

# MORE GRADUATES, A STRONGER ECONOMY

**T**he United States may be a leader in per-student higher education spending, but we are not getting the kind of return on investment we should expect. America ranks abysmally low when it comes to higher education completion rates – a position that has drastic consequences for individuals who enroll and don't finish, and for America's economic future. In 2008, state and local governments spent \$85 billion to fund public higher education.<sup>1</sup> The result: only 56 percent of first-time, full-time students receive a degree within six years.<sup>2</sup>

*The United States spends twice as much as the average industrialized country on higher education, but compared with other nations has an increasingly smaller proportion of young adult Americans with at least an associate degree. Even more startling, the United States is in 10th place among developed nations in attainment among younger adults, who overall are now completing less higher education than did their parents' generation.<sup>3</sup>*

*State taxpayers continue to be the primary source of unrestricted funds that colleges need to hire faculty instructors and maintain core student services.<sup>4</sup> The cascading consequences of the global and national recession are hitting state budgets hardest, increasingly jeopardizing future investments in higher education.*

The need for change is clear and urgent. We can no longer afford the status quo. Elected officials, policymakers, education leaders,

faculty and the business community must make it a priority to use existing dollars more efficiently and significantly increase the number of students graduating from our institutions of higher learning.

- **Rewarding institutions that focus on students completing quality programs, not just attempting them.**
- **Rewarding students for completing courses and degree or certificate programs.**
- **Expanding and strengthening lower cost, nontraditional education options through modified regulations.**
- **Investing in institutions that demonstrate the results of adopting good business practices.**

