



Transforming America's Community Colleges: A Federal Policy Proposal to Expand Opportunity and Promote Economic Prosperity

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To renew America's status as the world's leader in college attainment, the federal government needs to transform America's community colleges and equip them for the 21st century. This long-overdue investment should establish national goals and a related performance measurement system; provide resources to drive college performance toward those goals; stimulate greater innovation to enhance the quality of sub-baccalaureate education; and support data systems to track student and institutional progress and performance.

America's Challenge

Over the last two centuries, the United States created an advantage over other countries by helping our citizens attain formal education, generating an able workforce and technological advancement. Yet U.S. higher educational attainment, long considered a ladder to economic and social success, has stalled, and now reinforces inequalities between rich and poor America. Community colleges represent an affordable, accessible route for a wide income spectrum of students to well-paying, high-demand jobs, as well as further education. But low degree completion rates at these institutions raise serious challenges for public policy efforts to achieve robust, broad-based economic growth.

Limitations of Existing Federal Policy

Between 2000-2001 and 2005-2006 total enrollment in community colleges grew by 2.3 million students, more than in any other higher educational sector. The current economic downturn is spurring further increases. Yet community colleges receive less than one-third the level of direct federal government support as do public four-year colleges. This matters as economic research indicates that a relative decline in post-secondary funding diminishes degree completion. While all public colleges and universities rely on non-tuition revenue, community colleges depend disproportionately upon state and local governments, currently under severe budget pressure. Only the federal government has the capacity to raise expectations

for community college performance and support the necessary investments to achieve those goals at a scale commensurate with the growing demands facing over 1,000 community colleges nationwide.

A New Federal Approach

The new administration and Congress should transform our community colleges into engines of opportunity and prosperity by targeting new investments to those colleges that help their students succeed. To that end, the federal government should:

- **Establish national postsecondary goals and create a performance measurement system** to support the effective use of federal resources
- **Double its current level of support in order to account for more than 10 percent of community colleges' budgets**, ultimately awarding three-quarters of these funds based on colleges' performance in meeting key goals around student credit, credential, and degree completion
- **Stimulate instructional innovations and practices** to increase community college quality, by devoting half of the administration's proposed \$2.5 billion state-federal partnership fund to improve and evaluate practices enhancing sub-baccalaureate education
- **Support the improvement of student data systems** necessary to measure and track college student outcomes, guide funding, improve accountability, and promote continuous improvement in educational quality

America's Challenge

The link between national educational attainment and national economic well-being has never been clearer. Current and future labor market demands place a continued premium on college education, including sub-baccalaureate degrees and credentials awarded by two-year community colleges. Yet even as more young people than ever attend college, higher educational attainment has stalled in the United States, in part due to low rates of degree and credential completion at community colleges. While these institutions present enormous opportunities for spreading the economic and social benefits of higher education, especially to minority students and those from lower-income backgrounds, many community colleges face serious financial constraints that place downward pressure on their performance and that of their students.

Higher education is critical to national economic and social prosperity. A growing body of economic research demonstrates the increasing importance of educational attainment to national economic well-being.

