To: Jerry Falwell, Robert Lambeth
Fr: David Warren, NAICU
Re: Trump Presidency—Priorities for Independent Higher Education
Dt: November 30, 2016

Overview

NAICU is delighted to share our views on the opportunities and risks for higher education as the new administration transitions. As always, our key focus and mission is on Student Aid, Tax Policy and Regulation. The following memo seeks to give a brief outline of each of these policy areas, and the major issues we expect could be before us. In addition, we are particularly concerned about pending national conversations around accreditation, so I also include a brief overview of those concerns.

Attached to this memo is the current NAICU issue sheet, done before the election. We update this periodically both for our members' direct use, and as a leave-behind when they are having conversations with elected officials. Also attached is a federal student aid data sheet. It shows an approximation of the student aid dollars received by Liberty University students during the past academic year. Each of NAICU's approximately 1000 private college and university members receive its own federal student aid data sheet from us annually.

Commitment to Need-based Student Aid

Above all, NAICU is focused on maintaining the federal commitment to need-based student aid, which has long-standing bi-partisan support. Principal among our priorities is maintaining the Pell Grant Program funding, including that portion above a baseline of a $4600 maximum grant that is entitlement funded (currently making for a total Pell maximum of $5815). The additional entitlement funding comes from the Obama Administration's conversation to Direct Lending, and could disappear if that system is dramatically reversed without figuring an alternative way to fund Pell Grants. Also of priority is preserving the SEOG Program (which is at great risk) and Federal Work Study (which does not seem to be at risk). All of these programs are critically important to students at Liberty University, and throughout the nation.

During the recent presidential campaign, the concept of "free public college" was featured prominently by Democrats as a solution to the problem of mounting student debt and state disinvestment in public colleges. While a Trump Administration and a Republican-controlled Congress should assuage the immediate fears of the implementation of a federal free public college plan, it is imperative that NAICU works with lawmakers on both sides of the aisle to reinforce the value of a federal need-based student aid system over aid to public institutions. Student choice and institutional diversity is the hallmark of the Unites States higher education system, and any attempt to undermine that choice and diversity must be challenged.

Deregulation

The current political conditions present an important opportunity to pursue a higher education deregulation agenda. Both incoming chairs of the congressional education committees, Sen.

Lamar Alexander (R-TN) and Rep. Virginia Foxx (R-NC), have been vocal critics of the overregulation of higher education and have called for a rolling back of many regulations published over the past decade. In fall 2013 a bipartisan group of senators convened the *Task Force on the Federal Regulation of Higher Education* to identify and eliminate rules, regulations, and reporting requirements that are unrelated to oversight of federal student aid funds, student success or student safety. The final report was published in February 2015, and Candidate Trump relied on some of its findings when talking of the need to reduce college costs. Among the areas ripest for deregulation in higher education are new proposals on college teacher education programs, a federal definition of credit hour, and state authorization rules. Other targeted areas might include the new overtime rules, Borrower Defense to Repayment and Gainful Employment—although each of these has more complexities if altering.

Tax

The tax arena provides many opportunities and some risks. Among the opportunities in a major tax bill is the chance to increase some of the current higher education tax benefits such as employer-provided tuition benefits that could better support employers who help their workers attend college, or improve the student loan interest deduction.

On the risk side, a major tax reform bill could replace long standing education benefits with a general rate reduction, which might not benefit the families we serve. Also of concern is the recent focus by several members of the House Ways & Means Committee on private (but not public) institutions with $1 billion+ endowments—a concern picked up by Candidate Trump. The most fundamental problem with this rhetoric is the idea of Congress dictating how private gifts should be utilized, undermining the very premise of our nation's long history of charitable giving.

Accreditation

NAICU has a particular concern about increasing federal intrusion into the independent accreditation process, which undermines the quality improvement mission of accreditation and inappropriately treats accreditors as regulators. In its attempts to crack down on the bad actors, the Department of Education and NACIQI (an accreditation advisory board to the Secretary of Education) have taken a one-size-fits-all approach to accreditor recognition, and overlooked the peer review process as central to the success of independent accreditation. The Department of Education should respect the peer review process, and should not overly meddle in the operations of accreditors or the institutional, mission-specific, quality improvement process. There are also bi-partisan conversations in Congress, including some legislative proposals that follow a similar trail.

Many thanks for soliciting our ideas on the key issues before the new Administration. We would be pleased to follow up this memo with a more detailed conversation or analysis of any matters that are of particular interest. If a visit with you at Liberty University would be helpful, we would be pleased to do so.

NAICU

Federal Higher Education Issues *Where Independent, Private, Nonprofit Colleges and Universities Stand – October 2016*

Student Aid Funding
The FY 2016 spending bill increased Pell Grants to $5,845; maintained funding for SEOG and Federal Work Study; and generously increased funding for TRIO and GEAR UP. Together, these programs help low-income students get into, stay in, and graduate from college. NAICU is in favor of continued bi-partisan support for the core student aid programs.

Tax Benefits
Congress' actions to make the IRA Charitable Rollover and the American Opportunity Tax Credit permanent will have lasting positive effects on college affordability and sustainability, as did its action in 2012 that made IRC Sec 127, employer-provided education assistance, permanent. The annual cap of $5,250 in Sec 127 tuition assistance now needs to be increased to reflect modern day costs.

