



CHANGING DIRECTION:

Integrating Higher Education  
Financial Aid and Financing Policy

Thinking  
Outside the Box:  
Policy Strategies for  
Readiness, Access,  
and Success

March 2007

WICHE



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# Thinking Outside the Box: Policy Strategies for Readiness, Access, and Success

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- Foster cooperative planning, especially that which targets the sharing of resources.

This publication was prepared by the Policy Analysis and Research unit, which is involved in the research, analysis, and reporting of information on public policy issues of concern in the WICHE states.

This report is available free of charge online at [http://www.wiche.edu/Policy/Changing\\_Direction/Pubs.asp](http://www.wiche.edu/Policy/Changing_Direction/Pubs.asp).

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## Foreword

This is the final monograph in WICHE's project *Changing Direction: Integrating Higher Education Financial Aid and Financial Policy*, a six-year grant funded generously by Lumina Foundation for Education. The project has focused on how states can intentionally change state higher education finance policies – appropriations, tuition, and financial aid – to expand access to and success in college, particularly for the most at-risk youth and young adults. We thought that in this final document it would be useful to address some of the lessons learned in this truly exceptional project.

As Dilbert once said, "Change is great! You go first." This cute quote actually captures well a couple of the major themes we noted in our change agenda over the past six years. First, we came to realize firsthand that the trite phrase "Change is tough" is so very true. There are various reasons why this is so. One of the most significant impediments to change is simply tradition. Newton's first law of motion – "An object at rest tends to stay at rest" – really seems to apply to public policy. Existing policies, in most cases, were intentional efforts to act appropriately in achieving the public good. These "inside-the-box" policies, as we're calling them, are traditional and time tested. They should not be abandoned without cause. On the other hand, one reason we often stick with what we have known is simply pride. Most of our states are proud of what they have accomplished in higher education. They believe in the public institutions they have created and fear that embracing change may signal a lack of faith in a public service they cherish. Lest we forget, though, pride is one of the deadly sins; Thomas Aquinas

referred to it as the cause of every sin. Pride, unfortunately, has too often led us not to recognize the imperative for change.

When change is embraced by policymakers, another impediment rears up: the tendency to look for the one best solution. Too often, when one state engages in successful "outside-the-box" policymaking, other states simply adopt that solution wholesale – as if it were a one-size-fits-all "policy-in-a-box." When Governor Zell Miller of Georgia developed a merit scholarship (Georgia HOPE) for any student in the state who did well in high school and attended college in Georgia – with the goal of boosting the state's low levels of college attendance – many other states jumped on the bandwagon, whether they shared the same circumstances or public policy agenda as Georgia or not. While there are lessons to be learned from others, too often, the unique and important features of each state are not recognized; states adopt a "policies-in-a-box" solution when they should be creating or tailoring policies to serve their state's specific, identified public purposes.

Compounding the natural difficulties associated with change was the fact that we pursued this project at one of the most challenging times for American colleges and universities in modern history. During the tenure of this project, the substantial downturn in the American economy led to the most significant reduction in state resources in memory. Nearly every state suffered a loss of revenue, and as in previous recessionary periods, this led to an erosion in financial support for higher education. The situation was exacerbated during this

particular economic downturn, however, by substantial increases in the demand for higher education, resulting from an increase in the number of high school graduates and the return of many adults to secure more education. For a growth industry like higher education, which has traditionally paid for innovation from incremental increases in funding and not from the reallocation of funds, the combination of reduced funding and increased demand for services presented great challenges.

The *Changing Direction* project sought to help policymakers at both the institutional and state levels recognize the opportunities imbedded within the challenges. It also encouraged them never to forget those often less visible students from at-risk backgrounds who most need the safety net of good public policy to protect their access to and support their success in higher education.

In this monograph we describe a number of policy strategies – both inside-the-box and outside-the-box – and discuss how they address various possible policy purposes. In the first chapter, Dennis Jones describes the basic premises of *Changing Direction*, which relate to how states and institutions can use finance policies to enhance access to success. In the second chapter, Cheryl Blanco lays out both inside-the-box and outside-the-box approaches to improving the preparation of at-risk youth to succeed in college. In the next chapter, I address similar issues and efforts with regard to ensuring access to postsecondary entry. And in the final chapter, Dennis Jones discusses the issues and suggests efforts to increase the success of students in completing their education. WICHE’s Demarée K. Michelau contributed the succinct Executive Summary and helped to oversee the publication’s production.

In the end we learned two important lessons. There is much to be gained from our experience from the past, and higher education should not change simply for the sake of change. But there is even more to be gained by changing, and by doing so in ways that support states’ individually identified public agendas for access to higher education. It’s tough to embrace change when you have been the best, and without doubt American higher education has led the world in terms of the quality of its higher education, both public and private, and access to it. But the times, they are a-changin’, and the field of higher education must change along with them. Much of that change is going to require policies and strategies that are outside the box.

As we complete the *Changing Direction* project, WICHE and its partners on this grant – the American Council on Education’s Center for Policy Analysis, the National Conference of State Legislatures, and the State Higher Education Executive Officers – want to extend our gratitude to Lumina Foundation for Education, which provided the generous financial support for this project. In a variety of ways, this project moved the needle on the access agenda in higher education. And it was Lumina that made it possible.



David A. Longanecker  
Executive Director  
*Western Interstate Commission for Higher Education*

## Executive Summary

In April 2003 the Western Interstate Commission for Higher Education (WICHE) published a compilation of selected papers titled *Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education*, which became one of the most influential commissioned reports of WICHE's Lumina Foundation for Education-funded project *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*. In partnership with the American Council on Education's Center for Policy Analysis, the National Conference of State Legislatures, and the State Higher Education Executive Officers, WICHE has been working to advance the overarching goal of the *Changing Direction* project, which was to examine how to structure financial aid and financing policies and practices to maximize participation, access, and success for all students. *Policies in Sync* provided an initial look into a system comprised of integrated financial aid and financial policies. It set the stage for important work in the states, by providing a conceptual framework and examining governance, data as a tool to integrate policy, and what states need to know to design integrated policies.

As this project concludes, WICHE is issuing a challenge not only to those who have participated in the project but also to others who are just beginning to think about these important issues. *Thinking Outside the Box: Policy Strategies for Readiness, Access, and Success* provides a systematic discussion of policy alignment around each of these three primary objectives and examines them in the light of four policy tools: finance, regulation, accountability, and governance.

In Chapter 1 Dennis P. Jones, president of the National Center for Higher Education Management Systems, describes the general framework that guided the authors in their systematic analysis. Chapter 2, written by Cheryl D. Blanco, vice president for lifelong learning policy and research at the Council for Adult and Experiential Learning and former senior program director of policy analysis and research at WICHE, explores policies related to college readiness, taking into account traditional and nontraditional students. After a rich discussion of inside-the-box policy approaches, Blanco suggests several policy strategies considered to be outside-the-box thinking for traditional students in each of the four areas:

- ▶ **Finance.** States might consider base-funding schools for graduating students who have demonstrated a high level of competence in the core curriculum. An incentive-funding approach might hold promise – base funding is maintained, but schools that graduate students with college-ready competencies receive additional or incentive funding, and schools are not penalized for students who show little interest in learning or graduating.
- ▶ **Regulation.** States might consider requiring that all students have access to a rigorous curriculum and providing the support that schools and districts need to meet the higher academic standards; mandating that students take at least one accelerated learning class and requiring all schools to offer such an option; and outsourcing remedial education.
- ▶ **Accountability.** States might consider investing in student-level data systems that span elementary, secondary, and

postsecondary enrollment; incorporating student progress reports; and using diagnostic tools to determine where a student is on the readiness path.

- ▶ **Governance.** States might consider more formally moving to P-16 or P-20 governance structures.

Blanco further suggests outside-the-box policy approaches for nontraditional students in each of the four areas:

- ▶ **Finance.** States might consider rethinking how we finance adult learning, which may mean forging new partnerships with noneducation entities.
- ▶ **Regulation.** States might consider developing new delivery systems to provide education for adult learners.
- ▶ **Accountability.** States might consider new ways to assess the unique readiness level of adult students with well-tested, reliable, and validated tools or through the use of prior-learning assessments.
- ▶ **Governance.** States might consider providing adult learning outside of the K-12 environment and employing coordinated efforts with other state agencies to provide adult-literacy programs, for example.

Chapter 3 is written by David A. Longanecker, executive director of WICHE. Following a similar format, he suggests the following outside-the-box policy strategies related to college access.

- ▶ **Finance.** States might consider performance-funding strategies that align with the cost of doing business, placing resources where they are needed to ensure greater success with “access students”; adopting a “completion mentality,” in which states pay institutions for completed enrollments,

rather than simply for enrollments; and radically reforming their concept of need-based financial aid, bringing it into the modern era by more clearly aligning who benefits with who pays.

- ▶ **Regulation.** States might consider catching the spirit of deregulation and adopting new and better ways of regulating for results by moving toward incentives.
- ▶ **Accountability.** States might consider adopting broad-based student-record databases that follow people from high school through college and the workforce, assessing outcomes rather than only access.
- ▶ **Governance.** States might consider recognizing the federal role in financial aid but ultimately accepting the responsibility.

Longanecker further suggests outside-the-box policy approaches for nontraditional students in each of the four areas:

- ▶ **Finance.** States might consider reexamining the categorizations of dependent or independent students because they are an inadequate way to distinguish between the needs of traditional and nontraditional students. They might also consider creating adult-learning accounts, similar to the tax-preferred 529 savings accounts that families can set up for their dependent children.
- ▶ **Regulation and Accountability.** States might consider developing ways to distinguish between traditional and nontraditional students and to measure their needs and success.
- ▶ **Governance.** States might consider shifting responsibility for all education of adults to higher education.

Dennis Jones also wrote Chapter 4, which focuses on college success and adopts a slightly different approach to the topic. Most of the attention is focused on finance policies because they are the most powerful tools in the policymaker's repertoire. Jones describes individual elements of financing policy and their relationship to student success. He offers a comprehensive financing scheme that would integrate the following components in a way that creates a positive environment for students completing their programs.

- ▶ Appropriations for the base operations of institutions.
- ▶ Affordable tuition.
- ▶ Need-based student aid.
- ▶ Special incentives to institutions.
- ▶ Special incentives to students.

The major lessons to be taken from this chapter are about *intentionality* – understanding desired behaviors and making sure that the incentives inherent in any finance mechanism reinforce the pursuit and achievement of those specified priorities – and about *alignment* – ensuring that the separate components reinforce each other rather than working at cross purposes.



# Chapter 1: Introduction

Dennis P. Jones

For several years the Western Interstate Commission for Higher Education (WICHE) has been conducting *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*, a project focused on state policies that affect the chances of historically underserved populations – the poor, students of color, older students, and students who are poorly prepared academically – to gain access to postsecondary education and to complete a program of study once enrolled. The project has resulted in a variety of publications, most notably *Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education*, a compendium of papers dealing with finance policies and their impact on student access and success. Throughout the project WICHE also provided various forms of technical assistance to select states that were working to craft policies tailored to their unique needs and circumstances.

To download *Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education*, please visit: [www.wiche.edu/Policy/Changing\\_Direction/documents/PoliciesInSync.pdf](http://www.wiche.edu/Policy/Changing_Direction/documents/PoliciesInSync.pdf)

*Changing Direction*, in its formal sense, has come to an end. This report has been written so that the perspectives on policy formulation and implementation gleaned from the project can be compiled and shared with the broad array of individuals engaged in the higher education policymaking process.

## *Perspective on Access and Success*

The use of student pipeline information has been found to be an effective tool in diagnosing those areas in which the path

to success is particularly problematic. In its most basic form, the pipeline draws attention to several transition points that must be successfully negotiated if a student is to attain a postsecondary certificate or degree:

- ▶ Completion of high school.
- ▶ Entry into college.
- ▶ Completion of a postsecondary program.

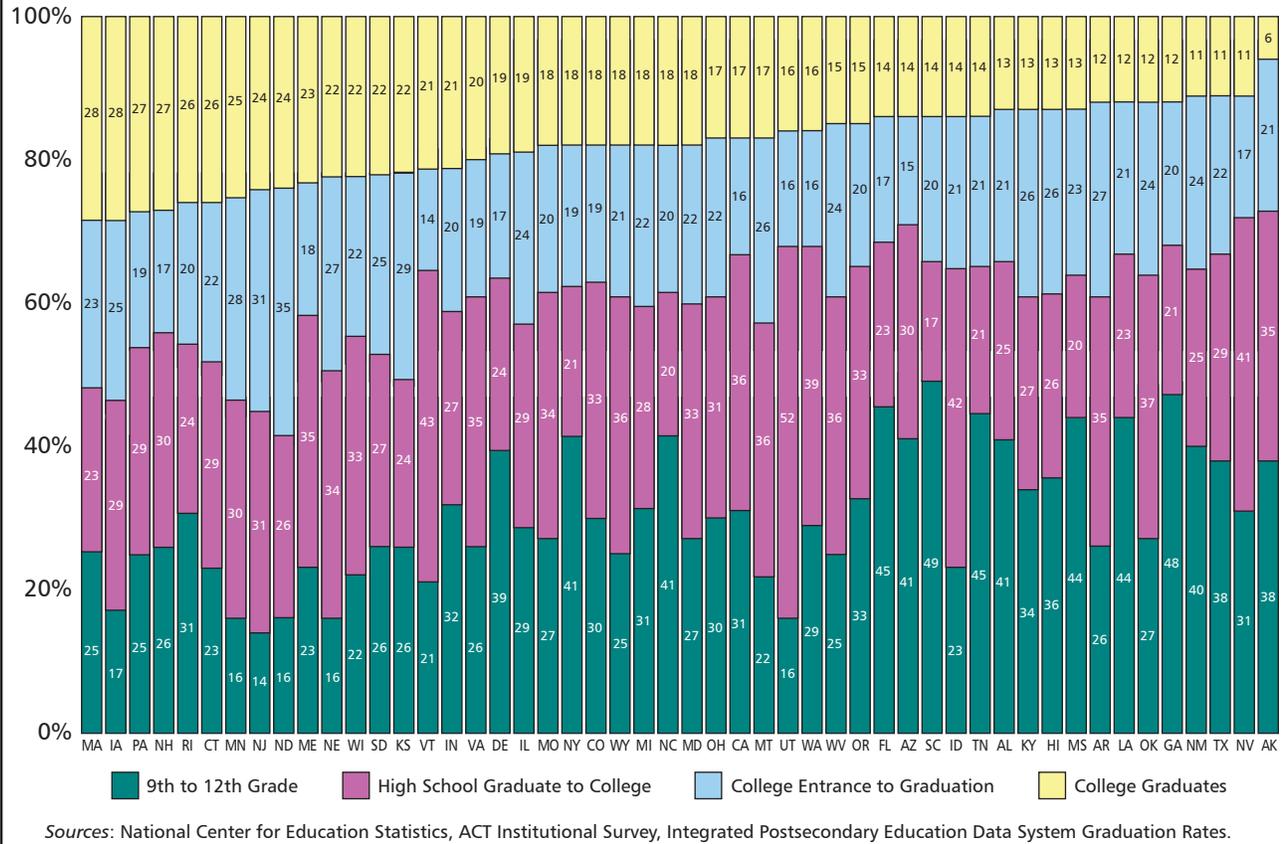
In an augmented form, the pipeline is composed of the following elements:

- ▶ Completion of high school.
- ▶ Entry into college.
- ▶ Return to college for second year.
- ▶ Completion of a postsecondary program.
- ▶ Entering a high-value job in the workforce.

The third step is added because most students drop out of college between the first and second year; it is important to monitor the numbers and characteristics of students who do not make it over this particular hurdle. The last step is added in recognition of the fact that, from the public policy perspective, economic return is one of the primary justifications for the public investment in higher education.

Figure 1 presents a 50-state perspective on the basic formulation of the pipeline. The first segment of stacked bars indicates the loss to the system of students who do not complete high school on time. They may finish in more than four years or get a general equivalency diploma (GED), so the loss is overstated; however, this formulation provides a reasonable basis for multistate comparisons. The second segment represents the portion of the high school graduating class lost to the postsecondary

Figure 1. Student Pipeline – Percent Loss at Each Stage of Transition, 2000



system because students do not enroll in college. The third segment represents those who start a postsecondary degree but do not complete it within 150 percent of normal time – within three years for an associate’s degree and within six years for a baccalaureate.

