



*Financing Remediation at CUNY on a  
Performance Basis: A Proposal*

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*DRR-2055-1*

*5/99*

*The Mayor's Advisory Task Force on the City University  
of New York*

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**Financing Remediation at CUNY on a Performance Basis:  
A Proposal**

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**May 1999**

**Prepared for the Mayor's Advisory Task Force on the City University of New York  
REVISED DRAFT – NOT FOR CIRCULATION**

## Preface

This research was conducted for the Mayor's Advisory Task Force on the City University of New York (CUNY), an advisory group established by New York City Mayor Rudolph W. Giuliani in May 1998. The Task Force is charged with reviewing, examining and making recommendations regarding: (1) the uses of City funding by CUNY, (2) the effects of open admissions and remedial education on CUNY, and on CUNY's capacity to provide college-level courses and curricula of high quality to its students, (3) the best means of arranging for third-parties to provide remediation services to ensure that prospective CUNY students can perform college-level work prior to their admission to CUNY, and (4) the implementation of other reform measures as may be appropriate.

This draft report provides an analysis of the current financing structure of CUNY's remediation system and recommends an alternative approach. Other draft reports produced for the Task Force include:

- *CUNY's Testing Program: Characteristics, Results, and Implications for Policy and Research*, Stephen P. Klein and Maria Orlando, RAND DRR-2047-1, 1999.
- *The Governance of the City University of New York: A System at Odds with Itself*, Brian Gill, RAND DRR-2053-1, 1999.
- *CUNY Statistical Profile 1980-1998, Volume I: Draft Report* Mary Kim, RAND DRR-2054-2 and, *Volume II: Databook*, Mary Kim, RAND DRR-2054/1-2, 1999.

The RAND study was designed to provide the Mayor's Advisory Task Force the information and analysis they need to make recommendations to the Mayor on the future course of CUNY.

## **Introduction and Summary**

A large proportion of students enrolled in colleges and universities nationwide are unprepared to do college level work. As a result, many institutions are finding that they must provide remedial courses in the basic skills to their incoming students. Nowhere is this issue of remediation more prominent than at CUNY where as much as 75 percent of all undergraduates lack preparation in at least one basic skill and where the costs related to remediation account for an estimated 8 percent of current funds expenditures. The share of students requiring remediation make CUNY at least representative of national trends while CUNY appears to devote a higher proportion of its budget to remediation than most other institutions.

The need for remediation at CUNY is in part a function of low student preparation levels and the existence of state and local government mandates. Many of the graduates from New York City high schools lack the basic skills necessary to do college level work, but under existing policies, CUNY's community colleges must accept all local high school graduates regardless of their preparation level. The situation at CUNY may be in contrast to many other cities where high school graduates are better prepared although many open access institutions are obligated to admit all the graduates of local high schools.

The high level of remediation at CUNY, however, may also be a function of financial incentives in the system if the total costs associated with providing remediation at CUNY are less than the total revenues that CUNY institutions receive for providing it. But the available data are not adequate to come to this conclusion directly so it is necessary instead to infer the possibility of net revenue generation. One inference technique is to compare the costs of remediation to the total revenues collected. This technique may be particularly appropriate at the CUNY community colleges where government funding is based on the number of students enrolled and students in remedial courses are counted the same as students in regular courses. In this regard, the average revenue per FTE at the CUNY community colleges was \$9,130 in 1997 compared to an average cost of remediation per FTE of \$4,660. This would suggest that remediation at CUNY community colleges may be generating as much as \$4,500 in net revenues.

Another technique is to consider the costs of providing remediation relative to the costs of non-remedial courses. The theory here is based on the notion that overall revenues in a system roughly equal overall costs. Thus, if one sector has lower costs than another part of the same system, then the lower cost sector may be providing cross subsidies for the higher cost sector. The average spending per FTE in 1997 for remedial students in each of three sectors of CUNY was at least \$3,400 less than the average cost per FTE for students not taking remedial courses at CUNY. These figures suggest that there is a substantial degree of cross subsidy at CUNY with students in remedial courses generating more revenues than it costs to provide that education. This level of cross subsidy could serve as a powerful incentive to encourage CUNY institutions to enroll more remedial students, in contrast to most other institutions around the country which try to minimize

their remedial enrollments because the costs of remediation exceed the revenues collected.

