

# Higher Education Policy Forecast for DC: Smooth Sailing or the (not so) Perfect Storm

**NASSGAP Annual Conference 2016**

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# Current Landscape



# Current Landscape - Administration

- ❖ Obama Administration has 92 days left in office
- ❖ Urgency to publish and implement final rules before the end of an administration, requiring a formal rulemaking process to reverse their implementation
- ❖ Interest in publishing draft rules before the end of an administration, framing the arguments for the incoming administration if similar party and career employees remain
- ❖ Move to make final decisions instead of punting them to the next administration
- ❖ Rush to cement or protect the administration's legacy



# Current Landscape - Congress

- ❖ Both the U.S. House of Representatives and U.S. Senate have adjourned to focus on – the elections!
- ❖ The House will be in session for only 16 days in November and December
- ❖ The Senate will be in session for 20 days in November and December

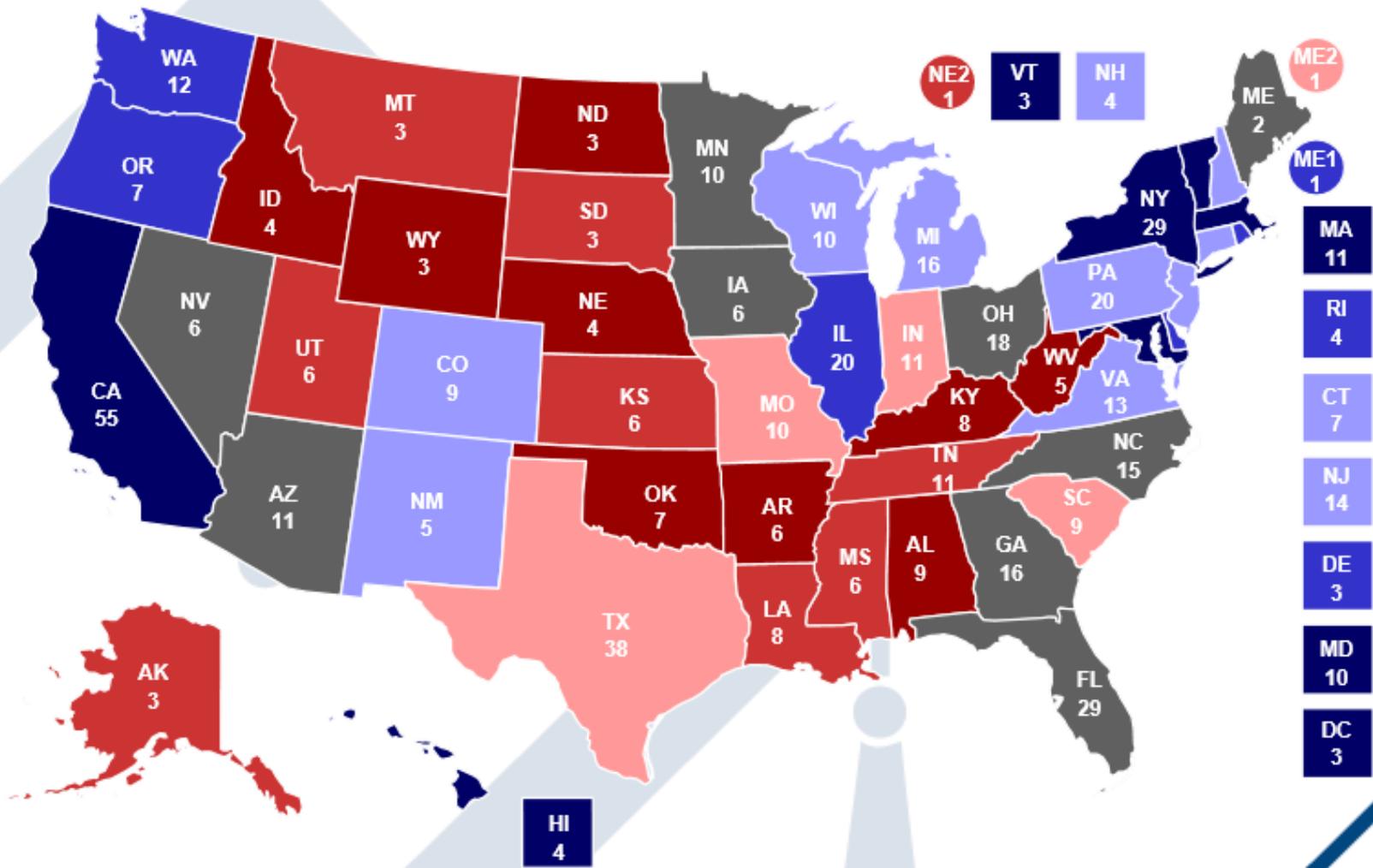


- ❖ Fall Agenda: Reaching an agreement on the federal budget
- ❖ Everything else - including higher education reform - has been pushed to next year