The top segment of stacked bars represents those students who start 9<sup>th</sup> grade and complete a college program of study within 10 years (seven for an associate’s degree). Two phenomena revealed in Figure 1 are worthy of note. First, relatively few students make it through the pipeline in the expected period of time. Overall, our best performance is not particularly good – certainly not good enough to ensure U.S. competitiveness in a global economy driven by educated talent. The second point is that state patterns vary enormously. It is this fact that makes Figure 1 so useful

as a diagnostic tool. If one examines the relative lengths of the individual component bars, it becomes apparent how each state should shape its policymaking and actions to improve performance. In states such as Florida, Georgia, South Carolina, and Tennessee, the major losses occur during the high school years. In Idaho, Nevada, Vermont and others, students tend to complete high school then fail to enroll in college. In states such as Kansas, New Jersey, and North Dakota, students get out of high school and into college, then fail to complete their postsecondary programs of study. These differences highlight the importance of adapting policies to fit specific problems, which vary greatly from state to state. Subsequent chapters in this monograph focus on policies designed to improve performance at each of the major stages of the pipeline.

## *The Reentry Pipeline*

Figure 1 depicts the education pipeline in very traditional terms; it presumes that students proceed through the stages of their education without interruption. While useful, this analytic tool grossly oversimplifies reality: students follow many paths in accessing postsecondary education and subsequently working their way through the system. There are at least three major groups of students who can come into postsecondary education through avenues not considered in Figure 1. They are:

- ▶ High school dropouts – students who did not complete high school with their 9<sup>th</sup> grade cohort but who take steps (complete high school, get a GED, etc.) that make them eligible for a postsecondary program of study.
- ▶ College nonattenders – individuals who have completed high school but have not enrolled in a postsecondary education institution.
- ▶ College dropouts – individuals who have attended college but did not persist to the point where they were awarded a postsecondary degree or certificate.

Unfortunately, the data required to generate meaningful pipeline numbers for these students are not available. While it is possible to get information on the sizes of the pools of each of these groups of students, along with some crude measures of access, no meaningful measures of success can be developed on a 50-state basis. The pieces of the puzzle that can be obtained for all states are:

- ▶ Number of adults in various age groups (18 to 24, 25 to 44, etc.) who have not completed high school.
- ▶ Number of adults in various age groups who have been awarded GEDs in any given year.

- ▶ Number of adults in various age groups who have completed high school but are not enrolled in college.
- ▶ Number of adults in various age groups who have enrolled in college but not persisted to the point of program completion.
- ▶ Number of adults in various age groups enrolled in postsecondary institutions (both full time and part time).

From these elements some indicators that approximate pipeline-like measures can be constructed. These constructs are presented in Figures 2 to 4 on the next pages.

While these figures do not present information in as organized a fashion as Figure 1, they nevertheless provide a vehicle for identifying areas that should be established as priorities for policy attention. For example, Figure 2 makes it clear that Georgia, Mississippi, Nevada, and other states have a substantial need to address basic skills and high school completion issues in their adult population. This is the equivalent of addressing the high school completion problems among the traditional-age populations; without success at this level, access to (and success in) postsecondary programs is highly unlikely.

Similarly, Figure 3 makes it clear that different states have widely differing records of performance in helping adults recover from their failures in high school and obtain the GED, thus clearing the way for entry into postsecondary education programs if they choose to undertake them.

Finally, Figure 4 shows the substantial variance in the extent to which states' postsecondary education systems serve adult students. In states such as Arizona, California, and Utah, colleges serve large numbers of adult students. In other states – Louisiana and Pennsylvania, for example – far

Figure 2. Percent of 18- to 24-Year-Olds with Less than a High School Diploma, 2005

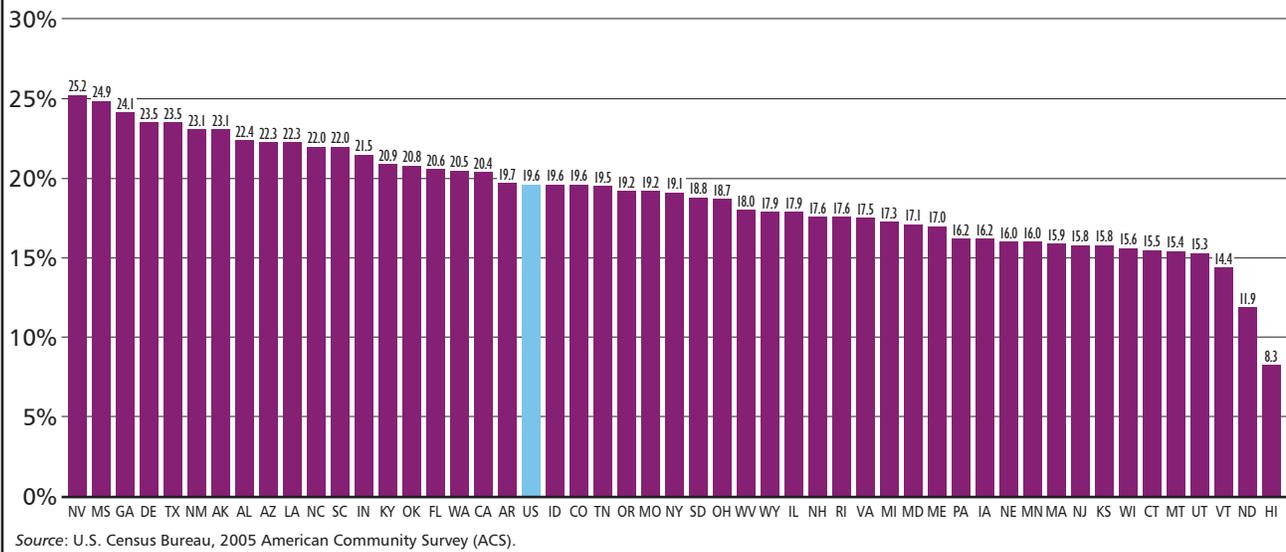
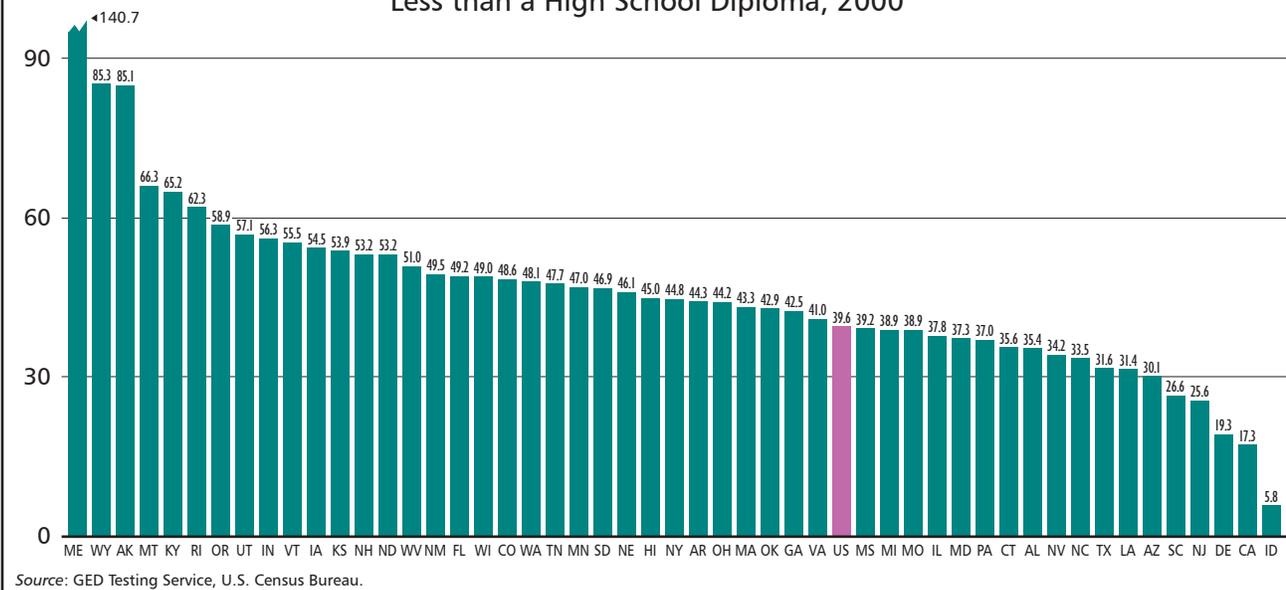


Figure 3. GED Credentials Awarded per 1,000 Adults Age 18 to 24 with Less than a High School Diploma, 2000



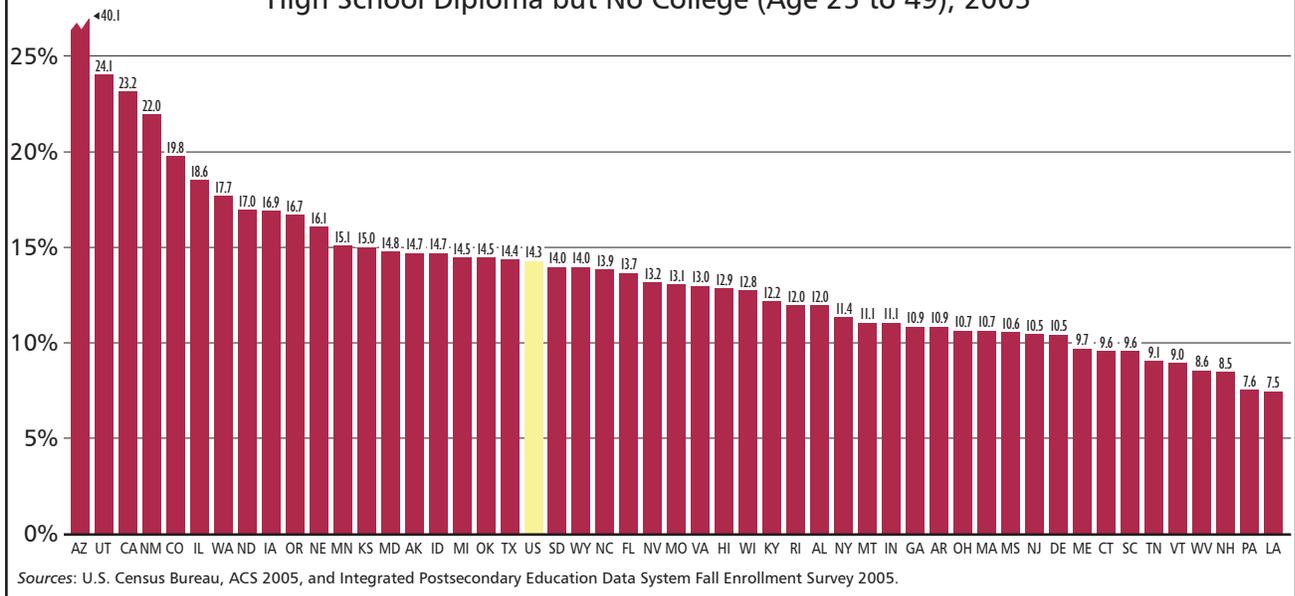
fewer adult students are served. As indicated earlier, there are no nationally available data that allow meaningful calculation of the postsecondary education success rates for this set of students.

### A Perspective on Finance

The *Changing Direction* project was anchored in the recognition that finance policy, more than any other policy, drives the institutional and student behaviors

that affect student access and success. The conceptual basis for linking fiscal policy to attainment of these key objectives is articulated in one of the *Policies in Sync* articles, “Financing in Sync: Aligning Fiscal Policy with State Objectives.” (Figure 5, slightly modified, has been excerpted from that paper.) The paper makes the case that financing policy related to higher education is really a set of policies that are usually independently developed but that must work

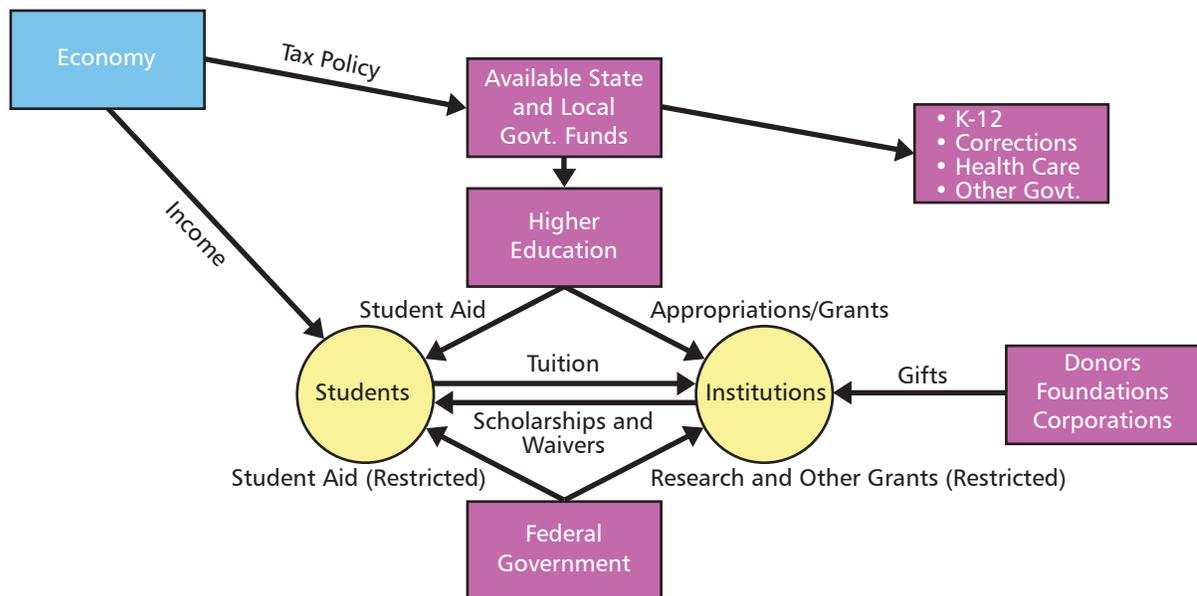
Figure 4. Enrollment of Adults as a Percentage of Those with a High School Diploma but No College (Age 25 to 49), 2005



in harmony if established priorities are to be achieved. Those policies include:

- ▶ Those dealing with state appropriations to institutions of higher education – these are usually what come to the fore when talking about higher education finance policy.
- ▶ Tuition policies – those that establish the “sticker price” for public higher education institutions in the state.
- ▶ State student financial aid policies – those dealing with the allocation of state resources to students with the intent of making higher education affordable (thus affecting decisions to

Figure 5. Flow of Funds



Source: National Center for Higher Education Management Systems.

attend) or otherwise affecting student behaviors and choices.

- ▶ Institutional student-aid policies – those governing institutionally allocated funds, the use of which, if entirely unregulated, may contradict state student-aid priorities (going to meritorious students rather than those who are both meritorious and needy).

If these policies are not aligned with each other and, more importantly, with the state's key objectives – high school completion, college entrance, and college completion – there is little likelihood for success.

### *Other Policy Levers*

While finance policy tends to be the strongest, most flexible policy tool available to promote state priorities (such as access and success), it is not the only tool. The most frequently used tool (though seldom the most effective) is state regulation: mandating that certain things be done or that certain procedures be followed. This tool is a favorite because it allows policymakers to (seemingly) address an issue without having to spend additional resources, although the mandated actions may require considerable reallocation of institutional resources. Perhaps more importantly, regulatory solutions almost inevitably prescribe one-size-fits-all responses to very different circumstances. Further, they typically deal with questions of how things are done rather than with what is to be accomplished, thus moving tactical decisions to the strategic level. To be sure, there are instances in which regulatory responses are appropriate, especially where mandates strengthen the hands of institutional leaders and governing boards. Unfortunately, most regulatory policy does not link the effective allocation of decision-making authority with associated responsibility.

Another policy tool is accountability – the mechanism by which progress toward stated objectives is monitored. Accountability is the second side of the goal-setting coin. If accountability measures are inconsistent with goals, the goals lose their force. What's more, institutions are prone to pursue those goals for which they will be held accountable. A major benefit of developing accountability measures in tandem with goal setting is the fact that the act of deciding on accountability measures serves to provide a concrete interpretation of the goals. If the actors cannot agree on the measures, they probably do not have a common perspective on the objectives being pursued.

Finally, the tool of governance cannot be ignored. While seldom recommended as the first option to be considered, the reallocation of decision-making authority is sometimes necessary to achieve an objective. The assignment to the state postsecondary education agency of policy regarding adult basic education activities is an example of a governance/decision authority change linked to the access and success agenda.

### *Conclusion*

The balance of this monograph will be devoted to a systematic discussion of policy alignment around each of three primary objectives: college readiness (Chapter 2), college access (Chapter 3), and college success (Chapter 4). Each of these objectives will be examined in the light of four policy tools: finance, regulation, accountability, and governance. In each case policies that promote attainment of the objective will be described. (Emphasis is placed on finance mechanisms, but the other tools are discussed, as well.) Examples are included where particularly good (or bad) ones exist.

