ABOUT THE AUTHOR

Mary Nguyen Barry is a senior policy analyst at Education Reform Now. She conducts research on a broad range of higher education issues, and has recently published on topics related to student debt among college dropouts, low-performing colleges, and President Obama’s higher education legacy. Her research has been featured by the Washington Post, among other national media outlets, and it has received favorable review from the New York Times editorial board. She became passionate about higher education issues at the University of Virginia in her efforts to advocate for student financial aid and socioeconomic diversity. She holds a Master of Public Policy degree from Johns Hopkins University and bachelor degrees from the University of Virginia.
ACKNOWLEDGEMENTS

This report is the product of input, ideas, and advice from individuals from Education Reform Now and the ACT. Special thanks go to Michael Dannenberg from Education Reform Now for originating the ideas behind this analysis and to Gregory Kienzl from the ACT for sharing and analyzing national ACT performance data and to both for reviewing drafts of this paper. We also thank Gretchen Guffy for her leadership at the ACT to facilitate the data share agreement.
EXECUTIVE SUMMARY

The financial costs of graduating high school underprepared for the academic rigors of college take a heavy toll on students and families. As calculated in our last report, Out of Pocket, recent high school graduates who enroll in remedial education classes their freshman year face a steep college price tag – nationally, $1.5 billion extra in out of pocket costs for non-credit-bearing classes to cover content and skills students should have learned in high school.¹ In addition, they confront sizable indirect costs associated with delayed time to postsecondary graduation and the heightened chances of dropping out of college. And contrary to common perceptions, these costs are borne directly not only of students from low-income households or communities, but also of students from middle class and upper-middle class families. In fact, nearly half of recent high school graduates enrolled in postsecondary education remedial classes come from middle and upper-income families, and nearly half attend four-year degree granting institutions as opposed to local community colleges.

There is, however, a silver lining to the high school quality emergency. Substantial resources already exist within our K-12 education system to instigate better academic preparation for college, but a creative rethinking and redeployment of those resources is required. How can those resources be accessed? By encouraging academically advanced students who could benefit from entering college a year early to graduate early and enroll full-time in institutions of higher education. Because despite expansive levels of high school student academic underperformance, there are still approximately one in four high school students who could be considered advanced enough by the end of their junior year in high school to begin college full-time a year early. But instead of flexible policies that encourage academically advanced students to progress at their own pace, often they are unnecessarily held back to spend an under-productive senior year in high school on the taxpayer’s dime.

Imagine instead if the federal government could help send at least some academically advanced students to college a full year early by opening up federal financial aid eligibility to academically advanced students so they could access Pell Grants and federal student loans. In return, the federal government would require states to hold feeder school districts harmless from state enrollment driven funding cuts. Retained state and saved district funds would be reinvested in remaining K-12 students. Federal action in this manner would simultaneously address three enduring policy shortcomings:
EXECUTIVE SUMMARY

(1) Provide advanced students with greater flexibility to personalize their learning while simultaneously making college more affordable to them and their families;

(2) Motivate students in earlier grades to work hard toward the concrete promise of early federal financial aid availability if they enter college a year early; and

(3) Pressure states to provide heightened per pupil aid to K-12 schools for the express purpose of improving student academic preparation for college, thus in turn working to reduce the $1.5 billion out-of-pocket price tag families who after 12 traditional grades of elementary and secondary education go on to pay for remedial coursework at the postsecondary level.

Nationally, the reallocated funds involved could be substantial. For every high school junior who is fast tracked into college a year early, the average state would save roughly $11,000 per student per year. Multiplied by the nearly 850,000 academically advanced high school juniors nationwide, this represents an aggregate national savings of up to $9.2 billion dollars – a significant pot of money that could be better invested to address the current high school quality crisis. It has the potential to work as a win-win proposal – states and districts would no longer have to divert portions of state district aid in the form of early graduation scholarships or dual enrollment programs, but instead have available the full pot of money to ensure each district can better serve the college readiness needs of the students who could use more academic attention and support.
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DATA AND METHODOLOGY

