

## Comments of the National Association of Independent Colleges and Universities on Chairman Lamar Alexander's White Papers

The National Association of Independent Colleges and Universities (NAICU) welcomes the opportunity to respond to a thought provoking series of papers putting forward ideas that could fundamentally restructure the relationship between institutional responsibility under the Higher Education Act and eligibility for Federal Student Aid programs. While NAICU will examine the potential risks and opportunities of ideas in each of the individual white papers later in this response, the association wishes to begin by addressing several overarching themes found throughout the three documents.

**Debundling v Rebundling American Higher Education:** Many of the ideas proposed for consideration by the papers (federal aid for single coursework, allowing participation in Title IV for entities that are not post-secondary institutions, separating accreditation from institutional eligibility requirements, and others) pose a fundamental question about whether American higher education should be decoupled from institutions and from more holistic degree or credentialing programs. Simply put, is the whole greater than the component parts?

While improvement and innovation is always needed, independent colleges and universities believe bundling is a key component of educational quality:

- An effective education and comprehensive degree program is more than a collection of credits or competencies.
- Proven and sustained institutional frameworks are necessary to validate the accomplishment of this larger educational goal. Relying on already established institutions brings with it a greater efficiency for the federal government and a greater assurance of delivering a quality education.
- Bundling of services benefits students, particularly those initially lacking the academic skills to succeed. Co-curricular activities, such as tutoring and academic and financial support, add to the likelihood of both quality credentials and success for students.

**Joint Responsibility:** The papers raise fundamental questions of responsibility for educational success, particularly for those students in whom the federal government invests in through the federal student aid programs. NAICU believes governments, institutions and students have a shared responsibility for success.

**Time to Degree Matters:** Simply put, to the extent feasible, it is more efficient and effective for federal policies to encourage Americans to go to college as soon as possible after high school, and to complete as fast as is reasonable, so as to increase the chances of completion, reduce overall debt, and increase overall lifetime earnings. While non-traditional learners are the new face of American higher education, and should be served by our student aid systems, the aid systems should not disadvantage those students who could complete college sooner and with less debt, if they had access to equal resources.

**Valid learning is not the same as access to federal student aid:** There are many exciting ideas emerging in learning, including in advanced learning. These new ideas are happening both within and outside of educational structures. Not all of these ideas are eligible for federal student aid, including many within academia by otherwise eligible institutions. Congress should continue the practice of carefully considering

what types of programs should bring with them eligibility for federal student aid. Deciding when to help students *pay* for education is distinct from *recognizing* the legitimacy of a new or emerging educational concept. Even at traditional institutions, Congress has generally not provided student aid to those not enrolled in a degree or certificate program, to those in short-term programs, or to most who have not completed high school or its equivalent.

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**Who We Are:** The National Association of Independent Colleges and Universities (NAICU) serves as the unified national voice of independent higher education. With more than 1,000 member institutions and associations, NAICU reflects the diversity of private, nonprofit higher education in the United States. Our 963 member institutions include major research universities, church related colleges, historically black colleges, art and design colleges, traditional liberal arts and science institutions, women's colleges, two-year colleges, and schools of law, medicine, engineering, business, and other professions. With more than 3 million students attending independent colleges and universities, the nonprofit sector of American higher education has a dramatic impact on our nation's larger public interests.

## NAICU Response to *Higher Education Accreditation: Concepts and Proposals*

The strength, quality, and diversity of higher education offerings in the United States are possible in large part due to independent accreditation. Relying on independent accreditation to assess academic quality permits a wide variety of institutions with varying missions to flourish—offering students the opportunity to obtain an excellent education at the institution that best fits their needs. This level of choice is unique to the United States, and not available in other nations which govern higher education through centralized government ministries.

The NAICU membership epitomizes this diversity and, as such, has a major stake in helping assure that the accreditation system remains strong and effective. The work of accreditation relies on countless volunteer hours, and the willingness to engage in tough, but fair, peer review. This is work that our members continue to regard as central to the success of American higher education.

In response to the paper released by Senator Alexander on March 23, 2015, *Higher Education Accreditation: Concepts and Proposals*, NAICU wishes to reiterate several important themes that are central to the mission and success of independent accreditation of institutions of higher education.

### **1. Accreditation is a dynamic process that works.**

Independent accreditation is a comprehensive peer review process of qualitative and quantitative metrics that ensures quality. By considering measurable and situational factors, independent accreditation safeguards a diverse and high quality community of higher education.

Independent accreditation is imperfect—like any value judgment—but far superior to the alternative of government control. It is precisely the lack of a central governmental curriculum that has allowed American higher education to flourish. Placing more government control over the accreditation process could have an overwhelmingly negative impact on both institutional innovation and diversity.

