



Expectations of a New Administration and a New Congress

April 2, 2017

Brett E. Lief

Chief Strategic Advisor
Windham Professionals



Overview

- Look to the New Administration
 - First Priorities
 - Education Priorities
 - Budget Blueprint
- Look to the New Congress
- Outlook for Higher Education
- Look to the Higher Education Act
 - Current State of Play
 - Policies on the Radar
 - Policies Under the Radar
- Focus on Accountability
 - Office of Inspector General
 - New Priority Work
 - Continuing Work
- Prognostications
- Questions



Priorities of the Administration In the First 72 Days

Confirmation of Cabinet Officials

- Delays impact appointment and confirmation of approximately 1,000 sub-cabinet positions.
- “Regular” order is not anticipated until the end of April.
- Department of Education focus on K-12 – leading OMB candidate to oversee ED experienced in elementary/secondary school policies.



Priorities of the Administration In the First 72 Days

Department of Education

- Secretary DeVos confirmed.
- Higher Education areas referenced in confirmation hearing:
 - Agnostic about providers of student loan funds.
 - Eliminate “bad actors” of all types within the education sector.
 - Support transparency and data collections to aid students and families to make informed decisions.
 - Protect Veterans higher education benefits.
- Other ED positions requiring confirmation being vetted with initial priority on K-12 appointments.

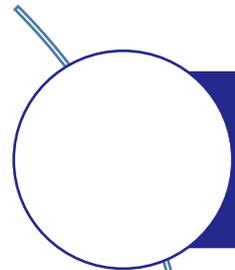


What This Means Over the Next Two Years

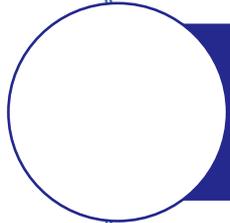
- Consideration of some Federal public policies, particularly education, will devolve to Governors and states as they move more quickly than Washington.
- Republican Senate leadership will focus on picking up eight seats (net) in 2018 election cycle.
- ED will continue the issuance of Dear Colleague Letters as a means to set public policy.
- Congressional oversight hearings will be limited as only the majority party in the House and Senate are able to convene.



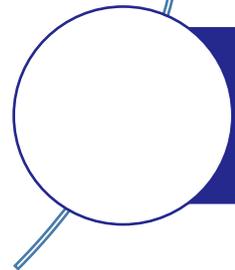
What This Means Over the Next Two Years



Congress will step forward on higher education matters.



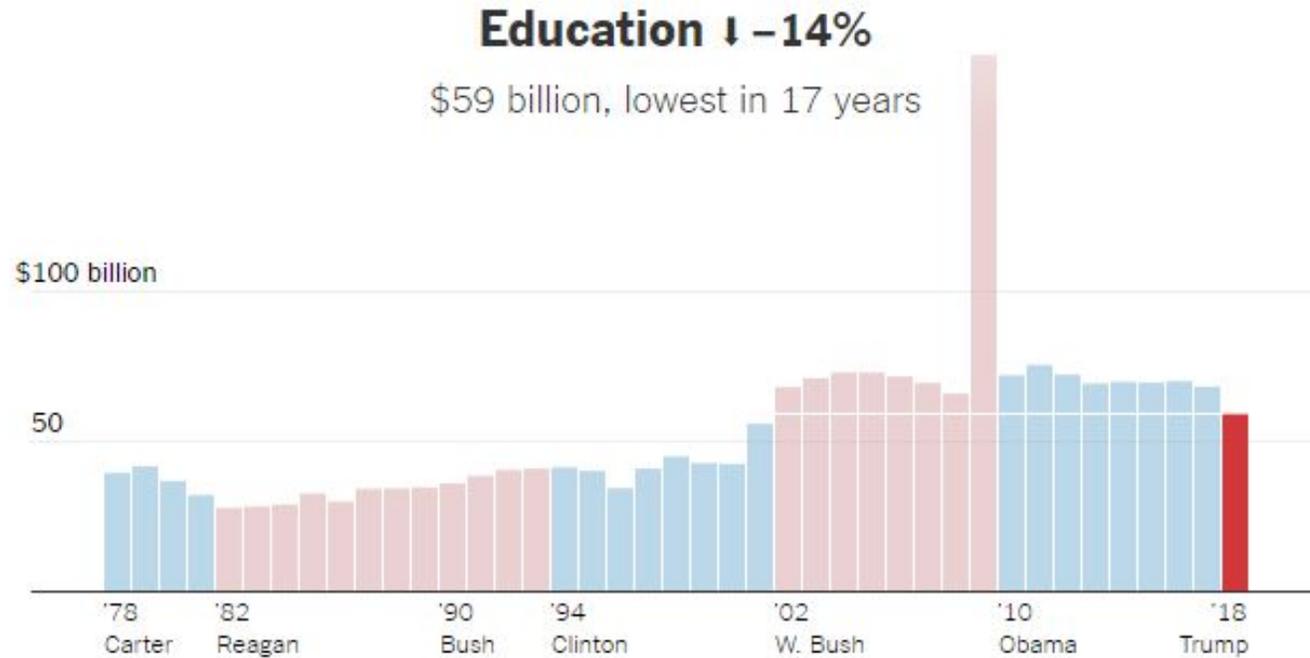
The Higher Education Act will have its best chance of Reauthorization in the next two years. The public policy underpinnings will lose support if substantial budget and programmatic changes are made through the budget and/or reconciliation legislation.



