February 15, 2018

The Honorable Lamar Alexander
Chairman
Senate Committee on Health, Education, Labor and Pensions
SD-430 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Alexander:

We write on behalf of the American Association of Community Colleges (AACC) and the Association of Community College Trustees (ACCT) concerning the committee's request for views on certain aspects of the reauthorization of the Higher Education Act (HEA). AACC and ACCT represent the CEOs and trustees, respectively, of the nation's 1,108 community colleges.

We commend your efforts to improve federal accountability for federal student aid programs. Certainly, any changes to the current accountability structure must be done with great care. Community colleges provide students open access to educational opportunities at a comparatively low cost. In fact, 59% of all community college associate degree awardees leave college with no debt.

Below are comments relative to the accountability white paper.

90/10 Rule

The 90/10 rule has served as a limited check on for-profit institutions. Its requirements are so weak that it is surprising that it appears to have been so problematic for these institutions, particularly since the 90/10 rule excludes important federal sources of funding, including military and veteran's benefits, and Workforce Innovation and Opportunity Act training funds.

The generally stated rationale for the rule is that some of an institution's consumers should be willing to pay for some of their education from their own resources. But the 90/10 rule also recognizes that for-profit colleges lack the same oversight to which community colleges are subject by their state and local sponsors, and that it is appropriate to treat aspects of fundamentally different institutions differently.

Additionally, for-profit institutions' motivations are essentially different than those of institutions covered by Section 101 of the Higher Education Act, and thus should remain separately defined. Community colleges do not seek to profit from federal student aid nor to enhance earnings for our stockholders.

We take issue with the data cited in the white paper. According to the 2015-16 National Postsecondary Student Aid Study (NPSAS:16), 57.5% of all students attending two-year public institutions receive federal financial aid, with only 14.1% of the students borrowing. Comparatively, 81.5% of all students at two-year for-profits and 89.5% at four-year for-profits receive federal aid. The borrowing rates for those institutions are 54.4% and 68.1% respectively. The numbers cited in the white paper appear to be from the National Center for

Educational Statistics' "Sources of Financial Aid," and include grant and scholarship aid offered by states and institutions.

Furthermore, the assertion that 80% of all community colleges would fail the 90/10 requirements if it were applied to them is preposterous. The report "Consequences of the 90/10 Rule" ignores a fundamental tenet that sets for-profit institutions apart from public institutions – support and governance by states and localities.

The cost of repealing the 90/10 rule is staggering; according to the Congressional Budget Office's estimate of H.R. 4508, the PROSPER Act, repeal of 90/10 would increase the costs to student loans and Pell Grants by $1.955 billion over ten-years.

Comprehensive Student Data – Necessary if Not Sufficient for Federal Higher Education Accountability

The linchpin of an effective student aid program accountability system is comprehensive data that accurately represent student success, both while students are enrolled and subsequently in the workforce. While this alone is not sufficient to guarantee adequate accountability, it is necessary.

There is no substitute for a federal unit record data system that tracks student progress throughout postsecondary education, and then generates their workforce earnings. We heartily endorse the College Transparency Act introduced by a bipartisan group of committee members. As the Chairman has stated publicly, the higher education system is awash in data, but it is not the right data. We reiterate our long-stated support for a national unit record data system that accounts for postsecondary student success and produces earnings information. These two data points alone would serve the needs of most students and policymakers.

Unit record data should be supplied at the program level, because of the well-documented variation in these outcomes, particularly in terms of earnings. However, we note that there is a strong *institutional* role in achieving student success—higher education institutions are not simply holding companies for discrete educational programmatic offerings, as some have claimed.

Loans are Appropriate Focus of New Accountability System

We endorse the white paper's perspective that new Title IV accountability approaches are appropriately focused on federal student debt and students' ability to manage it. Loans are by far the largest source of federal student financial support, representing almost four times the amount of aid awarded through Pell Grants. Obviously, the consequences of non-repayment are greater than in the case of grants. Grants are targeted at the lowest income students, inducing economically disadvantaged and in some cases educationally underprepared students to aspire to a college education.