Absent an independent accreditation process, American institutions of higher education would be faced with the same top-down and prescriptive curriculum requirements placed on colleges and universities in other countries. Such an approach would be devastating to private colleges—particularly religiously-oriented institutions—and result in a dearth of educational opportunities for American students.

### **2. Accreditation works because of its mission-based focus.**

The reason that a diverse array of higher educational offerings is available in this country is due to the mission-based focus of accreditation. This diversity permits students to find their “best-fit” institutions, and maintains the vitality of our system of higher education. Moving to a compartmentalized approach to accreditation will do nothing to improve quality.

Other means of external review—particularly if conducted by a government entity—cannot match the flexibility or efficiency of an independent accreditation system.

### **3. Accreditation works best when it is focused on quality assurance, not compliance.**

Eliminating unnecessary requirements and elements outside the core competencies of accreditors is essential. Accreditation is a means to ensure educational quality, not institutional compliance. It is the duty of the Department of Education to maintain its function within “the triad” to ensure Title IV compliance. Unnecessary collection of data increases costs, and makes accreditation a much more significant burden than necessary.

**4. There is a need to avoid a “check-the-box” focus on accreditor compliance.**

Accreditation is not a granular review of institutional compliance with narrow requirements; accreditor review should not be either.

In recent years, the National Advisory Committee on Institutional Quality and Integrity (NACIQI) has used an extreme interpretation of the requirements outlined in Part H of the Higher Education Act regarding Department of Education recognition of accrediting agencies. As a result, accreditors have been forced to provide unnecessary reams of information to NACIQI completely unrelated to their task of ensuring institutional quality. Such unnecessary reporting requirements force accreditors to divert their focus from institutional quality to organizational compliance, driving up costs and slowing down the accrediting process.

**5. There continues to be a need to increase public understanding of what accreditation does and how institutions demonstrate their quality.**

Rather than holding accreditors responsible for the perceived flaws in the American higher education system, policymakers should instead focus on educating the public about the important role that an independent accreditation system plays in maintaining a diverse educational landscape.

**6. There are some particularly concerning proposals contained within the paper that would fundamentally alter the independent accreditation process.**

- i. Allow businesses, trade associations, labor unions, or any other “knowledge provider” the opportunity to provide an accredited educational offering eligible for Title IV funds.*

Permitting outside “knowledge providers” to accredit their own educational offerings in order to become Title IV eligible would overwhelm the federal student aid system with unproven and likely low-quality programs. Such an idea would likely carry with it an astronomical price tag, and incentivize businesses to engage in significant cost shifting from internal training programs to accredited programs funded by federal taxpayers. This proposal should be rejected.

- ii. Allowing states to set up their own alternative accrediting systems and decouple Title IV eligibility from enrollment at degree-issuing institutions.*

Allowing states to become accreditors will do nothing to improve quality, and will likely harm institutional diversity. NAICU member institutions are—by their very nature as private, nonprofit institutions—not under the direct control of state governments. They should not be placed indirectly under such control through the accreditation process. Decoupling Title IV eligibility from enrollment at degree-issuing institutions will only put more power in the hands of the government, and erode the diversity and mission-based focus of independent accreditation.

- iii. Eliminate the geographic-based structure of regional accrediting agencies.*

The regional accreditation model allows for accreditors to consider quantitative and qualitative metrics for each institution under its jurisdiction. Because accreditors have had working relationships for many years with colleges and universities in their region, it allows for accreditors to identify previous issues and potential flashpoints based on historical experience. Such an approach certifies quality for an entire region rather than different standards for different sectors (i.e. state flagship universities and small, independent colleges are held to the same basic standards).

Eliminating the regional structure will result in a race to the bottom for accrediting standards, incentivizing colleges and universities to seek accreditation from the regional accreditor with the least stringent standards. Since students are extremely unlikely to pick a college or university based on its regional accreditor, institutions will not be subject to any “market forces.” Instead, the result of eliminating regional accreditation would be decreased institutional quality, and an accrediting system with one de facto regional accreditor with the easiest standards.

- iv. Authorize the NACIQI to hire its own accreditation staff, independent of the Department of Education accreditation staff, to assist in preparation of agency recognition recommendations.*

This proposal would have the perverse incentive of creating a “shadow” Department of Education, and fundamentally alter the mission and role of NACIQI. It is not clear that having another semi-independent federal body overseeing the activity of accreditors will address improvement in the accrediting agency recognition process.

## NAICU Response to *Risk-Sharing /Skin in the Game: Concepts and Proposals*

The student aid programs were created with an underlying assumption that access and success in American higher education financing could only be achieved through an active partnership among the federal government, state governments, institutions, and students. As Congress moves to reauthorize the Higher Education Act, it must work to strike the appropriate balance among the various participants in this financing partnership in order to improve student access, affordability, and completion.

