Federal Update

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VASFAA, 10/7/16

Agenda

• Washington Political Climate
• Federal Budget and Funding
• HEA Reauthorization
• Prior-Prior Year
• ED Update
• ED Rulemaking Update
• NASFAA Research Update
• Advocacy & You!

Washington Political Climate
On the Hill
- 2016 Election
  - Presidential
  - Congressional: Will a chamber change hands?
- Supreme Court vacancy & other business stalled
- Gridlock with minor issues disrupting entire process
- Partisanship
- Focus on Deficit Reduction

Congressional Approval Numbers

Federal Budget & Funding Update
How the Process Should Work...

- President Proposes Budget
- Congress Passes Budget Resolutions
- Appropriations Subcommittees Draft Spending Bills
- Full Appropriations Committee Approves Draft Bills
- Appropriations Bills Pass House and Senate
- President Signs Appropriations Bills into Law by October 1

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How the Process Should Work...

- President Proposes Budget
- Congress rarely follows this process. Politics jam the gears, no punishment for not following order.
- Instead, we more often than not see mechanisms that help to patch the inability to pass separate appropriations bills:
  - Continuing Resolution (CR)
  - Omnibus
- Appropriations Subcommittees Draft Spending Bills
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Student Aid, Congress, & the Budget

- Funding for student aid falls into the Labor, Health, Human Services, and Education Appropriations Subcommittee (Labor-H), one of 12 subcommittees
- The Labor-H bill is sometimes the most controversial and complex, which often makes it the last bill to see action
  - Many important programs share the same pot of funds
  - Several contentious programs land in the bill, including funding for Obamacare and certain labor programs
- Most student aid funds are “forward funded” meaning they fund the following award year
  - Ex: FY 2017 funds the 2017–18 award year
October 2015 Budget Agreement

- 2-year deal that raised domestic spending caps imposed under sequestration
- Suspends debt ceiling until March 2017
- Without budget agreement, some student aid programs would likely see cuts
- Compromised top-level spending numbers cleared the way for negotiations over a FY16 funding bill

Public Attitude Toward Sequestration

Two-thirds want to protect education from sequester cuts

Source: CEF/FEI Poll, December 2012

FY16 Omnibus

- $1.1 trillion agreement
- Flat funds most student aid programs
- Increases for TRIO and GEAR UP
- Pell Grant maximum increases to $5,815, a $40 increase over FY15
- No $370 million cut to Pell discretionary fund, as proposed in original House Labor-H bill
- No cuts to FWS or FSEOG, as proposed in original Senate Labor-H bill
The Public Opposes Education Cuts

Would you approve or disapprove of reducing federal funding for education as a way to reduce the size of the national debt?

Source: Pew Research Center for the People & the Press, October, 2012

Where are we now for FY17?

- President Obama’s final Budget released in February.
- House passes Budget Resolution in March; Senate skips Budget Resolution.
- Internal disagreement among Republicans about spending levels.
- Speaker Ryan intends to push all bills through House under “regular order”
- Continuing Resolution (CR) through 12/9

Obama’s FY2017 (AY 17-18) Budget

- Grants
  - Maximum Pell Grant of $5,935 (+$120)
  - Year-Round Pell, a “Super Pell” ($150/semester bonus), and Second-Chance Pell
  - Continue to index Pell to inflation beyond FY17

- Campus-Based Aid
  - Level fund FSEOG and FWS (FY 2015 levels)
  - Revise allocation formula to direct dollars to schools that enroll and graduate high number of Pell Grant students
  - Expand/Reform the Perkins Loan Program
Obama’s FY2017 (AY 17-18) Budget

• Loans and Repayment
  – REPAYE would be only IDR option for all borrowers
  – PSLF cap at $57,500
  – Simplification of tax credits
  – Consolidation of teacher grant and forgiveness programs (including TEACH Grants) into a single loan forgiveness program with a cap of $25,000 beginning in 2021

Obama’s FY2017 (AY 17-18) Budget

• Access and Affordability Proposals
  – America’s College Promise ($60 billion/10 yrs)
  – College Opportunity Bonus Program ($5.7 billion/10 yrs)
    ➢ Rewards colleges that enroll and graduate low-income students

• Other Items of Note
  – “Student Aid Enforcement Unit”
  – Return to 85/15 ratio from current 90/10 Rule for proprietary schools

Education in Context

- Education is just two percent of President’s total $4.4 trillion in Federal Spending (FY 2017)

- Education Spending (source: CBO)
House Budget Resolution
• $6.5 trillion in spending cuts over 10 years
• Freeze Pell maximum for 10 years and eliminate mandatory inflation add-on
• Eliminate Administrative Cost Allowance (ACA)
• Switch to “fair value scoring” of federal student loans
• Eliminate in-school interest subsidy
• Phase out TEACH Grants
• Ultimately, House Republican leadership could not get the votes to pass
• Senate skips work on budget resolution

Senate Appropriations Bill
• Return of Year-Round Pell
• Use of Pell Surplus for other programs
• Flat funding for FWS, FSEOG, TRIO, GEAR UP

House Appropriations Bill
• No Year-Round Pell
• Cut to Pell Appropriation
• Flat funding for FWS, FSEOG, TRIO, GEAR UP
What’s Next?
• Continuing Resolution (CR) funds the federal government through Dec. 9.
• Following the election, the winning (or most winning) party will hold some leverage over the other in negotiations on a funding package for the rest of FY17.
• To avoid a vote on a large spending package, spending bills could be moved in smaller “mini-buses” (as opposed to one “omnibus”).