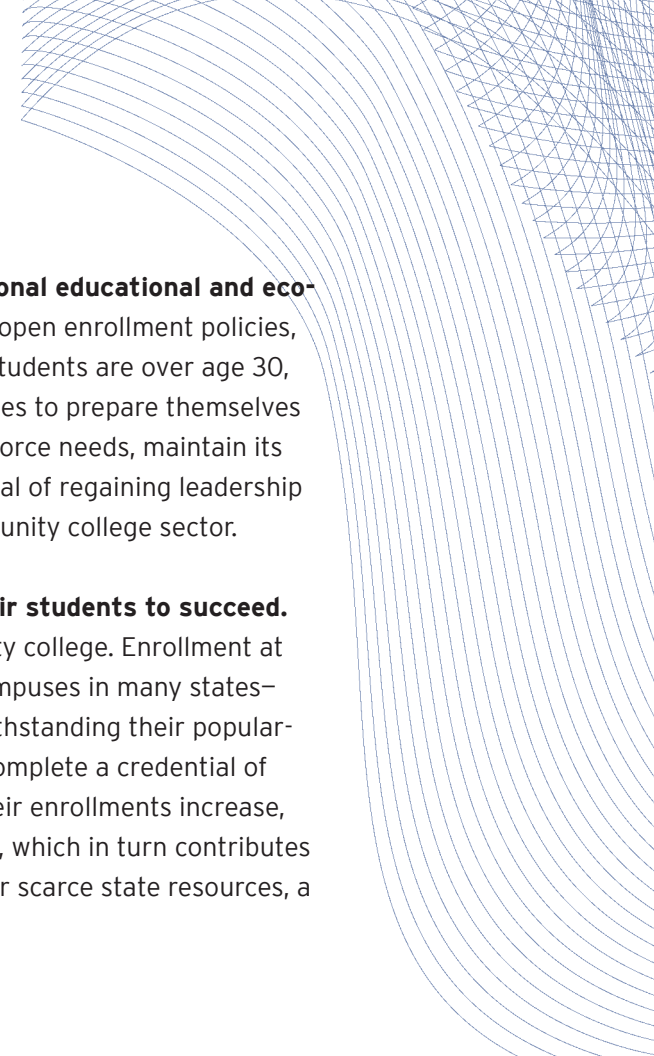
President Obama echoed the calls of numerous state and national organizations in February 2009 when he issued a goal that, “by 2020, America will once again have the highest proportion of college graduates in the world.”

Changes in the nature of work over the twentieth century, and into the twenty-first, have bolstered the demand for higher-order skills and boosted the wages that skilled workers command. Education remains the key to social mobility as well, especially for children from low-income families. Recognizing these

factors, President Obama echoed the calls of numerous state and national organizations in February 2009 when he issued a goal that, “by 2020, America will once again have the highest proportion of college graduates in the world.”

Non-baccalaureate higher education is an important contributor to inclusive growth. Many high-demand, well-paying jobs require a college credential, though not necessarily a four-year degree. Occupational projections and demographic changes suggest continued growth in labor market opportunities for workers with post-secondary, sub-baccalaureate degrees and certificates. Associate degree holders, in particular, earn 20 to 30 percent more than workers with a high school diploma only, and certificates in fields like health care yield substantial earnings gains for recipients.

Higher educational attainment has stalled in the United States. Even as the share of U.S. high school graduates who go on to college skyrocketed by 28 percentage points from 1972 to 1992, the share of those students completing a degree inched upward by only three percentage points. As a result, at least 10 developed nations have surpassed the United States in educational attainment, and our nation ranks even lower internationally on measures of cognitive skills. Part of the erosion of America's longstanding educational attainment advantage can be explained by a heavy and growing reliance on community colleges. Only 1 in 10 students entering community college in 2002 completed a two-year associate degree within three years.



Community colleges present enormous opportunities for meeting national educational and economic goals. Community colleges, by virtue of their low tuition costs and open enrollment policies, serve a population distinct from that at four-year colleges. More of their students are over age 30, work full-time, are racial and ethnic minorities, and require remedial courses to prepare themselves for college-level coursework. The nation's ability to satisfy its future workforce needs, maintain its competitive advantage in key sectors like manufacturing, and meet the goal of regaining leadership in college completion will depend greatly on the contribution of the community college sector.

