

**MEETING THE ACCESS &
PERSISTENCE CHALLENGE:
SPRING HEARING**

JUNE 25, 2010



**ADVISORY COMMITTEE
ON STUDENT FINANCIAL
ASSISTANCE**



**SUMMARY OF THE ADVISORY COMMITTEE HEARING
THE WASHINGTON COURT HOTEL
GRAND BALLROOM
WASHINGTON DC**

ADVISORY COMMITTEE MEMBERS PRESENT

Mr. Allison G. Jones
Chairperson

Mr. Norm Bedford
Vice Chairperson

Dr. Helen Benjamin

Mr. David Gruen

Mr. Anthony J. Guida Jr.

Ms. Kathleen Hoyer

Dr. William T. Luckey Jr.

Mr. John McNamara

Dr. William J. Goggin
Executive Director
(ex officio)

Mr. Dan Madzellan
Designated Federal Official
(ex officio)

BACKGROUND

The Advisory Committee on Student Financial Assistance (Advisory Committee) serves as an independent source of advice and counsel to Congress and the Secretary of Education on student financial aid policy. It was established by Congress through the Higher Education Amendments of 1986 and began operation in 1988. The congressional mandate requires that the Advisory Committee conduct objective, nonpartisan, and independent analyses on important aspects of the student assistance programs under Title IV of the Higher Education Act.

According to its authorizing statute, the purpose of the Advisory Committee is to provide extensive knowledge and understanding of the federal, state, and institutional programs of postsecondary student assistance and to provide technical expertise with regard to systems of need analysis and application forms. In addition, the Advisory Committee is required to make recommendations that will result in the maintenance of access to postsecondary education for low- and moderate-income students. Throughout its existence, the Advisory Committee has examined the barriers to access confronting such students and translated research on access and persistence into policy solutions for enhancing student assistance programs at the federal, state, and institutional levels.

The Advisory Committee on Student Financial Assistance (Advisory Committee) is a Federal advisory committee chartered by Congress, operating under the Federal Advisory Committee Act (FACA); 5 U.S.C., App. 2). The Advisory Committee provides advice to the Secretary of the U.S. Department of Education on student financial aid policy. The findings and recommendations

of the Advisory Committee do not represent the views of the Agency, and this document does not represent information approved or disseminated by the Department of Education.

PURPOSE OF THE HEARING

The Advisory Committee held a one-day hearing that focused on the significant progress made on the Committee's two main charges from reauthorization:

- *Condition of Access & Persistence Study (CAPS)*: charge to report annually on the adequacy of need-based grant aid for low- and moderate-income students, as well as their enrollment and persistence rates.
- *Higher Education Regulations Study (HERS)*: charge to report on higher education regulations within the *Higher Education Act (HEA)* and determine which regulations are duplicative, overly burdensome, inconsistent with other federal regulations, and/or no longer necessary.

Specifically, the hearing marks the official release of the first CAPS report, *The Rising Price of Inequality: How Inadequate Grant Aid Limits College Access & Persistence*. The report is divided into three sections, each using nationally representative longitudinal data from the U.S. Department of Education's National Center for Education Statistics (NCES). The report findings are persuasive evidence that total grant aid from all sources is not adequate to ensure enrollment and persistence of qualified low- and moderate-income high school graduates at public four-year colleges. While the report centers on four-year college enrollment and completion, the Advisory Committee recognizes and wishes to call attention to our belief that all types of postsecondary training, certificates, and degrees can and do contribute to our nation's well-being by enhancing workforce skills, critical thinking, adaptability, and social engagement that improve life for all Americans.

In terms of the Committee's other charge to report on higher education regulations, the hearing marks the opening of the second phase of HERS. The first phase focused on Title IV regulations, which comprise the bulk of regulations stemming from the HEA. In service of the first phase, the Committee convened a review panel of experts who have experience with Title IV regulations; developed and continues to maintain a website that provides information and a means for the public to offer recommendations for streamlining regulations; consulted with individuals representing the Department of Education, Congress, higher education institutions, and higher education associations; and reviewed the literature on academic studies, other analyses of regulatory burden, and the impact on higher education institutions. The Committee also prepared a preliminary list of 35 burdensome regulations and regulatory areas.

In phase two, the Advisory Committee plans to refocus the study, expanding it per congressional request, to review regulations from the HEA in its entirety. In addition, the Committee believes that in order to evaluate and make recommendations to streamline, improve, or eliminate a regulation, there needs to be an assessment of burden and a prioritization of recommendations. This assessment is critical to ensuring that there is no negative effect on program integrity, costs, or effectiveness. To accomplish this, the Committee plans to conduct case studies at postsecondary institutions in the Washington DC metropolitan area to obtain the detailed level of information needed. An understanding of how regulatory implementation and compliance occur at the campus level and what individual differences may occur among institutional types is critical to evaluation efforts.

The Committee's June 25 hearing served to elicit comments and information from the higher education community on these two critical studies, CAPS and HERS, as well as the Committee's newest report. In addition, the Committee sought information from the Department of Education regarding new and ongoing projects related to student financial aid. The hearing was divided into three sessions:

- Session I: *The Rising Price of Inequality*—Community Reactions
- Session II: Education Department Update
- Session III: Higher Education Regulations Study

HEARING PARTICIPANTS

Keynote Speaker: *Dr. Juliet V. García, President, University of Texas at Brownsville*

Session I: *The Rising Price of Inequality*—Community Reactions

Presenters: *Dr. Donald Heller, Director, Center for the Study of Higher Education, Professor of Education & Senior Scientist, College of Education, The Pennsylvania State University*

Mr. Mark Kantrowitz, Publisher of FinAid.org and Fastweb.com

Dr. Donald Norris, President, Strategic Initiatives, Inc.

Ms. Zakiya Smith, Senior Policy Advisor, Office of Planning, Evaluation & Policy Development, U.S. Department of Education

Mr. Jeff Webster, Assistant Vice-President for Research and Analytical Services, Texas Guaranteed Student Loan Corporation

Session II: **Education Department Update**

Presenters: *Mr. Robert M. Shireman, Deputy Undersecretary of Education, U.S. Department of Education*

Session III: **Higher Education Regulations Study**

Presenters: *Mr. Lee Andes, Assistant Director for Financial Aid, State Council of Higher Education for Virginia*

Mr. Mark Bandré, Vice President for Enrollment Management and Student Development, Baker University

Mr. Justin Draeger, Vice President of Public Policy and Incoming President, National Association of Student Financial Aid Administrators

Ms. Bonnie Joerschke, Director of Student Financial Aid, University of Georgia

Ms. Christine Lindstrom, Higher Education Program Director, U.S. PIRG

Ms. Elaine Neely, Senior Vice President of Regulatory Affairs and Compliance, Kaplan Higher Education

Mr. David Page, Director of Financial Aid, Philander Smith College

*Dr. Barry Simmons Sr., Director of University Scholarships and Financial Aid,
Virginia Polytechnic Institute and State University*

*Dr. Laurie Wolf, Executive Dean of Student Services, Des Moines Area
Community College*

SUMMARY OF HEARING

Chairperson Allison Jones opened the proceedings, introducing Advisory Committee members and staff. He also reviewed the purpose of the hearing, as noted above. Mr. Jones then introduced **Dr. Juliet García**, President, University of Texas at Brownsville, who gave the keynote address.

Dr. García opened her remarks by noting that one of the most rewarding experiences in her professional career was having been a member and chair of the Advisory Committee. During her tenure, Dr. García led the effort on two of the Committee's seminal reports: *Access Denied* (2001) and *Empty Promises* (2002). The Committee's most recent report, *The Rising Price of Inequality*, is a follow-on to these two reports and repeats their essential message, that equal educational opportunity has not yet been achieved. All three reports have a clear message: that grant aid is inadequate to ensure access to four-year public colleges for low- and moderate-income high school graduates.

