

Testimony to the Advisory Committee on Student Financial Assistance Hearing on the Postsecondary Institution Rating System

September 12, 2014

The Center for Law and Social Policy (CLASP)—a national organization that develops and advocates for policies that improve the lives of low-income people—welcomes and strongly supports the efforts of the Advisory Committee on Student Financial Assistance to ensure that the proposed Postsecondary Institution Rating System gives students access to the information they need to make better choices about college and career goals and information about the outcomes of postsecondary education and training, while minimizing unintended effects. While recent Department of Education initiatives, such as the College Scorecard, have greatly strengthened the information base available to the public, there is more work to be done to provide access to better and more comprehensive information about access, progress, completion and important post-graduation outcomes.

Our comments on the proposed Postsecondary Institution Rating System (PIRS) are guided by two core principles. **First**, there is a sharp distinction between the functions of increasing transparency of information about postsecondary education and holding institutions or programs accountable for outcomes. Transparency refers to the ability of postsecondary education consumers to have access to the facts that they need in order to be able to make an informed decision about whether to enroll in postsecondary education, what to study, where to enroll, and how to finance their education. Accountability refers to the creation and imposition of minimal standards of performance that are meant to remove unqualified providers, as well as the creation and implementation of financial incentives to spur performance improvements over time. Transparency is about creating a postsecondary market; accountability is about regulating the market. Although transparency and accountability may use similar metrics and require similar data, they are likely to have different audiences, require different standards for data comparability, use different minimal numbers of records to support reporting, and have different requirements for disaggregation of results.

Second, while CLASP supports the overall goals of increasing transparency and accountability for postsecondary results, any proposal for a ratings system should be carefully assessed to determine its potential impact on students from disadvantaged backgrounds, including low-income and under-represented students. Any major reform proposal, including an accountability system, should be modeled to determine the expected effects on low-income students and institutions and, ideally, piloted to understand the effects before major changes are scaled up. (see [*Reforming Student Aid: How to Simplify Tax Aid and Use Performance Metrics to Improve College Choices and Completion*](#), CLASP, February 2013) Our comments include a number of suggestions for avoiding or at least minimizing the potential negative effects on those students.

Minimizing the Unintended Effects of PIRS

While we strongly believe that all students should have access to better data to inform their college choices, PIRS must be designed with significant care so as not to create disincentives for institutions to focus resources on serving low-income and underprepared students. The following

recommendations apply to either of the two proposed uses for PIRS (i.e., transparency and accountability). In addition, we have a few recommendations that are specific to each of these two uses of a PIRS, and these appear in their own sections. In general, in order for the PIRS to be implemented in an effective manner, and in order to reduce the possibility of unintended consequences, the PIRS should:

1. Include a range of measures that reflect the goals of student access, student progress, completion and post-graduation earnings;
2. Avoid using composite ratings;
3. Disaggregate results to improve transparency and illuminate inequalities; and
4. Compare institutional results fairly.

Include a range of measures. CLASP recommends including a range of measures that reflect the goals of student access, student progress, completion and post-graduation outcomes, as shown in Table 1. The advantage of a range of measures is that it better reflects a balance among the array of key goals for postsecondary institutions, including student access and progress, as well as completion and post-graduation outcomes. This will help reduce the focus on a single objective such as graduation rate at the expense of other goals. As indicated in the table, existing data could be used to provide or calculate many of these metrics, though there are still significant limitations to using these data (see discussion below).

Table 1. Examples of Measures and Current Data Availability

Categories and Focus	Examples of Measures	Current Data Availability
Access and affordability: College access, college costs and debt burden after graduation	Percent of students receiving Pell or other need-based financial aid	Available in current federal databases for Pell grant recipients
	Net price	Available in IPEDS and NSLDS
	Average debt of students with college loan debt	Available for students in the NSLDS
	Loan repayment rates	Can be calculated from data in the NSLDS
Student Progress: Progress of students toward completion	Percent of students retained in subsequent year	Reported in IPEDS for first-time, full-time students
	Percent of students enrolled in development education or remedial coursework	Not available
	Percent of students enrolled in college-level credit instruction	Not available
Completion: Student	Graduation rate/transfer rate	Reported in IPEDS for

completion and attainment of credentials		first-time, full-time students and completion can be collected through the NSLDS on a voluntary basis
Employment and Earnings: Post-graduation labor market results	Median earnings one to two years and five years following graduation	Can be calculated for students in the NSLDS if matched with national or cross-state earnings data from the Social Security Administration (SSA) earnings file

Avoid Using Composite Ratings. In general, overall or composite ratings of institutions are likely to be of limited value to consumers, given all of the factors that could contribute to the calculation of such a composite rating. Not all metrics are of equal importance, and consumers may place a higher priority on net price and a lower priority on graduation rate. If an overall rating of institutions must be part of the PIRS, it should be based on how the institution performs with respect to the metrics that are most important to the consumer, relative to those results for other peer institutions.

