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WASHINGTON UPDATE

FEBRUARY 2018

Trump Administration Releases FY 2019 Budget Request

On February 12, 2018, the Trump Administration released its FY 2019 budget request, which affects the 2019-2020 award year, which proposed steep cuts to federal education funding. The White House budget proposal will not be approved or even be seriously considered but it represents that they agree with the thinking of the House Republicans since there are many similarities to the *PROSPER Act*, the *Higher Education Act* reauthorization bill that passed the House Committee on Education and the Workplace in December 2017.

The proposal would affect the federal student aid program as follows:

- Pell Grant Program: Funding would be available for a maximum Pell Grant award of $5,920 and Pell Grant eligibility would be expanded to include short-term program that provide students with a credential, certification or license in an in-demand program "with sufficient guardrails in place to balance students' needs with protecting taxpayers' interests."
- FSEOG: Funding would be eliminated.
- FWS: Funding would be cut and eligibility for graduate students would be eliminated.
- Direct Loans: The subsidy for Direct Loans for undergraduate students would be eliminated.
- Repayment Plans: The income-driven repayment (IDR) plans would be consolidated into a single plan with a monthly cap of 12.5 percent of the borrower's discretionary income and a 15-year repayment term for undergraduates, and a 30-year term for graduates. Remaining balances would be forgiven. The standard repayment plan would be eliminated. The budget proposes to auto-enroll severely delinquent borrowers in the IDR plan, institute a process for the borrower to consent to share income data for multiple years, and streamline ED's ability to verify applicants' income data held by the IRS.
- Public Service Loan Forgiveness (PSLF) Plan: The PSLF Plan would be eliminated.
- Shared Accountability: The proposal calls for "shared accountability" between the federal government and the colleges and universities for repayment of federal student loans.
- Funding for FSA's "Next Generation Financial Services Environment:" The budget proposal would support new mobile phone engagement for all customer interactions.

Copies of the Fact Sheet and Full Budget Request are included in the Department of Education's announcement found at: https://www.ed.gov/news/press-releases/presidents-budget-expands-education-freedom-protects-vulnerable-students.

Reauthorization of the HEA is Likely to Take Awhile

The higher education community has just begun to examine the impact of the *Promoting Real Opportunity, Success, and Prosperity through Education Reform* (*PROSPER Act),* the bill to reauthorize the *Higher Education Act (HEA*), that was passed out of the House Education and the Workforce Committee on December 12, 2017 by a vote of 23 to 17, along party lines. The Democrats unanimously opposed the bill and criticized it for repealing the FSEOG Program and other programs that target low-income students and for failing to do more for students with student debt.

While some policy analysts have praised the *PROSPER Act* because it would provide incentives for students to graduate in four years, it would eliminate the origination fees, and it would expand the Federal Work-Study Program, many argue that the bill makes college more expensive since it would eliminate the subsidy on undergraduate loans, it would eliminate the FSEOG program, and it would eliminate borrowers' repayment options, such as the Public Service Loan Forgiveness program. On February 5, 2018, 35 higher education groups, civil rights organizations, and unions sent a letter to House leaders asserting that the *PROSPER Act* "exacerbates the increasing burden of student debt and continued inequality in higher education access and outcomes. It would make higher education less affordable, saddle students with greater debt, and push more students into loan default."

A copy of the February 5, 2018 letter is found at: https://edtrust.org/press_release/letter-35-higher-education-organizations-regarding-prosper-act/.

The differences between the Democrats and Republicans on the Senate side became evident in the recent Senate hearings on affordability and accountability. Despite verbal agreement to get a bipartisan reauthorization bill introduced in the Spring 2018, it is likely not to happen. Democrats call for more federal dollars for student aid and the Republicans question the merit of making greater federal investments in student aid. Senator Lamar Alexander (R-TN), Chairman of the Health, Education, Labor and Pensions Committee, discussed the Bennett hypothesis, which is the idea that increasing federal student aid leads to rising college costs. While many disagree with Senator Alexander, he said that Congress should at least consider its effect. With regard to accountability, Senator Alexander believes that different standards should be used other than the cohort default rate, the 90/10 rule, and the gainful employment rule to hold schools accountable, while Democrats, led by Ranking Member Patty Murray (D-WA), believe the current standards should be strengthened. Several experts have argued that the disagreements on affordability and accountability signal that there is a long way to go before the Senate introduces its reauthorization bill.

On the other hand, Chairman Alexander and Ranking Member Murray released an announcement seeking comments or suggestions for the Committee's consideration as they work on the reauthorization of the HEA by February 23, 2018. Comments should be sent to: HigherEducation2018@help.senate.gov.

CBO Releases Analysis of *PROSPER Act*

On February 6, 2018, the Congressional Budget Office (CBO) released its cost analysis of H.R. 4508, *Promoting Real Opportunity, Success, and Prosperity through Education Reform Act (PROSPER Act),* the House Republican bill to reauthorize the *Higher Education Act*, which passed out of the House Education and the Workforce Committee on December 12, 2017. The CBO analysis estimates $14.6 billion in savings due to changes in the loan and Pell Grant programs. The elimination of the Public Service Loan Forgiveness (PSLF) Program, elimination of subsidized loans for undergraduate students, and modifications to the loan forgiveness options would generate the most savings. New costs to the federal government would result from the creation of a new Pell Grant Bonus Program for students enrolled in 15 credits or more a semester and the elimination of the origination fees.