# Election Outlook

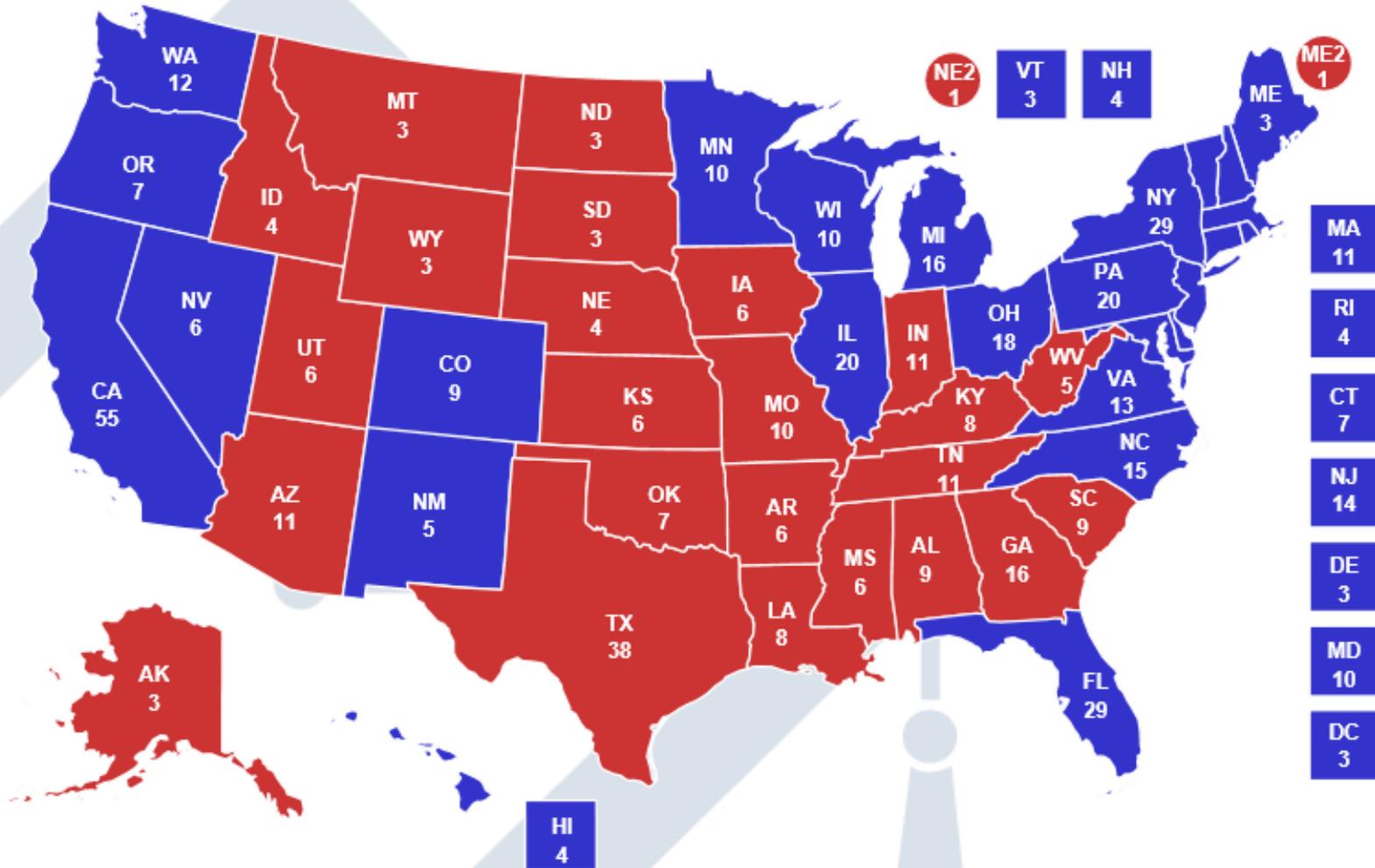


# Election Outlook - Prez



RCP: Clinton – 260 / Toss-Up – 113 / Trump - 165

# Election Outlook - Prez



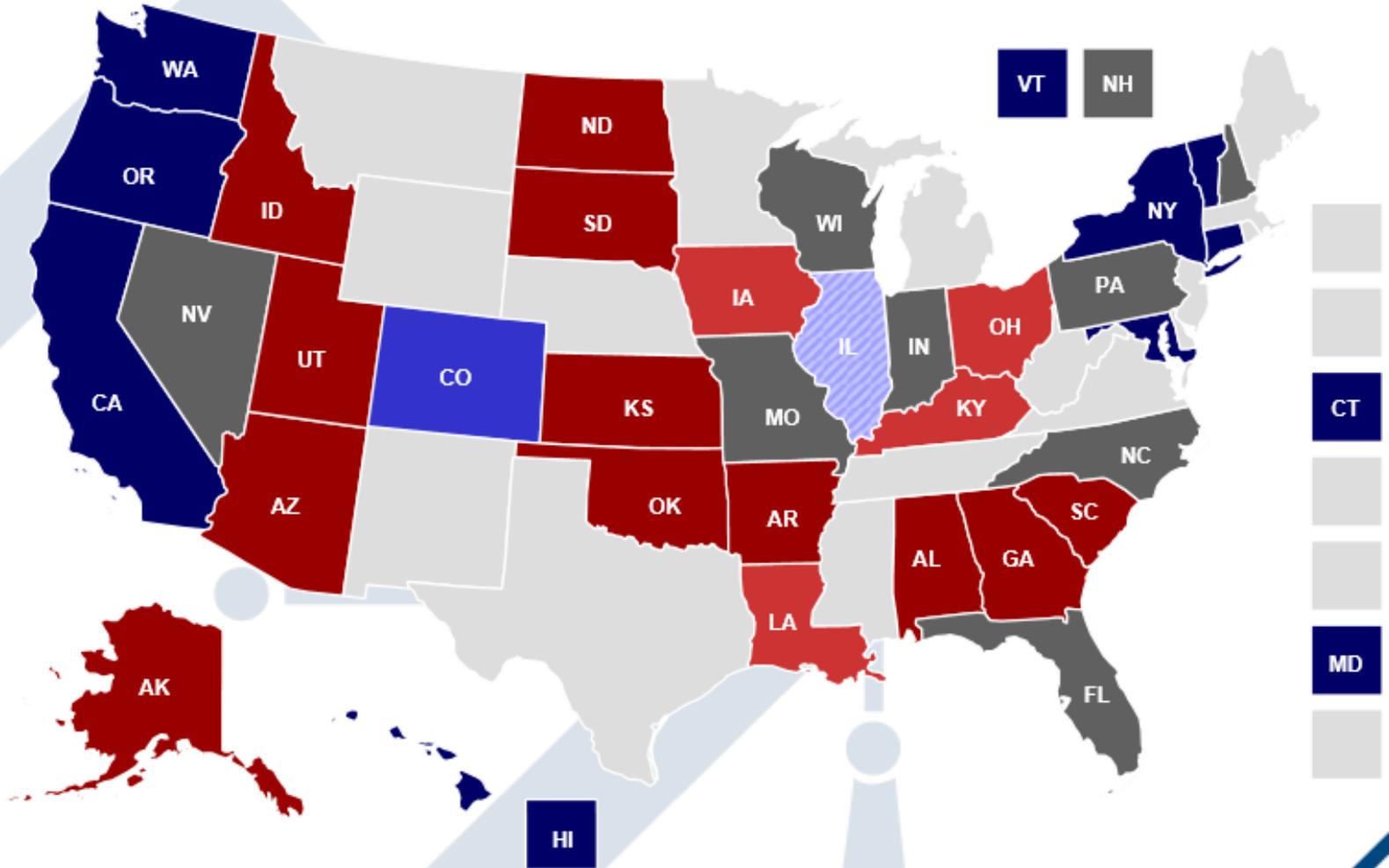
RCP: Clinton - 340/ Trump - 198

# Aftermath of the Nov Election - Prez

- ❖ New Clinton/Trump Administration
- ❖ More than, 6,000 new leadership and political appointees at WH, OMB, ED, Treasury, CFPB, FCC, etc.  
