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October 26, 2007

Dear Members of the House Education and Labor Committee:

The American Association of State Colleges and Universities (AASCU), representing more than 430 public four-year colleges, universities, and systems of higher education throughout the United States and its territories, appreciates the tremendous efforts the 110<sup>th</sup> Congress has already undertaken in regards to higher education issues through the passing into law of the *College Cost Reduction and Access Act*. AASCU supports further consideration of the Higher Education Act through the completion of a comprehensive reauthorization.

This document provides a summary of the major issues we expect to see in a House bill, based on previous House legislation and the Senate-passed bill to reauthorize the Higher Education Act (S. 1642 ES), as well as our related positions and recommendations. AASCU encourages and supports the completion of a comprehensive HEA reauthorization as soon as possible and before the close of the 110<sup>th</sup> Congress.

Thank you for your consideration of these issues. Please contact Brittney McCarthy, director of federal relations, at [mccarthyb@aascu.org](mailto:mccarthyb@aascu.org) if you have any questions or would like to follow up on any of the enclosed policy positions.

Sincerely,

Edward Elmendorf  
Senior Vice President, Government Relations and Policy Analysis

**Recommendations for House Higher Education Act Reauthorization  
American Association of State Colleges and Universities (AASCU)  
October 2007**

**PELL GRANTS**

**Authorization Levels**

- AASCU is supportive of authorization levels as proposed in the *College Opportunity for All Act* (H.R. 2960), introduced in the 109<sup>th</sup> Congress by Chairman Miller and supported by 39 co-sponsors. In the bill the Pell Grant maximum award was authorized to increase over a five-year period to \$11,600.

**Year Round Pell**

- AASCU supports a “year-round Pell Grant” by authorizing a second Pell award for students who are enrolled in year-round studies.

**ACG/SMART Grant**

- AASCU believes eligibility requirements for ACG/SMART grants need to be amended to align with current eligibility for other Title IV programs.
- Changes need to be made to ACG/SMART eligibility to make eligible all legal residents, part-time students, and students making adequate progress (rather than the 2<sup>nd</sup> year requirement for ACG that requires a 3.0 GPA) so that these grants can be fully and fairly utilized by low-income students pursuing STEM majors.

**CONSUMER INFORMATION AND COLLEGE COSTS**

**Higher Education Price Index**

- If Congress creates an index by which to measure increases in college tuition:
  - AASCU is supportive of language in Section 201 CONSUMER INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION in H.R. 2669 EH (as passed by the House), which creates a Higher Education Price Index (HEPI).
  - AASCU supports the use of a HEPI, rather than the CPI as a way to measure increases in tuition.
  - AASCU supports the use of a 3-year interval and basing any consequences on a “2-year continuation of failure”.

**State Appropriations and Tuition-Setting Authority**

- AASCU firmly believes that any reporting requirements, incentives, or penalties related to tuition increases or restraint must take into consideration the role of state appropriations and tuition-setting authority. For that reason, AASCU supports the \$500 exemption language in H.R. 2669 EH (page 65, lines 1-7)
- In addition to the role state appropriations play in the determination of tuition at public institutions, in only 14 states do the institutions have tuition-setting authority. In the other 36 states, tuition setting authority sits with a coordinating board or agency or the state legislature. **For instances where institutions do not**

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**have tuition-setting authority and where the state has not maintained its funding of higher education, we believe another exemption is needed.**

**Suggested legislative language:**

- **STATE MAINTENANCE OF FUNDING EFFORT**--For any public institution that resides in a State where the tuition setting authority lies with an entity other than the institution and the total operating funds provided by the State for public institutions of higher education in such State for any academic year beginning on or after July 1, 2008, is less than the average amount provided by such State to such institutions of higher education during the 5 most recent preceding academic years for which satisfactory data is available.
- AASCU is unable to support language in H.R. 2669, as introduced, that would provide additional grants to students who attend institutions that restrain tuition, for the reasons explained above. Most AASCU institutions do not have tuition-setting authority and these grants would, therefore, be unfairly distributed.

**Net Tuition and Tuition Calculators**

- Both House and Senate proposals for better consumer information about college costs focus on net tuition.
- The Senate bill uses the term “net price,” but is really referring to what is more commonly called “net tuition.” Using “net price” may be misleading because this term generally includes the other costs associated with attending college. We urge the use of the phrase “net tuition” when referring to the difference between the published price of tuition and grant aid.
- AASCU supports providing useful consumer information about college costs to students and parents to show that grants can reduce the price of college attendance and encourage even those with low-incomes to consider attending college.
  - AASCU believes that net tuition should be provided for **all** students- not just aided students- based on different income categories. We do not, however, believe that the Senate proposal for calculating net price by income quartile would be feasible because institutions do not know the income of non-aided students.
  - AASCU proposes a proxy for income based on the type of federal financial aid received by the student. In this instance, institutions would calculate net tuition for four groups of students based on financial need:
    1. Pell Grant recipients with zero EFC.
    2. Pell Grant recipients whose EFC is higher than zero.
    3. Recipients of subsidized loans who are not eligible for Pell.
    4. Students who do not receive any federal aid or who receive only unsubsidized loans.