Democratic leaders could become more engaged in social media as a means to highlight their policies.



Look to the New Administration – Budget Blueprint





Look to the New Administration – Budget Blueprint

Key Education Provisions

- \$1.4B increase for Public and Private School Choice Programs.
 - Eliminates Funds for Before and After-School Programs.
 - Calls for a \$3.9B Cut from the \$10.6B Pell Surplus.
 - Eliminates Supplemental Educational Opportunity Grant Program.
 - College Work Study Program Funding Significantly Reduced.
 - Level Funding for Historically Black Colleges.
 - College Preparation Programs Cuts in Trio and Gear Up.
 - Other Program Cuts to Striving Readers, Teacher Quality Partnership and International Education Programs.

Reference to "Problems with the Allocation Formula for Campus-Based Student Aid Programs."



Outlook for Higher Education

Moody's predicts stable conditions for the next 18 months.

- Expectations of operating cash flows in the 10-12% range for most public institutions and margins of 12-14% for private colleges/universities.
- Aggregate revenue growth for all sectors to hold above three percent.
- State funding is expected to grow 3-4% in 2017 before slowing to 1.5-2.5% in 2018.
- States reliant on the energy sector, e.g., Louisiana will face pressures as do states with high pension liabilities, e.g., Illinois.
- Total enrollment estimated to average a 1.5% increase and a slow improvement in retention rates will continue, especially for institutions that have invested in this area.
- Risk pressures include rising pension liabilities, labor and borrowing costs and changes in federal policy, particularly health care.



Release of Recent Data

Federal Reserve Bank of New York – Quarterly Report on Household Debt and Credit

- Outstanding student loan borrowing increase by \$31 billion and stood at \$1.31 trillion on December 31, 2016.
- 11.2% of student loan debt was 90+ days delinquent or in default during this period.
- Credit card debt increased by \$32 billion while automobile loans increased by \$22 billion by the end of the last calendar year.

College Endowments lost billions in 2016

- Dow Jones average grew by 13%.
- Of the 40 biggest higher education endowments 35 declined with Harvard shrinking by \$2 billion, a 5% decline.
- Move toward less conservative investments through external advisors resulted in fees in 2015 of \$2.5 billion.



Higher Education Act - Current State of Play

1

The Higher Education Act of 1965 has been reauthorized eight times and expired at the end of 2013. The student aid programs have been extended through other legislative action.

2

This will be the first reauthorization with the Republicans having the majority in the House and Senate and the White House.

