal student aid.

To address the needs of tomorrow's economy, we need higher education programs that are responsive to today's workforce needs. However, as a consumer protection measure, many of the short-term programs available today have a hard time accessing federal aid. This is in large part because they are either too short in length or they are offered by a provider other than a traditional college or university, meaning they cannot go through the typical college accreditation process. Currently, accreditation serves as a prerequisite to receive federal financial aid, meaning that students are only able to access grants or loans if a program is provided through an institution that receives this stamp of approval.

Accreditation may not be nimble enough to keep up with the changing economy.

Our current system of accreditation system was not designed to be as responsive as may be necessary for today's changing economy. It typically evaluates educational programs at longer-term intervals (at least once every 10 years), rather than doing more regular evaluations to determine if institutions and the higher education programs they offer are serving students well. [5] Short-term programs argue that they can more quickly produce graduates equipped with skills needed in the labor market because they are better poised to adapt and evolve to fit the needs of the economy. Therefore, a quicker evaluation process may be needed to provide financial aid to some kinds of students who intend to go directly into the workforce.

Many short-term programs have shown a limited return of investment.

Yet while there are some promising shorter programs, there are many that show poor outcomes for their students. Recent data shows that one-fifth of certificate-granting institutions leave at least 75% of students who used federal aid to attend earning less than the average high school graduate six years after enrolling. [6] And 77% of those institutions left the majority of their students unable to start paying down their loans within three years. [7] While we don't have data on programs that are shorter in length than certificate programs, the potential to allocate billions more in federal financial aid to unproven programs is risky—both to taxpayers and to the students who could borrow but cannot repay their loans.

It should also be noted that the traditional accreditation process is ill-equipped to hold institutions accountable in general, given its focus on inputs as opposed to outputs. And if recent history is any indication, once the gates to federal aid are opened, it's hard to close them—even for institutions under investigation for abysmal student outcomes. [8] To get new federal funding, short-term programs should be able to demonstrate not only the quality of the education they provide, but also that the program aligns to available or growing employment needs. Because taxpayers and students need to know their investment is worth it.

The Solution

To create a more nimble system for providing access to federal financial aid for students attending innovative short-term programs, the higher education system should look to the charter school authorization process as a model. When performing well, these authorizers help ensure that charter schools are truly needed in the areas they serve and are providing access to all students, and they consistently review a school's ability to meet its goals. To execute a similar model in higher education, we propose creating a pathway that would make the U.S. Department of Education (Department) the "authorizer" that ensures only quality, necessary short-term programs receive federal funds. And before they get access to the spigot of taxpayer dollars, these programs should have to prove their value, likely by being funded privately by companies, foundations, or other donors. In order for these programs to receive federal funds, programs should meet key thresholds described below.

1. Serve high-need students.

The point of extending federal financial aid to non-traditional programs is supposed to be to expand opportunity for students that need it most, so these programs should primarily serve students from low- and moderate-income families. In order for one of these programs to receive federal money, 75% of enrolled students should be Pell-eligible. This means that limited federal resources would not be targeted to programs that mostly enroll students who are capable of paying out of pocket, and would likely limit programs from taking those students who already have four-year or advanced degrees (i.e. a coding boot camp for Harvard graduates).

2. Demonstrate good student outcomes.

Federally-funded programs should not just enroll high-need students, but they should also demonstrate positive outcomes for this population. This means the Department should only extend these funds to existing programs that have shown their students can complete the course of study, find employment within their field (using labor data such as

Standard Occupational Classification (SOC) codes), and earn a modest wage. We recommend the Department require these programs to have an annual graduation rate of at least 75%, as on-time completion should be much easier at short-term programs that take less time. And since these programs should be targeted to career needs, 75% of graduates should be employed in the field in which they studied. Programs should also be able to prove that 75% of their graduates earn more than the typical high school graduate ($25,000/year) within two years after completing the program.

In addition, because the first criteria is that these programs should be serving students of need, the metrics for these outcomes should also reflect that goal. That means each program should meet each of these metrics for Pell Grant recipients to ensure these programs serve those students well.

