

This Week In Washington – July 2009

Congress:

Congressman Kline named new Ranking Member on House Education Committee

Congressman John Kline (R-MN) has been selected to replace Buck McKeon (R-CA) as Ranking Member on House Education Committee, Higher Education Subcommittee. McKeon moved to become Ranking Member on the House Armed Services Committee; he could not hold both positions. McKeon replaces Congressman John McHugh (R-NY) who was appointed by the President to serve as Secretary of the Army.

Kline was interviewed by The Chronicle of Higher Education and revealed his perspective on many topics facing the House Education Committee. He emphasized that he is not supportive of the plan to eliminate the guaranteed loan program and shift all loans to the direct loan program. Kline noted “the private sector plays an important role in student lending from the investment of private capital and technological innovation to the financial education services and customer service”. He also noted that the elimination of that program would create approximately 30,000 job losses across the country and eliminate public private partnerships. When asked about federal role in control costs for colleges Kline noted he “opposes federal mandates on states or institutions that are designed to control costs even though well intentioned...I worry these mandates will have harmful unintended consequences”. He wants to see a detailed plan on the Administration’s plan for Perkins Loans and determine if it truly will be an effective tool to hold down costs or simply another federal program that adds complexity to the financial-aid program. Kline did indicate he is a strong supporter of a simplified student aid system.

Kline’s strongest statement in the interview was his perspective that “when it comes to education....Washington does not always know best...in k-12 education and...in higher education as well.” He agrees with the former Ranking Member McKeon on the concern of college costs for American families and the role the private sector plays in lending. He noted he will work hard to find common grounds to agree on with Chairman Miller.

Eliminating the FFELP Loan Program – Bill Introduced in House

The Administration has been touting for weeks the hope to create one loan program for students, the Direct Loan program and eliminating the FFELP program. While it has been scored by the Congressional Budget Office (CBO) to save billions of dollars that could be redirected to create Pell as an entitlement program, skeptics have begun to speak up.

There are thirty one House Democrats who have signed on to a letter sent to the Administration and to the Chair of the House Education Committee asking for reconsideration of the plan and to please consider alternative options. The letter was spear-headed by Reps. Stephanie Herseth Sandlin (South Dakota), Allen Boyd (Florida) and Paul Kanjorski (Pennsylvania). They all have major student loan facilities based in their districts. There are alternative plans to completely eliminating FFELP that would preserve an originating and servicing role for private lenders but use capital from the federal government to make student loans. These are similar to a plan Sallie Mae circulated earlier this year. Under the plan, private lenders would provide the initial capital to make loans but would sell them to the federal government within 120 days of the loan’s full disbursement. Initially, lenders would receive \$75 for every loan title they transfer to the government –the fee they currently receive when they sell a loan to the government under last year’s legislation. To save money, the new version makes the \$75 discretionary under budget rules. It won’t be included in CBO’s estimate of the proposal’s cost and can be changed by lawmakers going forward. Lenders will also be able to put more consolidated loans through a new funding pipeline, lowering costs. The new alternative also outlines a specific role for guaranty agencies and smaller

lenders. Guaranty agencies deal with default prevention, providing lenders with insurance, borrowers with advice and banks with collection services. The plan broadens support beyond Sallie Mae and could help give lawmakers political cover instead of appearing to choose between the president and a single corporation. The proposal has the commitment of several key Senate Democrats and sent the proposal to the CBO for a score. The president's plan faces some challenges on the Senate side where a number of key Senators have large lending agencies in their states.

While this plan is being promoted, the Democratic chairman of the education committee in the U.S. House of Representatives has rejected lenders' pleas and will offer legislation soon to enact President Obama's plan to end the guaranteed-student-loan program, an administration official confirmed today.

The decision by Rep. George Miller of California does not come as much of a surprise. Privately, college and student-loan lobbyists have been saying for weeks that the House was likely to adopt the president's approach because of the savings it would generate. The Congressional Budget Office has estimated that switching all loans to the government-run direct-loan system would save taxpayers \$87-billion over 10 years.

Chairman Miller's Committee this week is marking up legislation introduced last Friday – The Student Aid and Fiscal Responsibility Act.

