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# PROMISE UNMET
## How to Fix America's Community Colleges

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## EXECUTIVE SUMMARY

As worries over Americans' workforce skills persist, community colleges have reemerged as a potential solution. The country's 1,132 community colleges—two-year, not-for-profit public colleges—are designed to provide lower-income students with an entryway into traditional four-year colleges, as well as offer career training.

Politicians from both parties have spoken highly of America's community college sector. Bill Clinton declared: "If community colleges had yet to be invented, there would be a mad rush to do so today."[1] Ronald Reagan referred to community colleges as "a priceless treasure."[2] Presidents Clinton and George W. Bush both requested more funding for community college students.[3] More recently, President Obama proposed making the first two years of community college free for students who maintain a 2.5 GPA and make good progress in obtaining their degrees.[4]

Despite such high praise, the sector suffers from serious flaws. While more accessible to lower-income and minority students than traditional higher-education institutions, community colleges experience the lowest graduation rates and highest student-loan default rates of any higher-ed sector. In recent years, among two-year colleges, only community colleges have experienced a decline in graduation rates, too.

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Absent widespread improvement of outcomes, America's community colleges might not offer students a bargain—even if tuition were free. To make community college a worthwhile investment, the sector should learn from the small number of successful schools that employ intensive counseling to help students graduate quickly. The sector should also emulate schools in the for-profit college sector that keep students engaged by offering relevant course work and internship opportunities.

To incentivize change, policymakers should reward community colleges that adopt these proven strategies; policymakers should also hold community colleges more accountable for student outcomes by rewarding high-performing schools and disciplining low-performing schools. In addition, policymakers should enact changes to America's student-aid program to encourage students to graduate on time. Collectively, such reforms can better maximize the sector's unmet promise.

## I. INTRODUCTION

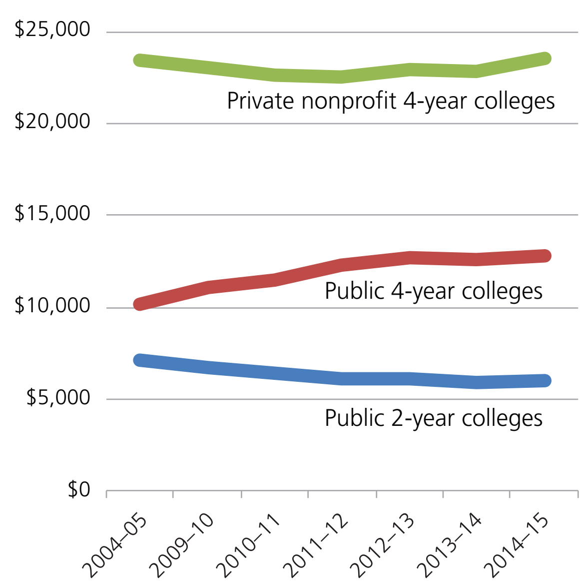
U.S. community colleges are two-year, not-for-profit public colleges geared toward students who wish to transfer to four-year institutions or obtain specific skills. They typically grant associate's degrees, with the intent that students will eventually obtain bachelor's degrees. Community colleges tend to offer vocational training; a subset, "technical colleges," stress career education and offer certificates as well as associate's degrees.[5]

America's community college sector is a particularly attractive option for students who are underrepresented at four-year colleges. The overwhelming majority of community colleges have open admissions policies.[6] Of U.S. higher-ed sectors, community colleges enjoy the lowest average cost for students living on campus ($13,277), for students living off-campus with family ($8,339), and for students living off-campus without family ($15,896).[7] The net cost of attending a community college—unlike the cost of attending a public or private four-year college—has declined by more than 20 percent since the 2004–05 school year (**Figure 1**).[8]

As a result, community colleges are second only to for-profit colleges in enrolling low-income students. In 2007–08, 35 percent of community college students came from families earning less than $40,000, while 37 percent came from families earning $40,000–$79,000.[9] Community colleges also enroll larger percentages of older[10] and minority[11] students than traditional nonprofit four-year schools.

