Postsecondary Education Policy in the COVID-19 Era

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For the most part, American colleges and universities have squandered the opportunity to respond to COVID-19 innovatively. Online education has accelerated, but the quality of colleges’ new online courses is low. The rush to put spring 2020 courses online made sense as a triage strategy, but the rush to put fall 2020 courses online became another triage because so many colleges did not expect to be largely online again. Rather than innovate, colleges simply hope to stay solvent until they can get back to normal.

Many in-person colleges will fail to stay solvent as significant numbers of current and newly admitted students—10 percent or more, including 40 percent of entering freshmen—choose not to enroll in the 2020–2021 academic year at all.¹ Many are choosing a gap year or will forgo college entirely. Many others will turn to alternative credentials, including
high-quality sub-degree online credentials, which present the most promising outcome of the COVID-19 disruptions. As colleges go under, philanthropists will be hard pressed to see why they should save colleges that have failed to show financial discipline or to innovate when they still had time to do so.

Meanwhile, state and federal governments have been pre-occupied with emergency aid rather than facilitating innovation. At the federal level, Congress has been absent and is generally waiting until 2021 to see which party will lead re-authorization of the Higher Education Act in each chamber. The U.S. Department of Education, at least, is taking new regulatory and enforcement action to hold colleges to their free-speech obligations, putting federal grants on the line.

Meanwhile, as racial unrest increased, often fomented by the Black Lives Matter organization, so did the ravages of “cancel culture,” which has roots in 30 years’ worth of politically correct intolerance in U.S. colleges. As this intolerance infects U.S. corporations, particularly in social media companies, and as American polarization accelerates, many Americans now see a critical need to reform postsecondary education so that young adult citizens learn tolerance of diverse perspectives.

Congress and the Education Department could do much more, as described below: open financial aid to college alternatives; privatize, or at least introduce significant risk sharing to, financial aid; reform grant programs; further reform accreditation; remove racial quotas, and even—as proposed by conservatives and limited government proponents since the department was established 40 years ago—eliminate the agency.

For their part, colleges and state legislatures can reduce the cost of college by right-sizing over-subscribed undergraduate and graduate programs, more clearly assessing programs in terms of desired outcomes; dramatically reducing administrative bloat, amenities envy, non-academic programs, such as athletics, and the footprint of the physical plant; and by facilitating stronger links between high schools and apprenticeship programs at community colleges and technical colleges, including better alignment with the general education requirements at four-year colleges in the state.

COVID-19 offers an unprecedented opportunity to downsize and innovate while few people or activities are on campus and colleges have little choice but to refocus on their core mission. Colleges that have not shown this fiscal and program discipline should be allowed to fail.
Credential Reform

Economist Bryan Caplan’s 2018 *The Case Against Education: Why the Education System Is a Waste of Time and Money* argues persuasively that, like it or not, the college credential, rather than what students learn or how well they are formed, provides the primary impetus for a degree. Building on this argument, in their 2019 *Cracks in the Ivory Tower: The Moral Mess of Higher Education*, philosophy professor Jason Brennan and historian Phillip Magness show that colleges tend to fail to live up to their promises, use general education requirements to prop up unpopular academic departments, use remarkably invalid assessments of student achievement (grades and grade point averages) and teacher quality (student evaluations), and are structured to give professors and administrators strong incentives against reform and downsizing.²

For most students, the main point of a bachelor’s degree is to demonstrate that they were good enough in high school to be admitted to college, and then show the minimum work habits necessary to pass about 30 courses until graduation. Furthermore, accreditation of a college or degree program merely demonstrates that the credential meets minimum standards. With so many degree holders applying for jobs, a seat-time credential provides employers a simple minimum standard to assess the applicant pool. Students will stay enrolled even (or especially) when they are learning very little, so long as they can receive the credential. Most will stay enrolled even when they are required to take subpar, hastily designed online courses far from campus.

The accredited credential is so determinative that students and employers must be able to see very clear value in alternative credentials before they will accept them as true alternatives. The following reforms can meet this bar.