## Chapter 2: College Readiness

Cheryl D. Blanco

College readiness has emerged as one of the leading education issues in the 21<sup>st</sup> century. Until recently, educators, policymakers, researchers, and the private sector treated students and adult learners differently if they seemed headed toward college rather than toward the workforce. But as more information on the ability of U.S. students to compete with students in other countries in subjects involving computation and science has become more widely published, the urgency of preparing both traditionally aged students and adult learners to enter and successfully compete in both postsecondary education and the workforce has escalated. A recent study published by ACT underscores a change in the way we should think about readiness: “Whether planning to enter college or workforce training programs after graduation, high school students need to be educated to a comparable level of readiness in reading and mathematics. Graduates need this level of readiness if they are to succeed in college-level courses without remediation and to enter workforce training programs ready to learn job-specific skills.”<sup>1</sup> Additionally, the National Commission on the High School Senior Year concluded that “the conditions of modern life require that all students graduate from high school with the knowledge and skills needed to succeed in both postsecondary education and careers.”<sup>2</sup>

The role of state policy in ensuring that all traditionally aged high school students and reentry adult learners have access to educational experiences that adequately prepare them for college and work cannot be overstated. Yet states differ widely in their will to do what they need to do to ensure a

high-quality education for all. This chapter looks at examples of what some states have done about student preparation and access through public policy. It first examines inside-the-box policies – those related to readiness for traditionally aged students and adult learners that are widespread among the states because they have been replicated by many. In several instances, they are policies that have been in place for many decades (and the time to challenge such long-standing policies and practices concerning readiness has come).

The remaining sections of this chapter explore cases where very different policies – those “outside the box” – have been implemented. This is not to suggest that these other policies are perfect. On the contrary, in most instances there is no evidence-based research to indicate whether they are more effective than inside-the-box policies. Additionally, there is no reason to believe that simply adopting one state’s policy will solve another state’s problems. But we must look for the potential of state policy to do a much better job of guaranteeing readiness for all of citizens.

### *Measuring Improved College Readiness*

Before moving into the discussion of inside-the-box and outside-the-box policies, it is useful to pause and consider what “college readiness” means and to detail how we might know that a state’s citizens are truly college ready.

The four policy tools outlined in the introductory chapter – finance, regulation, accountability, and governance – provide a framework for thinking about state-level goals to enhance readiness. As described previously, the finance policy tool is a set of fiscal policies to attain key objectives.

So a high level of college readiness might be achieved when the state's financing structure is equitable and adequate to meet the state's needs for well-prepared citizens. The regulatory policy tool mandates that certain things be done or that certain procedures be followed. For this tool, a high level of readiness might involve the full participation of all students in a rigorous curriculum and the provision of adequate and timely counseling on academic preparation, the cost of higher education, and financial aid opportunities to all students. The accountability policy tool is a set of mechanisms by which progress toward state objectives is monitored. A high level of readiness might be demonstrated by an increase in the number of 9<sup>th</sup> graders who graduate from high school; a decrease in or elimination of the need for remediation; and an increase in the number of adults able to do college-level work without remediation.

Finally, the governance tool concerns the allocation of decision authority. A high level of readiness might include an aligned and coordinated structure that meets the state needs by providing students with a high-quality K-12 education that prepares them for both work and college. For adult learners a high level of readiness might be created via support systems that promote career pathways which, according to the Council for Adult and Experiential Learning (CAEL), "focus on high-demand, well-paying employment sectors, such as manufacturing, healthcare, or information technology, and have incorporated into one seamless system all the steps – skills training, work experience, and upgrade training – needed to prepare an economically and educationally disadvantaged worker for employment in the field and advancement in a career."<sup>3</sup>

In each state key stakeholders will need to reach consensus on what college readiness means, how they will use the four policy tools to create it, and how they will know they have been successful in creating policies that improve the readiness of their citizens. The remainder of this chapter identifies illustrations of state policies that are widely used, with varying degrees of effectiveness, and other policies and practices that are being used in a few places because they may have the potential to bring a state and its people to a higher level of readiness.

### **Traditional Students: Inside-the-Box State Policies**

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**Finance.** The way most states finance K-12 education provides a typical example of inside-the-box state policies that impact college readiness. Revenues for public elementary and secondary education come primarily from three sources: the state, local school districts, and the federal government. The portion contributed by the state varies: in about one quarter of the states, the state share is less than 40 percent of all revenues; in another quarter the state share is 60 percent of all revenues. In most states funding for public K-12 education typically accounts for 25 to 40 percent of the general fund budget and is the largest single item in the general fund.<sup>4</sup>

The complexity of K-12 funding is legendary. According to consultant John Augenblick, "The current funding system is enormously complex, reflecting the fact that it has evolved over a long period of time, that it attempts to accomplish numerous objectives and that it is the object of constant political manipulation."<sup>5</sup> During the 20<sup>th</sup> century, states realized that districts provided very different levels of support. As a result efforts

have been made to “equalize” funding – a process that reflects the fact that the funding approach adopted by a state is sensitive to both the needs of districts and to differences in wealth.<sup>6</sup> In recent years funding formulas and historical funding models have been challenged in court precisely because they have not adequately supported some schools and their students, who did not have access to adequate academic preparation.

A key fiscal policy that is central to readiness relates to remedial education and the fiscal investment the state must make through the repetition of classes in higher education to help make students college ready. For many policymakers the additional costs are duplicative, and they are reticent to pay a second, or perhaps third, time for skills that students should have mastered before leaving high school. Remediation usually takes place in the two-year colleges. A survey conducted by the Education Commission of the States (ECS) found that all states allow community colleges to fund remedial education with state dollars; several states provide no funding specifically earmarked for remedial education.<sup>7</sup> Also, students in most states pay at least some of the costs of remedial instruction, but they can use state financial aid toward the cost of the remedial courses, except in a handful of states. Two finance-related issues – the level of funding for remedial education and charging K-12 systems for graduates who need remediation – were reported in the ECS survey as among the top issues under debate in the states.

Figuring out what remediation costs states and students is not an easy task, but one estimate suggests that the nation spends \$1.4 billion a year to provide remedial education to students who have recently completed high school.<sup>8</sup> Recent state reports reveal a range of investments in remediation:

- ▶ Colorado found that it spent over \$11 million in general-fund tax dollars on remediation in fiscal year 2003-04 – for example, two local-district colleges alone spent \$707,000. In addition, institutions ineligible for state funds (the University of Colorado at Colorado Springs, University of Northern Colorado, and Western State College) reported spending \$84,000 on remedial courses. The total investment of \$11.4 million covered 149,000 total credit hours for nearly 5,000 remedial FTEs.
- ▶ Oklahoma public colleges and universities charge additional fees for remediation. Those remedial course fees, set by the individual institution, generated \$2.4 million in 2004-05 to offset the cost of providing remedial courses. The state determined that “financial costs associated with remediation are small in comparison to total higher education budgets and are negligible when compared to the alternatives, which can range from falling levels of degree attainment to employment in low paying jobs.”<sup>9</sup>
- ▶ Florida reports that the cost of students’ remediation courses was \$118.3 million during 2004-05, with the state paying 53 percent (\$62.9 million) of this amount. Students paid \$50.5 million (43 percent) of remediation costs, while community colleges paid \$4.9 million (4 percent) with other revenue sources. The amount individual students paid for remedial education varied, depending on the number of remedial courses they were required to take and the institution they attended. On average, Florida high school graduates who attended a community college and required remediation paid an additional \$504 in tuition for college-preparatory coursework during their first year of college. These students required an average of approximately nine credit

hours of remedial coursework before they could take college-level courses. Community colleges and universities received funding for remediation from legislative appropriations and student tuition and fees.<sup>10</sup>

These numbers clearly indicate that the costs of remediation are high for both states and students. But is the investment helping enough students to enter and be successful in higher education? Under our current system, when students are identified as needing remediation, we require them to take the appropriate courses. As we have seen above, states, institutions, and students may share in the costs of these courses. Yet there is little motivation or pressure to ensure that students have, in fact, remediated their academic weaknesses. Nevertheless, while the cost of providing remediation through public higher education is significant, few argue that remedial coursework should not be offered.

**Regulation.** Although K-12 education systems are replete with regulations that dictate what students need to do to graduate from high school, too many students graduate ill equipped to move into higher education or a job. “Shocking few of the nation’s high school students gain the knowledge and skills they need to succeed in college and the workforce,” according to the Secretary of Education’s Commission on the Future of Higher Education.<sup>11</sup> The commission’s final report put it this way: “We are losing some students in our high schools, which do not yet see preparing all pupils for postsecondary education and training as their responsibility.”<sup>12</sup>

Too many of our elementary and secondary schools rely on curriculum and graduation requirements that are better suited to the early 20<sup>th</sup> century – they have limited and

weak courses in English, computation, and communication skills. Only within the past few years have states like Arkansas, Indiana, and Texas moved through state policy to require that every high school student take a college- and work-preparatory curriculum to earn a diploma. A “policies in a box” mentality has allowed states to emulate the weaknesses of curriculum and graduation requirements found in other states; this does not serve students, their families, the states, or the nation well for the needs of today and the future.

Complementing the need for a strong curriculum is the necessity to consider what happens and how in the senior year of high school. Since 2000 the senior year has been the focus of national and state-level review, with the general consensus being that the senior year is not a very productive or useful time for most students. In January 2001 the National Commission on the High School Senior Year noted in its report *The Lost Opportunity of Senior Year: Finding a Better Way*, “Perhaps nowhere are the deficiencies more pronounced than during the senior year of high school. Some students who have already been accepted to college routinely ignore the high school’s academic demands. ‘Senioritis’ sets in. Senior year becomes party-time rather than a time to prepare for one of their most important life transitions. Students are bored and studying becomes irrelevant.”<sup>13</sup> Although many students have completed their required coursework as they enter their final year of high school, the lock-step curriculum mandated by school systems offers them few or no options to engage in courses or activities that interest them.

Another regulatory aspect that reflects inside-the-box approaches relates to remediation – who provides it and how it is offered. A study conducted by the National Center for Education Statistics

(NCES) found that about three-fourths of the Title IV degree-granting two- and four-year institutions that enrolled freshmen in fall 2000 offered at least one remedial reading, writing, or mathematics course. Public two-year colleges were more likely than other types of institutions to provide remedial education, and they tended to offer a greater number of different remedial courses. Public four-year institutions were also significant providers of remedial education: 28 percent of entering freshmen enrolled in one or more remedial reading, writing, or mathematics courses.<sup>14</sup>

About one in four institutions reported that there was a limit on the length of time a student may take remedial courses at their institution. Time limits on remediation were set by institutional policy in 71 percent of these institutions and by state policy or law in 24 percent. Institutions tended to rely on their traditional academic departments as the primary providers of remedial education.<sup>15</sup>

Delivery of remedial instruction continues to be done primarily through traditional classroom teaching techniques. In the NCES study, only 13 percent of the institutions offered remedial courses through distance education; about one-third of the institutions reported that computers were used frequently by students as a hands-on instructional tool for on-campus remedial reading, writing, and mathematics courses. Public two-year colleges were the primary users of advanced technology in remedial education.<sup>16</sup>

Providing remediation in the traditional higher education system has been the policy solution adopted by states, utilizing the same kinds of pedagogy that failed to successfully bring most of these same students to appropriate levels of learning.

Perhaps there are other, more efficient, delivery systems that can help move students through remedial coursework so that they are prepared for college-level work more quickly.

**Accountability.** A significant college readiness issue is the loss of students before they graduate from high school: nationally, about one out of three 9<sup>th</sup> graders do not finish high school.<sup>17</sup> Some of these students may be college ready, but the majority of them are not. “High dropout rates are a silent epidemic afflicting our nation’s high schools,” say John Bridgeland, John Dilulio, and Karen Burke Morison.<sup>18</sup>

According to *The Silent Epidemic: Perspectives of High School Dropouts*, a 2006 report authored by Bridgeland, Dilulio, and Morison (based on a series of student focus groups and a survey done the previous year), there are many different reasons that students drop out. These “barriers to graduation” – which, the authors point out, shouldn’t be impossible to overcome – include “a lack of connection to the school environment; a perception that school is boring; feeling unmotivated; academic challenges; and the weight of real world events.”<sup>19</sup> Of the students in the report:

- ▶ “Nearly half (47 percent) said a major reason for dropping out was that classes were not interesting. These young people reported being bored and disengaged from high school. Almost as many (42 percent) spent time with people who were not interested in school. These were among the top reasons selected by those with high GPAs and by those who said they were motivated to work hard.”
- ▶ “Nearly 7 in 10 respondents (69 percent) said they were not motivated or inspired to work hard, 80 percent did one hour or less of homework each day in high

school, two-thirds would have worked harder if more was demanded of them (higher academic standards and more studying and homework), and 70 percent were confident they could have graduated if they had tried. Even a majority of those with low GPAs thought they could have graduated."<sup>20</sup>

Any discussion of college readiness through the lens of accountability should include those students who find high school unacceptable for whatever reason and opt out before graduation. Yet state policy rarely speaks to dropouts – this large segment of the nation’s population has been virtually ignored. Only recently have some policymakers supported new laws to retain students in school. An approach gaining widespread support is tying attendance to driving privileges:

- ▶ 24 states have some type of policy connecting student attendance or achievement to the privilege of driving.
- ▶ Nine states make attendance a requirement, and five states have minimum academic performance standards for initially obtaining a driver’s license.
- ▶ 11 states designate truancy or lack of academic progress a cause for suspension of a license.
- ▶ Five states have policies that address both the initial issuance of a driver’s license and the ability of the state to suspend it for academic or attendance reasons.<sup>21</sup>

While this may work for students in the early high school grades, once the child reaches age 18, he or she is legally an adult and the restrictions do not apply. A more comprehensive and lasting approach may require structural reforms. “Great schools learn to treat each student differently, rather

than demanding that all students fit into the ‘one size fits all’ format of schooling that is widely used today,” according to Bridgeland, Dilulio, and Morison.<sup>22</sup>

**Governance.** The terms *P-16* and *K-20* are heard frequently in education and policy discussions, and several states have established some mechanism to talk about these concepts. Yet little has actually changed to achieve the kind of single-system thinking that Harold Hodgkinson, noted demographer and lecturer, proposed over 20 years ago in his report *All One System*. Hodgkinson argued then that “there was a single system of education underlying all of the segments, and that only the students ever saw the whole thing.”<sup>23</sup>

The history of the U.S. educational system has contributed greatly to building and maintaining significant barriers between K-12 and higher education. “Secondary and postsecondary education have developed divergent histories, governance structures, policies, and institutional boundaries,” according to Patrick Callan and his coauthors in *State Policymaking and Improving College Readiness and Success*. “As a result, there are few widespread practices or traditions for these two systems of education to communicate with each other, much less to collaborate to improve student achievement across institutions.<sup>24</sup> Additionally, state policies too often delegate responsibility, especially for college readiness, to one agency or another – either K-12 or higher education – and fail to require a shared accountability approach.

Breaking down barriers may not work as well as building new kinds of bridges to collaborate, with incentives and a focus on positive outcomes for students, families, and the states. Rethinking who does what among state education agencies may provide

a creative way of moving from inside-the-box governance policies to policies that improve college readiness for all students.

## **Traditional Students: Outside-the-Box State Policies**

**Finance.** Outside-the-box thinking to improve college readiness should consider individual student competence: has each student mastered the knowledge and skills identified by the state as minimal to success in the workforce and in pursuing higher education? What current financing approaches do not take into account is student mastery of the core curriculum. As described above, school financing formulas are already complex. Yet it is essential that every student be well prepared upon leaving high school.

An alternative, outside-the-box funding strategy would be to base-fund schools for graduating students who have demonstrated a high level of competence in the core curriculum. The school's job is to prepare students for work and advanced education, yet that central mandate is not reflected in the way states provide support to schools. At a minimum, an incentive-funding approach might hold promise – base funding is maintained, but schools that graduate students with college-ready competencies receive additional or incentive funding. Under this approach schools are not penalized for students who show little interest in learning or graduating.

**Regulation.** Examples of outside-the-box policies concerning regulations are becoming more common. Several more widely known state-level policies that are discussed here relate to: requiring a rigorous curriculum; aligning exit and entry examinations; utilizing accelerated learning

options; restructuring 11<sup>th</sup> and 12<sup>th</sup> grades, and rethinking how remedial education is delivered.