If PIRS is used for accountability purposes in the future, we advise against using composite ratings that may be difficult to understand and difficult to interpret for program or institutional improvement. Any disqualification thresholds should be based on clear criteria that are designed to remove those institutions that have shown over time an inability to meet minimal standards of performance. Setting thresholds based on a single criterion can create strong incentives to game results, distort institutional missions, or create other undesired results. No institution should ever be in a position of not understanding exactly where that minimal threshold is, and what metric or metrics must be improved in order for its eligibility to be protected.

Disaggregate Data to Improve Transparency and Illuminate Inequities. Results must be presented for sub-groups of students for comparison purposes. It is not sufficient to report information on access for various sub-groups; the results for these sub-groups must also be presented, for two reasons. First, for consumer information purposes, students need to be able to see how each institution performs, not just for all students, but for students like themselves. A prospective student who is a Pell grant recipient should be able to observe institutional results for Pell grant recipients. Second, showing results for categories of students from disadvantaged backgrounds is a necessary condition for the use of results for accountability purposes because disaggregating outcomes may help reduce the potential for negative consequences for these students in the face of increased performance pressure. If results are presented for sub-groups of students together with information about access, it becomes possible to measure and ultimately begin to address critical achievement gaps or disparities in educational and labor market outcomes.

Student results should be disaggregated and presented for the following sub-groups:

- *Programs of study:* This is of particular importance for employment and earnings results, which probably do not make much sense outside of a program of study context.
- *Pell Grant recipients:* Does the institution obtain good results for its Pell recipients as well as non-Pell recipients?
- *Full time/part time/mixed enrollment status:* The ability of the student to attend full time or not has a great bearing on the prospects for graduation, and it is a disservice to students not to make this reality clear.
- *Gender:* Showing institutional results for students by gender, particularly in settings where they will be underrepresented, is an important part of the context.
- *Race/ethnicity:* The ability of the institution to minimize achievement gaps for minority students is an important element for comparison of institutions for minority students.

Compare Institutional Results Fairly. In developing comparison (or peer) groups, it is important to distinguish between institutional characteristics that are part of a consumer frame of reference (location, cost, size) and institutional characteristics that are inherently connected to or that influence the results (such as degree of selectivity, types of credentials granted). It may be entirely appropriate to compare results for institutions of differing location, cost and size, but it is probably not appropriate to compare results for selective and non-selective institutions. The peer groups for comparison should encourage students to compare institutions that are similar on these fundamental factors.

Accordingly, consumers should have access to two types of comparative information: 1) information on location, cost and other factors and 2) information about results based on key institutional differences that influence outcomes. Institutions should be grouped along dimensions that have strong predictive power for the metrics. These dimensions may include:

- Level of selectivity (e.g. percent of applicants admitted);
- Types of credentials granted (awards, certificates; associates, bachelors, advanced);
- Percent receiving Pell grants or other need-based aid; and
- Percent of students attending other than full-time.

In addition to the peer group characteristics listed above, there are several additional characteristics of institutions and students that should be considered if the PIRS is to be used to support accountability. Some examples are listed below:

- Percent of students enrolled in remedial instruction;
- Percent of students over 22 years of age at first enrollment or age 24 and older;
- Percent of students who are first generation college students.

Using PIRS to Provide Students and Families Better Information about College Choices

Beyond the general recommendations discussed above, CLASP has three suggestions that apply to the use of the PIRS for transparency and consumer reporting. CLASP strongly supports the use of the PIRS to promote consumer awareness and choice. Increased transparency of information can improve the functioning of a market for postsecondary education and training. Armed with better data, consumers will have more options and increased chances of making informed choices about college and career goals. Even enrolled students can use information about results at the institution they are attending to advocate for institutional improvement. Employers, policymakers other stakeholders may also use consumer information to identify achievement gaps and begin to address them. In order for this vision to be realized in a way that minimizes the possibilities of unintended consequences, the PIRS should:

5. Empower students to use data effectively;
6. Provide earnings data in a labor market context; and
7. Integrate PIRS data into college access and career guidance.

Empowering Students to Use Data Effectively.