The Rising Price of Inequality reminds us that the most important messages need to be repeated over and over, lest we forget them. The new report shows that large mismatches continue to exist between the aspirations and qualifications of low- and moderate-income high school graduates and where they are financially able to enroll in college. These mismatches are triggered by increasing family financial concerns about college expenses and financial aid, and are shifting enrollment away from four-year colleges for these students. Shifts in initial enrollment are consequential because they often determine likelihood of success. The new report also warns that persistence appears to be declining, which magnifies the negative impact of enrollment shifts. Taken together, enrollment shifts and declining persistence have greatly undermined bachelor's degree completion over the last two decades, and, if unchecked, will take an even greater toll this decade.

In conclusion, Dr. García congratulated Congress and the Obama administration for passing increases in student aid, but also pointed out that these modest increases could easily fall victim to future increases in the cost of attendance. The answer is two-fold: grant aid for low- and moderate-income students must be increased at every level, federal, state, and institutional, and colleges must restrain prices, to the extent possible. And it must never be forgotten that maintaining financial access to four-year public colleges for qualified high school graduates is of paramount national policy importance.

Session I: *The Rising Price of Inequality*—Community Reactions

Mr. Norm Bedford, moderator for session one, introduced the panelists and explained the purpose: to convene a panel of higher education experts to discuss the Advisory Committee's first report of the *Condition of Access and Persistence Study*, entitled *The Rising Price of Inequality* (RPI). The report examines the adequacy of need-based grant aid on bachelor's degree attainment for low- and moderate-income students. The panelists were to respond to the report's findings and implications and discuss its impact on the community and the future of higher education policy.

Dr. Donald Heller, Director, Center for the Study of Higher Education, Professor of Education & Senior Scientist, College of Education, The Pennsylvania State University, made the first presentation. Dr. Heller set RPI within the context of the college goal established by President Obama in his first state of

the union address in February 2009: that by 2020, America will once again have the highest proportion of college graduates in the world. The Committee's report clearly articulates the challenges the country will face.

Dr. Heller then reviewed the barriers, articulated in RPI, that may prevent the U.S. from achieving the president's goal: taking necessary coursework, overcoming financial barriers, and persisting. Each is necessary, but insufficient in and of itself, to achieve the goal of increasing postsecondary attainment rates. In terms of both taking necessary coursework and persisting, RPI shows large gaps among income groups. Furthermore, Advisory Committee reports over time, including *Access Denied* and *Empty Promises*, have documented the problems financial barriers pose to low-income students. This latest report provides updated evidence: that parental and student concerns about paying for college have risen over the last two decades, and that these concerns are strongly related to student enrollment decisions. The report shows that the percentage of low- and moderate-income students enrolling in a four-year institution has dropped considerably over the last two decades, even among those who are academically prepared. Finally, RPI shows clearly that, only by addressing all three barriers simultaneously, preparation, financial barriers, and persistence, can we achieve the president's goal.

At this juncture, Dr. Heller discussed the importance of the research recommendations included in RPI. Over the years, the federal policy environment has shifted from one in which the Pell Grant supplied up to 80 percent of financing to one in which students are increasingly reliant on loans. Student loans, as a critical part of the financing system, are here to stay, and Pell Grants will not return to the prominence they once had. Dr. Heller's recent research for The College Board's *Rethinking Student Aid* study group found that loans are not nearly as effective as grants in helping poor students attend and persist through college. However, most of the research in this country is concerned with the federal subsidized and unsubsidized, mortgage style loan; very little is known about other types of loan repayment that might better meet the needs of low- and moderate-income students. Dr. Heller's recent research has been on the British student loan system, in which income-contingent loans were found to be effective with poor students who attend university. Last year, Congress broadened the use of income-contingent loans through the Income-Based Repayment program (IBR) for students in the United States; however, more research is needed on how a British-style system might be best adjusted to meet the needs of American students.

RPI recommends that a demonstration project be conducted on how the different possible parameters of income-contingent loan repayment might affect college access and persistence. This recommendation should be pursued—the results of such a demonstration project could be extremely valuable. The report also calls for a similar project to examine the impact of loan forgiveness programs. Most existing loan forgiveness programs are focused on graduate programs, and very little is known about effects on undergraduates. However, from the perspective of economic theory, the effects of loan forgiveness on access and persistence for low-income students should be similar to grant aid. A second well-designed demonstration program could help us learn more.

Dr. Heller concluded by noting that the findings and recommendations of RPI are meticulously analyzed, well thought-out, and extremely important to the future of the country.

Mr. Mark Kantrowitz, Publisher of FinAid.org and Fastweb.com, spoke second. Mr. Kantrowitz began by stating that the Advisory Committee has produced an important report, as significant as *Mortgaging Our Future*. The findings—that inadequate need-based grant aid triggers enrollment shifts among families most concerned with finances, leading to decreases in bachelor's degree attainment—are supported by National Postsecondary Student Aid Survey (NPSAS) data. The key point is that it is more difficult for low-income students to afford a college education, thus shifts in enrollment to lower cost institutions are in evidence by this population.

Mr. Kantrowitz then discussed limitations to the report analysis. For example, RPI is focused on public colleges and full-time dependent, or traditional, students; however, nonprofit colleges and nontraditional students are also a part of the equation. Fastweb.com and McGuire Associates have just released a college decision survey that shows a shift in applications from non-profit to public colleges. Those students who were most concerned about the economy made two-thirds of their college applications to public colleges; those who were unconcerned made about half of their applications to public colleges. In addition, part-time nontraditional students are a growing portion of college enrollment, and are less likely to persist than full-time traditional students. In order to reach the president's goal for education, the access needs of nontraditional students must be addressed as well. Nontraditional students have families to support, often work at full-time jobs, and attend college part-time, all predictors of failure to complete and default on student loans. Nontraditional students may also need health and child care, or may be returning for training as displaced workers.

Federal student aid policy is heavily directed at traditional students; for example, Pell Grant funding is not available to complete a second bachelor's degree, even if the degree is in a different field. Loan limits are cumulative through all degree programs. And the need analysis formula sets the minimum expected family contribution (EFC) at zero, even if a negative EFC might be measured—this produces a cap on aid to students with exceptional need. Finally, because the Pell Grant does not cover the cost of tuition, Pell Grant recipients graduate with more debt than non-recipients, so those students who have the greatest need also have the greatest debt.

Bold increases in Pell Grants are necessary. Over the next decade, the *Health Care and Education Reconciliation Act of 2010* (HCERA) will index the maximum Pell Grant to the consumer price index (CPI) for the first five years; for the remaining five years, Pell will remain flat. On a constant dollar basis, the amount of Pell Grant funding will not be maintained through the CPI index, which will have an impact on degree attainment by grant recipients. Just keeping funding level requires an immediate \$300 increase in the maximum grant. But in order to make a dent in declining bachelor's degree attainment rates, an increase in the maximum grant is required that will reduce out of pocket costs above tuition increases and inflation. The maximum Pell Grant must be doubled, to \$11,700, and indexed to one percent of inflation thereafter.

In conclusion, Mr. Kantrowitz stated that he hoped leaders would have the political will to expand Pell Grant funding and turn the program into a true entitlement.

Mr. Jeff Webster, Assistant Vice-President for Research and Analytical Services, Texas Guaranteed Student Loan Corporation, made the third set of remarks. Mr. Webster praised the Advisory Committee for RPI, and noted that RPI presents a sensible framework within which to understand recent trends in access and degree attainment. Among low- and moderate-income students, aspirations remain high, but confidence in the ability to pay for college is waning.