Student aid also has come to play a critical role in the financing of remediation at CUNY. New York State's Tuition Assistance Program (TAP), the most extensive such system among the states, has become particularly important in the CUNY financing equation since it now pays up to 90 percent of tuition for students from the lowest income strata. TAP plays a more prominent role in New York than student aid programs in most other states because TAP awards are automatically tied to changes in tuitions unlike in other states where student aid programs are funded on a discretionary basis and do not nearly cover the full increase in tuitions. But since students must be enrolled full-time in order to qualify for TAP grants, remedial courses are counted as part of the regular course load even though they are below the college-level.

One downside of current arrangements is that the aid students receive for remedial courses reduces their TAP eligibility later in their college careers since TAP eligibility is limited to four years of study. Many of the students enrolled in remedial courses therefore are exhausting some of their TAP eligibility in this manner, thus endangering their financial ability to complete their course of study. And although the incidence of borrowing at CUNY is lower than at many other institutions, it seems clear that many thousands of CUNY students are borrowing annually to pay for their remedial courses. Without the availability of TAP, the debt burdens of CUNY students would probably be much larger.

Moreover, the existing system provides little incentive for officials and faculty to improve the preparation of students because most of the funds which CUNY institutions receive to cover the expenses of remediation are not performance-based. It is the premise of this brief report that the effectiveness of remedial efforts at CUNY will not improve until these incentives are changed. To this end, this report makes the following recommendations:

*First, funds in support of remediation at CUNY should be allocated on the basis of the performance of both CUNY institutions and outside providers deemed to be qualified to provide such services. As long as the process of funding of remedial students at CUNY remains the same as the funding process for other students, it will be difficult to change the underlying financing dynamics at CUNY. To improve the basic skills of students who require remediation, the amount the government spends for remediation should be a direct function of the number of students for whom the remediation is provided and the success of providers in improving basic skills levels, as measured by periodic skills assessments.*

Moreover, if only CUNY institutions are permitted to provide remediation, reform efforts are more likely to fail. A healthy degree of competition may be key for both improving the basic skills of underprepared students and reducing the overall costs of remediation.

*Second, students should not be required to pay tuitions for the remedial courses they take.* Students in remedial courses have to pay equal tuitions and in some cases borrow to pay for services they should have received for free in K-12 education. If no tuition is charged, remedial courses should not be considered in determining a student's eligibility for the TAP programs. This would allow students to reserve their TAP eligibility for college level coursework and thereby increase their chances of completing their course of study.

*Third, CUNY students should be ineligible to borrow to cover the expense of remedial courses as long as no tuition is charged for these courses.* This would reduce student debt burdens as well as institutional default rates. The eligibility of CUNY students for Pell Grants, however, should be unaffected by what courses they take so that grant aid remains available to cover the living costs of students while they are enrolled in remedial courses.

The first section of this report describes the financing of remediation at the national level. The second examines how the situation at CUNY mirrors national trends and in what ways CUNY is different. The third section describes in more detail the approach outlined above for making the financing of remediation at CUNY more performance-based.

### ***I. National Trends in Remediation***

A regrettable fact about contemporary American education is that a high proportion of entering college students require at least some remediation in basic skills in order to perform adequately at the college level. Although estimates of remediation at the college level are notoriously suspect in both directions, it appears that perhaps one-third of all college students now lack sufficient preparation in the basic skills.<sup>1</sup> The need for remediation also is highly variable across sectors and types of institutions. Community colleges and proprietary schools typically are the locale for the highest concentration of students lacking basic skills while there is little need for remediation among students at most elite private and public universities and colleges.

The fact that so many of America's colleges and universities find it necessary to offer remediation to their students is a function of many factors. Chief among them is the failure of elementary and secondary schools to prepare students to do college level work. A growing proportion of high school students apparently are not graduating with the basic skills necessary to compete in the global marketplace. Nor are they well prepared to continue their education beyond the high school level. This lack of preparation among high school graduates is above and beyond the more obvious problem of high school dropouts who typically lack the basic skills necessary to do college level work. Most high school dropouts also are ill-prepared to enter the world of work, thereby further deteriorating this country's ability to compete in the global economy.

