

# NASFAA “Off The Cuff” – Episode 67 Transcript

Allie: Hi, everyone. Welcome to another edition of “Off The Cuff.” I’m Allie Bidwell, one of our *Today’s News* reporters.

Stephen: I’m Stephen Payne with NASFAA’s policy team.

Megan: Megan Coval with NASFAA’s policy team.

Allie: This week Justin is out on vacation so it will be just the three of us today.

Megan: He was with the South Carolina Association Conference earlier this week, so he was spending some time there and then taking some well-deserved time off this week.

Allie: In the wilderness or something like that.

Megan: Yeah. His out of office is like, “I will be hiking, fishing, camping, walking, running, biking.” All things outside. Justin will come back refreshed and be one with nature.

Stephen: Which is important.

Megan: Which is important. Especially in these crazy times, so it’s just us.

Allie: The first thing on the agenda is a quick update on the budget.

Stephen: In *Today’s News* today, Thursday, we ran our fiscal year 2019, that’s award year 2019-20, appropriations request letter. Now that we have fiscal year 2018 wrapped up with some good boosts to the student aid programs, in fiscal year 2019, we’re also requesting some boosts again to the programs. There is some room, if you’re looking at the broader budget picture, for some increases in student aid, so we wanted to be proactive on making those requests and we’ll see what happens. It’s so interesting that you switch so quickly from finishing up fiscal year 2018 into fiscal year 2019. We’re moving on pretty quickly and getting our requests up on the Hill.

Allie: Hopefully this budget year will be done by October 1.

Megan: September 30 rather.

Allie: When was the last time that that actually happened, in the 90s?

Megan: Over a decade ago.

Stephen: Yeah, it was in the 90s.

Megan: Okay, it was even back then. This is the new norm.

Stephen: As part of the budget agreement that was reached to set the caps that set the stage for this spending package, there was this provision about this budget reform committee that was looking at restructuring the budget process, maybe going to biennial budgeting where you would set your spending levels for the next two years all at once. They would sort of split up the programs to be every other year. I'm not really sure though that time is the issue. These all come together within the span of a few weeks. It's not like they don't have the time, it's just a matter of when there's a priority to do it and when there's the impotence like, oh shoot we have to get this done.

Megan: I don't know that I love that idea from the standpoint that budget bills are the only thing leaving the station right now. If we went to a system where we only did it every two years, little things like the data sharing provision that had nothing to do with the budget but we were able to get it in that budget bill, you have to wait then. I don't know. Good and bad, I guess.

Stephen: It could be good and bad. If you had a really great year for funding, you'd have that over two years. If you have a bad year for whatever reason, then you have that over two years.

Megan: Steven you mentioned news we got last week was good news, increases to our programs. Pretty unexpected, most of them actually. One of the biggest ones was that we saw the bump in the Pell grant. The max will now be \$6,095 which is \$175 more than it was last year. One thing we did just want to flag for folks and I think we ran this in *Today's News* on Monday is that there will be new Pell schedules that will be coming out. The ones that were released in early February are no longer accurate. The good news is, if you have to change the Pell award, you're happier to be doing it up than down. We don't know when they're coming out. We don't have any timing, but we have been in touch with the department and we'll be working with them to make sure they come out in a timely manner. Also worth noting, we saw the increases in work study and SEOG as well so there could be some institutions that need to go back and repackage that. We're hoping they'll be out soon.

Allie: We will be sure to highlight it whenever they come out as soon as possible. Other things on the Hill, it seems like progress on HEA reauthorization has kind of stalled out a little bit.

Megan: [Screeeeech]. That's the halt.

Stephen: Cue sound effects.

Allie: Who needs sound effects?

Megan: Really, we don't have any news to report but we were thinking back to one of the first milestones or dates that Senator Alexander has been saying for the Senate getting a draft out, we kept hearing Easter. All of the sudden we were thinking this week. Easter, April 1 is Sunday. It does not look like we are going to be seeing any draft come out of the Senate. We all hear things different places we go and different groups that we are associated with and I don't think anyone is hearing that anything is coming out anytime soon. What we've heard is that there isn't actually a whole lot of bipartisan talks going on in the Senate. They need to work in a bipartisan way so that they can get this bill through. Maybe later in the spring, maybe we won't see a comprehensive draft. Allie feels like she's on to something.

