February 13, 2018

The Honorable Lamar Alexander
Chairman
Committee on Health, Education,
Labor, & Pensions
455 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patty Murray
Ranking Member
Committee on Health, Education,
Labor, & Pensions
154 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Alexander and Ranking Member Murray:

The Institute for Higher Education Policy (IHEP) submits the following in response to your open request for comments regarding reauthorization of the Higher Education Act (HEA), shared by Chairman Alexander at the January 30, 2018 hearing focused on accountability and risk to taxpayers. This letter also responds to issues raised in Chairman Alexander's February 1, 2018 white paper on Higher Education Accountability.

IHEP is a nonpartisan, nonprofit organization committed to promoting higher education access and success for all students, with a special focus on underserved populations. IHEP develops innovative research to guide policymakers and education leaders in addressing our nation's most pressing education challenges. We believe all people, regardless of background or circumstance, can reach their full potential by participating and succeeding in higher education. IHEP also leads the Postsecondary Data Collaborative, a nonpartisan coalition of organizations representing students, institutions, states, employers, and privacy and security experts seeking to advance the use of high-quality data to improve student success and educational equity.

Recent HEA reauthorization discussions in the Senate and House present an opportunity to rethink how federal legislation can enable more students to access and complete an affordable college education and succeed in the workforce.

IHEP recognizes three much-needed HEA reforms:

- Provide students and policymakers with better information, and simplify institutional reporting by creating a secure, privacy-protected student-level data network (SLDN);
- Preserve and strengthen Pell Grants; and
- Incent and enable institutions to focus on access and completion for all students, especially low-income students.
  In addition to these reforms, we also respond to the repayment rate discussion in Chairman Alexander's February 1, 2018 white paper on Higher Education Accountability. We recommend pairing repayment rates with cohort default rates to measure loan repayment outcomes.

Provide students and policymakers with better information

During my testimony at the January 30 hearing, I underscored the need for better postsecondary data to undergird consumer information, transparency, and accountability efforts. I also outlined how high-quality postsecondary data can help lawmakers and college leaders develop responsive polices that narrow college access and success inequities and help all students succeed. HEA

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reauthorization presents an opportunity to strengthen our federal postsecondary data infrastructure to provide students and families with better information.

Policy solutions should focus not on *more* data, but on *better* data. The current postsecondary data infrastructure is duplicative, inefficient, cumbersome, and worst of all—it does not allow policymakers, college leaders and prospective students to answer pressing questions about today's higher education outcomes. As noted in my testimony, higher education is data rich but information poor. Many data points exist, but they omit large numbers of students, overlook important collegiate outcomes, and fail to disaggregate by key student demographics. Because of these insufficiencies of existing data, students and policymakers must make high-stakes decisions using incomplete information. Consider just a few holes in existing data:

- Completion information for part-time and transfer students are not disaggregated by race/ethnicity or gender.
- Metrics fail to measure transfer from community colleges to four-year colleges.
- State data on workforce outcomes omit federal employees, members of the military, the self-employed, people who cross state lines, and in most states, students who attend private colleges.
- Federal metrics published now on workforce outcomes omit the 30 percent of students who do not receive federal financial aid and fail to provide program-level results.

Now is the time for federal policymakers to reform our postsecondary data systems to provide better information that serves the needs of students and policymakers while replacing existing reporting requirements with a more streamlined approach.[i]

In calling for better data, we are not suggesting policies that would pile onto existing reporting requirements. Instead, policymakers should remove federal barriers that hamper the use of existing federal, state, and institutional data to answer pressing questions. Matching these existing data sources through a more coherent, nimble, secure, and privacy-protected student-level data network (SLDN) would create more usable information that could help students navigate the complex higher education marketplace and answer pressing questions about college outcomes. This type of network is also crucial to produce the information necessary to evaluate and meet workforce demands, to identify and close equity gaps, to assess how well institutions serve their students, and to inform policy design.[ii]

More than 130 organizations, representing students, institutions, veterans, college access providers, and employers, have publicly endorsed the College Transparency Act (CTA), recognizing that it would create a more functional postsecondary marketplace that serves all students, while only collecting a limited set of data to answer questions of national interest.[iii] In fact, better information is needed by students, who invest valuable time and money in a college degree, and policymakers, who steward the investment of taxpayers in higher education. Now is the time to make these needed policy improvements.

Preserve and strengthen Pell Grants

As the cornerstone of our nation's postsecondary financial aid system, Pell Grants are essential to supporting college access and persistence for hard-working, low-income students.[iv] However, the Pell Grant has lost much of its purchasing power in recent decades, with the maximum award now covering the lowest share of college costs in 40 years.[v] Strengthening Pell Grants would help tackle the college affordability problem for millions of low- and moderate-income students who struggle to pay for college.[vi]

The next HEA reauthorization should strengthen and protect Pell Grants for needy students in the following ways, at minimum:

