A View From Washington

Presented by:
Brett E. Lief, Board Member, NSLP/Inceptia
May 28, 2014
American’s See College Education as Very Important

• Seven of 10 say college education is very important up from 36% in 1978.

• By age:
  – 18-29 years, 74%
  – 30-49 years, 70%
  – 50-64 years, 68%
  – 65+ years, 67%

• By race:
  – White 66%
  – Non-white 79%

• By region:
  – East 70%
  – Midwest 64%
  – South 77%
  – West 66%

Gallup, December 2013 Survey
Robert Morris University polling (March 2014)

- College – Education respondents were more likely (75.5%) than counterparts (63.6%) to report a good or very good standard of living
- Only 55.9% credited their time in college with their economic success
- Of concern to college leaders is that only 31.5% of Americans said their college was worth the cost
But...

- Cooperative International Research Program (HERI at UCLA March 2014)
  - Academic reputation and graduates job prospects primary reason for college selection – *rising fast* financial aid availability
  - Largest share of students on record did not attend their first choice - 57% attended although 76% admitted to their first choice
  - Among freshmen accepted by first choice but enrolled elsewhere 60% due to financial aid, 62% due to cost
  - Financial aid as a factor has risen significantly from 19% in 1973 to 33% in 1993 to 49% in 2013
  - Cost of attendance an important factor 46% in 2013 from 31% in 2004
Another But...

- More than 1 in 5 adults age 18-29 mention college cost as the biggest financial problem their families are dealing with (Gallup 4/14)
- 89% of US adults say higher education is “in crisis”
- 96% of senior higher education administrators say their sector is “in crisis”
  - 40% say crisis is severe
A Look At Higher Education

- Enrollment Trends
- Financial Stability
- College Cost
- Regulations and Compliance
- Movement to Protect Consumers
- President’s Higher Education Proposal
- DC At a Glance
Enrollment Trends

• College enrollment fell for first time in six years during the 2011-12 year by about 470,000 students

• Decline driven by students 25 and older, 419,000, while younger students declined by 48,000

• Nearly 8 million attend 2-year public/private, 8.2 million at public 4-year and 5.6 million at private 4-year

• Number of Hispanic students enrolled last year rose to 3.4 million up 447,000 from 2011-12

• Of the 21.8 million students currently in college 12.5 million are female and 9.3 million are males with full-time status at 13.4 million and part-time at 8.4 million
Enrollment Trends – Pipeline

- High school graduation peaked at 3.4 million in 2011, will drift lower and not estimated to grow until 2020.

- By 2020 approximately 42% of college students will be 25 and older.

- High school drop outs declined from 12.1% to 7.1% between 1990-2011

- The percentage in students enrolling immediately following high school was 68.2%
  - Female 72.2%
  - Male 64.7%
Enrollment Trends – Attainment

- In 2011, about 71% of young adults with bachelor degrees at full-time, year-round employment compared with 65% with associate degree, 59% with some college and 48% with high school or equivalent
- Median income $45,000 with bachelor degree, $37,000 with associate degree, $22,900 without high school or equivalent
- Young adults with a bachelors degree earned about twice as much as those without a high school diploma or equivalent – additionally medium earnings for adults with a masters was $59,200 from 32% more than medium income of those with bachelors
- College graduates on average earn $830,800 more than HS graduates – after accounting for tuition and wages forgone (SF Fed 5/15)

http://nces.ed.gov/fastfacts/display.afp?id=372
Financial Stability

• Adjusted for inflation 48 states, all except Alaska and North Dakota are spending less per student then they did before the recession (CBPP 5/14)
  – Average state spending is 23% less per student then before recession
  – In the last year, 42 states increased funding per student by 7.2%
• Moody’s Analytics report that median revenue growth slowed to 1.7% down from 4.8% in 2012
• Revenue declined at more than 1/3 of public institutions
• Expenses at US public institutions grew at almost double the rate of revenue at 3.3%
• Private institution enrollment and revenue has remained stable over the past five years with growth in net tuition strengthening to 3.5% in 2012, up from 3% in 2011
Financial Stability

• Of the 283 schools that Moody’s rates, not-for-profit institutions have more than nearly $87 billion in debt and 228 public institutions have $135.9 billion in debt

• February 2014, the number of degree-granting private colleges that failed the Dept. of Education’s “Financial Responsibility” test was slightly higher than the previous year

• The number of non-profit degree intuitions that failed the test, 118, was higher than in 2011, when 116 non-profits and 50 for-profits had failing scores vs. 34 a year earlier

• Of those failing in 2012, 56 non-profit institutions and 23 for-profits were required to post letters of credit to continue to participate in federal student aid programs
College Costs

• Since 1985, the cost of higher education has jumped more than 500% compared to 286% for medical costs and 121% jump in consumer price index

• This past fall, The College Board reported that over the past year public two-year tuition and fees increased 3.5%, public four year up 2.9%, four-year private not-for-profit 3.8% and for-profit by .5%

• At about the same time, it was reported that NAICU members increased tuition and fees 3.9% in 2012-13, which is the lowest rate in four decades. At the same time, their student aid budgets increased by 6.2%
College Costs

- Between 2007-08 and 2010-11 Federal grant aid increased by 125%, declined 9% in 2011-12 and a 1% decline is predicted this year. At the same time, state aid modestly increased by 2.2% last year.