**Experimental Sites.** At the federal level, the Department of Education is authorized to waive some requirements in order to facilitate innovation. Both the Obama and Trump Administrations have used this authority. The result is that accredited institutions may remain accredited and in compliance with the law while they take risks and try new ideas.³ For example, both Administrations have supported “Second Chance Pell,” which waives the requirement that participating institutions exclude incarcerated persons from receiving Pell Grant funding for tuition. With people in prison allowed to receive these grants, colleges have been able to experiment with new ways of educating them.⁴

In the case of Second Chance Pell, the credential is the same. But Congress could authorize much more sweeping waivers so that otherwise ineligible institutions could have an experimental accreditation status.
For example, if an institution has authorization from a state to operate because it has met the state’s minimum requirements, it is unclear why federal minimums also should be required for unlocking federal authorization and federal aid. The waiver would transform the credential from an unaccredited institution into an accredited one, provided that an accreditor agrees. (Accreditors are nongovernmental third parties.)

Legislation might require that an accreditor “shall issue” accreditation to participating experimental sites. Or, rather than keep delegating accreditation to nongovernmental third parties, which is constitutionally suspect because accreditors essentially have been delegated the power to be federal-aid gatekeepers, legislation might add a federal accreditor for the sole purpose of providing accreditation to such experimental sites.

States that let their institutions innovate should not be punished at the federal level by rendering those institutions ineligible for federal aid. COVID-19 has affected the states in very different ways. A state that has had to dramatically change how its colleges operate should be encouraged to test new ways of providing college credentials without risking the colleges’ accreditation.

**Corporate Sub-Degree Credentials.** In the private sector, industry-recognized marks of education and skills are likely to accelerate in importance as more students choose to enter the workforce rather than start or complete college, and as later-adult learners receive reskilling and retraining for new jobs. Corporations tend to be nimbler in keeping up with technological change than colleges. A certification from Microsoft, or even the fact that someone recently worked at Microsoft using state-of-the-art technological skills, is a meaningful credential that is recognized in the relevant industries.

More broadly, work experience at a reputable company itself counts as a credential, which is why people put this experience on their resumes and why potential employers want to see it and ask about it. The Federal Work-Study Program already subsidizes students’ work experience, and the federal Education Department is currently running an Experimental Sites project that, among other things, lets colleges place students in apprenticeships at for-profit companies with Work-Study funding.

To keep track of an exploding quantity of sub-degree credentials is not easy. Tech companies wink in and out of existence, merge, and adapt in myriad ways. Verifying work experience with a defunct company is nearly impossible. Companies may issue certificates but may not have any analogy to a permanent college transcript. The best auto-repair apprenticeship from 1980 may have very little relevance to the auto-repair job market today. Standardizing sub-degree credentials may never catch up with the skills of a rapidly evolving workforce.
As a result of these obstacles, the American Council on Education has opened a Blockchain Innovation Challenge. The core idea is that at the time of credential completion, the individual and the provider agree that it will be recorded on the individual’s permanent blockchain record of credentials. Whatever happens later, the credential has been recorded, and the blockchain idea means that the information is recorded securely, distributed across all participating users.¹

For all their faults and inconsistencies, college rankings help to determine the relative value of a college credential. Similarly, industry-recognized sub-degree credentials will be more valuable if they can be ranked. This means articulating what a certification of some kind really represents. Standardized tests (such as the Collegiate Learning Assessment for colleges) can show individuals’ relative achievement as well as sub-degree programs’ relative quality. Accordingly, the blockchain ought to store more than just data on skill and knowledge acquisition; it should store data on the relative quality of the credentials. And this information can make clear how various credentials are stackable, that is, how certain skills are prior, posterior, or complementary to other skills.

Whether or not the blockchain idea becomes a reality, sub-degree credentialing outside of today’s colleges likely will continue to accelerate. Colleges already mark sub-degree credentials as course credits or credit hours. But if colleges do not want to be left behind, they will need to compete on credentials other than the “course” or “hour” and be able to show specific knowledge, understanding, and hard and soft skills deemed valuable in the workplace.

Finally, should existing federal aid be redirected for credentials below the level of a semester-long course? (Some colleges are on quarters, and others have even shorter “blocks” as well as one-month January terms. An intensive course in Greek at the University of Chicago, the author can attest, provides a quarter’s worth of instruction every three weeks.) A bachelor’s degree, in principle, provides a liberal education that can be taken into a wide variety of jobs, but the narrower the credential, the less benefit beyond the specific training. Federal aid that only helps Boeing train people for Boeing may be inadvisable, although one result might be a high-quality certification. Taxpayers would be covering a company’s unique costs. Yet if this training is generalizable and transferable to other companies in the industry, it is a sub-degree credential that has value to the industry, and it therefore has the characteristics of a mini-degree and should qualify for federal aid.