- 1) Invests \$40 billion to increase the annual Pell Grant scholarship to \$5,550 in 2010 and to \$6,900 by 2019. Starting in 2011, the scholarship will be linked to match rising costs-of-living by indexing it to the Consumer Price Index plus 1 percent (entitlement program).
- 2) Invests \$3 billion to bolster college access and completion support programs for students. It will increase funding for the College Access Challenge Grant program, and will also fund innovative programs at states and institutions that focus on increasing financial literacy and helping retain and graduate students.
- 3) Strengthens the Perkins Loan program, a campus-based program that provides low-cost federal loans to students, by providing the program with more reliable forms of credit from the federal government and expanding the program to include significantly more college campuses.
- 4) Keeps interest rates low on need-based – or subsidized – federal student loans by making the interest rates on these loans variable beginning in 2012. These interest rates are currently set to jump from 3.4 percent to 6.8 percent in 2012.
- 5) Makes it easier for families to apply for financial aid by simplifying the FAFSA form. Building on proposals recently put forth by the Obama administration, the legislation will dramatically cut down the number of questions on the form by allowing students and families to apply for aid using the information on their tax returns.
- 6) Invests \$1.2 billion in Historically Black Colleges and Universities and Minority-Serving Institutions to provide students with the support they need to stay in school and graduate.
- 7) Converts all new federal student lending to the stable, effective and cost-efficient Direct Loan program. Beginning July 1, 2010, all new federal student loans will be originated through the Direct Loan program, instead of through lenders subsidized by taxpayers in the federally-guaranteed student loan program. Unlike the lender-based program, the Direct Loan program is entirely insulated from market swings and can therefore guarantee students access to low-cost federal college loans, in any economy.
- 8) Provides all federal student loan borrowers with upgraded, modern, state-of-the-art customer service. Rather than force private industry out of the system, the bill will forge a new public-private partnership that

provides all borrowers with the highest-quality customer service when repaying their loans and maintains jobs. It will establish a competitive bidding process that allows the U.S. Department of Education to select lenders based on how well they serve borrowers, educate them financially, and prevent loan defaults. It will provide a role for non-profits to continue servicing student loans.

- 9) Increases the number of low income children entering kindergarten prepared to succeed by reforming state standards for early education programs and boosting the quality of existing programs. The legislation would create an Early Learning Challenge Grant program, which would award competitive grants to states that implement a standards-based birth-to-five early learning system that will improve early education standards, classroom environments, and invest in the early childhood workforce.

- 10) Provides every child with access to a world-class learning environment by providing school districts with funds for school modernization, renovation, and repair projects that will create healthier, safer, and more energy-efficient teaching and learning climates.

- 11) Saves taxpayers \$87 billion over ten years by switching to the cheaper Direct Loan program, according to the Congressional Budget Office. In addition to investing in college aid, this legislation will also direct \$10 billion in savings back to the U.S. Treasury to help pay down the deficit

Please see attached a chart reflecting comparisons of different loan plans that have been floated by different organizations and Congress.

New GI benefits go into effect on August 1

The new GI Bill kicks in on August 1st but depending on the state, benefits will vary. The bill covers full in-state undergraduate tuition and fees at any public college, the old bill only provided a monthly stipend which is consistent from state to state. The bill also provides the opportunity for veterans to attend a private institution offering them the same as the most expensive public colleges in the state. This presents a challenge for veterans attending private colleges in a state where private tuitions are low. There are several states where the state constitution prohibits charging tuition but charges fees of several thousand dollars a year. So the VA did not interpret the law in a way which would allow those states as Massachusetts and California to provide benefits of close to \$13,000 per year. Congressman Buck McKeon, R-Calif. has introduced legislation that would correct the discrepancy in California. There is question as to whether the VA would be ready for this new program by August 1, most Congressional staff say to expect slow going and to expect changes in the administration of the program over the next year.

From the Administration:

New Community College On-Line Course Program

The Administration has released initial details of a program that would support more access to college courses, an extensive on-line course program. The President unveiled basic details of the plan for free on-line courses through the Department of Education early this week along with other programs carrying a hefty price tag of \$9 billion over 10 years to help community colleges develop and improve programs related to preparing students for good jobs, and a \$10 billion loan fund (at low or no interest) for community college facilities. The funds envisioned for open courses -- \$50 million a year is only one set of plans being discussed.

The draft language suggests that the administration is throwing its weight behind the movement to put more courses online -- and offer them free -- and is also pushing that movement in the direction of community colleges. The program would support the development of 20-25 "high quality" courses a year, with a mix of high school and community college courses. Initial preference would go to "career oriented" courses. The courses would be owned by the government and would be free for anyone to take. Courses would be selected competitively, through peer review, for support. And the courses would be "modular" or "object based" such that they would be "interoperable" and could be offered with a variety of technology platforms.

