


National Association of Student
Financial Aid Administrators

Federal Update

Karen McCarthy
VASFAA, 10/7/16



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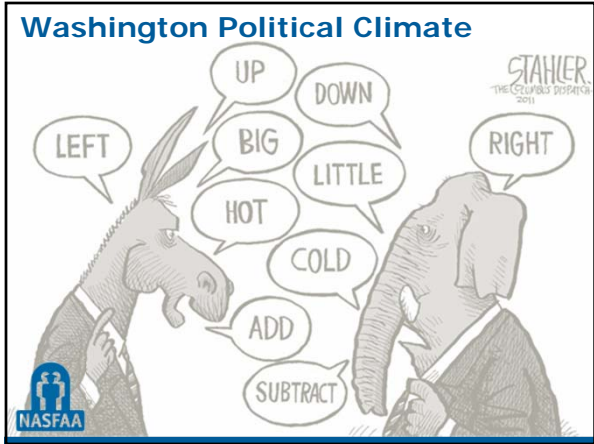
Agenda

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




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Washington Political Climate



STAHLER
THE COLUMBIAN DISPATCH
2011



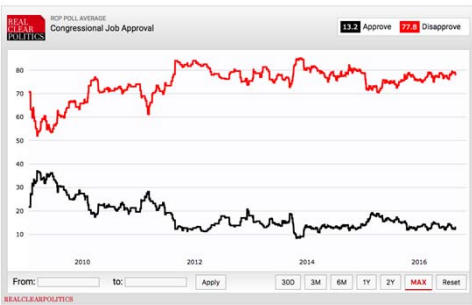
On the Hill

- 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



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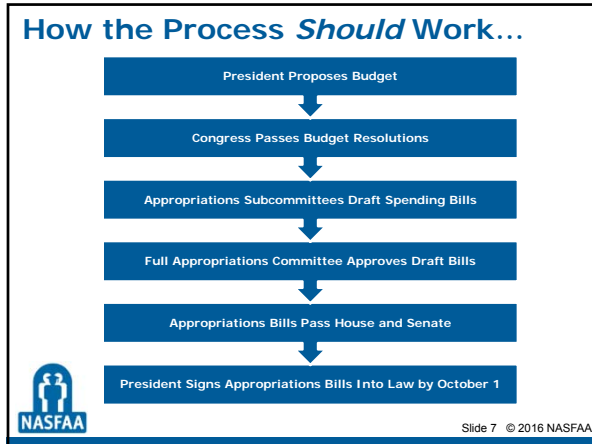
Congressional Approval Numbers

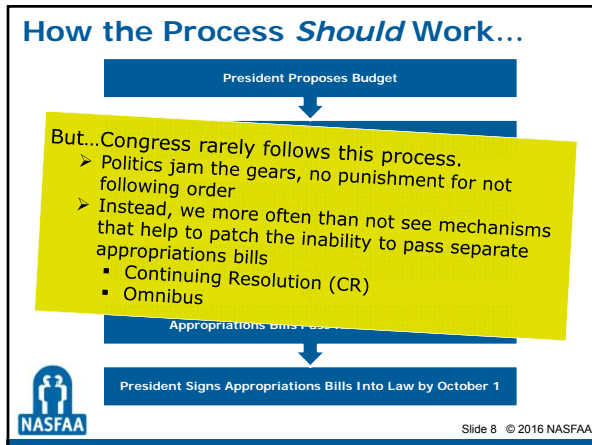


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Federal Budget & Funding Update







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

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October 2015 Budget Agreement

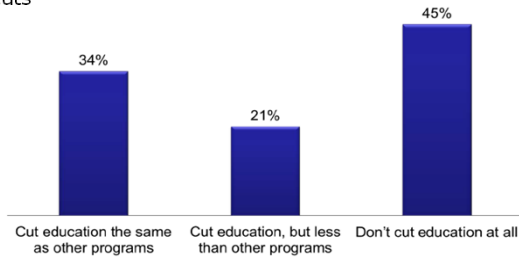
- 2-year deal that raised domestic spending caps imposed under sequestration
- Suspends debt ceiling until March 2017
- Without budget agreement, some student aid programs would likely see cuts
- Compromised top-level spending numbers cleared the way for negotiations over a FY16 funding bill



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Public Attitude Toward Sequestration

Two-thirds want to protect education from sequester cuts



Source: CEF/FEI Poll, December 2012

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FY16 Omnibus

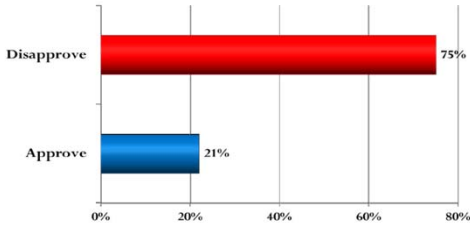
- \$1.1 trillion agreement
- Flat funds most student aid programs
- Increases for TRIO and GEAR UP
- Pell Grant maximum increases to \$5,815, a \$40 increase over FY15
- No \$370 million cut to Pell discretionary fund, as proposed in original House Labor-H bill
- No cuts to FWS or FSEOG, as proposed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



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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?



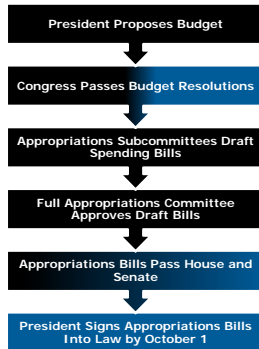
Source: Pew Research Center for the People & the Press, October, 2012



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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



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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



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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



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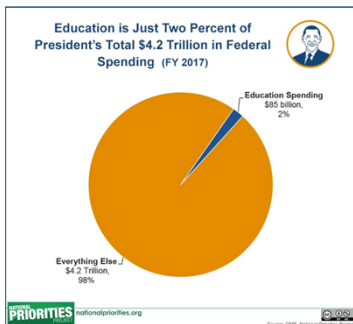
Obama's FY2017 (AY 17-18) Budget

- **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



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Education in Context



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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



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Senate Appropriations Bill

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



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House Appropriations Bill

- No Year-Round Pell
- Cut to Pell Appropriation
- Flat funding for FWS, FSEOG, TRIO, GEAR UP



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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").



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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.



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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.



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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



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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?



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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.



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NASFAA Influence



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Prior-Prior Year (PPY) Update



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



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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.



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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.



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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



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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



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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 repayment
 - among other concerns



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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



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NASFAA Updates



NASFAA Research Update

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:
 - G/P schools should move towards standardizing financial aid terminology and ED should develop 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



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NASFAA Research Update (cont.)

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 offices, 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 and ensures compliance with regulations" are satisfied with their financial aid administrators' ability to perform their expected job functions.
 - Based on the findings it was recommended that NASFAA develop an email series targeted at 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 strengthen their FWS programs.
 - 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.



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NASFEE 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



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NASFEE Research Update (cont.)

Forthcoming projects:

- 2017 NASFAA Benchmarking Report
 - Also updates NASFAA's Staffing Model and Salary Model
 - Serves as update to our 2016, 2012, 2006, 1999, and 1995 reports
 - Benchmarking Survey distributed in October, 2016, report to be released in early 2017
- Living Annotated Bibliography (New)
 - Based on a findings from our *Research Meets Practice* study
 - Will include brief synopsis and links to research studies on the five topics for use by financial aid practitioners
 - Topics identified in our Research Meets Practice survey
 - 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



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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



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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



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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!



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