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Congress Goes Home in Hopes of Coming Back

Congress scooted out of town on time for one of the very few times in recent history, indicating that there is one thing both parties can agree on: That being an incumbent is not a good thing this election cycle, and members need to be back home defending their seats.

Before leaving town on September 29, both chambers punted on the FY 2011 funding bill, passing a continuing resolution through December 3, 2010. Continuing resolutions keep the government running at current year funding levels until final spending bills can be passed.

Regardless of election results, current members of Congress will have to come back for a lame-duck session. The session could be active for higher education because student aid funding and expiring higher education tax provisions are both slated for consideration ([see earlier Washington Update story](#)).

However, the lame-duck session could turn out to be a non-event, if the current Congress decides to boot its problems to the new Congress by simply extending the continuing resolution again, to after the new year. Until election results are in, no one knows what congressional leaders will do, including the leaders themselves.

Hearing on For-Profit Schools Gets Partisan

Sen. Tom Harkin (D-Iowa), chair of the Health, Education, Labor, and Pensions Committee, yesterday held the third in a series of hearings on for-profit higher education, a system he describes as preying on low-income students to profit from tax-payer subsidized student aid.

At the Sept. 30 hearing, Harkin released findings from the committee's first report, which analyzed information provided by 30 for-profit colleges, in response to a survey from the committee this summer.

Harkin said his analysis of the data revealed that 14 of the for-profit institutions surveyed received, on average, 87 percent of their revenue from the federal government. Some received over 90 percent when both Education Department and GI Bill funding were considered.

This subsidy was largely responsible for FY 2009 profit margins as high as 37 percent at 16 of the institutions analyzed, totaling \$2.7 billion. In recent months, the industry has spent \$3.3 million on advertising.

Harkin pointed out that while 95 percent of students at for-profit schools borrow, only 16 percent of community colleges do, and in much lower amounts. He qualified his remarks by saying that one large company called him hours before the hearing to say it had provided inaccurate information.

Sen. Mike Enzi (R-Wyo.), the committee's ranking minority member, led the Republican counter, asserting that Harkin and the Democrats were "picking on" for-profit colleges despite problems existing across all of higher education. He cited, as an example, expensive law schools producing lawyers for a glutted market.

Sen. Richard Burr (R-N.C.) later picked up the gauntlet, citing statistics indicating that for-profit colleges in North Carolina have better graduation rates than the traditional sector. Sen. John McCain (R-Ariz.) read from a Huffington Post piece written by Lanny Davis, a former Clinton administration official and current lobbyist for various for-profit schools, asserting that Harkin's efforts were ideological, misinformed, and would have unintended consequences.

Sen. Al Franken (D-Minn.) stated he was confounded by the Republican's rhetoric, and that he was not against for-profit industries. In fact, he said, he had come from a very profitable one.

The witnesses were all invited by Harkin. Enzi refused the offer of a minority witness because he did not feel the witness would be well-treated. Harkin's witnesses included a Kaplan student, an employee of Education Management Corporation (EDMC), Arnold Mitchem of the Council for Opportunity in Education, and Laura Asher of the Institute for College Access and Success.

The Kaplan student said she felt lied to by the institution. She said Kaplan stymied her efforts to resume her education at a community college by refusing to send her transcript because of an unpaid bill. Harkin said he found that very troubling.

In response to Franken's question about what could be done to prevent disreputable practices, the EDMC employee said the problem was that the "foxes guard[ed] the hen house" (i.e., the accreditors were controlled by the institutions).

Witness testimonies and the committee report are available on the Senate HELP committee [website](#).

For more information, contact Maureen Budetti, maureen@naicu.edu

Senate Fails to Move on DREAM Act

The Senate failed to bring legislation to the floor that would have included a controversial vote on the Development, Relief, and Education for Alien Minors (DREAM) Act. The Senate had been scheduled to take up the Defense Department authorization bill, with votes expected on amendments that would have included the "Don't Ask, Don't Tell" law and the DREAM Act (see [earlier Washington Update story](#)).

The bipartisan DREAM Act, which was first proposed a decade ago, would help undocumented students gain citizenship and allow eligibility for some forms of federal student aid. The higher education community has strongly supported the bill over the years.

The defense authorization bill is usually bipartisan. However, Republicans balked at adding the last minute amendments to the legislation, claiming pre-election political maneuvering by Senate leadership. The motion to bring the bill to the Senate floor failed, so no amendments were considered.

Sen. Richard Durbin (D-IL), the author of the DREAM Act, will attempt to advance it again as a stand-alone bill, or as an amendment to legislation considered during the lame-duck session after the elections.