Trillions of dollars are at stake with this question. Brennan and Magness note that private employers spend more on formal and informal training, around $600 billion per year, than all federal and state postsecondary
spending combined. This training certainly improves the workforce, raises productivity, and increases tax revenue. Redirecting student aid to industry-recognized sub-degree credentials could take the place of a majority of aid for college credits, and new employees would not face the realization that their college degrees failed, for example, to provide the level of communication skill that companies actually need.

**Portfolio Credentials.** Another way an institution demonstrates value is by showing positive outcomes for its students or clients. Even without an accredited degree or an industry-recognized certification, people appreciate demonstrated success. A college alternative that has become known for a high job placement rate, like Praxis—a skills-portfolio educator whose clients “don’t pay until you’re hired”—becomes highly competitive for admission. A religious order that has become known for a high degree of life satisfaction also becomes very selective. The same is true for mentors among artists, musicians, martial arts masters, and master architects. Whether she is affiliated with a college or not, it means something significant if Jane Goodall has let you study apes with her for an extended period of time.

In the post-COVID era, as more young adults look for college alternatives and faster routes into the workforce, these kinds of mentorship and portfolio experiences are likely to increase in importance. Learners who are concerned about their health, but who want instruction in person, will not need to be around hundreds or thousands of others but can learn in very small groups. The cost of such experiences, compared with the cost of college, is not prohibitive. At the K–12 level, many parents of young children are forming “pods”—paying highly qualified teachers to teach small groups of students for less than the cost of a private school, and much less than their public school district spends per pupil. Similarly, an adult learner or group of learners can receive high-quality instruction for $60,000 per person per year, rather than paying it to a liberal arts college with uncertain results.

Again, the mentor or program must be known enough that the credential can compete with the credential from the liberal arts college. Over time, outcome information for mentors could become part of the blockchain solution.

A policy solution here is similar to that of K–12 school choice policy. For children, the policy idea is that the money follows the child; the parents decide what is best for their child’s education. The same kind of policy is already in effect at the postsecondary level—so long as the institution is accredited, a student who is qualified for financial aid can get it. The question here, however, is how to ensure accountability and quality among a wide variety of alternative education and training providers in the absence of accreditation or an industry-recognized credential.
Financial Aid Reform

Many of the above complications arise because of the extremely large amount of financial aid—grants and subsidized loans—provided to students in traditional postsecondary environments. Easy money greatly distorts the market and fails to provide the signals that help prospective students and their parents make wise decisions. Easy money also encourages colleges to raise tuition to take account of students’ extra ability to pay. Privatizing all financial aid is the solution. Barring that, risk sharing will enable postsecondary alternatives to compete on more equitable terms.

Whereas the federal government has extremely little incentive to ensure that tax dollars are used productively at colleges that provide strong student outcomes, private companies have strong incentives not to lose money and to maximize returns to owners and shareholders. Private lenders can use income-share agreements to help students take risks on themselves while the lender takes risks on them. In these agreements, the student agrees to pay a certain percentage of future income in exchange for the loan. Over time, lenders will be able to consult very specific actuarial tables about the returns to specific degrees, college by college, and in principle they can do the same for the college alternatives described above.

In turn, these profit incentives will lead education providers to measure and improve student outcomes. If desired, the college itself may share some of the risk and reward, or be the lender itself, and the college even can devolve some of the risk and reward to the level of schools, departments, and individual professors.

Purdue University, for example, at a time when the Obama Administration was threatening to assess college programs by universal federal standards, developed its own assessment of long-term student outcomes. The Gallup–Purdue Index measures economic outcomes, to be sure, but it also surveys graduates on overall life satisfaction, in keeping with the noneconomic, virtue-formation aspect of Purdue’s mission.

Many other colleges and universities share a noneconomic mission of personal formation. Do they achieve it? Most do not know and may be afraid to find out, but this kind of information is vital in a shared-risk model.

Rather than holding federal financial aid hostage to federal education standards, Congress should consider privatizing federal aid entirely so that lenders, institutions, alternative providers, and students can make their own decisions in a free, less-distorted marketplace that has strong incentives to measure the diverse outcomes that matter to a diverse American population. Income-share agreements provide equity by letting students
and lenders, regardless of family income at matriculation, agree together on how to finance and share the risk of going to college or choosing a college alternative. Students who are not a good risk can agree to a higher premium and work to improve their rate, or the high premium will show them they should be doing something else altogether, such as learning a trade, joining the military, raising a family, or studying another field.