– with Clinton, some new faces but mostly old loyalists
- ❖ All new administrations examine recent regulatory actions, and are expected to put their stamp on higher education



# Election Outlook - Senate



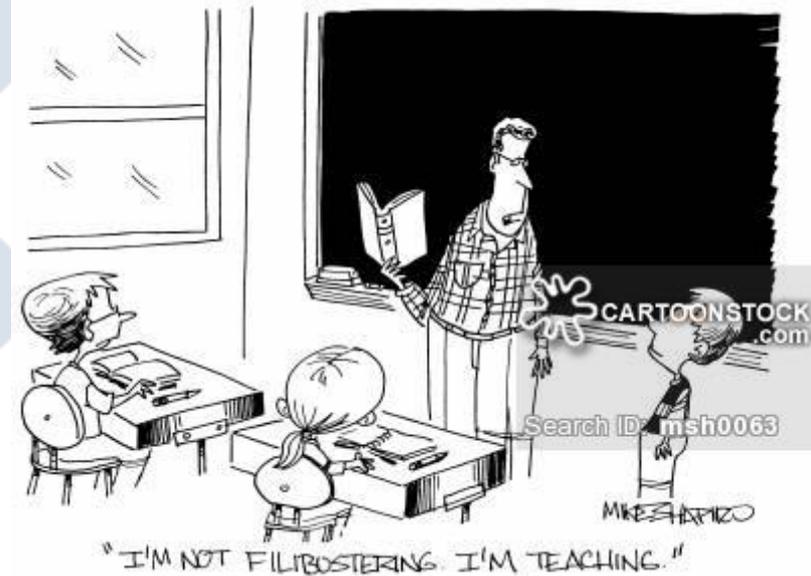
RCP: Democrats – 46 / Toss-Up – 8 / Republicans - 46



# Aftermath of the Nov Election - Senate



- ❖ New Democratic leadership - Schumer for Reid, retiring
- ❖ Murray in leadership / Warren in advisory role
- ❖ New Committee Chairs (Murray or Sanders to HELP or Budget? Durbin to Appropriations?)
- ❖ New Ranking Members (Alexander or Enzi to HELP? Sessions back to Budget?)
- ❖ What does this mean for reauthorization of the Higher Education Act? What priorities will be on the table?



