Access, Affordability, Accountability… and Austerity too!

SASFAA
2014 Annual Conference

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Dr. Steven Brooks, North Carolina State Education Assistance Authority
American’s Still 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
But...

- 89 percent of US adults say higher education is “in crisis”
- 96 percent of senior higher education administrators say their sector is “in crisis”
  - 40 percent say crisis is severe

Time & Carnegie Corporation Study, 2012
A Look At Higher Education

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

- 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

- Number of Hispanic students enrolled last year rose to 3.4 million up 447,000 from 2011-12
Enrollment and Financial Forecast

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

• By 2020 approximately 42 percent of college students will be 25 and older.

• Moody’s Analytics report that median revenue growth slowed to 1.7 percent down from 4.8 percent in 2012.
Enrollment and Financial Forecast

• 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 percent
• Private institution enrollment and revenue has remained stable over the past five years with growth in net tuition strengthening to 3.5 percent in 2012, up from 3 percent in 2011
Enrollment and Financial Forecast

- 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.

- This past summer more than 150 private colleges failed ED’s “financial responsibility” test. State colleges are not subject to the test.

- The number of non-profit degree intuitions that failed the test, 116, was lower than in 2010 when 150 non-profits and 30 for-profits had failing scores.

- Of those failing in 2011, 54 non-profit institutions and 25 for-profits were required to post letters of credit to continue to participate in federal student aid.
College Cost

• Since 1985, the cost of higher education has jumped more than 500 percent compared to 286 percent for medical costs and 121 percent 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 percent, public four year up 2.9 percent, four-year private not-for-profit 3.8 percent and for-profit by .5 percent.

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

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

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

• Federal government typically publishes 4,000 regulations a year

• Economically significant regulations, with an estimated cost of $100 million plus, were up 76 percent between 2003 and 2012

• The 2,319 page Dodd-Frank Act resulted in 400 new rules across 20 agencies and the 2,400 page Affordable Care Act created 159 new agencies, panels and commissions with regulations to come later
Regulations and Compliance

- 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”.
Movement Toward Consumer Protection

- The Consumer Financial Protection Bureau (CFPB) has studied and began regulating 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.
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
Leftovers from 2013

- Debt ceiling increase (Q1)
- Appropriations for upcoming year
- Healthcare enrollment and acceptance
- Big Bills
  - Immigration
  - Farm
- NSA surveillance
- Iran, South Sudan, Syria, Ukraine
DC At a Glance
2014 “Some More Please”

- Less gridlock but very little gets done
- Year to “go small”
  - Current status: cease fire
  - Neither party has votes to “go big”
  - Congress moves to election mode by Independence Day recess
- Renewed understanding that public cares about items that impact their everyday lives
- Pivot – “Economic Justice” (closing the income gap)
- Cabinet transitions
- Expect the unexpected
DC At a Glance

Setting the Stage for the Higher Education Act

• **Student loan borrower Bill of Rights (S-1803)**
  – Calls for proposed regulations for servicing private student loans that include how servicers must advise distressed borrowers.
  – Codifies disclosures, order of payments and most other aspects of servicing.
  – Includes rights for servicing Federal student loans.
DC At a Glance
Setting the Stage for the Higher Education Act

• Protect Student Borrowers Act of 2013 (S-1873)
  – Require risk-sharing for higher education institutions with high Direct Loan default rates.
  – Revenue from risk-sharing would be used for future Pell Grant short falls and to provide financial literacy and default management and default aversion services.
DC At a Glance

Setting the Stage for the Higher Education Act

• Partnerships for affordability and Student Success Act (S-1874)
  – Designates funding for Federal/State partnerships to support goals of college access, affordability and completion.
  – Provides annual funding of $1 billion annually allocated to states under a formula driven by the states share of Pell grant recipients (minimum allocation to each state of 1 percent of appropriated funding).
  – A minimum of 70 percent of the funding must be allocated to student grant aid.
DC At a Glance
Department of Education

• Additional data coupled with increased Federal program reviews/audits add to school pressures.
• Continued advocacy of President’s higher education proposals released this past August.
• Substantial divide between college presidents and administration.
• There will be many additional school reporting requirements with the goal of ED developing “value” metrics that will determine future Federal Title IV funding and enhance ED audits and program reviews.
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
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
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