Rubio Lays Out Higher Education Vision: A Quick Look
By Don Sutherland

With the 2016 Presidential campaign gaining momentum, it is worth examining some of the higher education reform initiatives being promoted by the candidates. Periodically, as such visions are laid out, a summary, along with some thoughts and questions, will be provided in this blog.

Yesterday, Senator Marco Rubio, who is competing in an historically fragmented field for the Republican nomination (14 candidates and growing), sketched a vision for higher education in an address before 1871, a digital start-up incubator in Chicago.

Rubio argued that the current higher education system needs “a holistic overhaul” rather than “timid tweaks.” He declared, “Our higher education system is controlled by what amounts to a cartel of existing colleges and universities, which use their power over the accreditation process to block innovative, low-cost competitors from entering the market.”

Although details remain to be set forth, his vision included:

• A “new accreditation process that welcomes low-cost, innovative providers” of higher education.
• A “Student Right to Know Before You Go Act” where colleges would be required to inform students “how much they can expect to earn with a given degree.”
• Replacing the existing student loan rules with automatic “income-based repayment” for all college graduates coupled with a “student investment plan” in which students could “partner with investors who would pay their tuition in return for a percentage of their earnings for a few years after graduation.”

Those broad proposals raise at least several potential issues that would need to be addressed once one moves from a broad vision to concrete policy.

First, there would be a large difference between an accreditation-reform approach that allows new institutions provisional accreditation for a period of time (accompanied by federal financial aid eligibility for their students) and a dramatic weakening of the role of accreditation (e.g., from severing the link between accreditation and federal student aid financing). The former approach could reduce entry barriers for new educational institutions by allowing their students to gain access to federal student aid programs. The latter could reduce confidence in institutional quality and spur a proverbial “flight to quality” to elite institutions, flagship schools, and other widely-known schools. Such an outcome could make it more difficult for a large share of U.S. higher education institutions to draw students, especially high-performing students. In turn, that development accompanied by resource constraints could lead to a worsening of outcomes at those schools, further undermining their ability to recruit and retain students. The end result might be a weaker, less competitive higher education landscape, not a stronger one.

Second, an overly narrow focus on degree-related earnings could lead to a narrowing of degree options and curricula over time. Liberal arts fields and courses that provide important general
skills such as critical thinking, writing, historical perspective, etc., could be undercut. In the longer-run, the nation’s creative and innovative capacities could be eroded, not bolstered.

Third, investor funding might also promote the tendency for a narrowing of degree choices and curricula, if such funding is viewed as an alternative not a complement for federal investment. Investors would likely seek to fund students majoring in fields with the highest earnings and/or those related to their own industries with which they are most familiar to maximize their chances of payback and/or strengthen their own companies and industries.

However, the national economy is not static. As a result, disproportionate reliance on investor funding as a substitute for federal investment could potentially reduce the pool of human capital available to emergent industries that generate less cash flow than mature ones and, therefore, would have less ability to sponsor students. In the longer-run, that outcome could produce a headwind for innovation and entrepreneurship.

Furthermore, private investment tends to be procyclical. When the economy is strong, private funding tends to be higher than when the economy is weak. Moreover, coming out of recessions, investment sometimes lags behind the business cycle. In the absence of at least a federal funding mechanism to offset such cyclical fluctuations in private financing, there could be a mismatch between potential enrollment and financing, leading to greater enrollment volatility. Such volatility would be most pronounced outside the elite institutions, flagship schools, and strongly branded colleges and universities, creating greater institutional fragility among those adversely-impacted schools.

What might work?

- Automatic provisional accreditation for start-up institutions for a set number of years prior to their applying for accreditation from a regional or national accrediting body
- Including degree-related earnings and employment data in a larger set of information
- Inviting private funding into a pool in which students could choose their own fields of study and the investors could receive returns afterward
- Growing federal investment in students or providing a mechanism where additional federal funding would stabilize financing for higher education

What might result in potentially large unintended consequences?

- Dramatically weakening accreditation
- Focusing largely or wholly on degree-earnings data
- Allowing private investors to sponsor students on an individual basis as a substitute for providing ample federal investment or at least a stabilizing mechanism for student financing