For more information, contact Karin Johns, karin@naicu.edu

Associations Seek Clarity on Student Health Plans

Ever since President Obama signed sweeping health reform legislation into law, higher education associations, college representatives, insurance providers, and others have been attempting to clarify how the new law will apply to student health plans and services.

Conversations with White House staff on the matter indicated that the new law was not intended to alter the ability of colleges to offer health plans to their students, but concerns remain that the law could be interpreted and implemented differently.

A host of higher education associations, including NAICU, signed onto a [letter](#) originated by the American Council on Education (ACE) last month asking for clarification and confirmation that the new law would still allow colleges and universities to continue to offer student health plans and services that students and families have come to rely on, and retain the flexibility to offer these services in different ways. Since that time, the letter has been criticized by some as an attempt to exclude low-quality plans from quality reforms.

Colleges offer many different types of services and plans. Smaller schools might have a small infirmary and accommodate students who remain covered by their parents insurance. Others have first-rate medical and research facilities as part of the campus community and offer plans to students through them. There are also colleges that contract with insurance providers to offer services. The higher education community is being careful to avoid getting entangled with insurance providers that may have a self interest in offering their plans to our campuses.

These issues have received increased attention in the media lately (*for example, [this Inside Higher Ed story](#)*). We are concerned that some of these stories are being pushed by individuals or groups that stand to benefit if the administration writes final regulations that offer less flexibility for colleges and universities.

There has been no official response to the ACE letter from the White House yet, but communications are ongoing.

For more information, contact Karin Johns, karin@naicu.edu

NAICU, CIC Unveil Building Blocks to 2020 Website

NAICU and CIC [unveiled](#) a new website on Sept. 23 designed to highlight and support efforts by nonprofit private colleges and universities to increase the number of at-risk students they enroll, and to boost the retention and graduation rates of various student populations.

The website is the central component of Building Blocks to 2020, a [national initiative](#) organized by NAICU and CIC to help the nation meet President Obama's call to make the United States first in college completion by 2020.

The website provides opportunities for campus professionals working on the front lines of student access, retention, and completion to learn from the experiences of other colleges, and to mine for practices and policies that fit their individual institutional missions and student populations.

The website will also serve as an information resource for consumers and policymakers who are interested in what colleges are doing to not only reach out to students from diverse backgrounds, but boost their chances of earning a degree. The number and diversity of institutions and programs represented on the website will grow, as NAICU continues to gather and post material from colleges and universities.

The Building Blocks to 2020 website provides summaries of more than 535 existing or proposed programs at more than 250 nonprofit private colleges and universities. Summaries of programs can be browsed [alphabetically](#) by institution, and by [state](#), and are searchable by 34 [topics](#).

Up until about 10 years ago, the U.S. led the world in college completion. However, as the percentage of young adults with degrees has surged in other developed nations, the U.S. now ranks 12th in the percentage of adults 25 to 34 with an associate's degree or higher, according to the [College Board](#).

The Sept. 23 announcement generated press coverage, including from the [Washington Post](#). The website will continue to be of interest to journalists as public awareness of the college completion agenda grows.

(If your institution has issued a news release or placed local media coverage of your participation in Building Blocks to 2020, please send the relevant web links to Tony Pals, tony@naicu.edu, for posting to the news room section of the 2020 website.)

Institutions that have not yet completed NAICU's surveys of institutional programs can do so by clicking on the links below.

[Access and Success Survey](#): What you are *already* doing on your campus to positively affect access, retention, and/or completion rates

[2020 Survey](#): Initiatives you are *exploring or plan to expand*, that supports the nation's 2020 goal

Even though there is no deadline for completing the surveys, we encourage you to do so as soon as possible. NAICU will continue to maintain the website after the public launch. Questions about the surveys should be directed to Wendy Weiler, wendy@naicu.edu.

Questions about individual institutional program summaries posted on the website should be directed to Roland King, roland@naicu.edu.

To submit a video showcasing a program on the 2020 YouTube [channel](#) that others may wish to model, send it (or a link to it) to 2020@naicu.edu.

Republicans Release "Pledge to America"

As the campaign season heats up, congressional Republicans are receiving considerable attention for their "Pledge to America" proposal, which they released last week. The six-point plan does not mention education, but makes specific proposals to shrink the size of federal spending that would put education programs in the bull's eye.

The pledge calls for cutting spending by \$100 billion to help balance the federal budget. The plan also proposes maintaining the tax cuts passed in 2001 and 2003, to help Americans keep more of their income.

While \$100 billion sounds like a lot of money, it is only a fraction of the total \$3.8 trillion federal spending budget.