*Rigor in the curriculum.* Movement toward greater rigor in the high school curriculum has become a significant national and state-level interest. As recommended by Achieve – an organization created by the nation's governors and business leaders to help states raise academic standards and achievement – states should require that all students take a college- and work-preparatory curriculum that is strong in math and English, and states must be guided not by course titles but by course content to ensure that rigor is present. Thinking outside the box, as policy leaders have in Arkansas, Indiana, and Texas, holds promise for greatly increasing the level of preparation for all students. For example, the required curriculum in Texas now calls for all students to demonstrate proficiency in the following:

- ▶ English/language arts: four credits.
- ▶ Mathematics: three credits, to include algebra I.
- ▶ Science: two credits, to include at least one credit from biology, chemistry, or physics.
- ▶ Social studies: 2.5 credits.<sup>25</sup>

Texas statute further stipulates that school districts must ensure that “each student enrolls in the courses necessary to complete the curriculum requirements... for the recommended or advanced high school program unless the student, the student's parent or other person standing in parental relation to the student, and a school counselor or school administrator agree that the student should be permitted to take courses under the minimum high school program.”<sup>26</sup> Establishing the college-preparatory course of study as the “default curriculum” which all students must take

unless they specifically opt out is a powerful strategy to protect students who may not otherwise have access to a rigorous academic curriculum that prepares them for work and higher education. Similar measures are reflected in Indiana's Core 40 academic requirements, which become the state's required high school curriculum in fall 2007. Core 40 provides all Indiana students with a balanced sequence of academically rigorous high school courses in the core subjects of English/language arts, mathematics, science, social studies, and other coursework. As with the Texas program, to graduate with less than the Core 40 requirements, a student must complete a formal opt-out process involving parental consent.<sup>27</sup>

Requiring that all students have access to a rigorous curriculum comes at a price for states and most school districts. Many schools in rural and poor areas would like to strengthen their academic offerings, but they do not have the well-qualified faculty and fiscal resources to teach the courses. And the process of preparation to engage students in more difficult coursework requires better preparation in middle and elementary school, as well. Once states commit to the rigorous-curriculum position, they must also follow through with the kind of support all schools and districts will need to meet the higher academic standards.

*Alignment of exit and entry skills.* There has been much finger pointing over the past several years as educators, policymakers, and business leaders decry the lack of continuity across education levels, notably between high school and higher education. The symptoms are obvious: high rates of remediation, low persistence rates after the first year of college, and large differences in college-going rates among students of various racial/ethnic and socioeconomic backgrounds. What it takes to get out of

high school and what it takes to get into college are not clearly tracked or aligned, and states have created barriers between high school and college that further discourage good alignment. "The current fractured systems send students, their parents, and K-12 educators conflicting and vague messages about what students need to know and be able to do to enter and succeed in college," according to Andrea Venezia, Michael Kirst, and Anthony Antonio. "High school assessments often stress different knowledge and skills than do college entrance and placement requirements. Similarly, the coursework between high school and college is not connected; students graduate from high school under one set of standards and, three months later, are required to meet a whole new set of standards in college."<sup>28</sup>

One of the first efforts to work outside the existing structures to address this problem occurred in California with the Early Assessment Program (EAP), a collaborative effort among the California State Board of Education, the California Department of Education, and the California State University system. The program was established to provide opportunities for students to measure their readiness for college-level English and mathematics in their junior year of high school and to facilitate opportunities for them to improve their skills during their senior year.<sup>29</sup> EAP includes 11<sup>th</sup> grade testing to provide early warning of academic weaknesses, supplemental high school preparation in 12<sup>th</sup> grade, and teacher professional development. In spring 2006 134,000 high school juniors in California (72 percent of all those who were eligible) took the mathematics EAP test.<sup>30</sup>

A broader initiative was formed by Achieve as part of the American Diploma Project Network, where 22 states have committed

to aligning their high school standards with postsecondary and employer expectations. Through Achieve's Alignment Institutes, postsecondary, K-12, and business leaders from many of these states are defining the core English and mathematics knowledge and skills graduates need to be ready for college and work and then strengthening their high school standards as necessary.<sup>31</sup>

*Early college high schools and accelerated learning options.* An earlier section of this chapter made a case for seriously examining the last two years of high school, with attention to what students do and the state's expectations for those final years of secondary school. While less has been done on the state level to change the junior and senior years, a number of school districts have modified at least one of those years. An effort gaining attention is the establishment of early college high schools, a blend of secondary and postsecondary education. According to the Early College High School Initiative, "early college high school puts cohorts of students into small, autonomous schools and moves them through high school and into college in a single institution, allowing them to start college-level work as soon as they are able."<sup>32</sup> By 2008 the initiative will create more than 170 pioneering small high schools; grants for the initiative total more than \$120 million from philanthropic organizations such as the Bill & Melinda Gates Foundation, the Carnegie Corporation of New York, the Ford Foundation, the W.K. Kellogg Foundation, and the Walton Family Foundation.<sup>33</sup> An evaluation of this work in its early stages indicates that schools have successfully targeted low-income and minority students for enrollment, and the majority of schools have at least some of their students enrolled in college courses. Improvement is still needed to ensure all schools offer rigorous and relevant instruction.<sup>34</sup>

A related direction takes an inside-the-box idea a large step further: taking measures to improve access to some accelerated learning options by strongly recommending that all students take at least one accelerated learning class and requiring all schools to offer such an option. Accelerated learning options include Advanced Placement (AP), dual/concurrent enrollment, the International Baccalaureate program, and Tech-Prep. Most states have policies related to one or more of these options, but few states mandate that all school districts offer courses. Arkansas is the exception: beginning in 2008 the state requires that all districts offer one AP course in each of the four core areas – math, English, science, and social studies.

Utah's New Century Scholarship Program, created by the state legislature in 1999, provides a financial incentive through scholarship opportunities to Utah students who complete the requirements of an associate's degree or its equivalent at a state institution of higher education the year that their class graduates from high school. Using accelerated learning options such as AP, concurrent enrollment, early college, and the Utah Electronic College, high school students can complete the equivalent of an associate's degree before they graduate from high school. The New Century Scholarship then provides up to 75 percent of the average tuition costs for up to two years at state-operated institutions.<sup>35</sup>

A recent study of accelerated learning options and access and success by the Western Interstate Commission for Higher Education found that students in Florida who had taken either AP, dual/concurrent enrollment, or International Baccalaureate courses enrolled in college, persisted, and graduated at rates higher than students who had none of these options on their transcripts. The study recommends that

lawmakers use legislation to encourage collaboration across the state departments of education, state higher education systems, and individual institutions to ensure that students in all schools in their state have access to at least one of the options. A second recommendation calls on states and local school boards to modify high school graduation requirements to ensure that all students have the option of completing at least one course offered as an accelerated learning option.<sup>36</sup>

*Delivery of remedial education.* Earlier portions of this chapter have raised issues related to the financing and delivery of remedial education. Remedial education has benefited little from outside-the-box thinking. Although states are heavily engaged in the business of remediation, how it is delivered and how it is paid for varies little from state to state. An alternative delivery approach that has surfaced over the years (but one which does not seem to interest states) is outsourcing this responsibility. Cost-benefit analyses of outsourcing the provision of remedial education are not available, so it is difficult to understand whether this is a viable alternative for states. But it is also clear that the current approach is not as successful as students, educators, and lawmakers need it to be. It would be highly beneficial to have a state explore the advantages and disadvantages of outsourcing remediation so that public higher education is not responsible for providing this service. Relieving both K-12 and higher education of providing remedial courses would allow them to concentrate on their primary responsibilities. In higher education institutions, it is not uncommon to reach greater efficiencies by outsourcing components such as the bookstore, food services, and security. One could also argue that online courses offered by other

institutions are examples of outsourcing instruction. At the K-12 level, there are several providers outside the school system that help students increase their academic preparation for a fee.

**Accountability.** Addressing the dropout rate – a major accountability issue – to improve college readiness for student access and success requires outside-the-box thinking. Research indicates that early identification is a critical strategy for preventing students from dropping out and should be part of a far-reaching effort to make all students college ready. Many states are currently investing in student-level data systems that span elementary, secondary, and postsecondary enrollment. Others are looking for ways to bridge existing silos of data in K-12 and higher education systems. From whatever point a state begins, the cost of building an accurate early-warning system may be relatively small compared with the cost of providing programmatic interventions or systemwide reforms designed to curb dropout rates and increase graduation rates.

According to Craig Jerald, “The payoff of basing interventions on accurate data can be huge. A large school system that invests in better data to support dropout prevention can obtain much better results for hundreds of thousands or even millions of dollars less than a similar system whose leaders decide to skip that step.”<sup>37</sup> For example, the Consortium on Chicago School Research conducts analyses using a longitudinal database that tracks every student who moves into and through the Chicago Public Schools; consortium researchers can construct new and valuable indicators for predicting which students will drop out of high school.<sup>38</sup>

A second outside-the box mechanism that may hold promise for monitoring how well

the state is performing on college readiness involves the use of student progress reports. Students and their parents periodically receive report cards showing how well they did in classes. For students in high school, beginning with 9<sup>th</sup> graders, the progress report might be expanded to reflect how well each student is doing on meeting admissions requirements for public two- and four-year institutions in the state. An initiative in California involving collaboration among the University of California, the California Student Aid Commission, EdFund, and some high schools is providing this service. Each year, a two-page report is given to 10<sup>th</sup> grade students in participating districts to show their progress toward meeting minimum entrance requirements to California State University and University of California institutions. By providing students with specific details on their progress by subject area, schools help students and parents to easily see what courses need to be taken in 11<sup>th</sup> and 12<sup>th</sup> grades. The report also provides web links on additional information concerning admissions requirements and financial aid.

Another accountability approach to evaluating college preparation is the strategic use of diagnostic tools to determine where a student is on the readiness path. State policy that requires all students in 10<sup>th</sup> or 11<sup>th</sup> grade to take diagnostic tests such as the ACT or SAT can be an effective way of identifying areas of strength and weakness concerning their readiness to do college-level work. Colorado and Illinois provide state examples of this approach.

Since 2001 Colorado has required all 11<sup>th</sup> grade students in public schools to take a standardized, curriculum-based, achievement-oriented, college entrance examination selected by the department of education, administered throughout the

United States, and relied upon by institutions of higher education. At a minimum, the test must cover reading, writing, mathematics, and science. The department of education pays all costs associated with administering the exam.<sup>39</sup> For this purpose Colorado has adopted the ACT.

Illinois students are required by law to take the Prairie State Achievement Examination (PSAE) in order to receive a regular high school diploma, unless otherwise exempt. The PSAE measures the achievement of 11<sup>th</sup> grade students relative to the Illinois Learning Standards and includes three components: a science assessment; the ACT, which includes reading, English, mathematics, and science tests; and assessments in reading for information and applied mathematics using ACT's WorkKeys, a job-skills assessment system.<sup>40</sup> A large high school district near Chicago implemented ACT's Educational Planning and Assessment System in 1994. The program includes monitoring student progress throughout high school, guiding students toward taking the right college-preparatory courses, and intervening with those students who need help. Students and parents are involved in the entire process, using the student's life- and career-planning portfolio to track progress throughout high school. Administrators evaluate student growth and make timely interventions to promote student achievement.<sup>41</sup>

**Governance.** The blending of responsibility with a more fluid allocation of decision authority for better preparing our students has already begun. The most obvious example is the movement toward P-16 and P-20 structures and similar mechanisms that help us to rethink educational governance. The goal of these new entities is "to create a system of education which begins in early childhood and ends after college that

promotes access, standards, accountability, and life-long learning,” according to ECS.<sup>42</sup> ECS found 30 states engaged in some kind of P-16 activity in 2006. Florida and Idaho have single systems of education that encompass both K-12 and higher education; other states have taken an incremental approach. Five states (Florida, Indiana, North Carolina, Ohio, and Texas) have legislation to establish a P-16 council or initiative, but most are formed voluntarily or through executive order.<sup>43</sup>

In many states, the P-16 initiative blurs governance structures because it includes business and community involvement with K-12 and postsecondary education. The comprehensive approach of a P-16 council also means that decisions are not made by a single agency; many voices are heard and consensus is reached by individuals representing a wider range of interests. This is important because the demographics of our traditionally aged student population are more varied than they have ever been. Community perspectives are essential in thinking outside the box about the ways that state policy can enhance the readiness of the community’s children to enter and be successful in higher education.

## **Reentry Students: Inside-the-Box State Policies**

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Adult learners are found across both K-12 and higher education. Millions of individuals over the age of 16 and not enrolled in grade 12 or below participate in adult-learning activities to help them complete a GED, master basic skills, or take college courses on a part-time basis. The scope of the term *adult learner* encompasses a range of educational activities. The U.S. Department of Education’s National Household Education Surveys Program of 2005 counts the following as participation

in formal educational activities: English as a second language (ESL) classes; basic skills or GED preparation classes; college or university degree or certificate programs; vocational or technical school diploma, degree, or certificate programs; apprenticeship programs; work-related courses or training that were not part of a college or vocational degree, diploma, or certificate program or an apprenticeship program; and personal-interest courses.<sup>44</sup> NCES found that 44 percent of adults reported having participated in formal adult educational activities (excluding full-time enrollments in college, university, or vocational/technical credential programs) between spring 2004 and spring 2005; 27 percent participated in work-related courses or training.<sup>45</sup>

Adult learning is a critical concern for state policymakers both in terms of sheer numbers of participants and in terms of state and national workforce needs. “The connections between a state’s economic vitality and a skilled workforce are inescapable,” according to a report from CAEL and the State Higher Education Executive Officers (SHEEO). “No state can prosper with a poorly educated workforce, nor can it continue to prosper if its workforce fails to learn continuously.”<sup>46</sup>

The following section utilizes the four policy tools – finance, regulation, accountability, and governance – to review the ways in which states address the readiness of adult students to reenter education.

**Finance.** State policies concerning the financing of adult learning have traditionally been housed in the K-12 system, which is typically charged with providing opportunities for completing the GED certificate, as well as with related activities, such as offering adult basic education (ABE) and ESL classes. Funding to support these adult programs is included in the

state department of education's budget and allocated across school districts. Other important sources of funding for adult learners are the federal government, local organizations, philanthropic and religious organizations, and the business community.

Federal and state governments have shaped public policies with interest and dollars centered on students who enroll straight from high school, attend full time, and are financially dependent on their parents.<sup>47</sup> This is not the profile of the typical adult learner, who needs additional preparation in order to enter postsecondary education. The level of state and federal fiscal support for adult-learning programs and courses to prepare adults for college is well below the demand. As recommended in a recent report from ECS, "States need to dramatically increase their commitment to adult basic education, GED and ESL preparation." The report notes that few states make significant commitments to adult literacy and ESL; they depend primarily on monies that the federal government provides and that state departments of education or workforce-development offices manage.<sup>48</sup>

Because the responsibility for providing the GED and other educational experiences for adults who have not completed high school falls largely upon the K-12 system, it is not uncommon for classes to be taught by high school teachers in a high school; this is usually directly related to the level of funding. This environment is often not suitable for older adults. State fiscal policies that do support separate educational centers with trained adult-learner professionals are the exception, though such an environment would be better for adult learners. Rarely does state support go toward alternative delivery systems – only classes in schools or at sites designated by the state are funded.

**Regulation.** Public policy that restricts adult learning – how and when it occurs and who can benefit – may be a significant barrier to advancing educational opportunities for adults and helping them prepare for higher education. Such mandates, whether in the form of statutes or rules to interpret the statutes, have been in place for decades, and states are slow to examine the effectiveness of these regulations.

One example is the widespread practice of teaching ESL through the K-12 system. Because ESL is usually the responsibility of the elementary and secondary school sector, adult non-English speakers, who may have some higher education or even advanced degrees, must work through a system structured to serve students under the age of 18. Similar conditions exist in many states around the offering of the GED.

**Accountability.** Current state policies rarely require that appropriate and adequate information be collected about adult learners to determine if the state is making progress and appropriately serving the needs of these individuals in increasing their readiness for college. The collection, analysis, dissemination, and application of data are greatly hampered by the often uncoordinated and fragmented distribution of responsibility for the data.

Tennessee, for example, recently reported that the state's delivery system for adult education was fragmented: four state agencies and several other entities, including public libraries, community colleges, and businesses, were providing these services. According to the Tennessee Office of Education Accountability, "With no forum for formal communication, the entities involved in adult education may not always cooperate to provide seamless service to clients." The

report further determined that this condition could complicate accountability efforts and result in missed opportunities to share existing resources for greater efficiency.<sup>49</sup>

**Governance.** The provision of adult learning was historically the exclusive responsibility of the K-12 sector, and thus programs, courses, curricula, and other activities targeting adults who wish to increase their readiness to attend college have been shaped by that system. Higher education and other state agencies have rarely attempted to breach this arrangement. Work related to activities such as ABE, GED, and ESL is housed in a special unit or office in the state department of education, and the rules and regulations, as well as the lines of authority, follow the highly structured reporting patterns set by the department. In 62 percent of the states, divisions within the department of education administer their adult education programs. In 16 percent of the states, community and technical colleges provide adult education. The responsibility for adult education is housed in other departments, notably labor and workforce development, in another 16 percent of the states.<sup>50</sup> In bureaucratic systems inside-the-box policies may impede the rapid response and program improvements that are needed to effectively and appropriately meet the needs of adult learners. It may be more effective for those who are providing the services to the learner to make decisions and allocate resources to respond to local needs.