RPI's methodology may be applied to Texas. The Texas Guaranteed Student Loan Corporation (TG) issued a recent report, entitled, "Ready, Willing, and Unable: How Financial Barriers Obstruct Bachelor's Degree Attainment in Texas," data from which can be compared to that in RPI. In terms of the 2004 cohort analyzed in RPI, Texas had a higher percentage of low-income students than was found nationally. TG initially assessed the state's bachelor's degree losses at 47,000 per year; however, that figure was updated in 2009 to 52,800. During 2007-08, 53 percent of students enrolled at two-year schools, compared with 44 percent nationally. That same year, Texas community colleges had lower graduation transfer rates than in the U.S. as a whole, 40 percent compared to 47 percent, and 60 percent of Texas students attended part-time, compared with 52 percent nationally.

These trends led TG to develop a conceptual framework to better understand the character of student life in terms of three factors: affordability, student work, and enrollment intensity. These factors can be expressed on a policy continuum, from supportive, in which school is free, work is by choice and on-campus in a work-study program, and attendance is full-time, to restrictive, in which financial need is without aid to address it, work is full-time and off-campus, and enrollment is part-time. Texas is a diverse state with educational opportunities that range from supportive to restrictive; however, it has a disproportionate group of students at the lower end of the income spectrum—actively looking for financial bargains at the expense of access. These students are most at-risk when it comes to loans.

Loans will remain a significant part of the financing system because a guarantee of free tuition and expenses is unlikely. Based on experience in Texas, students do understand the difference between a grant and a loan—they see a loan as a calculated risk. Thus, students look for bargains and are willing to stop-out and attend part-time. And loans are an imperfect tool for removing financial barriers: they work for the confident, those who see college as a long-term investment. But they do not encourage access and retention in the same way that grants do. The Advisory Committee is right to recommend to reduce this risk by supporting the expanded use of the IBR and loan forgiveness programs. As these become more available, it will be important to initiate an outreach effort so that students understand these options at the beginning of their education.

In addition, other supports are necessary for at-risk students. TG worked with JBL & Associates on a report entitled, “How to Graduate High-Risk Students.” Four highly successful schools in Texas were examined that served a highly disadvantaged population, yet each school had high graduation and placement rates, and low cohort default rates. Each school also had the right structure, culture, and programs to serve an at-risk population: intense and short-term programs, standard course sequencing, use of block scheduling, student cohorts that remained together, small campuses with small classes, and remediation built into coursework. The City University of New York (CUNY) is experimenting with this model and finding success with it.

In conclusion, Mr. Webster thanked the Committee for developing RPI; degree attainment depends on both proper preparation and affordability.

Following Mr. Webster, **Ms. Zakiya Smith**, Senior Policy Advisor, Office of Planning, Evaluation & Policy Development, U.S. Department of Education, provided the fourth set of remarks. She opened by commending Dr. Heller, Mr. Kantrowitz, and Mr. Webster on their work. The Obama administration has seen enormous excitement in the higher education community about the 2020 goal to increase the proportion of college graduates in the U.S. However, RPI signals how far we must go in order to meet that goal, and, thus, the Advisory Committee continues to shine a spotlight on the financial barriers that students are facing.

The report’s methodology is very important because it disaggregates data by family income. Too often, reports are issued without this disaggregation, and the result is a failure to understand the fine distinctions within larger trends. For example, reports suggest that community colleges are bursting at the seams. But this is not due to increased enrollments among high-income students; low-income students are enrolling as a consequence of the enrollment shifts described in RPI. At stake is the proper public policy response to these trends.

The report also illustrates the importance of need-based aid and keeping net prices low. The public questions rising costs in an era when family income is stagnant or declining. However, states have limited resources due to the current economic climate and are forced to make difficult decisions—limited resources should be targeted toward those students who most need them and in a way that has the biggest net impact on overall college enrollment, persistence, and completion. Leadership is needed at every

level—state, federal, and institutional—in order to achieve this. For example, the Obama Administration has been committed to increasing the Pell and indexing it to inflation in future years, but knows that that is not enough. States and institutions will have to pick up some of the slack as well.

Several RPI recommendations are related to administration initiatives. First, “restrain increases in the cost of college and offsetting it with need-based aid,” was addressed in last year’s budget and in *The Student Aid and Fiscal Responsibility Act (SAFRA)*, by the administration’s proposal to revamp the Perkins Loan program to incentivize institutions to keep cost increases and net prices low. Second, “strengthen early intervention programs,” was addressed in the administration’s College Access and Completion Fund, which sought to strengthen acceleration programs and the transition between high school and college, and between colleges as well. The administration’s Elementary and Secondary Education Act proposal will also address these issues. Third, “invest in efficient and productive remediation,” is addressed in the American Graduation Initiative, which focused on improvements in community college completion rates. Monies allocated as a result of the Trade Adjustment Assistance program may also address some of these issues. Finally, addressing inequality in preparation, access, and persistence must be worked on within the context of the full education pipeline, including increased resources through the Pell Grant and the IBR programs—some of this is addressed through Race to the Top and the administration’s effort to increase standards. Now that the IBR program has been expanded, new data will be forthcoming, and the administration welcomes ideas from the field on using that data to increase access, persistence, and degree attainment.

In conclusion, Ms. Smith said that the Obama administration hopes to encourage institutions and states that are succeeding with high-need and low-income students. And the federal government is also looking toward states and institutions to make tough choices and protect the needs of low-income students during this difficult economic climate.

Dr. Donald Norris, President, Strategic Initiatives, Inc., made the final presentation. Dr. Norris described his work over the past years as culminating in the formation of a community of practice on action analytics in higher education, focused on improving student access, affordability, and success, as well as achieving financial sustainability in the face of the recession. His book, *Transforming Higher Education: A Vision for Learning in the 21st Century*, takes the position that our financial model for universal higher education is unsustainable, and his current focus with consulting clients is on re-imagining higher education post-recession.

RPI fulfills and sustains observations Strategic Initiatives has made over time, as well as those of other analysts. For example, fifteen years ago, William Baumol, the economist, stated that higher education must find a way to change the pathway of affordability, or, like healthcare, it would gobble unsustainable portions of the U.S. GDP—all of this has been proven true. The results of RPI show how unaffordability has been creeping into student decision making and causing students fully qualified to attend a four-year college to make other choices. This observation correlates with Anya Kamenetz’ new book, *DIY U*, which is a discussion of nontraditional routes through higher education and which suggests that millennials are the canaries in the coal mine in terms of unaffordability.

RPI’s findings have mitigating factors that are both positive and negative. On the negative side, the findings may not be negative enough. The impact of three to five years of an unfavorable job market will have a continued chilling effect on families’ view of an investment in higher education. On the positive side, particular institutional programs and initiatives take very active retention and persistence interventions in order to make a real difference—Strategic Initiatives’ website contains examples, some of which were also mentioned by Dr. García. The combined impact of the Gates and Lumina Foundations’ initiatives on student success may make a positive difference. The positives and negatives of these mitigating factors may negate one another.

One impact of the findings of RPI is the problem created by rising expectations and diminished resources. With a dual focus on student success and financial sustainability, the country will have difficulty meeting President Obama's goals, which have also been set by SHEEO and many states. One possible solution is to focus on the total cost of completion, not just on tuition and net price. For example, reducing time to degree through three-year baccalaureate programs offered by some colleges, and also through early college high school and concurrent enrollment programs, can reduce the total cost of completion. Race to the Top is another good example of innovations that can help.