Independent colleges—more than any other sector—are committed to providing significant “skin in the game” to help students finance the pursuit of higher education. In fact, **67 percent of all aid awarded to students at four-year private colleges comes via institutional resources**. Moreover, while the Pell Grant maximum of \$5,730 is essential and deeply appreciated, it falls short in providing the resources necessary to successfully educate, house, and feed an at-risk student for an academic year. Even with federal loans, federal supplemental grants, and varying state financial support, institutions must fill in the remaining gap in the cost of education.

In response to the paper released by Senator Alexander on March 23, 2015, *Risk-Sharing /Skin in the Game: Concepts and Proposal*, NAICU wishes to respond to the question of whether institutions should assume greater liability related to the student loan repayments of their former students, and to offer thoughts on additional approaches to improving the financing partnership.

### 1. Risk-sharing of this type is untested and could prove uncertain in its outcomes.

In particular, NAICU and its members are very concerned that institutional risk-sharing for a federal entitlement program over which the institution has little control, could have a serious impact on the fiscal ratings of institutions. In particular, many of the institutions with the highest rates of student borrowing have such rates because they are serving a high percentage of low-income students. Institutions that serve a high percentage of low-income students, both currently and historically, are often the institutions with the fewest resources. These institutions would be the most vulnerable to a new fiscal liability for student loans.

### 2. Positive incentives for partnership are more effective than negative punishments.

Campus-based aid programs and LEAP were designed to incentivize states and institutions to invest in need-based student aid programs. Included in these programs is a “skin in the game” requirement for matching funds of 33 percent from the institution (for a total final institutional contribution of 25 percent). The stagnation and defunding of campus-based aid programs and LEAP has lessened their impact.

Congress could redesign these programs by creating a framework that more closely links them to the current Pell Grant and student loan programs (thus, achieving the benefits to the consumer of one grant, one loan), while also incentivizing institutions and states to reduce student debt by increasing grant aid, shortening the time-to-degree, or improving completion rates. Among the ideas that could be explored:

- a. Create a “Pell—Tennessee” or “Pell—Belmont University” supplemental grant program that uses a modest amount of federal grant funding to leverage more non-federal dollars, and provides an easy-to-understand financial aid award.
- b. Increase the match from past campus-based aid programs to gain more “skin in the game.” Federal matching requirements could vary depending on such things as a state’s commitment to need based aid or a college’s commitment to matching funds, increased success with low-income students, or percentage of first-generation to college students.

- c. Assist institutions that wish to adopt innovative programs such as the *Adrian Plus Program*, which is highlighted in the white paper, or the *Financial Empowerment Plan* at Grand View University in Iowa. While both of these programs were designed with fiscal assurance for students in mind, they are already proving to have stunning impacts on student retention in their first years of operation. Many institutions could learn from these new efforts, and the federal government could help expand these programs with a modest amount of financial incentive, particularly for institutions that do not have the fiscal resources to make an initial investment.

**3. Congress should continue to strengthen its support for the growing number of non-traditional students, but also provide incentives for institutions to help students complete on-time.**

The cost to students and taxpayers is significantly lessened when students attend college full-time directly after high school and complete in four years. The societal and individual benefits of college completion accrue faster though earlier entry into the job market, yielding greater tax payments, less borrowing, fewer years of college expenses, and less dependence on social services.

While it is critical for Congress to support non-traditional students, Congress should also provide equal incentive to students to attend college when they are most likely to succeed—immediately after high school, continuously, and full-time. However, the current structure of the federal aid system provides more federal aid if a student takes longer to complete. Congress should remove these financial disincentives for institutions and students, and:

- a. Support the reestablishment of Year-Round Pell.
- b. Redesign the student loan and grant system to give students who are progressing on time access to the same loan and grant amounts currently available only for those who take six years or more to complete.
- c. Provide families with traditional students in college the same income protection allowance extended in recent years to families of non-traditional students.

**4. The cohort default rate (CDR) is a useful, though limited, indicator of institutions' success with students.**

The advent of the CDR was a significant factor in the elimination of hundreds of poorly performing institutions in the 1990s. Of all the fraud and abuse measures instituted in the Higher Education Act Reauthorization in 1992, the CDR was the key metric most responsible for reducing default costs. The CDR metric has played a pivotal role in the establishment of a baseline for institutional standards.

Given that increasing numbers of students are entering income-driven repayment plans, the CDR calculation could be revised or supplemented with a more inclusive metric, such as a repayment rate. This metric would need to be carefully modeled to protect against unintended consequences.