The growth of remediation on many college campuses, however, is also a function of institutional practices and public policies that lead to the admission of many inadequately prepared students. This lowering of standards is in some cases the result of state or local mandates that require public institutions to admit all students regardless of their high school credentials or preparation. In other instances, the growth in remediation may be more a case of institutions seeking to increase their revenues by enrolling underprepared students, thereby bringing in more tuitions and more state and local funding.

Federal and state student aid programs also may have facilitated the trend toward greater remediation on many campuses by allowing inadequately prepared students to participate fully in the federal student aid programs under so-called “ability to benefit” provisions. These provisions were first enacted in 1976 to provide opportunities for students lacking a high school degree or equivalent who demonstrate an “ability to benefit” from taking postsecondary courses. For students deemed eligible under these provisions, the federal aid programs cover some of the tuitions they are charged for remedial courses as well as helping students defray a portion of their living costs while they are enrolled.

The costs to institutions of providing remediation, however, appear to be less extensive than the proportion of students who require it. David Breneman has estimated that although the use of remediation is extensive, the costs to institutions of providing remediation is less than 1 percent of their total budgets.<sup>2</sup> Although Breneman’s estimate was for all colleges and universities, the figures he developed suggest that even at institutions with high concentrations of students requiring remediation, the share of the budget devoted to remedial and related activities typically would be less than 5 percent.

The fact that the percentage of students requiring remediation is typically larger than the share of the institutional budgets devoted to helping these students suggests that, as a general matter, remediation is underfunded on many campuses. This underfunding is in part a function of the signals that institutions receive from state and local governments. Remediation on most campuses is typically paid for through a combination of tuitions that are the same as what is charged for college level courses and state and local funding that generally is lower than what goes to support college level courses. The result is a remedial operation that is regarded as a poor stepchild to mainstream efforts. Moreover, to the extent that institutions are taking a “loss” on each remedial course they teach, they are unlikely to go to great lengths to improve how remedial courses are taught and much of their faculty is unlikely to be anxious to be involved with this aspect of teaching.

Students who lack the basic skills to do college level work must then figure out how to pay for the tuitions they are being charged and the living costs they incur while enrolled. In effect, these students are paying for something they should have received for free in K-12 education. To the extent that the students who require remediation come disproportionately from lower income families, they often are eligible for federal aid and, in many cases, state student aid programs. While this financing arrangement provides students with educational opportunities they otherwise would not have had, the reliance on student aid to fund remediation has at least two unfortunate consequences:

- First, students may endanger their eligibility for aid toward the end of their undergraduate careers by using it up for remedial courses. This is mostly an issue with regard to state grant programs since the time limits on student eligibility for the federal Pell Grant program are sufficiently long and ambiguous that few students lose their federal aid eligibility as a result of using federal aid to pay for remedial courses.
- Second, since federal and state grant aid typically is insufficient to pay the total costs of attendance, many students taking remedial courses must borrow to pay tuitions or to defray a portion of their living costs while they are enrolled. Students who take remedial courses typically borrow small amounts compared to what most college students borrow. But the proportion of student borrowers taking remedial courses who default is very high, in part because the remediation they receive fails to prepare them not only to take college level courses but for the world of work as well. Even though the amount they borrow is relatively small, their incomes are still insufficient to pay their student debts and they default with alarming frequency on their student loans.

Reliance on loans to finance remediation also may place institutions in some jeopardy if this practice increases the default rate of their students who borrow. For the past decade, colleges and universities have been at risk of having their students lose their eligibility to participate in all of the federal student aid programs if the default rates of those students who borrow exceed a threshold level for three consecutive years. This threat of being cutoff from eligibility for the federal student aid programs has had a salutary effect on the default rates in the federal student loan programs as default rates have now fallen below 10 percent after being in excess of 20 percent less than a decade ago.

The two principal causes of the decline in default rates over the past decade are a strong economy that has enabled more students to meet their student loan obligations and the elimination of thousands of schools from eligibility in the federal student loan program because of high default rates. The recent decline in student loan default rates, however, appears to be less a function of a lower propensity of student borrowers to default, as the default rates at most of the institutions that continue to participate in the federal student loan programs have not declined as much as the overall rate. This trend suggests student loan default rates may well increase again once the economy stumbles and people's ability to repay their student loans is reduced.

