Private Colleges Respond to Katrina

The nation only started to become aware of the devastation wrought by Hurricane Katrina as the giant storm dissipated on Tuesday, August 30. By the next day, colleges and universities across the country were already mobilizing—turning their attention from another semester’s beginning to a massive national effort to aid the stricken. The need, and the many ways our colleges and universities are responding to it, continue to evolve.

One of the most immediate needs was to accommodate up to 75,000 college students who had been displaced by the closing of Gulf Coast colleges and universities. Unless they could be relocated on a temporary basis to other institutions willing to enroll them, within a matter of days, they stood to lose a semester.

On the afternoon of August 31, the Association of Jesuit Colleges and Universities announced a program under which Jesuit institutions around the country would absorb students from Loyola University of New Orleans. Offers from other institutions were announced later the same day. These early responses were followed by hundreds more, as our institutions struggled to shoehorn a few more students into already maxed-out classrooms and dorms.

Late the next day, September 1, NAICU launched the “Katrina Aftermath College Resource Center” (http://www.naicu.edu/HEA/KatrinaEfforts.shtml) as a means of sharing information and ideas across the NAICU membership and with affected students and their families.

Within two weeks, NAICU’s Katrina Web page grew to list nearly 400 offers of enrollment for affected Gulf Coast students. It also documented how private colleges are helping displaced faculty and families, launching fund-raising activities, and planning volunteer efforts. In two weeks, the Katrina page had been accessed nearly 10,000 times. The overall NAICU Web site (which typically receives around 52,000 hits a week) was accessed 119,000 times in the week of August 28 and 213,000 times the week of September 4.

In an update sent to all NAICU presidents in early September, President David Warren remarked, “Once again, in a time of adversity, our colleges and universities are rising to the challenge with a spontaneous outpouring of support for those in need. Once again, you are earning the respect and appreciation of our citizens.”

Federal response

Unfortunately, the federal response for affected colleges has so far been very limited. A $200 billion aid package announced by President Bush in his nationally televised address on September 15 appears to provide little federal help in rebuilding the affected colleges.

Although legislative language has not been made available, an outline released by the Department of Education would target only $227 million for higher education. Nearly half of that amount is dedicated to giving student loan borrowers from the Gulf Coast a six-month grace period on student loan repayments. Of the remainder, about $100 million would be used to allow Gulf Coast colleges to keep student aid proceeds that had already been disbursed when Katrina hit. Another $27 million (Continued on page 2)
(Continued from page 1)

would reimburse colleges that had accepted 10 or more Katrina victims ($1,000 per student to offset costs associated with the new enrollments). In contrast, elementary and secondary schools that took in displaced Katrina students were targeted for $7,500 per student in aid. Nothing was provided to help Gulf Coast colleges rebuild their campuses or entice students to return.

On the same day, Senate education chair Mike Enzi (R-Wyo.) and ranking member Ted Kennedy (D-Mass.) introduced an education relief bill. Their bill would allow the secretary of education to withdraw Federal Work-Study funds from affected institutions and transfer them to the schools absorbing students.

Closed schools would have until June 30, 2006, to repay all the student loan funds they had in their coffers in August 2005, or face interest and penalties. In past natural disasters, Congress has appropriated additional work-study and SEOG funds to help victims, not tried to redistribute funds already disbursed.

Fortunately, as we go to press, Enzi has acknowledged the substantial economic impact that the return of Title IV funds would have on closed colleges, and indicated that they would not pursue this course. His staff also indicated that there would be future hurricane relief bills that could be more comprehensive.

In the meantime, NAICU and several other higher education associations have called upon Congress and the president to provide a comprehensive relief package that would invest in the Gulf Coast colleges as a first step in rebuilding the area’s economy. The associations are emphasizing that any successful economic recovery plan must include a revitalization of the area’s colleges to be successful. According to the Louisiana Association of Independent Colleges and Universities, the private colleges in Orleans Parish alone contribute more than $2.2 billion a year to the economy of the Gulf Region – more than any other regional employer.

For more information, contact Stephanie Giesecke at NAICU, (202) 785-8866, or stephanie@naicu.edu.

Senate Committee Approves Reauthorization Bill

In a whirlwind week of legislative activities, the Senate Health, Education, Labor, and Pensions (HELP) Committee circulated a draft of its Higher Education Act (HEA) reauthorization bill the evening of September 2, introduced it the following Tuesday, and approved it with a unanimous bipartisan vote the afternoon of September 8.

