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**FY 2016 Budget: $150 Billion in Jeopardy; Next Step Conference**

While the congressional budget resolution has lately been a messaging document for the majority, changes proposed for student aid in this year’s plan could have a real impact on Pell Grants, student loans, and the outlook for reauthorization of the Higher Education Act. Now that the resolution has passed both houses, the next step in the process is for the House and Senate budget committees to agree to work out the differences between their versions of the budget then pass a final resolution.

There are two major proposals the House and Senate already agree on:

1. Freezing the Pell Grant maximum at the current $5,775 for the next ten years.
2. Eliminating the federal in-school interest payments for low-income students with Stafford loans.

Despite the intent to freeze the Pell maximum, both measures take an additional step by eliminating $90 billion in mandatory funding for Pell, which could effectively reduce the actual Pell maximum by an additional $1,000. The House also eliminates the recent expansion of income-based repayment and public service loan forgiveness. The loss of the interest payments alone would make student loans cost at least $3,800 more on average for low-income students. The total loss of all these changes is up to $150 billion over the next 10 years.

There are two additional procedural proposals that the conference committee would need to work out which, if agreed to, would have additional negative consequences for student aid policy, especially with the reauthorization of the Higher Education Act on the horizon:

1. The use of “fair-value accounting”

The House and Senate have different versions of language directing the Congressional Budget Office (CBO) to use “fair-value accounting” for the scoring of student loans. The House requires the CBO to use “fair-value,” while the Senate recommends its use where practicable. The “fair-value” methodology incorporates a market-based risk factor for student loans not inherent in government accounting. If this method is used, student loans will cost more on the federal government ledger. If this method were adopted, policy changes in the HEA reauthorization could result in increased costs to student borrowers through increased interest rates, or lower loan availability.
2. The inclusion of reconciliation instructions.

The reconciliation instructions included in both resolutions are slightly different. The House includes an instruction for the Education and the Workforce Committee to make changes to legislation that result in $1 billion in savings over 10 years; while the Senate language allows for reconciliation for the repeal of the Affordable Care Act (ACA). While both are being interpreted as place holders for the committee to address ACA issues, if the conference committee agrees to keep reconciliation instructions, it allows the committees to produce legislation that would benefit from the expedited process reconciliation provides, including possible changes to student aid.

How the budget committees resolve these differences will have an impact on the FY 2016 appropriations process, which is expected to begin soon after the budget resolution is finalized, and the HEA reauthorization process, should the procedural elements survive the conference.

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

White Papers Released by Senator Alexander Papers Provide Glimpse into HEA Reauthorization

Senator Lamar Alexander (R-TN), Chairman on the Senate Health, Education, Labor and Pensions (HELP) Committee, and the lead senator on the rewrite of the Higher Education Act, released three white papers for public comment on March 23. The topics, as well as the papers’ contents, give more insight into the key issues he wishes to address in HEA reauthorization.

Each of the three papers: 1) Higher Education Accreditation: Concepts and Proposals; 2) Risk Sharing: Concepts and Proposals; and 3) Consumer Information: Concepts and Proposals, lays out some of the key proposals that have been discussed around Washington during the past several years. Some of the ideas within the papers conflict with each other, indicating that Sen. Alexander’s views are still forming. Taken as a whole, the papers indicate that Sen. Alexander is seeking a new way to approach institutional accountability that balances deregulation with some sort of financial “skin in the game” for colleges.

Among the more controversial ideas he offers for feedback are removing the requirement that colleges be accredited to participate in Title IV programs, allowing states to be accreditors, breaking the geographic protection of regional accreditors; and requiring colleges to “risk-share” when any of their students default on their student loans.

Comments are due on April 24. NAICU is working with the higher education community on collective comments, and will also be submitting its own comments as needed.

For more information, contact Sarah Flanagan, Sarah@naicu.edu

NAICU Submits Tax Reform Proposal To Senate Finance Committee

In March, the Senate Finance Committee solicited comments and proposals for specific areas of tax reform from interested groups and individuals. NAICU submitted a proposal, which is identical to one it submitted in 2013 to the House Working Group on Education and Family Benefits, to reform the student and family higher education tax benefits, including consolidating and simplifying the tuition benefits. NAICU supports the current structure of tax benefits for students and families that help them save for college, pay tuition, and repay student loans.

