

August 2, 2013

The Honorable John Kline  
Chairman  
Committee on Education and the Workforce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable George Miller  
Ranking Member  
Committee on Education and the Workforce  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Virginia Foxx  
Chairwoman  
Subcommittee on Higher Education and  
Workforce Training  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Rubén Hinojosa  
Ranking Member  
Subcommittee on Higher Education and  
Workforce Training  
U.S. House of Representatives  
Washington, DC 20515

Dear Representatives Kline, Foxx, Miller, and Hinojosa:

We write on behalf of the American Association of Community Colleges (AACC) and the Association of Community College Trustees (ACCT) concerning the Committee's request for views on the upcoming reauthorization of the Higher Education Act. AACC and ACCT represent the CEOs and trustees, respectively, of the nation's almost 1,200 community colleges.

Community colleges are being recognized for their critical place in our nation's education system, economy, and society. These colleges enroll well over 40 percent of all students in the nation's higher education system and play an essential role in providing educational opportunity and workforce development.

No federal legislation is more important to community colleges and their students than the Higher Education Act (HEA). Community colleges would look very different, and some would not exist today, were it not for the national investments made through the HEA. The upcoming reauthorization process gives Congress the opportunity to make needed improvements to critical student financial assistance and institutional aid programs. The comments found below follow the Committee's request for input in given areas.

### **I. Empower students as consumers in higher education:**

Students need clear, concise, and usable information that enables them to make optimal decisions about the college and program that best suits them. The federal government needs to improve upon its vital role in ensuring that students and consumers receive accurate information about institutions and their programs.

Most community college students do not choose between different institutions – they opt to attend the local community college because of its location, cost, convenience, and array of

offerings. For these millions of students, the important decision is which of the various programs offered by that local community college they should pursue, and what further options those programs might lead to. For these reasons, ensuring that good information about programmatic outcomes is available, including earnings data for completers and reliable options for transfer to senior institutions, is of top importance.

1) Establish More Accurate and Complete Measures of Student Success:

The current “Student Right to Know” (SRK) completion rate excludes significant numbers of community college completers, causing serious distortions in public perceptions of institutional outcomes. While the shortcomings of the existing outcomes measures for community colleges are unique in some respects, the existing measures are flawed for all sectors of higher education. This situation is especially unfortunate given the enormous federal investment in student aid. Therefore, Congress should devote sustained focus on this topic in reauthorization. One positive outcome of improving the graduation rate and related calculations at the federal level would be to put an end to the proliferation of duplicative and confusing systems devoted to determining the “success” of institutions of higher education; the current patchwork often confuses students and, all too often, policymakers.

Many students who attend community college transfer to other institutions to complete their degree or certificate. Unfortunately, for almost two decades, the Department of Education has excluded students who “transfer-out” from a college from the formal completion and graduation rates for that institution, resulting in artificially low completion rates. This practice is in clear violation of the Higher Education Act. Simply incorporating transfers into the SRK calculation rate increases the sector-wide community college three-year completion rate to 40%, while the latest official SRK graduation rate without them is 22%. The Committee on Measures of Student Success (CMSS), created in the Higher Education Opportunity Act of 2008 (HEOA), recommended a combined completion and transfer rate, but this has not yet been implemented. Furthermore, completion rates should be measured at 100%, 150%, and 300% of the “normal time” of program length. The latter will capture nearly all community college students who ultimately complete.

Fortunately, a great deal of positive activity to more clearly define community college performance and that of all of higher education is occurring outside of the federal government, at state, institutional, and consortia levels. For example, the new voluntary Student Achievement Measure (SAM) involves looking at a number of student cohorts not measured by the federal rate and reporting on multiple success measures for each of them. Additionally, AACC and ACCT have developed a Voluntary Framework of Accountability (VFA) that delineates short-term progress and long-term outcomes for students and provides more accurate metrics for community colleges that should help them improve their performance. It is highly desirable for Congress to use these efforts as exemplars as it overhauls many of the performance-related reporting requirements.

## 2) Track Student Progression and Earnings Information:

The federal government must ensure that students are tracked throughout their course in postsecondary education. There are different routes to achieving this end, but the lack of national framework for monitoring student progress, such as a federal unit record database, must be addressed.