Alternatively, borrowing can be thought of as a student's investment in herself that should yield returns sufficient to retire that debt at a reasonable pace. Metrics that reflect a desirable and/or unacceptable relationship between debt and earnings is sound public policy. This should apply across the board as it concerns all students who borrow. This approach will also incentivize institutions to aggressively administer the student loan programs.

Such a framework should favorably treat institutions such as community colleges where students borrow less frequently and in smaller amounts. Colleges should be strongly motivated to reduce the need to borrow. The average full-time tuition and fees at a community college is $3,570, which is far lower than other sectors of

higher education. The investment made by states and local entities to keep tuitions low and colleges' efforts to deliver less expensive education should be reflected in public policy.

We also support using programmatic metrics in this area. The variation of student outcomes by program is well-understood, both within and between institutions. However, caution is necessary. In particular, the HEA must apply a careful approach to programs that are particularly small or have very few borrowers. The act should establish a certain *de minimus* threshold, below which accountability policies driven by loan repayment should not apply.

Institutional Loan Discretion and Improving Loan Servicing

Community colleges support changing the Higher Education Act (HEA) to grant institutions the authority to reduce student loan eligibility in specific, defined circumstances. This is because not all students are equally strong candidates for borrowing, and federal need analysis often does not take this into account. Extremely high community college student default rates (the FY 2014 sector-wide Cohort Default Rate [CDR] was 18.3%), warrant changes to the current framework. While servicers, the federal government, and institutions can all help reduce delinquency and default, limiting borrowing where it is unadvised is also a potentially powerful tool.

In using any new discretion, college officials will assume a great responsibility to ensure fair treatment that is in accordance with government policy. Therefore, institutions should be granted authority to reduce loan amounts, or deny loans altogether, only in prescribed circumstances with appropriate and documented rationale. Students who are not certified for the amount they might otherwise have qualified for would be allowed to appeal the institution's policy. Such appeals would be granted on a case-by-case basis, as under the current professional judgment criterion. We are generally supportive of the PROSPER Act's approach in this area.

Moreover, the federal government must address subpar servicing of federal student loans in order to scale back the current number of students in default or non-repayment. In addition, the myriad of confusing repayment options and corresponding paperwork have left many borrowers in ill-suited plans. Many community colleges have contracted with third-party servicers to work with borrowers in danger of default.

Student Population Must Be Reflected in Accountability Framework

An equitable accountability system must account for the risk factors inherent in serving different types of student populations. Two variables that should be front and center are family income, and an often closely related factor, the level of educational preparation. It is not possible to fairly evaluate institutions or programs without factoring in these core aspects of the student population. More affluent and academically advanced students are clearly much likelier to succeed academically, and, for that and other reasons, to more easily repay their loans.

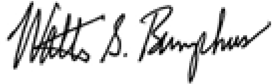
Community colleges have eagerly embraced the mission of serving at-risk students who might not otherwise have a chance to succeed at postsecondary education. Community colleges believe that all our students are worthy of having the opportunity to pursue a postsecondary education, and do not and will not limit access based on perceived risk.

Many risk sharing proposals are punitive to institutions with open access missions, and we request your strong consideration of the impact and scale of proposed financial penalties on our institutions and students. Community colleges operate on relatively thin margins and cannot absorb significant new financial burdens

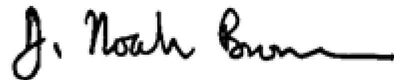
without impact to our programmatic costs and offerings. AACC and ACCT request that you proceed with caution in this area, and fully consider the wide range of students served by our intuitions, our relatively low rate of borrowing, and the ultimate financial impact. Our associations are readily available to assist the committee in determining the practical impact of new accountability measurements on our institutions.

Thank you for your consideration of these views. We are pleased to provide further information on them.

Sincerely,



Walter G. Bumphus
AACC President and CEO



J. Noah Brown
ACCT President and CEO