### **Reentry Students: Outside-the-Box State Policies**

**Finance.** Rethinking how we finance adult learning may mean forging new partnerships with noneducation entities. A fast-growing option that holds attraction

for workers as well as their employers and third-party providers is the lifelong-learning account (LiLA). Developed by CAEL, LiLAs are designed to respond to the gap in public and private financing of ongoing education and training for the current workforce. LiLAs provide individual asset accounts to finance education and training so that workers can upgrade their skills – including readiness preparation – thus providing them with a mechanism to invest in their own futures while leveraging employer involvement and investment. LiLA accounts are funded through individual contributions, employer matches, and potential matches from third-party sources. CAEL has implemented demonstration projects with funding from the Ford Foundation for evaluation in Chicago, northeast Indiana, and San Francisco, as well as in Maine through a grant from the U.S. Department of Labor and the Ford Foundation.<sup>51</sup>

**Regulation.** Rather than repeating course curricula and delivery modes the same way year after year, public policy should allow for the development of new delivery systems to provide education for adult learners. Internships for adults are one such outside-the-box option. “Year Up,” an intensive one-year program serving Massachusetts, New York, Rhode Island, and Washington, D.C., serves low-income high school graduates and young GED recipients by offering a combination of marketable job skills, stipends, paid internships, college credit, behavior-management systems, and other support programs to place them on a path to economic self sufficiency.<sup>52</sup>

The provision of remedial classes in basic skills in computation, reading, and writing in an environment that is conducive and supportive of adult learners, such as a higher education facility or a work site, is another

example of how standard procedures may need to be modified. Paul Lingenfelter and Richard Voorhees suggest that remedial instruction for adult learners should be provided in the institutional setting where the student will receive most of his or her instruction. They also note that public policies that encourage partnerships with business and industry to meet adults' basic literacy needs would enhance workforce capacities.<sup>53</sup>

**Accountability.** Accountability related to the readiness of adult learners may have been an obstacle in the past, but it does not need to be in the present. States as well as local entities can now more easily assess the unique readiness level of adult students with well-tested, reliable, and validated tools.

In the workplace a valuable accountability tool that is used nationwide is WorkKeys by ACT. WorkKeys is a job-skills assessment system which measures the real-world skills that employers believe are critical to job success. The skills are valuable for any occupation – skilled or professional – and at any level of education. WorkKeys is used by businesses, workforce-development groups, and schools to find, hire, train, and retain qualified employees. The WorkKeys' job analysis (or profiling) involves identifying the skill requirements and skill levels an individual must have to perform successfully. The WorkKeys job-profile database includes profiles for more than 12,000 jobs across multiple industries. WorkKeys assessments measure the current skills of individuals in nine key areas, and its training program improves skills that make individuals more employable and businesses more competitive.<sup>54</sup>

A second well-recognized approach to measuring accountability for adult readiness

is available through the assessment and recognition of prior learning – or prior-learning assessment (PLA). This is not an entirely new concept – postsecondary institutions have used multiple methods for years to measure learning so students can be placed in the courses appropriate to their needs, including:

- ▶ Transfer of transcript credit.
- ▶ Articulation agreements among colleges and other institutions.
- ▶ Proficiency examinations.
- ▶ Credit for the completion of evaluated programs: military, corporate, or union.
- ▶ Credit of previously evaluated licenses, certificates, or apprenticeships.
- ▶ Credit by portfolio-assisted assessment.<sup>55</sup>

The recognition of PLA as an important strategy to address workforce needs is now emerging, and the economic, political, and social environment is ripe for innovative, outside-the-box thinking on ways that state policy can make a difference for adult learners. A very creative approach that links state policy with PLA for adults was announced in November 2006 by Governor Edward Rendell of Pennsylvania. Under his Job Ready PA initiative, nearly 600 postsecondary educators in the state have been asked by the state departments of education and labor and industry to comply with accrediting standards that make it possible for people to earn college credit for knowledge gained through work, training, and other life experiences.

Accountability is important, and a viable step in creating better accountability for adult learners is for states to establish goals for this work. These goals might include:

- ▶ Monitoring performance and participation and aggressively marketing

basic literacy and ESL programs to the full cohort of adults in the state who need these services.

- ▶ Paying for performance by adult-education providers.
- ▶ Monitoring social indicators that track the health and well being of the population as a whole, including measures of personal income, health, and civic engagement.<sup>56</sup>

But goals must be measurable, and that takes data and information. Some states are thinking more systematically in an effort to address the lack of information. Legislation in California passed in 2006 requires the chancellors of community colleges and the superintendent of public instruction to convene a working group of adult-education and data experts to review the separate, existing adult-education and noncredit-instruction data systems and to report to the legislature and governor on the feasibility, design and cost of a common data set in adult education. Minnesota now requires all ABE programs to include a performance-tracking system to collect data on core indicators, such as: improvements in literacy skill levels; participation in postsecondary education, training, subsidized employment, or career advancement; and receipt of a secondary school diploma or equivalent.

Other states are moving in new directions. In Michigan legislation passed in 2003 established the Family Resource Center Curriculum Blue Ribbon Study Committee to explore and make recommendations on implementing a new, integrated system of delivering adult education and related family services, including ABE, GED, and ESL programs. Based on the results of the Tennessee study cited above, the state's office of education accountability recommended that the general assembly

may want to create an adult-education interagency task force to ensure cooperation and communication among the many departments involved in adult education.<sup>57</sup>

**Governance.** Outside-the-box thinking that uses state policy as a lever for change for adult learners is only recently becoming more evident. Providing adult learning in a different environment outside of K-12 is an approach that many states are developing. A few states and local entities have implemented programs with less attention to governance structures than to opportunities to reach out to the adult-learner population.

Alabama's Focused Industry Training (FIT) program, for example, is a 10-week course at community colleges for adults without a GED. The program integrates basic skills with industry training and uses the ACT WorkKeys instrument to assess the students. This small-group training program helps people gain basic employment skills, and it leads to a certified worker credential. Alabama's FIT program began last year, and most of those completing the program got jobs immediately in entry-level manufacturing.<sup>58</sup>

In a more broad-based approach, Kentucky legislation in the 2000 legislative session increased funding for adult education and consolidated several efforts into the Council on Postsecondary Education under the banner "Kentucky Adult Education." The state has enrollment goals for the system and for individual counties. "As a result of this focus on enrollment goals, enrollment increased from 60,000 students in 2001 to 115,000 students in 2005," according to the Southern Regional Education Board.<sup>59</sup>

Another statewide movement is seen in Louisiana, where Governor Kathleen Blanco has initiated a coordinated effort around

adult literacy, where governance structures are less important than ensuring that all state agencies are stakeholders in providing services to adults. In addition to all education sectors, this includes the departments of labor, economic development, social services, and corrections, as well as the Governor’s Workforce Commission and the Office of Student Financial Assistance. The Governor’s Task Force on Adult Education “envisions an adult learning system for Louisiana” in which adults in each parish:

- ▶ Can easily enter educational programs and access support services appropriate to their needs.
- ▶ Are helped to succeed in their efforts to get more education.
- ▶ Are helped to develop a portfolio of lifelong-learning experiences and credentials.
- ▶ Can draw on the educational resources of all the education providers in the state.
- ▶ Have their level of learning certified in ways that help them move to the next level of education and improve their employability.<sup>60</sup>

### *Concluding Observations*

These are a sampling of the ways in which state policy can begin to reshape thinking about traditional students and adult learning and provide new opportunities for these large segments of our population, in order to enhance their contributions and enrich the nation’s current and future workforce. Conventional ways of thinking about financing, regulation, accountability, and governance in the provision of educational opportunities to enhance the readiness of traditional and adult students for college may need to be set aside if states are to meet their needs and those of their citizens. There are many tools available and there are promising practices to guide states and school districts in identifying new options and evaluating these strategies to determine if they are appropriate for the particular problem within their state.



## Chapter 3: College Access

David A. Longanecker

Most contemporary discussions of American higher education begin with the presumption that an ideal system would be one that is accessible to all students who can benefit from such an education. This chapter assesses how well American higher education measures up on this generally accepted value of providing broad access.

### *The Context*

Today, providing broad access to higher education is a clear public policy goal. But this has not always been the case. Higher education in the U.S. was launched in the colonial era, when it was intentionally elitist, provided only to the sons of the educated upper class, generally to prepare them to be either ministers or lawyers – the only two professions that were perceived to require further formal education at that time.

This elitist system changed radically when the federal government entered the picture with the Merrill Act of 1862. The act provided each state with 70,000 acres of land, the proceeds from which were to be dedicated to building a public higher education system. This federal gift to the states provided the impetus for the development of our great public universities. The Merrill Act was not an access initiative but rather the beginning of a meritocratic era in American higher education, one in which the best and brightest children (mostly sons) of mechanics and farmers and others could further their education. It was still only a select few who were able to take advantage of this opportunity. The act was not designed to expand opportunity

but rather quite intentionally to fuel the industrial and agricultural revolution that was moving the neophyte nation into international prominence.

Most people think of the GI Bill (formally known as Servicemen's Readjustment Act of 1944) that followed World War II as the first substantial access-oriented thrust in American higher education, and it certainly did substantially increase access. But truth be told, it was more of an opportunistic effort than an access initiative. It was apparent that the huge number of GIs returning from World War II would wreak havoc on the U.S. economy if they all sought to return to work upon coming home. It was feared that such a glut of workers could potentially even revive the Depression that had immediately preceded the war. It was within this context that the GI Bill was devised and successfully implemented, as a twofer: a strategy to gradually reintroduce large numbers of people (mostly men, again) back into the workforce and to keep them occupied in the meantime in the upgrading of their skills and abilities through enhanced education. This strategy worked marvelously well, creating an American workforce that was better educated and more productive than any other in the world and greatly expanding access to higher education (though the latter was simply a serendipitous outcome). This expansion of opportunity was still limited, however: illiterate GIs, of whom there were many, did not benefit greatly from this program; and women, few of whom were GIs, were also not genuinely embraced by this policy.

A similar expansion in higher education occurred following the Russian launch of Sputnik in 1957. Yet again this expansion

was opportunistic, not focused on access: its goal was to make sure that we had enough intellectual manpower to compete successfully in science and commerce with the communist world, which had just shocked Americans by demonstrating its supremacy in space exploration.

It was not until the Great Society programs were proposed by President Lyndon Johnson in the 1960s that access became an abiding theme of federal policy, thanks to the Higher Education Act of 1965 and to complementary activities in the 50 states to increase the number of institutions of higher education. The focus of these efforts was to serve all students, rich and poor, who could benefit from furthering their education beyond high school. Indeed, the most significant state-level initiative was the radical expansion of a great American invention: the community college, which now serves a larger share of students than any other sector of American higher education. This was the first era in which the focus was on the needs of individual citizens, not on the particular needs of the greater society.

### *Access Today*

In the last 40 years, few things have changed. Federal student-aid programs have been modestly revised, undergoing a continuous shift to greater reliance on loans than on grants. The pricing of public higher education has altered considerably, with a much larger share of the costs being born by students. Community colleges have continued to increase their share of the higher education market, and the for-profit sector has expanded substantially in recent years. But in essence the system remains heavily focused on the access agenda that emerged in the 1960s.

At each stage of this evolution in policy and practice – from elitism to meritocracy to opportunism to egalitarianism – there has been tension within American higher education and within the public arena about the changes that have been made. The academy has almost always been concerned that expansion could debase the quality of the enterprise. Sometimes, this concern reflected the belief that only a share of the population was intelligent enough to benefit from higher education. Sometimes, it reflected a fear that insufficient resources would be provided to protect educational quality.

Such beliefs and fears were barely acknowledged in the public policy arena until higher education became the norm – and thus also became more costly as a share of the available public resources. Then concerns about costs, accountability, and the effective and legitimate use of public funds began to command policymakers' attention. Despite these concerns, there has been little disagreement about the efficacy of this evolution in philosophy. In fact, most of the developed world now accepts the American ideal of broad access to higher education as a worthy goal.

There is an emerging consensus, however, that our current thrust is no longer appropriate and will not serve the U.S. well in the 21st century.

One reason for skepticism regarding the access agenda is that it has not produced the desired results. While this agenda has provided the opportunity for a much larger share of the population, rich and poor, to participate in higher education, it has not eliminated the gap in participation, nor has it led to educational success for many of those "access students" – first-generation, low-income, or otherwise "nontraditional"

students who would or could not attend college without government assistance. Indeed, the U.S. trails most of the developed world in the share of enrolled students who complete their postsecondary education.

Furthermore, even if our current policy agenda were working well, it would not be aggressive enough to position the U.S. for the future. For us to remain globally competitive in a knowledge-based economy, a far larger share of our population will need to continue their education beyond high school than has occurred with the access agenda. To succeed, we must adopt a new philosophy – an essentialist philosophy – that makes it clear that virtually all Americans need to be educated at levels higher than they were in the past.

The remainder of this chapter will examine how our current access policies – what we refer to as inside-the-box efforts – evolved. It then looks at some new ways in which the access agenda and the proposed essentialist philosophy – what we refer to as outside-the-box concepts – could be pursued.

We also examine each of these constructs for two separate groups of students: traditional and nontraditional. Most of our policies were created to serve traditional (recent) high school graduates who were going on to some form of postsecondary education. The 1960s, when the access agenda initially evolved, coincided with the coming of college age of the baby boomers, so it made sense at that time to focus on this population. Lifelong learning was not yet a part of the public policy agenda. Over time, however, more and more adults either returned to college to complete their education or entered college for the first time. As this phenomenon became more commonplace, public policy has begun to embrace the new nontraditional student.

But it has done so in a fairly haphazard way, often simply jimmy-rigging programs developed for 18- to 24-year-olds to fit older adults. We now know that those efforts, though well meaning, have not served nontraditional students well. This chapter discusses access policies with respect to both populations.

## Traditional Students: Inside-the-Box State Policies

How has the access agenda evolved? As noted above, the access agenda began as a way to radically expand postsecondary opportunities for traditional college-aged students – recent high school graduates between the ages of 18 and 24. Initially, that made a lot of sense: the policies evolved during the 1960s, when baby boomers were coming of college age and when college was almost exclusively the domain of recent high school graduates. The public policy tools used to promote the access agenda have related to finance, regulation, accountability, and governance.

**Finance.** Within the finance arena, states used low tuition as the primary tool for assuring access. Many states even have statements in law or in their constitution indicating that tuition should be as low or close to zero as possible. This was not a new policy in the 1960s, but it was reinvigorated and entrenched as an almost universal component of community college finance, with community colleges, almost from their inception, perceived in state policy as the cheap avenue to educational opportunity.

The federal government entered this access arena with a very different approach to finance, providing federal student assistance in the form of grants to students from

low-income families. In great part this was because of an increasing realization that tuition was only a portion of the real cost of going to college and that ignoring other real costs (room and board, books, transportation, and subsistence living expenses) eroded true access for low-income individuals.

Initially, the Higher Education Act provided these funds to institutions, which were to provide grants to students. Yet institutional interests did not always match the federal interest in expanding access for the lowest-income students, so within a decade the policy had changed and the federal government began to provide grants (initially called Basic Educational Opportunity Grants and later renamed Pell Grants after Senator Claiborne Pell from Rhode Island, the father of the legislation that created them) directly to low-income students, essentially as vouchers to carry with them to whatever institution they wished to attend. These grants were the federal government's primary tool for providing access. In addition to grants for low-income students, the federal government also began two modest student-loan programs; they were not intended to be access programs but rather aids to reduce the financial burden for middle-income students and, in some cases, incentives for students to study in fields that were of particular federal interest (teaching, science, math, and military studies, for instance).

In addition, the federal government provided an incentive for states to create complementary student grant programs. In its early years, this program – the State Student Incentive Grant (SSIG) program – proved to be exceptionally effective. Prior to its inception, only a handful of states had state-based student grant programs; within a few years, however, every state

had established some capacity to qualify for these federally matched funds. Over time, this program languished because the federal contribution leveled out and so did the commitment of most states. But a few states caught the financial aid fever, and today about one-quarter of all states have robust financial aid grant programs that contribute substantially to enhancing financial access.

**Regulation.** State and federal governments also used regulatory policies to push the access agenda. The primary regulatory tool used by states was to assure geographic access. The 1960s and 1970s saw the building of many public college and university campuses. The most significant expansion occurred within the community college sector. The general mantra in many states was that anybody should be within an hour of an institution of higher education. To protect “efficiency,” however, a plan for geographic access was most often combined with clearly differentiated missions for different institutions. With the 1965 California Master Plan providing a general template for the country, public higher education was divided into three types of institutions: community colleges to serve vocational and academic-transfer missions; baccalaureate institutions; and research universities. Over time, mission creep has eroded this fairly rational division of labor, but in essence the access agenda still follows this differentiation, with most “access students” beginning (and often ending) their education in community colleges, a reasonable number attending predominantly baccalaureate institutions, and relatively few attending research universities.