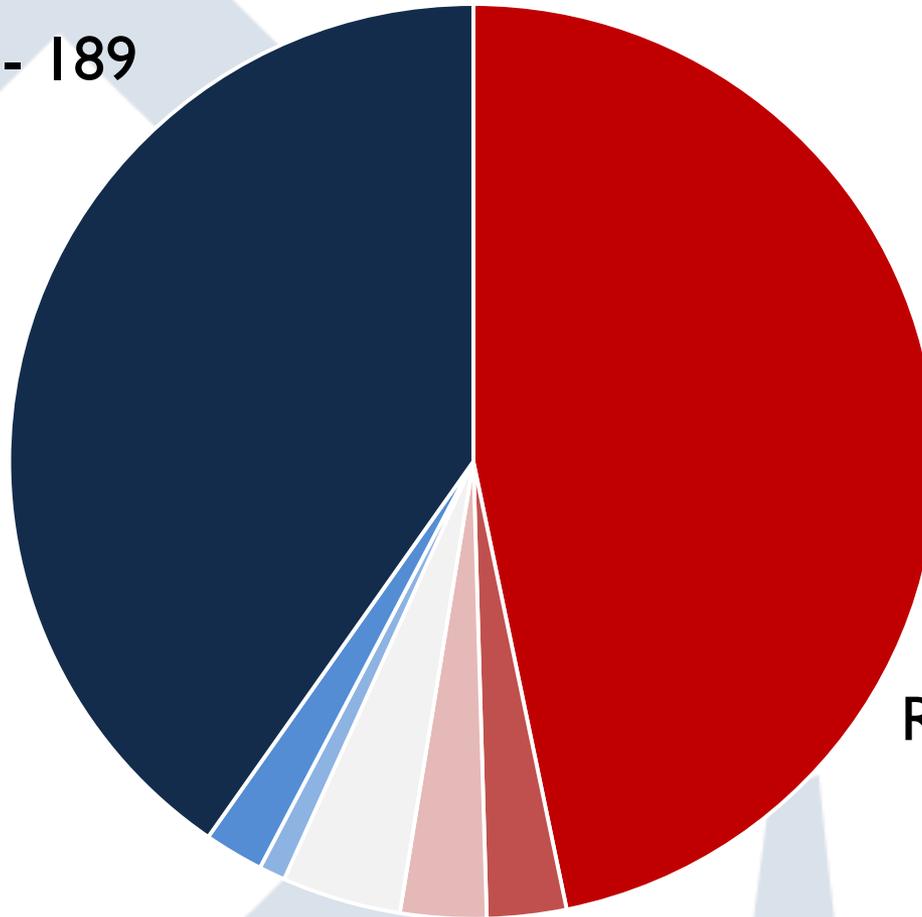
# Election Outlook - House

Breakdown by Party - 218 to Claim Majority

Democrats - 189

Republicans - 231

Toss-Up - 15



- Solid Republican
- Likely Republican
- Lean Republican
- Toss-Up
- Lean Democrat
- Likely Democrat
- Solid Democrat

# Aftermath of the Nov Election - House

- ❖ Similar Republican and Democratic leadership, no retirees
- ❖ House Education and the Workforce Committee Chair changes hands - Chairwoman Foxx, Kline retiring
- ❖ House Appropriations Committee Chair changes hands – Reps. Frelinghuysen or Aderholt, Rogers term-limited
- ❖ What does this mean for reauthorization of the Higher Education Act? What priorities will be on the table?





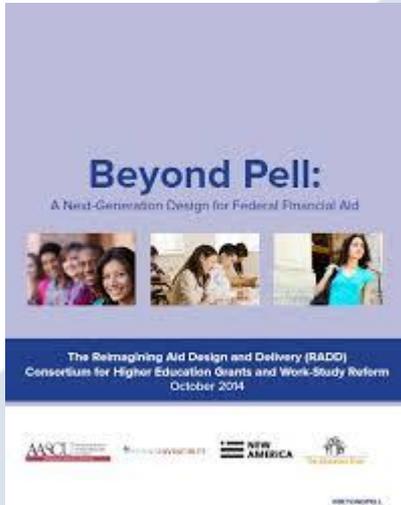
# Policy Forecast – This Year



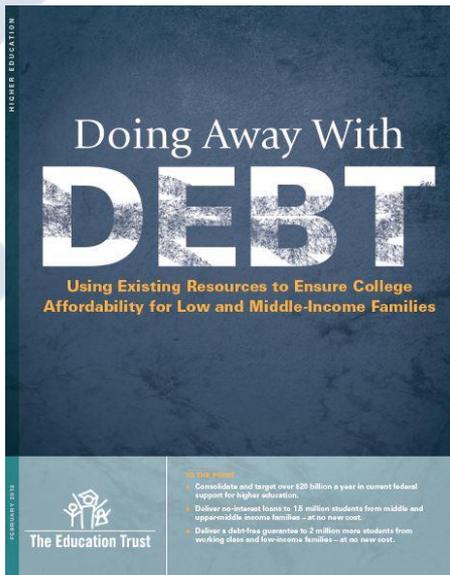
- ❖ The Obama Administration has been the greatest force for higher education reform – both good and bad - in decades
- ❖ Mandated 100% Direct Lending
- ❖ Redefined “gainful employment”
- ❖ Expanded Pell Grant eligibility
- ❖ Restricted federal funds to Corinthian Colleges and ITT, and will soon require many colleges to put up lines of credit



# Policy Forecast – This Year



- ❖ Outside of the Obama Administration, major interest from Congress, think-tanks, trade associations, consumer groups, etc. in higher education reform
- ❖ Growing consensus on the main problems and challenges with the higher education system
- ❖ “How do you promote a highly-educated workforce focused on college access AND completion?”
- ❖ “How do you improve institutional quality and hold institutions accountable?”
- ❖ “How do you make college more affordable?”