While the bachelor's degree is still the target to which to aspire, we need to be clear-eyed about looking at alternative pathways, including vocational training, completing the degree while employed, and community- and practice-based learning. These new educational options and alternative plans may drive up the numbers of bachelor's degrees and achieve the academic goals we've set as a nation.

SESSION II: Education Department Update

Dr. Benjamin explained the purpose of the session: the discussion of key higher education legislation and proposals from the Obama administration and an update on new initiatives in Federal Student Aid. She then introduced **Mr. Robert Shireman**, Deputy Undersecretary of Education, U.S. Department of Education, who presented the Department's plans and initiatives.

Mr. Shireman began his remarks by noting it is no secret that these are tough times: the nation is facing a weak economy, environmental issues, and a budget deficit, as well as a growing need for Pell Grants and other education funding. Despite these problems, this administration saw the need for increases in the maximum Pell Grant in terms of the importance of investing in postsecondary education for the long term vitality of the economy. A better educated workforce will help us out of the budget deficit and weak economy. What has helped the U.S. stay ahead of other nations has been the creativity, innovation, and entrepreneurship that emerges from education—boundless thinking and a can-do attitude. In the U.S., we do not know exactly what people will do when they emerge from college: education is not about specific tasks, but about identifying new frontiers.

The Obama administration's goal is that, by 2020, America will once again have the highest proportion of college graduates in the world. The administration has moved toward this goal in several ways. In the Recovery and Reinvestment Act, increases in Pell Grant funding were proposed, and, in the budget, a Pell Grant entitlement was also proposed, although it was not achieved. The administration has also made significant improvements to education tax credits: they are now partially refundable for low-income students, are larger (up to \$2,500 with the American Opportunity Tax Credit), and are available for four years. In addition, the reliability of the loan system had been an issue; now 100 percent direct lending, the savings from loan program changes have been used to extend the Pell Grant system. Finally, the administration has made significant investments in minority-serving institutions and improvements to the IBR program. And community colleges will receive \$500 million per year for the next four years through the Department of Labor's Trade Adjustment Assistance program.

The Department still needs to do more to increase persistence and completion. The community college program just described is a step toward that; however, the administration has not been able to get all of its proposals on persistence and completion into recent legislation. The Department has consulted researchers both within the administration and outside it, and the response has been that there is no 'magic bullet,' and innovation is needed in that area. Presently, the administration is looking at methods of 'tweaking' financial aid in various ways that might increase persistence rates by a few percentage points; for example, looking for signs that students are struggling, the ways in which they are struggling, and

methods campuses have of addressing these issues. As the federal government considers what more it can do in terms of future proposals, it would welcome the Advisory Committee's input.

Student persistence is fragile, and there are many different turning points: whether the student completes high school; whether a rigorous high school curriculum was completed; whether the student enrolls in college, or returns to college after a break; and whether the student moves from remedial to college credit coursework. Addressing the latter problems would have a major impact on persistence and degree completion rates. Community colleges face the issue of level of involvement in college; these colleges need to find ways to help students work less and study more. As colleges of all sorts address persistence and help students more fully engage in college, an increase in persistence rates of five to ten percent is possible.

Mr. Shireman then turned to address the Department's work with the FAFSA and FAFSA simplification. When the *Chronicle of Higher Education* asked Mr. Shireman to describe the work of which he was most proud, he replied, FAFSA simplification. Much of what he brings to the Department on this issue stems from his work on the Advisory Committee. The Committee's position has long been to focus on the electronic, rather than the paper form because most student applications are through the electronic form.

The Department has taken three different routes on the FAFSA and has achieved two of them. Route one was, assuming no changes in the law, to make the online application user-friendly and minimize the number of questions any individual applicant must complete. The result was some re-ordering of questions as well as changes to 'look and feel' issues that minimize user intimidation. Route number two was working with the IRS to streamline data entry of tax return information into the FAFSA. Importing current IRS tax data is more difficult in the case of traditional students applying to four-year colleges in January and February because taxes have not yet been filed; however, for students who apply to community colleges in August, the importation of tax data is more feasible. On the 2009-10 online FAFSA, a pop-up window asked students whether they wished to import their tax data; this feature should be up and running for the 2010-11 spring semester as well. To make the feature viable for those students who apply in January for the fall semester, additional considerations are necessary. For example, some considerations are whether prior year data should be utilized or whether an estimation feature could be developed. The Advisory Committee could contribute to these considerations, including whether early estimates would be helpful. Route three, which was not achieved, was to restrict financial information needed on the form to that from IRS tax returns. As a result, there is still some work to be done on the legislative front with the FAFSA.

SESSION III: Higher Education Regulations Study

As the moderator for session three, **Mr. Jones** introduced the panelists and explained the purpose of the session: to hear from a panel of higher education experts, who were to discuss issues and challenges in implementing and complying with five notable regulatory topics—gainful employment, private loan certification, reporting and disclosure requirements, verification and application issues, year-round Pell Grant awarding—all of which are related to the Advisory Committee's *Higher Education Regulations Study* (HERS). The panel, composed of individuals representing the perspectives of students, associations, states, and institutional sectors, was also to address how student access is affected in each of these topic areas.

The Advisory Committee is charged by Congress with evaluating the ways in which regulations may be improved, streamlined, or even eliminated. Mr. Jones provided a brief update on the study's progress. The study's intent required clarification from Congress as the statutory language requires the review of all regulations affecting higher education. Congressional leaders clarified the language such that the review will consist only of regulations emanating from the HEA. The first phase of the study began with a

review of Title IV regulations and involved convening a review panel of higher education regulations experts, as well as developing a public comment website. As a result of these activities, the Committee has identified a group of regulations for further review, to which the five notable regulatory topics under discussion today pertain. Moving forward, the Advisory Committee plans to determine level of burden by conducting case studies at institutions representing the major sectors of higher education and trying to quantify burden at the campus level. The result will be a template for other institutions to use in assessing their own burden. In addition, the Committee will convene a second review panel, as required by statute.

The panelists for the session were divided into five groups, correlating to the five notable regulatory topics identified by the Committee. The first topic presented was **gainful employment**. The HEA requires for-profit colleges to provide “an eligible program of training to prepare students for gainful employment in a recognized occupation,” but the law does not currently define gainful employment. During this year’s negotiated rulemaking sessions, the Department proposed defining gainful employment in the regulations using an eight percent debt-service-to-income threshold based on median student debt for recent college graduates with income based either on Bureau of Labor Statistics (BLS) wage data or actual earnings of the college’s graduates. Institutions that failed to meet that standard could lose eligibility for federal financial aid. However, programs that exceed the eight percent level could still be eligible for Title IV funds in one of three ways: i) by proving that its graduates’ annual earnings are higher than the BLS data, thus keeping the debt-income ratio below eight percent; ii) by showing that students have at least a 75 percent repayment rate on their student loans; or iii) by demonstrating a program completion rate of at least 70 percent and an in-field employment rate of at least 70 percent. This proposal was met with strong opposition from several negotiators and they failed to reach an agreement on a regulatory definition.

Additionally, negotiators questioned whether the Department has the authority to issue such regulations at all, because Congress has never asked for further clarification or a definition of ‘gainful employment.’ The negotiators also voiced concerns about the feasibility of and costs involved in collecting data and determining whether their programs were compliant under the general rule and, if not, under one of the proposed exemptions.

Dr. Laurie Wolf, Executive Dean of Student Services, Des Moines Area Community College (DMACC), **Ms. Elaine Neely**, Senior Vice President of Regulatory Affairs and Compliance, Kaplan Higher Education, and **Ms. Christine Lindstrom**, Higher Education Program Director, U.S. PIRG, provided commentary on the subject of the Department’s proposed rules for gainful employment.