However, the proposal says spending for “seniors, veterans, and our troops” will be protected. In doing the math, the bipartisan Center on Budget and Policy Priorities [reports](#) this means the \$100 billion in cuts would have to come from a relatively small pot of \$380 billion in current federal spending. Of this \$380 billion, \$78 billion is in education.

Additional information about the “Pledge to America” can be found on the congressional Republican’s [website](#).

For more information, contact Stephanie Giesecke, stephanie@naicu.edu

October is National Cyber Security Awareness Month

Conducted every October since 2001, National Cyber Security Awareness Month is a national campaign to encourage everyone to protect their computers and our nation’s critical cyber infrastructure. The effort has broad support in the higher education community, counting among its sponsors EDUCAUSE, Internet2, and the Higher Education Information Security Council (HEISC).

HEISC has put together a [resource kit](#) to help colleges and universities develop promotional activities and events. Additional [information](#) about National Cyber Security Awareness Month is available from the National Cyber Security Alliance.

For more information, contact Susan Hattan, susan@naicu.edu

Perkins Debate Poses Tough Choices, NAICU Member Views Sought

Although the debate over proposed changes to the Perkins student loan program has been off the radar screens of many outside of the nation’s capital, it continues to be a hot topic in the Washington student aid world. The debate boils down to three basic options:

- Fund a major expansion of the program, by removing some of its most important student benefits, so more students can avoid taking private loans
- Keep the program as-is, possibly requiring hundreds of millions of dollars in new money
- Get rid of Perkins loans all together

Adding to the complexity of the debate is confusion over whether the program will actually terminate in two years, if nothing is done.

Will It Terminate?

Because some key dates in the Perkins Loan program were updated during the 2008 reauthorization of the Higher Education Act, and other dates were not, there is confusion as to whether the current Perkins program will terminate in two years, or continue until the Higher Education Act is once again reauthorized.

Government experts differ on exactly what will happen on October 1, 2012, when a provision in law says schools must start to return their incoming Perkins loan funds to the federal government.

Some claim that the program is authorized through the end of the reauthorization cycle, which

goes until the end of the 2015-16 academic year. But others believe the recall date of October 1, 2012, overrides the general program authority.

If the former is true, then there is time to consider the various options at hand. If it is the latter, then the clock is truly ticking. In addition, the Education Department is expected to put forth its original plan to restructure the Perkins program within the Direct Loan program, in its FY 2012 budget proposal.

Unexpected Political Support

For years, Perkins loans have been among the least visible, and least politically supported, student aid programs. Administrations of both parties have routinely called for its elimination, and the program has not been infused with new federal capital since FY 2004. College participation is uneven, with lending authority largely concentrated in a small number of institutions. Many in Congress see the program as duplicative and unnecessary, and would like to see it shut down.

The Obama administration's interest in the program has been surprising, and its approach innovative. The administration wants to target additional federal loans at students who are otherwise likely to borrow in the more expensive private loan market, without increasing overall loan limits for all students. If properly crafted, such a policy could benefit resource-poor private colleges that successfully serve low-income students, but lack the institutional resources to meet those students' full need.

An Attempted Rewrite

The administration and Congress attempted to rewrite the Perkins program as part of the student loan reform bill that passed earlier this year (see [earlier Washington Update story](#)).

Included in that package was a plan for a sixfold expansion of the annual volume of Perkins loans, from about \$1 billion to \$6 billion, along with provisions for all colleges already in the program to continue receiving at least their current amount of Perkins lending authority, annually. Colleges would have been able to keep any historic institutional contributions to the program as former students repaid their loans.

New lending authority would have been allocated to colleges through a new formula, which would have factored in an institution's graduation rate, percentage of students receiving Pell Grants, and persistence rate for Pell recipients. Given these and other factors, private colleges would have received a significant share of the funding to help students avoid private loans.

Congress planned to fund the Perkins expansion through a number of avenues, including adding it to the Direct Loan program, eliminating the in-school interest subsidy, and aligning the loan forgiveness provisions with those in the current Stafford student loan program.

Even though this would have made Perkins loans more expensive for students, the NAICU board of directors endorsed the basic policy, since the expansion would have made these low-cost student loans available to more students, and guaranteed long standing Perkins schools access to their historic lending authority.

A Lost Opportunity

In the final, chaotic days before the passage of the controversial student aid reform bill and the conversion to direct student loans, reconfiguration of the Perkins program was dropped. This was largely due to a full-scale lobbying campaign by student Perkins loan servicers to keep the existing program alive and unchanged. The servicers, working through [COHEAO](#) (a coalition of Perkins loan schools and servicers) thought that if they defeated the Perkins changes in the student aid bill, they could simply keep the current program in place.