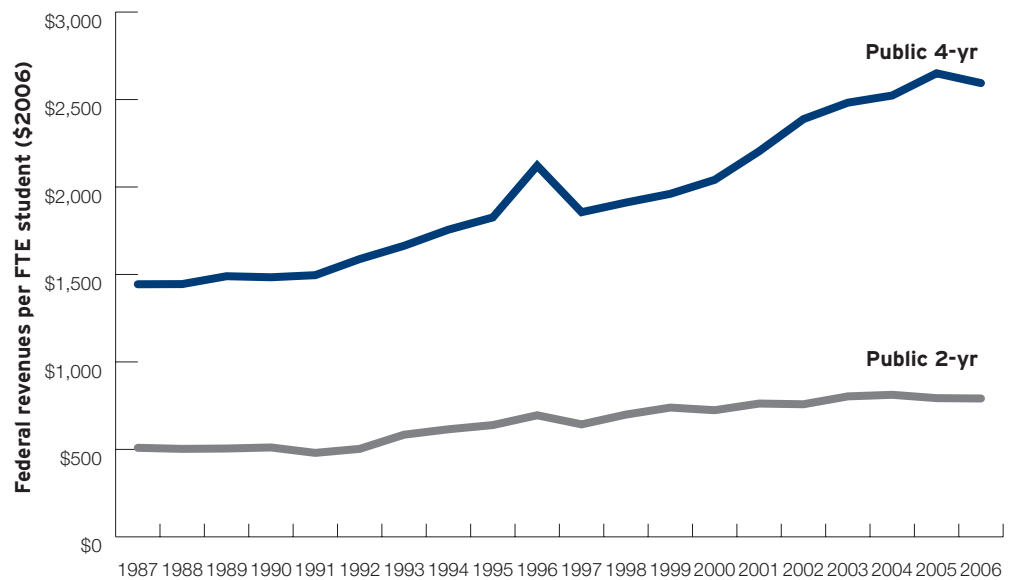
Community colleges face particular financial challenges in helping their students to succeed. Students today are likelier than ever before to choose to attend community college. Enrollment at community colleges is rising twice as fast as at four-year colleges, and campuses in many states—especially amid the economic downturn—are bursting at the seams. Notwithstanding their popularity, however, community colleges see nearly half of their students fail to complete a credential of any kind within six years of starting college. Research suggests that as their enrollments increase, colleges dilute the amount of resources spent on students and instruction, which in turn contributes to low completion rates. These institutions are often losers in the battle for scarce state resources, a situation that state budget crises are likely to exacerbate in coming years.

Limitations of Existing Federal Policy

Immense challenges face American community colleges, even as in many ways the future of postsecondary education in this country rests with them. Concerns about their capacity and focus are well-known, yet both are measured under conditions of great duress. A lack of federal leadership contributes to that duress, and depresses the performance of community colleges well below their potential.

Community colleges depend heavily on state and local revenues, contributing to poor and unequal outcomes. Community colleges rely on state and local governments for the lion's share (nearly 60 percent nationally) of their revenues, making them particularly susceptible to fluctuations in state and local budgets. During a period of relative economic stability (2002 to 2005), community college expenditures per student fell 6 percent, even as they increased by 3 percent at public four-year universities. Federal spending accounts for only about 15 percent of community college revenues (including financial aid). Meanwhile, four-year institutions receive nearly three times as much in federal support per full-time equivalent (FTE) student (\$2,600) as community colleges (\$790). State and local support levels widen, rather than narrow, this resource gap. Research finds that the resulting “crowding” of students vying for scarce resources at community colleges contributes to declining rates of degree completion.

The gap in federal support for two-year versus four-year colleges has widened over the past 20 years



Source: Delta Cost Project 20-year database (2009); Authors' calculations

Existing methods of funding community colleges fail to encourage better student and institutional performance. How—and not just how much—funding is delivered to community colleges matters for outcomes, too. Most state and local funding for community colleges is based on enrollment, rewarding colleges for getting students in the door, but not making sure they succeed. Even among the \$5.6 billion mix of federal student subsidies and categorical grants that support community colleges, little aims to improve student or institutional performance. The president's proposed FY2010 budget includes \$2.5 billion over five years for federal-state partnerships to increase college completion, building on the idea of "Student Success Grants" in the 2008 reauthorization of the Higher Education Act. These steps have the potential to bolster community college performance, but may fall short if community colleges continue to lack the infrastructure and core operating capacity needed to significantly improve outcomes.