A copy of the CBO report is available at: https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr4508.pdf.

Senate Democratic Caucus Releases its HEA Reauthorization Principles

On February 1, 2018, the Senate Democratic Caucus released a document called "Senate Democratic Caucus Higher Education Act Reauthorization Principles," which outlines their priorities for the reauthorization of the *Higher Education Act (HEA*). The document reflects the thinking of the Senate Democrats, led by Ranking Member of the Senate Committee on Health, Education, Labor and Pensions (HELP) Patty Murray (D-WA). Many of the proposals show how far apart the Republicans and Democrats are on key issues. "While our nation's higher education landscape has changed drastically over the last five decades, our core values have not." The document goes on to say: "The reauthorization of the HEA must focus on four key principles: affordability, accountability, access, and protecting the rights and safety of all students."

Democrats believe that any reauthorization of the HEA must include the following four principles:

1. Affordability and Student Debt:

    - Reducing College Costs: The HEA reauthorization must focus on providing a path for students to graduate from college debt-free. Tuition-free community colleges or two years of postsecondary education are important for lowering the costs.
    - Pell Grants: The Pell Grant program must be strengthened to ensure a commitment to low-income students. Regular shortfalls and surpluses have put the program on an unstable footing.

- Debt Relief: The HEA must reduce the burden for borrowers on their private and federal loans. Borrowers should be able to refinance their student loans. Seniors, veterans, and others with disabilities should be afforded debt relief.
- Student Loan Repayment and Servicing: The process of repaying student loans is too complicated and poorly managed. Borrowers should have access to better information and a simpler process for enrolling in income-driven repayment plans.

2. Accountability and Transparency:

- Outcomes and Data: The HEA reauthorization should include provisions that require more transparency in school performance, overturn outdated restrictions on student-level outcome data, and crack down on worst-performing and predatory schools.
- Continuous Quality Improvement: Colleges with low student loan repayment rates and high default rates should be held accountable for their use of federal student loans, and colleges with poor access, persistence, or completion rates should be accountable for their use of grant aid. The triad must be strengthened, and accreditation must be improved to serve as an effective gatekeeper of federal dollars by holding low-performing institutions to high standards.
- For-Profit Colleges: In the wake of the closures of Corinthian Colleges and ITT Tech, extra scrutiny must be used for for-profit colleges to reduce their incentive to maximize profits over student success.

3. Access and Success:

- Serving Low-Income Students and Strengthening Campus-Based Aid: Colleges should be encouraged to enroll and graduate more low-income students. Colleges should be incentivized to improve student success, including persistence, completion, earnings, and placement.
- Closing College Pipeline Gaps: The HEA should address the high school graduation to college enrollment gap for low-income and first-generation college students by supporting strategies such as dual enrollment and early college high schools. The transfer process must be improved since untold numbers of students lose academic credit or drop out of higher education entirely.
- Historically Underrepresented Students: The HEA reauthorization should promote access and shared prosperity for groups of students that have been historically underrepresented in higher education.
- Improving Teacher Preparation Programs: There continues to be a need to improve the diversity of the teaching force, reform teacher preparation programs, and address teacher shortages.

- Supporting Institutions: The HEA should continue to support students attending Minority Serving Institutions (MSIs).
- Today's Student: Financial aid policies and support services should serve a student population that is fundamentally different than the student population during the last reauthorization.

4. Protecting Student Safety and Rights:

- Campus Sexual Assault: Every student deserves to be safe on campus and the HEA must include guidelines to prevent sexual violence.
- LGBTQ Students: These students should not be subjected to bullying and harassment.
- Students with Disabilities: Students with all types of disabilities should have access to all materials and services provided by institutions of higher education.
- Hazing: The HEA should support transparency and a comprehensive agenda to support institutions who are struggling to address the issue of hazing.

Ranking Member Murray had harsh words for the white paper released by Chairman of the HELP Committee Lamar Alexander (R-TN): "They would move us in the wrong direction and make it very clear we have some serious and tough issues to work through as we negotiate a comprehensive reauthorization of this important legislation, but I remain hopeful we can get this done as quickly as possible." She also said that rewriting the law should prioritize putting "students and taxpayers first – and that means strengthening our existing accountability provisions for schools that could be taking advantage of students, not weakening or eliminating them. And we should be holding all colleges accountable for successful outcomes for all groups of students."

A copy of the Senate Democrats' priorities is found at: http://cecu.informz.net/cecu/data/images/GR%20Uploads/Senate%20Democrats%20HEA%20Priorities.pdf.

<u>Senator Alexander Seeks Input on Higher Education Accountability Measures</u>

On February 1, 2018, Chairman of the Senate Health, Education, Labor and Pensions Committee Lamar Alexander (R-TN) released a white paper on "Higher Education Accountability," which provides an overview of the federal accountability requirements that currently exist in higher education. It also considers a number of concepts or proposals for updating these measures. Chairman Alexander asks for public feedback on the proposals to ensure that students at the 6,000 colleges and universities are receiving degrees worth their time and money. The deadline is February 15, 2018.