Despite the low cost of attending, community college students still rely on federal student aid to finance their education. Along with public four-year colleges, community colleges receive the largest percentage of Pell Grants—33 percent.[12] However, community colleges receive the smallest percentage

Figure 1. Net Cost of Attendance Since 2004–05*




*Includes net tuition/fees, plus room and board

Source: College Board

of federal Perkins loans (0 percent), subsidized Stafford loans (14 percent), unsubsidized Stafford loans (7 percent), and Parent PLUS loans (1 percent); and the second-smallest percentage of Federal Supplemental Educational Opportunity Grants (21 percent) and Federal Work Study funds (16 percent).[13] Because of their relatively low cost and low level of federal funding, community college students took on the smallest student loans—$4,800, on average—in 2011–12.[14]

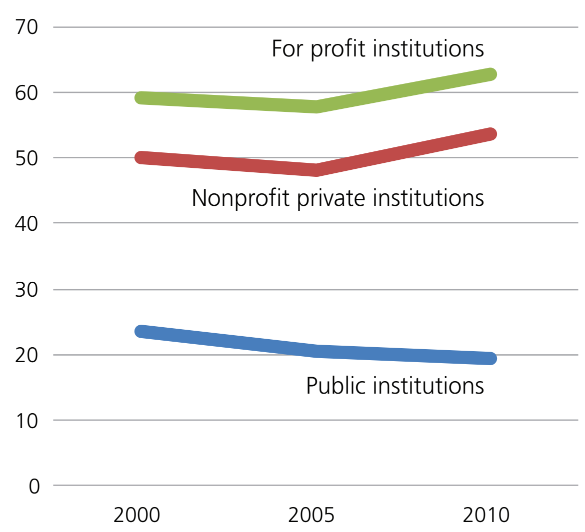
## II. POOR PERFORMANCE

While cheaper and more accessible to underrepresented students than traditional higher-ed institutions, America's community colleges suffer from low graduation (**Figure 2**) and loan-repayment rates; indeed, their graduation rates are the lowest of all U.S. higher-ed sectors.

According to the National Student Clearinghouse Research Center, only about 26 percent of community college students earn their degree at their starting institution within six years of enrolling; nearly 18 percent are still enrolled after six years; and nearly 43 percent have dropped out (**Figure 3**). (Roughly 3 percent of community college students complete their degree at a different two-year institution, and nearly 10 percent complete their degree at a different four-year institution.)[15]

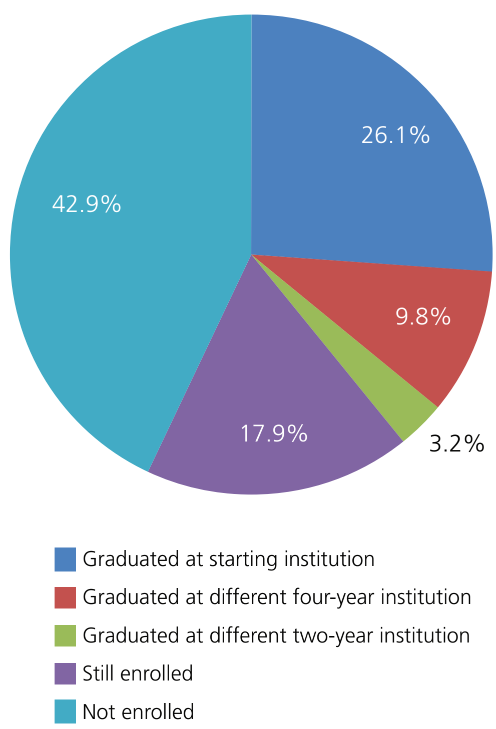
In contrast, U.S. private for-profit two-year colleges experience six-year graduation rates of about 57 percent; and private nonprofit two-year colleges, 36 percent. Further, for students entering two-year colleges between 2000 and 2010, only community colleges saw decreased graduation rates (17 percent).[16] In addition to low graduation rates, U.S. community colleges transition only 20 percent–25 percent of their students to four-year colleges.[17]

Figure 2. Two-Year College Graduation Rates (%), Students Enrolling During 2000–2010