Student-focused approaches alone are insufficient for raising community college attainment rates. The myriad challenges that community college students face have encouraged many experts to focus attention on student-directed incentives that encourage completion. Such incentives can help bring students "to the table" by, for instance, helping them spend more time on campus. Yet sub-optimal completion rates are bound to persist if colleges are simply ill-equipped to serve their students. Today the economic downturn, together with boosts to Pell Grants in the stimulus package, is sending more students through community college doors than ever before. But many of these institutions are, at the same time, implementing budget-induced layoffs and hiring freezes that will prevent students from accessing the classes and programs they seek.

A New Federal Approach

Despite their strong sense of mission to serve students well, community colleges currently have little incentive to focus on student success, rather than inputs and process. As recognized by ambitious initiatives such as *Achieving the Dream*, a “culture of evidence” focused on student achievement—when coupled with capacity-building efforts to make success possible—can have a rapid and transformative impact. Absorbing the lessons of such initiatives, the federal government should exercise new leadership to significantly transform the potential of community colleges nationwide to help their students, and thus our society, achieve greater prosperity.

First, the federal government should develop a set of national postsecondary goals and an accompanying performance measurement system for community colleges. While colleges need to focus on the specific needs of their students, it is important that they also have clearly defined broader institutional goals, with incentives to match. A performance measurement system would help policymakers, institutions, and students stay focused, and ensure that we make the most efficient and effective use of scarce resources. Such a system must reflect the multiple missions embraced by community colleges, including (but not limited to) retraining older workers, awarding associate degrees, and preparing students for transfer to four-year colleges. Integrating lessons from systems like Washington state’s, success should also be measured by student momentum—growth in learning that takes account of where students begin their college experience.

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Second, to drive community college performance toward national goals, the federal government should provide new resources. New resources will be needed to help financially strapped community colleges deliver on national postsecondary goals, and the federal government must have greater “skin in the game” to demand more out of the sector. To that end, the federal government should double its current level of direct support for community colleges, from \$2 billion to \$4 billion annually. This is a modest commitment relative to the \$60 billion per year the federal government spends on K-12 education, and the \$20 billion per year it spends on public four-year universities. The federal government should allocate these new resources largely based on institutional performance on key metrics included in the system described above. In the program’s first year, funds could be based solely on enrollment, with community colleges serving lower-income and minority students receiving proportionally greater resources. In subsequent years, funds could shift toward an eventual 75/25 performance/enrollment allocation. Because they vary widely in the types of students they serve and the level of state and local government support they receive, colleges could qualify for funding by making progress in any or all targeted areas. Additional weighting could be provided to states that geared more of their own funding to improve student outcomes, and match-

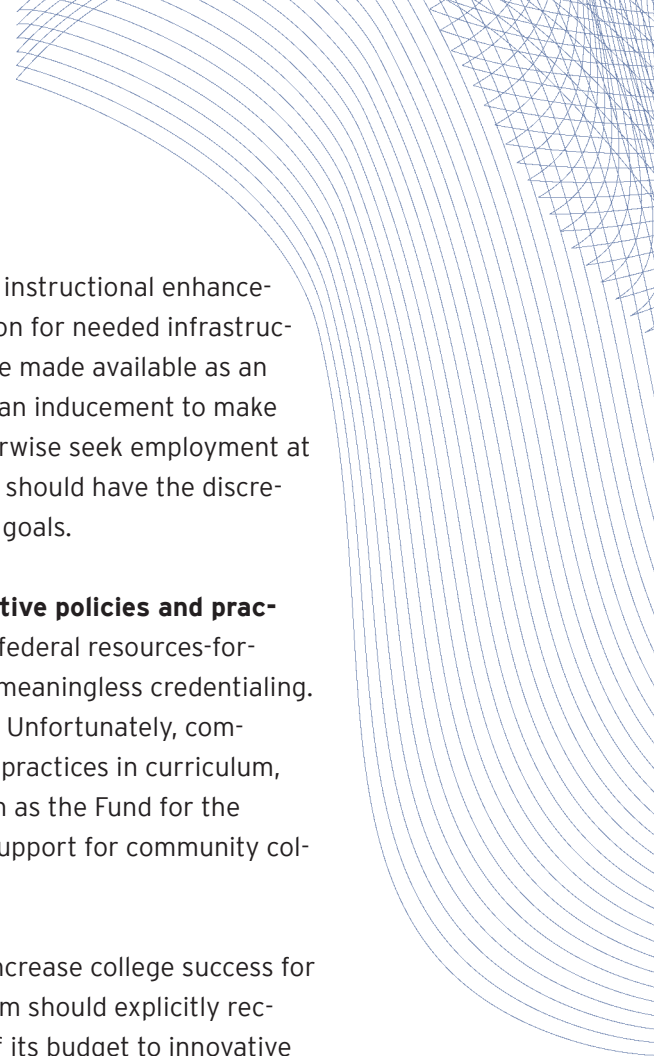
ing requirements could be instituted and strengthened as state and local budgets recover from the recession.