The white paper argues that Congress should end the use of cohort default rates as the primary federal accountability metric, repeal the 90/10 rule, and prohibit implementation of the gainful employment rule. Instead, the white paper proposes that Congress move toward a programmatic repayment measure to measure student success.

A copy of the press release is found at: https://www.alexander.senate.gov/public/index.cfm/pressreleases?ID=F7028D4D-8822-431B-AF77-C18D3E96DEA7.

A copy of the white paper is found at: https://www.alexander.senate.gov/public/_cache/files/cfd3c3de-39b9-43dd-9075-2839970d3622/alexander-staff-accountability-white-paper.pdf.

Senate HELP Committee Holds Hearing on Improving College Affordability

On February 6, 2018, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing titled, "Reauthorizing the Higher Education Act: Improving College Affordability." The differences of opinion between the Republicans and Democrats were readily apparent during the hearing. Chairman of the HELP Committee Lamar Alexander (R-TN) said: "It is never easy to pay for college, but it is easier than many think and it is unfair and untrue to make students think that college is unaffordable. It is true that college costs have been rising and a growing number of students are having trouble paying back their debt. The purpose of this hearing is to look at what steps the government can take to help improve college affordability for students." Ranking Member Patty Murray (D-WA) said that discussions on college affordability need to take a holistic approach, considering all aspects of college. She said that "I'm sure there will be a number of issues we don't agree on – but I believe there is one question that should guide our negotiations. The question we have to ask ourselves is, 'Will this reauthorization of the Higher Education Act leave students better off.'"

Senator Alexander suggested that they consider the Bennett Hypothesis, which was a concept introduced by former Secretary of Education William Bennett in 1987, when he "argued that rising federal student aid has an impact on rising college tuition."

Concern was raised about the default rate of black college students. Senator Elizabeth Warren (D-MA) noted that black college students default at "five times the rate of white college graduates." Dr. Sandy Baum, Senior Fellow at the Urban Institute, stated that there is a debt crisis among black students and many students attending for-profit institutions are borrowing more than other students.

Dr. Baum testified that there are many factors contributing to college affordability including the value of the education. Dr. Baum made three proposals for addressing college affordability: ensuring financial aid programs are "simple, predictable, and easy to apply for" and that students and families have information about aid early on; enacting policies to help students make better choices, such as placing restrictions on institutional eligibility for Title IV aid; and designing an "effective federal incentive" to increase state funding for need-based grant aid and public higher education.

During the period of questioning, Senator Warren stated: "The higher education law we write in this country could be the law of the land for the next decade. It would be unconscionable for us to write a law without making college more affordable and without dealing with the more than 40 million Americans who are struggling to pay off $1.4 trillion in student loan debt. I think that should be our first job."

Senate HELP Committee Holds Hearing on Institutional Risk Sharing

On January 30, 2018, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing titled, "Reauthorizing the Higher Education Act: Accountability and Risk to Taxpayers." Chairman Lamar Alexander (R-TN) opened the hearing by expressing concern over the large number of the President's nominations for senior positions at the Department of Education that have not been confirmed by the Senate. He said that the Trump Administration used to share the blame because it was slow to make nominations, but now "the responsibility lies solely with the Democratic minority, which is insisting on taking most of one week to confirm each nominee, knowing that there is not much time for nominations on the Senate floor."

In addressing the topic of the hearing, Senator Alexander said that "Congress should consider new accountability measures that are more effective at holding all individual programs at all colleges and universities accountable for the ability of their students to pay back their loans." Senator Alexander went on to say that an important part of accountability is to find ways to make sure students are not borrowing more money than they will be able to pay back." He noted that there were some worrisome signs with almost half, or 46 percent, of the borrowers repaying their loans and a little more than half, or 54 percent, of the borrowers who are in default or are not making payments on time. Of those repaying their loans, almost two-thirds of them are in the income-based repayment program, which was designed as a safety net for low-income borrowers, but has become the standard repayment plan. Chairman Alexander concluded his opening remarks by stating that he wanted to hold all schools accountable when students borrow too much and are not prepared to repay their loans by providing students with more data on the cost of college and what their earnings are likely to be; by encouraging schools to counsel students about the amount of money they can afford to borrow; and by having schools share in the risk.

Ranking Member Patty Murray (D-MA) said that both students and taxpayers must get a return on their investment in higher education and argued for a stronger accountability system. However, Senator Murray stated that the accountability system should not be a "one size fits all" approach, but should take into account the different sizes and types of institutions, such as community colleges, online colleges, and for-profit colleges, which she noted had a troubling history of sacrificing student success for financial gain. Senator Murray said that schools should be held accountable not only for students obtaining jobs after graduation, but at all phases of the student's education. She also asserted that colleges that saddle students with debt they cannot repay should not be able to benefit from taxpayer dollars. She favors a stronger accountability system that builds on current measures but does not replace them.

During the hearing, members of the Senate HELP Committee and witnesses discussed for-profit colleges and the need for different or stricter accountability standards. Senator Elizabeth Warren (D-MA) called for heightened accountability for for-profit colleges and accused them of being subject to the interests of financial investors or demonstrating quarterly profit growth to Wall Street and being more often sued or investigated for defrauding students than institutions in other sectors of higher education. She also opposed the use of mandatory arbitration agreements. Senator Warren also noted that colleges get access to federal dollars no matter what the quality of the education that they provide. The federal government and accreditors "rubber stamp" their approvals and students are then led to believe that they will get a good return on their investment.