- Index the Pell Grant to inflation. A provision indexing Pell Grants to inflation expired at the end of fiscal year 2017 and should be reinstated.[vii] Failing to index the maximum award to inflation ensures the power of this foundational need-based grant will continue to erode, impacting today's students and future generations of low-income college-goers.
- Restore the auto zero-EFC threshold. The current threshold has not recovered from FY12 cuts, which lowered it from $31,000 to $23,000.[viii] Restoring the threshold to the level it would have reached without those cuts and tying it to inflation would simplify the financial aid process for the lowest income students.
- Support the Pell Grant with mandatory funds. Pell is the only federal program that guarantees grants to eligible recipients but relies on discretionary spending. As a result, yearly allocations and program costs are never fully aligned, creating temporary funding gaps or surpluses and fueling unnecessary uncertainty among students and institutions.[ix]
- Lift the Pell Grant ban for students who are incarcerated in federal or state penal institutions. Recidivism rates drop significantly for those who earn postsecondary degrees while incarcerated, which also means that every dollar spent on prison education saves taxpayers four to five dollars on reincarceration costs.[x] Educational opportunities—made possible for many by the Pell Grant program—help these individuals obtain employment and avoid cycling back into the criminal justice system, enabling them to become more productive members of their families and communities upon release.
- Eliminate consideration of drug convictions in awarding of federal aid. Denying students access to aid because of drug convictions disproportionally hurts Black and Latino students, who are arrested and convicted of drug offenses at much higher rates than Whites even though racial and ethnic groups use and sell drugs at comparable rates.[xi] Also, the drug conviction question on the FAFSA is confusing and sometimes leads students to believe they are ineligible for aid, even if they might still qualify. Removing it from the aid process and the FAFSA would advance simplification efforts and eliminate an unnecessary deterrent to students seeking a pathway for educational and employment opportunities.

Incentivize and enable institutional focus on access and completion for all students

College access and degree completion inequities stubbornly persist within our higher education system. Low-income students still attend college at lower rates than high-income students did 40 years ago.[xii] The next HEA reauthorization must include policy solutions that incent

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institutions to focus on access and completion for all students, especially low-income students, and better enable degree conferrals for students earning credit at multiple institutions.

The Access, Success, and Persistence in Reshaping Education (ASPIRE) Act aims to improve college access and success for low-income students through a combination of fees for institutions that do not enroll many low-income students and investments in institutions with low graduation rates that may need additional support to improve. In return for these additional investments, colleges must commit to—and are held accountable for—improving student outcomes. ASPIRE uses available data in smart ways to change the incentives for institutions to focus more effort on access and success for low-income students.

Additionally, many of today's college students begin the hard work of earning a degree or credential at one institution, and for any number of reasons—family obligations, financial challenges, or illness—press pause on their studies, then later resume at another institution. The Reverse Transfer Efficiency Act would enable institutions to more seamlessly transfer students' credits and award degrees—only with full student consent—when sufficient credits are earned. As noted in my testimony, higher education is data rich but information poor. Many data points exist, but they omit large numbers of students, overlook important collegiate outcomes, and fail to disaggregate by key student demographics.
Both bipartisan legislative proposals offer targeted strategies for closing equity gaps in college access and completion. In addition to these proposed HEA reforms, we also offer the following comments on repayment rates in response to the Chairman Alexander's February 1, 2018 white paper on Higher Education Accountability.

Pair repayment rates with cohort default rates to measure loan repayment outcomes

The recent higher education accountability hearing and Senator Alexander's white paper raise the issue of how to measure student loan outcomes.[xiii] Currently, the federal government uses the cohort default rate (CDR), which measures the percentage of students who default on their loans within three years of leaving college. HELP Committee staff rightly note that the CDR measures a narrow window of negative student loan outcomes, and policymakers, taxpayers, and institutions should be concerned not just about borrowers in default, but also borrowers who are not making their payments on time.[xiv] However, when refocusing metrics on a fuller spectrum of repayment outcomes, lawmakers should not disregard those students who have fallen into, or are near, the most damaging loan outcome: default.

As the Committee considers ways to measure successful repayment, we offer the following insights from our research about repayment rates:

- Loan repayment rates should supplement, not supplant, CDRs to provide a fuller scope of student loan outcomes.[xv] IHEP agrees that CDRs do not reflect a wide enough view of loan repayment. However, that does not justify eliminating them. By pairing CDRs with loan repayment rates, policymakers and institutions can focus attention on both preventing default *and* helping students who are not making sufficient progress in paying down their loans, even while they avoid default.
- When defining loan repayment rates, positive repayment status should require that students make payments on the loan principal. In other words, borrowers or loans in deferment, forbearance, or income-driven repayment (IDR) should not count as in

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repayment (in the rate's numerator) unless the loan principal declines. IDR is an important protection for students, but should not mask institution-wide outcomes.

- To identify and remedy equity concerns, repayment rates should be disaggregated by demographic characteristics, like race/ethnicity, gender, and socioeconomic status.
- IHEP's initial research on repayment rates suggests that borrowers, rather than loans, may be the better unit of analysis.[xvi] A small sample of four institutions found only modest differences between borrower-based and loan-based repayment rates. However, borrower-based rates are easier to explain and understand. Before making a firm decision about the repayment rate definition, the Department of Education should use the data they already have on federal student loans to model the impact of using a borrower-based rate compared with a loan-based rate. The results of the research should be made public and inform the ultimate policy decision.

Thank you for the opportunity to share comments. We look forward to working with the Committee and other lawmakers as HEA reauthorization discussions proceed. If you have any questions about these comments, please contact IHEP president Michelle Asha Cooper or Mamie Voight (mcooper@ihep.org, 202-861-8224 or mvoight@ihep.org, 202-587-4967).

Sincerely,

Mamie Voight
Vice President of Policy Research
Institute for Higher Education Policy

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