Source: National Center for Education Statistics

Figure 3. Six-Year Outcomes for Students Entering Community College in 2008




Source: National Student Clearinghouse Research Center

Despite their low cost, U.S. community colleges also experience the highest three-year student-loan default rates[18]—21 percent in 2011, up from 18.7 percent in 2009[19]—of any higher-ed sector (the average for all U.S. higher-ed sectors is about 14 percent) (**Figure 4**).[20] Further, the growth in community college student-loan default rates from 2009 to 2011 was second only to that experienced by students at four-year public colleges.[21]

During 2004–05 to 2013–14, federal spending on community college student loans more than doubled, from $5.3 to $11.1 billion.[22] Because community college students often hail from low-income families, high default rates inflict many more obstacles—notably, poor credit scores—to their upward economic mobility.

## III. OBAMA ADMINISTRATION PROPOSALS

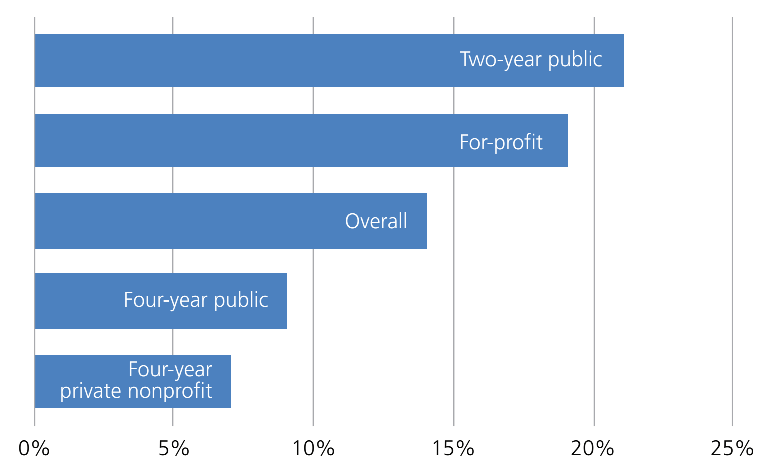
Following his predecessors' bipartisan example, President Obama has prioritized new investment in community colleges. The 2009 American Recovery and Reinvestment Act (the "stimulus bill") created the Trade Adjustment Assistance Community College and Career Training grant program. TAACCCT dispersed $2 billion over four years[23] to help community colleges create training programs for high-demand careers, provide internships, and offer accelerated learning options.[24] In February 2013, President Obama unsuccessfully proposed an $8 billion Community College to Career Fund to train students in "high-wage, high-skill" fields.[25] Under the initiative, states would have been provided funding to reward community colleges that achieved excellent graduation rates.[26]

*America's College Promise*

President Obama's 2015 proposal to invest in community colleges, America's College Promise, is also his most ambitious. The initiative would transform the government's mission—from one centered on improving career and academic opportunities for current students to making community colleges "as free and universal as high school" (and thus, presumably more attractive to prospective students).[27]

America's College Promise would make tuition free for the first two years for students who make "steady progress" toward obtaining their degree, who attend school at least half-time, and who maintain a 2.5 GPA.[28] And it would fund U.S. Department of Education (ED) grants to community colleges—as determined by, among other factors, student outcomes (including graduation and transfer rates to four-year institutions).[29] The federal government would pick up three-quarters of the tab, with states on the hook for the rest.

**Figure 4. Three-Year Student-Loan Default Rates, 2011***




*Percentage of students who have entered repayment on their loans and default within three years. For 2011, federal fiscal year used (October 1, 2010–September 30, 2011).

Source: College Board

Under America's College Promise, grant eligibility would be limited to community colleges that both offer degrees transferable to four-year colleges and that offer "occupational-training programs" in high-demand fields. To improve graduation and employment rates, community colleges would be obliged to implement "promising and evidence-based institutional reforms and innovative practices."[30]

By attempting to steer some students to community colleges that offer vocational training in high-demand fields, President Obama's initiative correctly promotes the notion that not everyone should attend a four-year liberal arts college. The president's rhetoric on improving outcomes also calls deserved attention to current subpar outcomes at America's community colleges. But the initiative is not without flaws: while rightly rewarding schools with good graduation rates, it would do little to fix the majority of community colleges that underperform; indeed, the initiative runs the risk of subsidizing a few excellent schools while leaving many more—and the students who attend them—to flounder.

