



Degrees of Accountability

Rethinking Incentives and Sanctions
in the Higher Education Act

By Rory O'Sullivan,
Clare McCann, and
Kelly McManus
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Introduction

America's university system is the envy of the world, recognized for both its prestigious research institutions and its commitment to accessibility for all students who want to pursue higher education. Attaining a college degree remains the surest path to financial security and economic advancement. A community college graduate earns an average of \$400,000 more over a lifetime than a high school graduate, while the typical bachelor's degree holder earns \$1 million more.¹ Some of our nation's public colleges and universities have shown especially high rates of transformation in the financial circumstances of their lowest-income students, propelling them to economic security.²

Yet within that system, student outcomes can vary considerably. Overall, our higher education system manages to graduate just six in 10 students within six years of entering school.³ Even when students graduate, some find that the credential they earned is scarcely worth the paper it is printed on; in fact, hundreds of thousands of students enroll in programs for which the typical graduate earns *less* than the typical high school graduate.⁴

Rising prices and widespread student loan borrowing make college today a high-stakes gamble, with middling graduation rates and variable labor market outcomes. But even worse is leaving school without attaining a degree. Without a degree, earnings potential plummets, and worse, many students who stop out also carry student debt that they cannot afford to repay. Even within the graduate school sector, where historically few students struggled to repay debt, borrowers now face a growing problem of low-value and high-debt programs.⁵

The Higher Education Act (HEA) may give the impression that a strong system exists to assure higher education quality, promote continuous progress, and protect borrowers and taxpayers from low-value institutions. After all, every school must earn accreditation from an independent, federally approved agency and secure authorization from state regulators in order to qualify for financial aid eligibility. The HEA also requires career-oriented programs and for-profit colleges to lead to "gainful employment" in a recognized occupation; recently, the Department of Education strengthened rules for these programs to ensure that their graduates maintain affordable debt loads and adequate earnings. The federal government also promises to revoke eligibility for federal aid dollars from institutions with high default rates.

1 "The College Payoff: Education, Occupations, Lifetime Earnings," Georgetown Center on Education and the Workforce, August 2023, <https://cew.georgetown.edu/cew-reports/the-college-payoff/>.

2 Chetty, Raj, John N. Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," July 2017, http://www.equality-of-opportunity.org/papers/col_mrc_paper.pdf.

3 "Completing College National and State Reports," National Student Clearinghouse, November 2023, <https://nscresearchcenter.org/completing-college/>.

4 "Holding Colleges Accountable for Delivering Financial Value for Students," Fact Sheet, U.S. Department of Education, 2021, <https://www2.ed.gov/policy/highered/reg/hearulemaking/2021/gainful-employment-and-transparency-fact-sheet.pdf>.

5 Delisle, Jason, and Jason Cohn, "High-Debt, Low-Earning Master's Degrees Are Widespread at Private Nonprofit Universities," Urban Institute, June 2022, <https://www.urban.org/urban-wire/high-debt-low-earning-masters-degrees-are-widespread-private-nonprofit-universities>; and Monarrez, Tomás, and Jordan Matsudaira, "Trends in Federal Student Loans for Graduate School," Office of the Chief Economist, U.S. Department of Education, August 2023, <https://sites.ed.gov/ous/2023/08/new-report-trends-in-federal-student-loans-for-graduate-school/>.

In practice, though, the HEA's accountability system fails to deliver on its promise. In part, this is because of weaknesses in many of the mechanisms used to assess colleges: accrediting agencies that fail to set rigorous standards for outcomes, states with too little capacity to police schools' actions, and a loan default rate measure that is easily gamed.⁶ The only real requirement for unfettered access to federal student aid is that the school clear these low bars. The HEA also includes no real benefit for higher performance — offering no incentives to improve, resources to help dedicated institutions get there, or recognition for the (largely public) schools bearing the greatest load and still helping their students achieve success.

Similar limitations exist in the types of penalties regulators enforce against colleges. This is counterintuitive: At first glance, potentially severe penalties appear likely to inspire high performance — fail an accreditor's review and an institution risks losing access to all federal grants and student loans. A similar risk exists if state regulators revoke authorization or if too many of an institution's borrowers default on their student loans.

But in reality, the penalties are *so* severe as to make their use nearly unthinkable to regulators beyond colleges engaged in the most blatant fraud. Higher education industry leaders refer colloquially to the loss of federal aid eligibility as the “death sentence.” It is not mere hyperbole: For many schools, a loss of aid eligibility could effectively close the institution. And in some parts of the country, students live in “education deserts” where they have no other accessible institutions nearby.⁷ For those students, the loss of federal financial aid eligibility at the institution will further constrain their already-limited options — and so regulators do not see closure as a beneficial option. In other cases, regulators may decide not to act when they weigh the college's benefits to a local community — both as a service provider beyond education and as an employer.⁸ Accordingly, accreditors and state authorizers rarely revoke authorization from a higher education institution.⁹

Cognizant that stringent default standards could implicate colleges in their home districts, lawmakers set default rate limits so high that few schools fail the test. An institution must have a staggering 30 percent of its borrowers default for *three years in a row* to trigger a sanction. Even when colleges fail, lawmakers from the institution's state have occasionally provided a reprieve through legislation.¹⁰ Additionally, the pandemic student loan repayment pause reduced the effectiveness of default rates as a metric, because no one defaulted for several years. Meanwhile, there remains no positive incentive supporting improvement in student outcomes. Until this changes, students and taxpayers will continue to pay the price for low-value or unaffordable programs.

To fix the problem, policymakers need a larger menu of potential rewards for success and penalties for poor outcomes.¹¹ Through research and interviews with more than a dozen federal higher education policy experts, we have compiled a list of over 50 potential sanctions and rewards that could strengthen oversight of the federal financial aid system. With better odds of incenting schools to improve their outcomes and meet federal standards, and a lower likelihood of shutting down a college prematurely, these sanctions could provide a pathway for real reform.

6 McCann, Clare and Amy Laitinen, “The Bermuda Triad: Where Accountability Goes to Die,” *New America*, November 2019, <https://www.newamerica.org/education-policy/reports/bermuda-triad/>.

7 Hillman, Nick, “Place Matters: A Closer Look at Education Deserts,” *Third Way*, May 2019, <https://www.jstor.org/stable/resrep41709?seq=3>.

8 Reed, Matt, “Colleges as Employers,” *Inside Higher Ed*, April 2020, <https://www.insidehighered.com/blogs/confessions-community-college-dean/colleges-employers>.

9 “Education Should Strengthen Oversight of Schools and Accreditors,” U.S. Government Accountability Office, GAO-15-59, December 2014, Reissued January 2015, <https://www.gao.gov/products/gao-15-59>.

10 Wilkins, Emily, “McConnell Seeks Exception to Rules for School,” *Roll Call*, October 2017, <https://rollcall.com/2017/10/09/mcconnell-seeks-exception-to-rules-for-school/>.

11 While many of the graduated accountability options have not been implemented or studied in the U.S. context, an effort to fine institutions for students who dropped out or defaulted in Brazil paints a compelling picture. According to researchers who studied the policy change, “dropout rates declined sharply in programs that are highly reliant on the federal loan program,” driven primarily by improvements in quality. See: Barahona, Nano, Cauê Dobbin, Hanson Ho, Sebastian Otero, and Constantine Yannelis, “Skin in the Game: Colleges' Financial Incentives and Student Outcomes,” October 2023, https://sebotero.github.io/papers/skininthe_game_postedversion.pdf.