Senator Tim Kaine (D-VA) discussed the 90/10 rule and said that the rule encourages institutions to target veterans. He encouraged the closure of the "loophole." Ben Miller, from the Center for American Progress, testified that for-profit colleges can become about recruitment and not quality if they are in the wrong hands. Mr. Miller stressed the need to examine ownership decisions. In response to a question from Senator Alexander, Dr. Anthony Carnevale, from the Georgetown University Center on Education and the Workplace, said that standards should be set but they should be set for all sectors of higher education. Dr. Carnevale also said that students who are investing in higher education need to have better information to make decisions that have lifelong economic consequences.

After the question and answer session, Chairman Alexander wrapped up the hearing by noting that the HELP Committee will begin writing a bill to reauthorize the *Higher Education Act* in the "next few weeks," and he hopes to mark up the bill in the Spring 2018. He added that he is holding discussions with the Democrats with the goal of releasing a bipartisan package.

<u>Senate HELP Committee Holds Third Hearing on HEA Reauthorization Focusing on Access and Innovation</u>

On January 25, 2018, the Senate Health, Education, Labor and Pensions (HELP) Committee held its third hearing in the 115th Congress on reauthorizing the *Higher Education Act*, titled, "Reauthorizing the Higher Education Act: Access and Innovation." In his opening statement, Chairman Lamar Alexander (R-TN) said Congress should create an environment that allows colleges to be as versatile as today's students. "This is the digital age with remarkable inventions everywhere we turn, and so today we are looking at how the federal government can get out of the way so schools can innovate to meet the needs of all of today's college students." Ranking Member Patty Murray (D-WA) said: "I look forward to looking at ways to make college a reality for all our students who may not have access to the opportunities higher education can create…If we want to truly help students, we also need to hold colleges accountable for student performance…We need to make sure that we have strong guardrails for all programs to make sure that our students get a good quality education, instruction, and the right support."

Both Senator Murray and Senator Elizabeth Warren (D-MA) spoke about students being targets of for-profit and online colleges. They both expressed concern that online courses may not be suited for low-income students because they lack outside support from faculty. The witnesses agreed that low-income students need a support system even on-campus. Senator Warren called for more information so that students can better know their options.

Much of the discussion was focused on the benefits of competency-based education (CBE) as many competency-based education programs are designed for nontraditional learners. Dual enrollment programs were also discussed since such programs are designed to increase access for low-income students. It was recommended that Congress should define CBE within current law in a way that correctly emphasizes learning outcomes and that differentiates distance education and correspondence courses.

<u>Senate HELP Committee Holds Hearing on Reauthorizing the HEA</u>

On January 18, 2018, the Senate Health, Education, Labor and Pensions (HELP) Committee held a hearing titled, "Reauthorizing the Higher Education Act: Financial Aid Simplification and Transparency." Chairman of the HELP Committee Lamar Alexander (R-TN) said: "This committee began thinking about reauthorizing the Higher Education Act four and a half years ago. Since then, we have had 18 hearings, which have produced a large number of mostly bipartisan proposals, ranging from simplifying student aid to improving the accreditation system. It is our goal for the committee to mark up a comprehensive set of recommendations and send them to the full Senate by early spring." Senator Alexander continued: "The consensus that I see emerging is student focused: Simpler, more effective regulations to make it easier for students to pay for college and to pay back their loans; reducing red tape so administrators can spend more time and money on students; making sure a degree is worth the time and money students spend to earn it; and helping colleges keep students safe on campus."

Ranking Member Patty Murray (D-WA) began her remarks by criticizing the Department's implementation of the *Every Student Succeeds Act*, and she said that she believes that such actions may jeopardize the upcoming bipartisan negotiations on higher education. The HELP Committee has a history of bipartisan cooperation on some larger pieces of legislation, such as reauthorizing the *Elementary and Secondary Education Act (ESEA)*, now the *Every Student Succeeds Act.* She said that she was hopeful that discussions can move forward, but the reauthorization process needs to be comprehensive and simplification cannot be used to eliminate various grant and loan programs that provide important services and support low-income students.

The witnesses described several proposals that have been increasingly discussed in recent years. One witness discussed the confusion resulting from award letters because they often leave out information on the cost of attendance and do not distinguish between grants and loans. Most of the witnesses proposed simplifying the current income-based repayment plans. One witness suggested that the federal government begin to use payroll withholding for loan repayments. Another witness suggested that the loan repayment period be longer than the traditional 10-year repayment plan as is done in other countries and defaulted borrowers should be automatically transferred to an income-based repayment plan with automatic payroll withholding.

In announcing that there will be another hearing on reauthorization to be held on January 25, 2018 on access and innovation, Chairman Alexander stated: "As we continue to examine proposals to reauthorize the Higher Education Act, we should be looking at ways to make it easier for colleges to meet all students' needs – whether that is in a traditional classroom, online classes, or other promising approaches."