Dr. Wolf began her presentation by stating that, at one time, the more education you had, the more money you earned. A new trend is surfacing in which that is not so, and the following factors influence it: low salaries in certain fields, increasing cost of attendance, and increasing loan indebtedness. These developments compromise efforts to define gainful employment; however, the debt service-to-income formulas proposed by the Department are basic economic concepts, and with some tweaks they could actually work. The first tweak is accountability. Accountability is like a three-legged stool: students, institutions, and the Department. Students are accountable for the decisions they make and the amount of loans they take out. At DMACC, the financial aid office packages the basic loan amount for which the student is eligible; if the student wants more, he or she must contact the financial aid office with a budget that details expenditures. The institution is accountable for how cost of attendance is determined, how aid is packaged, and how information is provided to students. Institutions should be providing disclosures of costs to the students; however, the common definitions of the disclosure should also be clear. The Department of Education needs to be held accountable as well, especially in the area of data collection.

Reporting of information that determines gainful employment represents another problem, and some of what the Department proposes gives pause and needs a closer look. The Department would like

disclosure on each student for the following information: classification of instructional program, zip code for each program completed, the date of completion, and student loan indebtedness. This information would be used to calculate a three-year earnings average, which would be compared to immediate earnings of completers in order to determine if, over a ten-year period based on median indebtedness and median income, indebtedness would be eight percent or less of expected income. Problems with this include the fact that the zip codes used would be linked to BLS income bands, which are currently restricted to 47 series with subcategories. The NCES 2010 update of these zip codes was done by reviewing a representative sampling of ten institutions that provided the greatest number of completers per zip code without identifying institution type. Catalogues of 35 institutions were also scanned, although without identifying where the institutions were. Because there are over 3,000 institutions across the country, the question is whether this sampling is representative. The subcategories are also problematic; for example, Des Moines Area Community College added 16 new programs based on the economic needs of the community. Ten of those 16 programs were shoehorned into the zip code definitions because their true placement was unclear. The Department proposes to utilize the standard occupation classification (SOC) codes to capture median income data, which is problematic as it is set on national reporting bands—across the country, income varies based on region of employment.

The biggest technological issue with the current reporting is the requirement for the Integrated Postsecondary Education Data System (IPEDS) report. Currently institutions are asked to report the top six programs. At DMACC, there are 83 programs, and the second six are almost as large in number as the top six. If the Department is requiring institutions to report quality information on programs so that students can make educated decisions, institutions need to be able to report information on all of their programs. This would represent an administrative burden, but it may provide students with proper disclosure information.

There are additional points to be made in terms of the data collection for gainful employment. The first is that students receive licensure for certain state-mandated programs, such as early childhood development, through certain institutions. For example, day care providers make about minimum wage, so including these students would compromise institutional earnings data. Reverse transfer students present another problem. Many of these students have taken on debt from four-year institutions they had attended previously, and, under the Department's definitions, that four-year debt would also accrue to the two-year college to which the student has transferred.

Dr. Wolf concluded by saying that fairness is another consideration in terms of gainful employment: to the student, to the institution, and to the Department. Gaming the system is possible in certain situations. For example, an exception provision with gainful employment when building cohorts presents two opportunities to game the system: one, certain defaults are not counted through some consolidation loans, and, two, completion rates take into account all full-time students in a cohort, but not part-time students.

Ms. Neely opened her remarks by noting that, though President Obama's goal is to restore American pre-eminence in education, the Department of Education may propose regulations that may make the President's goal impossible to achieve by denying students access, limiting capacity, and stifling innovation. The gainful employment regulations, in particular, could limit innovation.

Under proposed regulations, non-degree programs at nonprofit or public institutions and all programs at proprietary schools, including bachelor's and graduate programs, must prepare a student for gainful employment in a recognized occupation. First, the rules clarify that the regulations cover non-degree programs. Second, the Department proposes to define recognized occupation by the SOC used by OMB and the BLS. Third, the regulations require disclosures to help students make more informed decisions. Kaplan supports efforts to provide students with such information; however, the Department indicates that a second NPRM will be issued later this summer on gainful employment. Kaplan is concerned that it will

parallel the Department's previous proposal during negotiated rulemaking, which would limit Title IV eligibility only to those programs whose graduates carry an eight percent debt-service-to-income ratio. This proposal would decimate nursing and medical technology programs, as well as bachelor's programs and graduate level degree programs at private sector schools such as Kaplan's.

Dr. Jonathan Guryan, of the University of Chicago and Charles River Associates, did an analysis of the gainful employment act that showed that by 2020, approximately 5.4 million private sector students who would otherwise be on track to attend college would be denied access by the proposed rule. These students are whom Congress intends to benefit and have few educational opportunities today. In addition, the study found that 18 percent of certificate students and 40 percent of degree students would be negatively impacted. During the negotiated rulemaking sessions, the common perception was that only a very few outlying and high-cost programs would be affected by the proposed rule.

Unemployment, underemployment, and the threat of layoff are causing individuals to rethink their educational goals at the same time that capacity is shrinking at traditional institutions. Even community colleges are affected by these budgetary stresses. The private sector educates 2.7 million students and has the resources to alleviate the burden of other institutions, which will help to achieve the Obama administration's goal. Private sector colleges attract traditional students and help them graduate and achieve gainful employment at a significantly higher rate. A report by the Parthenon Group, using Department of Education data (public and private two-year and less institutions), found that students at private sector colleges graduate at rates 50 percent higher than public colleges. The study also shows that private sector graduates achieve higher percentage wage increases after completing their education.

There are better ways to address the Department's concerns, which are two-fold. First, the Department is concerned about over-borrowing by students. Kaplan believes that its requirement that students who want to borrow over and above the cost of tuition come to the financial aid office to complete a budget form and receive budget counseling is a better solution. The problem is that if students still want to borrow more, the Department's own rules require Kaplan to give them loans. Second, the Department has concerns that certain investors may purchase private sector schools with the intention of growing revenue by increasing enrollment without regard to educational quality, while drawing federal funds and increasing student loan burden. Kaplan appreciates these concerns, but these investors stand in stark contrast to institutions like Kaplan, which has a long-term outlook on quality. The Department already has the tools, particularly with the transfer of ownership provision, to constrain short-term investors without harming students. Ms. Neely then submitted a chart that listed existing enforcement authorities.

The debt-service-to-income formula is inappropriate and is biased against degree programs. When studies have been completed, they will show that degree programs will fall outside the gainful employment proposal at a higher rate. Degree programs take longer to complete and cost more, which requires more borrowing. An additional concern is that prior school debt be excluded from this formula.

In conclusion, Ms. Neely stated that Kaplan urges that gainful employment proposals be considered within the context of other existing regulations, such as the 90/10 rule and the provision that allows students to borrow the maximum to which they are entitled.

Ms. Lindstrom made comments on how PIRG has been working with the Department to define the gainful employment provision from a student perspective. Taxpayer dollars should not be used to subsidize programs that leave students worse off than they were before, that is, without skills necessary to hold the job for which they were trained. Evidence has mounted that more for-profit colleges are gaming the financial aid system, targeting vulnerable students because they qualify for the maximum amount of federal aid. These schools deliver inferior instruction, use the revenue to drive up profit margins on Wall Street, and saddle students with debt.

Defaults in the sector are sky-high: for-profit students comprise less than 10 percent of all students in higher education, but account for 44 percent of student loan defaults. A student loan default is a broken promise, and those defaults must be controlled.

PIRG supports the Department's efforts to define gainful employment, which is the only way to ensure that taxpayers and students are protected.