## ***II. Financing Remediation at CUNY***

A review of the materials prepared for the Mayor's Advisory Task Force suggests that the remediation situation at CUNY mirrors several of the national trends and issues described in the preceding section. But in some other important regards, the financing of remediation at CUNY differs significantly from the national trends and statistics. This section highlights certain features of the current structure of financing remediation at CUNY, noting both the similarities and differences with the national patterns.

*Share of Budget Devoted to Remediation.* According to the reports prepared by Price Waterhouse Coopers for the Task Force’s consideration, as much as 75 percent of CUNY students require remediation in at least one subject area and remediation accounts for 8 percent of the total CUNY budget.<sup>3</sup> These figures suggest that remediation represents a much larger share of the budget at CUNY than at most other institutions but that an average proportion of students are taking remedial courses at CUNY.

This difference between the share of budget and proportion of students taking remedial courses suggests that remediation at CUNY may be generating more in revenues through tuitions and state and local funds to CUNY institutions than the programs cost to administer. This would be a critical difference between the situation at CUNY and what seems to happen on most other campuses around the country where remediation seems to act as a drag on the institution’s budget because the revenues generated from remediation do not match the costs associated with providing it. As a result, officials at CUNY institutions may have a greater incentive to enroll students who lack basic skills and to provide remediation than their counterparts at most institutions around the country.

But the available data do not allow for a direct conclusion that remediation is a net revenue generator at CUNY. That conclusion would require data on both the revenues and spending associated with remediation. The various reports prepared for the Task Force by PriceWaterhouseCoopers (PwC) include calculations of spending per FTE but not revenues associated with remediation.<sup>4</sup> As a result of this data limitation, the assertion in this report that remediation appears to be a generator of net revenues at CUNY must be inferred since there is no direct evidence of this point in the available materials.

There are several ways to infer that remediation is a net revenue generator at CUNY. One approach is to compare the costs of providing remediation to the costs of regular courses. Table 1, below, indicates the costs per FTE at CUNY for students taking remedial courses and those that are not, based on the PwC estimates. As indicated in Table 1, the average remedial cost per FTE at the senior colleges was \$6,350, \$5,010 at the hybrid colleges, and \$4,660 at the community colleges. This compares to the costs per FTE for non-remedial students of \$9,971 at the Senior Colleges, \$9369 at the Hybrid Colleges, and \$8,067 at the community colleges.<sup>5</sup> In each case, the average cost for student taking remedial courses is at least \$3,400 less than the average cost for non-remedial students.

**Table 1 - Costs per FTE at CUNY, 1996-97**

	<b>Remedial</b>	<b>Non-Remedial*</b>	<b>Overall</b>
<b>Senior Colleges</b>	\$6,350	\$9,971	\$9,754
<b>Hybrid Colleges</b>	\$5,010	\$9,369	\$8,802
<b>Community Colleges</b>	\$4,660	\$8,067	\$7,079

Source: PricewaterhouseCoopers, Financial Analysis of Remedial Education at The City University of New York Final Report: Revised, Feb 1999

\*Non-remedial estimates are calculated from the PwC figures  
Based on the percentages of FTE in remediation on p.16 of the report

The differential in these cost figures suggests that remediation at CUNY may be generating substantial net revenue for the following reason: To the extent that overall revenues essentially equal overall costs within a system, if one type of education costs significantly less than another, it is reasonable to assume that the lower cost activity is subsidizing the higher cost activity.

A more direct means for examining whether remediation may be generating net revenues at CUNY would be to compare the costs of remediation and the revenues associated with it. But again these data are not available at least for the system as a whole because the revenues that fund remediations are mixed with resources that are used for funding regular coursework. Students in remedial courses in CUNY are charged the same tuitions as students enrolled in college level courses, but funding from the City and State may make some differentiation between students in remedial and non-remedial courses.

It may be possible, however, to estimate the revenues associated with remediation for students at community colleges because the formulas used to distribute government funds to community colleges are distributed principally on the basis of enrollments and do not differentiate between students in remedial courses and those that are not. To the extent that the majority of remediation at CUNY now occurs in the community colleges, this would seem the most appropriate focus for this kind of analysis.

In this context, the PwC reports indicate that total revenues at the community colleges in 1997 were \$463 million and that there were 50,687 FTEs, indicating that the average revenue per FTE was \$9,130.<sup>6</sup> When compared to the average cost per FTE in CUNY community colleges of \$4,660 as indicated in Table 1, above, this suggests that revenues exceed costs by roughly \$4,500 per FTE for students taking remedial courses.