It is important that metrics results be available and presented to students in an easy-to use and appropriate context to support effective use and decision making. The *College Scorecard* represents a major step forward in the presentation of information in an easy-to-use and graphical format. In general, data for each of the metrics reported in the PIRS should be presented in four ways:

- Overall results for each metric (How did this college perform on each metric?);
- Results for subcategories of interest to the consumer, such as programs of study or types of students (How did students like those you have selected do at this college?);
- Comparison of results to the average for institutions in the peer group (How does this college compare to other similar colleges?); and
- Comparison of results to those of the other institutions selected by the consumer (How does this college compare to other colleges I have selected?)

Provide earnings data in a labor market context. In addition to the above presentation requirements, earnings results must be presented in their labor market context if they are to be meaningful and used appropriately. These data should be presented for graduates of the specific program(s) of study identified by the consumer, for earnings in specific regions based on consumer interest, and in comparison to earnings for specific occupations and industries related to the program(s) of study. While this will certainly require the presentation of data in a more sophisticated manner than what may be envisioned in a simple scorecard model, it is essential to provide context for earnings results, otherwise colleges serving less wealthy labor markets, or preparing students for entry into less lucrative fields, will be unfairly compared to other colleges.

While we recognize the special challenges associated with the development and use of post-program earnings data for transparency purposes, we do not feel that these challenges are a reason not to do so. This information is important to consumers and must be part of any consumer information system. The Higher Education Research Institute (HERI) survey of freshman at four-year institutions (Pryor, Egan, et.al., 2009-2013) reflects the continuing trend

for students to place their prospects for employment and improved earnings at the top of their motivations for deciding to go to college.¹ These data and other survey research suggest that, for the vast majority of students and parents, postsecondary education is seen as a way to boost *prospects for stable employment and greater earnings.*²

Integrate PIRS data into college access and career guidance. An enhanced *College Scorecard* with additional metrics and data will increase transparency of higher education outcomes. However, it is clear that information alone, even if presented in an easy-to-use and engaging format, is not enough. Information on results should be integrated into college access programs and the career guidance and college choice delivery systems that reach students at different levels. Counselors and advisers should be equipped to interpret this information for prospective and enrolled students. Students should have access to online tutorials or other means to learn how to access and interpret results about the institutions and programs they are considering. The Department should provide guidance and invest resources to support this function.

Using PIRS for Accountability

Using the PIRS to support institutional accountability creates special concerns about the possibility of unintended consequences. This includes uses that affect the qualification of an institution to receive funds under Title IV, or that affect the amount of Title IV funds that are available to an institution. In particular, higher stakes uses of the PIRS data have the potential to lead to institutions reducing their focus on Pell grant recipients and other lower income students; increasing their enrollment selectivity in a way that could reduce opportunities for lower-income students; or making other changes to targeting and enrollment policies that could negatively affect access for students requiring remediation. In order to reduce the likelihood that these types of responses will occur, in addition to the general recommendations discussed above, the Department of Education should:

8. Wait for better data before using the PIRS for accountability purposes;
9. Assign a high priority to addressing several critical data shortcomings;
10. Adjust for institutional and student characteristics; and
11. Allow for institutional improvement over time.

Wait for better data before using PIRS for accountability. While we feel that existing data sources may be adequate to provide consumer information (based on data for students covered by the National Student Loan System Database, and supplemented by earnings data from SSA earnings file or other federal databases), substantial improvements are needed.

¹ For the most recent report of this survey series, see: Kevin Eagan, Jennifer B. Lozano, Sylvia Hurtado, et al., *The American Freshman: National Norms Fall 2013*, Higher Education Research Institute at UCLA, 2014, <http://www.heri.ucla.edu/monographs/TheAmericanFreshman2013.pdf>.

² For additional discussion of the development and use of earnings data, see: *Workforce Results Matter: The Critical Role of Employment Outcome Data in Improving Transparency of Postsecondary Education and Training*, CLASP and WDQC, April 2014.

For this reason we do not support the use of the PIRS for accountability purposes until more and higher quality data are available. Any major reform proposal, including use of metrics for accountability purposes, should be modeled to determine the expected effects on students from disadvantaged backgrounds and institutions and, ideally, piloted to understand the effects before major changes are scaled up.³ Furthermore, the goals of a performance accountability system also should be clearly determined and agreed upon before any metrics are adopted.