Consequences for Institutions in the Context of Accountability Policies and Proposals

In this paper, we focus on the enforcement *mechanism* for accountability – the action policymakers take when an institution falls short on a performance metric. Our proposed intermediate sanctions and rewards could fit into a variety of existing and future accountability systems considered and adopted by Congress.

For example, a graduated accountability framework could implement more modest sanctions on institutions at lower default rate thresholds, providing an incentive to improve outcomes before a school risks breaching the current threshold and losing Title IV aid entirely.

Additionally, the HEA requires career training programs to lead to gainful employment; the Biden Administration recently promulgated regulations defining that requirement as maintaining reasonable ratios of debt relative to earnings, as well as ensuring most graduates from the programs earn more than the typical high school graduate.¹² Programs that fail these tests over multiple years lose access to federal financial aid. Similar to default rates, a future version of gainful employment regulations could include intermediate sanctions at lower thresholds of graduate earnings and debt-to-earnings ratios. In fact, the current regulations do include a more modest sanction in the form of warnings to students: The Department of Education will publish performance information for programs (even those not considered career training programs) and subject failing programs to disclosure requirements.¹³

Intermediate sanctions would work well with proposals to strengthen the existing accountability system coming from a range of political perspectives. One proposal from the nonprofit Education Trust would provide funding to institutions performing in the bottom five percent to help schools improve access for low-income students, graduation rates, and student loan repayment rates, before schools would be cut off from federal financial aid.¹⁴ Legislation from Senator John Cornyn (R-TX) and some of his Republican colleagues would, similar to the gainful employment regulations, require programs at all institutions to demonstrate their graduates exceed the typical earnings of a high school graduate (or a bachelor’s degree graduate, for graduate programs).¹⁵ In most of these proposals, the loss of Title IV is the primary consequence for federal accountability efforts, with few gradations to encourage improvement on student outcome metrics. As with existing accountability rules, a graduated sanctions framework could improve their impact on student success.

¹² “Financial Value Transparency and Gainful Employment,” U.S. Department of Education, 88 Fed. Reg. 194, available at: <https://www.regulations.gov/document/ED-2023-OPE-0089-3916>.

¹³ Ibid.

¹⁴ Dannenberg, Michael, and Mary Nguyen Barry, “Tough Love: Bottom-Line Quality Standards for Colleges,” The Education Trust, 2014, https://edtrust.org/wp-content/uploads/2013/10/ToughLove_0.pdf.

¹⁵ *Streamlining Accountability and Value in Education for Students Act*, S. 1971, Sen. John Cornyn, June 2023, available at: <https://www.congress.gov/bill/118th-congress/senate-bill/1971/>.

Weighing What Works: How We Analyzed the Options for Graduated Incentives and Sanctions

In preparing this report, we considered a range of policy responses to encourage better outcomes. To identify the set of responses worthy of consideration by policymakers, we evaluated each option across a set of key factors and narrowed the list considerably. Specifically, we evaluated sanctions according to their alignment with the following goals:

- **Strong Incentive for Change:** A response to institutional performance should be significant enough to effectuate real change. Too weak a sanction will layer on administrative burden with little or no benefit; too weak a reward will only shift resources with no result.
- **Direct Ties to the Problem:** Institutions should perceive the sanction or reward as directly tied to the behavior that regulators seek to change. By clearly connecting those dots, policymakers can increase both the institutions' understanding of the policy's intent and the likelihood that schools respond with the desired behavior. In evaluating this factor, we took particular consideration of which sanctions might work to improve student outcomes versus addressing other consumer protection problems (see Box 1) and which sanctions are appropriate for addressing and improving the quality of *programs* within an institution.
- **Strengthening the Triad:** Federal financial aid dollars are supposed to be governed by a program integrity "triad" in which states, accrediting agencies, and the Department of Education share overlapping oversight responsibility. But stilted communication among regulators, unclear roles, and inadequate capacity have often permitted poor institutional performance, while regulators look the other way. We discuss some of those concerns in more depth later in this section. But by engaging all three arms of the triad, shoring up their ability to monitor colleges with additional tools, and clarifying their roles and responsibilities, policymakers can make the triad work better — shining more regulator light on issues and increasing pressure for institutional change.
- **Clear Signals to Students:** When institutions fall short on producing strong outcomes, students pay the price — and disproportionately students of color and low-income students. Transparency is not sufficient,¹⁶ and it is unfair to expect students to navigate the complex world of institutional oversight themselves. Students deserve to know when they are considering enrolling in a school or program that will not meet their needs so that they can make different choices.

¹⁶ Baker, Dominique J., Stephanie Riegg Cellini, Judith Scott-Clayton, and Lesley J. Turner, "Why Information Alone Is Not Enough to Improve Higher Education Outcomes," Brookings Institution, December 2021, <https://www.brookings.edu/articles/why-information-alone-is-not-enough-to-improve-higher-education-outcomes>.

- **Minimal Disruption to Students:** Abrupt college closures are among the most disruptive experiences college students can face, leaving many of them indebted, without a degree, and without viable pathways to continue their education.¹⁷ Indeed, this is one reason regulators are so reluctant to take an action that will close an institution. With these proposals, we seek to encourage real change within institutions while avoiding these negative experiences.¹⁸

During our interviews, research, and analysis, several themes arose. Most commonly, and particularly in our evaluation of negative sanctions, we identified a tension between the goals of encouraging school performance and avoiding disruption to students. By their nature, penalties with the strongest motivations for schools to change imply significant financial costs that threaten school operations. Our proposed framework below reflects an attempt to balance these considerations.

A second, related theme was the potential unintended consequences of various proposals on students of color or low-income students. The prospect of risk sharing — which puts schools on the hook for at least part of any unpaid or defaulted loans by former students — faced significant criticism for that reason. Black borrowers in particular face challenges repaying their loans and could be unfairly excluded by institutions seeking to avoid risk-sharing penalties.¹⁹ Several interviewees also expressed concern about how a variety of sanctions would impact under-resourced institutions that serve students of color and low-income students, such as community colleges and minority-serving institutions (MSIs). Past research into models that tie a portion of state higher education funding to institutions' outcomes offers additional cause for concern; when designed poorly, such funding models have led institutions to engage in unintended conduct like adding admission restrictions, weakening academic requirements, or shifting students into certificate programs and away from degree programs that might be more valuable.²⁰

Third, there remains widespread skepticism about each member of the triad's ability to effectively execute their role. Culturally, the Department of Education and accreditation agencies favor institutional interests, inspiring little confidence that they would use additional discretion to protect students. Interviewees doubted that these organizations would act forcefully against low-performing institutions, even with additional tools. Additionally, several experts raised capacity concerns during our interviews. For example, the Department lacks the staffing required to perform a large number of mandated program reviews. State authorizers are also notoriously understaffed, with many states supporting only a handful of FTEs to cover their entire higher education sector.²¹ American accrediting agencies rely on volunteers for roles that other countries support with full-time staff. Throughout this report, we seek to identify opportunities to increase capacity and to focus on the highest-risk institutions and programs — particularly those with the greatest need for improvement — as a way to maximize the efficiency of these resources.