The second group of panelists discussed the topic of **private loan certification**. The *Higher Education Opportunity Act* (HEOA) added a new requirement that an institution participating in any Title IV program must, upon the request of an applicant for a private education loan, provide the applicant with the self-certification form for private education loans required under the Truth in Lending Act (TILA) and the information needed to complete the form, to the extent the institution has that information. The new disclosure rules require lenders to provide information about interest rates, fees, and terms, including the total cost of the loan at the maximum interest rate, when potential borrowers apply.

With the private student loan volume growing at a faster rate than the federal student loan volume, it is important to discuss regulations pertinent to private loan certification. Some in the higher education community are critical of the new regulations and believe that asking borrowers to "self-certify" that they are aware of federal options will not do enough to stop students from taking out private loans they do not need. Instead, some suggest, the rules should require borrowers to visit their colleges' financial aid offices and discuss options before taking on private loans, or, possibly require school certification on all private student loans instead of a self-certification form. The justification for requiring all lenders to obtain a school certification is to confirm students' attendance and loan eligibility, to give institutions the opportunity to counsel students before taking out a private student loan, and to inform students of any untapped federal, state, or institutional aid. In addition, federally-required language in the certification appears to conflict with other regulations governing federal health education loans under Titles VII and VIII.

Two panelists presented testimony on private loan certification: **Mr. Justin Draeger**, Vice President of Public Policy and Incoming President, National Association of Student Financial Aid Administrators (NASFAA), and **Ms. Christine Lindstrom** of U.S. PIRG.

Mr. Draeger stated at the opening of his remarks that the private loan certification regulations are of deep concern to NASFAA and its members, as financial aid personnel implement them. Regulations can be helpful in taking imprecise legislative language and formulating programs that promote access; however, in other instances, regulations have made federal financial aid programs more burdensome, to the point at which they do more harm than good. Private student loan certification falls into the latter category.

Several years ago, the private student loan market was dubbed "the Wild West of student lending." From 1995 to 2005, the private loan marketplace expanded exponentially, while federal regulators had few tools to address abuses. Uninformed students were using private student loans before utilizing all of their federal aid, and, in some instances, disqualifying themselves from federal aid. The disclosures required by HEOA have standardized the presentation of terms and conditions of private loans to students, as well as introduced the self-certification form, which requires borrowers to provide to the creditor information such as cost of attendance, periods of enrollment, and other financial aid received.

Despite these improvements, regulations issued within the last year have made the process more burdensome than necessary. In some instances, regulators have created more confusion than clarity for students. One example is that all Title IV loans are excluded from the new TILA disclosures, including the self-certification form. Other federal loans have not been excluded, such as loans under Titles VII and

VIII of the Public Health Services Act, which serve nursing, health professionals, and primary care providers. Under current regulations, completing a self-certification form for a federal loan is a redundancy, and it creates confusion because the form directs students to exhaust federal aid sources before turning to private loans, thereby suggesting that the Title VII and VIII loans are not federal loans.

Current regulations also stipulate strict adherence to the timing of the disbursement without regard to the identity of the creditor. Students must receive disclosures at application, approval, and at consummation or disbursement. In terms of institutional loans and Titles VII and VIII loans, those benchmarks are not readily identifiable; some occur simultaneously. The Federal Reserve Board has clarified that in cases of simultaneity, institutions must issue both notices anyway.

Not all of these issues can be blamed solely on regulations. In a perfect world, student aid laws would clearly show congressional intent while remaining broad enough for all players to work together to meet the evolving needs of students. NASFAA, along with lenders, student groups, and consumer protection groups, has advocated for school, rather than self, certification. Outside of legislative fixes that might be required, the regulations on self-certification demonstrate one of the flaws of the current system, that agencies with very little knowledge of federal student aid processes or college campuses are being charged with the development of regulations that govern them. For example, the Federal Reserve Board did not hold a negotiated rulemaking session with practitioners. In addition, the Reserve ignored certain statutory requirements in instances where they felt comfortable (in the case of the structure of disclosures based on consumer testing), but implemented the statute rigidly without exception in others (the use of the self-certification form with other federal loan programs). The Reserve has the authority under sections 105(a) and 105(f) to exempt from all or part of TILA certain classes or transactions, such as Title VII or VIII loans, if those transactions “do not provide a meaningful benefit to consumers in the form of useful information or protection.” The Reserve had the authority, but not the necessary expertise or background to correctly apply the regulations in this instance.

It is not NASFAA’s intent to suggest that the Reserve or other federal agencies outside the Department of Education should have no regulatory control over these areas. The problem is that as student loans continue to fill a needed gap in college funding, regulatory no-man’s-lands may increase. In the future, school practitioners, students, consumers, and lenders must have a stronger voice in developing regulations.

Mr. Draeger concluded by discussing increasing burden and subsequent institutional liability. New regulations that go into effect in July 2010 have created an atmosphere in which schools are forgoing the provision of recommended lender lists. This is, in part, because regulations now hold a centralized financial aid office responsible for interactions that happen far outside a campus, outside the purview of the financial aid office itself. Recommended lender lists were developed as a response to student and parent inquiry. If schools stop offering this information, students and parents suffer from lack of information. However, these remarks should not be seen as a desire to create a window for fraud or abuse. Yet sometimes, in our zeal to protect students and consumers, good practices are abandoned.

Ms. Lindstrom of U.S. PIRG provided additional comments from a student perspective on private loan certification. Reliance on private student loans has risen dramatically in the last decade, which is similar to putting tuition and fees on a high-interest, high-risk credit card as some interest rates can rise as high as 18 percent. Borrowers in financial distress cannot walk away from these loans. Further complicating matters, two out of three student borrowers have not exhausted federal eligibility before taking out private loans. PIRG has promoted a set of reforms to box up the growth of private student lending, which includes requiring college and universities to certify a private loan. This provides the financial aid office with an opportunity to educate the student about federal aid. Although PIRG does not appear to be able to

achieve this goal, it remains important to the organization. The self-certification process is what remains, which needs substantial improvement.

Reporting and disclosure was the third regulatory topic under discussion by the panel. Colleges and universities are subject to numerous reporting and disclosure requirements. A disclosure is considered information that a postsecondary education institution is required to distribute or make available to another party, such as students or employees. A reporting requirement is considered information submitted to the Department and other agencies, and usually represents statistics or data on specified demographics and measures of institutional performance. Disclosure and reporting requirements do sometimes overlap. Under certain areas, colleges and universities are required to make information available to students or others and to submit information to the Department.

The HEOA placed a substantial number of new reporting and disclosure obligations on college and universities that participate in Title IV federal student financial aid programs. Although schools have been concerned about the growth of mandated reporting or disclosures they must make, that concern has been compounded by the large number of new reporting requirements. Many in the higher education community believe that reporting and disclosure requirements unrelated to student aid are overwhelming colleges and universities by adding significantly to institutional program costs. Certain reports can be overly complex, costly to produce, and not always comprehensible to the parents and students they were designed to serve.

Mr. Mark Bandré, Vice President for Enrollment Management and Student Development, Baker University, spoke on the topic of reporting and disclosure. Mr. Bandré's presentation commented on two issues: one, best practices in serving students, and, two, institutional burden. Despite his new position at Baker University, his background is in student financial aid, and he represents the perspective of private four-year institutions. Mr. Bandré opened his remarks by stating that perspective on reporting and disclosure requirements is related to type of institution and the population of students served. For example, Baker University serves traditional students at its main campuses, but on satellite campuses, it serves nontraditional students.

