A New Accreditor Has Money in Mind

The nascent Postsecondary Commission means to judge colleges on graduates' financial outcomes. Good.

MAY 10, 2024 Samuel Negus

Annual federal spending on various tuition-subsidy programs under Title IV of the Higher Education Act (1965) now exceeds $130 billion. Last year, the Biden administration proposed new Financial Value Transparency and Gainful Employment regulations, calling Title

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IV aid "a powerful tool for promoting social and economic mobility" while cautioning that "many [degree] programs fail to effectively enhance students' skills or increase their earnings." Republicans are making similar statements. Earlier this year, House Education and Workforce Committee chairwoman Virginia Foxx (R., NC) introduced a bill to reduce tuition costs. "At the heart of [the bill]," she said, "is the idea that postsecondary education should be a good time and money investment for students."

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While such sentiment is bipartisan, proposed solutions are not. The administration's Gainful Employment (GE) rules require extensive new data-reporting for institutions whose compliance personnel are already struggling to cope with problems arising from the Department of Education's FAFSA Simplification Act implementation. Foxx's bill condemns the new rules as overly burdensome and would replace them with purportedly simpler parameters and limit the education secretary's future authority to impose such rules without Congress's approval. But this legislation will not pass a Democrat-controlled Senate, just as the GE rules would be unlikely to survive a second Trump administration. Perhaps, then, the time is ripe for an aspiring new accreditor to model a nonpartisan solution to the regulatory problem of assuring economic value in a higher-education marketplace that is reliant upon public funds. That is precisely the intent of the Postsecondary Commission (PSC), a new institutional accreditor incorporated in 2023 after a year of feasibility study under the name College101.

PSC's founder and president, Stig Leschly, is no stranger to influential creativity. Formerly the founder and CEO of Exchange.com, an eBay-like tech startup purchased by Amazon in 2000, Leschly worked as an executive under Jeff Bezos, helping lead the evolution of Amazon's e-commerce marketplace. Two decades later, the online bookseller is the world's leading retailer of, well, everything. After leaving Amazon, Leschly served as CEO of Match Education, an

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acclaimed charter-school network in Boston that serves high-need students. Match's results in standardized testing, alumni college completion and career success, and training of first-time teachers are impressive, particularly when viewed alongside those of other schools serving demographically comparable constituencies. The expertise Match Education has gained in this work is shared at little or no cost via an open-source curriculum platform (FishtankLearning.org) and via an innovative hybrid-college and jobs model (Duet.org). In all this varied work, Match Education's anchoring principle is students' future economic security and mobility. In a recent interview, Leschly recalled telling parents of incoming elementary students that the school's partnership with them would be incomplete until the students "at some point in their mid-twenties make a good salary [and] have benefits." This commitment often elicited tears from parents, because "with economic safety and mobility come freedom and personal agency."

Leschly's preoccupation with economic opportunity eventually led him toward higher education. PSC's accreditation handbook notes that, when surveyed, students consistently name economic outcomes as their chief reason for attending college. Leschly admits to "getting prickly when people look down their nose at the idea that [higher education] should, among other outcomes, produce economic safety and freedom." He pointedly notes that "people who wave off [financial gains] as core outcomes of higher education usually have good jobs and good salaries." That seems an incontestably commonsense observation. Perhaps less intuitively relatable is Leschly's animated interest in accreditation (a subject that seldom sparks conversation).

State-level information enables PSC to track the earnings of all students who enter an institution.

That brings us back to the subject of Title IV aid. Higher-education accreditation predates federal tuition subsidies by almost a century. But these private, voluntary associations of member institutions, useful for occasional peer review, assumed new and greater importance when Congress first linked accreditation to federal funding in 1952. Lawmakers saw in

accreditation an established means to assure the financial viability and economic value of institutions receiving public funds. And while the Department of Education's rules for accrediting agencies have expanded over the past seven decades, the major focus is still financial viability and institutional integrity.

PSC's published research confirms this. In one study, Leschly and research fellow Yazmin Guzman analyzed 30,000 accreditor actions in a federal database dating back to 1998. Adverse actions by accreditors toward institutions "for inadequate student outcomes or low-quality academic programming" comprised less than three percent of the total. Actions of the seven "regional" accreditors—whose members account for 95 percent of U.S. students and claim 90 percent of all Title IV aid —accounted for only one-third of the dataset's actions. And only one percent of those interventions were disciplinary in response to "sub-par student outcomes or low-grade academic offerings." Most surprisingly, cross-referencing with the Department of Education's "College Scorecard" database revealed that "low graduation rates, high loan default rates, and low median student earning" do not increase the likelihood that an institution will experience an adverse action. On the rare occasions when they do, scrutiny is almost always prompted by the inadequacy of financial resources or similar governance concerns.