Additionally, Congress should ensure that the earnings of all postsecondary program completers be made available to institutions at their request. These earnings could be provided at post-graduate intervals sufficient to capture the radically different earning arcs of students enrolled in different programs. We expect that most institutions would make such requests for most if not all their programs. Institutions would also retain the prerogative to consolidate program data into broader categories; this would be especially appropriate for programs in the arts and sciences.

## 3) Establish a New Student Default Risk Index (SDRI):

Current cohort default rates (CDRs) assess institutional eligibility for Title IV financial aid based on the share of a school's borrowers who default within the first three years of repayment. Colleges with CDRs above certain thresholds may face sanctions that end their eligibility for federal student aid. However, CDRs are insufficient sources of consumer information about the situation that students – both borrowers and non-borrowers – face, because they exclude non-borrowers. The vast majority of community college students do not borrow.

The HEA should create a new Student Default Risk Index (SDRI). Under this new calculation, each school's three-year Cohort Default Rate would be multiplied by the percentage of students at that school who take out federal loans. By incorporating the share of students who borrow into the measure, the SDRI would more accurately convey the pattern of default risk for students at a given school. It would also help the public better understand institutions, which is particularly important given the false impressions created by the current default rate calculations.

## 4) Provide Accurate Tuition and Cost Information for Students:

The tuition “watch lists” that were created in the 2008 HEA amendments were an effort to publicly identify those institutions with the biggest price increases in their sector. However, after three iterations, it is now clear that the lists do not provide students with helpful information about which college best meets their needs or ability to pay. The metrics used to place institutions on the “watch lists” are arbitrary, subject to data fluctuations, impacted by factors outside of institutional control (most importantly, state funding levels), and ultimately obscure more than they clarify. Given limited resources, these lists should be eliminated and a greater emphasis should be placed on tools that provide accurate information to students. Such price information is much more helpfully supplied through data about individual institutions and student circumstances, such as dependency status and in-district residency. College net price calculators are a step in the right direction for some students, but still do not reflect the situations of many students, particularly those who are older and work.

## **II. Simplify and improve the student aid and loan programs:**

Federal student aid has provided millions of community college students the opportunity to attend and graduate from college. However, over time the Title IV programs have grown tremendously in complexity. New eligibility restrictions for the Pell Grant program have prevented many students from securing resources needed to finance their educations. At the same time, rapid increases in borrowing and a difficult economy have challenged students' ability to repay their loans. Congress should use this reauthorization to revisit earlier decisions about grant eligibility that have reduced access, while simplifying loan repayment options and protecting students from over-borrowing.

Titles III and V contain programs that provide targeted assistance to institutions with exceptional need, including support to Historically Black Colleges and Universities, Tribal Colleges, Predominantly Black Institutions, Hispanic-Serving Institutions, and other minority-serving institutions. Likewise, Title III-A helps under-resourced institutions better serve their large numbers of high need students. All of these programs are designed to strengthen and enhance the commitment to need based student aid through Title IV. In reauthorization, consideration should be given to the important role these institutions play in serving at-risk students, and Congress should re-emphasize the necessity for providing sufficient resources to strengthen these institutions.

### ***The Pell Grant Program***

The Pell Grant program is of paramount importance to community college students. More than 3.3 million community college students received grants in the 2011-12 award year, including 48% of all full-time students. Given deep cuts in state support to higher education over the last five years, institutions have been forced to raise tuition to maintain quality and continue to provide needed educational services. Tuition now represents 31% of all community college revenues, an increase from 22% ten years ago.

The Pell Grant program is fundamentally sound in terms of structure and operation, and this is a tremendous achievement given the enormous variety of students and institutions in higher education. Proposals to fundamentally restructure the program should be resisted. But, eligibility changes in the program during the past few years have denied opportunities to students that should be immediately redressed; the issue of student abuse, however infrequent, needs to be grappled with head on; and a certain measure of flexibility in the award of funds should be permitted. In addition, we note that maintaining the maximum Pell Grant award and expected increases at the expense of eligibility generally creates unacceptable tradeoffs.

#### 1) Reinstate Title IV "Ability-to-Benefit" Eligibility:

Many students without a high school diploma or its recognized equivalent (generally a General Education Development, or GED, credential) attend community college to earn a postsecondary degree and often complete their high school credential in the process. These students were given eligibility for Title IV aid under "ability-to-benefit" (ATB) provisions adopted in the 1992 HEA amendments. However, the Consolidated Appropriations Act of 2012 barred new students

without either a high school diploma or GED from receiving federal student aid, effective July 1, 2012. Like the elimination of the year-round Pell, enacting this change in the appropriations process precluded meaningful debate about its potential detrimental impact.

