April 27, 2015

The Honorable Lamar Alexander
Chairman
U.S. Senate Committee on Health, Education, Labor and Pensions
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Alexander:

The Association of Public and Land-grant Universities (APLU) greatly appreciates your interest in seeking the community's feedback on your recent Higher Education Act white papers. As such, we submit the following comments and recommendations for your consideration on the paper, *Risk-Sharing/Skin-in-the-Game Concepts and Proposals.*

APLU has long been concerned with the levels of student progress and completion. We are working with our member campuses in their efforts to remove obstacles that impede students from earning a degree in a timely and cost-efficient manner. Some significant progress on degree completion has been made on many campuses, but much more needs to be done. Further, similar to the Committee, we are also concerned by the high levels of student debt and slow repayment/default rates across the various sectors of higher education. Low completion rates and high student debt are connected as a significant portion of slow paying/defaulting students are those who do not obtain degrees.

The amount of student debt has increased due to the rising cost of attending college and is exacerbated by the over-borrowing of some students. As you know, public higher education institutions have been forced to raise tuition to offset a massive reduction in state support per student, the largest factor driving up public college tuition. State support per student for public higher education fell to a 20-year low in 2011-12. APLU commissioned a report in 2014 that analyzed the relationship between state funding cuts and tuition revenues and per student education expenditures at public universities. Among its most notable findings, the report found that over the five year period of 2006-07 to 2011-12, four-year public universities lost 25 percent per student in state appropriations, but tuition and fee revenue per student increased by less than that -- 23 percent. We believe that a way must be found for Congress to encourage states to reverse their disinvestment in public higher education and have been exploring various ideas.

While we strongly share the Committee's commitment to increasing student success rates and limiting over-borrowing, we believe the paper's proposals to have institutions assume some level of liability or pay into an insurance fund -- whether based on their student loan

volume, student loan default or repayment rate, or other metric -- are problematic. In order to cover the additional costs associated with supporting a loan guarantee, insurance fund, or penalty/sanction, it is likely that many institutions will have to either reduce educational services or pass those costs on via tuition increases. It is particularly difficult for public institutions, as state government entities, to keep a reserve fund or raise capital when state budgets are highly strained. While the paper alludes to preventing unintended consequences related to admissions standards, it is hard to imagine that campuses would not move to greater selectivity in admissions were these provisions to be put in place. It would be illogical to compel institutions to bear some sizable fraction of the risk of default without allowing them the means to limit that risk (e.g., reducing loan amounts to less "credit worthy" students), which in turn could undercut the public purposes of student loans. It is also hard to imagine how a risk-sharing system would adequately account for labor and economic fluctuations particularly at a regional scale.

To address our shared concerns, we recommend a four prong strategy: 1) tighten criteria for institutional access to federal financial aid; 2) allow individual institutions more flexibility to determine student loan limits, e.g. limits for programs; 3) enhance loan counseling services; and 4) support innovative progress and completion programs.

Strengthen Institutional Eligibility for Federal Financial Aid

It is not fair to allow students to spend their time and money at severely underperforming institutions, nor is it effective to invest taxpayer-supported federal financial aid at those institutions. Currently, the Department of Education's institutional eligibility process for Title IV funding, which relies on cohort default rates to determine eligibility, is broken and ineffectual – particularly after the recent adoption of income-drive repayment options for student loans. The reauthorization of the Higher Education Act offers a much-needed opportunity to improve the broken institutional eligibility process.

APLU has been advocating for a strengthened institutional eligibility test in our alternative proposal to the Administration's college ratings system. Institutions that are chronically very poor performers and burden students with debt without improving their career and life prospects should be identified and subject to greater scrutiny and the possibility of sanctions, including the loss, or partial loss, of access to federal financial aid.

APLU recommends the following accountability measures when determining institutional eligibility for Title IV resources. (As with the transparency measures, further examination and discussion is needed to determine the exact metrics and appropriate data sources – particularly as Title IV funding includes aid to graduate and professional students as well as undergraduates. The disaggregation of data or additional metrics may be required to ensure that appropriate comparisons and judgments are made.)

