

From: NAICU Presidents Network
Sent: Thursday, August 12, 2010 12:24 PM
To: NAICU Presidents Network
Subject: [presnet] NAICU Response to the Education Department's Financial-Responsibility List

Colleagues,

I write to share NAICU's response to the release today of Department of Education data that shows 150 private nonprofit institutions failed the department's financial-responsibility test, based on FY 2009 data. NAICU's statement, which is being distributed to the national and trade news media, is below. The Chronicle of Higher Education's coverage of the list is also pasted below. You may find the statement useful in your discussions with local media, trustees, and other campus constituencies.

Please do not hesitate to contact me, if you have questions or comments.

Sincerely,

David Warren

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Statement by the National Association of Independent Colleges and Universities on the Department of Education's Financial-Responsibility List

The financial-responsibility list issued by the U.S. Department of Education today confirms what most Americans have known the past few years: we have an economic downturn that has affected investment portfolios throughout America, whether the portfolios are those of families, businesses, colleges, or other organizations.

Americans whose students attend, or are considering attending, one of the institutions on the list, should not rule out a college simply because it's listed. In many cases, colleges only appear on the list because of accounting methods that do not consider the institution's overall resources. Some schools that were initially on the list now are off because of Departmental calculation errors. Others appear on the list based on the day the snapshot was taken, and today would pass the test with flying colors. For instance, some made the list because of endowment losses suffered when the recession first hit, but are now beginning to recover their losses. All of the institutions on the list are addressing the challenges a down economy brings. The overwhelming majority of institutions that have appeared on the list previously continue to provide a quality education to their students.

For several months, NAICU has been working with member institutions, the National Association of College and University Business Officers, and the U.S. Department of Education on improving the federal government's financial assessment methods. The Department is already reviewing its method for calculating financial responsibility scores so it more accurately reflects new accounting standards. Few schools on the list are truly in financial straits, and we are hopeful that a new formula will soon be devised to give students and parents a more accurate portrait of the overall financial health of non-profit colleges.