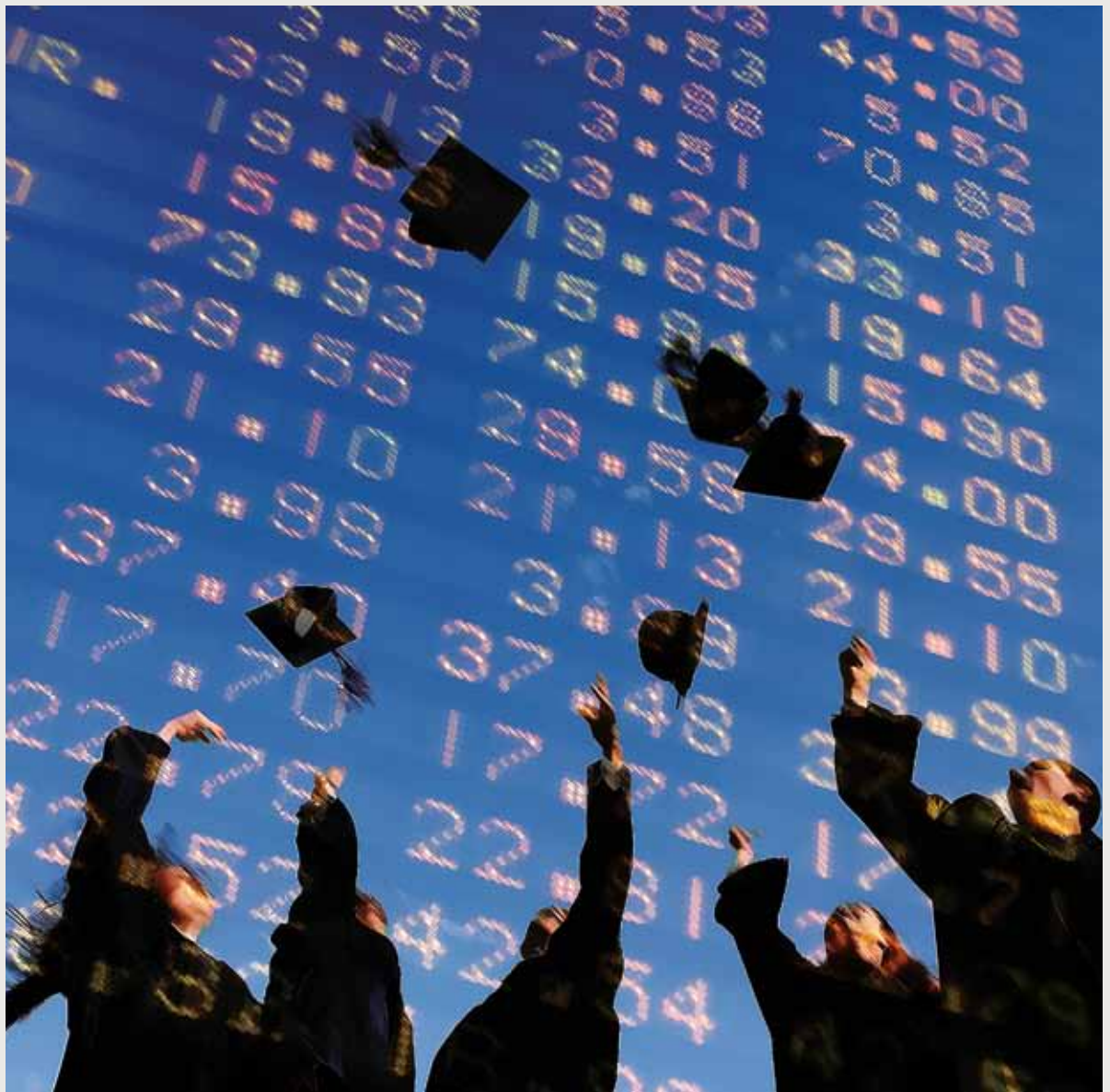


# ENDNOTES

- 1 State Higher Education Finance FY2008, State Higher Education Executive Officers, 2009.
- 2 National Center for Education Statistics, IPEDS Graduation Rate Survey, at <http://www.higheredinfo.org/dbrowser/?level=nation&mode=data&state=0&submeasure=27>.
- 3 OECD *Factbook 2009: Economic, Environmental and Social Statistics, Education Outcomes* at <http://oberon.sourceoecd.org/vl=1886111/cl=51/nw=1/rpsv/factbook2009/09/01/03/index.htm> (see “Tertiary Attainment for age group 25-34” and “Tertiary Attainment for age group 55-64”).
- 4 Comparisons of instruction-related spending per student to state shares of instruction-related spending show this holds true for all public institutions except those in the public research sector. Delta Project on College Costs, “Trends in College Spending: Where does the money come from? Where does it go? What does it buy?” January 2009 at [http://www.deltacostproject.org/resources/pdf/trends\\_in\\_spending-report.pdf](http://www.deltacostproject.org/resources/pdf/trends_in_spending-report.pdf) (see figures 8 and 11) and <http://www.deltacostproject.org/data/overview.asp> for state-by-state numbers. Instruction-related spending defined on p. 10.
- 5 National Center for Higher Education Management Systems and Delta Cost Project, “Rethinking Conventional Wisdom about Higher Education Finance,” at [http://www.deltacostproject.org/resources/pdf/advisory\\_10\\_Myths.pdf](http://www.deltacostproject.org/resources/pdf/advisory_10_Myths.pdf).
6. Albright, Brenda, “Tipsheet on Performance Funding,” at <http://www.makingopportunityaffordable.org/sites/default/files/resources/TipsheetonPerformanceFunding.pdf>.
7. See “The Ideal State Postsecondary Data Systems: 15 Essential Characteristics and Required Functionality,” at [http://www.sheeo.org/datamgmt/unit%20record/ideal\\_data\\_system.pdf](http://www.sheeo.org/datamgmt/unit%20record/ideal_data_system.pdf) and Ewell, Peter T. and Karen Paulson, “Following the Mobile Student: Can We Develop the Capacity for a Comprehensive Database to Assess Student Progression?” (Indianapolis, IN: Lumina Foundation for Education, 2007).
8. Completion Work Group Research Brief, prepared for the Lieutenant Governor’s Commission on Higher Education and the Economy, at [http://www.thenationalforum.org/Docs/PDF/improving\\_institutional\\_support.pdf](http://www.thenationalforum.org/Docs/PDF/improving_institutional_support.pdf).
9. See the guiding principles of the Rethinking Student Aid study group, which are based on a comprehensive review of student aid research, both at <http://professionals.collegeboard.com/policy-advocacy/affordability/student-aid>.
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11. National Center for Public Policy and Higher Education, “Good Policy, Good Practice: Improving Outcomes and Reducing Costs in Higher Education.” San Jose, CA, 2009 at [http://www.highereducation.org/reports/Policy\\_Practice/index.shtml](http://www.highereducation.org/reports/Policy_Practice/index.shtml).
12. Marcus, Jon, unpublished case study of the University System of Maryland. *National Crosstalk: Effectiveness and Efficiency: The University System of Maryland’s campaign to control costs and increase student aid* at: <http://www.highereducation.org/crosstalk/ct0206/front.shtml>, and University System of Ohio: Second Report on the Condition of Higher Education in Ohio, at <http://www.uso.edu/downloads/reports/ConditionReport2009.pdf>.
13. Dickeson, R. *Prioritizing Academic Programs and Services* (San Francisco, CA: Jossey-Bass Publishers, 1999). Second edition to be published by Jossey-Bass in January 2010.
14. Midwestern Higher Education Compact, “Difficult Dialogues” (Minneapolis: 2008), at <http://www.mhec.org/pdfs/0209difficultdialoguesrpt.pdf>.
15. Forthcoming analysis by Delta Project and National Center for Higher Education Management Systems for Lumina Foundation.



