UNCF
A mind is a terrible thing to waste®

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The Honorable Ted Mitchell
Under Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Under Secretary Mitchell:

Thank you for the opportunity to submit comments on the U.S. Department of Education's College Ratings Framework, released on December 19, 2014. We appreciate the additional time that you and Deputy Under Secretary Studley are taking to consider the many complex issues raised by the federal college ratings proposal and your consideration of the views expressed last year by UNCF and many of our member presidents at the Department's public hearings and roundtables.

As you know, UNCF is a leading nonprofit organization that invests in better futures for African-American students through higher education. UNCF began 71 years ago as a fundraising collaborative for the 37 private Historically Black Colleges and Universities (HBCUs) that are our members, and we have intensified our focus over the years to help low-income, African-American students at all types of institutions progress to and through college by means of scholarship and programmatic support. In executing this important mission, we have raised more than $4 billion to help over 400,000 students receive college degrees.

Because we deeply believe that "a mind is a terrible thing to waste,®" UNCF and its member institutions continue to question whether a federal college ratings system can deliver on its stated goals, including whether it will accurately and usefully portray the real value that institutions of higher education, especially HBCUs, provide to their students. Additionally, basing federal student aid allocations on institutional ratings would likely create a perverse incentive for some institutions to enroll fewer at-risk students, undermining college opportunity for the very students on which the ratings system seems focused. Equally troubling, attaching federal financial assistance to ratings would introduce additional complexity and uncertainty into our federal student aid system, the current complexity of which is already a barrier to entry for too many low-income students. These aspects of the President's proposal turn the ratings program into a high-stakes proposition for both institutions and students.

Overall, UNCF-member institutions support the concept of ensuring that students and the public are aware of the value that our institutions provide. We also agree that institutions should be accountable for delivering a quality education. Presently, that accountability exists through the governing boards of our institutions, the accreditation process required under Title IV of the Higher Education Act (HEA), state oversight, and the many federal statutory and regulatory requirements under Titles I and IV of HEA. These requirements, taken as a whole, already produce a wide range of data that are available for students, families, and the public to judge the quality and performance of our institutions. This information also is used by accreditors and the U.S. Department of Education for quality assurance.

While we believe there is a need for continued accountability and public reporting for higher education, we also believe that it is not possible for the federal government to develop a ratings system that is accurate and fair, without unintended and potentially negative consequences, given the approximately 7,000 diverse colleges and universities in America. The diversity of institutions runs the spectrum from extremely selective four-year and graduate institutions with few if any need-based aid recipients, to open access two-year and four-year institutions where almost all students rely on student aid, to for-profit schools and other types of institutions.

Even across the 105 institutions in the HBCU network, this diversity is prevalent. HBCUs are represented within six Carnegie Classifications: research universities, master's universities, baccalaureate universities, medical schools, seminaries, and associate's institutions.[1] They include two- and four-year institutions, all male and all female colleges, and land-grant universities. Many UNCF member institutions are open enrollment, but some are more selective in their admissions policies. For example, in the 2012-2013 academic year, Virginia Union University admitted 93 percent and Florida Memorial University admitted 90 percent of their applicants. In contrast, Spelman College and Claflin University admitted just 38 percent and 39 percent, respectively, of their applicants in that same year. Mislabeling institutions based on a system of metrics that does not take into account this diversity could only lead to diminished access to education for at-risk students who need it the most.

We appreciate the Department's frank discussion in the framework about potential metrics and the data that would be used to calculate these metrics. As the Department acknowledges in its framework, the biggest challenge with any ratings system is the accuracy of the data that it uses. In order to achieve buy-in from institutions and the public, a ratings system with a federal imprimatur must meet the highest standards in order to produce correct and credible ratings. However, the Department's framework only serves to heighten our concern about large limitations in the federal data resources that the Department is considering for the ratings' metrics; for example:

- No data sources include all students in our postsecondary education system;

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[1] John Michael Lee, Jr. and Samaad Wes Keys. (2013). *Repositioning HBCUs for the Future: Access, Success & Innovation*. Association of Public and Land-Grant Universities.

