



Structuring the Distribution of New Federal Higher Education Program Funding to Assure Maximum Effectiveness

Report on a Convening Sponsored by Lumina Foundation for Education

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On November 30, Lumina Foundation for Education convened a select group of higher education leaders, researchers, association executives and policy advisers to discuss three critical questions. These questions addressed how to best structure and distribute new federal higher education program funds in order to ensure maximum effectiveness. The convening was organized as a forum to advise the U.S. Department of Education (ED) on several specific topics, including how to: foster collaboration, assure funds are distributed in a timely manner and used for the intended purposes, and leverage state and institutional action.

Given the unprecedented level of recent federal activity to expand access and success in higher education, Lumina believes the ultimate success of initiatives such as the Access and Completion Fund (ACF) and the American Graduation Initiative (AGI) will depend in large part on how the funding distribution system is designed. This memorandum serves to highlight the questions posed to the participants and the discussion that ensued. It is not intended to represent a consensus reached by the group. The goal of the convening and this summary is to offer advice to ED as it moves toward implementation.

What is the most effective, efficient and transparent way for the U.S. Department of Education to distribute new federal appropriations?

An effective funds-distribution process must:

- Establish and clearly communicate ED priorities, as well as set completion goals, expected outcomes and benchmarks.
- Be firmly and transparently based in the federal higher education completion goals, and assure that institutional and state goals align with these federal goals.
- Address the need for states and institutions to work in partnership across the two new federal grant programs, showing commitment to common goals and measures and a coordinated set of state and institutional policies and practices.
- Promote agreement among different sectors on a core set of common measures
- Build the field's capacity to focus on evidence-based completion strategies.
- Assure the opportunity for all states, particularly the largest ones, to obtain some resources to define goals and build policymaking capacity.

- Address the nature and extent of the workload that these new programs represent for ED employees.

Existing federal grant-making processes offer insight for how ED can balance these factors.

- *National Science Foundation (NSF)* – The NSF grant process is known for promoting systemic approaches among applicants. The first stage of its two-stage process, a white paper, could give all states an opportunity to work on setting goals for attainment and completion, diagnose major barriers to meeting these goals, and come together as a partnership. NSF has more in-house expertise to support its process; however, ED could bring field experts to the agency temporarily through the Intergovernmental Personnel Act (IPA) hiring process (more below).
- *Race to the Top (RTTT)* – This new federal funding program offers lessons in how to leverage state policy and institutional practice change with a clear, discrete set of expectations for eligibility. Although early in its implementation, RTTT-like guiding principles or assurances for college completion provide an opportunity to promote evidence-based value statements and early changes that contribute to increased completion.
- *Department of Defense Performance-Based Acquisition Services (PBAS)* – PBAS requires a work statement and interim performance standards that are measurable, and a system of remedies and incentives for performance during the grant period. With ACF and AGI, ED can make renewal of two- or three-year rewards contingent on achievement of progression measures (see attached).
- *Fund for the Improvement of Postsecondary Education (FIPSE)* – Earlier in its history, FIPSE was widely respected in the field for promoting innovation and creativity in higher education. FIPSE also used a highly competitive, two-stage peer-reviewed grant process.

Guidance for the U.S. Department of Education

1. A two-stage process, in some ways similar to the one employed by the National Science Foundation, would be an effective way for ED to manage these factors. Within the first three months of bill signing, ED could invite potential partners to submit brief concept papers (five pages or fewer). In our experience, a strict length requirement promotes clarity and focus. ED could express a preference for a single concept paper from each state to address strategies for both state and institutional policy and practice, with a particular focus on community and technical colleges. Concept papers would be submitted within 90 days, and ED would then solicit applications for:
 - Full implementation proposals (for instance, 15 states could be asked to move straight to the implementation phase, with grants for a two- to three-year period).
 - Planning grants to develop a full proposal (25 states could receive 12-month planning grants).

- Smaller planning grants for states with need, but which have significant issues around their capacity and will to develop and implement a proposal (an additional 10 states could receive smaller, renewable 12-month planning grants if they demonstrate significant progress on building capacity and will).
2. In the concept papers (and subsequent planning process, if needed) applicants should focus on developing consensus for state goals related to increasing completion and attainment, on the measures they will use to track their progress, and on their ideas to advance progress on the measures. The concept paper should not focus on the other information required in a full proposal (e.g., budgets, timelines with deliverables). By submitting initial concepts to peer review, this stage further improves the capacity of states and institutions and allows ED to discern between applicants who are ready to submit an implementation grant proposal and those who are ready for a planning grant.

States should use the approximate six-month period from the legislation's enactment to the concept paper due date to bring institutional, nonprofit, philanthropic, and business-sector partners together to identify the most powerful approaches to dramatically improving college completion. During this time, philanthropic and nonprofit partners can support states and build their capacity to focus on evidence-based completion strategies.

3. To build ED's internal capacity to administer these programs, in 2010 ED could use the Intergovernmental Personnel Act (IPA) process to hire one or more professionals for a two-year rotation to serve as program officers for these new programs. The National Science Foundation successfully uses this provision to increase its capacity to make grants that require the field to try significantly new approaches. This also gives ED time for two important tasks. The first is to identify qualified peer reviewers. The second is to make a grant to an entity or consortia to build consensus for the common metrics that all grantees will commit to reporting after they receive funds. Buy-in from the field is critical to this process, particularly the engagement and support of the technical and community college sector.
4. Assuming an accelerated peer-review process, the first round of full proposals could be submitted in late 2010, with funds flowing in 2011. The competitive process for seeking and reviewing concept papers and proposals could occur two or three times over the period of available funds.