FOUR STEPS TO FINISHING FIRST  
IN HIGHER EDUCATION:  
A GUIDE FOR STATE POLICYMAKERS



# COMMUNICATING THE SOLUTION

State leaders who aggressively pursue higher completion rates are creating opportunity for individuals and their families and revitalizing our state and national economies. Success in graduating millions more students will require effective communication to build public and political will for transformative policy changes. There is a well-established nostalgic view of America's higher education experience that often obscures higher education's role in preparing students for careers and economic mobility. Achieving a paradigm shift in thinking about a more productive higher education system requires carefully considering our audiences and what we say to them. Through the "Four Steps to Finishing First" policy agenda, state leaders can make a compelling case that raises awareness of this urgent challenge among target audiences and engages them in contributing to solutions. These audiences include:

- Business community
- Advocates for economic mobility (low-income and minority)
- Education leaders (Higher education and K-12)
- Educators
- Parents
- Students

Effective state leaders can make use of a full calendar of communications opportunities. These include:

- State of the State address
- Budget season/legislative session
- Back-to-School
- Graduation season
- Education and business-related meetings
- Release of economic and job indicators
- Labor Day

## MESSAGES THAT MOTIVATE

### What it is

▲ Our economic and jobs pipeline demands a new way of thinking and operating in higher education. America spends more and gets less for it — the proportion of students earning a postsecondary degree or credential is on the decline. This comes at a time we can least afford it. We must enact new policies and new educational and business practices that get more for every tax dollar spent while maintaining quality. The "Finishing First" policy agenda does just that.

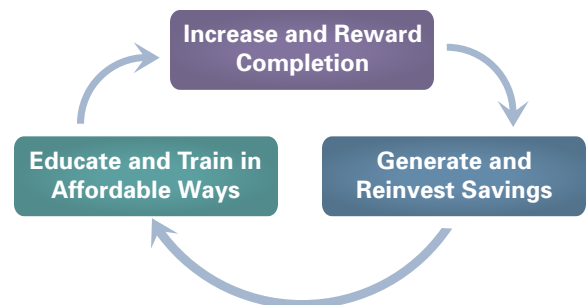
### Why it matters

▲ Doing nothing has serious economic consequences for individuals and the country as a whole. An affordable, high-quality higher education system is the single most important means at our disposal to create opportunity for all Americans, regardless of background. At the same time, it's the single most important means to a prosperous state and nation. We have to face up to the challenge of making high-quality higher education more cost-effective.

### How it works

▲ Together we can — and must — bring about a more productive higher education system. Join us in supporting the "Four Steps to Finishing First" policy agenda:

- Rewarding institutions that focus on students' completing high-quality programs, not just attempting them.



- Rewarding students for completing courses and degree or certificate programs.
- Expanding and strengthening lower-cost nontraditional education options through modified regulations.
- Investing in achieving higher productivity and career-ready graduates.

In today's challenging economic climate, when enrollment is rising and budgets are shrinking, governors, legislators, state agencies, businesses and institutions of higher learning can do more to drive improvements in degree and postsecondary certificate completion within existing resources and without sacrificing quality. In fact, fiduciary responsibility requires a demonstrated commitment to the principles of the Finishing First agenda. Through existing budget-development and appropriations processes, state policymakers can create a virtuous cycle of investment, savings and reinvestment to stimulate increased undergraduate degree completion.