> *Student progress and completion rates*: The rates used to judge the educational success of an institution's students should be comprehensive and include the outcomes of part-time students, full-time students, and students who enroll in multiple institutions, such as their Student Achievement Measure outcomes.

Post-collegiate outcomes: Employment rates, enrollment in an advanced level of education, and military service are indicators of the quality of the education provided by an institution.

Loan repayment rates: The new income-driven payment options make repayment rates a key component of a robust accountability system. In addition to examining whether or not a student is making timely payments, there should be further exploration of methods that analyze the amount of federal loan debt to determine if institutions are burdening students with too much debt that is unlikely to be fully paid off. The appropriate consideration of student debt and repayment for both undergraduate and graduate students will be necessary.

Given the diversity of post-secondary, institutional outcomes cannot be evaluated without taking into consideration the level of preparation and entering characteristics of an institution's student body. In other words, an institution's performance on outcomes must be interpreted in light of their students' readiness to achieve. (More information on the role of a student readiness index can be found in APLU's alternative proposal to the college rating system.)

Grant Individual Institutions Greater Authority to Limit Over-Borrowing

Students should not over-borrow and unnecessarily increase their debt burden. We are interested in proposals to grant higher education institutions the authority and the flexibility to restrict borrowing to limits lower than the current federal limits for defined sets of students, such as enrollees in particular colleges, departments, or majors, based on judgments of reasonable debt burden for graduates of those programs. We are interested in Senator Alexander's legislation in this area and will be consulting more extensively with our members to provide more specific feedback.

Enhance Loan Counseling, Financial Literacy and Other Information Available to Students

For federal loans, eligible students can borrow up to a loan limit, but many do not realize the implications of their borrowing or understand well the amount they are borrowing. Consideration should be given to improving the financial literacy of students and parents through expanding counseling beyond the required initial entrance and exit counseling of students. For example, students need to understand what their loans will mean in terms of payment after graduation. This could be accomplished through the annual use of an online, interactive counseling tool and/or other means of annual notification of current obligations, accumulating debt, and likely future payment levels. Effort should be made to ensure that students and families are obtaining appropriate information in understandable terms. The Indiana University system recently began sending annual letters to student borrowers that projects their debt at graduation and estimated monthly payments as well as other related information. The university system experienced a 12.4 percent reduction in the amount of student borrowing after the first year of implementing the debt notification program. This is a great example of how providing additional information to borrowers can have a positive impact.

Students could also benefit from more information about institutions before they borrow or even choose to attend an institution. For example, students and families should have access to accurate graduation and post-collegiate employment rates. The voluntary Student Achievement Measure is a proven way to report more complete data on student progress and completion than the federal graduation rate. Congress should consider revisions to the law to allow the necessary student level data to be procured in a secure, limited way to calculate these key metrics.

Encourage and Support Completion Initiatives

Federal aid should support and reward students who demonstrate the motivation, work ethic, and perseverance to make progress and reach meaningful learning milestones along a path to success. It should similarly support and reward institutions that successfully help their students reach those goals.

While more can and should be done, there are numerous efforts occurring at the state and institutional level to encourage completion, such as using data and predictive analytics to assist in advising students to keep them on a path toward completion. We support the authorization of the First in the World Competitive Grant competition to support the development of best practices in access, persistence, and completion and to facilitate the propagation of innovative programs.

Continue Support for the 90/10 Rule on Revenues

The paper notes concern over the 90/10 rule covering proprietary institutions. We support the 90/10 revenue rule as well as efforts to strengthen it. We also support the adjustment of the federal funds definition to include the suite of military and veterans' educational tuition benefits so it captures the full compilation of taxpayer funds supporting an institution. The 90/10 rule was developed to be a quality assurance indicator for an institution through its accountability to the market. With some institutions receiving nearly 100 percent of their funding from federal sources once military and veteran assistance is included, that quality assurance metric is invalidated. This change would assist in protecting veterans and other students by offering a more comprehensive assertion of educational institutional quality.

Again, we appreciate the opportunity to provide feedback, particularly on these important issues of improving student success and limiting over-borrowing by students. We look forward to working with you, your Senate colleagues, and staff as this important reauthorization moves forward. Please feel free to contact us with any questions.

Sincerely,

Peter McPherson
President, APLU