Allie: Loophole. Catholic Easter and other Christian denominations, Easter is this Sunday. Eastern Orthodox, Greek Orthodox Easter is April 8. They're not usually on the same weekend because they follow a different calendar. They have another week for Senator Alexander to make good on it.

Megan: Does the Easter Bunny come to the Greek Orthodox church?

Allie: We don't really do the whole pastel eggs, Easter Bunny thing. Greek Easter is red eggs, really long church services, and a lot of lamb and good food.

Megan: What you're saying is there is a chance.

Allie: This time next week, we'll see.

Stephen: What's interesting to Meg's point is that we really haven't heard a lot of activity or movement. Before we saw the House comprehensive bill, we got a really strong sense that the gears were turning and things were coming. You're hearing this and that about when that exact date might be, but basically every day you knew it was eminent.

Allie: With HEA reauthorization wasn't on the list of priorities for House.

Stephen: Yeah, we talked about that a couple of weeks ago, it's hard to keep track of everything. You can't just put together an HEA reauthorization comprehensive bill, 500-plus pages in a week. At the same time, we've been overdue for a reauthorization for four years, five years. It's not as if this just came up and they just have to create it. Hypothetically they could have a lot of work done and it's just sitting there, they've been working on it behind the scenes.

Allie: They put together a 2,000-plus page omnibus spending bill in not a lot of time.

Stephen: That's very true.

Megan: You make a good point, Stephen, because you say we kind of know when the wheels are in motion. I kind of feel like, things will happen, we'll get these one-off emails from staff that are like, what would you think if we went to 15 credits full-time. Then we right back our answer and they just go thanks. They're not always referring to, hey, I'm working on something. We haven't been having those interactions.

Stephen: And the calendar, Allie as you mentioned, in the House, it's not a priority in the Senate. It's obviously very precious. It's very political and a very tough process to move through in an election year that may not be favoring Republicans. The dynamics may not be there for both sides. Democrats may want to wait and say, we might have the house. Our starting place, instead of the Prosper Act being our starting point, we could have a House Democrat bill. Why don't we just wait out the clock here and then move on to HEA in the next session or even in the lame duck after things have settled down.

Allie: Next up, some senators sent a letter to the ethics official at the Department of Education with some concerns about potential conflicts of interest for James Manning who is currently the acting undersecretary and the acting COO of FSA. He's been, that was in January when Secretary DeVos announced that A. Wayne Johnson was stepping into a different role with FSA. Since January, he's been in both of those roles.

Megan: I think he took over the acting undersecretary role last April. He's been in that role almost a year. I think their concern, it's something that we've talked about before too. I think it really stems from two main things. The 1st of which is just sort of, if his appointment to COO or acting COO is in conflict with the legislative intent for FSA to operate as a performance-based operation that has independent control of its own budget allocations, expenditures, personal processes, things like that.

Allie: So, can it really be independent?

Megan: Can he do that in that role and oversee FSA and also have this role as undersecretary? So they're questioning that.

Allie: Some of the senators' concerns are with Under Secretary Manning's ties to USA funds, which used to service student loans. It handed off its servicing to Great Lakes, then renamed itself as Strada. The head of former USA Funds, now Strada, is also on the board of Performant Financial Corporation, which is also in March, got a contract, a big contract from ED. In January.

Megan: So just a couple of months ago. The other concern they noted is that the head of Strada that you just mentioned also was a deputy secretary at the department in the early 2000s. Mr. Manning served as his chief of staff. There's obviously, they're expressing concerns with the connections there, this contract being made, Mr. Manning in the role that he's in and then the role that he might have had in the contract and the selection of the contract.

Allie: There's just a lot of history. The thing sort of overarching all of this is because of Mr. Manning's standing in the government, he didn't have to sign the ethics pledge that President Trump put out right after he was inaugurated. I guess the senators just were concerned as to how is the ethical oversight being managed if he didn't technically have to sign this pledge.