Community colleges could direct these new resources to several areas of need:

- **Campus infrastructure.** Though community colleges have experienced the highest rates of enrollment growth over the past several decades, the number of their campuses has grown more slowly than for public and private four-year colleges and universities. Even the many part-time and distance learners served by community colleges benefit from investments in classrooms and student support spaces. Federal support for campus infrastructure would help these institutions sidestep state-level battles for scarce capital resources, which flagship universities most often win.
- **Technology.** We cannot educate the workforce of the future in classrooms and buildings that resemble overgrown high schools of the past. Additional federal resources could be used to equip facilities with up-to-date technology needed to educate students effectively and efficiently. Such investments would enable enhanced distance learning and online educational opportunities, as well as make better use of information technology in the classroom.
- **Faculty.** Topping the list of concerns among community college administrators is a severe shortage of faculty in the nursing, allied health, and STEM (Science, Technology, Engineering, and Math) fields. Compounding the problem for community colleges is that two-thirds of their faculty members are between the ages of 45 and 64, and the pool of qualified younger applicants with specific in-demand skills may be quite small. As a result, many community colleges rely heavily on part-time adjunct lecturers who have little incentive or opportunity to invest in their own profes-

sional development. Nearly two-thirds of community college faculty are part-timers, compared to less than one-fourth of faculty at public four-year colleges. Additional federal resources could help augment the supply and quality of community college instruction in high-demand fields.

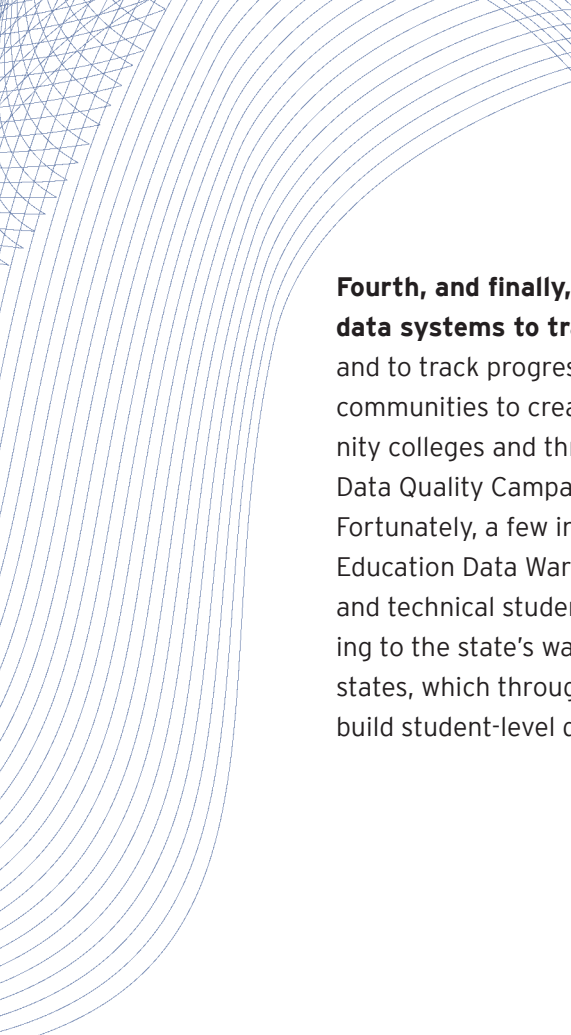
New resources will be needed to help financially strapped community colleges deliver on national postsecondary goals