17 "A Dream Derailed? College Closures Research and Policy Implications," State Higher Education Executive Officers Association, available at: <https://sheeo.org/project/college-closures/>; and "Education Should Improve Outreach to Borrowers About Loan Discharges," U.S. Government Accountability Office, GAO-22-104403, July 2022, <https://www.gao.gov/products/gao-22-104403>.

18 We also note, however, that because institutions that fail to improve with the use of the graduated sanctions we propose should ultimately face the loss of federal financial aid eligibility, it is incumbent upon regulators to expand their planning for college closures, including by tethering these sanctions to requirements that institutions at risk of closure establish teach-out plans and agreements, record retention plans, and provide clear communication to students.

19 Scott-Clayton, Judith, "The Looming Student Loan Default Crisis Is Worse Than We Thought," Brookings Institution, January 2018, <https://www.brookings.edu/articles/the-looming-student-loan-default-crisis-is-worse-than-we-thought/>.

20 Zerquera, Desiree, and Mary Ziskin, "Implications of Performance-Based Funding on Equity-Based Missions in U.S. Higher Education," *The International Journal of Higher Education Research*, December 2020, <https://eric.ed.gov/?id=EJ1276904>; Ortagus, Justin C., Robert Kelchen, Kelly Rosinger, Garam Chu, and Mitchell Lingo, "The Unequal Impacts of Performance-Based Funding on Institutional Resources in Higher Education," *InformEd States*, November 2021, https://static1.squarespace.com/static/5d9f9fae6a122515ee074363/t/619e68d8ce6b7b31807b116a/1637771480975/InformEdStates_Brief_PBFandInstitutionalResources.pdf; Gándara, Denisa, and Amanda Rutherford, "Completion at the Expense of Access? The Relationship Between Performance-Funding Policies and Access to Public 4-Year Universities," *Educational Researcher*, June/July 2020, <https://par.nsf.gov/servlets/purl/10184843>; and Umbricht, Mark R., Frank Fernandez, and Justin C. Ortagus, "An Examination of the (Un)Intended Consequences of Performance Funding in Higher Education," *Educational Policy*, July 2017, <https://eric.ed.gov/?id=EJ1145030>.

21 Hall-Martin, Molly E., "Capacity to Protect: A Survey of State Authorization Agencies and Offices," State Higher Education Executive Officers Association, July 2021, https://sheeo.org/wp-content/uploads/2021/07/SHEEO_CapacityProtect_StateAuthorization.pdf.

Despite these concerns, we maintain as an explicit goal greater engagement and effectiveness on the part of the triad — in large part because we see differing interests and strengths among different types of regulators that can, if reformed, complement each other. Should Congress take action to create a graduated accountability framework, that framework will require an effective enforcement system, and the reform will offer an opportunity to invest in and improve the caliber of oversight by all three members of the triad.

Additionally, interviewees expressed strong support for risk-based accountability tools. Essentially, this means spending less time reviewing, auditing, or accrediting programs or schools with strong student outcomes and more time focused on lower-performing programs. Our proposal for a graduated accountability system takes this into account.

Finally, we note that there is little research on the efficacy of different types of rewards and sanctions in driving institutional reform and improving school outcomes. While we believe these proposals represent a host of promising ideas, many of the proposed incentives and penalties have rarely (if ever) been used, and their effectiveness is not yet demonstrated. To that end, policymakers and researchers should endeavor to study the impact of these approaches as they are implemented and to adjust their menu of options based on that work.

Incremental Accountability

Based on the goals, research, and analysis noted above, we highlight below our preferred set of sanctions and rewards. As policymakers consider the right student outcomes metrics to use, they should consider sanctions for failing to meet those standards not only as an “on or off” switch for access to federal financial aid, but as a dial. For institutions or programs that perform especially or persistently poorly, regulators must employ more severe consequences.

One example of this plan is legislation introduced in January 2024 by Representative Virginia Foxx, chair of the House Committee on Education and the Workforce, which would require institutions to repay the federal government for a portion of their students’ unpaid loans in an effort to increase their focus on valuable credentials and would redistribute some of the returned funds to high-access institutions for improvement efforts.²² Although a complex measure that could result in unintended consequences, this sanction would effectively fine institutions for their outcomes rather than immediately cutting off aid to underperforming schools and programs, consistent with our goals here.

Additionally, we propose a series of incentives and rewards to help support institutions that are high-performing, ensuring that the framework includes not only consequences for underperformance but also both resources and incentives for institutions to improve and benefits for high-performing schools.

Although our framework could work with a variety of accountability metrics, we propose several core principles for any accountability structure. First, federal financial aid is intended to promote social mobility for students with lesser means and benefit society overall through stronger economic growth and a better educated citizenry; any accountability system should further that purpose. Second, an accountability system should consider multiple measures of student outcomes — for instance, a school’s completion rates, earnings for graduates, and outcomes

²² College Cost Reduction Act, H.R. 6951, January 2024, <https://www.congress.gov/bill/118th-congress/house-bill/6951/text?s=1&r=7>.

for non-completers. Multiple measures make it harder for institutions to game the system. Finally, there should remain certain circumstances — both extreme poor performance in the short run and routine poor performance over the long run — in which lawmakers revoke access to federal financial aid.

Rewards for Success

An effective accountability system for institutions of higher education should encourage success, not only sanction poor performance. Providing escalating supports for improving institutions and benefits for well-performing colleges will help to drive continuous improvement among institutions with middling outcomes.

Well-Performing Institutions: Alleviating Burdens for Colleges Exceeding Expectations and Expanding Access

Alleviate Audit Requirements

Congress could reduce compliance audit requirements to every other year, rather than annually, for institutions with both strong outcomes and a track record of compliance. To avoid possible unintended consequences of exempting institutions from oversight in some years, eligible schools could also be selected for the biennial audit exemption by lottery; subsequent evidence of compliance problems could remove the school from eligibility.

Rationale: The reward would reduce the meaningful burden on institutions of this administrative task, which is not closely linked to student outcomes. It would also enable the Department to further tailor its oversight and focus its limited resources on the riskiest institutions.

Allow for Abbreviated Accreditor Reviews

While their outcomes remain strong, institutions could receive abbreviated versions of accreditor reviews, extended periods of accreditation (12 to 15 years), and reduced annual reporting requirements.

Rationale: Though accreditation can provide an important check on the quality of institutions, it can also contribute to schools' burden of compliance. While high-performing schools already receive accreditation grants that go 10 years between reviews, allowing even longer between reviews could save additional accreditor time to focus on the lowest-performing institutions.

Allow Eligibility for Aid Expansions

Congress should set a minimum performance bar for institutions to be eligible for expansions of aid, such as pilot projects offered under the Department of Education's Experimental Sites Initiative or proposed expansions of Pell to short-term programs.

Rationale: This policy would help ensure that aid programs and pilots go to successful institutions with a demonstrated track record of performance. In addition to ensuring any expansion of aid dollars is made in fiscally responsible ways, it can also provide important reasons for institutions to improve and become eligible for new pots of federal money or relief from burdensome requirements.

Provide Rewards for Advancing Socioeconomic Mobility

Policymakers could provide a student or institutional grant for under-resourced institutions that overperform on outcomes for those students, either with an increased dollar amount for the institution per low-income student, or via formula grant to IHEs based on enrollment of low-income students and their completion rates. For instance, a formula might be based on the proportion of low-income students a program enrolls and the proportion of those students who graduate, to most generously reward high-access, high-success institutions.

