Notes from NAICU Board Meeting Discussions
of President's FY 2010 Budget
April 23-24, 2009 – Hotel Valley Ho, Scottsdale, Arizona

- NAICU board and board committee members had detailed and lively policy conversations around President Obama's FY 2010 budget proposal to restructure student aid. In general, they concluded that the president's budget was pro-student because it was pro-student aid. The board's unanimous recommendation was that the NAICU staff stay positively engaged with the administration and Congress in developing legislative details in a manner that helps our students, and assists our most fragile institutions, while ensuring the continued diversity of American higher education.

- The board supports the new American Opportunity Tax Credit signed into law as part of President Obama's stimulus package. The board also supports making this credit permanent, as the president has suggested in his budget proposal. This and the many other tax benefits available to students and families are extremely important and represent additional funds available to help pay for college – funds that are equally important to students and our institutions. The myriad of education tax breaks are facing a variety of expiration dates over the next two years, and the NAICU staff and our active membership will work with Congress and the administration to extend these important benefits.

- The board recognized that under congressional scoring and PAYGO rules, the conversion to direct lending (DL) does not provide enough funding to create a true Pell Grant entitlement, as called for by the president's budget proposal. However, the board still found a compelling public policy interest in securing a stable funding stream for Pell Grants. This was seen as particularly important in light of the upcoming "cliff effect," when the additional funding for Pell Grants from both the 2007 reconciliation bill and the 2009 stimulus bill runs out, causing a combined revenue shortfall that has been funding up to $1,190 of the Pell Grant maximum.

- The board expressed belief that the competition between FFELP and direct lending has benefitted students and institutions. If there is a shift to DL, the board said the conversion should capture savings for student aid, and ensure that a single loan delivery system not lead to an inappropriate level of federal control of colleges. They suggested that the Secretary may wish to use competitive bidding of some student loan functions as a means to maintain the advantages gained from the 15 years of FFELP/DL competition and continual program improvement.

  The board believes special care should be given to assist any colleges with conversion problems – including software issues, disbursement, and the possibility of increased staffing. (Presidents with experience in both programs had differing views on whether additional staffing was likely to be needed.) This might entail working with the Department of Education on testing the transition with a group of our most vulnerable institutions. The board also cautioned NAICU to carefully monitor the capacity of the government to handle a switch to all-DL quickly and efficiently.

- The board sees immense value to students in an expanded Perkins Loan program, especially with its potential to replace more expensive private loans and to allow more institutions to participate more fully in the Perkins program. They expressed support for the current program flexibility, which allows financial aid officers to decide who borrows and how much they should borrow, in accordance with federal guidelines. This flexibility is an important tool, they believe, for limiting student debt.

  The board also supports the president's proposal to have the Department of Education collect loan repayments. The board instructed the NAICU staff to work closely with Congress and the administration on the Perkins legislative details, to ensure that any incentives on pricing and institutional aid are appropriate to our colleges' positions as independent, charitable entities. The board also supports a hold-harmless for colleges currently participating in the Perkins Loan program.

- The board applauded the president's focus on persistence and completion. They want to be actively engaged in helping the nation reach the stated 2020 college completion goal, and are proud of the private non-profit sector's record of success in this arena – particularly with at-risk students. However, the board was universally concerned that students would not be best served by funding the Access and Completion Incentive Fund through a type of block-grant to governors. Such a funding approach could result in federal monies being diverted to one sector of higher education for more narrow state purposes, or used to support institutions that underperform on graduation rates.

  Instead, the board suggested that funding be made available to institutional partnerships (including partnerships across sector or state lines), pairing colleges successful in completion with institutions serving large numbers of at-risk students. Funding could also be used to research and disseminate successful practices, and could include other experienced parties – such as state agencies with experience in early intervention, access, or borrower education.