

January 31, 2014

Dear Department of Education Leaders:

Please find below my responses to selected questions from your recent request for input on the development of a ratings system.

I am happy to discuss any of these issues further if it would be helpful.

Sincerely,



Nate Johnson  
Principal

**Responses are in colored text below the questions:**

1. Questions Regarding Data Elements, Metrics, and Data Collection

1.1. Using data currently collected by the Department or other Federal agencies, and given the Administration's focus on access, affordability, and outcomes, what metrics are possible for rating the performance of postsecondary institutions? What metrics are appropriate for consumer information purposes? What metrics are appropriate for accountability purposes? What metrics are appropriate for consumer information and accountability purposes? For each metric, include information about data sources, quality, availability, and limitations.

a. You make an excellent distinction here between metrics for consumer information and accountability and I encourage you to defend that distinction throughout the ratings development process. If you are not already familiar with it, I encourage you to review the papers produced for the Gates Foundation-sponsored “Context for Success” project coordinated by HCM Strategists. The website is at:  
<http://www.hcmstrategists.com/contextforsuccess/>

b. For practical and political reasons, the number of metrics used should be small and focused on accountability for minimum standards, rather than on comprehensive evaluation and comparison of institutions, which would be more important for consumer information. The Department should make clear that it is not attempting to cover everything of importance in higher education. If the Department does want to pursue ratings or rankings that go beyond minimum standards for consumer information (as a public policy-oriented counterweight to U.S. News, for example), I would encourage funding external organizations to do so through a grant process in which the grantees retain the authority and responsibility for their products.

c. Data sources and definitions for accountability: existing federal data.

- Graduation rate
  - Same-institution.
    - Current 150% of normal time methodology for incoming FTIC students
    - Add an all-student graduation rate that encompasses transfers-in
    - Report separately for Pell grant recipients
  - Do not attempt risk-adjusted graduation rates. While theoretically compelling, they would be practically very challenging and would undermine transparency.
- Post-graduation wages of federal aid recipients

- Source would be IRS.
  - Gross W-2 and 1099 income
  - Schedule C income
- Potential measures
  - 1 year, 3 years, 5 years after completion (for completers)
  - 1 year, 3 years, 5 years after last aid received (for noncompleters)
  - Median (mean could be skewed)
  - % over minimum threshold
    - State/national average for 25-34 year old with no college postsecondary degree
    - 200% of poverty level
  - Exclude students still enrolled in other postsecondary programs that meet the minimum standards
  - Note exceptional cases
  - Suggest using % earning less than the amount of loan debt held at graduation (based on idea that debt equivalent to one year's income is an acceptable level)
- Loan repayment / default rates
- The above list is ideal, but graduation rate, loan default, and tuition cost would be minimally sufficient and far better than no minimum standards at all.
- Institutional resources should be a contextual measure in an accountability system, but should not be used to excuse or reduce expectations. An institution that fails to reach minimum standards that spends (or costs) \$3,000 per student is a different case from one that spends (or costs) \$25,000 per student and fails to reach minimum standards. Neither is an acceptable result, but there is at least a potential remedy in the former case.

1.2 Using data not currently collected by the Department or other Federal agencies, and given the Administration's focus on access, affordability, and outcomes, what metrics are possible for rating the performance of postsecondary institutions? What metrics are appropriate for consumer information purposes? What metrics are appropriate for accountability purposes? What metrics are appropriate for consumer information and accountability purposes? What is the best way to collect data that will inform those metrics? What are the challenges in collecting such data?

- a. Note that the above answer relies on federal data that do exist, but may be politically difficult to access and use.
- b. I would not recommend reliance on state-level wage outcomes systems. They are a weak and cumbersome workaround for the purpose of federal accountability and it would be better not to have wage measures at all. Minimum standards for cost, loan default, and graduation rate would be good enough.
- c. It would be helpful to have an indicator of students' degree and/or transfer intentions from the FAFSA so that outcome expectations could be appropriately set.

### 1.3 What metrics should apply to all types of postsecondary institutions?

The same minimum standards could apply to all types of institutions that serve aid-eligible undergraduates.

### 1.4 What metrics should apply to institutions with specific missions? How should those missions be defined?

The Department should avoid grouping institutions by mission. Disaggregating students by income groups or distinguishing different outcomes might be appropriate, but no institution should have a mission that prevents it from meeting minimum standards set. Mission is also a policy choice for institutions and/or states, not something that is beyond the reach of intentional change.

### 1.5 How should existing limitations in Federal postsecondary data and data collections be addressed?

This and some of the subsequent questions will be easier to address once the scope of the accountability system is narrowed.

## 2. Questions Regarding Weighting or Scoring

These and some of the subsequent questions will be easier to address once the scope of the accountability system is narrowed.

For consumer information purposes, I encourage the Department not to try to reach consensus nor unilaterally determine a single method, but to let external organizations develop competing approaches that all may have different virtues.

### 3. Questions Regarding the Development of Comparison Groups

These and some of the subsequent questions will be easier to address once the scope of the accountability system is narrowed.

For consumer information purposes, I encourage the Department not to try to reach consensus or arbitrarily decree a single method, but to let external organizations develop competing approaches that all may have different virtues.

Keep in mind that for a large proportion of students the consumer choice is not one that occurs among a number of different four-year institutions but between going to a community college or not going at all, or between a community college and a for-profit college.

### 4. Questions Regarding the Presentation of Ratings Information

These and some of the subsequent questions will be easier to address once the scope of the accountability system is narrowed.

### 5. Questions Regarding Existing Ratings Systems

5.1 What are examples of systems used to rate the performance of other types of entities or services that could be used to inform the development of a PIRS?

Consumer Reports often does a good job displaying multiple factors relevant to consumer choice, as well as identifying unacceptable products that fail to meet minimum safety or effectiveness standards.