It is worth noting that although the model of combining geographic access with mission differentiation has been the dominant regulatory approach for assuring access, not all states have followed this approach.

A number of states have resisted creating strong community college systems and have maintained an open-admissions policy (or something close to that) for virtually all of their institutions, including their research universities. But this is the exception, not the rule, and often has more to do with the homogeneity of state demographics than with any other dominant philosophy.

The federal government, at least initially, had almost no regulatory policies regarding access. In implementing the GI Bill, the federal government had experienced substantial fraud and abuse from fly-by-night vocational schools, so the Higher Education Act laid down fairly tight restrictions on which institutions would be allowed to participate in the federal programs. However, initially there was only modest oversight or regulatory control. Indeed, for the first 25 years of the Higher Education Act, there was no major federal office managing education issues; rather, they were overseen by the U.S. Department of Health, Education, and Welfare.

Over the years, as the amount of federal funding for these programs increased and political pressure led to a relaxation of the rules regarding which institutions could have their students participate, it became apparent that greater federal oversight would be needed. High rates of fraud and abuse in both the grant and loan programs led to substantially enhanced regulatory oversight in the 1980s and 1990s. One problem with this, however, has been the “one size fits all” federal approach to oversight. While there have been some attempts to focus on “problem” institutions, the federal government’s general regulatory posture makes no distinction between those institutions that serve their students well and those that do not.

**Accountability.** As the access agenda evolved, there were two major beliefs. The first was that if students went to college, they would succeed; life for them and for society would be better. The second was that institutions of higher education, whether public or private, served the public good and could be trusted to do so; it was a faith-based system. Given this pair of assumptions, there was little reason to establish accountability systems. Frankly, this was not unique to the relationship between higher education and government. There was relatively little public accountability required of most public services at that time.

While there has been substantially greater rhetorical attention to accountability over the past 20 years, we still have relatively rudimentary measures for holding anyone accountable for performance on the success agenda. As described earlier, our performance is abysmal when it comes to providing access to success – which we have defined as completion of the intended educational objective (usually, graduation). Huge gaps remain between rich and poor and between majority and minority populations – both with respect to who attends college and who gets through – but public policy, in general, neither rewards nor punishes the institutions responsible for educating these students for their institutional performance. State-level funding structures generally hold no one accountable. While many states have developed information-reporting accountability systems, some quite robust, few have any consequences for improvement or failure on access measures. At the federal level, policies and practices seem impervious to change, even when strong evidence suggests the need for change.

Over the last few years, much greater attention has been devoted to the issue of accountability. Many tout this as the era of accountability. The State Higher Education Executive Officers (SHEEO) sponsored a National Commission on Accountability, which offered great advice to all stakeholders in the higher education community on their appropriate roles in relation to accountability. Secretary of Education Margaret Spellings sponsored the blue-ribbon Commission on the Future of American Higher Education. Many states have developed strong data systems to help inform evidence-based decision making, and there is even discussion of creating a national database to further enhance such practices.

Yet not much changes, particularly with respect to the access agenda. To date, policymakers have demanded little accountability from institutions on access measures. Some accountability measures even contradict the access agenda, focusing more on those original elitist and meritocratic philosophies than on access. But recent efforts by SHEEO and the Secretary of Education may help bring accountability for enhancing access to the fore.

**Governance.** Governance has been a powerful tool in moving the access agenda forward. States generally assert that education is their responsibility – not the federal government’s. And traditionally, they have manifested this responsibility in various ways. As the owner/operators of state institutions, they set the scope and mission of institutions and generally select their governing-board members. Directly or indirectly, they set tuition levels and determine geographic access. But state governance has focused primarily on sustaining the physical infrastructure of higher education, with more than 90 percent

of state higher education appropriations being directed toward maintaining their institutions.

The federal government, on the other hand, except with respect to the research infrastructure, has accepted virtually no responsibility for developing or maintaining the system of higher education. Rather, it has focused on making sure that all citizens who can benefit can afford to be educated through targeted student financial assistance.

Two problems have emerged in this shared governance model. First, one party or the other is occasionally fickle, which leaves the other party vulnerable. When state budgets are tight, the states increase tuition, which places exceptional pressure on the federal government to increase its commitment to financial aid. In such circumstances, the federal government feels “had.” Conversely, when the federal government faces fiscal or philosophical challenges that restrict or imperil federal student financial aid, the states face exceptional pressure to hold tuition down, thus restricting revenues necessary for providing a quality education. In such circumstances, the states feel “had.”

Second, and more serious, are the consequences of the well-known dictum “When everyone is in charge, no one is in charge” – consequences we have seen in recent years. Neither the states nor the federal government has fully supported a policy of financial access, and each has blamed the other. Each can make a legitimate case, but the net effect is that the most financially distressed students – the access students – have been poorly served by government, both federal and state.

In sum, our general approaches to providing access – through finance, regulation,

accountability, and governance – though intentional and well intentioned, have not worked well.

## **Traditional Students: Outside-the-Box State Policies**

Fortunately, some policies and practices that have the potential for advancing the access agenda are evolving at both the state and federal level.

**Finance.** A number of institutions and governing boards are adopting finance systems that align with the cost of doing business well, placing resources where they are needed to ensure greater success with access students. States can do the same thing by providing performance funding associated with the success of access students.

Other countries have already recognized the value of incentives to better serve access students: incentives work, not only because institutions “follow the money” but also because serving access students, who generally come to college with weaker preparation, costs more. England and Ireland provide additional funding for students who come from disadvantaged backgrounds. In Ireland the premium is 33 percent, based on a study that indicates access students require a third greater investment on the part of the institution to ensure success. This idea is beginning to catch on in the U.S., as well. Oklahoma and New Mexico have adopted policies that provide additional funding to institutions that increase the progression and graduation rates of Pell Grant recipients.

Another promising policy has not caught on in the U.S. yet. In England, much as in the U.S., institutions are funded on the basis of

enrollments – but in England they pay only for completed enrollments. In the U.S. we generally pay for enrollments accounted for early in the term. And guess what: An awful lot of our students never complete all the courses for which they enroll. Adopting a “completion mentality,” either at the institutional, governing-board, or state level, could greatly change the incentive structure in American higher education, to the benefit of both students and the public purse.

Another way federal and state finance policies could be improved is by radically reforming our concept of need-based financial aid and bringing it into the modern era. We still embed in our financial aid philosophy the welfare mentality of the Great Society programs of the 1960s. We need a new philosophy that more clearly aligns who benefits with who pays.

Minnesota and Oregon have been leaders in developing more contemporary policies built on a model of shared responsibility between students, parents, the federal government, and the state. A number of policy analysts have proposed changes at the federal level, yet the higher education community has impeded changes in the federal methodology, in part because change always creates uncertainty, but also, unfortunately, because change has the potential of providing more for some and less for others. And even if a change helps to further the access agenda, those receiving less will resist.

**Regulation.** Higher education policy needs to catch the spirit of deregulation and adopt new and better ways of regulating for results. States need to move from regulation to incentives. Requiring institutions to “sign contracts” or enter into compacts to achieve certain results will never be as effective as simply paying for the desired performance. One reason contracts don’t work well is that

the presidents of institutions who sign them know that they will probably not be in their current position when the chickens finally come to roost. Frankly, simply paying for desired results may be much more effective than trying to regulate for better results.

The federal government can also do much to improve the regulatory environment surrounding its access initiatives. First and foremost, it could predicate institutions' eligibility in federal programs on their performance. This past year the federal government began the very promising practice of providing additional funding to students who take a rigorous curriculum in high school through the new Academic Competitiveness Grants. They could provide the same kind of incentive to institutions, distributing institutional grants, such as the Supplemental Educational Opportunity Grants, on the basis of how many Pell Grant students progressed to the next level or graduated, rather than simply on the qualifications of the entering class.

The federal government could also abandon the remaining residue of its one-size-fits-all regulatory environment. Today, every institution must submit its financial statement every year. Why couldn't that requirement be relaxed for institutions that have demonstrated exceptional financial wherewithal in the past? The U.S. Department of Education has adopted a risk-management approach to determine which institutions it will review in depth and should adopt a similar approach to the paperwork-reporting requirements it currently imposes on all institutions, strong or weak.

With respect to financial aid, the federal government should radically simplify the way in which financial need is determined. Though some institutions want lots of information, the federal programs don't

need that level of detail and most students attend institutions that don't need it, either. For federal purposes, the need analysis should be simplified and harmonized with other federal programs and activities, such as the federal income tax system.

**Accountability.** Institutions, governing boards, states, and the federal government would be well advised to accept the advice provided in the 2005 report of the National Commission on Accountability in Higher Education. *Accountability for Better Results: A National Imperative for Higher Education* outlines the ways in which each entity can and should assure accountability.<sup>61</sup> If adopted, this thoughtful approach to sharing the responsibility for supporting access to success in American higher education would also assure that the sum of the parts equals the desired whole.

This report suggests that the states, governors, legislatures, state boards, and executives for higher education, which, in the U.S., have primary responsibility for public education through the entire spectrum, including college, should set clear public goals and expectations. They should assure that data systems are sufficient to assess achievement toward these objectives; that the assessments are in place to do so; and that state financial systems and policies reward those institutions most effective in serving this public agenda. The federal government should restrict its focus on accountability to the two areas where it has significant accountability: providing a national database-collection capacity, including a national student-unit record database, that will allow the nation and its federated states to better understand the efficacy of the system in serving the public agenda; and supporting those federal programs that serve the national interest and hold participants (students and institutions)

accountable for high program performance. Institutions (trustees and leaders) should make it clear how institutional goals align with the public agenda and should continually assess, in much more valid ways than have historically been the pattern, the extent to which they are improving their performance toward these goals. Accrediting associations should continue their quality-assurance efforts, recognizing the need to embrace the unique diversity of types of institutions in the U.S., but also recognizing the need for much greater transparency with the public in sharing accreditation-review results. And faculty and students must assure the integrity of the process by providing the instruction and the individual effort to maximize student learning.

Yet we will not have strong accountability on the issue of access until we have better data to support our views. Today, we don't really know how well we do. We know whether traditional students who go to college full time graduate from the institution where they began – and we know those numbers are unacceptably low. But we also know that most students currently enrolled in higher education don't fit this traditional mold. And we even know from sample data that many traditional students who do graduate from college don't graduate from the institution in which they first enrolled.

To make accountability work on the access issue, we need broad-based student-record databases. Ideally, these databases would follow people from high school through college and into the workforce. Florida has demonstrated that creating such a data system is feasible and beneficial through its K-20 Education Data Warehouse (EDW). The EDW integrates existing data that are extracted from multiple sources and available at the state level. It provides a single repository of data concerning students

served in the K-20 public education system, as well as data on educational facilities, curriculum, and staff involved in instructional activities. The National Commission on Accountability recommended developing a national student-record database, and the Spellings' Commission on the Future of American Higher Education endorsed this idea.

But many higher education leaders have opposed this notion, both because they fear an invasion of privacy for individuals and institutions and because they fear data will drive standardization in an industry where diverse types of institutions have been our strength. These concerns are legitimate and need to be addressed, but the case for more and better information is compelling. Today, we have enough information to know that our system is "troubled" but not enough to be helpful in driving the necessary change.

It is time to move to a next-generation measure of success: to assessing outcomes, not simply providing access. Initially, we envisioned access as the opportunity for all who could benefit to go to college – presuming that if they went, they would succeed. We know now that was a naive assumption. We moved to the concept of access to success, defined earlier as completion of an educational objective (usually, graduation). But we know now from the declining performance of college graduates on the National Assessment of Adult Literacy Survey that graduation is a decent but imperfect proxy. We need to move to assessing student-learning outcomes: do our students learn what they need to know, and are they able to do what they have been trained to do?

The Commission on the Future of American Higher Education has recommended using broad comparative measures of student

learning. Some institutions have moved toward doing so, through assessments like the College Learning Assessment and ACT's College Assessment of Academic Proficiency. But many in the higher education community remain anxious, fearing that "a national test" will standardize our wonderfully diverse system. An alternative would be a national-assessment system with a variety of institutional assessments developed for different types of institutions, allowing institutions to select the group with which they wish to be compared. This would preserve the independent nature of American higher education but provide a reasonable way to discern which institutions were performing at the highest levels and which needed improvement.

**Governance.** As indicated earlier, the current governance structure – in which the states are sort of in charge but relegate the financial aid piece to the federal government – tends to leave each level of government dissatisfied with the other and to leave access students in the lurch. One alternative would be to simply shade these areas of responsibility slightly, with states recognizing the federal role but accepting ultimate responsibility. Such a scheme would have both philosophical and practical benefits. Philosophically, the states already claim responsibility; they simply haven't redefined what this means in the modern context. Today, providing access means more than setting up a cheap local institution. Cheap tuition is no longer a viable access strategy, both because tuition is only part of the cost of going to college (and truly attending to access requires addressing other costs, as well) and because increasing tuition revenue is essential to sustaining the institutions that provide access.

The danger in this approach is that it could be perceived as letting the federal

government off the hook. For the last 25 years the federal government has demonstrated its fickleness with respect to its role. Substantial support followed the adoption of the Great Society programs and continued through the 1970s. Through the 1980s and early 1990s, federal government support waned substantially. In the mid-1990s, support rebounded and was quite robust. For the last six years, however, there has been little evidence of support for the access agenda at the federal level. Recent legislative changes will provide some alterations on the margins, but the pattern is clear. The federal government is not an entirely reliable partner. Given that, it is apparent that states, if they truly believe in access or in the new essentialist philosophy, must step up and accept full responsibility for this agenda. If they don't, their students will suffer.

### Nontraditional Students: Inside-the-Box State Policies

As mentioned earlier, most higher education policy in the U.S., certainly in the public sector of higher education and to a great extent in the private sector, as well, evolved from the elementary and secondary system. It was a system perceived as the continuation of education for a privileged few individuals who had recently graduated from high school, designed to prepare these individuals for a future world of work and a high quality of life and service. Policies naturally evolved to support this view of the world of higher education. Today, however, our perspective on the role of higher education has changed radically, and, indeed, the majority of our students today can be considered nontraditional; that is, they do not come directly out of high school from privileged backgrounds. Rather, our public agenda

holds that our college population should look much like our adult population – regular folks of all ages, colors, and past educational backgrounds.

Yet many of our policies are legacies of the past and have not been contemporized to best serve the goals of our current public agenda.

**Finance.** As suggested earlier, access-related finance policies and practices for nontraditional students have pretty much mirrored policies for traditional students, with a couple of intentional and unintentional modifications to attend to the unique needs of nontraditional students. For all practical purposes, the states treat nontraditional students the same way they do traditional students, relying on low tuition as the major financial tool for assuring access.

The ways in which states treat nontraditional students differently almost always relate to federal policies and practices. The most overt way in which the federal government has distinguished between traditional and nontraditional students is in the manner in which family income is considered for purposes of determining student financial need. Most nontraditional students are considered “independent” of their parents; thus, their ability to contribute toward their education is based on their income (and their spouse’s income, if they are married), independent of their parent’s wealth.

While this concept of “independence” has been widely accepted over the past 40 years, many policy analysts believe it makes for far from perfect policy. Advocates for poor older adults argue that expecting them to provide some financial support places undue hardship on them: they can’t really devote themselves to their studies because

they must continue to work to provide their student contribution. Advocates for efficient public policy argue that accepting all adults as independent greatly exaggerates their perceived need: though older students may look quite poor while attending school because they are not fully employed, many come from families who are quite well off and thus have a safety net that should be taken into account. The highly reputed economist Sandra Baum has recently described this phenomenon well in a paper titled “Fixing the Formula: A New Approach to Determining Independent Students’ Ability to Pay for College.”<sup>62</sup>

Other federal policies, though not as commonly recognized as unique to nontraditional students, also specifically address their needs. The federal Temporary Assistance for Needy Families (TANF) program provides living support for many nontraditional students, though unlike its predecessor program, the Aid to Families with Dependent Children, it allows very little opportunity for students to seek further education; rather, it requires them to seek employment as quickly as possible. The federal government also episodically provides funding for displaced workers, and often these individuals receive living expenses that can be used while they continue their education. Such displaced workers generally qualify as independent students – as do TANF recipients – and thus often receive other student assistance, such as Pell Grants, federal student loans, and state financial assistance.

**Regulation.** The states and federal government regulate access to postsecondary education for nontraditional and traditional students in much the same way. The most significant difference (discussed previously in detail in the finance section) is in the way that “independent”

(nontraditional) students' financial capacity to contribute is considered, compared to "dependent" (traditional) students.