3. Meet the demands of the economy.

In addition to serving the students who need the economic boost of higher education the most, these programs should also fill local workforce gaps. The Department should require programs to demonstrate that they are filling a need in the local or regional economy, which they could do through one (or more) of the following criteria:

- *Job fill rate*: the ratio of new hires in a month to the number of unfilled job openings at the end of that month. Less than one means there are more job openings than new hires, indicating hiring difficulty. [9] We recommend a ratio of at least 2:1 to show the need for a program.

- *Education and credential attainment*: the number of working-age people with certain credentials compared to the openings for jobs for people with those credentials. [10] A ratio of at least 2:1 should be shown to demonstrate the need.

- *State analyses*: If a state labor agency publishes a labor supply and demand analysis proving a need in a given area or industry. [11]

- *Articulation agreement with a local or regional employer:* an agreement guaranteeing employment of students who finish the program. One example of this is the agreement between Northeastern University and General Electric through the Department's current EQUIP Pilot Program. [12]

4. Create a four-year authorization schedule—with built-in reviews.

Lastly, when the Department authorizes a program to receive federal money, it should do so on a time-limited basis. We suggest every four years as an appropriate amount of time for a short-term program to both enroll and graduate a new cohort of students, as well as have that cohort enter the job market. After four years, the Department can authorize this program again if it demonstrates that it continues to meet the standards outlined above, including that it's serving a high-needs population, graduating its students, getting good post-enrollment employment outcomes, and filling the needs of the changing economy.

Because these are short-term programs, the Department should monitor the outcomes listed above (graduation, earnings, and employment) annually. If a program failed any one metric for two consecutive years or was unable to make a case for reauthorization after four years, they would lose access to federal funds.

Additionally, the Department should hold these programs accountable for the aid they receive. If the students who complete cannot go on to earn enough to adequately repay any loan debt, the program should be required to repay the government for Pell Grants they received as well any loan amounts received from students to pay tuition or fees. This would protect students from wasting money on a worthless program, restoring the students' Pell eligibility, and making the government whole.

Critiques and Responses

Requiring proven outcomes ahead of time will stymie innovation.

Though some may see requiring proven outcomes in order to qualify for federal financial aid access as a hindrance for innovative programs to participate, there are plenty of options for funding outside of the federal government that can cover costs to get a program up and running. For example, new programs could look to the business community, non-profits, or private foundations to test whether a program model is successful at delivering outcomes rather than have the federal government foot the bill upfront. With limited federal resources, students and taxpayers deserve to know ahead of time whether their investment in non-traditional programs will pay off. And, as Western Governors University President Scott Pulsipher has said, "innovation without results is not innovation." [13]

The Department acting as an authorizer is a federal overreach.

The federal government provides nearly $130 billion in federal student aid for higher education, which makes the Department of Education a natural and important watchdog for those taxpayer dollars. If the federal government is going to expand the number of programs that qualify for federal aid, they have a right to protect those funds on behalf of taxpayers and make sure students only access programs that will help them advance their standing in the workforce.

Four years is too short to measure a program's success.

For many higher education programs, four years would be too short to demonstrate outcomes and have a proper evaluation. However, these are short-term programs, (which typically last less than one year up to two years), meaning that there should be a short timeline from when a student enrolls to when they enter the workforce.[14] As a result, there should be a shorter amount of time than the standard accreditation process to receive recognition and possible renewal of access to federal funds. Within four years, these short-term programs should be able to produce multiple cohorts, and their graduates should be able to show entry into the job market and an ability to earn a living wage.

Conclusion

It's clear there is demand for innovative short-term programs that can make higher education more accessible to a larger number of Americans. However, opening the door to innovation should not come at the expense of quality and targeted federal dollars towards the programs that can best meet economic needs. To ensure that all new innovative programs in higher education properly protect students and steward taxpayer dollars, Congress must put in place clear safeguards from the start.

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ENDNOTES

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