Rationale: Among the highest-performing institutions, most pursue selective enrollment policies that end up excluding many low-income students and students of color. One way to address this problem is to create a meaningful financial incentive to reward institutions that effectively serve students from less-resourced backgrounds. Particularly if these formula funds are supported by dollars that would otherwise go to less-effective programs with poor outcomes, this plan will both promote stronger student outcomes and help to counter the potential unintended consequences of accountability standards that could lead some schools to limit enrollment.

Improving Institutions: Providing a Boost with Incentives for Evidence-Based Reform

Public and nonprofit institutions that have modest but acceptable student outcomes and demonstrate effort toward improving could be provided with additional resources to aid with the costs of implementing evidence-based activities. For example, a community college that spends heavily on education rather than marketing and achieves average graduation rates — or even rates that are above average for the sector but still nominally low — could be eligible to apply for a codified and better-funded version of the current Postsecondary Student Success Grant (PSSG) program. Grants would go to institutions to implement evidence-backed student success initiatives that have been shown to improve outcomes. The program should be tightly aligned with student success goals and require a sustainability plan to maintain improved outcomes. The program could be paired with administrative relief, such as accreditor warnings or standard program reviews during the grant activities, to provide an even greater incentive for improvement.

Rationale: In some cases, institutions with middling outcomes will be able to clear a minimum bar for their performance — but still warrant additional focus on improvement. Additional funds directed toward proven practices could assist under-resourced institutions that may not otherwise have the capacity to quickly improve program quality. Importantly, to increase the cost-effectiveness of the program, the funds for these rewards could be bolstered by funds reallocated from other, less-effective programs and institutions.

Sanctions for Underperformance

Positive rewards alone will not be adequate to drive improvement, particularly among the lowest-performers. As lawmakers consider opportunities to better encourage improvement on student outcomes, an escalating set of sanctions can enable regulators to act when institutions fail to improve.

Both the degree of poor performance on student outcomes metrics and the length of that poor performance should influence the application of sanctions required by oversight agencies like the Department of Education or by Congress. For example, if a program at a college falls slightly below the minimum threshold for completion rates, that could trigger low-level sanctions like disclosures or warnings, but regulators could grant the school time to identify challenges and adjust its programs before escalating to more stringent sanctions. In contrast, a different program at the institution that failed the completion rate by a significant amount — and thus where accountability is most urgently required in order to protect students — could lead regulators to move quickly to stringent sanctions, such as instituting a cap on enrollment while the institution either adjusts the program to improve

its outcomes or decides to close it. Similarly, a program that fails to improve a completion rate falling slightly below the threshold after initial modest sanctions and reasonable time to improve would advance to more serious sanctions.

Lowest-Level Sanctions

The lowest-level sanctions we identified focus on student disclosures, regulator reviews, and accreditor warnings — actions that can provide some notice of the need to address poor student outcomes, and perhaps also provide notice to students of the problem, but without direct financial consequences to the institution. To be sure, existing warnings and reviews by accreditors have had little impact. Effective execution of these options will require accreditors, state authorizers, and the Department to enhance both their capacity and their rigor in conducting reviews — changes that may also require reform and investment by Congress.

Warnings for Students Before They Enroll in Low-Value Programs

Students often lack access to high-quality information about the returns they can expect to see on their investment in a particular program or institution. Institutions should be required to make robust, individualized disclosures to students — accompanied by an attestation requirement before students commit to low-value programs — to ensure they make more informed decisions.

Rationale: Students seeking to enroll in higher education say that important factors include the costs of the program and their odds of success in the labor market.²³ Yet students rarely access information about the value of the programs and institutions in which they are considering enrolling during their college search, especially for the many students who do not consider more than one institution.²⁴ This is particularly concerning when those students ultimately enroll at an institution that will not help them reach their goals, leading them to spend their time and money on programs that will leave them worse off. The Department of Education’s recently finalized gainful employment and financial value transparency regulations will require all institutions to provide clear warnings to prospective and enrolled students if they are considering a program that leaves the typical graduate earning less than a typical worker with only a high school diploma and/or with unaffordable levels of debt, at least for a subset of programs. These requirements could be codified and strengthened to support all students, across all sectors, in making informed choices about where to go to school.

Establish Accreditor Warnings Tied to Outcomes Improvement

Today, accreditation does far too little to ensure student outcomes at approved institutions are adequate and improving. While accrediting agencies are obligated to consider student achievement, they typically do so only at a high level, fail to set or enforce clear expectations for institutions’ performance, and rarely take action even for some of the lowest-performing institutions. When they do take action, accrediting agencies sometimes use warnings or other sanctions for a variety of forms of non-compliance, but without strong student achievement measures some agencies virtually never use those sanctions to encourage improvement of student outcomes. Instead, accreditors should be required to issue a formal “warning” tied to the improvement of specific outcomes defined by the federal government, triggering accreditors’ oversight of institutional reform. Warnings should also be placed in prominent locations and disclosed to students entering an institution or program. Failure to improve by a specific date should lead to additional, escalating sanctions by the accreditor and potentially by other regulators as well.

23 Fishman, Rachel, “Deciding to Go to College,” *New America*, May 2015, <https://d1y8sb8igg2f8e.cloudfront.net/documents/deciding-to-go-to-college.pdf>.

24 Blagg, Kristin, “Should We Abandon College Scorecard?,” *Urban Institute*, July 2017, <https://www.urban.org/urban-wire/should-we-abandon-college-scorecard>; and Camera, Lauren, “A Whole Lot of Students Don’t Have a Safety School,” *U.S. News and World Report*, November 2015, <https://www.usnews.com/news/articles/2015/11/20/majority-of-students-apply-to-only-one-college>.

Rationale: Accreditors have regular on-the-ground oversight of institutions, and an existing obligation to ensure the institutions they approve comply with student achievement standards. This trigger would codify that role and address the fact that many agencies are deficient in setting standards. Additionally, the requirement to ensure students are aware of an institution’s failure to meet a key threshold — backed up by automatic escalation — would have more impact than existing accreditor warnings not tied to outcomes improvement.

Establish Automatic Reviews by Regulators

The Department of Education, accrediting agencies, and/or state authorizers should automatically initiate reviews of programs or institutions that fail to meet student outcomes standards. Depending on the findings of a review, the reviewing body should seek a plan for the institution to address its necessary improvements, issue a formal warning, and/or levy more serious sanctions.

Rationale: While states, accreditors, and the Department would all need to invest in their capacity to conduct reviews of this volume, the administrative weight of a program review and the anticipation of oversight by an outside body should incentivize institutions to avoid scrutiny and address shortcomings. However, it should be noted that the Department, in particular, doesn’t currently focus on the means for improving institutional programs; there is some question about the agency’s capacity and ability to adequately understand institutional practices or what constitutes an effective program.

BOX 1: STRICT SANCTIONS TO ENFORCE CONSUMER PROTECTION RULES

For the purposes of this paper, we focus on sanctions and rewards that can advance the goals of improving and addressing institutions with poor student outcomes. However, we have also noted that in some cases colleges also engage in behaviors that are simply illegal — like misrepresentations to students, aggressive and deceptive recruiting practices, and even fraud or abuse of the federal financial aid programs.