In terms of reporting requirements, the ways in which students process information are not compatible with the IPEDS information site. Much of the data on IPEDS is several years old, and navigation of the site is not easy. In fact, colleges often rely on NASFAA's summaries, or the Federal Student Aid handbook, which, unfortunately, is printed after aid distribution for the upcoming academic year. An important consideration for the Advisory Committee is how information about aid programs and colleges may be distributed in a timely fashion. To meet federal requirements, aid administrators work on multiple channels to ensure, for instance, that all Common Origination and Disbursement (COD) issues are completed in a timely fashion, that Pell Grant reporting occurs most appropriately, that Pell Over Payment (POP) requirements are resolved, and that direct lending conversion goes smoothly.

In terms of disclosure requirements, many emanate from parts of the campus other than the financial aid office, such as fire disclosure requirements. A question for campus officials is to determine which offices provide this information and coordinate efforts—such efforts can constitute administrative burden, especially for larger institutions. In order to disseminate disclosure requirements to students, institutions must determine how to release information in a useable fashion. For example, Baker University serves a high population of first-generation college students. Those students will not find IPEDS. Students get most of their information from college websites or from personal contacts, such as community or early intervention programs. The goal of the new disclosure requirements is to distribute information to multiple populations of students: traditional students, first-time college-goers, older students, and others. Another burdensome area for institutions is duplicative disclosure requirements, such as the Fiscal

Operations Report and Application to Participate (FISAP), which requires reporting information that is also reported elsewhere. Mr. Bandré asked the Advisory Committee to examine such issues.

Mr. Bandré concluded his presentation by stating that Baker University would be happy to provide information for the Advisory Committee's proposed case studies for the second phase of HERS.

The fourth regulatory topic under discussion was **verification**. Current verification regulations are being modified for alignment with recent changes to the need analysis provisions in the HEA and with operational improvements in the application processing system. Under current regulations, an institution is required to verify the application information of no more than 30 percent of its total number of applicants for assistance under the major federal student aid programs in an award year. The verification process assures that applicants have submitted accurate information used to determine their eligibility for federal student aid. Additional measures require institutions to ensure systems are in place to identify and resolve discrepancies related to any information the institution receives that affects the student's eligibility for federal student aid.

There has been concern expressed by some in the financial aid community that requiring large numbers of students to go through an extensive verification process can reduce the odds of the students completing the process and receiving aid in a timely manner. Low-income students are often chosen for verification because they have more difficulty completing the application. To the extent that they do not complete the process and do not enroll, the aid programs are not serving their intended purpose. Also, the financial aid community expressed concern that the verification process is complicated, difficult to understand, and invasive for many families. Further simplification of the FAFSA has been suggested as one important way to reduce the number of items that require verification, but many states rely on the data supplied on the FAFSA to determine students' eligibility for state-based student aid programs. There is concern that over-simplification of the process will cause students to miss out on state aid because of additional applications that would need to be completed without state data elements on the FAFSA.

The panelists who provided testimony on verification were **Dr. Barry Simmons Sr.**, Director of University Scholarships and Financial Aid, Virginia Polytechnic Institute and State University, and **Mr. Lee Andes**, Assistant Director for Financial Aid, State Council of Higher Education for Virginia.

Dr. Simmons began by noting that when considering verification issues, the community must acknowledge the competing goals of accountability versus access and success. These competing goals are the result of budgetary constraints combined with the Obama administration's 2020 goal. Verification is the mechanism by which aid is distributed to the truly disadvantaged and is a triple-edged sword (no change, an increase, or a decrease in eligibility) that adds complexity to the financial aid process.

The question to ask in terms of verification is how much accuracy and precision are required to administer financial aid. Student aid programs are administered with much more precision and fewer cost over-runs than other federal programs. Verification is triggered when the Department's Central Processing System (CPS) scores data for audit and when the verification score falls within a certain range on a risk model developed by the Department. Current federal regulations require that up to 30 percent of each institution's federal aid applicant pool must be verified by auditing five items: federal adjusted gross income, federal taxes paid, household size, number of household in college, and certain taxed income. In some cases, more than 30 percent of an institution's applicants may be flagged for verification, especially if the Pell Grant population is high.

The potential workload posed by verification varies by type of institution. At a large, highly competitive institution that enrolls approximately 30,000 students, approximately 25,000 FAFSAs will be downloaded from the Department, of which only 7,500 must be verified, according to current Department regulations.

Some are new applicants for admission, but most are continuing students. The institution must contact the students and inform them about verification. The institution collects requested data, reviews source documents for authenticity, compares source documents to FAFSA data, and determines whether the differences fall within Department tolerance parameters. If the differences fall outside, the institution must submit the revised data to the CPS. These steps represent a significant burden on institutions and a significant delay in the delivery of a student's financial aid package. The costs of this burden, however, are difficult to quantify.

Another example demonstrates how complicated verification can be and how much it can impact access. A small, less competitive private institution with an enrollment of 600 students has a verification population of approximately 300, out of 1,000 FAFSAs available for download. A larger share of these students are applicants for admission. Approximately 350 of these FAFSAs are for students the institution is trying to recruit, and 30 percent of those will need to be verified. As the institution tries to recruit students, the students who are selected for verification receive a mixed message. This smaller institution goes through the same steps as above, but a larger percentage of students must delay their enrollment and admissions decision until verification is complete.

This second example also applies to many open admissions community colleges. Preliminary data from a recent study of 13 California community colleges by the Institute for College Access and Success shows that Pell-eligible students suffer under verification. The study found that 49 to 65 percent of Pell-eligible students were flagged for verification, for a verification rate at each institution of 31 to 75 percent. Initial analysis indicates that 56 to 76 percent of the selected population successfully completed verification, while 24 to 44 percent did not. Approximately 56 percent of these students enrolled without a Pell Grant, which indicates that many may have worked longer hours at a job or taken out a private loan in order to fund their education, rather than going through verification. Approximately 44 percent did not enroll. These results call for further study.

The Department's NPRM proposes to remove the 30 percent verification cap as well as remove the five verification items, replacing that with an annual selection of verification items based on Department modeling. Replacing the standard five items with a variable list is useful, but a cap is needed on the number of possible items. The Department also needs to post the variable list in a timely manner so that institutions have the opportunity to update their systems, publications, and staff training. The variable list puts an additional burden on institutions as, under current regulations, the school can compose one message for all verification cases when only the same five items are involved; however, a variable list composed of, for example, up to 16 possible items in various combinations would not allow that. In addition, training and systems at institutions would become more complex. The inability of aid administrators to provide simple answers to students would create confusion for students and families. Transparency on the part of the Department should also require the publication of a formal methodology subject to public scrutiny and comment. Finally, the removal of the 30 percent cap is a concern, as it comes without the promise of a reasonable minimum verification cap.

Further study needs to focus on the unintended consequences of verification. The Department, through negotiated rulemaking, has proposed some positive verification changes; however, these need further refinement.

Dr. Simmons then praised the Advisory Committee for the work it has done on simplification, especially the application process. Skip logic technology is a positive step forward. However, further reduction of the number of questions impacts the ability of institutions and states to equitably and effectively award their own financial aid. State award protocols vary, but many are mandated by state law and require certain elements. Currently, many institutions already require students to fill out additional forms for the distribution of institutional aid, and states may be forced to do the same in the future. One solution is the

use of additional skip logic technology on the FAFSA. Another solution is the Quality Assurance Program (QAP), through which institutions are exempt from verification, but must develop their own rigorous verification protocols. Although many institutions do not participate due to the intensity of QAP, some institutions have reduced their verified applications to 10 percent. Skip logic could also benefit the QAP and the verification process. Another approach is the experimental sites initiative. Schools could propose to implement a regulatory requirement in a different manner than the Department requires, or ignore the requirement altogether due to lack of efficacy. Congress should encourage a more robust approach to experimental sites.