Through a partnership with ACT, we have obtained test score information from all public high school juniors that meet all four ACT-defined College and Career Readiness (CCR) benchmarks among the 14 ACT statewide administration states that test all public high school juniors.² These data represent the 2015 graduating high school class (alternatively viewed as the 2013-14 class of high school juniors). ACT has defined college and career readiness benchmark scores among its four tested subject areas where students are 75 percent likely to get a C or higher – or 50 percent likely to get a B or higher – in the corresponding credit-bearing introductory-level course.³ Those CCR benchmark scores are as follows:

<table>
<thead>
<tr>
<th>COLLEGE COURSE/COURSE AREA</th>
<th>ACT TEST</th>
<th>CCR BENCHMARK SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENGLISH COMPOSITION</td>
<td>English</td>
<td>18</td>
</tr>
<tr>
<td>ALGEBRA</td>
<td>Mathematics</td>
<td>22</td>
</tr>
<tr>
<td>SOCIAL SCIENCES</td>
<td>Reading</td>
<td>22</td>
</tr>
<tr>
<td>BIOLOGY</td>
<td>Science</td>
<td>23</td>
</tr>
</tbody>
</table>
Because these 14 states are generally demographically similar to the country as a whole, we apply the ACT percentage of college-ready high school juniors to the national population of public high school juniors enrolled in school year 2013-14, as provided by the U.S. Department of Education’s Common Core of Data, “State Non-fiscal Survey of Public Elementary/Secondary Education,” in order to estimate the total number of academically advanced, college-ready high school juniors.⁴

Where state-level estimates are provided herein, they are derived from ACT test data pulled directly from each state’s department of education website. We have sought to identify and estimate data only for public high school juniors, which may differ slightly from previously-published estimates that include data for all public and private school students.⁵ Finally, we have estimated cost savings based on national and statewide per-pupil expenditure data, as provided by the U.S. Census Bureau’s 2014 Annual Survey of School System Finances.

<table>
<thead>
<tr>
<th>AMONG PUBLIC K-12 ENROLLMENT</th>
<th>ACT STATEWIDE ADMINISTRATION</th>
<th>NATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVERALL PUBLIC SCHOOL ENROLLMENT</td>
<td>10,628,096</td>
<td>49,235,065</td>
</tr>
<tr>
<td>BLACK</td>
<td>19.2 Percent</td>
<td>15.6 Percent</td>
</tr>
<tr>
<td>HISPANIC</td>
<td>14.0 Percent</td>
<td>24.8 Percent</td>
</tr>
<tr>
<td>WHITE</td>
<td>59.2 Percent</td>
<td>50.3 Percent</td>
</tr>
<tr>
<td>FREE/REDUCED PRICE LUNCH</td>
<td>52.1 Percent</td>
<td>52.0 Percent</td>
</tr>
<tr>
<td>ENGLISH LANGUAGE LEARNERS</td>
<td>6.1 Percent</td>
<td>9.3 Percent</td>
</tr>
<tr>
<td>SPECIAL EDUCATION (IDEA)</td>
<td>12.7 Percent</td>
<td>12.9 Percent</td>
</tr>
<tr>
<td>PER-PUPIL EXPENDITURE</td>
<td>$10,511</td>
<td>$11,009</td>
</tr>
</tbody>
</table>

OVERALL FINDINGS

1. Prior to graduation, approximately 1 in 4 (23.7 percent) public high school juniors in the 14 ACT states met the ACT-defined college-readiness benchmarks in all four subject areas: English, Mathematics, Reading, and Science. The percentage of students who met ACT’s College and Career Readiness Benchmarks ranged from an estimated low of 10 percent in Hawaii to a high of 26 percent in Colorado.

![Graph showing the percentage of juniors who met all four ACT benchmarks across different states.]