# Policy Forecast – This Year

- ❖ But no consensus on the role of the federal government to provide solutions to address these challenges
- ❖ Higher education, including financing, continues to be a high-profile issue
- ❖ More players in higher education policy than in past (ED, CFPB, Treasury, consumer groups, etc.)
- ❖ Federal Student Aid/federal financial aid system envisions limited role for states
- ❖ Younger and inexperienced House and Senate members and staff responsible for policy development, many with student loans



# Snapshot of Financial Aid

	Academic Year										Preliminary 14-15	10-Year % Change	
	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14			
<b>Federal Aid</b>													
<b>Grants</b>													
Pell Grants	\$16,542	\$15,477	\$15,006	\$16,787	\$19,812	\$33,182	\$38,989	\$35,407	\$33,341	\$32,104	\$30,293		83%
FSEOG	\$969	\$949	\$902	\$882	\$820	\$814	\$828	\$776	\$762	\$747	\$728		-25%
LEAP	\$83	\$79	\$75	\$74	\$69	\$70	\$67	—	—	—	—		
Academic Competitiveness Grants	—	—	\$283	\$353	\$368	\$530	\$605	—	—	—	—		
SMART Grants	—	—	\$240	\$234	\$216	\$397	\$473	—	—	—	—		
Veterans and Military	\$4,424	\$4,493	\$4,557	\$4,686	\$5,156	\$9,942	\$12,118	\$11,904	\$13,481	\$13,530	\$15,160		243%
<b>Total Federal Grants</b>	<b>\$22,017</b>	<b>\$20,998</b>	<b>\$21,064</b>	<b>\$23,016</b>	<b>\$26,442</b>	<b>\$44,935</b>	<b>\$53,079</b>	<b>\$48,087</b>	<b>\$47,584</b>	<b>\$46,382</b>	<b>\$46,180</b>		<b>110%</b>
<b>Loans</b>													
Perkins Loans	\$2,078	\$1,943	\$1,895	\$1,582	\$1,041	\$905	\$936	\$1,000	\$1,051	\$1,195	\$1,215		-42%
Subsidized Stafford	\$29,971	\$29,799	\$29,285	\$33,282	\$35,774	\$42,118	\$44,382	\$42,789	\$28,911	\$26,970	\$24,674		-18%
Unsubsidized Stafford	\$27,479	\$28,786	\$28,507	\$31,328	\$43,785	\$51,519	\$51,561	\$49,520	\$58,749	\$56,431	\$51,737		88%
Parent PLUS	\$9,262	\$9,978	\$9,519	\$8,801	\$8,327	\$9,849	\$11,575	\$11,681	\$10,213	\$10,488	\$10,564		14%
Grad PLUS	—	—	\$2,448	\$3,522	\$4,686	\$6,289	\$7,605	\$7,888	\$7,907	\$8,268	\$7,768		
<b>Total Federal Loans</b>	<b>\$68,790</b>	<b>\$70,507</b>	<b>\$71,653</b>	<b>\$78,515</b>	<b>\$93,614</b>	<b>\$110,681</b>	<b>\$116,059</b>	<b>\$112,877</b>	<b>\$106,831</b>	<b>\$103,353</b>	<b>\$95,959</b>		<b>39%</b>
<b>Federal Work-Study</b>	<b>\$1,250</b>	<b>\$1,200</b>	<b>\$1,140</b>	<b>\$1,114</b>	<b>\$1,055</b>	<b>\$1,076</b>	<b>\$1,065</b>	<b>\$1,025</b>	<b>\$1,004</b>	<b>\$1,000</b>	<b>\$960</b>		<b>-23%</b>
<b>Education Tax Benefits</b>	<b>\$7,711</b>	<b>\$7,800</b>	<b>\$7,708</b>	<b>\$7,637</b>	<b>\$11,603</b>	<b>\$18,161</b>	<b>\$21,652</b>	<b>\$20,508</b>	<b>\$18,404</b>	<b>\$18,505</b>	<b>\$18,215</b>		<b>136%</b>