Make no mistake: In those cases, we believe that institutions should be pursued to the full extent of the law. As discussed in an earlier section, in cases where the behavior is particularly widespread, loss of Title IV eligibility for the institution is the only appropriate sanction.

Where the predatory or illegal behavior is isolated, perhaps to a single program at an institution, or where a small-scale case is the first mark on a sterling record, loss of Title IV eligibility may be overly aggressive. But it remains essential that regulators not simply stand by. Some of the sanctions that lawmakers should consider as most appropriate in these cases include:

- **Triggering program reviews or state authorizer reviews.** Under the Higher Education Act, the Department of Education is required to conduct reviews of institutions’ compliance with the law (“program reviews”), prioritizing schools with high default rates, significant fluctuations in federal financial aid dollars, financial problems identified by the school’s state or accreditor, high dropout rates, or other factors identified by the Secretary.²⁵ Other evidence of possible misconduct that are reported by the schools — state or federal agency lawsuits or actions, for instance; class-action cases against the college for deceptive practices; or an influx of borrower defense claims against an institution — should be added as triggers. These types of events should also be reported to the state, ensuring the state — the triad member tasked with consumer protection — initiates its own review.

²⁵ 20 USC 1099c-1(a)(2).

- **Requiring financial protection.** Letters of credit or other forms of surety provide a critical taxpayer protection in the event of future liabilities established against the institution. Where institutional misconduct could lead to borrower defense, false certification, or other loan discharges in the future, policymakers should require the institution to post financial protection so that colleges, and not taxpayers, must repay the costs of those discharges.
- **Establishing owner liability.** The Department recently took steps to require that in certain cases companies and individuals that own institutions of higher education must sign the Department’s agreements with those schools, accepting that they will repay any liabilities that may be incurred.²⁶ Those changes should be implemented fully to ensure owners of these schools don’t continue to get off scot-free for misconduct that occurred at their institutions.
- **Requiring institutions to seek reimbursement.** Heightened Cash Monitoring 2, a financial protection maintained by the Department that requires schools to seek reimbursement for federal financial aid dollars rather than drawing down the funds in advance of the semester, is an important protection particularly where there is evidence of financial misconduct by an institution. It is burdensome both for schools and the Department, so its use is constrained by capacity, but policymakers should consider it as a critical tool to avoid continued misconduct with federal aid funds.
- **Increasing the use of fines and penalties.** The Department, like other federal agencies, has the authority to assess fines against institutions for violations of law. When calculated per violation, the amounts can be significant; for instance, in a recent case, the Department’s enforcement arm calculated that one institution had made substantial misrepresentations to at least 7,500 students across five years, enabling it to issue a fine of at least \$509 million.²⁷ The Department reduced the fine to \$5,000 per violation, rather than \$67,544, fining the school \$37 million.²⁸ According to the Department, it was the largest fine issued for deceptive practices in its history.²⁹ More frequent, and larger, fines like this one can effectively deter future misconduct.

Mid-Level Sanctions

For institutions or programs that fail to improve, or that demonstrate more serious student outcome problems, policymakers should institute a higher level of financial and other consequences. We envision some of these sanctions occurring automatically, while others would be levied at the discretion of the Department of Education or other regulators.

²⁶ “Updated Program Participation Agreement Signature Requirements for Entities Exercising Substantial Control Over Non-Public Institutions of Higher Education,” Electronic Announcement GENERAL-22-16, U.S. Department of Education, March 23, 2022, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-03-23/updated-program-participation-agreement-signature-requirements-entities-exercising-substantial-control-over-non-public-institutions-higher-education>; and “Establishing Personal Liability Requirements for Financial Losses Related to the Title IV Programs,” Electronic Announcement GENERAL-23-11, U.S. Department of Education, March 1, 2023, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-01/establishing-personal-liability-requirements-financial-losses-related-title-iv-programs>.

²⁷ Letter from U.S. Department of Education to Grand Canyon University, October 31, 2023, available at: https://www2.ed.gov/policy/gen/leg/foia/grand-canyon-university-10-31-23-redacted.pdf?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=

²⁸ *Ibid.*

²⁹ Douglas-Gabriel, Danielle, “Grand Canyon University Fined \$37M for Allegedly Misleading Students on Costs,” Washington Post, November 2023, <https://www.washingtonpost.com/education/2023/10/31/grand-canyon-university-education-department-fine/>.

Institute a Cap on Enrollment or Enrollment Growth

Regulators could establish a limit on enrollment, or a limit on increases in enrollment based on multiple prior years, to avoid subjecting additional students to low-value program(s) and to provide an incentive for schools to address their shortcomings. These enrollment caps could also get steeper across the years as institutions fail to improve.

Rationale: The limit would provide a strong incentive for a school to improve, while providing time and continuing resources to do so. There is some risk a cap could create a feeling of scarcity among students suggesting the opposite of the intended objective — that a program is in high demand for good reasons — though pairing the cap with a student warning about the program’s outcomes could mitigate the concern. Additionally, policymakers should ensure that institutions cannot simply duplicate their programs to evade the caps.

Institute a Cap on Tuition Growth

Lawmakers could enforce a limit on tuition growth (calculated based on multiple prior years) to ensure institutions have an incentive to improve their programs quickly and to avoid enabling schools to increase costs in a failing program before sanctions escalate.

Rationale: Since high prices for low-value programs are likely to cause problems for students attempting to attend, stay enrolled, graduate, and/or repay their loans, capping tuition growth both addresses the source of potential problems for students and creates a strong financial incentive for the institution to address the policy. At public colleges, tuition-setting has historically been the role of state bodies — but as states rebuild and strengthen a partnership with the federal government, tuition-setting should be a central part of the conversation. In the interim, tuition growth caps should remain on the table for private institutions.

Prohibit Abbreviated State Authorization Participation

An institution could lose the privilege of offering distance education using taxpayer dollars via a state reciprocity agreement like NC-SARA,³⁰ which allows online programs to enroll students across the country without having to comply with each state’s higher education laws.

Rationale: Low-performing programs should not be given access to loopholes or accelerated pathways, like state authorization reciprocity agreements, that simply make it easier to scale an institution or program that does not pay off for students. This limitation would also provide a strong financial incentive for all types of institutions to improve outcomes if they wish to operate in the national online education market.

Cap Executive Compensation

Regulators could insist that the executives of low-performing, Title IV-participating institutions see their compensation capped, including by limiting bonuses or step-up payments, unless and until they meet federal standards for outcomes. However, we note that this could make it harder for institutions in need of improvement to recruit quality leadership.

Rationale: The presidents or CEOs and other senior leaders of some colleges are well compensated — even as their institutions’ student outcomes languish and their students face significant, unaffordable loan debt. A 2012 Congressional investigation determined that the bulk of corporate pay structures in higher education linked compensation to profitability — not to student success.³¹ By capping excessive compensation, limiting bonuses

30 Currently, more than 2,300 institutions in 49 states plus DC, Virgin Islands, and Puerto Rico participate in NC-SARA. Available at: <https://www.nc-sara.org/fast-facts>.

31 Blumenstyk, Goldie, “Profits, Not Student Success, Drive Executive Pay at For-Profit Colleges,” *The Chronicle of Higher Education*, July 2012, <https://www.chronicle.com/article/profits-not-student-success-drive-executive-pay-at-for-profit-colleges/>.

or step-up payments, and requiring institutions to put that funding back into their students through efforts to improve their outcomes, lawmakers can ensure that taxpayer dollars do not serve simply to pad corporate profits and line executives' pockets.