Source: National average ACT data represents 2013-14 public high school juniors in the 2015 high school graduating class among the 14 ACT statewide administration states. State ACT data comes from each state’s Department of Education website and we made our best effort to identify and estimate data only for public school juniors. *Some states did not have college-readiness performance data isolated for just public school students, so we had to use data for both public and private school juniors for state estimates. Percent in parentheses represents the estimated proportion of public 11th grade enrollment among statewide ACT test-takers.
2. States could generate upwards of $9 billion in savings if they agree to facilitate fast tracking of academically advanced students into college a year early with the guarantee of early federal financial aid availability in return for holding harmless relevant feeder school districts. This would allow freed-up funds to be reinvested into “pre-remediation” efforts for remaining high school students in their senior year, if not earlier.

Nationally, 3.5 million students were enrolled in the 11th grade in public high schools in the 2013-14 school year. If we apply the proportion of ACT juniors who were deemed by ACT to be college-ready their junior year (23.7 percent) to the overall student population, then approximately 850,000 high school juniors could be considered academically ready for college a year early - every year. The national average per-pupil expenditure ($11,009) multiplied by this population of advanced high school juniors equates to an overall estimate of a up to $9.2 billion in public savings.

**UPWARDS OF $9 BILLION COULD BE REINVESTED TO HELP STUDENTS GRADUATE COLLEGE-READY**

- **High School**: 3.5 million public juniors
- **College**: 1 in 4 ready for college
- **Send to College Early**
- **Federal Title IV**
- **850,000 Advanced Juniors**
- **$11,009 per-pupil**
- **= $9.2 Billion**
The 14 ACT census states alone could generate approximately $1.8 billion in savings per year, ranging from an estimated $16 million per year in Hawaii to $600 million per year in Illinois.

The 14 ACT census states alone could generate up to $2 billion in savings per year, ranging from an estimated $16 million per year in Hawaii to $600 million per year in Illinois.

Source: State ACT data comes from each state’s Department of Education website and we made our best effort to identify and estimate data only for public school juniors.

To be clear, fast track should only be an option for students and families, not a federal mandate. Not all college-ready high school juniors will want to fast track to college. But even if only 2 in 10 academically eligible students were to choose voluntarily to fast track, nearly $2 billion in savings could still be generated to make high school better for those pursuing a traditional twelve grade education.
3. Contrary to common perceptions, the vast majority of academically advanced college-ready juniors does not come from the wealthiest households – but in fact from low-income, working class and middle-class families. Nearly two-thirds of academically advanced, college-ready high school juniors come from low-income, working class and middle class families. Approximately one-third (32 percent) of academically advanced college-ready high school juniors come from families earning less than $60,000 per year and another one-third (30 percent) come from families with incomes between $60,000 and $100,000. And while these students likely would be eligible for federal Pell Grants or subsidized student loans, neither of those federal financial aid options for college level work is available to students if they are still enrolled in high school.9
Technically, there is nothing stopping students who meet all four ACT college readiness benchmarks from withdrawing from high school early and taking and passing the GED test in lieu of a high school diploma. This would enable relevant students to be admitted to most postsecondary institutions and access federal Title IV financial aid for postsecondary training. But while it may be technically possible for students to drop out of high school and still access federal financial aid under existing policy, the governing statute and regulations make the process cumbersome and still potentially cost-prohibitive to students, not to mention the risk of the stigma associated with dropping out of high school and/or obtaining a GED.

To streamline the process and not add additional barriers or requirements for students, the federal government should give states an option: (1) either change nothing and spend the same per-pupil allocation and have the academically advanced student remain in the K-12 school district – potentially undermining student motivation and maintaining an inefficient use of resources; or (2) spend the same per-pupil allocation (state share) to help non-college ready students prepare in the relevant K-12 school district, and allow academically advanced students from that district to fast-track into college with early federal financial aid eligibility.

