Education Policy in a Recession: New Investments in Community Colleges

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Higher education contributes to social and economic well-being

- Individual “economic return” to education
- Individual return to health and other areas
- Externalities (See Haveman and Wolfe)
- Some selection bias, but general agreement that there are causal effects
Same appears true of community colleges

- Less attention paid to CCs in the research as well as in policy (more on that below), but . . .
- Most of the economic return to education literature based on “years of education” and includes both 2- vs. 4-year college education
- Most direct evidence and support from Kane and Rouse (1995), Grubb (1999), and others
- There is also an equity side of this . . .
Community colleges serve higher shares of minority and lower-income college-going youth

Share of high school graduates enrolling in a community college by race/ethnicity and family economic status, 2004

Source: U.S. Department of Education, Community Colleges: Special Supplement to the Condition of Education 2008
Occupational projections suggest continued growth in jobs requiring sub-baccalaureate education

Occupational growth projections, 2006-16

- Veterinary technologists and technicians: 41.0%
- Physical therapist assistants: 32.4%
- Dental hygienists: 30.1%
- Environmental science and protection technicians: 28.0%

Projected job growth, 2006-16

- Associate degree
- Other sub-baccalaureate education/training
- Bachelor’s degree and above

Source: Bureau of Labor Statistics, Occupational Projections
Enrollment growth in the two-year sector is outpacing that in the four-year sector.

But community colleges face serious challenges…

- Balancing multiple missions (e.g., degree, certificate, transfer, development ed, continuing ed, etc.)

- Dropout rates approach 50%
  - Only one-third of students complete a degree or certificate within six years of entering
College access is going up faster than completion

Another problem: the “snob” factor

- Two-year colleges are places of “continued dependency, unrealistic aspirations, and wasted ‘general education.’”
  - W.B. Devall, 1968

- Why I Ignore Community Colleges

- Premiering tonight: “Community” starring Chevy Chase (NBC)
Limitations of Existing Policy
Community colleges have few resources and depend mostly on state/local sources, being squeezed by recession

- We spend less on CCs than high schools (per FTE basis)
- State and local revenues account for nearly 60% of community college budgets
- Federal spending (including financial aid) supplies 15% of community college revenue
- This makes community colleges especially susceptible in periods of economic downturn
Expenditures at community colleges have declined as enrollments have skyrocketed

% Community Colleges reporting various declines and gains in headcount and budget, Winter 2008 to Winter 2009

Federal funding per FTE student at public 4-year colleges outstrips that at community colleges by 3:1

Source: Delta Cost Project, *Trends in College Spending*
Run down buildings
Unfinished construction
Crowded classrooms
Not just the level of funding, but the way it is distributed that is problematic

- Based on enrollment, not outcomes
- Student-focused approaches alone (e.g., subsidies and fin. aid) are insufficient
- Funding levels also important to ensure that colleges have the capacity to respond and improve outcomes
New Investments in Community Colleges: Coming Soon
Recognizing the importance of postsecondary education, the new administration announced an ambitious national goal

“...we will provide the support necessary for you to complete college and meet a new goal: by 2020, America will once again have the highest proportion of college graduates in the world.”

--Pres. Obama, Address to Joint Session of Congress, February 24, 2009
And followed up by creating a significant new program:
The American Graduation Initiative

“...we seek to help an additional 5 million Americans earn degrees and certificates in the next decade.”

--Pres. Obama, Address to Macomb Community College
July 14, 2009
What’s the plan?
A Blueprint for National Prosperity

In May 2009 the Brookings Institution issued a proposal:

Transforming America’s Community Colleges: A Federal Policy Proposal to Expand Opportunity and Promote Economic Prosperity

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We called for a 4-pronged approach:

- Dramatically increase federal resources
  - We initially asked for a doubling of the direct fed investment (from $2-4 billion/year)
- Tie resources to national goals
- Establish some effective practices that really help students finish degrees
- Assess and evaluate
Colleges could use money as they see fit, but there are some likely strategies

- Improve facilities
  - Smart classrooms
  - Enough space for all students
  - Welcoming environments

- Enhance remedial education
  - Improve retention rates

- Grow a well-supported workforce of educators
  - Stem the tide of reliance on adjuncts
Measure success in meaningful ways—moving beyond simple enrollment and graduation rates.

- Degree and credential completion (including transfer)
- Transitions from remedial to credit-bearing coursework
- GED attainment
- Key credit-hour mileposts toward credentials
- Earnings and employment outcomes
Innovate, assess, and scale-up

- Identify what’s working elsewhere
  - Ask critical questions during this process—how do you *know* something is working?
  - What does it cost?
- Try it out and collect data
- Compare costs with impacts
- Decide whether to continue, and go to scale
The federal government should continue to support the creation of data systems that can be used to track community college performance.

22 states still lack data systems that connect student-level P12 to post-secondary data; only a few link to labor market data.

Source: Data Quality Campaign
In short, make community colleges central to the President’s higher education agenda

- Focus on degree completion
- The goal should be to produce more graduates holding degrees of value
- Encourage a “culture of evidence”
- Elevate the status of two-year colleges with both rhetoric and resources
  - Sending a clear message about the value of the 2-year sector
  - Reducing resource disparities that have widened over time
Washington has responded…

- **Cecilia Rouse**, Council for Economic Advisers, served on the panel at the paper’s release (5/7)
- **Rahm Emanuel**, Chief of Staff, hinted at the program in a speech to the DLC (6/17)
- **President Obama** spoke at Macomb (7/14)
- **Representative Miller** unveiled HR 3221 (7/15)
- The House began debate yesterday, and is continuing debate today
- **Senator Harkin’s HELP Committee** is hard at work (aiming for a 10/15 deadline)
Obama’s Community College Plan

- Embodied in HR 3221: The Student Aid and Fiscal Responsibility Act
- Investment: $12 billion over 10 years
  - $9 billion in grants to stimulate and support promising practices and collect data on outcomes
  - $3 billion in support for infrastructure
    - Expected to generate additional support
- Accountability: Requires performance after year 3, establishment of goals
- Data and evaluation required
Important Caveats

- Where does the money come from?
  - Estimated savings from a switch to direct lending of student financial aid
  - Funding therefore requires an end to the bank-based guaranteed loan program

- Do states and colleges have to pony up?
  - Yes. In some case a 33-50% match is required.
Other unresolved issues...

- Ensure states focus on increasing the completion rates of low-skill, low-income adults
- Devise ways for a competitive grant process to not leave out the states and colleges currently farthest behind.
- Integrate longer-term labor market outcomes into the measures of success.
- Better define “evaluation” and “data” to ensure that lessons about what works and what does not can be drawn from the innovations.
- Promote a greater emphasis on scalability of innovative policies and practices, and correspondingly point toward the need to require sustainable partnerships