Under Chairman Orrin Hatch (R-UT), the Senate Finance Committee has been divided into five working groups (business, individual, savings and investment, international, and community development and infrastructure) which will look at reform options for various sections of the tax code. This process is similar to the effort undertaken during the last two years in the House Ways and Means Committee. While then-Ways and Means Chairman Dave Camp (R-MI) ultimately proposed a comprehensive draft of tax reform proposals, the Senate is
less adamant about producing a similar document in a particular time frame. The Senate is more focused on examining the tax code and working through its various sections, with a longer term goal of possible legislation.

Reforming the higher education tax benefits appears to many, including members of the House and the Administration, as an easy first step in the larger tax reform process because of the widespread agreement that education benefits are overlapping and ripe for simplification. While NAICU agrees that the tuition benefits are indeed duplicitious and confusing, efforts to simplify them should not include the elimination of other benefits for saving for college or repaying student loans. Previous legislation in the House, and a more recent proposal from the White House, would have eliminated many important benefits and cut students’ eligibility for benefits, as well as limited savings options and loan repayment benefits.

Among the current array of tuition benefits, Congress can easily achieve simplification by making the most generous benefit – the American Opportunity Tax Credit (AOTC) – permanent (it is currently set to expire on December 31, 2017). A permanent AOTC would negate the need for the Tuition Deduction, Hope Credit, and Lifetime Learning Credit. However, to ensure that no student loses his or her tax benefit as a result, current AOTC income limits must be maintained, and the AOTC should be available beyond the first four years of college, for graduate students and lifetime learners.

There is pending legislation in both the House and Senate that would reform the benefits without eliminating them. S. 699, introduced by Sen. Charles Schumer (D-NY) and H.R. 1260, introduced by Rep. Lloyd Doggett (D-TX), would both achieve consolidation and simplification without harm to any current students or families. NAICU supports both of these efforts.

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

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Department of Education Hints at Creating Two College Ratings Systems

At a recent policy briefing at the Congressional Hispanic Caucus Institute, a top official at the U.S. Department of Education hinted that the Administration is considering creating two separate institutional ratings systems for colleges and universities. One system would be consumer-focused for use by students and families in helping choose a college, while the second would be for use by researchers and policymakers.

Higher education stakeholders have long criticized the creation of a single ratings framework, citing the impossibility of creating a singular structure that can be used to simultaneously guide consumer decision-making and hold institutions accountable for perceived mismanagement. The single ratings framework apprehension is in addition to the serious philosophical concerns over the federal government ranking or rating institutions based on arbitrary value metrics.

According to a story in the Chronicle of Higher Education, the ratings system geared towards consumers would use raw outcomes data from the criteria released by the Department last year, without federal weightings to create a value metric. (See February 12, 2015 Washington Update for more information on the proposed criteria and NAICU’s comments.) The ratings system geared towards researchers and policymakers would rely on metrics adjusted for student and institutional characteristics.

NAICU members agree that it is essential for students and families to have the best and most up-to-date information about what a college has to offer. However, the purpose of providing this information should be to help them find a “best-fit” college—not to reward or punish institutions based on factors that government officials determine are most important.

The Department has promised a final version of its rating plan in time for the 2015-16 academic year.

For more information, contact Tim Powers, Tim@naicu.edu

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House Hearing on “Strengthening America’s Higher Education System”

A recent hearing held by the House Higher Education and Workforce Training Subcommittee focused on strengthening America’s higher education system, and covered several topics that are likely to be debated during reauthorization of the Higher Education Act. Witness testimony touched on issues as broad as college costs, innovation, and accountability while Members’ questions covered a wide array of topics, including FAFSA simplification, deregulation, year-round Pell, debt and the economy, competency vs credit hours, measuring the success of graduates, and prior-prior year.