This agreement between the federal government and the states would be beneficial for several reasons. First, it should garner significant school district support and enthusiasm, as the district would be able to accommodate academically advanced student needs without a direct detriment to their absolute share of state education funds. Currently under many states’ own initiatives for early graduation scholarships or dual enrollment, school districts see 100 percent of associated state per-pupil funds revert to the state for other uses, including those outside of education. This has led to some drastic measures by some small school districts. For example, in some rural districts in Minnesota, school officials are actively discouraging students from entering dual enrollment and ordering students out of the building if they are working on college classwork.10

Second, states should view this opportunity as a win because their own state funds can now be used more efficiently and effectively to support pre-remediation efforts for remaining K-12 students. Unlike early graduation scholarships or dual enrollment programs where a portion of a student’s state per-pupil expenditure would be used to subsidize college costs, the federal government would now take over that role with Pell Grants as well as federal student loans, the latter of which – unknown to many – is available to all students regardless of income. The ultimate impact again is that in the aggregate, states and districts would have up to $9 billion to reinvest solely in helping remaining K-12 students graduate college and career ready.

Finally, academically advanced students would win, as those deemed academically eligible would now have the opportunity to enter college a full year early with the assistance of federal financial aid unencumbered by countervailing state or district policies.
**FEDERAL OPTIONS TO ENCOURAGE FAST TRACK**

**LEGISLATION: MODIFY EXISTING STUDENT ELIGIBILITY REQUIREMENTS FOR FEDERAL FINANCIAL AID**

Currently, under the Higher Education Act of 1965 and related Code of Federal Regulations, a student who is enrolled in a secondary school or one who does not have a high school diploma or its recognized equivalent such as a GED is not eligible for federal financial aid. Congress could consider a legislative change modifying current student eligibility requirements for federal financial aid to exempt students who meet competency requirements as defined by the ACT examination from the need to obtain a high school diploma or GED.

**LEGISLATION: FULLY RESTORE THE “ABILITY-TO BENEFIT” PROVISION THAT EXISTED PRIOR TO 2012**

Alternatively, as a statutory matter, the federal government could simply choose to restore completely an “ability-to-benefit” provision that existed in federal financial aid law prior to 2012. That ability-to-benefit provision permitted students without a high school diploma to access financial aid if they could demonstrate college readiness with a passing score on a U.S. Department of Education approved test. Congress eliminated the provision in the 2012 fiscal year budget, generating a savings of approximately $268 million per year. That decision could be reversed in full.
EXECUTIVE AUTHORITY: USE EXPERIMENTAL SITE AUTHORITY TO EXTEND TITLE IV ELIGIBILITY TO STUDENTS WITHOUT A HIGH SCHOOL DIPLOMA

Little known is that the U.S. Secretary of Education may already have existing executive authority to extend Title IV federal financial aid eligibility to students interested in fast tracking out of high school. The experimental site authority described in section 487A(b) of the Higher Education Act of 1965 permits the secretary of education to test the effectiveness of statutory and regulatory flexibility policies for institutions of higher education that participate in the federal student aid program (see below).

“The Secretary is authorized to periodically select a limited number of additional institutions for voluntary participation as experimental sites to provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management initiatives.”

– Higher Education Act of 1965, Section 487A(b)

It’s in essence a waiver program, and there is little to prevent the secretary from invoking this experimental site authority more broadly nationwide for colleges that wish to enroll qualified students without a high school diploma. The only possible restriction depends on the department’s interpretation of “a limited number of additional institutions.” But what constitutes “limited” is in the secretary’s reasonable discretion. The department’s Federal Student Aid website for the Experimental Sites Initiative states, “By contrasting the results achieved with the flexibilities with results under current regulations, the Department has data to support changes to regulations and statute.” This would imply that the secretary’s experimental authority cannot be invoked universally if there is no effective control group. But there could a very small control group as compared to a very sizable experiment group.

We’ve seen in the overall K-12 education context the secretary make broad and aggressive use of statutory authority to waive various provisions of the Elementary and Secondary Education Act as amended by the No Child Left Behind Act. 14 Experimental site authority could be used in similar fashion.
The main downside with these legislative and executive approaches is that it opens the risk that students who drop out of college will end up with neither a high school diploma nor college certificate or degree. The federal government, however, could enact additional changes via legislative and executive authority to provide students with a minimal level of protection.