*Incentives to Improve Student Performance at CUNY.* The question of incentives -- at the nub of the remediation issue at CUNY -- applies to more than the question of whether remediation is a net revenue generator for CUNY institutions. There also appears to be little incentive under the existing system for CUNY officials to improve the performance of students taking remedial courses because the funding of institutions is not conditioned on whether the basic skills of these students improve. The lack of a performance-based component in the existing structure may help to explain why efforts to improve the basic skills of CUNY students apparently have been largely ineffective.

In this regard, the situation at CUNY is similar to that of most public institutions around the country. States and localities typically provide funds to public institutions based on number of students enrolled and the costs per student. A very small (less than 5 percent) proportion of state and local funding of institutions is provided on the basis of the number of students who graduate or other measures of performance. With specific regard to remediation, few if any states or localities condition their funding of remedial courses on the basis of how well the basic skill levels of remedial students are improved.

*The Level of Student Preparedness.* CUNY faces several challenges in terms of the preparation of the students who enroll. One challenge is the state and local mandate for CUNY community colleges to admit all graduates from New York City high schools. Community colleges around the country vary in this regard – some face similar mandates while others may apply standards other than high school graduation. Another challenge at CUNY stems from the fact that entering students must be high school graduates. The remediation issue at many other institutions is often a function of them admitting students who lack a high school degree or its equivalent -- the students who receive aid under the ability to benefit provisions in the federal student aid programs. The challenge at CUNY is the low level of preparation of many of the high school graduates they must admit.

*The Reliance on TAP.* The availability of federal and state student aid plays a critical role in the financing of remediation at CUNY, as is the case at most institutions around the country. At CUNY, the New York TAP program seems to be particularly important in the financing of remediation. The fact that students are eligible for TAP funds only if they are fully enrolled and the fact that remedial courses count in the calculation of full time status have been critical factors in explaining the growth of remediation at CUNY.

Indeed, New York spends \$841 in grant dollars per full-time undergraduate—the highest amount among all of the states (the national median is \$145). Put another way, TAP grants from the state of New York comprise 22.5 as a percentage of state appropriations for operating expenses. Again, this is the highest in the nation—the average is 5 percent.

It is important to understand that New York through its TAP program has a unique role among the states. TAP operates essentially as an entitlement in that all students who qualify for aid under the rules of eligibility in fact are eligible to receive aid. In addition, the formula for calculating students' TAP eligibility provides that every increase in tuitions at public institutions results in an increase in the awards received by students attending those institutions. For most of TAP's history, this increase was on an 100 percent basis. In recent years, the TAP award matches only 90 percent of each dollar increase in tuitions. This still represents a much tighter safety net than what most state student aid programs provide where only a portion of need is met and funding is discretionary in that typically it does not cover total eligibility and some students as a result do not receive awards.

*The Reliance on Student Loans.* The default rate in the federal student loan programs for 1996 was 9.6 percent. This also was the rate for borrowers at all institutions in New York

State. As Table 2 on the following page indicates, the default rates at CUNY institutions are generally around this average, although several CUNY community colleges have much higher rates. To the extent these community colleges have had high rates for a number of years, the continued eligibility of their students for federal student aid has been threatened, but these institutions in recent years apparently have brought down their default rates below unacceptable levels.

Table 2 also indicates that students at CUNY tend to rely less on loans than students at many other institutions around the country.<sup>7</sup> The number of CUNY borrowers is small relative to the enrollments at most institutions. In almost all cases, the number of defaulters entering repayment compared to the number of students at CUNY is less than 6 percent, less than half of the national averages. The relatively high usage of TAP helps to account for low loan utilization at CUNY. If TAP was not so prominent in New York, the use of loans, particularly among student at public institutions, would be much higher.