<b>Total Federal Aid</b>	<b>\$99,768</b>	<b>\$100,505</b>	<b>\$101,566</b>	<b>\$110,282</b>	<b>\$132,714</b>	<b>\$174,852</b>	<b>\$191,855</b>	<b>\$182,498</b>	<b>\$173,822</b>	<b>\$169,240</b>	<b>\$161,314</b>		<b>62%</b>
<b>State Grants</b>	<b>\$8,408</b>	<b>\$8,588</b>	<b>\$8,948</b>	<b>\$9,205</b>	<b>\$9,172</b>	<b>\$9,818</b>	<b>\$10,100</b>	<b>\$9,912</b>	<b>\$9,974</b>	<b>\$10,136</b>	<b>\$10,136</b>		<b>21%</b>
<b>Institutional Grants</b>	<b>\$27,209</b>	<b>\$29,031</b>	<b>\$30,627</b>	<b>\$32,644</b>	<b>\$34,314</b>	<b>\$38,777</b>	<b>\$41,888</b>	<b>\$43,933</b>	<b>\$46,360</b>	<b>\$48,559</b>	<b>\$50,660</b>		<b>86%</b>
<b>Private and Employer Grants</b>	<b>\$10,717</b>	<b>\$11,498</b>	<b>\$12,223</b>	<b>\$13,176</b>	<b>\$13,463</b>	<b>\$13,763</b>	<b>\$14,524</b>	<b>\$14,859</b>	<b>\$15,162</b>	<b>\$16,370</b>	<b>\$16,800</b>		<b>57%</b>
<b>Total Federal, State, Institutional, and Other Aid</b>	<b>\$146,103</b>	<b>\$149,622</b>	<b>\$153,364</b>	<b>\$165,307</b>	<b>\$189,663</b>	<b>\$237,209</b>	<b>\$258,367</b>	<b>\$251,202</b>	<b>\$245,318</b>	<b>\$244,304</b>	<b>\$238,910</b>		<b>64%</b>
<b>Nonfederal Loans</b>	<b>\$17,674</b>	<b>\$20,838</b>	<b>\$23,685</b>	<b>\$25,564</b>	<b>\$12,532</b>	<b>\$8,961</b>	<b>\$7,934</b>	<b>\$7,973</b>	<b>\$9,453</b>	<b>\$9,710</b>	<b>\$10,120</b>		<b>-43%</b>
State- and Institution- Sponsored	\$1,321	\$1,329	\$1,440	\$1,430	\$1,376	\$1,438	\$1,344	\$1,276	\$1,196	\$1,163	\$1,120		-15%
Private Sector	\$16,353	\$19,509	\$22,244	\$24,134	\$11,156	\$7,523	\$6,590	\$6,697	\$8,257	\$8,547	\$9,000		-45%
<b>Total Student Aid and Nonfederal Loans</b>	<b>\$163,776</b>	<b>\$170,460</b>	<b>\$177,048</b>	<b>\$190,871</b>	<b>\$202,195</b>	<b>\$246,171</b>	<b>\$266,301</b>	<b>\$259,175</b>	<b>\$254,771</b>	<b>\$254,014</b>	<b>\$249,030</b>		<b>52%</b>



# Policy Forecast – Next Year

❖ The new President will have a huge impact on higher education policy – mainly because K-12 reform was completed last year

## Hillary Clinton's New College Compact Costs won't be a barrier

Lifting incomes for working Americans is the defining economic challenge of our time. And to raise wages, there is no better investment we can make than in education. College graduates earn \$570,000 more on average in their careers than high school graduates. Graduates of community college, career training, certificate programs, and coding boot camps also earn more.

### The Problem

The barriers to obtaining a degree are becoming increasingly steep. At 4-year public colleges and universities, for example, between 2004 and 2014 in-state tuition-and-fees rose 42 percent, after adjusting for inflation. The recession accelerated the trend of state disinvestment in higher education, with states spending \$1,805, or 20 percent, less per student on average than they did 7 years ago.