Overtime Rule
The Administration's final rule governing overtime pay for employees will have a significant impact on colleges. The salary threshold for exemption from overtime pay will rise from $23,660 to $47,476 on Dec. 1, 2016, forcing many colleges to cut positions, raise tuition, eliminate programs, or go in the red. Private, nonprofit colleges also do not have the allowance for compensation time available to many public colleges.

The Importance of SEOG, Perkins Loans and LEAP
SEOG, Perkins Loans and LEAP programs require colleges or states to match federal student aid funds, so that they have "skin in the student aid game." A permanent extension of the Perkins Loan program, which reinstates graduate student funding, and restores financial aid packaging flexibility, is critical. Proposals to eliminate these programs-in favor of one grant, one loan are penny-wise and pound foolish.

Federal Student Loans
While student debt is a concern, most students have manageable debt and repay their loans. Attempts to deal with the debt issue need to be focused on those students who are struggling the most. HEA Proposals to charge low-income students interest while they are in school would cost students thousands of dollars in a program in which the federal government is already making a profit. Federal loan rates for graduate students and parents are too high.

Accreditation
The core function of accreditation is ensuring educational quality. We are concerned that accreditation is losing its independence and becoming an agent of federal compliance. We strongly support the independence of higher education accreditation.

Teacher Preparation
We are pleased the Department of Education's final regulations on teacher preparation, released in October 2016, do not require (although they heavily defend) the use of value-added metrics in assessing program quality, nor do they penalize institutions that admit students who were not top performers on high school standardized tests. However, the regulations still rely too heavily on federally defined criteria and indicators, which they force on states. We do not believe a profession is improved when the federal government defines its standards, particularly when the standards are based on measures that are neither cutting edge nor statistically reliable.

Federal Money for State Colleges
Supplemental federal funding for public colleges, regardless of the income levels of the students they serve, has been suggested by several candidates and elected officials. Private, non-profit colleges; public four-year; and public two-year colleges all have about the same percentage of Pell Grant students in their enrollments. We all serve a public mission, even if our sector does not get direct state funding. We strongly support keeping the federal higher education investment focused on low-income students, wherever they chose to attend college, and not on institutions.

Campus Sexual Assault
Students attending college should expect to find a safe and supportive campus environment. Campus sexual assault is getting more national attention, and generating positive action towards changing campus culture. Legislative initiatives to enhance campus safety must assure the safety and fair treatment of all students. They must also be flexible enough to be adapted to the particular circumstances of each institution.

Institutional Risk Sharing
Under federal law, institutions have no authority to reduce or deny students loans. Proposals in Congress to have colleges put up financial guarantees against students defaulting on federal loans – so institutions have "skin in the game" could have unintended consequences. Such measures could add significantly to the financial risk for institutions, affect their financial ratings and ratios, and drive up tuition because there would be no other revenue source for most institutions to make the required payments. Colleges already have "skin in the game" with low-income students. At private non-profit colleges, 67% of all aid for students comes from a college's own resources.

College Completion
There is an important, heightened, and newly focused federal conversation taking place regarding college completion. It is a long-time priority of independent colleges, which have the highest graduation rates of any sector. NAICU's *Building Blocks to 2020* project highlighting successful programs at private nonprofit colleges, has drawn praise from federal officials. We will continue to support initiatives that positively affect students' college completion.

FAFSA Elimination
The FAFSA application is an important tool for students to access federal, state, and institutional aid. We support efforts to simplify the questions on the form, but not proposals that would eliminate the form altogether. Such a dramatic change will lead states and colleges to require students to fill out supplemental aid forms, making the overall system more complicated, not less, for families.

Financial Responsibility Standards
The federal system for assessing the financial soundness of non-profit colleges is seriously flawed. Non-profit accounting experts have expressed widespread concern about the significant shortcomings in the Department of Education's implementation of the current regulations, which have forced many institutions that are not at risk of precipitous closure to waste limited funds on securing expensive letters of credit. In a time of rising college costs, it is inappropriate for the federal government to require scarce institutional resources to be spent on this flawed requirement.

Federal Value Metric & Consumer Information
We are pleased that the Department of Education did not develop a federal ratings system, and we remain supportive of efforts by the federal government to identify the appropriate information that would help students find their best fit colleges. In addition, we believe the benefits of higher education are multi-dimensional, and not limited to salary level. The new College Scorecard must continue to evolve if it is to be helpful to families, and fair to all institutions, particularly those that serve a high proportion of low-income students.

State Authorization
We support protecting the balance across states, accreditors, and the federal government in assuring educational program quality and integrity for federal student aid purposes. The Department of Education's state authorization regulations have wreaked havoc on private, nonprofit colleges and universities and states as they attempt to comply with changing regulatory standards and inconsistent implementation. Impending regulations governing the state authorization of distance education programs could lead to further confusion. These regulations should be repealed.

Definition, Award & Transfer of Credit
The awarding and defining of academic credit is central to an institution's academic mission, and to the value and meaning of its diploma. In a rapidly changing environment of increased student mobility and new modes of course delivery, institutions are taking a careful look at their policies. However, federal mandates on the standards to be used are not only inappropriate, but also place at risk one of the most effective quality-control mechanisms in higher education. We also support the repeal of the federal definition of credit hour.

Veteran and Service Member Education
We are appreciative of the federal investment in educational benefits for veteran and military students. Particularly important are the Post-9/11 GI Bill and its "Yellow Ribbon" program, which have opened educational opportunities for so many veterans. We are committed to offering a supportive environment for veterans on our campuses.