

SUMMARY

THE VALUE OF HIGHER EDUCATION

In an era when intellectual capital is increasingly prized, both for individuals and for the nation, postsecondary education has never been more important. Ninety percent of the fastest-growing jobs in the new knowledge-driven economy will require some postsecondary education. Already, the median earnings of a U.S. worker with only a high school diploma are 37 percent less than those of a worker with a bachelor's degree. Colleges and universities must continue to be the major route for new generations of Americans to achieve social mobility. And for the country as a whole, future economic growth will depend on our ability to sustain excellence, innovation, and leadership in higher education. But even the economic benefits of a college degree could diminish if students don't acquire the appropriate skills.

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ACCESS

We found that access to American higher education is unduly limited by the complex interplay of inadequate preparation, lack of information about college opportunities, and persistent financial barriers. Substandard high school preparation is compounded by poor alignment between high schools and colleges, which often creates an "expectations gap" between what colleges require and what high schools produce. Although the proportion of high school graduates who go on to college has risen substantially in recent decades, the college completion rate has failed to improve at anywhere near the same pace. Shortcomings in high schools mean that an unacceptable number of college students must take costly remedial classes. Moreover, there is a troubling and persistent gap between the college attendance and graduation rates of low-income Americans and their more affluent peers. Similar gaps characterize the college attendance rates—and especially the college completion rates—of the nation's growing population of racial and ethnic minorities. While about one-third of whites have obtained bachelor's degrees by age 25–29, for example, just 18 percent of blacks and 10 percent of Latinos in the same age cohort have earned degrees by that time.

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We propose to dramatically expand college participation and success by outlining ways in which postsecondary institutions, K–12 school systems, and state policymakers can work together to create a seamless pathway between high school and college. States’ K–12 graduation standards must be closely aligned with college and employer expectations, and states should also provide incentives for postsecondary institutions to work actively and collaboratively with K–12 schools to help underserved students improve college preparation and persistence. While better high-school preparation is imperative, admitted students and colleges themselves must jointly take responsibility for academic success. Improving the information about college available to students and reducing financial barriers to attendance, which we address below in our discussion of affordability, are also crucial to improving access.

In our view, affordability is directly affected by a financing system that provides limited incentives for colleges and universities to take aggressive steps to improve institutional efficiency and productivity.

COST AND AFFORDABILITY

The commission notes with concern the seemingly inexorable increase in college costs, which have outpaced inflation for the past two decades and have made affordability an ever-growing worry for students, families, and policymakers. Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so. While students bear the immediate brunt of tuition increases, affordability is also a crucial policy dilemma for those who are asked to fund higher education, notably federal and state taxpayers. Even as institutional costs go up, in recent years state subsidies have decreased on a per capita basis and public concern about affordability may eventually contribute to an erosion of confidence in higher education. In our view, affordability is directly affected by a financing system that provides limited incentives for colleges and universities to take aggressive steps to improve institutional efficiency and productivity.

To improve affordability, we propose a focused program of cost-cutting and productivity improvements in U.S. postsecondary institutions. Higher education institutions should improve institutional cost management through the development of new performance benchmarks, while also lowering per-student educational costs by reducing barriers for transfer students. State and federal policymakers must do their part as well, by supporting the spread of technology that can lower costs, encouraging more high school-based provision of college courses, and working to relieve the regulatory burden on colleges and universities.

FINANCIAL AID

We found that our financial aid system is confusing, complex, inefficient, duplicative, and frequently does not direct aid to students who truly need it. There are at least 20 separate federal programs providing direct financial aid or tax benefits to individuals pursuing postsecondary education. For the typical household, the *Free Application for Federal Student Aid*, or *FAFSA*, is longer and more complicated than the federal tax return. Moreover, the current system does not provide definitive information about freshman year aid until the spring of the senior year of high school, which makes it hard for families to plan and discourages college attendance. Unmet financial need is a growing problem for students from low-income families, who need aid the most.

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We propose replacing the current maze of financial aid programs, rules and regulations with a system more in line with student needs and national priorities. That effort would require a significant increase in need-based financial aid and a complete restructuring of the current federal financial aid system. Our recommendations call for consolidating programs, streamlining processes, and replacing the *FAFSA* with a much shorter and simpler application.

LEARNING

As other nations rapidly improve their higher education systems, we are disturbed by evidence that the quality of student learning at U.S. colleges and universities is inadequate and, in some cases, declining. A number of recent studies highlight the shortcomings of postsecondary institutions in everything from graduation rates and time to degree to learning outcomes and even core literacy skills. According to the most recent National Assessment of Adult Literacy, for instance, the percentage of college graduates deemed proficient in prose literacy has actually declined from 40 to 31 percent in the past decade. These shortcomings have real-world consequences.

Employers report repeatedly that many new graduates they hire are not prepared to work, lacking the critical thinking, writing and problem-solving skills needed in today's workplaces. In addition, business and government leaders have repeatedly and urgently called for workers at all stages of life to continually upgrade their academic and practical skills. But both national and state policies and the practices of postsecondary institutions have not always made this easy, by failing to provide financial and logistical support

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In our view, correcting shortcomings in educational quality and promoting innovation will require a series of related steps, beginning with some of the accountability mechanisms that are summarized below and discussed at greater length later in this report. In addition, we urge postsecondary institutions to make a commitment to embrace new pedagogies, curricula, and technologies to improve student learning.

TRANSPARENCY AND ACCOUNTABILITY

We have noted a remarkable shortage of clear, accessible information about crucial aspects of American colleges and universities, from financial aid to graduation rates. Because data systems are so limited and inadequate, it is hard for policymakers to obtain reliable information on students' progress through the educational pipeline. This lack of useful data and accountability hinders policymakers and the public from making informed decisions and prevents higher education from demonstrating its contribution to the public good.

We believe that improved accountability is vital to ensuring the success of all the other reforms we propose. Colleges and universities must become more transparent about cost, price, and student success outcomes, and must willingly share this information with students and families. Student achievement, which is inextricably connected to institutional success, must be measured by institutions on a "value-added" basis that takes into account students' academic baseline when assessing their results. This information should be made available to students, and reported publicly in aggregate form to provide consumers and policymakers an accessible, understandable way to measure the relative effectiveness of different colleges and universities.

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INNOVATION

Finally, we found that numerous barriers to investment in innovation risk hampering the ability of postsecondary institutions to address national workforce needs and compete in the global marketplace. Too many of our colleges and universities have not embraced opportunities to be entrepreneurial, from testing new methods of teaching

and content delivery to meeting the increased demand for lifelong learning. For their part, state and federal policymakers have also failed to make supporting innovation a priority. Accreditation, along with federal and state regulation, can impede creative new approaches as well.

We recommend that America's colleges and universities embrace a culture of continuous innovation and quality improvement. We urge these institutions to develop new pedagogies, curricula and technologies to improve learning, particularly in the areas of science and mathematics. At the same time, we recommend the development of a national strategy for lifelong learning designed to keep our citizens and our nation at the forefront of the knowledge revolution.

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