- Student aid from colleges is expected to increase by nearly 4% this year to $44 billion.
Regulations and Compliance

• A four-year independent college in NY conducted an internal review. The college is responsible to:
  – 28 Federal agencies
  – 15 State agencies
  – 7 accrediting agencies
  – 4 local governments
  – 3 athletic associations
  – 4 miscellaneous entities

• The year of the study the school undertook 7,200 hours of compliance at cost of $300,000. They have just over 100 employees plus six food service staff who have some role in compliance. (Hartwick College)
Regulations and Compliance

• For the first time ED posted online reports from 2013 of its program reviews of colleges receiving federal student aid

• Special Audit Services – Improper Payments Elimination and Recovery Act of 2010
  – “Under IPERA, any contractor performing the aforementioned requirement will be paid for its services based on a percentage of collections... The Department is seeking information from certified public accounting firms to assist in the development of a plan to conduct payment recapture audits...”
  – ED OIG Report (May 2013) – of the 12 reports issued between 10/1/2012 and 3/1/2013 the OIG questioned $83 million with $71 million sustained
  – After nearly 15 years, ED reviews fines against two institutions on the use of “professional judgment”.

Charting Our Future
Movement Toward Consumer Protection

• The Consumer Financial Protection Bureau (CFPB) has received over 300,000 complaints since the bureau began operations 3 years ago
  – 2013 budget was $541 million up from $300 million in 2012
  – Currently 1,335 employees with one third employed in the “enforcement unit” up 72% in two years
• CFPB has studied private loans, loan servicing, and loan collection
• The Bureau worked with ED to create a financial aid shopping sheet in addition to addressing debt burden complaints and quality of servicing
• There have been some discussions that the CFPB expand authority to include complaints about the quality of education and training
• In recent enforcement action there was a charge against a provider of post-secondary technical training regarding misleading students about their future job prospects and pressuring students to take out “predatory” loans. This action has been challenged by the school.
• April, 2014 CFPB report on borrowers of private loans highlighted complaints of 90% of private loans in default – 2300 complaints were due to death or disability
President’s Higher Education Proposal

• President has proposed reforms to shift aid
  – Away from colleges that fail to keep net tuition down
  – Toward institutions that do their fair share to keep tuition affordable, provide good value and serve needy students well

• Changes in federal aid to campuses will leverage $10 billion annually to keep tuition down

• Also proposed:
  – New college ratings before 2015 school year
  – Challenge states to do more
  – Hold students and colleges receiving federal student aid accountable for making progress toward a degree
  – Student aid allocations based on college value by 2018
DC At a Glance

• Less gridlock but very little gets done
• Year to “go small”
  – Current status: cease fire
  – Neither party has votes to “go big”
  – Congress has moved to election day mode
• Renewed understanding that public cares about items that impact their everyday lives
• Pivot – “Economic Justice” (closing the income gap)
• Cabinet transitions
• Expect the unexpected
• Higher education “message bills”
President’s 2015 Higher Education Budget Request (Highlights)

• $4 billion competitive matching-grant program for states and a program that would award "bonus" grants to colleges that successfully graduate students from low-incomes.

• State higher education "performance fund" would provide four-year matching grants to states that adopt "critical education reform policies" such as allocating state aid primarily based on need and improving consumer financial aid information about the return on investment at colleges. Also can be used for "support and scale up of innovative practices," e.g., reforms to remedial education.

• Strengthen academic progress in the Pell Grant program “to encourage students to complete on time."
President’s 2015 Higher Education Budget Request (Highlights)

• Permanent extension of the American Opportunity Tax Credit set to expire in December 2017
• Expansion the "pay as you earn" Income Based Repayment program and end the "windfall" for some borrowers
• Reaffirms priority of national college rating system
• Little or new funding for student aid, scientific and other important college programs
• Provides $1.5 billion in 2015 as the first installment of a new community college job-driven training fund designed to double the number of apprenticeships
• Would increase budget of the Office of Inspector General from $57.8 to 59.2 million or 2.4%
Setting the Stage for Change

Three Stages of School Awareness

- Our institution is fine
- We are okay – it’s the other schools
- Oh crap…
Setting the Stage for Change
Perception of Who Benefits

Funding for needy students

Additional institutional funding

Charting Our Future

2014 FASFAA
Annual Conference
St. Petersburg, Florida
Renaissance Vinoy Resort May 27 - 30
Setting the Stage for Change
The Evolving Role of Financial Aid

Access & Affordability

Accountability

Counseling

Supporting Institution’s Mission

Austerity

Compliance

Default Aversion

Certification
It’s a Wrap!

• More will be expected of schools at a time when decreasing enrollment and revenue and administrative budgets are under pressure due to cost containment efforts.
• Additional proposed reporting requirements used to determine value.
• Continued concern over compliance liability.
• Acknowledge need for services to reduce administrative burdens while not adding staff. (Areas of interest include reconciliation of student records, refunds from the ED perspective and student aid as a driver of enrollment in all sectors.)
QUESTIONS
Contact Information

Brett Lief

@brettl@nslp.org