The determination of having the ability-to-benefit was formerly based on the results of assessments approved by the Department of Education that measured basic skills in Mathematics and English. Additionally, based on the results of a successful experimental sites program, the 2008 HEA amendments allowed ATB students to receive Title IV aid by satisfactorily completing six credit hours (or the equivalent) with a grade C or better. The six-credit provision was in place for a relatively short time span, but community colleges reported great success at enrolling these nontraditional students in certificate and degree programs.

Loss of “ability-to-benefit” eligibility has closed the door annually to college for approximately 50,000 students who could otherwise enroll. Furthermore, forcing students to first get a GED, and then enroll in a postsecondary degree or certificate program, prolongs their total time-to-degree and reduces their likelihood of success. Additionally, in some states student aid is tied to federal Title IV eligibility; therefore, the ATB restriction limited many students’ eligibility to receive state aid as well. State and local governments provide about 54% of all community college revenues. If the entities with the most “skin in the game” are willing to invest in ATB students, federal policy should follow suit.

We recommend that ATB eligibility be reinstated for Title IV. However, eliminating loan eligibility for ATB students, at least until they have accrued the equivalent of a half-year of academic credit, is an option that Congress should consider.

## 2) Reinstate the Year-Round Pell Grant and Revise the Semester Limit:

After years of discussion and a series of perfecting legislative changes, in the 2008 HEOA Congress created a “year-round” Pell Grant. This change was adopted in recognition of the fact that many students have long desired to attend college continuously, rather than ceasing their studies in the summer as under the traditional college schedule. Providing Pell Grants beyond the normal two semesters or three quarters would potentially increase persistence and graduation rates by forestalling summer learning loss and giving students the opportunity to complete their degrees more rapidly. However, after just one year of implementation, Congress eliminated the year-round Pell Grant in order to address a funding shortfall.

The elimination of the year-round Pell Grant has had a large negative impact on community college students. The full impact of the change cannot be measured because the expanded eligibility had not yet been fully taken advantage of by students and institutions. However, across the country community colleges had already started to restructure academic programs to use the new, expanded assistance. With the elimination of the year-round Pell Grant, much of that program modification was stopped in its tracks. Summer enrollments at many community colleges decreased noticeably in 2012 and the same pattern has been seen in the summer of 2013, with many student financial aid administrators stating that Pell-supported students have declined significantly.

Students need more flexibility in accessing financial aid. In particular, low-income students should be able to enroll continuously. Community colleges urge the reinstatement of the year-round Pell Grant in order to support student persistence and on-time completion.

After the year-round Pell Grant was eliminated, Congress also limited lifetime Pell Grant eligibility to a total of 12 semesters. This change has negative implications for many community college students (some former) who, for legitimate reasons, struggle to complete their studies within 12 semesters. These include students who go on to enroll in four-year institutions and have to repeat credits, students who require developmental education or English as a Second Language (ESL) programs, and a number of returning adult students. We urge an increase of the semester limit to a minimum of 14 semesters.

3) Provide Institutions With Limited Flexibility for Pell Grants for Innovative Program Structure:

At many community colleges, new programs are being developed that do not necessarily meet the requirements for Title IV programmatic eligibility—particularly very short-term programs, which could be directed towards workforce preparation or preparing students for particular occupations. Congress should authorize institutions to use up to 2% of their prior year Pell Grant expenditures for programs that are not current eligible for Title IV, but which are formally aligned with programs that are. In particular, new forms of remedial education, especially when it is delivered in a modular format, often do not mesh neatly with the Title IV structure.

***Federal Student Loans***

Each year, millions of community college students responsibly borrow federal loans to help meet college costs. According to NCES, 33% of all full-time community college students borrowed under the Stafford Loan program in the 2009-10 academic year. Community college students accounted for just 10% of all Stafford loan borrowers in 2011-12, but their \$9 billion in total volume represented 80% of the total Pell Grants funds they received. Community colleges historically and presently do all that they can to minimize student borrowing—starting with the lowest tuition levels in higher education.