A copy of Senator Alexander's press release is found at:
https://www.alexander.senate.gov/public/index.cfm/pressreleases?ID=78AC102D-C820-4A18-A039-B002B2BC6176.

House Education Committee Holds Hearing on Protecting Privacy

On January 30, 2018, the House Education and the Workforce Committee held a hearing titled, "Protecting Privacy, Promoting Policy: Evidence Based Policymaking and the Future of Education," which focused on the use of data. Chairman Virginia Foxx (R-NC) opened the hearing by stating that schools should be providing program-level data to students and she hoped that what they learn will be helpful to Congress in updating and modernizing the laws. Chairman Foxx was interested in obtaining support for her position that there should not be a single unit record database, which is currently banned in the *Higher Education Act*. Ranking Member Bobby Scott (D-VA) said that research and data collected by the federal government should be used to shape education policy just like data does in other parts of the federal government, such as defense or agriculture.

Chairman Foxx asked the witnesses whether data was completely secure and they agreed that there was no "silver bullet" in protecting data because there are always those individuals who can breach data. While the members and witnesses agreed that data is important and should be protected, no one was able to assert that all data could be protected. Witnesses did agree that the use of aggregate data rather than individual data is an important safeguard to protect individuals' information.

Five Senate Democrats Urge NACIQI to Review For-Profit to Non-Profit Conversions

On January 11, 2018, Senators Elizabeth Warren (D-MA), Sherrod Brown (D-OH), Patty Murray (D-WA), Richard Durbin (D-IL), and Richard Blumenthal (D-CT) sent a letter to the Chair and

Vice-Chair of the Department of Education's National Advisory Committee on Institutional Quality and Integrity (NACIQI) urging them to review the issue of for-profit institutions that convert to nonprofit institutions at its upcoming meeting on February 7, 2018. The letter stated: "Given NACIQI's unique ability to recommend guidelines and practices for federally recognized accrediting agencies in accordance with their responsibilities under the Higher Education Act, NACIQI has a responsibility to address how agencies should consider changes in ownership and other transactions at its February meeting." The letter urged NACIQI to ensure that conversion approval processes are significant factors in NACIQI's qualitative reviews of accrediting agencies.

A copy of the five Senate Democrats letter is found at: https://www.warren.senate.gov/files/documents/2018_01_11%20Letter%20to%20NACIQI%20re%20sectorial%20conversions%20of%20for-profits%20colleges%20to%20nonprofit%20status.pdf.

House Education and the Workforce Committee Reprints a *Wall Street Journal* Article Describing "Today's College Students"

On January 6, 2018, the House Education and the Workforce Committee posted a blog that reprinted a *Wall Street Journal* article titled, "Today's College Students Aren't Who You Think." The article pointed out that today's students are not "18-year-olds living in cramped dorm rooms," but men and women who are often working part-time. The article also indicated that about 40 percent of the 17.5 million undergraduates are enrolled in two-year institutions and the vast majority of college students are not enrolled in Ivy League institutions, but attend institutions that admit nearly anyone who applies. Further, with many students changing majors or programs, most students take longer to complete their four-year program. One main reason why students take longer to finish is that many students change schools and the credits do not transfer.

A copy of the blog with the article is found at: https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=402385.

Borrower Defense to Repayment Rules Delayed Until July 1, 2019

On February 14, 2018, the Department of Education posted a notice in the *Federal Register* that the borrower defense to repayment regulation would be delayed until July 1, 2019. The delay of the rules comes around the time for the final negotiated rulemaking session for the borrower defense to repayment rules scheduled for February 12-15, 2018.

A copy of the notice is found at: https://www.gpo.gov/fdsys/pkg/FR-2018-02-14/pdf/2018-03090.pdf.

Net Price Calculator Template for 2016-2017 Data is Now Available

Each institution that participates in the Title IV federal student aid programs is required to post its Net Price Calculator on its Web site. The Net Price Calculator is required for all Title IV institutions that enroll full-time, first time degree- or certificate-seeking undergraduate students. The Net Price Calculator uses institutional data to provide estimated net price information to current and prospective students and their families based on a student's individual circumstances. While there is no specific deadline for updating the Net Price Calculator, institutions are required to update their Net Price Calculator on an annual basis.

The template is available at: https://nces.ed.gov/ipeds/netpricecalculator/.

Department Reorganizes Staff

On January 31, 2018, the Department of Education announced that Frank Brogan has been delegated the duties of Assistant Secretary of Postsecondary Education (OPE). He will continue to also serve as the Acting Principal Deputy Assistant Secretary of OPE overseeing the Department's planning, evaluation, policy development, and budget activities. Mr. Brogan has been nominated by the White House to be the next Assistant Secretary for the Office of Elementary and Secondary Education and is awaiting Senate confirmation.

Kathleen Smith, who is currently Acting Assistant Secretary for Postsecondary Education, will now be the Deputy Chief Operating Office of Federal Student Aid (FSA). Ms. Smith will be responsible for managing FSA's daily operations, its 1,300 employees, and its $1.4 trillion student loan portfolio.

A copy of the announcement is found at: https://www.ed.gov/news/press-releases/us-department-education-personnel-announcement.