Stephen: It's very complex and there's a lot of moving parts. I think it gets at the Department structure and management right now where they have a concerted focus on reducing the size and footprint of the department. That's one of Secretary DeVos's big goals. You have a situation where you have someone who is an acting undersecretary and then also an acting COO of FSA. There's just a lot of moving pieces here that are hard to put your finger on what they dynamics are over there. You do get the sense that there's a strong interest in trying to look at efficiency, streamlining, downsizing, all of those types of things. That's been, whenever Secretary DeVos is interviewed in any publication or on TV that really has been one of her big priorities.

Allie: Downsizing and rolling back regulations.

Megan: Which sort of sounds good and can be good when done properly but I think when the rubber meets the road it's hard to do in existing organizations where the wheels are in motion and certain

processes are already developed and you need people in certain places. It takes a while to do that well and in a thoughtful way.

Allie: Moving on, there was a story out Wednesday in *NPR* about some issues with the TEACH Grant program. Specifically, they were writing about an internal report about the department looking into what really causes these grant recipients to have their grants converted into loans. It found that for quite a few of them, they were related to process issues. Either not understanding the process requirement associated with receiving a teach grant or having actual procedural issues with filing their annual certification of their service requirement. The bigger number was that for grant recipients who started their service requirement before July 2014, almost two-thirds of them, I think it was 63 percent, had their grants converted into loans. Which, you think you can get up to \$4,000 a year. So someone who's had that grant every year and then they suddenly have a \$16,000 loan, not counting interest. Trying to get to the root of that problem and why it happens and how they can better avoid that situation.

Stephen: This report release is timed with a lot of different activity on TEACH. You have Public Citizen, a consumer watchdog type organization, filing a lawsuit against the Department requesting additional information on TEACH and how servicers are implementing TEACH. Then you have, because of that, this report, this lawsuit, then there were a few different articles across different publications talking about TEACH and providing the human touch on this. All of these articles had stories about TEACH Grant recipients who had their grants converted to loans. They are compelling stories.

Allie: There was one woman who said she never got the paperwork from her servicer. She finally tracked it down and by the time she sent it in, they said they never got it. By the time she resolved that issue, they said that she was late. Someone else, he said he had an error, an incompleteness on his form. By the time he corrected that, it was late and they wouldn't reverse it. This is the same servicer I noticed, that was also coming under fire for issues with servicing of PSLF loan repayments. The Massachusetts Attorney General filed a lawsuit against this servicer for issues both with PSLF and TEACH Grants.

Megan: I think that, Stephen and I were talking about this earlier, we just go back to the program as it is, and NASFAA, it's been here for a while, is not a well-structured program where you're giving someone a grant that then turns into a loan, I think that, if you're giving someone a grant, students go to college at all different ages now, but let's just talk about a traditional student who says they want to be a teacher, people change their major and their minds all of the time let alone teaching in these specific areas and

these specific subjects. We for a long time talked about ways to make the program better. One, I should say, easy relatively speaking is just flopping it even. What if you made it a loan and then if the student ended up doing what you wanted them to do and teaching in these certain low-income districts, then you can turn it into a grant. I think the structure is problematic.

Allie: There were a couple of things in this report that some institutions that had lower grant-to-loan conversion rates were doing to curb that. Some schools would not give TEACH grants to freshman and sophomores. Others would only give the grants to students who declared a major or a minor in a high need field or who were admitted into a teacher prep program, things like that.

Stephen: I think those are smart strategies and I think that as this program goes along, institutions are looking at how to improve this process. As part of this study, there were surveys of institutions about what they were doing. That was a big piece of the study.

Allie: And counseling.

Stephen: As part of TEACH, there's a 25- or 30-page counseling guide for recipients. I think that just gets at how complex the program is. If you read through this, I get a headache reading through it and this is what we do every day versus someone who has an interest in being a math teacher in a low-income neighborhood, they're focused on education and all of the responsibilities that are associated and not on all of these complicated requirements. I think there's a lot of blame to go around. Congress for designing the program this way, the Department for maybe not structuring its implementation properly, the servicers for the mistakes on their end. I think that's really tough. What does a servicer do if a student misses their annual certification requirement, that's what the Department says.

Megan: Their hands are kind of tied. The PSLF stuff too has been of that ilk.