Considerable attention was paid to the remarks of Mitch Daniels, president of Purdue University and former governor of Indiana by Members of the subcommittee. Gov. Daniels received the lion’s share of Member questions and cited Purdue as an example of an institution taking the necessary steps to combat rising college costs, including implementing a trimester schedule, investing in competency-based education, and “flipping the classroom” as paths for cost-cutting and instructional improvement. He supports several current financial aid reform proposals, including FAFSA simplification, using “prior-prior year” financial data, and reinstituting summer Pell. He also noted that “[t]he most costly federal regulations stem from the current financial aid system.”

Michael Bennett, Associate Vice President Financial Assistance Services at St. Petersburg College, who was representing the National Association of Student Financial Aid Administrators at the hearing, expressed the need for caution as policy makers moved to remedy shortcomings with the student aid system. Bennett noted that states and institutions would need more information than adjusted gross income and family size in determining their aid eligibility. He also stated that limiting the FAFSA to those two elements would cause states and institutions to develop their own financial aid forms – which would result in a more complex situation for students. He urged the subcommittee to simplify the loan repayment options, provide institutions the discretion to limit borrowing in certain cases, and be allowed to require students to have additional financial counseling.

David Bergeron, from the Center for American Progress (CAP), heralded the increase in the college-going population in the past 30 years, but argued that more needed to be done to increase the number of students who complete college. CAP argues that it is critical that states stop divesting in higher education and proposes a Public College Quality Compact through which federal funds would be allocated to states based on their success with low- and middle-income students and military veterans. CAP will soon be unveiling details of its College for All proposal designed to make college more affordable for students, including generous provisions for loan repayment.

Christine Keller of the Association of Public Land Grant Universities (APLU) testified on the importance of having more meaningful data, suggesting that it could be provided through two of APLU’s initiatives: the Voluntary System of Accountability (VSA) College Portrait and the Student Achievement Measure (SAM).

NAICU President David Warren submitted testimony to the hearing record concerning proactive efforts undertaken by private, nonprofit colleges and universities via NAICU’s University and College Accountability Network to provide useful consumer data and qualitative information for prospective students and their families.

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

Negotiated Rule-making Sessions Focus on Pay As You Earn

Spurred by President Obama’s proposal to provide improved income-driven repayment to more borrowers, the Department of Education is considering how it might implement Pay As Your Earn (PAYE) 2 (also referred to as REPAYE), an additional loan repayment plan based on a borrower’s income.

The Department has held two rounds of talks. The first round of negotiations were held in late February, and laid out the key issues for this repayment option, and some other technical issues related to the Service Members Civil Relief Act (SCRA). The second round of talks, which concluded in early April, focused on hammering out the details of implementing REPAYE.

For the most part, the nonfederal negotiators, which included representatives of student groups, consumer
advocates, higher education associations, and servicers, at the negotiated rule-making sessions supported expansion of income-driven repayment, but expressed concern about several of the conditions of the proposed repayment plan and the fact that its creation might confuse borrowers. Currently, depending on which repayment plan they qualify for, borrowers have six repayment options, under the Direct Loan Program, including four that are income-based.

The proposed REPAYE option would offer loan forgiveness after 20 years of repayment for borrowers with $57,500 or less of debt and after 25 years for borrowers with more than that amount. Monthly repayment amounts are based on income and family size. Only a borrower with “partial financial hardship,” that is, their monthly payment exceeds 10 percent of their discretionary income, are eligible for REPAYE.

The nonfederal negotiators oppose both the Department’s proposal to have the tiered loan forgiveness structure described above and using partial financial hardship as an eligibility criterion. They have provided alternative language, which will be discussed at the next session in May.

The negotiating team reached tentative agreement on a technical question related to loan rehabilitation. There also seems to be general support for the SCRA issue to allow lump sum payments received by service persons from the Department of Defense, instead of monthly payments, to be credited toward loan forgiveness based on public service, as is currently done with lump sum AmeriCorps and Peace Corps payments. The panel is also looking at the possibility of expanding the circumstances under which an institution may challenge its draft or official cohort default rate based on its participation rate index (PRI). A PRI provides schools with a small number of borrowers a more realistic calculation of its default risk.

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

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Training Program offers Opportunities to Review and Assess Emergency Management Procedures

The Federal Emergency Management Agency is making available to NAICU members the ability to participate in a virtual training program to help colleges and universities in emergency preparedness and response planning.