Because the student aid reform bill, and its billions in Pell Grant funding, were linked to the even more controversial health care reform bill, congressional education leaders ultimately

were forced to drop the Perkins provisions in order to save the rest of the legislation. Meanwhile, NAICU was unable to generate support for Perkins because the education committees never released legislative language on the final deal. This made it impossible to ensure that the program revisions would truly benefit more students.

Last Week's Perkins Hearing

The House Budget Committee held a hearing last week on the importance of Perkins loans. The Sept. 22 hearing came as Perkins advocates in Congress attempt to create support for the program's continuation, although supporters are divided into two camps over how to best keep the program alive.

House Budget Committee Chairman John Spratt (D-S.C.), a traditionalist, wants to keep the program alive with as many of its current features as possible. He emphasized the importance of a college education and the need to help low-income students finance it, in part, with low-interest-rate loans, like Perkins.

Spratt also noted that the "Perkins loan program provides vital employment for thousands of people across the country ... at colleges and at the private loan servicing companies" that colleges use. Many of these jobs are in Spratt's home district.

Arguing that schools must stop making loans in October 2012 under current law, Spratt urged Congress to take action to support H.R. 5448, his bill to extend the Perkins loan program, as-is, for one year. However, the extension would cost \$748 million over five years – a hefty sum that even some Perkins advocates admit makes it unlikely to pass.

Three witnesses, all more or less supportive of the current program, testified.

Crafting a Possible Compromise

NAICU has long been open to changing the Perkins program to include more colleges and ensure its long-term viability. Such change is especially timely now, given the waning political support for the program's continuation.

It's unlikely we will ever again have as good an offer as the one lost this past spring in the student aid reform bill. The most appealing aspect of that proposal was that existing Perkins colleges would have been guaranteed the same lending authority they currently have, while more colleges and borrowers could have been added to the program.

Still, there is the possibility of saving the program if current Perkins loan advocates are willing to compromise in several areas.

Any new proposal would have to be revenue-neutral or save the government money. Expanding a program while having it save money may sound impossible, but there are several ways this could still happen. Based on previous budget estimates, a Perkins program with some of the following changes could pay for itself.

The program would have to be an "add-on" to the current direct loan program, as proposed by the Obama administration. Before direct lending was mandated for all, this would have been extremely controversial. Now that all colleges are using direct loans, adding the Perkins program to that infrastructure generates money for the federal treasury. This also would eliminate the need for colleges to be in the loan collection business.

While the NAICU board of directors thought removing colleges from the costly collection business was a plus, it could mean a loss of private sector jobs in some key congressional districts, unless current servicers were hired by the Education Department to continue their collection work.

The in-school interest subsidy would likely have to be eliminated, as proposed by the administration. (Currently, with the subsidy, new graduates owe no more than they initially borrowed – an important long-term feature of the program.)

Assuming a sixfold expansion of the program, continuation of the subsidy would cost several billion dollars, and the fiscal reality is that the money isn't there. Needy students would still be able to access the in-school interest subsidy in the subsidized Stafford loan program, but there is no doubt that the loss of this benefit in the Perkins program would increase the cost of these loans for many students.

Depending on other program features, Perkins interest rates could have to increase from 5 percent. Under the savings structure proposed in the larger student loan reform bill earlier this year, a 5 percent interest rate could have been maintained.

That opportunity may have passed, however. If the bill has to be a free-standing measure that pays for itself, analyses indicate that an interest rate increase could be necessary to expand the program. This would be a big negative for students in a compromise to expand the Perkins program.

The Choice

The final assessment, then, is whether preserving the borrowing authority of currently participating schools, and providing additional borrowing authority at more schools, outweighs the negatives of eliminating the in-school interest subsidy, the possibility of increasing the interest rate, or the potential of losing the program all together.

On one hand, we'd see the loss of borrower benefits that have been an integral part of the program since it began in 1958 as National Defense Student Loans. Certainly, such changes are no one's first choice.

On the other hand, a complete loss of the program could force more students into the more expensive private student loan market. Private loans generally have much worse terms and conditions, higher interest rates, no loan forgiveness, and can't be consolidated with federal student loans.

An expanded Perkins Loan program could actually accommodate more students, including some of those currently in the private student loan market. Some graduate students now borrowing under the federal GradPLUS program, which offers a 7.9 percent interest rate, might save money with a lower-interest Perkins loan. Most important for private colleges, many institutions would be able to participate in the program at higher levels than they can now.

Your Thoughts?

NAICU is seeking members' views on the desirability and shape of a major rewrite of the program. Please send your comments to Maureen Budetti at maureen@naicu.edu.

For more information, contact Maureen Budetti, maureen@naicu.edu

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