What’s Next? (cont.)
• Considerations as negotiations begin again...
  – Bipartisan interest in increasing NIH funding, which will impact student aid programs because that money will have to be found within the Labor-H pool
  – Pell Grant Program surplus tempting for appropriators
  – Year-Round Pell could return, but a procedural hurdle to overcome first between House and Senate
  – Best Case Scenario: Flat-funding to student aid and other higher education programs.

HEA Reauthorization Update
Reauthorization

• Theme: Hurry Up and Wait!
• Technically supposed to occur in 2014
• NASFAA’s Reauthorization Task Force submitted
  recommendations to House and Senate Education
  Committees in 2013
• Movement beyond committee work not happening
  until 2017 at the earliest.

Reauthorization: Emerging Themes

Broad Themes: Simplification; Affordability;
Accountability; Transparency

Specific Proposals:
• Year-Round Pell
• Simplification (Application & Repayment)
• Improvement of loan counseling
• Authority to limit loans
• One grant/one loan

Reauthorization: What’s Next?

• Election results will have a significant impact on the
  prospects of an HEA reauthorization in the 115th
  Congress (2017-2018).
• There are many unanswered questions...
  – Who will take the White House?
  – Will Democrats take back the Senate? House?
  – Who will be the new House education committee chair? Rep. Foxx?
  – Who will be the Senate Democratic education committee leader? Sen.
    Murray? Sen. Sanders?
  – If Clinton/Kaine win, will Rep. Scott take Sen. Kaine’s seat? If so, who
    will be the new House Democratic education committee leader?
Reauthorization: What’s Next?

• With ESEA taken care of in the last session of Congress, HEA remains the major pending piece of legislation on the table in the education committees.

• Rep. Foxx, among others, has made beginning work on HEA in 2017 a priority.
NASFAA and PPY Background

- NASFAA advocacy for PPY
  - Reduced verification burden
  - More time to make college going decisions
- After much research NASFAA discovered...
  - Most students did not see significant change in Pell Awards
  - About 16-18% would see large changes in their Pell Grants (more than $1,000 in either direction)
  - Shift to PPY appears to work best for students from lowest-income families
- President Obama announced change to Early FAFSA and PPY in October 2015

NASFAA and PPY

- Immediate formation of PPY Implementation Task Force following President’s Announcement
- PPY Task Force working to identify implementation issues, solicit feedback, identify best practices, facilitate collaboration, develop resources, and evaluate implementation
- PPY Toolkit on NASFAA website www.nasfaa.org/ppy_toolkit
- Send feedback to policy@nasfaa.org.

ED Update
NASFAA and FSA

- In November 2015, NASFAA testified in a hearing before both the House Oversight and Education Committees on the Department of Education’s Office of Federal Student Aid (FSA)
  - The hearing reviewed FSA’s status as a Performance-Based Organization (PBO)
  - NASFAA focused on complications in the GE reporting process, the strained relationship between FAAs and FSA, and the lack of accountability at FSA
- In April, NASFAA surveyed institutions about their operational experiences with FSA in response to a request from the House of Representatives.
- In May, NASFAA replied to the committee leaders with the results of the survey.

NASFAA and FSA: FSA Survey

- 789 respondents; representative of membership
- Looked at processing time, outstanding items, impact of processing time, and areas in which ED and FSA provide high level of service
- Included 5 recommendations
- Full report available on the NASFAA website

ED, Accreditation, and ACICS

- ED terminated recognition of ACICS on September 22.
- ACICS indicated intent to appeal.
- Institutions will have 18 months to find a new accreditor following appeal.
  - 243 institutions
  - $4.76 billion of Title IV aid
ED Rulemaking Update

Borrower Defense to Repayment
- Proposed Rule aims to describe grounds and processes for borrowers to claim institutional misconduct as a reason to set aside repayment of federal student loans
- NASFAA comments centered on the importance of due process and questioned many components of the proposed rule:
  - financial responsibility
  - definition of misrepresentation
  - the creation of another repayment
  - among other concerns

