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March 6, 2008

The Honorable Edward M. Kennedy
Chairman
Senate Health, Education, Labor, and Pensions
Committee
United States Senate
Washington, DC 20510-2101

The Honorable George Miller
Chairman
Education and Labor Committee
U.S. House of Representatives
Washington, DC 20515-0507

The Honorable Michael B. Enzi
Ranking Member
Senate Health, Education, Labor, and Pensions
Committee
United States Senate
Washington, DC 20510-5004

The Honorable Howard P. McKeon
Ranking Member
Education and Labor Committee
U.S. House of Representatives
Washington, DC 20515-0525

Dear Chairmen Kennedy and Miller and Ranking Members Enzi and McKeon:

On behalf of more than 400 member institutions of the American Association of State Colleges and Universities (AASCU), I write to respectfully offer recommendations for finalizing provisions for a final bill to reauthorize the Higher Education Act (HEA) during reconciliation of S. 1642 and H.R. 4137.

While AASCU has joined with our sister associations in commenting on various issues of concern to the higher education community in a memorandum dated February 28, 2008, this letter prioritizes additional issues of specific interest to public four-year higher education institutions.

AASCU has a long and proud tradition of representing colleges and universities that provide affordable college access to millions of students, many of whom demonstrate significant financial need. In addition, as public institutions, we honor the covenant between our public missions and our stakeholders—students, taxpayers, and policy makers—through transparency and accountability. Affordability, access, and accountability guide our public policy priorities, and therefore, the focus areas of this letter.

In addition, higher education institutions are critical economic and social engines of this country, well positioned to respond to the diverse needs of communities across the nation and world. Critical federal investments and partnerships will better assist institutions in helping to ensure a strong U.S economy and prepared citizenry. We appreciate your leadership in making these areas a priority in this HEA reauthorization, and have, therefore, **organized our recommendations under three themes- affordability, accountability and transparency, and federal support for institutions to respond to student and national needs.**

College Affordability

Year-Round Pell Grant

AASCU fully supports a second Pell award for students enrolled in year-round studies authorized in both the House and Senate bills, and appreciates this amendment to current law.

- The final bill should contain a year-round Pell Grant.

ACG/SMART Grants

AASCU fully supports amendments contained in both the House and Senate bills to align ACG/SMART eligibility with current Pell eligibility and to clarify academic eligibility criteria, and appreciates this amendment to current law.

- The final bill should contain these improvements to ACG/SMART eligibility.

Maximum Pell Grant Authorization Levels

AASCU supports a funding goal that assures the lowest income student that 2/3 of their cost of attendance (tuition and room and board at the average public four year institution) can be financed through federal financial aid- of which at least 70 percent is in the form of a Pell Grant.

- The Senate should recede to the House and set the maximum Pell Grant authorization level at \$9,000 in order to move towards restoring the purchasing power of the Pell Grant.

Student Loan Counseling

As student debt grows, we believe the requirements for student loan counseling by lenders, institutions, and the Secretary should be expanded and made more explicit at all steps in the lending process, including during repayment.

- The House should recede and accept the Senate revision of current law of Sec. 485 (b) (S. 1642, p. 323, starting on line 20) on exit counseling requirements of institutions, which would require much more extensive counseling on repayment plans, anticipated monthly repayments, consequences of default, ability to change repayment plans, and loan consolidation. These would apply to all federal loans.
- The Senate should recede and accept the House new section on disclosures and counseling required of lenders, the Secretary, and institutions in Part E (H.R. 4137, p. 102 starting on line 7) for borrowers in the FFEL and DL programs:
 - Lenders and the Secretary would be required to contact the borrower after 5 years of repayment in a plan providing extended repayment to ascertain if the borrower is now able to select a repayment plan with a shorter repayment period that would reduce total interest paid.
 - Lenders and the Secretary would be required to provide borrowers an explanation of principal, interest over the life of the loan, options to enable borrowers to avoid or be removed from default, and repayment options including income contingent repayment (ICR) and income based repayment (IBR). These disclosures would be required before repayment begins. Further, if a borrower tells the lender or the Secretary during repayment that she is having difficulty making payments, she must receive another explanation of repayment options available, including ICR and IBR.
 - Institutions would be required to counsel prospective borrowers under the FFEL, DL, and Perkins programs, prior to their signing the first promissory note, on – average indebtedness at that institution, sample monthly repayments, repayment options available, how interest accrues and is capitalized, consequences of default, starting salaries for