FSA COO Steps Down to Head "Strategy and Innovation" Office

On January 25, 2018, the Department of Education announced that Dr. A. Wayne Johnson, Chief Operating Officer (COO) for Federal Student Aid (FSA), will step down to head the "Strategy and Transformation" unit, which will focus on the "delivery of financial aid to millions of students and their families." The new unit will focus on implementing the Next Generation Processing and Servicing Environment and "bringing the customer servicing capabilities of FSA into the 21st century."

James Manning, currently the Acting Undersecretary of Education, will serve as the interim head of FSA.

A copy of the announcement is found at: https://www.ed.gov/news/press-releases/secretary-devos-forms-new-strategy-and-transformation-office-fsa?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=.

FSA Moves Forward with Plans to Test FSA Payment Card Program

On January 19, 2018, Federal Student Aid (FSA) published a Pre-Solicitation Notice announcing the anticipated release of a solicitation for contractor support for Federal Student Aid's (FSA) Payment Card Program to facilitate FSA fund disbursements originated by participating schools. According to the Pre-Solicitation Notice, the Department will solicit offers from companies in late Spring 2018 that would allow 25,000 students at as many as four colleges and university systems to directly access refunds of their federal student aid after covering tuition. The companies would contract with a bank and payment processing firm, as well as the participating colleges or universities. The purpose of the FSA Payment Card Program Pilot is to test, with a select number of schools, an FSA Payment Card "whereby federal student loan customers ("Customers") will have a consistent, economically advantageous and timely method to receive FSA loan refunds." The FSA Payment Card would be like a debit card, but the Department will prohibit the card provider from charging a wide range of fees, including an in-network ATM withdrawal fee, foreign transaction fees, overdraft fees, and account maintenance fees. Dr. A. Wayne Johnson, Chief Operating Officer for FSA, first announced plans for the FSA Payment Card on November 29, 2017 at the FSA Training Conference.

The FSA Payment Card Program will have the following requirements:

- College students will sign up for the Payment Card Program through a mobile or online application;
- Schools would refund overages onto the Payment Card and communicate with the student about the funds' status;
- Students would use the loan refunds and all other funds allocated to the Payment Card for everyday goods and services; and
- Students would have access to mobile self-service as well as call center assistance to resolve card-related issues.

A copy of the notice is found at:
https://www.fbo.gov/index?s=opportunity&mode=form&id=caac84c91dc25bb98a5504a3045991cb&tab=core&tabmode=list&=.

Department Releases 2018 GE Disclosure Template

On January 19, 2018, the Department of Education released the 2018 Gainful Employment (GE) Disclosure Template. Institutions will have until April 6, 2018 to update the disclosures for each of their GE programs using the 2018 GE Disclosure Template. Electronic Announcement #110 states that while the 2018 GE Disclosure Template is similar to last year's template, there are some differences:

- Institutions are no longer required to disclose room and board charges in the template;
- The Unsubsidized loan interest rate will be prefilled based on the selected credential level;
- Institutions will not be required to disclose median earnings data in the template;
- Institutions must still disclose whether the program has failed the debt-to-earnings (D/E) rates measure within 30 days of receiving the final D/E rates from the Department. Once an institution has indicated that a warning is required, the output screen will be prepopulated with the student warnings;
- Institutions may add more than one accreditor job placement rate;
- The format for reporting licensure requirements was changed; and
- "Foreign Country" was added as an option in the list of States.

Comments in the press have noted that the Department is watering down the disclosure requirements because under the 2018 GE Disclosure Template, institutions would no longer have to disclose median earnings data or room and board charges.

A copy of the Electronic Announcement is found at: https://ifap.ed.gov/eannouncements/011918GEAnnounce110Rel2018GEDisclosureTemplate.html.

Notice Issued in *Federal Register* Seeking Third-Party Comments on ACICS' Application for Initial Recognition

On January 24, 2018, the Department of Education published a Notice in the *Federal Register* seeking comments regarding accrediting agencies, which will be on the agenda for the Spring 2018 National Advisory Committee on Institutional Quality and Integrity (NACIQI). Included with the list of accrediting agencies to be reviewed is the Accrediting Council for Independent Colleges and Schools (ACICS), which is seeking initial recognition. ACICS' application for initial recognition will be considered at NACIQI's Spring 2018 meeting. Written third-party comments are due by February 16, 2018.

A copy of the Notice is found at: https://www.gpo.gov/fdsys/pkg/FR-2018-01-24/pdf/2018-01220.pdf.

Department Releases Analysis of Borrower Defense Claims

On January 11, 2018, at the end of the second session of negotiated rulemaking for borrower defense to repayment regulations, the Department of Education released a detailed breakdown of the more than 100,000 borrower defense to repayment claims it has received since 2015. The breakdown is provided on claims per state, claim status, and changes over time. The Department found that prior to 2015, it received fewer than 10 claims, but since 2015, it receives on average more than 4,000 claims per month. The majority of the 135,050 claims, or 58 percent, were in adjudication as of October 30, 2017. Another 18 percent were in intake, 2 percent were in post-review, and 22 percent were completed.

The Borrower Defense Claims Analysis is found on the negotiated rulemaking website at:
https://www2.ed.gov/policy/highered/reg/hearulemaking/2017/borrowerdefense.html.