Highest-Level Sanctions

For significant performance failures and performance problems that persist over a period of years, lawmakers should use the highest-order sanctions, including where those sanctions fall short of terminating the institution's access to student aid altogether. This can include implementing partial exclusions from Title IV aid — for instance, limitations on the types of aid for which they qualify.

Impose a Loss of Grad PLUS Loan Eligibility

Institutions with poor outcomes, particularly for graduate programs, could lose eligibility, in part or in full, for student loans at graduate school programs. These graduate loans are currently unlimited, except by the cost of attendance set by the school, and have become a cash cow for many institutions.

Rationale: The sanction provides a strong and well-targeted financial incentive to graduate schools, which have significantly increased tuition since the implementation of unlimited Grad PLUS loans in 2006.³² There is some risk, however, that if institutions are allowed to continue to charge tuition unchecked and opt not to adjust their prices in response, students will simply take on less-favorable private student loans. Lawmakers could also consider extending the same lower loan caps to, for example, graduate Stafford loans or Parent PLUS loans; however, we emphasize Grad PLUS loans as the most feasible, best tied to programs' outcomes, and least disruptive to students who will remain enrolled in the programs.

Limit Eligibility of Low-Value Educational Programs

Low-value programs that fail to meet federal standards should lose eligibility for federal student aid dollars after a brief period (as determined to be appropriate) for the institution to improve its outcomes. However, the institution as a whole should retain eligibility for federal aid for its high-value programs.

Rationale: Program-level accountability provides a strong financial incentive while protecting students and taxpayers, but without disrupting a full institution's operations or forcing students to change schools. Colleges would keep programs that deliver value to students and would reduce transition costs to students who could switch programs. A similar approach was taken under the Department of Education's gainful employment and financial value transparency regulations. We note, however, that the time required to demonstrate improvement is highly dependent on how those metrics are defined and evaluated; further research and consideration may be needed as Congress considers an accountability framework in which it might apply this consequence.

32 Black, Sandra E., Lesley J. Turner, and Jeffrey T. Denning, "PLUS or Minus? The Effect of Graduate School Loans on Access, Attainment, and Prices," National Bureau of Economic Research, Working Paper 31291, May 2023, <https://www.nber.org/papers/w31291>.

Less Isn't Always More: When Loss of Title IV Eligibility Makes Sense

While intermediate consequences can provide institutions with the runway needed to improve students' outcomes, providing more time — or second, third, and fourth chances — is not always the right solution. In some cases, institutions' deficiencies are so severe that the loss of Title IV eligibility is the best option for students and taxpayers, even if it ultimately results in the college closing its doors. Research indicating that the closure of for-profit colleges led most students to transfer to community colleges, rather than leaving higher education altogether, should provide regulators with additional confidence in the decision to effectively close a program or institution.³³

The threshold question for policymakers to consider is whether students will be better or worse off for having attended the program or institution. Schools that consistently leave students further behind financially than when they enrolled should not have access to federal aid.

Whether a school is affordable and accessible should weigh heavily in that calculation. For instance, more than 90 percent of students who complete an associate's degree at a private for-profit institution take on student loans, compared with 28 percent of associate degree students at a public institution — and those who do borrow at for-profit institutions take on much more student debt, too, totaling \$25,000 compared with less than \$16,000 at public colleges.³⁴ Weighing the true cost of the school to students, a high-priced and low-value college may actually be leaving students worse off for having enrolled — which can leave policymakers more confident in exercising the option to remove eligibility for Title IV aid. At the same time, a local open-access community college that prices its programs much lower and builds partnerships with local employers to ensure job opportunities exist for graduates, but struggles with low graduation rates, could warrant additional time to improve its outcomes. And while those determinations may be different depending on the school's costs, accessibility, and outcomes, the most severe cases of institutional underperformance justify equivalently aggressive action to protect students and taxpayers.

Furthermore, policymakers should investigate whether poor outcomes at an institution are the extent of its problems. Regulators should never, for example, tolerate widespread or persistent fraud, misrepresentations, or other predatory or deceptive recruiting practices. Illegal behavior warrants much more serious action — including fining the institution, removing eligibility for Title IV, and barring the responsible officials from working at other institutions. State and federal regulators and law enforcement officials have an obligation to protect consumers and punish offenders.

33 Cellini, Stephanie R., Rajeev Darolia, and Lesley J. Turner, "Where Do Students Go When For-Profit Colleges Lose Federal Aid?," *American Economic Journal*, Vol. 12: 2, May 2020, available at: <https://www.aeaweb.org/articles?id=10.1257/pol.20180265>.

34 "Percentage of Undergraduate Degree/Certificate Completers Who Ever Received Federal Loans and Parent PLUS Loans and Average Cumulative Loan Amount," *Digest of Education Statistics*, National Center for Education Statistics, Table 331.95, February 2022, https://nces.ed.gov/programs/digest/d21/tables/dt21_331.95.asp?current=yes.

Conclusion

While much of the policy debate on higher education accountability has understandably focused on the need for stronger standards, the consequences for failing those standards have received much less attention. However, the tools regulators use to encourage quality education are just as important as the metrics for success. The triad's members fail to adequately enforce existing standards in part because the actions they can take offer too little incentive for an institution to change or risk closing down an institution by shutting off access to federal financial aid. The most severe penalties remain appropriate in the face of extremely poor performance or outright illegal behavior, but policymakers need a more varied and effective toolkit to address performance challenges that also allows schools the opportunity and incentive to improve. Part of that toolkit should include additional resources for institutions committed to increasing quality and rewards for those with impressive track records in promoting social mobility. Raising performance across American higher education will require both higher standards and a more effective system of enforcement with greater flexibility to meet the needs of a variety of performance challenges and opportunities.

Appendix

Incentives for Institutions to Improve and Rewards for High-Performing Institutions

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	LEVEL OF INSTITUTIONS TARGETED (High Level for Higher Performers, Low Level for Improving Institutions)
Expand eligibility for campus-based aid	Provide larger awards under campus-based aid programs for schools that overperform on outcomes.	Provides a strong financial incentive for institutions to meet benchmarks for performance and a strong financial signal to students of a school's high performance (and perhaps prompts students to attend a higher-performing institution).	Only provides financial incentives for institutions with significant amounts of campus-based aid absent modifications to the formula, so may not provide sufficient financial incentive for low-performing institutions.	Low
Provide grants for evidence-based interventions	Set a minimum level of performance for institutions to qualify for evidence-based grants, e.g., the Postsecondary Student Success Grants program.	Supports student success initiatives that could drive improved outcomes and provides additional support for under-resourced institutions to address the full scope of student needs.	Funding alone may not be adequate to drive change, and requires Congress to appropriate additional funds.	Low
Grants for under-resourced institutions	Provide additional resources to institutions that serve a large population of disadvantaged students (e.g., via a major expansion of Title III and V dollars for Minority-Serving Institutions and other under-resourced schools).	Provides additional support for under-resourced institutions to address the full scope of student needs.	Unless funding is dedicated explicitly to student success, the return on investment may be low. Even then, if funds are not used effectively, outcomes may not improve.	Low
Provide rewards for advancing social mobility	Provide a grant to high-access institutions that are serving their low-income students well through a formula based on the share of low-income students and the graduation rates of low-income students.	Provides an incentive for institutions to prioritize successful programs and institute evidence-based practices, with a particular focus on low-income students.	Requires Congress to appropriate additional funds.	Low