A second difference became significant only with the advent of the Internet and its use for distance-delivered services. It relates to the restriction barring an institution from distance-delivering more than 50 percent of its courses. Because nontraditional older students often find it inconvenient, if not impossible, to attend college on a traditional campus, many have opted to pursue their education via distance-delivered courses. These students were significantly disadvantaged by what became known as "the 50 percent rule." Last year, however, in the partial reauthorization of the Higher Education Act that was subsumed within the 2006 Budget Reconciliation Act, the federal government eliminated the 50 percent restriction, making it possible for nontraditional students to more easily continue their education.

Other than these modest differences, the ways state and federal regulations treat traditional and nontraditional students are essentially identical. Indeed, most policies seem to reflect no recognition that these students may need to be treated differently.

**Accountability.** Today, accountability with respect to providing access for nontraditional students does not differ at all from accountability for traditional students: access is judged by comparing participation rates from state to state for adult students, and access to success is judged by the degree attainment of these students. Yet success for nontraditional students often differs from success for traditional students. Most traditional students enter college as full-time students, bent on completing college with a degree. Certainly, degree attainment is a goal for many adult students, but many also

return to school for a variety of other reasons – to pick up a few courses necessary for job progression, for instance, or to take courses to satisfy a vocational interest. Absent better student-record databases, it will be very difficult to develop more appropriate measures to distinguish between the success of traditional and nontraditional students.

**Governance.** The only area where governance, as it relates to access issues, differs for traditional and nontraditional students has to do with who is responsible for serving adult nontraditional students in need of adult basic education services below the collegiate level. Adult-literacy programs abound in the U.S.; many are federally funded and supported primarily with volunteer services. Because such programs are "below college level," their governance evolved out of elementary/secondary education, not out of higher education. In recent years a number of states have shifted responsibility for adult education from the elementary/secondary sector to postsecondary, both because adult students seem better served in colleges (particularly community colleges) than in high schools and because their governance often fits better with governing boards that already work with adults, rather than with school boards that focus primarily on children.

At the federal level, however, responsibility for adult literacy is scattered among many departments, creating a fragmented approach to this increasingly important problem. Today in the U.S., one-quarter of young adults (18- to 24-year-olds) do not have a high school education. Unless we find effective ways to enhance the educational skills of these adults, we will simply not have a future workforce that will keep the U.S. competitive in the increasingly knowledge-based global economy.

## Nontraditional Students: Outside-the-Box State Policies

As described earlier, the current categorization of students as dependent or independent is an inadequate way to distinguish between the needs of traditional and nontraditional students. Sandra Baum suggests essentially eliminating this distinction and judging all students on the basis of their extended family's wealth.<sup>63</sup> This would not disadvantage nontraditional students who come from poor families because they would remain eligible for aid, just as in the past. This would, however, substantially disadvantage older students who are truly emancipated from their families (especially if their family is well off) because they may not be able to afford to attend college on their own.

There are perhaps better alternatives. The Council for Adult and Experiential Learning (CAEL) is examining the possibility of creating "adult-learning accounts," similar to the tax-preferred 529 savings accounts that families can set up for their dependent children. Under these new accounts, adults, their employers, or philanthropies could contribute to tax-advantaged educational savings accounts that would allow the beneficiary to use these funds for lifelong learning. While this is a viable idea for employed individuals in benevolent firms, it hardly provides a broad access mechanism.

If we truly believe in lifelong learning and believe that it serves a public purpose as well as a private one, perhaps it is time to go beyond the 529 concept and to establish a public program, akin to social security, that "secures" every adult's capacity to continue to upgrade their skills through education. Through either mandatory or voluntary contributions, governmental accounts could

be established through which nontraditional students could save for their future education or draw down from their future earnings to fund their current education. To the extent that government, employers, and philanthropies felt an investment in specific individuals made sense, they could contribute, as well.

Some states have contemplated establishing such funds, but given the mobility of our population it would be very difficult to manage such a program at the state level. If this idea has merit, it would almost certainly have to be tackled at the federal level.

What is clear is that the current system serves neither nontraditional students nor governments (state and federal) well. True access, particularly in an essentialist environment, will require new ideas.

**Regulation and Accountability.** As alluded to earlier, today there is little difference in the regulation and accountability measures used to promote access for nontraditional and traditional students. By and large, this is probably okay. As we move into an era of greater accountability and begin to focus on educational outcomes rather than participation, however, it will be essential to develop ways to distinguish between these two populations because both their objectives and society's objectives for them differ. We send young adults to college and they attend for different reasons than we send nontraditional older adults to college and they attend. Therefore, our measures for access and success must be different. Yet to be able to make such distinctions will require much more sophisticated data, information, and analysis than we have today.

**Governance.** The only outside-the-box suggestion related to using governance to expand access and achieve broader

participation by nontraditional students is to shift responsibility for all education of adults to higher education. The governance of adult literacy and adult education within elementary and secondary education is an accident of history. It makes no sense today, if it ever did. It is doubtful that there are more than a handful of local or state school-board members who ran for office to improve adult education. Most of them don't even realize this is one of their responsibilities until they enter office, and then it is almost certainly marginalized because of their appropriate and compelling interest in improving traditional elementary and secondary education.

Furthermore, from the adult students' perspective, what works best? Are we more likely to entice them back into an educational setting to increase their skills if we send them to a high school or welcome them into college? (Would you, as an adult basic education student, rather tell your children you were going to class in a high school or a college?) This is a no-brainer: the governance of adult basic education should be in the hands of higher education.

### *Concluding Observations*

It is clear that our efforts to expand access have not achieved our intended goals. It is also clear that even if they had, that would not be sufficient for the future, when it will be essential for a much larger share of our population to further their education by attending and completing a postsecondary course of study. Current policy has moved us toward where we wanted to be – but that's not where we need to be in the future. We must move out of the policy boxes that have guided our activities in the past and move forward with new approaches. To do so successfully will require the will to change; data systems that allow us to

adopt evidence-based practices rather than simply run with good hunches as we have in the past; and sufficient public resources to invest in the public good. We know that change is difficult; current data, information, and policy analysis are insufficient; and the will to finance government has tempered substantially in recent years, at both the federal and state levels.

Obviously, the choice is ours. We know the consequences of maintaining the status quo. We can continue to believe we serve the access goal and brag to the world about our accomplishments, despite evidence to the contrary. We can continue to watch the economic divide grow within our country and complain about the greed of the wealthy and the sloth of the poor. And we can continue to ignore our gradual loss of competitiveness internationally.

Or we can recommit this country to a change agenda that will promote the American dream and the principles of our founding fathers. We can change our education policies in ways that promote life, liberty, and the pursuit of happiness for all of our citizens. To do that, we need to begin thinking outside the box.

## Chapter 4: College Success

Dennis P. Jones

This chapter deals with the final step in the higher education pipeline: the completion of an educational milestone recognized beyond the confines of the providing institution. The following discussion does not lend itself well to the same format used in Chapters 2 and 3, and as a result, this chapter has a slightly different appearance.

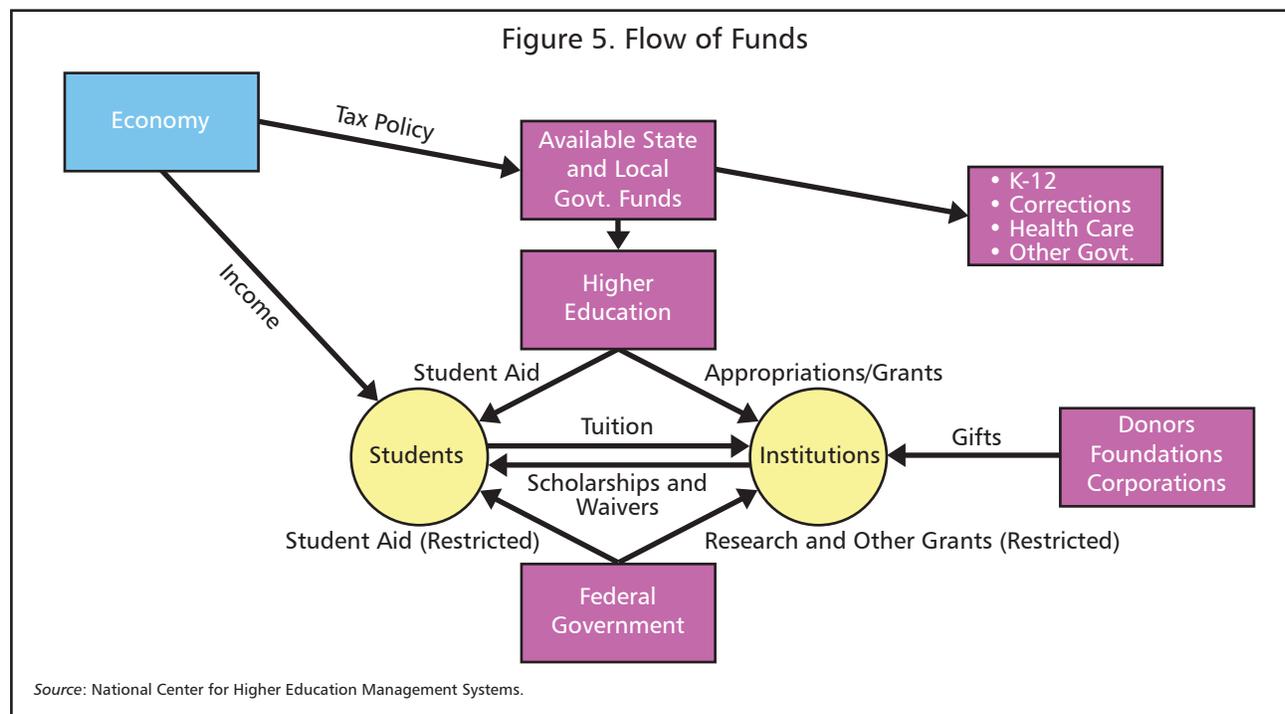
Most typically, successful completion is recognized through the awarding of a degree. However, other forms of “completion” must also be considered, among them:

- ▶ Industry-based workplace certifications.
- ▶ Workforce-readiness certifications, typically reflecting acquisition of basic skills, as demonstrated by good performance on widely accepted assessments, such as ACT WorkKeys.

- ▶ Transfer-readiness certifications, indicating satisfactory completion of a set of courses composing an agreed-upon general education core.

Whatever the specific completion indicators are, the central criterion relates to finishing an academic program that has currency beyond the borders of the providing institution. Completion is the goal. It is completion that correlates with benefits to both the individual and society. And with so many students enrolling in colleges and universities and then failing to finish a program of study, unrewarded investments on the part of both students and the state are enormous. Any policies that help ensure that these investments pay off are particularly important. Such policies are the subject of this chapter.

Since finance policies are the most powerful tools in the policymaker’s repertoire, primary attention will be directed there. As a point of departure, it is useful to return to Figure 5 in Chapter 1, reproduced below.



From this diagram it is clear that state policymaking regarding higher education can be summarized as a process in which decisions are made about:

- ▶ That portion of the state budget that will be devoted to higher education. This is a matter of overall state financing policy rather than just higher education policy, but it sets the stage for all the higher education decisions that follow.
- ▶ The shares that will be appropriated to institutions in the form of general operating support, as opposed to funding made available to students through various student-aid programs.
- ▶ Methods and criteria by which both categories of appropriations are allocated to the eventual recipients (institutions and students).

Depending on the state, decisions about tuition levels and the conditions under which fee waivers can be granted (or institutional funds used for scholarships) may also be made at the legislative level. In the majority of states, these decisions are made at the institutional or system level – with the threat

of legislative intervention if these decisions are found to be unacceptable.

While choices by students and institutions can influence whether or not students successfully complete courses or programs – for example, by failing to fund student aid at levels that assure that the poorest students can continue their educations – it is in the choices about methods and criteria for allocation of appropriations that the real impact on goal achievement is seen. Figure 6 (which borrows from the previously mentioned *Financing in Sync*) categorizes the domain of these choices.

This figure indicates that within each funding stream – those directed at students and at institutions – there are two distinctly different kinds of purposes associated with public funding for higher education. On the one hand, legislators make a variety of financing decisions designed to ensure the continued capacity of public institutions to fulfill their missions. Until relatively recently, this was widely perceived as the only purpose of public funding; it remains by far the largest component of the state

Figure 6. State Financing of Higher Education – The Policy Options

Policy Objectives	Policy Focus	
	Institutions	Students
Capacity Building	<ul style="list-style-type: none"> <li>• Base-plus</li> <li>• Formulas</li> </ul>	Tuition and aid policy focused on revenue generation
Capacity Utilization/ Public Agenda	Performance funding focused on degree completion	<ul style="list-style-type: none"> <li>• Tuition and aid policy focused on attainment of specified outcomes</li> <li>• Degree completion</li> </ul>

Source: National Center for Higher Education Management Systems.

financing package. Increasingly, however, there is interest in “special purpose” funding tied directly to the accomplishment of state priorities (which nearly always include improvement in the number of college graduates). The (potential) links between funding mechanisms and student success for those components, represented by each of the four cells of Figure 6, are explored below.

### *Core Funding for Institutions*

As suggested in Figure 6, there are only two basic ways in which states allocate funds to institutions: formula and base-plus approaches. In formula approaches a set of calculation routines is negotiated and then institutional data are “plugged into” the formula to calculate the amount of funding to which each institution is (theoretically) entitled. The generic form is:

---


$$\begin{array}{l}
 \text{Units of base factor 1} \times \$/\text{unit of base factor 1} + \\
 \text{Units of base factor 2} \times \$/\text{unit of base factor 2} + \\
 \quad - \\
 \quad - \\
 \quad - \\
 \text{Units of base factor n} \times \$/\text{unit of base factor n} = \\
 \text{TOTAL}
 \end{array}$$


---

Base-plus funding approaches start with current-year funding as the base and then adjust this amount (usually upward, but occasionally downward), based on factors that can vary with each budget cycle.

While these two approaches differ in significant ways, the key “drivers” of the determinations tend to be very similar: the number of students to be served, the size of the physical plant, etc. Uniformly, these drivers reflect levels of institutional activity rather than achievement of desired outcomes. It is the way that student counts are factored into the calculations that creates incentives for behaviors that lead to successful program completion.

Unfortunately, the connections between the largest part of the institutional-funding mechanisms and student success are tenuous at best. Without exception, the funding mechanisms currently in use count students enrolled in courses, not students who have successfully completed those courses – and reward institutions accordingly. The norm is to count student enrollments on a census date a few weeks into a semester and to use the results in the allocation process. In the simplest form, straightforward counts of enrollments (credit hours for which students are enrolled) on the census date are the basis for the funding allocation. In the more complicated extensions of this methodology, different weights are assigned to credit hours taken in courses of different levels (lower division, upper division, graduate) and in different disciplines.

Regardless of the complexity of the formulation, the incentive for institutions is to keep students enrolled for a large number of credits through the census date; at that point, course continuation (either successful or unsuccessful) ceases to be a priority for the institution – at least in terms of financial incentives. The costs to both institutions and students are high; institutions staff up to teach more sections than are necessary or end up teaching many small classes – both costly arrangements – and students end up paying for credit hours that do not satisfy graduation requirements. The exception is found at institutions that charge block tuition – a fixed price for all credits over a fixed level (12 being typical). In this case, students can enroll for more credits and drop after the census date with no financial consequence to themselves; the institutions still suffer the negative consequences of such behavior.

While this approach to institutional funding is widespread, there is growing

dissatisfaction (at least at the state level) with a methodology that rewards enrollments, not completion. Although no state has made the leap, there is increasing talk about adapting current practice and rewarding course completions rather than course enrollments, a practice employed in the United Kingdom. Such a shift would leave the basic configuration in place but substantially change incentives for institutional behavior.

For those states or systems that weight upper-division courses more heavily than lower-division ones, there is a legitimate case to be made that an incentive for student progression exists: once students achieve junior status, the courses in which they enroll are worth more in the funding algorithm. Institutions should be anxious to ensure that all students get into the upper division and do so as quickly as possible. There is little evidence, however, that this reality factors into institutional academic policy and practice in any meaningful way. Explanations are varied (and, for the most part, speculative):

- ▶ Responsibility for lower-division “completion” is assigned to no one; accountability is dispersed and therefore lacking. Responsibility for student success at the course level is much more direct.
- ▶ There is a widespread belief that lower-division instruction is cheap – an institutional cash cow – and that upper-division instruction is expensive. This belief has reached the status of educational urban legend, a condition that precludes serious examination and rational actions. Two points are important in this regard. First, more students at the lower-division level require more sections. Even if these sections are taught cheaply (by graduate

students or adjunct faculty), there is real cost involved. The economic question is: does marginal revenue exceed marginal cost? If not, the fact that a course can be taught cheaply does not make it a good economic choice. Second, upper-division instruction is often found to be more expensive simply because class sizes are small. In many instances more students can be enrolled in a class section with no pedagogical damage and no additional cost. In this case the marginal cost is zero and marginal revenue can be acquired at no cost.