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**GRADUATION RATES**

**Risk Categories and Graduation Rates**

- The current federal definition (sec. 485 (a)(L)) requires a graduation rate for all first-time full-time students.
- Major NCES longitudinal studies have indicated that graduation rates are heavily driven by several risk categories identified in these studies. Institutions, however, do not collect data on these risk categories on a regular basis.
- Because income is closely related to many of the NCES identified risk factors and is not currently collected by institutions, AASCU proposes that receipt of federal student aid be used as a proxy for income, as above:
  1. Pell Grant recipients with zero EFC.
  2. Pell Grant recipients whose EFC is higher than zero.
  3. Recipients of subsidized loans who are not eligible for Pell.
  4. Students who do not receive any federal aid or who receive only unsubsidized loans.
- AASCU supports language in S. 1642 ES and advocates for its inclusion in a House HEA bill that amends section 485 (20 U.S.C. 1092) that requires the reporting of graduation rates using student financial aid as a proxy for income.

**Suggested Legislative Language:**

The reporting of graduation rates “shall include information disaggregated by gender, by each major racial and ethnic subgroup, by recipients of a Federal Pell Grant, by recipients of a loan made under this part or part D (other than a loan made under section 428H or a Federal Direct Unsubsidized Stafford Loan) who did not receive a Federal Pell Grant, and by recipients of neither a Federal Pell Grant nor a loan made under this part or part D (other than a loan made under section 428H or a Federal Direct Unsubsidized Stafford Loan), if the number of students in such subgroup or with such status is sufficient to yield statistically reliable information and reporting would not reveal personally identifiable information about an individual student. If such number is not sufficient for such purposes, then the institution shall note that the institution enrolled too few of such students to so disclose or report with confidence and confidentiality.”

- The Senate bill requires a break down by race and gender. AASCU is primarily concerned with a proxy for income.
- Regardless of which of these data are collected, it is operationally possible to collect these data. In addition, national data indicate that the majority of full-time students who receive a Pell Grant and persist in college will continue to receive a Pell Grant in later years in college, therefore receipt of federal student financial aid would be an appropriate proxy for income.

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**FRAUD AND ABUSE IN THE TITLE IV PROGRAMS**

**90/10 and Definitions of Institutions of Higher Education**

- In previous HEA reauthorizations important regulations were put into place to reduce rampant fraud and abuse in the Title IV student financial aid programs, specifically targeted towards for-profit institutions.
- With an increasingly larger percentage of federal student financial aid going to for-profit institutions, AASCU believes these rules are still important, including “90/10” and separate definitions for what it means to be a for-profit institution and a non-profit institution (Sections 101 and 102 of current law).
- In addition, AASCU supports a study of fraud and abuse in Title IV programs to determine the areas where regulation may not be needed and areas where regulation should be strengthened.

**Cohort Default Rate (CDR)**

- The current CDR is flawed and AASCU recommends implementing the recommendations from the 2003 Department of Education’s Inspector General’s report on Cohort Default Rates that would provide a more accurate measure of CDRs (see page 18 of the report, specifically).
- The creation of a new CDR, as recommended, would minimize the inappropriate practice of placing students into deferment or forbearance for a period of time before a borrower defaults—an attempt by institutions to avoid higher cohort default rates, which determine their eligibility for participation in Title IV programs.

**ACCREDITATION**

If Congress changes current law concerning accreditation of institutions of higher education, AASCU requests consideration of the following issues:

**National Advisory Committee on Institutional Quality and Integrity (NACIQI)**

- AASCU believes the Senate HEA bill makes appropriate and positive changes to NACIQI. See S. 1642 ES, page 21, line 8 through line 2 on page 28.

**Student Achievement**

- Accreditor oversight of measurement of student learning outcomes is an academic decision that should continue to reflect an individual institution’s mission. The Secretary of Education should not be granted the authority to regulate in this area. AASCU supports the Senate’s approach to this issue:
  - Student Learning: “success with respect to student achievement in relation to the institution's mission, which may include different standards for different institutions or programs, as established by the institution,

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including, as appropriate, consideration of State licensing examinations and job placement rates (S. 1642 ES, page 376, lines 17-25).

Restrict Secretary's authority: "Nothing in this section shall be construed to permit the Secretary to establish any criteria that specifies, defines, or prescribes the standards that accrediting agencies or associations shall use to assess any institution's success with respect to student achievement."; and

(4) in subsection (o), by adding at the end the following: "Notwithstanding any other provision of law, the Secretary shall not promulgate any regulation with respect to subsection (a)(5)." (S. 1642 ES, p. 380, line 19 through line 4 on page 381).

**Transfer of Credit**

- Transfer of credit policies are an academic matter left to individual institutions. AASCU supports full disclosure of an institution's transfer policies and supports the Senate's approach in S. 1642 ES, p. 330, line 18 through line 2 on p. 332 and p. 380, lines 11-18.
- AASCU cannot support any changes to federal law mandating the acceptance of transfer credits by institutions in order to be recognized by the federal government for financial aid, or any other, purposes.