**5. Student debt levels and student loan defaults are distinct phenomena. The highest rate of default is with those who borrow the least.**

Data show that default rates are worse among lower-balance borrowers. In fact, the highest percentage of default rates (34 percent) is among borrowers owing less than \$5,000; the default rate for students leaving school with more than \$100,000 of debt is 50 percent less. Basing institutional risk-sharing on tuition rates – either directly or indirectly through the percentage of students who are borrowing – is more an indicator of the sector of higher education those students attend, or of institutional wealth and selectivity, rather than to factors more in the institution's control such as institutional success rates.

## NAICU Response to *Consumer Information: Concepts and Proposals*

NAICU welcomes Congress' continued interest in transparency and accountability, especially in the form of consumer information. NAICU, and its 963 member institutions, supports federal transparency initiatives that provide prospective students and families valid information about colleges and universities that is relevant to their educational needs and goals. Prospective students and families currently have access to a wide array of commercial consumer information resources that are designed to help with the college selection process, but which instead have often added to confusion. The federal government, with its access to millions of college aspirants, and its credibility as an unbiased statistical resource, could play a key role in helping families sort through the many excellent and diverse post-secondary options available in our nation. Enabling them to go beyond the commercial ratings and rankings and rely on facts would be a great service.

In response to the paper released by the HELP Committee on March 23, 2015, *Consumer Information: Concepts and Proposals*, NAICU wishes to provide further context on consumer transparency and the importance of maintaining data integrity.

### 1. **The federal government can play a positive role in consumer transparency, helping families find a best-fit college.**

The federal government can play an important role in countering the influence of commercial interests, which are not always in the best interest of students. A consolidated federal approach should:

#### a. **Ask consumers what they want.**

Congress should communicate directly with prospective students and their families to determine what information is most important to them during the college decision process. Too often, policymakers will require data to be reported by institutions of higher education, which is of little pertinence to students. Instead, Congress and the Department of Education should engage in a process to identify what information is truly valuable to students and families, before requiring colleges to report superfluous statistics.

#### b. **Make it long enough, yet short enough.**

Too little information can be misleading, too much can be overwhelming. This is one of the biggest challenges confronting policymakers, as they debate how best to inform students and families about the opportunities available in higher education. While many opinions exist on the value of specific data points, Congress must find a balance to ensure consumers find the information they think is important.

#### c. **Include both qualitative and quantitative information, in partnership with institutions of higher education.**

Congress should work in partnership with colleges and universities to provide information that prospective students want to know about the nature of the institution so they can determine "fit." This can be done by allowing institutions to tell their own stories through links on college profiles, so students can learn more about what makes each school unique.

#### d. **Offer multi-faceted ROI information.**

Proposals to align earnings by major miss the skills valued most by employers, and are not proven to be indicative of a student's future earnings. A more accurate assessment would be to provide students more comprehensive information on possible career paths and earnings power by field, geography and

training level. The white paper's proposal to improve existing data bases, such as the regional data provided by the Bureau of Labor Statistics, would be a positive step toward this end.

Congress must also consider value beyond earnings. Earnings for alumni employed in the fields of public service, religion, or social work may be comparatively low, but such careers are just as valuable as more financially lucrative careers.

e. **Time to Degree Matters.**

Any consumer information tool that includes cost information must also include information on time to degree. An institution with lower annual tuition, but an average time to degree of six years, may cost a student more than a higher priced school in which students complete in four years.

**2. The hard policy, privacy and security questions that arise with any personal information collection and dissemination activity must be squarely addressed.**

When discussing the particularly complicated proposals to provide more consumer information while maintaining vital privacy protections, Congress must not back away from answering the hard questions. Such open questions include:

- a. What are the policy questions we are seeking to answer? Therefore, what information do we need to answer those questions? Is personally identifiable material needed to answer those questions? Is the policy need so great that it can justify the privacy trade-offs?
- b. Do students/parents have opt-in or opt-out rights? Do they have rights to review and redact files?
- c. Who is liable for inaccurate information or data breaches?
- d. How long will the material be retained?
- f. Who can see or use the information?
- e. If a private entity were to be used for data collection or related activities, what happens with respect to the many institutions that do not use services of that private entity?

**3. Avoid oversimplifying the Net Price Calculators, which help students make informed choices about college financing.**

A Net Price Calculator that only uses three factors will not reveal net-price at institutions which give extensive aid based on other factors.

Some of the highest priced institutions give the most generous institutional aid. Private, nonprofit colleges provide approximately 67 percent of all student financial aid via institutional resources, so NAICU members, many of whom have invested significant resources in developing comprehensive calculators, have a particular stake in this question. The whole reason net price calculators were mandated in law was so students might look beyond sticker price. If overly simplified, the net price calculator becomes redundant to average net price, which is readily available. This is particularly important to address under-matching and if prior-prior year is adopted. Through the combination of prior-prior year information and the availability of comprehensive net-price calculators, many private institutions believe families will be enabled with precise cost information well in advance of the application cycle.