- Some data sources include only full-time, first-time students who comprise the minority of all college students;
- Some data sources include only federal student aid applicants or recipients;
- Some key data is not reported by all institutions;
- Some key data is not collected by the federal government;
- Some data is out of date;
- Some data is self-reported; and
- Most data is not audited or independently verified to assure accuracy.

These are not insignificant problems for what is intended to be a high-stakes accountability system that would both publicly label institutions and allocate billions in federal student assistance to thousands of colleges and universities in America – the consequences of incorrect or false data are potentially great. Simply seeking to combine these data sources or have one data source augment the other will not remedy the shortcomings in their use.

Additionally, some of the contemplated metrics – such as earnings data – rely on information that is not accessible to colleges and universities in order to review and correct it. Institutions would not be able to independently evaluate earnings information to ensure its accuracy, and the public would have no way to verify to accuracy of this data. A fundamental issue of fairness in any federal ratings system should be the ability to review, challenge, and appeal the data upon which the ratings system is based, before its public release. It is simply common sense to provide schools with due process to review this data, especially for a ratings system with the high stakes of impacting federal aid awards to students. Unfortunately, the system being contemplated does not seem able to provide this much-needed protection.

In addition to picking which metrics to use, the Department will have to decide whether to produce a composite rating based on the totality of all metrics or provide a rating on each individual metric. We believe there are major shortcomings to the method of assigning a single, composite number, grade, or label to an institution based on a combination of metric scores. Such a composite score would not be sufficiently nuanced and would create a system that allows gains on some metrics in order to mask lower performance on others. A single composite score would have limited utility for prospective students and their families, who vary widely in the factors that they consider important in selecting a college or university. Most troubling is that a composite score would require the federal government to assign weights to individual metrics, supplanting the values and interests of students and their families with those of the federal government.

The bottom line is that we continue to believe that a federal ratings system is a distraction from the real work that is needed to achieve the President's goal that America regain world prominence in college attainment, including ensuring that more underrepresented students earn college degrees. The federal government, state governments, and the institutions themselves must invest in interventions that move the needle of college access and completion. These interventions include early and personalized college counseling in middle and high school, reducing the complexity of federal student aid forms and programs that are a barrier to low-income student enrollment, more support services to students in middle and high school and continuing through freshman year, and additional federal financial assistance.

SPECIFIC COMMENTS ON PROPOSED INDIVIDUAL METRICS

While we do not support the Department moving forward with a federal college ratings system, we feel compelled to point out the challenges, shortcomings, and modifications that need to be addressed in regard to the proposed ratings' metrics. Below you will find specific thoughts on the proposed metrics.

Access Metrics - Percent Pell, Family Income Quintile, and First-Generation Status

The metrics associated with college access have the potential to measure accurately the extent to which students with limited financial resources are able to access and enroll in an institution of higher education. The percentage of Pell Grant enrollment in an institution's overall student body as a metric to measure access would provide an accurate, readily accessible, and useful starting point. We believe that additional granularity by disaggregating Pell Grant enrollment by expected family contribution (EFC) would provide additional insight into the extent to which institutions provide access to the neediest students. A student whose family has no financial resources to contribute to their education (zero EFC) will be in a significantly different financial situation than a student whose EFC allows for the minimum award.

Family income quintiles would report the full range of students with incomes across the spectrum. However, displaying family income by quintile is unlikely to provide additional clarity in determining what percentage of a student body is truly needy, compared to an examination of the percentage of enrollment receiving Pell at an institution. Further disaggregation of the Pell metric would largely make a metric measuring the quintiles of family income moot.

First-generation status could also have some value in that it indicates the extent to which an institution's outreach efforts focus on reaching a key and underrepresented student population. However, this data is self-reported, is not comprehensive across all institutions, and is not easily validated. The use of this particular metric as part of a federal college ratings system would be problematic if its accuracy cannot be assured.