In general, the Senate bill is an improvement over its companion bill in the House, with a couple of notable exceptions: the inclusion of federal standards on transfer of credit, and several new reporting requirements. These include requiring colleges to track the percentage of incoming students who receive transfer credit, and to provide information on graduates’ job placements and graduate school attendance.

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The most notable improvements are the absence of price controls, improvements in the academic bill of rights language, no fire safety reporting, continuation of a separate definition of “proprietary” institution of higher education, and maintenance of the current campus-based aid formula. The bill also proposes a new supplemental funding stream for Pell Grants, through student loan program savings, that could provide nearly $1 billion in increased annual funding if enacted.

It is not clear how quickly the bill will move to the Senate floor. The need to address the hurricane Katrina disaster has altered the congressional agenda. The biggest change is a five-week delay in the deadline for coming up with the cuts in mandatory spending required for the budget reconciliation bill. The House and Senate Budget Committee are now planning to act on reconciliation the week of October 24.

Because the student loan cuts required to meet the reconciliation savings goal are included in the full HEA reauthorization bills approved by the House and Senate authorizing committees, the logistics of moving forward with reauthorization are extremely complicated.

A summary of the bill (S. 1614) approved by the Senate HELP Committee may be found at http://www.naicu.edu/HEA/SenateHEASummary9-9-05.doc. The complete text (400+ pages) of the bill may be found at http://www.naicu.edu/HEA/HELP-PassedHEABill.pdf.

For more information, please contact Susan Hattan at NAICU, (202) 785-8866, or susan@naicu.edu.
A Changing Tax Agenda in Katrina’s Wake

Prior to Hurricane Katrina, the House and Senate tax committees were preparing reconciliation packages that included estate tax relief and nonprofit governance reform measures. Understandably, the focus has shifted to offering tax incentives to assist in the disaster relief efforts and encourage more charitable giving.

The Senate briefly considered a provision allowing a temporary IRA charitable rollover. Unfortunately, House Ways and Means Committee Chairman Bill Thomas (R-Calif.) strongly objected that the provision would provide no direct hurricane relief, and the idea was dropped.

Senate Finance Committee Chairman Charles Grassley (R-Iowa) remains committed to moving charitable giving legislation separately. He did not object to dropping the temporary IRA rollover now, preferring to push for a permanent provision later in the year.

On September 13, the Senate Finance Subcommittee on Social Security held a hearing on how charities best meet the needs of the nation. Amid much discussion of the charitable sector’s response to Katrina, overwhelming concerns were expressed about moving forward with nonprofit governance reform in the current environment.

Senator Rick Santorum (R-Pa.) made it clear that he does not want CARE Act provisions, including an IRA rollover, coupled with nonprofit governance reforms. Witnesses, including a representative from the Salvation Army, agreed overwhelmingly.

Hurricane relief bills are moving on a fast track in both the House and the Senate, with a final vote scheduled this week. It is unclear when the Senate will take up either governance or charitable giving legislation, since Katrina adds a new dimension of social and political pressure to those efforts as well.

For additional information, contact Karin Johns at NAICU at (202) 785-8866, or karin@naicu.edu.

Default Rates Fall to Record Lows

Student loan default rates have reached a new low of 4.5 percent, for loans that entered repayment in 2003 and defaulted prior to 2005. The default rate has declined in every year but one since the 1990 rate of 22.4 percent was reported in 1992.

The overall rate for private colleges announced this year was 2.8 percent, down from 3.2 percent last year. The rate for public four-year colleges was 3.3 percent. Two-year publics were at 7.6 percent; two-year privates at 6.3 percent.

The overall rate for proprietary schools was 7.3 percent, ranging from 7.9 percent for less-than-two-year programs to 6.4 percent for four-year programs. No schools were sanctioned for exceeding the 25 percent default rate threshold.

Currently, 25 million borrowers have outstanding student loans, totalling $360 billion. This total includes Federal Family Education Loans (FFELP), Direct Loans, defaulted loans, and Perkins loans.

More than a third of the outstanding loans are consolidated loans, which have grown rapidly in the current low interest rate market.

For more information, contact Maureen Budetti at NAICU, (202) 785-8866, or maureen@naicu.edu.