**STUDENT LOAN COUNSELING AND FINANCIAL LITERACY**

- In addition to much needed changes in the Cohort Default Rate calculation, Congress should **strengthen student loan counseling to avoid default, strengthen financial literacy, and ensure students are placed into the most appropriate repayment option afforded to them by the law.**
- S. 1642 ES provides a good start to improved consumer information in Sec. 426 (beginning on p. 259) and Sec. 427 (beginning on p. 261), as well as in Sec. 477 (4)C , beginning on p. 323 lines 20 through p. 327, line 25.
- **Suggested improvements:**
  - Require lenders in federal programs to disclose to borrowers pertinent loan information before loan disbursement, before repayment begins, and regularly during repayment, delinquency, and default. This information should include:
    1. Principal borrowed
    2. Current balance
    3. Interest already paid and interest due over the life of the loan
    4. Options by which borrowers may avoid or be removed from default, a
    5. Relevant fees associated with these options.
- In addition, lenders should be required to make any special terms, such as reduced interest rates or prompt payment options, part of the promissory note to ensure these provisions will continue if the loan is sold to another lender.

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- Require the Department of Education to provide basic information to colleges and universities to be used for counseling and consumer information for prospective borrowers, such as:
  - Regional data on starting salaries in all major fields.
  - The increase in debt that results from forbearance and capitalization of interest on unsubsidized loans.
  - The various repayment options available in the federal student loan programs, including the availability of the Income-Contingent Repayment (ICR) program and the new Income-Based Repayment programs (IBR)
  - The federal government's extraordinary powers to collect student loans, far beyond those of most unsecured creditors. For example, student borrowers should know that even in bankruptcy, most federal student loans must be repaid. There is no statute of limitations.
  
- Encourage colleges and universities to ensure that prospective borrowers have access to average indebtedness of borrowers at that institution, details on amount of annual and aggregate debt needed to complete the student's academic program, sample payments for that amount of debt, and information made available by the Department of Education on starting salaries for graduates by field of study.

**STUDENT UNIT RECORD DATABASE**

- AASCU supports a federal and state role in a privacy-protected national system of student level longitudinal data.
- A national system, or an integrated network of state systems, could fill existing information gaps regarding net price, student attendance patterns, and success rates.
- Privacy and implementation issues remain, but **a pilot test of such a system should be authorized to assess feasibility and weigh costs and benefits.** Such a system could yield needed national data on a wide range of accountability indicators, including persistence/attainment, net price, and distribution of federal/state/institutional aid.
- AASCU cannot support language that restricts the development of a national system or the development of an integrated network of state systems. While S. 1642 ES restricts a national system, it includes important language that allows states to develop data systems (p. 44, lines 11-18):
  - State Databases- Nothing in this Act shall prohibit a State or a consortium of States from developing, implementing, or maintaining State-developed databases that track individuals over time, including student unit record systems that contain information related to enrollment, attendance, graduation and retention rates, student financial assistance, and graduate employment outcomes.

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**TEACHER EDUCATION**

- AASCU supports Congress’s efforts to strengthen linkages in HEA Title II with ESEA Title II. For example, AASCU applauds the establishment of 15 John Glenn Academies to improve STEM teacher preparation and professional development in Title II of the House ESEA draft.
- AASCU supports efforts in S 1642 ES to tighten linkages between teacher preparation and needs in the nation’s K-12 system, similar to efforts already undertaken and currently underway in the House.

**STUDENT LOAN SUNSHINE LEGISLATION**

- AASCU supports greater transparency in the relationship between colleges and lenders and is supportive of H.R. 890.
- AASCU, however, would like to request a change in the gift ban prohibition section because as it currently reads it could be construed to refer to college presidents or other college officials serving on bank boards, who would not be receiving compensation except for travel-related expenses.
  - **Suggested Change:**
    - Replace “Gift Ban: Prohibition: A lender, guarantor, or servicer of educational loans shall not offer any gift to an officer, employee, or agent of a covered institution” (H.R. 890, p. 17, starting at line 12).

with:

- “Gift and trip prohibition-- Any employee who is employed in the financial aid office of the institution, or who otherwise has responsibilities with respect to educational loans or other financial aid of the institution, is prohibited from taking from any lender any gift or trip worth more than nominal value, except for reasonable expenses for professional development that will improve the efficiency and effectiveness of programs under this title and for domestic travel to such professional development” (S. 1642 ES starting on p. 351, line 12).

and

- “Advisory Board compensation-- Any employee who is employed in the financial aid office of the institution, or who otherwise has responsibilities with respect to educational loans or other student financial aid of the institution, and who serves on an advisory

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board, commission, or group established by a lender or group of lenders shall be prohibited from receiving anything of value from the lender or group of lenders, except that the employee may be reimbursed for reasonable expenses incurred in serving on such advisory board, commission or group.” (S. 1642 ES, starting on p. 352, line 10).

- We believe that the Senate language clarifies that the limitation is on institutional employees of the institution connected specifically with the lending function.