With \$2 billion in new resources, split roughly equally between capital and instructional enhancements, the average community college could receive an additional \$1 million for needed infrastructure improvements. An extra \$3,800 per FTE faculty member could also be made available as an incentive to current instructors for improving student performance, or as an inducement to make teaching at a community college more attractive to those who would otherwise seek employment at a four-year college or outside the educational sector. Colleges themselves should have the discretion to use these resources in ways best suited to their specific needs and goals.

Third, the federal government should stimulate the adoption of innovative policies and practices that improve the quality of community college education. A new federal resources-for-performance program will not succeed if it merely leads to an increase in meaningless credentialing. Rather, it must be accompanied by a revitalized focus on student learning. Unfortunately, community colleges have few resources to support the adoption of innovative practices in curriculum, instruction, and student support. Competitive federal grant programs such as the Fund for the Improvement of Postsecondary Education (FIPSE) have provided limited support for community colleges, and awards have rarely been used strategically.

The Obama administration's proposal to support state partnerships that increase college success for lower-income students is an important step forward. The proposed program should explicitly recognize the critical role community colleges must play by dedicating half of its budget to innovative efforts to improve *sub-baccalaureate* education. Examples of the innovations that the fund might seek to develop, test, and expand include: learning communities; new curricula; models that provide student counseling and advising at scale; productivity enhancements in developmental education; and new assessment and placement policies designed to improve student success. Innovations should be evaluated rigorously, and findings shared widely with other institutions. The program should seek to support practices that can endure after the initial infusion of its dollars disappears.



Fourth, and finally, the federal government should support the improvement of student-level data systems to track community college performance. To operationalize real accountability, and to track progress and improvement, the federal government must work with states and local communities to create real-time data systems for tracking individual student outcomes at community colleges and throughout the educational system, and into the labor market. According to the Data Quality Campaign, most states do not have the ability to track student outcomes in this way. Fortunately, a few innovative states have created comprehensive data systems. The Florida K-20 Education Data Warehouse includes data on all students in public K-12, college, university, and career and technical students, and can measure student employment and earnings outcomes by connecting to the state's wage record files. That system and a few others can serve as models for other states, which through the stimulus package now have expanded opportunities and obligations to build student-level data systems.

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The Obama administration's proposal to support state partnerships that increase college success for low-income students is an important step forward.

President Obama's call to action on higher education acknowledges a hard truth: As a nation we have lost our more than century-long advantage in postsecondary educational attainment and are at risk of falling farther behind. Stagnating educational achievement threatens our nation's ability to meet critical workforce needs, ensure rising standards of living for future generations, and close the racial and economic gaps that for too long have limited our economy and democracy.

The road to improved higher educational attainment does not run only through the traditional four-year sector, however. The nation's community college system needs a serious voice and role in that broader effort. Notwithstanding its great potential, the community college sector's current track record on student success leaves much to be desired.

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In response, this paper proposes an agenda that addresses the related issues of resource and performance simultaneously, and head-on. It recommends seeding a transformative change for America's community colleges—the beginning of a first-ever performance measurement system, and a doubling of federal funding designed to assist those institutions that prove themselves capable of meeting more ambitious goals around student success.

College success counts more than ever. Properly executed, the agenda described here will increase the nation's human capital, improve our collective economic competitiveness, and support a more informed and engaged citizenry that can pass on greater opportunities to future generations.

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For More Information

The full-length paper from which this brief is drawn is available at
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