America's College Promise's pledge to tie grant awards to performance also merits skepticism. President Obama's 2016 budget specifies that the federal formula to distribute aid will be based only "in part" on student outcomes, such as graduation rates. [31] This qualification opens the door for the federal government to weigh other factors unrelated to student success—such as, say, the percentage of minority and low-income students—equally or more heavily. All this suggests that the initiative's primary goal is not to improve student outcomes but merely to direct more students to community colleges.

Though America's College Promise appears unlikely to pass Congress, reformers should instead consider better ways to improve outcomes at U.S. community colleges.

## IV. EXPLAINING POOR PERFORMANCE

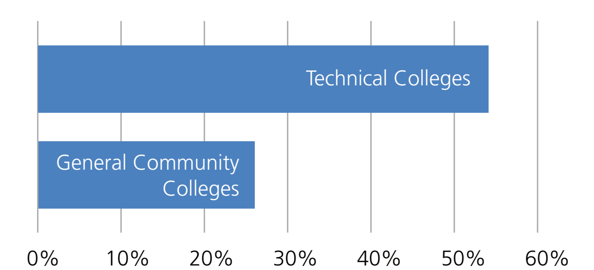
Administering the right medicine to America's ailing community colleges requires correctly diagnosing their main flaws. A 2013 Florida State University paper finds that community college students tend to work full-time while enrolled, leaving less time for schoolwork.[32] Other studies observe that many community college students are academically ill prepared when they enroll and that community colleges struggle to move such students out of remedial courses.[33]

Another common critique holds that community colleges do not focus sufficiently on students' goals. A study on New York City's community colleges, for example, noted that students easily "get lost" and, worse, "take too long to declare a major or program of study."[34] This delay leads students to stay in school longer than necessary.

A study on California's community colleges found that students are more successful when they obtain a large number of credits in their first year, stick with their courses, and continue obtaining credits during the summer.[35] To graduate more students, the study concludes, community colleges must do a better job of encouraging students to stay on track.

The wide gap in graduation rates between community colleges that offer general education (26 percent) and those that offer focused vocational training (54 percent) supports this assertion (**Figure 5**).[36] Dave Jarrett of InsideTrack, a firm that helps colleges boost enrollment and graduation rates, succinctly

Figure 5. Six-Year Graduation Rates, 2012–13




Source: Integrated Postsecondary Education Data System states the problem: community colleges place greater emphasis on being "[places] of learning for all citizens of the state" than on "producing associate's degree graduates."[37] If U.S. community colleges are thus to achieve better outcomes, they must refocus their energy away from grand dreams of establishing Socratic agora and toward the more mundane task of shepherding students to graduation.

## V. ADDRESSING POOR PERFORMANCE

This author interviewed administrators at multiple top-performing U.S. community colleges. The key takeaway: active involvement in students' progress is essential to success. At Pamlico College in North Carolina, which boasts a 78 percent six-year graduation rate,[38] administrators attributed stellar outcomes to a robust advisory system. Ben Casey, Pamlico's director of public affairs, points specifically to the school's computer-tracking system, which alerts advisors if students fall behind on assignments.

When, for instance, one Pamlico advisor noticed that a student had handed in only one-fifth of his assignments, the advisor promptly spoke to the student, who revealed that he lacked access to a computer at home. The advisor subsequently—and successfully—arranged for the student to complete his homework on the school library's computers.[39]

Judy Miner, president of Foothill College in California, which sports a 59 percent six-year graduation rate, attributed her school's strong performance to its relentless evaluation of strategies to ensure student success. Faculty, for example, attend meetings and workshops where they share classroom experiences. This attention to "what works for students," says Miner, combined with Foothill's "comprehensive" student counseling, produces excellent results.[40]

Similarly, the City University of New York's (CUNY) Accelerated Study in Associate Programs[41]—which offers reduced-cost tuition, frequent student counseling, and flexible course scheduling—achieves better outcomes for enrolled community college students than for their non-enrolled, community college peers.[42]

True, many community colleges—as well as local and state governments—may lack the resources to devote more faculty and administrative attention to such initiatives, especially with the recent decline in revenue per community college student.[43] To help remedy this, federal policymakers should revamp their funding practices for community colleges as well as for community college students.