Under the plan, the government would also support a "National Skills College" at a community college that would, among other things, work to develop examinations that could be given at the end of the courses so that colleges, employers and students could judge how much learning had taken place. Course developers would be asked to consult with colleges on standards, so that the offerings could be created with the goal of having credit transferred to many institutions. And the National Skills College would work to promote programs that might mix the free courses with tuition courses so students could earn degrees at lower cost.

While the program is described as one that emphasizes community colleges and high schools, it would be open to public agencies and to private for-profit or nonprofit groups. The details of the program are included in The Student Aid and Fiscal Responsibility Act. The outline of the program includes:

- 1) The bill will create a new competitive grant program for community colleges to improve instruction, work with local employers, improve their student support services, and implement other innovative reforms that will lead to a college degree; certificate or industry recognized credential to help fulfill local workforce needs. The Secretary of Education will be able to evaluate the effectiveness of all programs and policies funded through these grants by using 2 percent of these funds to commission the Institute for Education Sciences to conduct a rigorous study to help the Secretary determine which reforms may be replicated at other colleges and states.
- 2) The U.S. Department of Education would be authorized to make competitive grants available to eligible colleges, workforce programs or other entities to help support the development of these courses. Participation requirements in the challenge grant program will require meeting a set of benchmarks. The Secretaries of Education and Labor will award four-year grants on a competitive basis to support innovative pilot program and policies. In order to continue to receive funding for year three of the grant period, community colleges must meet benchmarks they set in consultation with the Secretary of Education's approval. Pilot programs and policies must also demonstrate that they can be replicated either in the state or nationwide. The minimum grant that can be awarded is \$1 million. Funds can be used to carry at least two of the following activities:
 - a. Facilitating transfer of credit articulation agreements;
 - b. Expanding academic and training programs that provide relevant job-skill training for high wage occupations in high-demand industries;
 - c. Improving student support services include those indentified under the workforce investment act;
 - d. Creating workforce programs that blend basic skills and occupational training leading to industry-recognized credentials
 - e. Building and enhancing linkages including dual enrollment programs and early college high schools as well as improving remedial and adult education programs; and
 - f. Implementing reform programs to increase completion rates and provision of training for students to enter high-wage occupations in high-demand industries.

- 3) Ensures that community college students can learn in modern, updated, state-of-the-art facilities by renovating campuses in need of repair, \$1 billion proposed for fy2010 to help community colleges. The federal dollars could pay interest on bonds or loans, start fund raising for capital projects, or open revolving-loan funds in states.
- 4) Targets grants to high-need students and programs that focus on preparing students for jobs in fields that need workers and will continue to grow. The Secretaries would also be able to award six-year competitive grants to states to implement successful Challenge Grant Program reforms at other community and junior college within the state. Funding could be discontinued if the state does not make progress meeting benchmarks it develops with the Secretary by year three of the grant period.

Department of Education Appointments

Two high-ranking nominees in the Obama administration have been confirmed by the U.S. Senate. Martha J. Kanter, under secretary of education, and Jane Oates, assistant secretary of labor for employment and training, gained the Senate's stamp of approval on June 19. [Oates](#), a longtime aide to Sen. Edward M. Kennedy, was most recently New Jersey's commissioner of higher education; [Kanter](#), who was chancellor of California's Foothill-De Anza Community College District, was sworn in Wednesday morning.

State Issues

CA: Legislation aims to tax oil and gas extraction to fund higher education

Legislation introduced in the California Assembly would levy a 9.9 percent tax on state oil and gas extraction to fund public higher education. If passed, the tax increase would raise an estimated \$900 million annually. Currently, California is the only oil-producing state without a severance tax, but advocates for the state's oil and gas industry warn that additional taxes would discourage investment in natural resource extraction. In order to pass the measure, state leaders would need a two-thirds majority in both houses of the legislature. Gov. Arnold Schwarzenegger (R) opposes the legislation. Officials from California's public higher education institutions have not yet taken a position on the legislation.

The Daily Californian (Date posted: July 2, 2009)

PA: State-related institutions may miss out on stimulus funds

This week Pennsylvania Gov. Ed Rendell (D) decided not to include the state's four "state-related" institutions of higher education in the application for federal stimulus funds. Rendell's move will mean that over \$40 million slated for these institutions will be given to other public colleges and universities in the state. With the governor's budget cuts, these institutions could experience a 13 percent decrease in state appropriations for the upcoming academic year. Penn State President Graham Spanier has [written](#) to U.S. Department of Education Secretary Arne Duncan in hopes of reversing the governor's decision.