# THE FINISHING FIRST AGENDA

**T**he **Four Steps to Finishing First** will create an expectation and sense of public accountability for graduating many more students within available resources without sacrificing quality:

## **1. Rewarding institutions that focus on students' completing quality programs, not just attempting them.**



Most state higher education budgets and appropriations bills are derived from past funding levels, comparisons to peers' spending, student enrollment and automatic increases for such expenditures as employee benefits or pay raises.<sup>5</sup> However, common sense suggests that if the status quo is unaffordable, then postsecondary institutions should be funded based on factors such as whether students finish courses and hit certain milestones leading to a degree or postsecondary credential — and whether degrees or certificates are ultimately earned. Evidence from Florida, where this type of funding has been in place for nearly two decades, shows completion rates increasing at twice the rate of enrollment.<sup>6</sup>

As states' student-level information systems improve, states increasingly will have the ability to more accurately measure the progress and completion rates for all students — not just the first-time, full-time, traditional-aged student population.<sup>7</sup> These data systems also allow policymakers to provide additional resources to the institutions that improve the success of underrepresented groups, including first-generation, low-income, Hispanic, Black, Native-American and working-adult students. These students have not been well served by higher education in the past, but demographic trends provide evidence that they will constitute an increasing share of the U.S. workforce. When governors and state legislators make postsecondary completion a priority during the state budget approval process, colleges and universities can then demonstrate how they plan to graduate more undergraduates, including underrepresented populations, while maintaining a high level of quality.

## **2. Rewarding students for completing courses and degree or certificate programs.**

Financial incentives for efficient completion should not be limited to colleges, but extend to the students they enroll. State and institutional tuition and financial aid policies should allow, and even encourage, completion of college-level courses and entire academic programs in high school, during evenings and on weekends. In addition, while many students often use the early years of college as a time to explore their interests, this needs to be balanced against the need for affordability; taxpayers should not be asked to pay for accumulation of credits far in excess of what institutions require of students for graduation.<sup>8</sup> State aid policies should promote rigorous high school course completion; should be simple and predictable; and should reward students and institutions for the completion of courses and credential programs.<sup>9</sup>



### 3. Expanding and strengthening lower-cost, nontraditional education options through modified regulations.



Comparative studies of international attainment indicate that nations with superior attainment rates have at least one institution providing academic- and career-focused undergraduate instruction that awards baccalaureate and sub-baccalaureate credentials.<sup>10</sup> The U.S. will need to promote and expand these types of models if 60 percent (or more) of its population is to possess some postsecondary credential.<sup>11</sup> The U.S. already has a diverse network of technical and community colleges providing opportunities for career-focused credentials and degrees, as well as several promising academic-centered four-year models to study, adapt and/or adopt. However, restrictive and arcane regulations in many states prohibit the expansion and growth of many nontraditional education options that educate Americans at a lower cost to taxpayers. States should examine and remove the barriers to entry and expansion of these and other types of lower-cost, academic- and career-focused institutions if they are to best meet each state's workforce needs.

### 4. Investing in institutions that demonstrate the results of adopting good business practices.

Taxpayers and the policymakers who represent them have shown a willingness to invest more in postsecondary education when colleges and universities adopt businesses' effective cost-management practices. Adopting annual savings targets — and documenting savings and reinvesting in students — allowed the University System of Maryland to increase funding for its public colleges and protected the public institutions of the University System of Ohio from the deepest cuts.<sup>12</sup>

During budget and appropriations decision making, governors and legislators should ask chancellors and presidents to demonstrate how they are adopting the following types of good business practices, and they should look for evidence that institutions are reallocating savings toward increasing their capacity to graduate more students:

- Systematic reviews and prioritization of programs (campus operations, academics and athletics) and use of these critical analyses to eliminate, outsource, restructure or consolidate the lowest-priority programs and services.<sup>13</sup>
- Bulk purchasing of health care, pharmaceuticals and energy.<sup>14</sup>



- Employee contributions to health care and retirement plans that reflect reasonable employer-to-employee contribution levels.<sup>15</sup>
- Consolidated back-office operations across institutions and sectors using common technology.