Verification began as “validation,” and in early validation discussions there were suggestions that validation could be centralized and performed through the CPS. The IRS match may provide a similar opportunity with verification. Use of the CPS has potential positive access implications; for example, the Institute study referenced above showed that many applications were triggered for verification because of missing signatures. The CPS could cure this problem itself through additional notices to students.

Dr. Simmons concluded by asking what an acceptable degree of imprecision is. An intense, statistically rigorous study and cost benefit analysis of verification could bring clarity and insight to the process.

Mr. Andes represented the views of the National Association of State Student Grant and Aid Programs (NASSGAP). Mr. Andes began by stating that he agreed with Dr. Simmons’ concerns about the complexity of verification at the institutional level and proceeded to provide details of complexity at the state level. States are quite diverse, but most use the federal methodology and the EFC to assess student need. However, there is no doubt that the FAFSA needs further simplification, especially for first-time students.

NASSGAP believes that the FAFSA should not simplify the application form at the expense of the application process. Skip logic can result in loss of information; for example, the identification of foster care status, veteran status, or legal residency and enrollment level. The potential loss of asset information is also a problem as it would have financial, administrative, statutory, and regulatory consequences for state need-based programs. A NASSGAP survey of its member agencies has revealed that major changes to the EFC would have significant impact on state grant aid. Individual states indicate that if assets data were excluded, it would result in millions of dollars in increased eligibility for state need-based grant aid programs. States do not have the resources to fund such increases and would be forced to lower maximum awards and increase restrictions, including earlier cut-off dates or additional applications.

NASSGAP recommends changes in how the data is collected, rather than limiting the information reported on the application. For example, a solution that streamlines the FAFSA while providing a means for states to obtain information would be ideal, such as a Smart FAFSA. NASSGAP is not presenting its views as a barrier to simplification, but to emphasize that the states have much at stake with any changes to the FAFSA. A cost analysis should be conducted when changes to the FAFSA are made, in order to determine what those changes would mean for state aid programs.

The final regulatory topic under discussion was the **year-round Pell Grant**. The HEOA expanded Pell Grant funding so that eligible students may receive up to two Pell Grant awards during a single award year. The final rule issued last year allows a student to receive funds from a second award within a single school year if the student is enrolled for credit or clock hours attributable to a second academic year within that award year. During the course of the negotiated rulemaking sessions in 2009, the Department revisited the rule it had just issued and proposed several different versions of regulatory language designed to ensure that students were using the Pell Grant funds to accelerate their academic studies. The Department’s final proposal during the negotiations mandated that students finish all of their required credit hours in a given academic year before receiving a second Pell Grant in that year. This proposal was

contentious and met with strong opposition from several negotiators. Many of the negotiators believed that the Department's approach would make it virtually impossible for those attending less than full time to qualify for year-round grants, and that the Department was misreading what Congress meant by academic acceleration.

The disagreement that prevented consensus during the negotiated rulemaking sessions was focused on the interpretation of "accelerate the student's progress." Some of the negotiators believed the intent of the statutory language was to allow a student to accelerate whatever graduation date would have resulted from his or her own pace of progress. Therefore, a part-time student could be considered to accelerate his or her program by attending year round. The financial aid community has also voiced concern about implementation of the year-round Pell Grant because of the administrative burden associated with verifying the amount of credits a particular student has earned, and how they earned those credits, to determine if that student is eligible for additional Pell Grant funds.

The following panelists provided commentary on the year-round Pell Grant: **Ms. Bonnie Joerschke**, Director of Student Financial Aid, University of Georgia, and **Mr. David Page**, Director of Financial Aid, Philander Smith College.

Ms. Joerschke opened her remarks by noting that the second Pell award provides needed funding for summer study so that students may accelerate progress toward degree or certificate. This assistance for summer study also reduces a dependence on student loans, and, combined with the current economic recession, has created an increase in enrollment in both summer and regular academic sessions. The University of Georgia has had a fairly stable enrollment; however, the recession caused a 13 percent enrollment increase in Pell Grant recipients in 2008-09 and a 35 percent increase in 2009-10 over the previous academic year, for a total increase of 52 percent over 2007-08. One-fourth of 2009-10 recipients will receive a second Pell Grant award, and preliminary summer enrollment figures indicate a 10 percent enrollment increase. Similar trends have been reported at other public four-year institutions.

While the year-round Pell Grant award has increased access and benefited students, college administrators are concerned about the complexity and administrative burden of the program. Current regulations for determining a second award have dramatically reduced the feasibility of an automated administrative process and increased manual entry and intervention. This has slowed the award and disbursement of summer Pell Grants to a snail's pace and may impact the award process in the next academic year.

Three factors make the implementation of the second Pell Grant an enormous administrative burden. First, new provisions require a second academic standard for schools to monitor. Second Pell Grant recipients must meet both the Department's satisfactory academic progress policy and the standard that assesses acceleration to degree completion. The second standard is difficult to automate as it necessitates a review of individual courses and how they might aid acceleration. The lack of automation has caused significant delays with awards, and some students have elected not to attend in the interim. Second, new regulations require schools to make second Pell Grant awards in summer cross-over periods, which can result in the largest Pell Grant payment being made to the student during the summer term. Schools have the option to determine in which semester the cross-over award falls, either in all cases or student-by-student. In reality, this is an administrative nightmare because award depends on the credit hours enrolled in any given module, and, in addition, is more complicated when the school makes payments on a student-by-student basis. Schools must process summer Pell Grants two or more times and then pick one award to administer, which depends on the amount of the award and how it will affect the next academic year's disbursement. Third, the complexities of award are confusing to both students and staff. Students are encouraged to enroll in summer terms because of the second Pell Grant award, but their grant the next term may be affected by the amount of their summer award, which may deter future enrollment.

Ms. Joerschke then offered recommendations. First, the acceleration requirements should be rendered moot by using the school's existing satisfactory academic progress policy. Federal regulations already allow schools to use judgment regarding students who fail to meet minimum standards for Title IV student aid. Second, mandatory assignment and reassignment to the award year that gives a higher payment seems inappropriate since institutions provide consumer information that delineates the terms included in the award year; allow that delineation to continue and allow students to have aid packages that are consistent with an application for the award year. Consumer information that provides significant addenda is challenging for students to understand. Consistency is an important quality in the Pell Grant program because it is the foundation for all student aid—a reduction in a grant amount for the regular academic year due to a previous summer award is difficult for students to understand.

Mr. Page began his statement by observing that Philander Smith College has a 75 percent Pell Grant recipient population, and that student ability to receive two Pell Grants has had a positive impact on access to summer programs, including a reduction in student loans of approximately 52 percent this year. This summer, Philander Smith has experienced a 54 percent increase in enrollment, in which the year-round Pell played a part. The college has seen a 94 percent increase in summer Pell Grant volume, all as a result of the new regulations.

The year-round Pell Grant has increased the oversight required by the financial aid office to implement both the second Pell Grant and the direct lending program. In addition, the issue of acceleration in the new regulation will not be easy for students to understand and will be time-consuming for financial aid office personnel to explain as some credits count toward acceleration and others do not. The cross-over period is also of concern, requiring an aid administrator to make a determination on award amount and year awarded when a semester straddles July 1. Eligibility for a second Pell depends on the possible difference between two EFCs from two different award years and may affect the amount of Pell available in the regular academic year. The cross-over awards must also be done manually.

While Philander Smith College is appreciative of the additional assistance the year-round Pell Grant supplies, statistical data would be welcome that show how many students benefit and graduate as a result of the second award. The solution to the problems inherent in the year-round Pell Grant may be to treat summer as an additional semester, equal to fall or spring. Eligibility should not be based on student earnings in the previous semesters, and the value of the grant should be based on enrollment.