Department Updates Cybersecurity Compliance FAQs

On January 12, 2018, Federal Student Aid's Senior Advisor of Cybersecurity updated the Cybersecurity Compliance Frequently Asked Questions (FAQs) section of the Cybersecurity Compliance page. This guidance addresses some of the data security and breach questions raised during the 2017 FSA Training Conference. The FAQs address the data security requirements, what is a breach, and when to report a breach. It also addresses a question raised at the FSA Conference that taxes, tax transcripts, or any other documents with personally identifiable information may only be faxed or emailed if safeguarded. There must be physical and administrative safeguards to ensure that the data is only viewed or handled by authorized personnel with a need to know.

A copy of the updated FAQs is found at:
https://ifap.ed.gov/eannouncements/attachments/CyberFAQ.pdf.

Century Foundation Sues Department of Education to Release ACICS Records

On February 8, 2018, the Century Foundation, a progressive think tank, sued the Department of Education in an effort to force the release of the records relating to ACICS' request to have the Department reinstate its federal recognition. The lawsuit argued that the public should have access to ACICS' application materials before the Department's comment period on the matter closes on February 16, 2018. ACICS is on the May 2018 agenda of the National Advisory Committee on Institutional Quality and Integrity (NACIQI).

NCES Releases Study on Student Financial Aid Estimates

In January 2018, the National Center for Education Statistics (NCES) released the "2015-16 National Postsecondary Student Aid Study, Student Financial Aid Estimates for 2015-2016, First Look." "First Look" represents selected findings about student financial aid during the 2015-16 academic year based on data from the 2015-16 National Postsecondary Student Aid Study, a nationally representative sample survey of undergraduate and graduate students enrolled any time between July 1, 2015 and June 30, 2016 in institutions eligible to participate in federal financial aid programs. Some of the findings are:

- Seventy-two percent of all undergraduates received some type of financial aid.
- Among the undergraduates who received any aid, the average total amount received was $12,300.
- Fifty-five percent of all undergraduates received federal student aid, 22 percent received state aid, and 25 percent received aid funded by the institution.
- Seventy-two percent of graduate students received some type of financial aid.
- The average total aid received by graduate students was $22,000.

A copy of the NCES study is available at: https://nces.ed.gov/pubs2018/2018466.pdf.

NCES Releases Data on Tuition, Fees and Degrees

On January 9, 2018, the National Center for Education Statistics (NCES) released "First Look Report" on postsecondary institutions and cost of attendance for 2016-2017. The report found that the average tuition and fees at four-year public institutions between 2014-2015 and 2016-2017 rose by more than five percent; that the average tuition and fees at four-year nonprofit institutions rose by about five percent, and that the average tuition and fees at proprietary institutions rose by about one percent. Additional findings are:

- During the 2016-2017 academic year, there were 6,760 Title IV institutions in the United States and other jurisdictions; 2,918 were four-year institutions; 1,995 were two-year institutions; and the remaining 1,847 were less-than-two-year institutions.

- About 3.3 million students received degrees or certificates at four-year degree-granting institutions and more than 58 percent received a bachelor's degree. Bachelor's degrees were received by about 64 percent of the 1.9 million students at public institutions; about 53 percent of the 1.1 million students at nonprofit institutions; and about 42 percent of the 286,000 students at proprietary institutions.

- About 27 million individual students were reported. Of the 27 million students, about 23.1 million were undergraduates and 3.8 million were graduate students.

A copy of the report is found at: https://nces.ed.gov/pubs2017/2017075rev.pdf.

OIG Releases Report Regarding ED's Communication on the Costs of the Income-Driven Repayment Plans and Loan Forgiveness Programs

On January 31, 2018, the Office of Inspector General (OIG) released a report titled, "The Department's Communication Regarding the Costs of Income-Driven Repayment Plans and Loan Forgiveness Programs (ED-OIG/A09Q003)." In the past, the Department of Education always made a profit on its student loan portfolio. However, according to the OIG report, they project that the Department will be lending more money than borrowers will be repaying due to the fact that the participation rates in the income-driven repayment (IDR) plans and loan forgiveness plans have grown rapidly. The Department predicts that it will be $36 billion short of what is needed to cover the outstanding debt and accrued interest. The report stated that the overall portion of outstanding debt in Direct Loans being repaid through IDR plans increased 625 percent between FY 2011 ($7.1 billion) and FY 2015 ($51.5 billion). The number of borrowers enrolled in IDR programs has also increased by more than 600 percent.

The report stated that the Department of Education should have enhanced its communications regarding cost information related to the income-driven repayment plans and loan forgiveness programs to make it more informative for decision-makers and the public about these plans and programs. "Decision makers and others may not be aware of the growth in the participation in these IDR plans and loan forgiveness programs and the resulting additional costs. They also may not be aware of the risk that for future loan cohorts, the federal government and taxpayers may lend more money overall than is repaid from borrowers." The report recommended that the Department enhance its communications regarding cost information for the federal student loan programs and the loan forgiveness programs and annually publish cost information.

A copy of the OIG report is found at:
https://www2.ed.gov/about/offices/list/oig/auditreports/fy2018/a09q0003.pdf.