- graduates of institutions by type and control of institution and field of study. The Secretary would be required to supply all these data.
- The Secretary would be required to display on the ED website and provide institutions the following information for counseling prospective borrowers: regional data on starting salaries in all major fields, the increase in debt that results from forbearance and capitalization of interest, all repayment options including ICR and IBR, and the powers of the federal government to collect students loans, even when borrowers are in bankruptcy.

Negative Expected Family Contribution for the Lowest Income Students

While increases to the Maximum Pell Grant award have been much appreciated, the lowest income students have not received the same kind of additional benefits in comparison to their higher income Pell-eligible peers. When maximum awards are increased, all awards are increased by the same amount and the recipient pool expands to include higher income families. A “negative EFC” would allow the maximum Pell Grant to be augmented for the lowest income students without negatively affecting higher income Pell-eligible students.

- Legislative language for this proposal is attached.

Student Loan Information by Eligible Lenders

The protection and privacy of federal student loan borrower information is the responsibility of the federal government, as a steward of the public trust.

- The House should recede and accept the Senate provision - Borrower Information and Privacy (Sec. 426, p. 259, starting on line 10) safeguarding student information. We oppose a similar House provision (Sec. 423, p. 371) that would give institutions and third party servicers working on their behalf access to an unprecedented amount of confidential information (AASCU joined in a community letter opposing the House provision dated February 28, 2008).

Federal and Private Loans

There has been rising concern about the institutional and lender appearance of conflict of interest in the administration of federal student loans and the need for increased transparency of the terms and conditions of federal loans to borrowers. In addition, the expanding market for private student loans comprises almost a quarter of our total education loan volume, but there are inadequate disclosures to borrowers required in this market, in which most of the loans have variable interest rates with no rate ceiling, and most do not have the kind of repayment protections that are built into federal student loans.

- The Senate should recede and accept the House provisions on Title X, the Private Loan Transparency and Improvement Act (p. 885, starting on line 10), and Part E --Lender and Institution Requirements Relating to Educational Loans (p. 76, starting on line 11). Title X would amend the Truth in Lending Act, and Part E would amend the HEA. These provisions would require lenders and institutions to make detailed disclosures to prospective borrowers of private loans, and create specific requirements for lenders and institutions to insure full disclosure on terms of federal loans and institutional integrity in the administration of federal loans.
- The Senate should recede and accept provisions in Sec. 490 Program Participation Agreements of the House bill (p. 491, starting on line 1) to add institutional requirements for the development of preferred lender lists in the FFEL program.
- The House should recede to the Senate and accept the Senate addition of loan benefit disclosures (Sec. 426, p. 259, starting on line 12) requiring lenders, servicers, and holders of FFEL loans to

provide borrowers with information on repayment options that offer reductions in interest rates, including explicit information on the reasons a borrower may lose eligibility for such an option.

Tuition Benefit for Active Duty Military Personnel

AASCU supports state-funded resident tuition for active-duty military personnel and veterans and their dependents when serving under military orders in a state other than their home state. H.R. 4137 includes a provision (Sec. 112, pg. 70, starting on line 3) providing for in-state tuition for active duty personnel and dependents. The Senate bill does not include a similar provision.

- If the final bill includes this tuition benefit for active duty military personnel and dependents, the bill should stipulate that the tuition benefit be state-funded.

Accountability and Transparency

Maintenance of Effort

We are pleased that the college cost accountability and transparency provisions in H.R. 4137 acknowledges the critical role that state appropriations play in the tuition levels of our nation's public colleges through the inclusion of a State Maintenance of Effort (pg. 334, starting on line 6). Financing our country's higher education system is a partnership whereby investments and declines in investments from any partners affect the entire system. Federal legislation regarding college costs should recognize the interconnectedness of such a partnership.

- Senate should concur with the House and adopt the State Maintenance of Effort provision as part of Congress's effort to address the rising cost of college tuition.