In 2012, the Emergency Management Institute (EMI), which is part of the National Emergency Training Center, launched the Virtual Table Top Exercise (VTTX) program to bring together key personnel from the emergency management community to review a pre-packaged set of training exercises with organizations, institutions, and associations. The training scenarios cover situations such as an active shooter, floods, special events, cyber threats, and public health-related events such as an Ebola or pandemic flu outbreak.

EMI has opened this training opportunity to colleges and universities and invites NAICU members to participate. Each training course is limited to 10-15 participants who convene remotely for a four-hour period to discuss a simulated disaster scenario. The discussion is private within each location, allowing for an earnest assessment of policies and procedures by emergency management experts. However, participating institutions are connected so each might benefit from how the others assess current plans, policies, and procedures, while at the same time, provide their own perspective and practices facing a similar situation.

Campuses may find participating in the exercise of value for a number of reasons. Of particular interest is the variety of the participants in any one scenario. For example, your campus personnel may “run” their training exercises with staff from professional sports teams, major city police departments, Native American tribal leaders, or federal, state and local agencies.

For additional information, including the FY 2015 list of dates and training scenarios, please click here. If your institution is interested in participating, please contact Douglas Kahn at Douglas.Kahn@fema.dhs.gov or 301-447-7645.

For more information, contact Bo Newsome, Bo@naicu.edu
Aspiring to the Presidency Leadership Program Set for June 24-26 at St Anselm College

Mid- and senior-level college and university administrators interested in pursuing a college presidency can explore the career path as part of the three-day program Aspiring to the Presidency.

This decade-old executive leadership symposium will be held for a second year at St Anselm College in Manchester, NH from June 24 to 26, 2015. The program was moved to the east coast last year from its former home at Edgewood College (WI).

Aspiring to the Presidency explores the characteristics and roles of a successful president, how one acquires the necessary skills, and prepares to apply for the role. Past participants have included provosts, vice presidents, deans and other administrators.

Speakers include Dan J. Carey, Ph.D., president emeritus, Edgewood College; Kent Chabotar, Ph.D., president emeritus of Guilford College (NC); and Steven R. DiSalvo, Ph.D., president of St. Anselm College.

Enrollment is limited. Additional information, fees and how to register can be found here.

NAICU Welcomes Two New Staff Members in Government Relations and Research

Tim Powers, Director of Accountability and Regulatory Affairs

Powers joined NAICU in January, coming directly from Capitol Hill, to assume much of the issue portfolio previously covered by Susan Hattan who has retired but remains a part-time consultant to NAICU. For more than five years, Powers was the higher education specialist for former Congressman Tim Bishop of New York, where he focused primarily on higher education issues under the jurisdiction of the House Education & the Workforce Committee.

Prior to serving in Congress, Bishop had a long career in higher education including serving as both a financial aid officer and Academic Provost at Long Island University, a NAICU member institution. Bishop was regarded as one of the most knowledgeable Members of Congress on higher education issues. Powers was well mentored by Bishop and was well known to NAICU members and staff.

Powers will be responsible for representing NAICU on accountability and regulatory issues, including accreditation, state authorization, campus-based aid, and the proposed college ratings system.

He has a bachelor’s degree from Wake Forest University and is currently pursuing an MBA from Georgetown University in Washington, DC.

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Jason Ramirez, Director of Research and Policy Analysis

Ramirez comes to NAICU after nearly ten years with the Texas Education Agency (TEA). Working in the Division of Research and Analysis as a senior research analyst and manager, Ramirez and his team produced reports and data sets required for state and federal reporting as well as the maintenance and evaluation of the statewide accountability system.

Prior to TEA, Jason was a senior research analyst for nearly five years in the Research and Analytical Services Division of the Texas Guaranteed Student Loan Corporation (TG). At TG, Ramirez and his team produced reports, data sets, and web materials that focused on higher education access, indebtedness, retention, and state and federal financial aid policies.
Earlier in his career, Ramirez was a strategic planner for the Texas Commission for the Blind (TCB). There he worked with agency staff, external agencies, and consumers to produce strategic plans and data sources that facilitated the employment of blind Texans.

Ramirez holds a bachelor’s degree in government from the University of Texas and a master’s degree in political science from Texas A&M University.

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