Address several critical data shortcomings. Additional data collection and improved connections between federal databases are needed to calculate several of the proposed metrics, if they are to be used to support accountability. Key data needs include:

- *Increased coverage of students:* Completion rates are difficult to estimate because of limited data coverage of students in community colleges and other institutions that serve students who are not attending for the first time. This is starting to change with the collection of additional information on non-first time and part-time students through IPEDS. The expected changes to IPEDS will increase the coverage of non first-time and part-time students and should allow for calculation of an expanded graduation rate.
- *More information on student characteristics to support calculation and disaggregation of outcomes for sub-groups of students:* Student outcomes available through IPEDS cannot be disaggregated by enrollment status, age, socioeconomic status or other student characteristics that can provide a complete picture of postsecondary results. The changes to the IPEDS outcome measures, for example, are expected to be reported in the aggregate for all students in an enrollment category. Ultimately, access to student-level data is probably necessary to ensure that access and outcome data include the level of disaggregation needed for transparency and especially accountability purposes.
- *Additional data on student progress, especially in less selective institutions:* The measures of enrollment in remedial instruction and enrollment in college-level instruction cannot be calculated without new data collection. These measures (e.g., percent of students retained in subsequent year, percent of students enrolled in development education or remedial coursework, and percent of students enrolled in college-level credit instruction) are needed to assess the extent to which colleges are helping students make progress toward graduation. Here as above, access to student-level data may be necessary to gather this information in an efficient manner.
- *Solve the problem of access to reliable information on post-program earnings.* Although earnings measures can be calculated now for a limited set of students in the NSLDS, substantial improvements are needed to make broader use of this data. Access to national or cross-state employment data is needed to provide information about labor market outcomes, such as median earnings. Because students and graduates of various programs are likely to be highly mobile across states, it is important to provide information about labor market outcomes based on cross-state or national data. At the national level, it is possible to report annual earnings for students if student data are matched with the Social

³ [Reforming Student Aid: How to Simplify Tax Aid and Use Performance Metrics to Improve College Choices and Completion](#), CLASP, February 2013, p. 14.

Security Administration (SSA) earnings file. This data source has the broadest coverage of administrative data sources, including nearly all workers.

The most straightforward approach to developing comparable workforce results data for postsecondary institutions and their programs along the lines discussed above would be a comprehensive national database with student-level graduate data (with SSNs and other required student characteristics) submitted to ED by all postsecondary institutions. The advantages of a national model are substantial, including the ability to implement consistent definitions of metrics, and a greater capacity to ensure high data quality. A national model also lends itself to a national approach for accessing and disseminating the results data, which can promote simplification and may increase utility to consumers. Implementation of this approach would require legislative action to reverse or modify a ban on creation of a national Student Unit Record system.

Adjust for Institutional and Student Characteristics. For consumer information purposes, unadjusted information should be provided to students and stakeholders. Consumers should be able to use selection criteria to compare institutions based on location and other factors. They should be able to compare results with the results of peer institutions.

Data used for the purposes of accountability should be treated differently than data used for the purposes of consumer information. Any accountability system, if it is not designed with care, may have adverse consequences on access and success for students from disadvantaged backgrounds. An accountability system without protections for enrolling low-income students and helping them to succeed will create incentives to focus resources on the most prepared students and those most likely to succeed in postsecondary education and the job market.

The advantages and disadvantages of using an adjustment model should be carefully weighed. An index or model can be developed to take into account and adjust for identifiable characteristics of the students that may influence programmatic or institutional outcomes. Regression-based models have been used for years to take into account different economic conditions and differences in those served in the calculation of results for workforce programs. However, an adjustment model is only as good as the underlying data, which are based on past experience. Selection of variables for a model also reflects policy choices and value judgments. Another concern voiced by student advocates is that adjusting for educational outcomes, in particular, may set the stage for lowered expectations for certain groups of students or students at certain institutions. An adjustment model may be appropriate, and even necessary, for leveling the playing field for programs or institutions if outcomes are tied to funding, but it may not be appropriate if the goal is to increase awareness of and advance equity of outcomes.⁴

Allow for Institutional Improvement Over Time. Improvement over time should be an important component of any use of PIRS, and especially if it is used for accountability purposes. This is based on the notion that what is primarily being sought through an accountability system is improvement over time, particularly for those institutions whose performance on the metrics is

⁴ (see Burt S. Barnow and Carolyn J. Heinrich, *One Standard Fits All? The Pros and Cons of Performance Standard Adjustments*, 2009)

lower than what it is expected to be. Institutions should be rewarded (or at least protected from negative consequences) if they are making substantial progress toward achievement of desired results. It is not the metrics that are adjusted to reflect improvement over time, but rather the use of the metrics for accountability, especially allocation of resources, should be conditioned on the progress of the institution in making measurable improvements in results on those metrics where it has performed below a minimum acceptable level.