**Fiscal Discipline, or Else: Let Failing Colleges Fail**

This author and The Heritage Foundation’s Lindsey Burke recently issued a warning for philanthropists and alumni who are asked to bail out a college that is failing because of enrollment and revenue declines in the COVID-19 era. The warning: Do not throw good money after bad, impulsively saving a beloved alma mater that is not ready to show fiscal discipline or no longer provides a competitive educational product. The same warning applies to state and federal governments. The COVID-19 era, while most campuses are empty and focusing on essential activities, is a perfect time for governing boards and governments to push university leaders to show fiscal discipline or more cutting-edge education innovation.

The article outlines five key commitments that signal fiscal accountability: (1) reducing administrative bloat; (2) reducing or canceling ineffective programs; (3) ending amenities envy; (4) privatizing auxiliary services; and (5) safeguarding free expression, open academic inquiry, and donor intent.

Colleges are supposed to specialize in teaching and learning, not housing and dining, not climbing walls and on-campus rivers, not social justice activism, and (sorry to point out) not pre-professional athletics. All of the latter are ancillary and can be cut or privatized. After all, there will not be much for residence-life staff to do if students are not on campus and student organizations are not holding events. Pre-professional sports are not essential to almost any college’s mission.

Now also is a good time to re-evaluate the ratio of instructional to non-instructional spending, which has gone up dramatically as administrator–student ratios have increased. Even though, as Brennan and Magness note, administrators and faculty have strong incentives to increase their spheres of influence and their bureaucratic teams, financial exigency is the time (if not already too late) to bite the bullet and make the cuts.

Those cuts should include poorly performing undergraduate and graduate programs. Outcome measures, program by program and based on the institution’s own mission (not one-size-fits-all from the government), should determine how colleges proceed. Many graduate programs outside
the top tier do not lead to academic jobs; they need a strong justification for their continued existence. Which undergraduate courses are must-have contributions to the core curriculum, and which are superfluous electives? Program prioritization will be key to surviving the loss of revenue in the COVID-19 era.

Free Speech, Academic Freedom, and Innovation

COVID-19 lockdowns left few outlets for people’s energy in many cities and states. With the explosion of Black Lives Matter protests came heightened sensitivity around political correctness on issues of race. People became afraid for their jobs and their public reputations if they challenged the explicit violence and vandalism spreading around the country. This fear was justified as people found others “canceled” or fired for doing so. Higher education observers have recognized, in this intolerance, a direct line of influence between the lack of free speech on many campuses and the lack of toleration for civil disagreement in society at large.¹²

Furthermore, many colleges have reacted to this situation by instituting required courses on race or ethnic studies, revisiting and removing names on buildings, and moving or removing statues.¹³ The COVID-19 era therefore presents deep challenges for proponents of free speech, academic freedom, civil discourse, and the environment of academic innovation that these principles support.

The Trump Administration has addressed the issue of campus free speech similar to how it has addressed the issue of censorship by social media companies. Public colleges must honor First Amendment rights, and the Education Department has finalized regulations that require this compliance. Private colleges, in contrast, and private social media companies, have their own First Amendment rights to enforce whichever speech policies they choose. They may not, however, fraudulently induce people to join their institutions by promising free expression and then not delivering it.

Therefore, on May 28, 2020, President Donald Trump issued an executive order engaging the question of whether the Federal Trade Commission should bring action against social media companies that violate their own promises of free expression on their platforms.¹⁴ Likewise, in August 2020, the Department of Education began investigating Fordham University—a private university—for violating its promises of free speech after punishing a student for holding a gun in a photo.

Earlier, a few state legislatures had passed legislation requiring public colleges to better protect free speech by punishing serial disrupters of
campus events. Although some of the affected colleges complained that these laws interfered with campus governance, legislators acted because the colleges were failing to protect free speech on their own. More states should consider such steps.

Moreover, the May 28 executive order directs the U.S. Attorney General to establish a working group on enforcing state statutes about deceptive trade practices. The working group will invite state attorneys general to participate and will propose model legislation. Although the context is private social media companies, the same ideas apply to state-level enforcement of free speech promises by private colleges.