State Authorization of Distance Ed
- Proposed rule aims to clarify the requirements for institutions to obtain state authorization for distance ed, correspondence courses, foreign additional locations, and branch campuses.
- Includes a definition of state authorization reciprocity agreements
- The proposed regulations also add several institutional requirements for documenting processes for student complaint resolution as well as a number of new disclosures
NASFAA Updates

Task Force Reports:

• Consumer Information and Law Student Indebtedness Second Task Force Report (September, 2016)
  - Set out to identify through consumer testing what information on the award letter and ED’s shopping sheet could be modified to create a document that would better assist current or prospective law students
  - Recommendations included:
    - Enhancing consumer testing
    - Setting up a portal through which all information is shared with students
    - Additional consumer testing is needed to determine if G/P students understand basic financial aid terminology and concepts
    - G/P institution should list Graduate PLUS Loan eligibility on a student’s award letter

• Graduate-Specific Data Task Force Report (August, 2016)
  - Examined current data being collected and what new data the community would like to see collected in the future.
  - Recommendations included:
    - Enhancing NSLDS reporting capabilities
    - Streamlining and adding consistency to CIP codes
    - Conducting additional consumer testing to better understand the needs of graduate/professional students
    - Working with the National Center for Education Statistics to organize training for the G/P community on how to use federal data sets that contain information on G/P students

NASFAA Research Update

Recently released studies:

• Study on College Presidents (August, 2016)
  - A research study focused on gaining a greater understanding of college presidents’ perceptions of their financial aid office, administrators, and the profession at large.
  - Key Findings included: College presidents felt that the most important function of a financial aid administrator is to act as a technical partner that administers financial aid policies and procedures, and the financial aid administrator’s ability to perform their expected job functions.
  - Based on the findings it was recommended that NASFAA develop an email series targeted at college presidents and explore programming jointly focused on presidents and financial aid directors.

• Study on Federal Work Study (FWS) (June, 2016)
  - Funded by a grant from the Bill & Melinda Gates Foundation to study the components needed to efficiently and effectively administer FWS and ways in which schools can work with federal, state, and institutional partners to enhance the educational outcomes of FWS participants.
  - Research was conducted in conjunction with Public Agenda, and included members from the National Student Employment Association.
  - Research included a literature review and policy scan, national survey, and in-person focus groups.
  - Based on this work NASFAA put forth 17 recommendations for policymakers, NASFAA and/or the ED, and future research.
  - NASFAA also created a step-by-step framework for the seven components needed to develop a robust FWS program, and included promising practices in each component.
NASFAA Research Update (cont.)

Current Research Collaborations:
• Federal Reserve Board study on Loan Counseling
• The Institute for College Access and Success study on verification
  – Funded by a grant from HCM Strategists
• Tyton Partners study on financial aid software market
  – Funded by a grant from the Bill & Melinda Gates Foundation
  – Collaboration with Tyton Partners, NACAC, AACRAO, and NASFAA

NASFAA Research Update (cont.)

Forthcoming projects:
• 2017 NASFAA Benchmarking Report
  – Also updates NASFAA’s Staffing Model and Salary Model
  – Benchmarking Survey distributed in October, 2016, report to be released in early 2017
• Living Annotated Bibliography (New)
  – Based on findings from our Research Meets Practice study
  – Will include brief synopses and links to research studies on the five topics for use by financial aid practitioners
  – Continuously updated
  – Topics included will be reevaluated annually
• Journal of Student Financial Aid, Special Edition
  – Focus: Financial Aid Practitioner – Researcher Partners
  – Call for proposals is until through 10/14/16 with Anticipated Publication in November, 2017

Volunteer to Assist Displaced Students

• With the closing of ITT, NASFAA has renewed its partnership with Beyond12 to assist displaced students.
  – NASFAA previously partnered with Beyond12 after the closing of Corinthian.
• NASFAA is seeking volunteers to assist students. Volunteer at:
  www.nasfaa.org/volunteer_signup
Policy Task Forces

**Past**
- Reauthorization Task Force
- Reimagining Aid Design and Delivery (RADD) Task Force
- Task Force on Student Loan Indebtedness
- Task Force on Public Service Loan Forgiveness
- Task Force on Campus-Based Allocations
- Task Force on Consumer Information
- Task Force on Loan Servicing
- Task Force on R2T4
- Task Force on Innovative Learning Models
- Task Force on Benchmarking
- Dynamic Loan Limit Working Group
- One Grant/One Loan Task Force
- Task Force on Graduate-Specific Financial Aid Data
- Consumer Information and Law Student Indebtedness Task Force

**Existing**
- PPY Implementation Task Force
- Tuition- and Debt-Free College Proposals Task Force

**Future**
- Graduate/Professional Loan Limits
- COA Working Group

Advocacy and You!

**How can you get involved?**

- Volunteer to join a task force or for the Advocacy Pipeline!
- Visit with or write to your member of Congress, either locally or in DC!
- Monitor new legislation with the NASFAA Legislative Tracker!