Federal loan policy is understandably driven by, and oriented to, institutions where students more commonly borrow, and in greater amounts, than at community colleges. This has had unfortunate consequences for community college students and institutions. AACC and ACCT's reauthorization proposals for federal loans are designed to address the specific nature and needs of community colleges, within the context of the broader loan programs. Community colleges are particularly focused on limiting borrowing wherever possible, particularly for at-risk students; facilitating loan repayment as quickly as is reasonably possible; and ensuring that measurements of borrower repayment, and default, more accurately reflect overall institutional characteristics, which the current framework lacks.

1) Ensure that Loan Defaults Do Not Unfairly Limit Community College Student Aid Eligibility, Including that for Pell Grants:

As outlined above, the federal loan programs play an essential and growing role in the ability of community college students to finance their educations. However, this growing reliance on loans has threatened the eligibility of community colleges to continue to qualify for federal student aid. Therefore we propose the following modifications to ensure that institutions and students – and the state and local governments that support them – are treated fairly, while the risk both to students and taxpayers is minimized.

- A) The 1998 HEA reauthorization created a new penalty for institutions, by linking Pell Grant program eligibility to that for the loan programs through Cohort Default Rates (CDRs). This is an inappropriate sanction and it should be eliminated. While penalties for high institutional default rates did appropriately eliminate some institutions from the programs following their initial implementation in the early 1990s, default rates remain a crude proxy for institutional quality – unfortunately, default rates can be manipulated, and default rates are particularly unreliable as a proxy for quality when only a small percentage of students borrow.

The potential loss of institutional Pell Grant eligibility because of high default rates is especially problematic for community colleges given the fact that, alone among the sectors of higher education, Pell Grants, rather than loans, represent a majority of the federal aid they receive. It is illogical, and unfair to students, to subject such a critical source of aid to the behavior of former students, particularly when the number of defaulters is generally such a small fraction of the overall Pell recipients. Finally, there is evidence that the threat of the loss of Pell Grant eligibility results in institutions choosing not to participate in the loan programs, which in turn can result in students having to resort to higher cost loans.

- B) Institutional penalties for high default college default rate can be mitigated by a “participation rate index” appeal. The PRI is designed to reflect the fact that, when relatively few eligible students borrow under the federal loan programs, a college’s default rate does not accurately reflect institutional performance. AACC and ACCT believe that the participation rate index needs to be modified to reflect the reality of much greater loan availability that has occurred since the PRI was last addressed by Congress, and set at .0875.

In addition, institutions must be permitted to file a PRI appeal on the basis of data for any single year. The Department of Education has refused to allow institutions to do this and must be required to do so. This change will protect students from having the specter of a loss of eligibility hanging over their educational aspirations.

- C) Finally, Congress should consider replacing the current CDR metric with a measurement that takes into account the incidence of borrowing at institutions, such as the Student Default Risk Index (SDRI) discussed above. Current default rates do not reflect the

percentage of students who borrow; until default rates include this data, they will provide an inaccurate picture of the true incidence of defaults at institutions.

2) Tie Loan Amounts to Enrollment Intensity:

Although many students need federal loans to fully cover their cost of attendance, some students borrow the maximum loan amount for which they are eligible without a very high likelihood of being able to repay the loan. This has contributed to increasingly high loan default rates. In addition to the long-term impact of default on individuals, high institutional default rates have also impacted some community colleges' participation in the Title IV programs. Currently, nine percent of community college students nationally are enrolled in colleges that do not participate in the federal loan programs.

Community colleges support responsible student borrowing. However, schools have few practical ways to prevent students from over-borrowing. In particular, today's undergraduate loan limits are designed to accommodate the higher tuition levels at four-year institutions. Like similar rules for the Pell Grant program, we support linking Stafford loan limits, both subsidized and unsubsidized, to a student's enrollment status or intensity. A student attending one-half or three-quarters time should be eligible for proportionally less loan volume each year than a student attending full-time. But, pro-rating limits based on enrollment status should also include some allowance for cost of living (i.e. pro-rata base eligibility plus 20 percent) for students who are enrolled less-than-full-time.