GAO Releases Study on Accreditation System

On January 22, 2018, the Government Accountability Office (GAO) released a study titled, "Expert Views of U.S. Accreditation" (GAO-18-5), which examined the strengths and challenges of the current accreditation system. The GAO conducted interviews with some experts and reviewed the literature on accreditation. The experts said that the structure of the accreditation system is a strength because it allows an accreditor to conduct reviews that are tailored to various school types and the use of peer review by academic faculty and administrators offers the relevant expertise to assess academic quality and provide schools with feedback for improvement. However, some of the experts identified various challenges including how accreditors can effectively define and measure academic quality. Some experts stated that accreditors might hesitate to terminate a college's accreditation even when there are serious problems identified because termination would adversely impact their schools' eligibility for financial aid. The experts agreed that the dual role of accreditors, which is helping schools improve their performance and also making decisions that affect schools' access to federal student aid programs, is a difficult balance.

The experts offered four proposals for addressing the challenges:

- Modifying oversight roles and responsibilities: Some experts suggested that accreditors should be provided with some protections from legal action by schools and should allow the Department to set and enforce accreditation standards for student achievement.

- Strengthening communication and transparency: Some experts suggested sharing more accreditor information to help students, policymakers, and the public make informed decisions on investments in higher education.
- Using academic quality measures and expanding accreditation options: Some experts suggested increasing accreditors' focus on student outcomes in assessments of quality.

- Changing the structure of the accreditation system: The literature suggested that new entities be established to set standards for assessing colleges' academic quality.

A copy of the GAO Report (GAO-18-5) is found at: https://www.gao.gov/products/GAO-18-5.

<u>Regional Accreditors Release Report on Graduation Rate Information Project</u>

On February 6, 2018, the Council of Regional Accrediting Commissions (C-RAC) released the results of the first year of their project, which gathered information on graduation metrics. C-RAC, an umbrella group comprised of the seven regional higher education accrediting agencies, launched the Graduation Rate Information Project in September 2016. C-RAC examined the Integrated Postsecondary Education Data System (IPEDS) "Student Right to Know" graduation rates at four-year institutions that had graduation rates at or below 25 percent and two-year institutions that had graduation rates at or below 15 percent. "A One-Year Review of the Council of Regional Accrediting Commissions' Graduation Rate Information Project" reported the following findings:

- Federal graduation rates are incomplete but improving because they only measure first-time, full-time students completing their degree within three years for community colleges and six years for four-year institutions. The vast majority of the students attending these institutions are not first-time, full-time. In September 2017, the Department of Education began reporting a broader range of outcome measures.

- The more complete federal data and other non-federal graduation rate data from sources such as the National Student Clearinghouse are more robust than what were previously reported.

- Graduation rates matter, but accreditors also use other types of outcome data to identify struggling institutions. Accreditors also rely on transfer rates, non-federal graduation rates, course completion rates, retention rates, employment rates in fields central to the mission of the institution, and other data.

- Colleges and universities with low graduation rates are aware of the importance of raising graduation rates and are bolstering advising and student support services.

C-RAC concludes that the federal government, accreditors, and institutions can do more to better understand and improve graduation rates.

A copy of the report can be found at: https://docs.wixstatic.com/ugd/68d6c2_5bc3e173acf242e585c4c07fc8660dd9.pdf.

Study Finds that Students Who Enrolled in Certificate Programs at Public Institutions Experience Better Economic Gains than Students Who Enrolled at For-Profit Institutions

On February 9, 2018, the Brookings Institution released a paper by Stephanie Riegg Cellini, an associate professor of public policy and public administration at George Washington University, and Nicholas Turner, a senior economist at the Federal Reserve Board of Governors, that reports on an analysis between students who enrolled in certificate programs at public institutions versus students who enrolled in certificate programs at for-profit institutions. Comparing the Department of Education' gainful employment data (GE) matched with the Internal Revenue Service data, the report found that students from for-profit institutions experienced lower earnings gains, larger debt, and were less likely to be employed after leaving the program.

A copy of the report is found at: https://www.brookings.edu/blog/brown-center-chalkboard/2018/02/09/gainfully-employed-new-evidence-on-the-earnings-employment-and-debt-of-for-profit-certificate-students/.

Gallup and Strada Survey Finds that College Students Do Not Feel Prepared for the Workforce

On January 17, 2018, Gallup and Strada Education Network released its 2017 survey titled, "Crisis of Confidence: Current College Students Do Not Feel Prepared for the Workplace," which examined the perceptions of current students about preparation for the workforce and the career-related support they received from institutions. According to the report, only about one-third of current college students believe that they will graduate with the skills and knowledge they need to be successful in the workplace. Over half believe that their major will lead to a good job. Bill Hansen, President and Chief Executive Officer of Strada Education Network, said in a press release: "Students are telling us they feel underprepared to enter the workforce while employers bemoan the skills of recent graduates. That signals demand for new career advising and work-relevant learning models that support more successful transitions from education to employment."

A copy of the report is found at: http://stradaeducation.gallup.com/reports/225161/2017-strada-gallup-college-student-survey.aspx?g_source=link_usafunds&g_campaign=item_211634&g_medium=copy.

A copy of the press release is found at: http://www.stradaeducation.org/news/new-survey-reveals-crisis-of-confidence-in-workforce-readiness-among-college-students/.

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