Graduation Rates

Current law requires that institutions report the graduation rate of first-time, full-time freshmen within 150 percent of the normal time for completion of their program. Unfortunately, that single rate does not reflect the personal, academic, and economic realities faced by students and the institutions they attend. Extensive data collection by the NCES in the Beginning Postsecondary Students Study gives a detailed analysis of the factors affecting program completion within the 150% interval. The NCES survey data indicate that the most important demographic characteristic is economic.

Both the House and the Senate include references to graduation rates and income. The Senate provision in Sec.477 Institutional and Financial Assistance Information for Students (p. 323, starting on line 1), includes student aid categories that would more accurately represent the income of low-income students, particularly independent students, than the income number that would be required by the House Transparency in College Tuition for Consumers language (Sec. 133, p. 51 line 16). In addition, the Senate's placement of this new measurement is more appropriately an amendment to Section 485 (20 U.S.C. 1092) of the current law than the House's inclusion of the data in their consumer information section of H.R. 4137.

- The House should recede and accept the Senate Sec.477 Institutional and Financial Assistance Information for Students (p. 323, starting on line 1), which would augment the rates by demographic factors, including a proxy for income using receipt of categories of federal student aid: recipients of Pell Grants (we propose disaggregating Pell recipients with a zero EFC from Pell recipients with a higher EFC), recipients of subsidized loans who did not receive Pell Grants, and students who either received an unsubsidized loan or no federal aid at all. Further, the student aid categories in the Senate language do not require institutions to collect income data on higher income students for which they do not currently have such data because they do not receive student aid.

Student Unit Record System Pilot

AASCU has long supported a federal and state role in a privacy-protected national system of student level longitudinal data, including the authorization and funding of a pilot test of an integrated network of state data systems to assess the feasibility and usefulness of a national student unit record system. Both the House and Senate bills include a state-level pilot program: in the House bill, Sec. 114- State Higher Education Information System Pilot Program and in the Senate bill, Sec. 110A - State Higher Education Information System Pilot Program.

- The final bill should retain this important state-level student unit record pilot program.

New Programs to Support Higher Education Institutions in Responding to Student and National Needs

The Rural Development Grants for Rural Colleges and Universities

The Rural Development Grants for Rural Colleges and Universities in Title VIII, Part J of H.R. 4137 (starting on pg. 724, line 22) would help rural-serving higher education institutions, in partnership with K-12 schools, businesses, and other social and economic engines in rural communities, address the challenges and realities uniquely facing rural communities. This provision would ensure federal partnership in strengthening rural America. For example:

- In rural communities, the data shows **that fewer rural citizens hold a bachelor's degree** in comparison to their urban and suburban peers. Given our nation's need to **increase the total number of degree holders** in order to compete globally, we cannot afford to maintain lower degree completion rates in rural America. Everyone, including our rural citizens, must be part of this nation's effort to compete on a global level. These grants would help rural-serving colleges address lower college completion rates in rural communities.
- We know that **investments in rural workforce development can improve rural and regional economies that in turn strengthen the national economy.** These grants could provide **seed money to help a college work in cooperation with a regional technology employer or entrepreneur** to prepare employees and create a business that provides IT services to the regional area—**keeping rural citizens in their communities and employing local expertise** rather than a larger, non-local company to do the same work.
- Statistics and the real-life experiences of rural families show that rural communities are **challenged by recruitment and retention of "quality of life" professionals**, such as nurses, allied health professionals, teachers, engineers, and others. These grants would help rural-serving colleges strengthen or create academic programs in these critical needs areas.
- Stand-alone bills with nearly identical language as in the House HEA bill have received **bipartisan support** in both houses.
- The Senate should concur with the House and adopt this amendment to the Higher Education Act to provide much-need support to our nation's rural communities.

Urban-Serving Research Universities

Each sector of higher education contributes in important and unique ways to the preparation of students who wish to complete an advanced degree in various disciplines and professions, including engineering, teaching, health care, and information technology, among others. Advanced degree production must continue to rise in order for the U.S. to maintain a competitive advantage. While AASCU institutions play a central role in preparing students to go on to graduate-level education, awarding 33 percent of bachelor's degrees in math and statistics, 27 percent of bachelor's degrees in computer and information

sciences, and 21 percent of bachelor's degrees in engineering, urban-serving AASCU institutions also serve a critical role in providing affordable access to advanced studies.

