# RISING ABOVE THE THRESHOLD

## EXECUTIVE SUMMARY

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JUNE 2023

**The best path to upward economic mobility is a college degree, but higher education remains unaffordable for many who could benefit the most. This lack of affordability limits the value students receive, particularly for Black, Latinx and/or Hispanic, Indigenous, underrepresented Asian American, Native Hawaiian, and Pacific Islander (AANHPI) students and students from low-income backgrounds.**

To measure students' economic returns from attending college, the Postsecondary Value Commission, managed by IHEP, developed a set of interrelated earnings and wealth thresholds that put into context the economic value students receive from higher education. The most fundamental threshold is the **minimum economic return threshold, called Threshold 0**, and students meet this benchmark if they earn at least as much as a high school graduate in their state, plus enough to recoup their investment in college within 10 years.

*Rising Above the Threshold* uses publicly available data to estimate the number of colleges in the United States that provide a minimum economic return for students and explores policy interventions that would increase equitable value for students by improving college affordability.

This analysis models how specific funding changes would increase the number of institutions where the typical students earn more than Threshold 0, indicating they experience a minimum economic return. These policy changes include doubling the maximum award available through the federal Pell Grant and implementing free college programs–sometimes called tuition-free college promise programs.[1]

This report finds that improving college affordability can have a marked impact on the value students receive. We find:

- The vast majority of institutions (83 percent), enrolling 93 percent of undergraduates, provide at least a minimum economic return to their students. However, 507 institutions, enrolling nearly 1.5 million undergraduates, do not meet the Threshold 0 benchmark – meaning that most students at these institutions do not earn enough to recoup their investment in postsecondary education ten years after first enrolling. Affordability is part of the reason why.
- Doubling the federal Pell Grant would enable 95 of these 507 institutions to meet Threshold 0. In total, these 95 institutions enroll about 610,000 students each year, many of whom are Black, Latinx and/or Hispanic, Indigenous or from low-income backgrounds.
- Free college programs that use a first-dollar approach result in 44 additional institutions meeting Threshold 0, affecting 215,746 students in public colleges. Last-dollar free college programs only make a negligible difference in the number of institutions meeting the minimum economic return threshold.

# POLICY RECOMMENDATIONS

To improve affordability and increase postsecondary value for students and communities, state and federal policymakers should work together to reduce inequities in postsecondary value across race and income levels. They also should improve the quality of earnings data to support more nuanced and thorough evidence-based policymaking to increase postsecondary value.

- **Double the Pell Grant.** This would provide additional need-based grant aid to low- and moderate-income students.
- **Invest in first-dollar free college programs whenever possible.** A first-dollar approach increases affordability, and as a result, postsecondary value, for students and ensures students with the highest levels of financial need receive additional aid. First-dollar programs have a substantially greater impact on postsecondary value than last-dollar programs.
- **Fund non-tuition expenses for students from low-income backgrounds.** Funding transportation, health care, and child care expenses reduces affordability barriers for students and can help facilitate college completion.[2]
- **Avoid narrow restrictions on eligibility for student aid.** Eligibility for need-based financial aid—whether in the form of Pell Grants, other grant aid, or free college programs—should be as inclusive as feasible. When funds are scarce, they should be targeted based on financial need.
- **Invest in four-year pathways.** Free college programs are often limited to public two-year institutions, but these programs would reach more students were they expanded to include public four-year colleges.
- **Provide support for completion.** Federal and state policymakers should fund completion support aimed at decreasing time to degree and increasing completion rates.
- **Disaggregate earnings data by race/ethnicity.** Publish disaggregated earnings by race/ethnicity in the College Scorecard, for both institutions and programs, as those data become available.
- **Improve earnings data for non-completers.** At the program level, the Department of Education (ED) should publish earnings outcomes of students who leave school without a degree, in addition to the outcomes they already publish for program completers. It should publish institution-level earnings outcomes disaggregated by completion status, in addition to the overall earnings outcomes that include both completers and non-completers.

## ACKNOWLEDGEMENTS

This paper would not be possible without the talent and energy of many current and former Institute for Higher Education Policy staff. In particular, the authors would like to thank Lauren Bell, Kelly Leon, Kathryn Gimborys, Piper Hendricks, Jessica Vivar, and Mamie Voight for supporting the development of this paper, providing feedback on drafts and research methods, and giving other assistance through the project.

We would also like to thank Charles Sanchez and Netasha Pizano for their support in data validation and quality assurance throughout the analysis.

Sabrina Detlef provided copyediting support, and Openbox9 provided design services for the final report.

This paper builds on the foundation set by the members of the Postsecondary Value Commission and its Research Task Force, whose deep thinking and engagement led to the development of the Postsecondary Value Framework on which this report is based. We'd like to thank the members of the Commission and its Research Task Force for their tireless work in launching the equitable value movement, along with the current members of the Equitable Value Advisory Board for their continued engagement.

All ideas, findings, and conclusions drawn by this report are the sole responsibility of the report's authors.

## REFERENCES

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