A culture of campus free expression serves the academic and innovation mission of an American college, and it reinforces core principles of toleration for adult citizens. If a state is not ready to go so far as the enforcement recommended here, it has other options for promoting a culture of free speech and academic freedom. For students, orientation modules on productive argument vs. complaining to the authorities, and on free speech principles, can set the right tone, whereas many student orientation programs do the opposite. For administrators, junior and senior executives alike, crisis management training on free speech issues will more than pay itself back when staff make the right call the first time—and can persuade legislators that the college can handle itself without legislative intervention.

Changes to the Higher Education Act

The extreme differences in approach to COVID-19 among the states, often reflecting the different incidence and demographics of the disease, highlight the importance of federalism. In general, 2020 has been a reminder that federal one-size-fits-all mandates are unlikely to improve upon each state’s—and each school’s—own assessment of risks in its own situation.

Accordingly, the COVID-19 era may offer new opportunities for federalism-oriented reforms to postsecondary education. The biggest opportunity—perhaps the most unlikely—is to eliminate the Department of Education entirely, as many conservatives and free-market proponents have proposed. While Members of Congress sponsored a one-line elimination bill in 2017, future bills could identify a feasible path to this outcome. Federal Student Aid could move to the Department of the Treasury until its programs are privatized or block-loaned to the states, civil rights and disability programs could move to the Department of Justice and perhaps the Equal Employment Opportunity Commission, and grant programs could be block-granted to the states or, in the case of career education programs,
moved to the Department of Labor. Although overall spending may not decrease, such moves would signal that most postsecondary issues are not the federal government’s responsibility.

Indeed, Congress might productively block-grant most higher education spending to the states. About $1.5 billion per year goes to college preparatory programs under the Federal TRIO and GEAR UP programs. A hold-harmless provision would maintain the funding to existing grantees over the course of their grant period (often five to seven years), and as funds outside this provision become available, they would be based on the average allocation to each state over the past 15 years or so, thereby smoothing over several full grant periods. Then, each state would decide how to allocate its college prep funding across the various programs, rather than being stuck with the federal breakdown across the programs.

Similarly, Congress might do the same with funding for each state’s minority-serving institutions (MSIs). Currently, the funding is based primarily on race quotas: institutions that Congress (incorrectly) calls “predominantly black” receive funding when they have at least 40 percent black enrollment, and “Hispanic-serving institutions” need at least 25 percent Hispanic enrollment. The quotas are 20 percent for “Alaska natives” and 10 percent for “Native Hawaiians.” Instead of using this quota system, each state should at least determine how to allocate such funds for minority populations as it chooses.

Finally, the renewed attention to China in the COVID-19 era, and its invasive and propagandistic Confucius Institutes on campus, suggest a change to the Title VI programs of the Higher Education Act. These programs generally exist to develop experts in foreign language and culture in priority regions. Unfortunately, this money is largely wasted and counterproductive because the funding for graduate students tends to serve academic departments that have a poor view of America in relation to the areas their faculty members are teaching.

As a remedy, Congress could direct Title VI funding only to military colleges and academies. Although military institutions do not have the same free speech guarantees as other public colleges, they have strong filters for students who actually want to serve American interests.

There are many more things that Congress could do to improve postsecondary education, including getting out of the way, but these are outside the scope of topics related to COVID-19. More aggressive enforcement of civil rights in admissions, scholarships, and programs that discriminate by sex or race; converting mandatory funding to competitive, discretionary funding; and capping or eliminating the Direct PLUS Loan programs, which now have no upper bound, are just a few.
Conclusion

The COVID-19 era has been so disruptive to so much of the country that one might excuse governments and colleges for failing to innovate around the disruptions. But many private schools in the K–12 area innovated quickly and found ways to complete the 2019–2020 school year with limited disruption. Colleges are bigger and slower to change. An old joke relates that progressive faculty members are very conservative when it comes to changes at their institutions.

But this is exactly why many colleges will fail if they do not innovate and compete around alternative credentialing, alternative financial aid models, and alternative academic pipelines. For instance, a local university can facilitate stronger links among high schools, community apprenticeship programs, and technical colleges, articulating clearer pathways into the university’s general education requirements. While more students stay at home or close to home in the COVID-19 era, those who do not choose online degree or sub-degree academic credentials can follow a local pipeline that will save money, fulfill basic requirements, develop the soft and hard skills required to start a career, and improve the development of their communities. A college that merely hopes to go back to normal may not survive long enough to get there.

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Endnotes


18. 20 U.S. Code 1059a, 1101a, 1059d(b)(2), and 1059d(b)(4), respectively.