CREATE A DEPARTMENT OF EDUCATION “EARLY GRADUATION CERTIFICATE”

In this first option, Congress could enact legislation that permits the U.S. Department of Education to reward relevant students with an early graduation certificate that certifies the student met all four ACT college readiness benchmarks. Ideally over time and in the same vein with fledgling digital badges and other competency markers, this new credential would help put students on the same – if not better – footing as those who graduated from high school in 12 years, but may or may not be fully college ready. This option would help preserve existing federal and state roles in K-12 education, as granting the high school diploma would still be in the purview of the state, but the federal government could nevertheless choose to provide a secondary credential to qualified students.

CREATE AN “ELIGIBLE CAREER PATHWAY” PARTNERSHIP WITH STATES UNDER THE EXISTING PARTIALLY RESTORED “ABILITY-TO-BENEFIT” PROVISION

The second option involves a plausible executive branch interpretation of the partially restored ability-to-benefit provision as defined by the Consolidated Appropriations Act of 2015 and 2016. That act restored federal financial aid eligibility for students without a high school diploma, but only if they enrolled in an “eligible career pathway program” in addition to passing a U.S. Department of Education approved test (among other options). The new statutory ability-to-benefit provision requires that an eligible career pathway have two key components: (1) an associated Title IV-eligible postsecondary program that aligns with economic skill needs, and (2) a component that enables an individual to attain a high school diploma or its equivalent. Students may only use Title IV financial aid to help pay for the costs associated with the postsecondary program component, but not the costs associated with the component that leads to a high school diploma.

Presumably the statute’s authors envisioned that a college would create a “career pathway” program in conjunction with a separate entity that would charge a fee for services that would lead to a high
school credential. For example, a community college would offer a postsecondary program that leads to a certificate or degree and partner with a nonprofit organization that offers GED prep courses thereby jointly serving as an eligible career pathway.

According to the U.S. Department of Education’s “Dear Colleague” letter on the matter, however, the statute does not define any restriction as to who or what that separate entity might be – so long as it leads to a high school credential – nor does it require any actual approval or endorsement process by the federal government, accrediting agency or state, separate from periodic program reviews and audits from the federal government.17

So for students who may still want a traditional high school diploma, what if the U.S. Department of Education partners with the requisite state or school district to serve as an eligible career pathway? The state or school district could agree to grant the student a high school diploma at no extra cost to the student if the student meets standard Title IV federal postsecondary “satisfactory academic progress” performance requirements. These requirements vary by college, but typically require maintaining a 2.0 GPA or higher in the relevant college courses.

Under this scenario, it’s plausible that federal Title IV aid could still be used to pay tuition for the postsecondary program component of an eligible career pathway, because the statutorily required high school credential can now be earned via a federal partnership with the original state or school district.
CONCLUSION

The need to think creatively about how to maximize the efficiency of K-12 education to provide resources for those the system currently underserves cannot be overstated. When despite traditional high school programming and graduation:

- Students must still enroll in costly remedial postsecondary classes in college to learn content and skills they should have learned in high school;
- Those remedial courses come with an aggregate out-of-pocket price tag of $1.5 billion for families to say nothing of additional taxpayer costs; and
- Nearly half of those who do go on to take remedial postsecondary education courses come from middle-class and upper-income backgrounds;

We must be willing to be as innovative and flexible as possible with education policy – and political will – to reform the system so that it works for all students.

Facilitating a voluntary “fast track” with freed up resources dedicated to improving high school student performance is a laudable goal worthy of further attention and consideration by the federal government, states, and school districts. Here, we laid out an avenue for federal leadership on this issue – an avenue that could generate up to $9 billion for states and school districts to better serve remaining K-12 students to graduation. Later, we’ll turn our attention to additional state and district policy options to do the same.
ENDNOTES


2 The states that administered the ACT to all high school juniors during the 2013-14 academic year are: Alabama, Arkansas, Colorado, Hawaii, Illinois, Kentucky, Louisiana, Michigan, Montana, North Carolina, North Dakota, Tennessee, Utah and Wyoming. Note that ACT 11th grade participation rates are not necessarily 100 percent because some students have permissible exemptions (such as an IEP), or they may have been absent, opted-out or failed to complete the exam. It may also be due to the presence of a few states with a district choice model where individual districts may opt out of the required testing.