*Federal Funding as Stick and Carrot*

The first broad federal funding reform should be directed at community colleges. A reconsidered federal investment in community colleges would make funds conditional on two criteria: a proven record of above-average graduation rates and below-average student-loan default rates; and a commitment to use said funds to further improve advisory programs. Federal funds would thus be directed almost exclusively to community colleges that demonstrate good results, rather than to those that simply promise to use federal dollars intelligently.

Revised eligibility standards, akin to the ED's "gainful employment" measures applied to for-profit colleges, should withhold aid from community colleges whose students fail to achieve a certain debt-to-earnings ratio—with similar strings attached for graduation and loan-default rates.

To provide underperforming community colleges with the opportunity to improve, the federal government should offer an initial warning, followed by a three-year grace period in which to boost outcomes. For community colleges so vastly behind that reaching the new minimum standards in the allotted time would be next to impossible, policymakers could instead require such schools to demonstrate significant improvement (a 20 percent increase in graduation rates, say, and a 20 percent decrease in loan-default rates). Failure to do so would trigger financial sanctions.

While sanctions must be tough enough to bite, policymakers must not starve even the worst community colleges. Though federal student aid constitutes only about 21 percent of community colleges' revenues (state and local appropriations constitute 41 percent, on average),[44] excessively draconian cuts in federal aid would hurt the same students whom the tougher standards are intended to help.

Instead, policymakers could make failing schools ineligible for student loans but maintain their students' Pell Grant eligibility. Because community college students benefit least from federal loans, such a compromise would offer underperforming community colleges strong incentives to improve without threatening to shut them down entirely. Once such schools demonstrated sufficient improvement in loan-default and graduation rates, federal student-loan eligibility could be restored.

The second broad federal funding reform should be directed at community college students. Policymakers should incentivize students to graduate quickly by making the generosity of aid contingent on progress. Students currently become ineligible for direct, subsidized federal loans after 150 percent of the normal graduation time for their programs—three years, in the case of community college students—elapses.[45] This rule should be extended to unsubsidized federal loans: by increasing the rate of interest that students are charged or by reducing the maximum loan that students can receive after their fourth year.

Similarly, policymakers should change grant-eligibility rules. Currently, students can receive Pell Grants for no more than 12 semesters (which generally translates to six years).[46] This limitation is appropriate for students attending four-year colleges but gives community college students, who should technically finish after their second year, too little incentive to graduate on time. A better policy would reduce or eliminate Pell Grants for community college students after eight semesters (or four years).

For their part, community college administrators should think creatively about how to improve graduation rates. They can learn from their peers at technical and for-profit colleges, who expend great energy directing their students to graduate and obtain meaningful employment. Missouri's Linn State Technical College, with its 64 percent six-year graduation rate,[47] requires students to choose a major before enrolling; requires students to complete internships; and offers courses in subjects recommended by an advisory board of local employers. Many for-profit colleges follow a similar approach.[48]

## VI. CONCLUSION

Though often discussed as an essential stepping-stone to middle-class life, America's community college sector needs fundamental reform to deliver on its promise. Any attempt to enroll more students in community colleges should be coupled with measures to improve outcomes. Policymakers should leverage federal student aid to reward high-performing schools, encourage the implementation of intensive counseling services, and discipline schools that underperform and students who take too long to graduate.

Community college administrators should redouble efforts to keep students on the path toward graduation—by investing in advisory services, offering relevant course work, and providing meaningful internship opportunities. By taking these positive steps, policymakers and administrators will make community college a better investment for taxpayers and students.

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