3

Although higher education was a central theme in the recent election cycle, it has not been included in the first 100 day list of priorities and is rarely mentioned in other conversations.

4

Prior to deliberation of the Higher Education Act, the Congress will consider a Budget Reconciliation (or two), increasing the debt ceiling, budget deliberations for the current and upcoming year, and significant other bills that include infrastructure spending.

5

This can be taken as a positive as it permits time for federal student aid advocates to advance public policies that meet the needs of current students and those who will enroll over the next five years.



Public Policies On the Radar

Access

Affordability

Accountability

Austerity

Accreditation

“Free” first 2 years of college

Loan-free first 2 years of college

Alternate means of education and training, e.g. competency based, apprenticeship

FAFSA simplification

Campus safety

Institutional risk-sharing / shared responsibility / “skin in the game”

Title IX, gender discrimination including sexual violence

Financing future “students” or current and former students

Borrower interest rates, grace period, deferment/forbearance/discharge

Regulation and reporting requirement



Policies Under the Radar

Expanded Consumer Protections

Federal Claims Against Schools

Third-Party Servicers School-Selected Servicers

Protecting Personally Identifiable Information (PII) – better aligning ED data security

Changes to Experimental Sites Provision

U.S. Treasury as Loan Collector

Additional Federal Data Matches



Non-Student Aid HEA Provisions Added Over the Years

- Cut off of aid to students who “disrupt campus activities.”
- Register with Selective Service (male, ages 18-25).
- Restrict or removal of aid for students convicted of a drug conviction while receiving student aid.
- Convicted of a forcible or non-forcible sexual offense and subject to an involuntary civil commitment upon completion of incarceration for that offense.
- School reporting of crime statistics as well as other academic and financial information.



Office of Inspector General – Focus on Accountability

New Priority Work

- FSA's Controls Over the Free Application for Federal Student Aid Verification Process—Determine whether FSA's control activities ensure that schools perform verification.
- The Department's Recognition of Accrediting Agencies and its Oversight During the Period of Recognition—Evaluate the effectiveness of the Department's processes to ensure that accrediting agencies meet criteria for the recognition established by the Secretary.
- Selected Schools' Compliance With Requirements for Disclosures to Students—Determine whether selected schools (1) complied with specific requirements of the Higher Education Act of 1965, as amended.
- Schools' Implementation of Career Pathway Programs—Determine whether selected schools developed and implemented career pathway programs that meet eligibility requirements of the Higher Education Act of 1965, as amended.
- FSA Oversight of Schools Submitting Untimely Disbursement Records—Determine whether FSA has effective controls and processes to ensure that schools are timely and effectively performing reconciliations.
- Audits, Inspections, and Investigations of Selected Program Participants—Throughout the year, we may receive referrals from program offices or through the OIG hotline requesting review of postsecondary institutions or other student financial assistance program participants where the possibility of fraud, waste, or abuse of Federal funds has been identified.



Office of Inspector General – Focus on Accountability

Continuing Work

- Western Governors University’s Administration of the Title IV Programs
- Department’s Disclosures Regarding the Cost of the Federal Student Loan Programs’ Repayment Options and Loan Forgiveness Programs
- FSA’s Process to Select Free Application for Federal Student Aid Data Elements and Students for Verification
- Federal Student Aid’s Oversight of At-Risk Title IV Schools
- Federal Student Aid’s Oversight of Student Loan Servicers
- FSA’s Oversight and Monitoring of Total and Permanent Disability Loan Discharge Process
- FSA’s Use of Heightened Cash Monitoring



Prognostication

Early education public policy will focus on K-12 and Secretarial visions on CommonCore, charter schools and outcomes.

- Anticipate some K-12 principals becoming integrated into post-secondary policy.

The Republican National Governors Association, Education Commission of the States and National Conference of State Legislatures will be more prominent.

Congress will not drive higher education policy.

Reauthorization of the Higher Education Act will be deferred until 2018/2019.

HEA Programs will be extended through budget and other bills.

NASFAA continues to be a beacon of light in the tunnel.



Questions