Colleges have responded not by tightening belts but by raising tuition, passing the costs on to students and families who must fill the gap by taking out loans. The federal government has responded by pumping more and more money into federal student aid to help fill the gap but has not done enough to address the underlying problem of rising costs.

Too little has been done to address the lack of accountability for colleges and universities that do not deliver on the promise of a degree. At 4-year public colleges, more than four out of every ten students do not graduate within six years. The statistics are even more depressing for 2-year institutions.

### The New College Compact

Clinton's plan breaks down the barriers to obtaining a degree by establishing the New College Compact. The New College Compact ensures that students can attend a 4-year public college without taking loans for tuition, attend community college tuition-free, pushes states to re-invest and schools to reduce costs and raise graduation rates, and rewards innovation that makes a real difference in student outcomes.

Here is how it works:

#### The New College Compact Promotes College Affordability

The New College Compact will make sure cost is not a barrier to anyone who wants to receive higher education. Clinton's plan will:

- Provide incentive grants to states that commit to providing students with a guarantee of no-loan tuition at 4-year public colleges and universities, and no payments for tuition at community colleges. States will have to halt disinvestment in higher education, ramp up that investment over time, and work with public colleges and universities to cut costs and increase innovation.
- ✓ States will distribute funds only to colleges and universities that demonstrate that they can meet these guarantees by lowering the cost of college on their campuses, ensuring

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## Student Loans

Clinton	Trump
<ul style="list-style-type: none"> <li>• Establish the New College Compact to promote college affordability and completion</li> </ul>	<ul style="list-style-type: none"> <li>• No official position about college tuition</li> </ul>
<ul style="list-style-type: none"> <li>• Help students attend a 4-year public college without taking out loans for tuition</li> </ul>	<ul style="list-style-type: none"> <li>• Force colleges to share the risk involved in student loans</li> </ul>
<ul style="list-style-type: none"> <li>• Allow students to attend community college without paying tuition</li> </ul>	<ul style="list-style-type: none"> <li>• Make it harder for liberal arts students to take out loans</li> </ul>
<ul style="list-style-type: none"> <li>• Cut the interest rate on student loans</li> </ul>	<ul style="list-style-type: none"> <li>• Oppose free and debt-free higher education</li> </ul>
<ul style="list-style-type: none"> <li>• Offer additional benefits for those who serve in the military</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate governmental involvement in student loans and support market-driven lending</li> </ul>

# Policy Forecast – Next Year

- ❖ House completed the hearing process in the 113<sup>th</sup> and 114<sup>th</sup> Congress, held total of 15 hearings
- ❖ Introduced and passed a series of narrowly-tailored, bipartisan bills centered around transparency, more loan counseling, simplifying the FAFSA, etc.
- ❖ Major work takes place in 115<sup>th</sup> Congress with new chair and members
- ❖ Wildcard: Will Republicans own Direct Lending?

# Policy Forecast – Next Year

- ❖ Senate largely completed the hearing process in the 114<sup>th</sup> Congress but may have to restart with new Dem members
- ❖ Republicans are focused on simplification and deregulation
- ❖ Democrats have their own wish-lists, Murray to address homeless children, Gillibrand to address campus safety, etc.
- ❖ Wildcard: Will Democrats, including Sen. Elizabeth Warren, fight or work together?

# Policy Forecast – Next Year

❖ With many moving parts, can consensus be achieved?

- Accreditation reform
- Automatic payroll deduction
- Borrower defenses to repayment
- Competency-based education
- Debt-free college
- Federal-state partnership
- Federal student data system
- Financial education/literacy
- Gainful employment for all schools
- Income share agreements
- One loan, one grant program
- “Pell-Well” concept
- Private loan regulation
- Public service loan forgiveness
- Repayment rates v. default rates
- Risk-sharing proposals
- Sexual abuse protections
- Simplifying repayment plans
- Student loan servicing changes
- Teacher preparation improvements
- Year-Round Pell Grants
- 90-10 and other prop school issues



**Thank you!**

**Any Questions?**