Affordability Metrics – Average Net Price and Average Net Price by Quintile

Average net price and average net price by quintile – which are a function of an institution's cost of attendance and net grant aid – can provide some information about the affordability of a college and the actual prices that students pay. However, the use of these metrics points to the challenges of constructing a ratings system for both informational and accountability purposes. If used as an accountability mechanism, ratings must fairly account for not only differences among institutions, but also the significant factors that contribute to those differences.

The cost of attendance at an institution – one part of the net price equation – is heavily influenced by the extent to which public institutions receive state and local subsidies that lower the actual tuition and fees that students pay. Private institutions largely do not receive these public subsidies. Net grant aid – the second part of the net price equation – is significantly impacted by whether an institution has the ability to discount tuition due to an endowment or other financial resources. For example, consider Edward Waters College in Florida, which reported a $1.7 million endowment for the 2011-2012 academic year, and Livingstone College in North Carolina, which reported a $1.3 million endowment for the same year.[2] These institutions have little financial means to discount tuition or adjust average net price. In contrast, both major public and private institutions of higher education, such as the University of Virginia ($5.3 billion for the 2013-2014 academic year[3]), or Harvard University ($32.7 billion at the end of fiscal year 2013[4]) have endowments that allow these institutions the flexibility to respond to individual student financial need. Wealthier institutions benefit from having endowments while under-resourced institutions are largely reliant on tuition and fees to cover the costs of educating their student body.

Institutional outcomes, including affordability, should be considered fairly. By its very nature, a ratings system relying on net price metrics will necessarily favor well-resourced institutions and penalize institutions with the least resources – the very same campuses that tend disproportionately to enroll low-income, academically under-prepared students. If the college ratings system is intended to identify institutions that assist these students, the net price metric could have an inadvertent, negative impact on those campuses.

Performance Metrics – Completion Rates, Short and Long-Term Earnings, Graduate School Attendance, and Loan Payment Outcomes

Under this category, the Department is proposing the use of several metrics related to the performance of an institution's graduates. All of these metrics reflect the measures of student success that HBCUs are routinely focused on achieving. However, their inclusion in a federal ratings system, without some acknowledgement of the degree of difficulty that HBCUs face in educating economically and educationally disadvantaged students, will only create a skewed system that creates an inaccurate picture of the success of HBCUs. Thus, we are pleased that the Department recognizes that using raw outcome measures,

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[2] Richards, D.A.R. (2014). *UNCF Statistical Report, 2014*. Washington, DC: Frederick D. Patterson Research Institute, UNCF.
[3] University of Virginia 2014-2015 Budget, http://www.virginia.edu/Facts/Glance_FinanceEndowment.html.
[4] *U.S. News and World Report*, 10 Universities with the Largest Endowments, http://www.usnews.com/education/best-colleges/the-short-list-college/articles/2015/01/13/10-universities-with-the-largest-financial-endowments.

such as graduation rates, will paint an unfair and potentially unflattering picture of institutions that serve high proportions of at-risk students.

HBCUs routinely outperform other institutions when the academic preparedness and income status of their student bodies are taken into consideration. When the UNCF Frederick D. Patterson Research Institute conducted a regression analysis to control for SAT reading and math scores and Pell recipients across nearly 2,000 institutions, the statistical model predicted that HBCUs would graduate African American students at a rate 14 percentage points higher than at non-HBCUs. This controlled comparison suggests that HBCUs are in fact outperforming their peer institutions.[5]

In order to accurately account for the performance of HBCUs in achieving these outcomes, we strongly believe that performance metrics must be risk adjusted through a predictive model or other statistical adjustments validated by the National Center for Education Statistics. Specifically, these metrics should be adjusted for the level of academic preparedness and income status of the student population, whether the institution is selective in its enrollment (and how selective), and financial resources per full-time equivalent (FTE) student.