3 These benchmark scores were derived from a sample of 214 institutions and over 230,000 first-year students across the United States, and were weighted to be representative of two- and four-year postsecondary institutions nationwide. Because the benchmark scores represent a summary across many colleges and many students, the benchmarks represent a criterion for success for a typical student at a typical college. See more, ACT Research and Policy, “Information Brief: What are the ACT College Readiness Benchmarks?,” September 2013. Available at: http://www.act.org/content/dam/act/unsecured/documents/benchmarks.pdf.

4 We recognize there is a considerable difference (10+ percentage point) in the percentage of Hispanic students between ACT states and the nation. This is primarily because states with the largest Latino student enrollments – California, Florida, Texas – do not participate in the ACT assessment. We are comfortable nevertheless in making the national estimate because the two populations are still demographically similar in terms of family income, as reflected in free and reduced price lunch enrollment, special education identification, and average per-pupil expenditure.

5 For some states where the overall number of test-takers was not available (including Alabama, Illinois, Montana, Tennessee, and Utah), we pulled public 11th grade enrollment data to produce state-level estimates for the number of advanced high school juniors. For some other states that did not have college-readiness performance data isolated for just public school students (including Colorado, Kentucky, Louisiana, North Dakota, Utah, and Wyoming), we used performance data for both public and private school students in the 2015 high school graduating class. Even in those cases, however, public school enrollment still accounted for over 80 to 97 percent of all statewide ACT test-taking students.

6 A less conservative estimate could arguably omit the science standard, since science is not a common introductory content area subject to remedial education placement at the postsecondary level.
ENDNOTES

Kentucky, for example, measures students’ college-readiness performance only on the ACT math, English and reading tests on its state report card. If college readiness in science is not considered, a less conservative estimate would indicate almost 28 percent of high school juniors are college-ready. However, we choose to use the more conservative estimate based on the percentage of high school juniors meeting all four ACT subject college-readiness benchmarks to generate a policy recommendation that will have the greatest impact on students most likely to be college-ready and those being underprepared by American high schools.


According to author analysis of the 2011-12 National Postsecondary Student Aid Survey from the U.S. Department of Education, 90 percent of undergraduate students who received a Pell Grant in 2011-12 came from families making less than $50,000 a year and 90 percent of students who received a direct subsidized loan came from families making less than $90,000 a year.


11 Section 484(a)(1) and 484(d) of the Higher Education Act and 34 CFR 668.32(b) and 34 CFR 668.32(e).


ENDNOTES


15 Students also have the choice to pay out of pocket and complete at least 6 credit hours toward a degree or certificate before earning eligibility for financial aid, or complete an approved state process whereby the state must principally demonstrate that the students it enrolls in college without a high school diploma have a success rate within 95 percent of the success rate of students with a high school diploma. No state to date, however, has ever completed the second option.


ABOUT THE INITIATIVE

Education Commission of the States coordinated the creation and dissemination of a series of policy briefs focused on the interaction between state- and federal level policies pertaining to higher education. The briefs are composed by a diverse collection of education policy and thought leaders representing state and federal perspectives. The goal of this collection of briefs is to highlight how federal and state higher education policies can provide a cohesive policy playbook to support student success and the progression toward meeting aggressive attainment goals.

The brief production process began in late-summer 2016 with authors beginning the writing process. Dissemination of the briefs was provided through informal policy briefings with state and federal audiences through winter 2016 and the public release in January 2017. Topics explored in the briefs include, but are not limited to, financial aid, data policies, funding, the “triad” and workforce needs.

Education Commission of the States would like to thank the two core funders for this initiative, the Bill and Melinda Gates Foundation and Lumina Foundation, for their support of this paper series and the ongoing work with federal and state higher education policies. Both foundations understand the necessity of marrying federal and state higher education policies to better serve students and citizens. Education Commission of the States would also like to thank the brief authors for their hard work and dedication to this important topic.