How can the U.S. Department of Education's grant-making process promote coordination among key partners?

To leverage one-time funds for lasting improvements in the capacity of states and institutions to graduate many more students, ED will need to be judicious in what it prescribes for grantees and flexible in the range of innovative approaches it supports.

One area where ED may choose to be prescriptive is in its criteria to promote coordination among key partners and its focus on statewide, systemic approaches. ED has several options:

- The most important criterion should be agreement on a single statewide completion goal; sector and institutional level goals that contribute to the statewide goal; and *a limited number* of common (uniform) core measures.
- ED can identify best practices, both programmatic and policy-oriented, and invite partnerships to come together to adopt these practices systemically.
- Alternatively, ED could offer a limited number of evidence-based principles that, if addressed, would be most likely to help states meet their completion goals. Here, ED should be flexible on the approaches partnerships can use.
- Regional approaches should be encouraged.

Guidance for the U.S. Department of Education

1. Federal funds should promote systemic change in practice and policy. Wherever possible, ED should promote the existing statewide governance and coordination authority. In cases where it is not strong, statewide partnerships comprising multi-campus systems or regional providers should be eligible for funding. All states in the implementation phase should demonstrate how policymakers, leaders and practitioners (including faculty) in all sectors of higher education, business and philanthropy have joined to adopt aggressive state-, institution- and community-wide completion goals that contribute to the President's goal for higher education attainment.
2. Through the competitive two-stage process described above, state partnerships could be encouraged to adopt uniform progression and completion measures, with proposals judged according to the strength of these measures. Common and uniform measures would focus proposals on aligning efforts with the President's completion challenge. Progression measures are very important in this framework because they provide the benchmarks that can guide the work and measure progress toward completion and attainment. Complete College America, with the National Center for Higher Education Management Systems, developed a set of completion and progression measures that can be useful (see attached document). ED will likely need to define the measures and calculation methodologies to ensure uniformity and comparability across states.
3. ED should adopt evidence-based principles for both the Access and Completion Fund and American Graduation Initiative that promote the broad, system-wide implementation of effective practices and state policies. The principles should be modeled on the very effective ones developed for Race to the Top (RTTT). These principles could include:

PROGRESSION initiatives and policies that would improve substantially the success rates of students:

- Completing developmental education courses and the first regular college-level courses.
- Completing the first college-level math and English courses.
- Increasing credit accumulation during the first year.

INCENTIVES (e.g., in state funding formulas, financial aid and tuition policies, institutional budgets) that reward colleges, universities and students for:

- Increasing completed courses rather than attempted courses.
- Increasing degrees, especially for underrepresented groups.

ACCELERATION initiatives and policies that promote productivity and substantially:

- Decrease time-to-degree (measured by credit hours and/or length of time).
- Decrease time to complete a course or sequence of courses (seat time).
- Increase numbers of students completing "on-time."

How will the U.S. Department of Education know if these investments are actually helping to meet the President's goal?

The potential federal investment is one-time and finite. The Student Aid and Fiscal Responsibility Act (SAFRA) bill passed by the House of Representatives allocates approximately \$11 billion – an amount roughly equal to the total cuts in state budgets announced for the fiscal year starting July 1.ⁱ Over the next five years, the ACF and AGI amount to approximately 2 percent of total state and local spending for higher education.ⁱⁱ Consequently, ED needs to use this special opportunity to improve the capacity of institutions to graduate many more students than are now being produced. This will require changes in state-, system- and institution-level policies, spending and practices.

Guidance for the U.S. Department of Education

1. Foremost, ED should seek proposals that promote systematic, sustainable and cost-effective responses. To assure accountability for progress toward these goals, initial grants should be distributed for three years, with extensions permitted under both sections.
2. ED's guidance and technical assistance should promote the integration of these one-time funds into existing efforts that ultimately include leveraging policy changes. This will require attention to guidance on "supplement not supplant" language. However, with this increased attention, care will need to be taken to ensure that

states are not inclined to "wall off" funds or personnel to comply; such action can lead to narrow, programmatic approaches that are not systematic, sustainable and cost-effective.

Final Note

Effective implementation of good policy requires the engagement and ownership of key partners such as the ones convened on November 30, 2009. Lumina Foundation appreciates the honest and forthright conversation of the participants, who demonstrated impressive knowledge of the issues and understanding of how state and institutional policy and finance systems best respond to federal initiatives. It is clear that they, and the field, share a strong desire for these new programs to be as successful as possible in improving higher education and increasing attainment.

About Lumina Foundation

Lumina is the nation's largest private foundation committed solely to enrolling and graduating more students from college – especially low-income students, students of color, first-generation students, and adult learners. Our goal is to increase the percentage of Americans who hold high-quality degrees and credentials to 60 percent by 2025. Lumina pursues this goal in three ways: by identifying and supporting successful practices, through public policy advocacy, and by using our communications and convening power to build public will for change. For more information, visit www.luminafoundation.org

ⁱ Center for Budget and Policy Priorities, "An Update on State Budget Cuts", November 19, 2009, at <http://www.cbpp.org/files/3-13-08sfp.pdf>.

ⁱⁱ State Higher Education Executive Officers, "State Higher Education Finance FY2008" at http://www.sheeo.org/finance/shef_fy08.pdf.