- The Senate should concur with the House and adopt the urban-serving research universities provision in the House bill (Sec. 707, starting on pg. 601, line 8).

Improving Teacher Diversity- Honorable Augustus F. Hawkins Centers of Excellence

The provision in H.R. 4137- the Honorable Augustus F. Hawkins Centers of Excellence (starting on page 201, line 17) will help minority serving institutions recruit and train teachers. Our nation's student body is significantly more diverse than our nation's teaching force. This program will both increase the number of highly qualified minority teachers and improve the overall quality of teachers in the United States.

- The Senate should concur with the House and adopt this amendment to improve teacher diversity in our nation's classrooms.

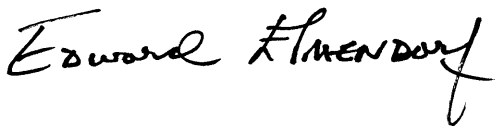
Authorization of Programs and Funding Levels for Minority Serving Institutions

Traditionally underrepresented and disadvantaged populations have increased and so have their enrollments in our nation's Minority Serving Institutions. Funding for institutional aid should be boosted so that these institutions may better address the growing population and educational attainment goals of their students, including the development of new programs.

- The Senate should concur with the House and adopt Title III and V authorization levels found in the House bills.
- The Senate should concur with the House and adopt Sec. 705 Masters Degrees Programs at Historically Black Colleges and Universities and other Minority Serving Institutions of H.R. 4137 (starting on pg. 582, line 1).

Thank you for your consideration of these recommendations, and for you leadership in moving this reauthorization forward.

Sincerely,



Dr. Edward Elmendorf
Senior Vice President, Government Relations
American Association of State Colleges and Universities

Cc: Members of the Senate Health, Education, Labor, and Pensions Committee
Members of the House Education and Labor Committee

Attachment: legislative proposal for the authorization of a "negative expected family contribution"

Pell Grant Improvements for Low Income Families

- (a) Dependent Students. – Section 475 (20 U.S.C. 1087oo) is amended –
 - (1) in subsection (b) by striking “except the amount determined under this subsection shall not be less than zero”
 - (2) in paragraph (b)(3) by inserting “positive” after “the” and before “assessment”
 - (3) in paragraph (g)(6) by inserting after “exceeds” “by more than the absolute value of the lowest AAI assessed in the table in section 475(e), as adjusted,”
- (b) Independent Students Without Dependents Other Than A Spouse – Section 476 (20 U.S.C. 1087pp) is amended –
 - (1) in Subsection (a) by striking “zero” and inserting “the lowest EFC provided for in the table in section 477(d), as adjusted,”
 - (2) in paragraph (a)(2) by inserting “positive” after “the” and before “sum”
 - (3) in paragraph (b)(5) by inserting at the end before the period “except that the resultant amount shall not be less than the lowest EFC provided for in the table in section 477(d), as adjusted,”
- (c) Independent Students With Dependents Other Than A Spouse – Section 477 (20 U.S.C. 1087qq) is amended –
 - (1) in subsection (a) by striking “except the amount determined under this subsection shall not be less than zero”
 - (2) in paragraph (a)(3) by inserting “positive” after “the” and before “assessment”
- (d) Simplified Needs Tests – Section 479 (20 U.S.C.1087ss) is amended –
 - (1) in subsection (c) by striking “Zero Expected Family Contribution” and inserting “Maximum Need Eligibility”
 - (2) in subsection (c) by striking “zero” and inserting “the lowest EFC provided for in the table in section 475(e), as adjusted”
- (e) Assessment Schedules and Rates - Section 478(20 U.S.C. 1087rr) is amended by-
 - (1) In paragraph (e)(1) by striking “increasing” and inserting “adjusting”
- (f) Section 601 of P.L. 110-84 is repealed.
- (g) Effective Date – The amendments made by this section shall be effective July 1, 2009.