Stephen: They weren't in the right repayment plan or, and it's hard to know what was said on calls with borrowers. All of these things are just complicated and it really gets at the importance of our work in thinking about designing the policies in a way to ensure that students and borrowers can navigate them somewhat easily.

Allie: There was 9 percent, so almost 1 in 10 of the grant recipients said that they just forgot about the annual certification.

Megan: That's a big grant too.

Allie: Not that they didn't understand it, they just forgot.

Megan: I don't know. I think you probably pay more attention if you're receiving a loan upfront than a grant. If you just see, I mean again, that's like three-quarters of the Pell Grant. That's a big grant. So, you're like great, \$4,000. There's responsibility that goes all around but I think just the structure, it's not designed in a way to really promote success of the program.

Stephen: Just in terms of Capitol Hill action on TEACH, so PROSPER, the House reauthorization bill, would have eliminated the TEACH grant program. We don't hear a lot about the program on the Hill, but there are a lot of stories like this that come out about issues with conversions. There was a GAO report in 2015 that really dove into this as well.

Allie: That's what spurred this report in the first place. They found several thousand grants were actually mistakenly converted into loans. A whole other issue aside from not filing your paperwork on time but they were actually mistakenly made into loans.

Stephen: Then you have on top of that, the fact that if you're a servicer, you make more money off of a loan than off of a grant, just on a per grant and loan basis. You have all of these factors in here that really just, the best I can say is just shake my head at Teach.

Megan: SMH, TEACH. Yeah. It will be interesting to see if this spurs any activity on Capitol Hill. You already talked about what was in PROSPER, I'm thinking more of pressure being put on the Department, particularly from, I could see some democratic senators in particular that have really been following these issues, really getting.

Allie: At least Wednesday online, that *NPR* story made quite a splash it seems like. Especially since they actually got the report before the Department officially published it, it sounds like.

Megan: Yeah. In other news, this week, a bipartisan group of lawmakers sent a letter to Secretary of Education Betsy DeVos, asking her to provide, make it so that loans can be discharged under the Plus Loan program for students who have total or permanent disability. This does not exist right now within the Plus program and they're making the argument that this is the case for other federal loans with total and permanent disability and they want that to be available. If a parent borrows and then the student becomes total or permanently disabled, they want the loans to be forgiven as well.

Allie: Makes sense.

Megan: Makes sense. Seems reasonable.

Stephen: Senator Portman was one of the Republicans on the letter. This has been one of the issues that he has been a strong advocate of in thinking about some of these TPD issues. There's been provisions that have been put into appropriations bills over the years. He's definitely been one of the advocates on that.

Megan: They've done it in different incremental ways before. They did it for students who received, who became TPD under September 11th attacks, so sort of for certain subgroups, they're making the argument here that this should be available to everyone.

Allie: One final thing this week, today, Thursday, SHEEO, that's the State Higher Education Executive Officer's Association, put out its annual state higher education finance report, which looks at trends in state and local appropriations, tuition revenue, things like that across all 50 states. Over the years, it's been sort of creeping up, the number of states who get more of their public education revenue from tuition dollars. For the first time ever this year, more than half of states, 28 total, get more than half of their revenue from tuition dollars than from other sources of funding like state and local government, other funding, things like that. It also found that even though there was a moderate increase in state and local appropriations, it was 2.1 percent, almost all of the states, 44, their per student funding was still about \$1,000 lower than it was before the recession after adjusting for inflation.

Megan: This doesn't come as a huge surprise to me, but I think it's, in a way it's good to have the data to back this up because this is what we talk about all of the time when we talk about cost of college and affordability and the state's pulling back. I realize that they are getting incrementally better so we already know that as well, but then pulling back, it does have a way of getting pushed onto the student and family.

Allie: Just those initial cuts were so steep that even though they're increasing, they're small increases, they're not enough.

Stephen: You have all of the increases over time then in the cost of instruction and increases in the cost of health care benefits that institutions as employers have to be cognizant of. I think it's very similar to, as we were thinking about the budget and appropriations at federal levels, that the Department of Education saw a pretty big boost in the latest spending package, but it still, if you use inflation adjusted numbers from before the sequester and some of the budget control mechanisms that were put into

place, we're still below those levels. Even though we're seeing these increases at a nominal basis, funding is up, it's still not at where sort of a high-water mark level is adjusted for inflation.