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	LEVEL OF INSTITUTIONS TARGETED (High Level for Higher Performers, Low Level for Improving Institutions)
Alleviate audit requirements	Allow institutions with strong outcomes and a track record of compliance to qualify for a lottery exempting them from submitting annual compliance audits and instead requiring the audits every other year.	Impactful in alleviating burden for many institutions.	Would carry implications for program integrity, and could be too disconnected from issues of outcomes to affect relevant institutional change.	High
Allow eligibility for aid expansions	Set a minimum performance bar for institutions to be eligible for expansions of aid, such as experiments under the Experimental Sites Initiative or expansions of Pell to short-term programs.	Provides an incentive for reform that may drive improvement.	Difficult to predict when and which expansions may become available, so incentive may not be sufficient to spark immediate reform.	High
Extend the timeframe between recertification dates	Allow institutions with strong outcomes and a track record of compliance to extend the timeframe between their recertification with the Department of Education from the typical six years to a longer (e.g., eight- or 10-year) timeframe.	Impactful in alleviating burden for many institutions.	Would carry implications for program integrity. Recertification covers a wide range of issues, so interim reviews may ultimately be needed even if student outcomes are strong.	High
Create a program to recognize high-performing institutions	Honor institutions that are high-performing to motivate improvement among other institutions (recently proposed by the Education Department).	May create an incentive for institutions to improve their outcomes and earn this honor.	Available evidence suggests that the impact of disclosures on consumer behavior is modest, and developing an appropriate rating system may be challenging.	High
Simplify return of Title IV (R2T4) requirements	Allow institutions with strong outcomes and a track record of compliance to use a simpler R2T4 formula.	Impactful in alleviating burden on schools' financial aid offices, and ensures a continued focus on non-completion and churn.	Would carry implications for program integrity, and could increase complexity for the Department and for schools that move between the more- and less-specific R2T4 frameworks.	High

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	LEVEL OF INSTITUTIONS TARGETED (High Level for Higher Performers, Low Level for Improving Institutions)
Allow for abbreviated accreditor reviews	While student outcomes remain high, allow institutions to undergo abbreviated or less frequent reviews by their accreditors and to comply with reduced annual reporting requirements.	Impactful in alleviating burden for many institutions.	Accreditation reviews cover a wide range of issues so interim reviews may ultimately be needed even if student outcomes are strong. Time frames between reviews can already be as long as 10 years.	High

Sanctions for Institutions with Poor Outcomes

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Establish accreditor warnings tied to outcomes improvement	Ensure accreditors place an institution on “warning” or “show cause” for failure to improve specific outcomes. If the institution fails to achieve a specific improvement by a specific date, it automatically receives additional sanctions or loss of accreditation.	Strengthens the triad’s focus on outcomes, and provides a clearer signal to students.	Warnings may be too limited to prompt institutional change.	Low
Establish automatic review by regulators (states, accrediting agencies, and/or the Department of Education)	Ensure low or falling student outcomes trigger a regulator review of the institution with a set of required steps, such as a full academic program review resulting in a plan for demonstrated improvement, accreditor warnings, probationary accreditation, etc.	Strengthens the triad’s focus on outcomes, and allows accrediting agencies to determine the severity of the situation and possible steps for improvement.	Reviews would not necessarily result in action absent a legislative requirement that they do so.	Low
Limit the addition of new programs or locations	Prohibit or require approval for new programs or locations at low-performing institutions.	Prevents poorly performing institutions from expanding, and creates a strong incentive for fast-growing institutions and programs to comply with outcomes-based standards.	May not be enough of a financial incentive for some institutions, particularly relative to current use of such restrictions. May prevent low-performing institutions from adding areas of study more likely to pay off.	Low

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Require an improvement plan	Require the Department and/or an institution's accrediting agency to review and approve an improvement plan for low-quality programs and/or institutions.	Would require specific steps on the part of the college, and emphasizes the importance of addressing poor student outcomes with measurable changes.	Improvement plans may be difficult to design effectively and would require fidelity to and enforcement of the improvement plan.	Low
Limit expansions of student aid	When considering expansions of student aid — such as to short-term programs, or via an experiment under the Experimental Sites Initiative — restrict underperforming institutions from accessing those expansions.	Provides a strong financial incentive for institutions to meet benchmarks for performance, and a financial signal to students.	Financial incentive may not be strong enough to change institutional performance, since this consequence would affect only expansions of aid while maintaining the status quo.	Low
Require warnings for students before they enroll in low-value programs	Require institutions to provide warnings to students about outcomes before they enroll, and require students to attest to understanding the institution's typical outcomes prior to enrollment.	Provides a strong signal to students and could encourage them to enroll at higher-performing programs, and may motivate some institutions to improve their outcomes.	Available evidence suggests that the impact of disclosures on consumer behavior is modest, and the incentive may be particularly weak for prospective students who are far along in the enrollment process or already-enrolled students.	Low
Mandate that board members receive training	Ensure that institutions that fail to meet certain outcomes standards provide robust annual training and professional development for board members on student success, data, and institutional improvement.	Creates the capacity and incentive for increased oversight of the institution.	Penalty of additional training may not be strong enough to encourage improvement.	Low
Direct institutional spending to student success	Require institutions that fail to meet certain outcomes standards to redirect a portion of their Title IV dollars to student success efforts, or restrict certain pots of funding (e.g., Pell Grant dollars) to efforts that support student success.	Ensures institutions are required to reform their internal investments into student outcomes, and promotes the use of evidence-based practices.	Difficult to enforce, and there would be no guarantee that funds invested in student success would be adequate to reform student outcomes.	Medium

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Limit access to a round of competitive institutional grant aid	Disqualify institutions for one grant cycle from competing for Title III and V dollars (except formula funding for Historically Black Colleges and Universities [HBCUs] and Tribal Colleges and Universities [TCUs]), which include the Strengthening Institutions Program and grant programs for Minority-Serving Institutions.	Provides a strong financial incentive for affected institutions without providing for the full loss of student aid dollars, and ensures those dollars are targeted at institutions meeting a minimum bar for student success.	Penalizes historically under-resourced institutions, and may reduce the ability of those institutions to serve students of color and low-income students for the duration of the cycle in which they cannot compete.	Medium
Institute a cap on tuition growth	Limit the amount by which tuition can increase year-over-year at institutions with poor student outcomes.	Strong financial incentive for institutions to ensure students can afford their prices, and prevents overpriced programs from continuing to charge more in taxpayer-financed aid and student tuition revenue.	Could unintentionally make lower-quality programs look more affordable to students than higher-quality ones, and challenging to effectuate with public colleges in states which control their own tuition rates.	Medium
Increase matching requirements for campus-based aid programs	Require institutions that underperform to increase the matching percentage required for the campus-based aid programs and other grant programs with matching requirements, with the excess devoted to evidence-based student success initiatives at the school.	Provides a strong financial incentive for institutions to meet benchmarks for performance, and could also be applied as an incentive by instead allowing high-performing institutions a <i>lower</i> matching share.	Only provides financial incentives for institutions with significant amounts of campus-based aid absent modifications to the formula, so may not provide sufficient financial incentive for low-performing institutions. If matching dollars are not back-filled by the federal government if schools cannot comply, students will receive less aid.	Medium
Limit eligibility for campus-based aid programs	Cut off access for campus-based aid (Supplemental Educational Opportunity Grants and Federal Work-Study) for students in schools with poor outcomes paired with a formula revision to more equitably distribute funds to schools that serve the lowest-income students.	Provides a strong financial incentive for institutions to meet benchmarks for performance and a financial signal to students.	Only provides financial incentives for institutions with significant amounts of campus-based aid, which may not be the highest-risk institutions.	Medium