**Table 2 - Default Rates at CUNY, 1994 to 1996**

CUNY Institutions	Default Rates		Number (in 000s)				Defaulters % Students
	1996	1995	1994	Defaulters	Borrowers	Students	
<i>Senior Colleges</i>							
Baruch	7.3	7.5	6.6	50	687	15202	4.5
Brooklyn	9.9	5.2	8.1	79	802	15579	5.1
City	9.5	10.8	10.8	60	630	12485	5.0
Graduate Center	6.6	7.0	5.3	10	152	3963	3.8
Hunter	7.2	8.0	10.1	74	1022	18772	5.4
John Jay	8.8	11.8	10.3	42	475	10713	4.4
Lehman	8.7	10.0	10.8	39	447	9262	4.8
Medgar Evers	14.3	18.8	12.4	31	217	5401	4.0
New York City Tech	14.6	13.1	12.3	74	508	11082	4.6
Queens	5.8	7.7	8.0	47	807	16633	4.9
Staten Island	11.7	11.5	13.3	88	751	12190	6.2
York	7.5	13.5	13.4	17	228	6332	3.6
<b>National Public 4Yr</b>	<b>7.0</b>	<b>7.1</b>	<b>6.8</b>	<b>58902</b>	<b>844276</b>	<b>5800000</b> <b>(est)</b>	<b>14.6</b>
<i>Community Colleges</i>							
Manhattan	13.8	17.7	21.8	100	725	16772	4.3
Bronx	13.3	11.3	13.5	15	113	7884	1.4
Hostos	13.7	18.0	23.4	10	73	4699	1.6
Kingsborough	15.0	19.0	14.6	62	414	14758	2.8
LaGuardia	12.7	16.1	9.1	35	275	11080	2.5
Queensborough	12.2	13.8	13.0	34	278	10744	2.6
<b>National Public 2Yr</b>	<b>13.2</b>	<b>14.2</b>	<b>13.8</b>	<b>37035</b>	<b>279630</b>	<b>5500000</b> <b>(est)</b>	<b>5.1</b>

### ***III. A Performance-Based Proposal for Financing Remediation at CUNY***

It is the premise of this report that moving toward a different method of financing remediation should be a key component for addressing the problems associated with how it is being provided at CUNY as well as at many other institutions across the country.

The principal problems with the existing system of financing remediation at CUNY can be summarized as follows:

- The system is not performance-based. Neither the students who require remediation nor the institutions that provide it are judged on whether basic skills are improved.
- Students are required to pay tuitions and often must use up their aid eligibility and some borrow for the education they should have received at the K-12 education level.

To address these problems, this report argues that the current system of remediation at CUNY should be restructured, incorporating the following principles:

- The providers of remediation should be funded on a performance basis. The more they improve the basic skills of students, the more funding they should receive.
- CUNY students should not be charged tuitions for taking courses below the college level.
- To the extent that tuitions are not charged, remedial courses should not be considered in determining the eligibility of CUNY students for New York State TAP assistance.
- CUNY students should not be eligible to borrow federal student loans to finance remedial courses if they are not charged tuition for taking those courses.

Two particular features of the situation at CUNY seem to make it well suited to adopt the preceding principles for reforming the financing of remediation:

- CUNY institutions already test their incoming and transfer students through the FSAT process. While the existing initial assessment process requires extensive modification, the fact that such a process already exists should facilitate the development of a performance-based system for financing remediation. What is needed to make such a system work is improving the existing assessment mechanism and requiring periodic assessments to determine how much the basic skills of students improve after they participate in remedial courses.
- CUNY institutions already devote considerable resources to remediation. Under a performance-based approach, CUNY could continue to devote sufficient resources to do the job by focusing resources on those providers who demonstrate their ability to improve the basic skill levels of students who require remediation and still have enough resources to accomplish the other important aspects of the CUNY mission.

Because of these (perhaps unique) factors, CUNY has a real opportunity for implementing much needed reforms designed to improve the academic performance of students who require remediation and the institutions that provide it. But standing in the way of reform is the tradition of funding CUNY institutions on the basis of treating students taking remedial courses the same as those students who have demonstrated adequate levels of basic skills. This philosophy of equal treatment also entails charging students taking remedial courses the same as what is charged for college level courses. To address the problems, implement the principles, and take advantage of the opportunities listed above, reform efforts at CUNY must both alter the incentives for institutional officials as well as change how students pay for remedial courses.

### ***Altering the Institutional Structure for Funding Remediation***

As long as the current financing structure remains in place, it will be difficult to place remediation at CUNY on a more solid footing. Institutional officials will continue to have the incentive as well as the mandate to admit underprepared students and charge them full tuition for courses that are clearly below college level by any reasonable standard. Several steps are needed to rearrange the incentives for CUNY officials.