Allie: One other more directly financial aid related finding in the report was that state financial aid for students at public colleges and universities, reached an all-time high in 2017. States on average gave \$673 in financial aid per full-time student. It's increased 86 percent since 2000. Now representing 8.8 percent of overall educational appropriations.

Stephen: That's interesting.

Allie: Yay, financial aid.

Megan: Financial aid from all sources.

Allie: State financial aid.

Megan: I'm just saying, that was me saying yay financial aid, not just at the state level and Title IV but from everywhere.

Stephen: Also, there are less students pursuing higher education right now so that could have some sway there too.

Allie: Right. That was another thing that they talked about was full time enrollment has tapered. Not significantly though. Which is another thing that we've known, it peaked in the recession, more people went back to school because they couldn't find work and so on.

Megan: I do feel for, it's just a tough spot for institutions to be in. There's such a laser focus on college affordability and cost. Stephen, you made the point, when you're going to college and whatever major you're in, you're expecting that institution to have the latest and greatest technology and business trends and things like that. That costs money, so that's only going up.

Allie: The cost of delivering education rises at a much different rate than the actual consumer price index, which is why, over the last couple of years, sometimes I've covered proposals saying why don't we tie whatever about higher education to the CPI and then people coming back and saying well that's a bad idea because, it's just like apples and oranges.

Megan: Yeah and if, Dr. Feldman from William and Mary talked about this last week in the Forward50 convening but I'm sure there are lots of ways to cut costs at institution, less faculty, but then what. You have bigger class sizes and is that what you want? Not necessarily at certain institutions or certain majors.

Allie: You could get into issues around quality.

Megan: It is a really, higher education is a really unique industry in that regard. Technology, you need the best technology but it doesn't always make things more efficient. That's what technology usually does in business, it allows you to streamline or let machines and robots do things, and that's not always what we want in higher ed.

Allie: Speaking of technology, we at NASFAA have been struggling with our own technological advances. We moved into this office almost a year ago now. It's much more updated than our old office. We have these things in our conference rooms that allow us, there's a big screen, and they allow us to video conference in people, you can kind of hear their voices through the ceiling, which is cool and creepy at the same time.

Megan: Omnipresent. It's like God.

Allie: Sometimes you forget that people are on the phone and then all of the sudden someone will chime in with, well I think...

Megan: Out of the heavens they speak to you, yeah.

Allie: Yesterday we were having a policy meeting and had a little difficulty setting it up to the point that somehow it sounded like an echo-y techno concert in here.

Megan: It was like we were in the club. It was really loud.

Allie: Megan started talking and then it was echoing from the ceiling and from somewhere else.

Stephen: It was a lot. It was a lot.

Megan: It was a lot and what Allie's being nice and not saying was that this meeting was supposed to start at 2:15. I actually came into this room at 2:08 to get my ducks in a row because this was my first time dipping my toe into this fancy room and using the technology nearly a year later.

Allie: It's not your fault.

Megan: I believe it wasn't. I don't think it was user error, because I spent a lot of time trying to do this right. My whole goal though was to not make all of you guys wait and all of the four people on the phone wait. That went wrong in every way possible so we just used the conference line.

Allie: The idea is that it's supposed to be more inclusive for teleworkers because we can see them, they can see us on the video conference. We can hear them, it's more like they're physically here for the meeting. Then we ended up just using the conference call anyway. I was like, who thought that we could handle this kind of technology. Do they not know us? Even I can't...

Megan: I mean, it's great when it works, but it's frustrating when it doesn't.

Stephen: It sort of adds a whole other level of frustrating when you're hearing hello, hello, hello, hello. No, no, no, no. Yes, yes, yes. And then someone would hit the table.

Allie: It was like throwing something into the Grand Canyon.

Megan: I was getting all flustered. Anyhow, we'll know better for next time if it works. Maybe. Maybe not.

Allie: Now we know we can have dance parties in here. Well, thanks everyone for joining us for another episode of "Off The Cuff." Remember to subscribe, tell your friends, and we'll talk to you again next week.