Risk-adjusted performance metrics should focus on key metrics that fairly reflect the value added and effectiveness of the institution: student progress such as developmental course completion, retention rates, and graduation rates over at least a six-year, and preferably longer timeframe, to account for the fact that low-income students must often stop in and out of school due to financial challenges. Without these adjustments, a ratings system would create an inaccurate picture of institutional impact, penalizing institutions that serve a high proportion of at-risk students.

We would be remiss if we did not point out that the use of transfer and graduate school attendance rates are especially problematic if included in a federal ratings program. As the Department documents in its proposed framework, significant data issues exist in accurately capturing transfer rates among colleges and universities due to the limitations of the Integrated Postsecondary Education Data System (IPEDS). In addition, transfers from two-year institutions to four-year institutions speak to the impact that the two-year institution had on the student rather than any contribution made by the four-year institution receiving the student.

Likewise, whether a four-year institution's students go on to graduate school may have more to do with the type of instructional programs offered at the institution and the goals of its students. Further, graduate school is expensive and its cost of attendance is growing. Given that the decision to attend graduate school may be impacted by the high cost of graduate education and the significant amount of debt students with limited means incur prior to graduate school, it is hard to understand why this metric would be used to judge the quality of any undergraduate institution.

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[5] Richards, D.A.R., & Awokoya, J.T. (2012). *Understanding HBCU Retention and Completion.* Fairfax, VA: Frederick D. Patterson Research Institute, UNCF.

Lastly, earnings, employment, and student loan repayment/default rates must not be used as metrics in a federal ratings system. Many external factors impact the earnings, employment, and loan repayment behavior of students once they leave an institution. Regional and local economic shortcomings along with labor market discrimination based on race and gender all have an impact on levels of employment and earnings. Whether a student is able to secure and maintain employment that pays a salary needed to repay student loans also largely depends on these factors. African-American college graduates are twice as likely to be unemployed as white college graduates.[6] Median wages for African-American women in the Southern states where most HBCUs and their students are located range from 49 percent to 68 percent of those for white men.[7] Institutions with high proportions of African-American students such as all HBCUs, and women's colleges such as UNCF-member Spelman College and Bennett College, would be disadvantaged by the use of employment, earnings, and loan repayment metrics.

Linking College Ratings to Federal Student Financial Aid

Finally, we would like to specifically address the plans the Department has announced to determine how much grant aid a student may receive, or the terms and conditions of their student loan, based on the federal rating their institution would receive. First, we believe that it would be irresponsible to attach financial awards to a ratings system that is (and will be for the foreseeable future) based on incomplete and flawed data. The current federal data infrastructure is simply not robust enough to support the linkage of ratings to the allocation of student aid.

Further, such a linkage is extremely troubling for other reasons because it would most certainly undermine access, equity, and choice in higher education. From an equity standpoint, this could lead to students at similar institutions receiving different amounts of federal assistance. Reduced grant aid or higher interest rates on student loans could lead some students to drop out or not enroll in higher education at all. This would be especially troubling for low-income students who, based on where they reside, may not have a wide choice of institutions to attend.

We urge you to take a step back from the proposed system where the federal government would compile value ratings. While this proposal is well intentioned, it has a myriad of problems that must be resolved. Accordingly, we strongly urge that the Department provide additional details for public comment before publishing any ratings. A federal college ratings system – if it is based on flawed data and metrics and fails to take into account the degree of difficulty that HBCUs face in educating at-risk students – will have limited value to consumers and crippling consequences for colleges.

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[6] Center for Economic and Policy Research. (2014). *A College Degree is No Guarantee.*

[7] National Partnership for Women & Families. (2014). *FACT SHEET: African American Woman and the Wage Gap*.

Thank you for your consideration of our views.

Sincerely,

Michael L. Lomax, Ph.D.
President and CEO
UNCF

cc: Jamienne S. Studley, Deputy Under Secretary