*The funding of students who require remediation at CUNY should be separate from the process of funding students who are determined to have the necessary basic skills to succeed in college.* An important step in the reform effort should be to establish a separate mechanism for the financing of remediation at CUNY. As long as CUNY institutions continue to receive the same amount of funds for students taking remedial courses as they receive for other students, it will be very difficult to make the funding of remediation more performance-based since the criteria for the general funding of CUNY institutions do not emphasize the improvement in the academic performance of students.

*The distribution of funds in support of remediation activities should be allocated on the basis of performance.* One of the principal problems nationwide with remediation is that most institutions neither measure the degree to which incoming students lack the basic skills necessary to succeed nor do they measure the change in basic skills levels once students have enrolled. In addition, most institutions do not take into account the success in improving the performance of students who require remediation. Yet it is far easier to measure the progress students make in improving their basic skills than to measure performance in the more traditional higher education learning functions. Reliable measures of basic skills exist and techniques for improving basic skills are well known.

These facts often get lost in debates over the role of colleges in providing remediation. CUNY should develop a system for financing remediation that recognizes the ready availability of basic skills performance measures. Such a system could provide funds on the basis of how much the basic skills of students improve – the more the improvement students demonstrate in objectively developed test scores, the more funds should be allocated to the successful providers of remediation.

It is important that a performance-based system of remediation not be based on “pass” rates on basic skills tests. Whatever pass rate is established will be subject to intense political pressures from all sides, leading to counterproductive debates. Measuring whether test scores improved would be far less speculative and divisive than pass rates. In addition, relying on pass rates creates incentives for institutions to focus on those students whose entrance scores of basic skills tests are just below satisfactory levels, thereby enhancing their pass rates. As a result, students with the lowest levels of preparation will once again be left behind. Another advantage of using improvement in test scores as the basis for payment is that institutional officials would then have the incentive of investing in a broader range of students.

*The system for reimbursing providers for the costs of remediation should include both CUNY institutions and outside providers deemed to be qualified to provide such services.* Even if a performance-based system for remediation were to be adopted at CUNY, reform efforts are likely to fail if only CUNY institutions are permitted to provide remediation. The process of providing remediation at CUNY seems to have become too ingrown to allow for much innovation and improvement. While most remediation should continue to be provided by CUNY faculty at CUNY facilities at least in the near term, other organizations should be given the opportunity to provide remediation to CUNY students.<sup>8</sup>

Assuming a process for measuring performance is in place, a competitive model could be established in which selected outside providers would be commissioned to provide basic skills training on a contract basis. Then, with a performance-based system in place, both CUNY institutions and outside providers would be reimbursed on the basis of measured improvements in the basic skills of the students they taught. In addition, assessments could be made over time regarding the relative efficacy of different providers in improving student performance in the basic skills.

A healthy degree of competition also is crucial for reducing the costs of remediation. Integral to the proposal presented here for reforming remediation at CUNY is the concept that basic skills can be taught at a fraction of the cost of traditional higher education curriculum. Per student costs for elementary and secondary education in this country are roughly half of the per student education and general expenditures at public four-year colleges and roughly equal to the per student expenditures at community colleges.<sup>9</sup> By allowing outside organizations to compete on a cost and quality basis to provide some of the remediation at CUNY, it will be much easier to get a sense of the underlying costs of providing remediation than trying to develop estimates drawn from the existing accounting system.

#### *Changing How CUNY Students Pay for Remediation*

Reforming the system of remediation at CUNY must involve changing not only the incentives provided to CUNY officials but also the procedures by which CUNY students pay for remedial courses of study. The argument presented in this report is that it is simply not fair to charge students the same level of tuition for remedial courses as for the

college level courses they take. Nor is it proper to have students use up their eligibility for TAP on remedial coursework. The fact that some of these students must borrow is perhaps the most troublesome aspect of the existing financing structure, although at CUNY, a relatively small proportion of students in remedial courses appear to borrow.