This is not to say that accreditors should be more punitive simply for the sake of it, only that the actions they do take necessarily reflect the system's priorities. For many decades, accreditors have satisfactorily assured taxpayers of their member institutions' financial viability. They (and the federal government itself) have been less able to measure the other great public interest in Title IV aid: economic outcomes for students. In our conversation, Leschly noted that "it was only ten years ago that the Department of Education was able to get modest amounts of wage data from the IRS. Institutions and accreditors themselves have no access to [it]." This is the key to PSC's accreditation model, which depends largely on "restricted data use agreements" with states. States grant PSC crucial and proprietary access to macro-data, including wage outcomes for their accredited institutions' former students. PSC has such agreements with Texas and Virginia. Several other agreements are in the pipeline.

PSC is pioneering a means of measuring return on investment for students and taxpayers.

In addition to member institutions' own reported data, this state-level information enables PSC to track the earnings of all students who enter an institution, whether or not they graduate. Just as importantly, it allows PSC to measure the value of college attendance by reference to a control group. With state-level data from various agencies, PSC's econometricians can compare the wages of an institution's entrants to "a group of humans who look just like that cohort but for the decision to enroll in [college]." Control-group modeling is done for whole matriculating classes by year, for sub-cohorts entering each program, and for specific demographic groups. In July 2023, Leschly told Foxx's House subcommittee that "outcomes data of any kind mean almost nothing until they are adjusted for the demographics and circumstances of the students in question." This is the core purpose of PSC's project as Leschly explained it to me: "demonstrating and implementing a way to measure economic results fairly and accurately," not just in broad aggregates but for specifically disaggregated and thus contextualized cohorts. In theory, this model can show prospective students if graduates of their demographic profile make economic gains from attending *this* institution to enroll in *this* program.

The unique centerpiece of PSC's accreditation standards are its two evaluative rules for economic value. Firstly, PSC's "value-added earnings" standard requires institutions to produce wage gains for entering students (including by program and demographic group) that exceed their cost of attendance. PSC tracks and sums these wage gains over evaluation periods ranging from five to 15 years (depending on program length). Secondly, the "absolute earnings" standard requires graduating cohorts from each program to earn, on average, at least 150 percent of the federal poverty rate. At $22,590 for an individual, this is a low bar. Leschly describes the standard as a "failsafe" intended to protect students in circumstances in which they benefit from PSC's demanding value-added earnings standard but still face incomes that remain near the poverty level.

PSC is field-testing these earnings standards with the Texas State Technical College and will announce several new partnerships soon. Leschly describes PSC's ideal member institutions as those that, additionally to other aspects of their mission, "want to improve the economic future of their entering students [and] be recognized and measured for that." Further, such an institution would "relish, not fear, being held to fair, accurate, and rigorously measured bright-line tests for economic outcomes." The idea is simple and brilliant. Lawmakers fund higher education for chiefly macroeconomic reasons: the wealth-generating value of colleges' teaching and research. Students choose to enroll primarily for the same reasons at an individual level: for increased post-graduation earning power. PSC's standards focus accreditation fundamentally on the reasons for which federal law requires it. In other areas, institutions are granted considerable latitude (though not indiscriminate license) to pursue their diverse missions—religious or secular, liberal arts or technical, academic or pre-professional.

The aspiring accreditor has a long way to go. Though Foxx's legislation would liberalize requirements for the recognition of a new accreditor, current regulations require at least two years of accreditation activity just to enter the Department of Education's application process. Leschly called the preparatory work his staff does "every single day to assemble and prepare for the filing of its petition … one of the most demanding jobs I've ever had." There is no guarantee of success, but the Postsecondary Commission offers one very promising nonpartisan approach to a problem acknowledged by the Left and Right alike. To witness the project's bipartisan appeal, look no further than PSC's board. One commissioner, Ted Mitchell, is a veteran of the Obama administration; another, Jim Blew, served under Betsy DeVos in the Trump administration. At a time when bipartisan agreement and nonpartisan solutions are rare, PSC is pioneering a means of "accurately and fairly" measuring what all parties agree is the most important question for Title IV funding: return on investment for students and taxpayers.

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