- ▶ Some hold the belief that the purpose of the lower division is to screen out the unfit rather than to prepare (even marginally prepare) students for subsequent educational pursuits. While such an attitude may serve institutional or faculty objectives, it contributes little to addressing society’s requirements for a more highly educated citizenry.

The fact that a higher pay-off for upper-division instruction is a weak policy lever does not mean that this tactic is totally without effect. There are instances – at New Mexico State University, for example – where institutions have pursued an explicit strategy of recruiting students who have completed at least two years of college as a way of enhancing institutional revenues. It should be noted that this strategy also serves to enhance service levels to reentry students.

In summary, there is very little about approaches to base funding for institutions – regardless of which one is chosen – that creates incentives for institutions to pay serious attention to student success. This is true for both traditional and reentry students. The one suggestion for positive change is following the lead of the U.K. and rewarding for course completion rather than

course enrollment. No state has yet made that leap. As a result, there is no U.S. natural experiment that would serve to reveal the extent of the benefits and the nature of the hidden flaws in this approach.

### *Basic Tuition Policy*

For some public colleges and universities and all private institutions, tuition income represents the major source of institutional revenues. For all others it is the second most important after the subvention received from state and local governments. Because of tuition's large – and steadily increasing – role in the funding base for institutions, policies and strategies regarding the levying of tuition are almost always focused on the impacts on revenue generation, not on the collateral implications for student success. The concern for students, when there is one, revolves around affordability. To be fair, this is an incredibly important consideration; if students cannot afford to go to college, they most assuredly will not complete their education. Beyond this most basic consideration, however, there is little about core tuition policy that creates incentives for rapid student progress toward program completion.

Undergraduate tuition is typically levied in one of two basic ways: a per-credit hour rate; or a per-credit hour rate to some level, at which point charges are no longer made and tuition becomes a fixed charge. The former (often called linear pricing) maximizes revenue; students pay for all courses in which they enroll. This method also puts part-time students on an equal footing with their full-time counterparts. The advocates of the fixed-amount approach argue that such pricing encourages students to take more courses and thus complete their studies in a more timely fashion. Because this approach is used primarily in private colleges and the

more selective public institutions, it is likely that students would take heavier loads and finish in a more timely fashion, regardless of pricing policies.

The one variation on these basic approaches is differential pricing, where the differential is almost always rationalized on the basis of the cost of program delivery. In those instances where instructional costs are high and demand for the program is strong (nursing is a typical example), it is not unusual to charge higher tuition or a special program fee. Again, this practice is rationalized on a cost basis, not on its contribution to student success. An alternative approach would be to institute differential tuition, with upper-division students charged more than lower-division students. This scheme:

- ▶ Is consistent with institutional cost patterns. Currently, and for the reasons noted above, lower-division courses are typically less expensive to teach than upper-division courses. The related downside (from the institutional perspective) is that the lower division becomes less of a cash cow.
- ▶ Keeps education priced lower during the period when students are most likely to drop out. Once students achieve junior status, price (or any other factor) is less likely to serve as a barrier to completion.

Regardless of specifics, the common approaches to pricing – except for pricing policies that keep tuition low and education affordable – provide little in the way of a tangible incentive for successful student progress. One exception is the policy applied in a handful of states that caps the number of credits students can take at in-state rates. The caps are usually established at some level (such as 15-20 percent) above the credits

required to attain a degree. Such policies do create incentives for students to complete their programs before they hit the cap.

### *Basic Student Financial Aid Policy*

It is through student-aid policy, not tuition setting, that states have their most direct influence on student behavior. This is the case for two reasons. First, states have much more control over student aid than over tuition rates; the latter decision is often delegated to institutional boards. Second, it is procedurally simpler to charge everyone the same rate and provide assistance to a subset than to have to establish (the equivalent of) a separate rate for every student.

State student-aid policies are frequently categorized as either “need-based” or “merit-based,” a gross oversimplification but a useful point of departure. Need-based aid, in its pure form, is just that: aid provided to students solely on the basis of their economic circumstances. It helps students overcome the most fundamental barrier to college success: the ability to sustain participation. Beyond this, there are no incentives for program completion. However, some states place conditions on their need-based aid programs that, if met, can propel students toward ultimate success. The common condition is that students take a defined (college-preparatory) curriculum in high school. In most cases there is not the added condition that they achieve a particular GPA, which would tip the program into the merit-based camp. By taking a rigorous curriculum, students can enter college without academic deficiencies that statistically are very difficult to overcome.

At the other extreme are purely merit-based aid programs, those that reward students strictly on the basis of high school (and

subsequently, college) performance without reference to economic circumstance or need. Performance is usually determined on the basis of some combination of GPA (usually in core courses) and test scores. Such programs have the benefit of encouraging students to take a rigorous curriculum and do well in those courses. For a variety of reasons, however, they tend to reward those students who will be successful in any event and discourage students who try but come up short (in spite of emerging evidence that suggests that taking the rigorous curriculum is a more important indicator of eventual success than the grade received).

Again, there are variations on the theme, variations that push merit-based aid to a middle ground with need-based aid. An example is the merit-based program in Tennessee, which provides additional funds for students who are both meritorious and needy.

Characteristics of programs that would do the most to promote program completion are:

- ▶ A need component that removes the economic barriers to participation and persistence.
- ▶ A condition that requires completion of a rigorous high school curriculum.
- ▶ Availability to part-time as well as full-time students.
- ▶ Renewability for as long as the student is making satisfactory academic progress.
- ▶ A limit on the number of credit hours to which the scholarship can be applied.

As a summary note, well-designed student-aid programs can be instrumental in promoting student success. The important considerations are that they make college affordable for the neediest students; that they be tied to (conditioned on) factors

demonstrated to promote student success (such as a rigorous high school curriculum); and that they be available to students whose circumstances will not allow them to attend full time.

### *Incentive Funding for Institutions*

As shown above, the typical methods used to allocate funds for the base operations of institutions, by far the largest part of the states' allocations to higher education, have few embedded incentives for achieving student success. Indeed, many of the embedded incentives work against such objectives. As a result, if fiscal incentives for improved performance are to be created, they have to be provided through separate budgetary devices. Specifically, they have to be provided through performance measures designed to promote the achievement of a particular student progress objective.

The most direct mechanism is performance funding, provided only after predetermined performance expectations are attained. Examples of performance-based programs include:

- ▶ Oklahoma's performance-funding program, which rewards institutions for year-to-year gains in numbers of undergraduate degrees awarded. This program provides added incentives for graduating at-risk students.
- ▶ Missouri's now abandoned Funding for Results program, which rewarded institutions for graduating students in specified high-priority fields.
- ▶ New York's long-running Bundy Aid program, which provides a payment to private colleges and universities for each degree granted by the institution to a state resident.

Such approaches are inherently attractive. They can be designed in such a way as to reward very specific results. Further, they require no payment of funds until the desired results have been attained. Attractiveness aside, they have been employed with mixed results; there are no examples of outstanding success. The reasons are several. First, the rewards have been small; they have been such a small part of the overall allocation that institutions can ignore them without substantial economic sacrifice. Second, they generally have no institutional champions. Institutions will lobby much more strongly for increases in the base-funding allocation than for a similarly sized allocation for performance funding. Finally, because they are viewed as add-ons to the "real" higher education mechanism, they often become the first thing jettisoned in hard economic times. This does not suggest that such approaches to funding should be abandoned, rather that they should be funded at a level such that institutions can ignore them only to their own (substantial) economic detriment.

An alternative, and more indirect, approach to linking funds to performance is through targeted investment funding for programs or activities specifically intended to achieve some objective, such as improved graduation rates. Typical are funds provided to improve student services, the freshman-year experience, or other "good practices" shown to have a positive effect. Where performance funding pays for results, investment funding pays for the promise of results. Since there are seldom penalties associated with failure to deliver on the promise, this is a much weaker tool. Institutions may have moments of discomfort when called to account, but their allocation is seldom affected.

In sum, such special-purpose funds are conceptually sound and attractive. Design criteria that make them demonstrably successful, however, have yet to be devised. To the author's knowledge, no such program has specifically targeted increased success levels for reentry students; they are treated the same as traditional students.

### *Incentive Funding for Students*

It is relatively easy to conceive of ways in which funding for students (student aid) could be provided as a reward for achieving certain milestones for success. Several programs have such a feature. The popular HOPE scholarships in Georgia and the TOPS scholarships in Louisiana reward students who prepare well for college by taking a rigorous high school curriculum and earning good grades. The Twenty-first Century Scholars program in Indiana provides tuition-free education to economically disadvantaged students who take a college-preparatory curriculum (without the added requirement of high performance).

These same programs require persistence and good academic performance in college (usually a B average) in order to retain the scholarship once earned. It would be straightforward to devise a scholarship for students (particularly those at-risk) who do not have such aid upon entry into college but make good academic progress toward a degree once there. It is likewise possible to devise scholarship programs (and institutional incentive mechanisms) that reward students who start in community colleges, complete a transfer-ready core curriculum, and successfully transfer to (and persist at) a baccalaureate-granting institution.

Sound high school preparation, college participation, and persistence are all worthy

objectives, but the real objective is program completion. Again, student-aid programs that reward this accomplishment are conceptually quite easy to design – although few have actually been put in place. The predominant version is a loan program with forgiveness features for students who:

- ▶ Are "at-risk" when they enter, are community college transfers, or meet other specific criteria.
- ▶ Complete programs in specified areas, such as engineering or math/science education.
- ▶ Accept in-state employment in certain fields (such as nursing or education).

The predominant form is the last one – and this has proven to be only marginally successful. Students are wont to pay off their loans (or have out-of-state employers do so) so that they can accept more lucrative positions elsewhere. Such programs may encourage completion to some extent, even though the primary objective of keeping graduates in state has not been achieved.

Other forms of student-oriented incentive systems are conceivable but have not been tried. For example, it would be possible to "escrow" some portion of a student's tuition payments and refund this amount upon graduation. Such an arrangement might be especially attractive to states if one of the associated conditions was graduation with fewer than the normal credits required for graduation (through use of Advanced Placement credits, etc.). A hybrid incentive – one that pays both the institution and the student for cost-effective completion – is likewise possible.

The requirements for a successful incentive-oriented student-aid program are straightforward: clear specification of performance objectives; established

eligibility criteria; communication of the possibilities to the eligible population; and a sufficiently large incentive to get students' attention. While relatively uncomplicated, such programs have had limited application and spotty success. They require a focus on targeted subpopulations, thus limiting eligibility; and to be most effective, they will likely skew eligibility toward disadvantaged students, not the middle class. Both features reduce their political viability. The consequence is that they are typically treated as small, add-on components to a much broader need- or merit-based aid program with insufficient funding to make a real difference.

### *A Note About Reentry Students*

At various points in this chapter, reference has been made to application of various policies to reentry students – those who have left education at some point and are seeking to reengage in the formal learning process. Such students are typically older, have work and family obligations that require part-time involvement, and have a need to brush up on (or often acquire for the first time) basic academic skills needed for successful academic pursuits. The discussion in this brief section is devoted exclusively to policies directed at the success of such students.

Increasingly, states are coming to recognize that achieving some of their statewide education goals will depend on their ability to create conditions under which nontraditional students can be helped to complete their educational programs. To date, the primary response has been easing eligibility requirements for state student-aid programs so that part-time students can participate. If states were to make a priority of moving reentry students through the education pipeline, their policies would be “tweaked” so that:

- ▶ Institutional funding formulas would include “bonuses” for credit hours completed by reentry students (with the problems of operationally defining the term duly noted).
- ▶ Part-time students were explicitly eligible for financial aid programs.
- ▶ Academic policies would encourage arrangements under which experience could be converted to academic credit through academically rigorous methods, such as testing out, assessment of portfolios, demonstration of competencies, etc.
- ▶ Incentives would be provided to institutions for graduating reentry students and to such students for graduating.

These mechanisms are not particularly different from those that pertain to more traditional students. However, if the goal is to truly help such students complete academic programs, policies designed with this goal clearly in mind must be fashioned. While general approaches will not differ, there will be nuances that require explicit attention.

### *Summary*

In the previous sections, individual elements of financing policy were described and their relationships to student success discussed. As a way of summarizing the key points, the following is offered as a comprehensive financing scheme that integrates the components in a way that creates a positive environment in which students complete their programs. The elements include:

- ▶ *Appropriations for the base operations of institutions.* Regardless of the basic approach – formula or base-plus – establish the algorithms on the basis of course completions rather than

course enrollments. Such a formulation helps ensure that institutional academic policies are aligned in support of student academic success and that institutional benefits and student success are maximally interrelated.

- ▶ *Affordable tuition.* Since an absolutely basic requirement for program completion is students' ability to sustain their enrollments, college affordability is a necessary condition. One means of ensuring affordability is to sustain a policy of low tuition, at least within one sector of the public higher education system.
- ▶ *Need-based student aid.* Low tuition, in and of itself, does not guarantee college affordability for all students. The ability of students to pay the associated costs of attendance is also at issue. Regardless of tuition levels, some form of student aid that removes economic barriers to participation and persistence is a necessity if students are to complete academic programs.
- ▶ *Special incentives to institutions.* In addition to base institutional funding that rewards institutions for students' completing the courses for which they enroll, incentives for program completion (or other measures of student success) can be added and reinforced through various mechanisms: primary among these are institutional rewards for continuous improvement in the numbers of students graduated. Variations can provide special incentives for graduating students from particular subpopulations – such as “at-risk” students, transfer students, reentering adults, or students enrolled in high-demand programs.

- ▶ *Special incentives to students.* Incentive mechanisms that encourage students who complete their programs of study and move on to further study or careers in critical need areas can complement need-based financial aid programs that remove economic barriers to participation and persistence. The typical formulation of such incentives is loan forgiveness – cancellation of repayment requirements for state loan programs, based on the satisfaction of certain requirements (most typically, finishing a program and working in state in a particular profession for a preestablished period of time). Incentive mechanisms that reward students as well as institutions for desired forms of achievement are another possibility, though not a current practice.

The key message to be taken away from this paper is not about specific mechanisms or program designs. Rather, the major lessons are about:

- ▶ *Intentionality* – understanding desired behaviors and making sure that the incentives inherent in any finance mechanism reinforce the pursuit and achievement of specified priorities.
- ▶ *Alignment* – ensuring that the separate components reinforce each other rather than working at cross purposes.

The specifics can vary, but these basic design principles must be adhered to if we are to achieve the ends we desire.

## ▀ Epilogue

In this monograph we have offered a critique of current policies and practices for enhancing preparation, access, and success of at-risk students in American higher education. We have offered advice, based on evidence from the *Changing Direction* project, about what current strategies (“inside the box”) and what new strategies (“outside the box”) might enhance our work on three public policy goals: better preparing students for college and work; expanding access to higher education; and helping a much larger share of “access students” succeed in their academic pursuits.

We have shown how a variety of finance, regulatory, and accountability-to-governance reforms could substantially improve the long-term success of those students who are at the greatest risk of missing out on an education that will truly prepare them for the future and help them make their way in life. There are many ways that the existing repertoire of strategies could be improved, and there are many new outside-the-box approaches to policy and practice that could substantially boost the success of these students. More money is one answer, but not the only one. In fact, for American higher education, more money without new ideas and direction will simply lead to more of the same: that’s the unfortunate lesson of the go-go years of the 1990s.

We have also tried to point out that there is no one best answer for states or institutions. While we can certainly learn from each other, what works in the context of the culture, finances, and politics of one state or institution may not be appropriate for another. Too often, we see an idea work in one place and adopt it ourselves, without reflecting on whether it’s right for our

situation. Throughout this monograph we have emphasized that while we need to learn from others, we must also tailor ideas to fit the unique circumstances of our environment – of our own institution or state.

The U.S. faces a challenge unparalleled in recent history. On the one hand, many countries in both the developed and undeveloped portions of the world have caught the egalitarian American spirit and are radically expanding access to higher education. In the U.S., on the other hand, the luster of universal access has suffered because of our failure to make college affordable for previously disenfranchised populations and because of our lack of success in adequately preparing all our students to do well in higher education. Furthermore, a general level of comfort with our traditional position as global higher education leaders has created a slight sense of complacency.

All the evidence, however, indicates that we must do better, for reasons of social equity and economic viability. The ideas presented in this monograph will hopefully contribute to changing American higher education in ways that will improve the preparation of access students, broaden the availability of higher education to these students, and greatly enhance their success when they do participate. We gotta do it folks, or we’re going to be in a world of hurt.



## Endnotes

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