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Cap executive compensation	Limit bonuses or step-up payments for key administrators at underperforming institutions.	Creates a strong incentive for leadership to focus on improving outcomes, and could help to re-balance incentives to maximize profit with the need to improve outcomes.	Not all institutional leadership is highly paid, so not equally relevant across all institutions. Could prevent struggling institutions from recruiting talented leadership.	Medium
Require a change in board composition	Limit board members from having their terms renewed at institutions that are persistently underperforming.	Provides for new oversight of institutional activities in the event an institution fails to improve its outcomes, and creates pressure for board members to focus on issues of student outcomes.	There is no guarantee that new board members would provide better oversight or direction. Board members of public institutions may be appointed or elected, so reach is limited in many cases.	Medium
Prohibit abbreviated state authorization participation	Require institutions with distance education offerings and poor outcomes to meet individual state authorization requirements rather than allowing them to participate in reciprocity agreements to offer education nationally.	Ensures greater oversight of high-risk institutions that are operating online programs across state lines, and creates an incentive for such institutions to comply.	Could be complicated for institutions that fall in and out of compliance (and thus gain and lose eligibility for participation in reciprocity agreements) from year to year.	Medium
Institute a cap on enrollment or enrollment growth	Cap the number of students enrolled in a program or the rate of growth in enrollment.	Provides a strong financial incentive for institutions to meet benchmarks for performance.	Could counterintuitively make low-performing programs appear to be in high demand, and reduced revenue from these programs could make it harder for institutions to improve student outcomes.	Medium
Require accreditors to impose “probationary” accreditation	Create a probationary accreditation status that ensures schools are automatically placed on provisional certification with the Department and that they see limited Title IV participation for poor-performing programs or credential levels (ranging from limits on creating new programs or new locations to lost access to Grad PLUS loans or limits on enrollment of Title IV students).	Protects taxpayer dollars by limiting Title IV aid, increases regulator oversight, and provides a clearer signal to students.	Limitations on Title IV would need to be substantial to incentivize institutional change.	Varies according to limitations on Title IV participation

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Require demonstrated improvement	Require institutions to demonstrate improvement in their outcomes over a set number of years, with the failure to meet that improvement leading to sanctions that escalate from minor (e.g., provisional certification with the Department for the school's federal financial aid agreement) to moderate (e.g., limitations on enrollment growth) to major (e.g., loss of eligibility).	Ensures clear alignment between the oversight mechanism and the intended outcome of improvements in student achievement.	Requires regulators to set achievable but ambitious targets for improvement and clear, enforceable intermediate checkpoints.	Varies according to limitations on Title IV participation
Institute a risk-sharing framework	Require institutions to pay for a portion of their students' unpaid loans to drive improvement in program value and student repayment.	Significant financial consequences for underperforming institutions are likely to impact institutional behavior.	Developing an appropriate model for risk-sharing is exceedingly difficult, particularly given growing use of income-driven repayment and particularly for historically under-resourced institutions that serve a lower-wealth population. Some institutions could respond by limiting access.	High
Cap tuition at low-performing institutions	Limit the amount of tuition that institutions with poor student outcomes can charge to students and taxpayers.	Strong financial incentive for institutions to ensure students can afford their prices.	Does not necessarily address programs that are low-price but also low-value, and challenging to implement at public colleges in states with state control over tuition rates.	High
Eliminate tax benefits for institutions	Eliminate institutions' tax-exempt status or access to tax-exempt bonds that lower the cost of institutional borrowing for capital projects.	Provides a strong financial incentive for institutions to meet performance benchmarks.	More relevant as an incentive for well-resourced universities to improve access than for low-performing institutions.	High

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Tax the endowments of wealthy, exclusionary institutions to encourage increased access	Tax institutions' endowments if they fail to meet access and success requirements, particularly for very high-wealth institutions that provide insufficient access to low-income students.	Provides a strong financial incentive for institutions to meet performance benchmarks, with less of a financial consequence than eliminating tax benefits for the institution altogether.	More relevant as an incentive for well-resourced universities to improve access than for low-performing institutions.	High
Require equity distributions to go to student success efforts	Require that for-profit institutions that under-perform cease equity distributions and instead direct that funding toward student success efforts.	Ensures funds are spent on improving student outcomes rather than allowing underperforming institutions to continue to profit from taxpayer-financed student aid.	Only applicable to for-profit institutions, with no guarantee that funds invested in student success would be adequate to reform student outcomes. Gameable by institutions, which may find other ways to extract funds.	High
Delay disbursement of federal financial aid until institutions meet benchmarks	Set pre-determined and agreed-upon milestones for improvement, and delay disbursements of federal aid until institutions meet those benchmarks.	Provides a strong financial incentive for institutions to meet performance benchmarks.	Would be administratively burdensome, and could become disruptive to student progress if institutions cannot cover the disbursement amounts.	High
Require repayment of discretionary grant or campus-based aid dollars	Require institutions to repay dollars received under Title III or V (except formula funding for HBCUs and TCUs), the Fund for the Improvement of Postsecondary Education (FIPSE), Federal Work-Study, or Federal Supplemental Educational Opportunity Grant (FSEOG) if they fall short of meeting certain expectations.	Provides a strong financial incentive for institutions to meet performance benchmarks, and protects the integrity of federal investments in higher education.	Disproportionately penalizes historically under-resourced institutions, and may reduce the ability of those institutions to serve students of color and low-income students.	High
Cap borrowing for graduate programs	Limit graduate borrowing for institutions based on a debt-to-earnings or return-on-investment calculation.	Provides a strong financial signal to students, and counteracts negative incentives to increase tuition associated with unlimited PLUS loans.	Creates complexity both for institutions and students, and may lead some students to borrow private loans for low-value programs.	High

ACTION	DESCRIPTION OF ACTION	POTENTIAL BENEFITS	POTENTIAL DRAWBACKS	SEVERITY OF SANCTION
Impose a loss of Grad PLUS loan eligibility	Cut off access to Grad PLUS loans for students in institutions with low-value or unaffordable graduate programs, but allow the institutions to retain eligibility for undergraduate loans and graduate Stafford loans.	Provides a strong financial incentive for institutions to meet performance benchmarks.	May lead some students to take on riskier private loans, and creates complications for students to navigate mixed eligibility across institutions. Could also create severe financial consequences for some institutions.	High
Limit eligibility of low-value educational programs	Cut off federal financial aid access for low-value or underperforming programs, but allow institutions to retain eligibility for well-performing programs.	Provides a strong financial incentive for institutions to meet performance benchmarks, and may lead even high-performing institutions to improve or shift their low-value program offerings.	At single-program or specialized institutions, the financial consequences may be severe, and students may face some disruption in their programs.	High