Pittsburgh Post-Gazette (June 27, 2009)

ME: Editorial: Strongly worded report sounds alarm

The editors of the *Kennebec Journal* applaud recommendations released in a draft report of the task force studying changes at the University of Maine System. The editors concede that Maine is facing serious economic and

financial challenges and that the university system will play a pivotal role in determining the state's economic success. One suggestion in the [report](#) seeks to give the system's chancellor more centralized power, especially with respect to relations with the governor, legislature and state business leaders.

Kennebec Journal (Date posted: June 29, 2009)

CA: Community colleges to raise tuition by 30 percent

California's community colleges are projecting tuition increases upwards of 30 percent, or \$6 per unit. If enacted, the community college fees would jump to \$26 per unit, or \$780 annually for full-time students. Even with the influx of \$80 million from the tuition increase, the state's community colleges would still experience an estimated \$630 million, or 7.5 percent, budget cut. The state legislature and Gov. Arnold Schwarzenegger (R) must still approve the tuition increase, which would be the first in five years. California's community colleges remain one of the nation's least expensive systems of higher education.

The San Diego Union-Tribune (Date posted: June 29, 2009)

NH: University System of New Hampshire announces tuition hikes

Officials at the University System of New Hampshire approved the system's budget this week, which includes tuition hikes at each member college. The University of New Hampshire will enact a 6.2 percent tuition increase while the state's four other public colleges will see smaller tuition hikes. The board also increased financial aid funding by 14 percent. State appropriations for the system remained level this year.

Foster's Daily Democrat (Date posted: June 26, 2009)

OH: State budget approved by legislature, higher education gets funding reduction

The Ohio Legislature has approved a \$51 billion biennial state budget, ending a 10-day budget standoff. The budget includes a \$170 million funding cut to public higher education. Legislators also allowed public higher education institutions to increase tuition by up to 3.5 percent annually. Some state universities have already sent out tuition statements for the upcoming academic year, while others may amend their decisions on tuition rates to reflect legislative actions.

Cleveland Plain-Dealer (Date posted: July 13, 2009)

PA: House leaders exclude higher education funding in state budget proposal

A \$27.8 billion state budget proposal set forth by House Democrats in the Pennsylvania General Assembly does not include funding for state higher education. Leaders in the House are demanding that the legislature develop new revenue streams for the state's estimated \$1.3 billion higher education budget. The Republican-led Senate has opposed the move.

Pittsburgh Post-Gazette (Date posted: July 16, 2009)

PA: State education stimulus application rejected

Pennsylvania Gov. Ed Rendell's (D) application for education-related federal stimulus funds has been denied by the U.S. Department of Education. Rendell has indicated that the state's four "state-related" institutions of higher education are nonpublic and thus ineligible for education-related federal stimulus funds. The Department has

stated that while Rendell must consider these institutions in the application and distribution of funds, he has discretion over allocation and is not required to share stimulus funds with them.

The Philadelphia Inquirer (Date posted: July 14, 2009)

US: President Obama unveils ambitious community college initiative

A \$12 billion higher education proposal outlined by President Barack Obama hopes to renew federal investment in community colleges, graduate 5 million more community college students and enhance workforce training efforts. Under the president's proposal, \$9 billion would be available for "challenge grants" directed at advancing community college innovation, \$2.5 billion would be set aside for facilities improvements and \$500 million would be too directed for the development of online instruction. If enacted, the president's proposal would be the largest federal investment in community college history.

The Washington Post (Date posted: July 15, 2009)

CA: Cal State seeks 20 percent tuition increase

California State University (CSU) Chancellor Charles Reed has introduced a proposal to raise CSU tuition rates by 20 percent and turn away 40,000 students over two years. The chancellor's move, if enacted, would increase tuition prices by an additional \$672, making the annual tuition cost \$4,026. These actions are in response to the \$584 million funding reduction set forth by the state legislature.

The Mercury News (Date posted: July 16, 2009)

IN: Indiana public higher education institutions set tuition rates

Indiana University and Ivy Tech Community Colleges have approved tuition rates for the 2009-2010 academic year. Indiana University-Bloomington will increase tuition by 4.6 percent and Indiana University-Purdue University in Indianapolis approved a 4.8 percent tuition hike. Ivy Tech Community College will also raise tuition rates by 4.9 percent.

The Chicago Tribune (Date posted: July 16, 2009)

PA: State-owned universities to raise tuition by 3.7 percent

Pennsylvania's 14 state-owned universities have approved a 3.7 percent tuition hike for the next academic year. This move will increase annual tuition costs by \$196 to \$5,554 for resident undergraduate students. The University of Pittsburgh also increased tuition prices by 4 percent. Penn State will vote on tuition increases today.

The Philadelphia Inquirer (Date posted: July 16, 2009)
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