*Students should not be required to pay tuitions for the remedial courses they take.* One of the principles suggested in this report is that students should not have to pay for the failure of the public schools to provide an education of reasonable quality. But the tuitions charged for remedial courses have become a major source of revenue for many CUNY institutions and the total revenues associated with remediation apparently exceed the cost of providing it. If remediation is a net revenue producer at CUNY, however, this may provide a window of opportunity to implement the principle of not charging tuitions for remedial courses. This suggests the price students pay for remedial courses could be reduced without starving the system for funds. If charging no tuition for remedial courses drives too big a hole in the budget, however, it might be appropriate to charge students more for higher level courses to pay for free tuition for remedial courses.

If no tuition is charged, remedial courses should no longer be considered in determining a student's eligibility for the TAP program. In the current structure, the eligibility rules for TAP are apparently driving practice at CUNY. The fact that students must be enrolled on a full-time basis to receive TAP awards has led to the unfortunate practice of defining remedial courses as regular coursework. Changing this practice to disallow remedial courses in this calculation would allow students to reserve their eligibility for TAP for college level coursework, thereby increasing their chances of having adequate finances to complete their course of study.

*CUNY should deem students ineligible to borrow to cover the expense of remedial courses as long as no tuition is charged for these courses.* One issue of contention in the federal student aid programs has been whether institutions should have the authority to deny their students eligibility to borrow in the federal student loan programs. The argument for doing so is that if institutions are going to be judged on the basis of the default rates of their students, then the institutions should have some discretion in deciding which of their students should borrow. The recent reauthorization of the Higher Education Act expanded to some extent the authority of institutions to withhold eligibility for borrowing in the federal programs. CUNY officials should explore using this expanded authority by deciding that their students should not be eligible to borrow to cover the costs of remedial study as long as no tuition is charged for those courses. Such a policy would reduce student debt burdens as well as institutional default rates.

The eligibility of CUNY students for Pell Grants, however, should be unaffected by what courses they take. This policy would ensure that grant aid is available to cover the living costs of students while they are enrolled in remedial courses. This also assumes that the existing federal requirement that limits Pell Grants to 30 hours of remedial courses would remain in effect. Thus, under this policy, students could receive Pell Grants to cover a portion of their living costs while enrolled in remedial programs at CUNY without

unduly restricting their eligibility to receive federal and state student aid later in their college careers once they have the necessary basic skills to succeed.

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## Endnotes

<sup>1</sup> Not surprisingly, estimates of the extensiveness of remediation depend critically on how it is defined. A discussion of the possible definitions as well as estimates can be found in National Center for Education Statistics, Remedial Education at Higher Education Institutions in Fall 1995, 1996. This question of measuring the extent of remediation is also discussed in *College Remediation: What Is Is, What It Costs, What's At Stake*, The Institute for Higher Education Policy, 1998, which uses the NCES document as a principal source of information.

<sup>2</sup> Breneman, David et al, *Remediation in Higher Education*, Thomas B. Fordham Foundation, 1998

<sup>3</sup> The figures on remedial education included in this report come from estimates provided by PricewaterhouseCoopers, , *Final Report 1: Financial Analysis of Remedial Education at the City University of New York Final Report: Revised*, February 1999

<sup>4</sup> According to the figures provided by PwC, tuitions pay for 62 percent of the costs for students taking remedial courses with government funding accounting for the remainder. This estimate is produced by dividing the tuition revenues paid by students taking remedial courses with the estimated costs of providing remediation. Thus, this estimate assumes that the revenues associated with remediation exactly equal the costs of providing it. This assumption, however, ignore the possibility that remediation may be generating more in revenues than it costs..

<sup>5</sup> The estimates for spending for students not requiring remediation are derived by using the percentage of students taking remedial courses in each sector of CUNY (PwC report op cit, p. 16) and the weighted average cost per FTE of all students (PwC report, p. 18) to estimate the cost per FTE of students not taking remedial courses.

<sup>6</sup> PricewaterhouseCoopers, *Report III: Review of Revenues and Expenditures at The City University of New York Final Report: Revised*, February 1999, p. 19

<sup>7</sup> To the extent that default rates are high at a number of CUNY institutions, this is at least partially a function of how federal student loan default rates are calculated. The federal student loan rate is calculated by dividing the number of defaulters in a given year by the number of borrowers entering repayment in that year. As a result, institutions with small numbers of borrowers are subject to penalties or cutoffs if a high proportion of those borrowers default.

<sup>8</sup> The draft Task Force staff report provides information on a number of possible other providers of remediation.

<sup>9</sup> U.S. Department of Education, Digest of Education Statistics.