The aggregate Stafford loan limit for undergraduate dependent students is currently \$31,000 and, for independent students, \$57,500. Those limits are too high for students at two-year public institutions enrolled in associate degree or certificate programs. We propose an aggregate limit for associate-degree and certificate-seeking students of \$15,500 for dependent students and \$28,750 for independent students – or half of the current total baccalaureate cap. We believe these changes will help reduce student over-borrowing, encourage more community colleges to participate in the federal loan programs, and ultimately induce a greater number of students to attend school full-time.

3) Allow Institutions to Lower Loan Maximums in Defined Circumstances:

When it comes to the advisability of their taking out federal loans, community college students are often differently situated. For many students, relying on federal loans to meet their educational expenses makes eminent good sense – their educational and career prospects are bright, and borrowing allows them to devote more time to their studies. However, for other students, borrowing is a much riskier proposition, and this is reflected in the fact that the 2-year public institution three year default rate is 18.3%. This rate is unacceptably high, and even then it understates the actual default rate.

The best predictor of individual student default is when a student does not complete their program. Despite marked improvement in getting students to graduate, community colleges still have room for improvement in this area.

Therefore, we strongly support giving colleges the authority to develop policies to reduce loan maximums for groups of students based on factors such as course load, program of study, or level of academic preparation, while maintaining authority for financial aid administrators to exercise professional judgment to revise these limits upward to the legal limit in specific circumstances. This authority is especially important for lower cost programs of study and to prevent over borrowing by students who, generally speaking, are the least likely to succeed in community college due to their enrollment in remedial coursework or slow progression toward completion. A student who has done all their prerequisites and is about to enroll in a high-demand program faces different odds of success than a student who is need of a great deal of remedial coursework, and institutional borrowing limits should account for this level of risk. The modified statute must ensure against discrimination against protected categories of students. Congress should also clarify institutional authority to establish policies for lowering non-tuition and fees related cost of attendance (COA) for less-than full-time students.

4) End the 150% Program Period Limitation on Subsidized Loans:

In an effort to achieve savings to pay for reduced loan interest rates, in 2012 Congress limited the in-school interest subsidy on Stafford loans to 150% of the length of a student's program. As anticipated, implementation of this provision is proving to be extremely complex and difficult. There is little evidence to suggest that it will provide additional motivation for students to complete their programs of study more rapidly. Standards of satisfactory academic progress are already instrumental in this regard. Therefore, we urge elimination of this provision.

5) Consolidate and Refine Income-Related Repayment of Student Loans:

The desire to provide more repayment options for students has demonstrably increased the complexity of federal loan repayment programs. There are currently seven different loan repayment options, including four income-related repayment plans. Unfortunately, the complexity of various overlapping options and minute eligibility differences has meant that many borrowers have difficulty understanding or enrolling in the programs that can best help them manage their debt.

For community college borrowers with a small amount of debt upon graduation, the standard 10-year repayment plan often helps minimize the amount of interest paid and total length of repayment. However, graduates with lower incomes or higher debt burdens may find standard repayment unmanageable. One factor contributing to the low uptake rate of income-based plans is that it is an optional repayment method requires borrowers to take proactive and sometimes cumbersome steps to enroll. If a student is at risk to default, ED and loan servicers should be required to contact borrowers to provide the option of enrolling into an income-related repayment plan, rather than waiting for the student to request this information. Additionally, Congress should explore specific debt thresholds that could trigger automatic enrollment in an income-related plan.

Additionally, Congress should consolidate the four income-related plans – Income Based Repayment (IBR), Pay as You Earn (PAYE), Income Contingent Repayment (ICR), and Income Sensitive Repayment (ISR) – into one new and improved income-based plan. The new income-

related repayment plan should be available to all borrowers, regardless of their debt or income level, whether the loans are Direct or FFEL, or the date of loan disbursement. Rather than requiring borrowers to have a certain debt-to-income ratio to enroll, borrowers with higher incomes should be able to make larger income-based payments as determined by the consolidated plan's sliding scale. At a minimum, Congress should make it easy for borrowers to voluntarily enroll in income-based payment and to keep their income information up to date. Borrowers should be able to use all available IRS data for pre-population, including W-2 information, and to have their applications submitted and approved electronically. These reforms to income-related plans could significantly reduce borrower confusion and student defaults.

6) Include Private Student Loans in National Databases:

Private student loans contain far fewer borrower protections and repayment options than federal loans, and often much higher interest rates and fees. Given lower tuition levels, community college borrowers should not have to take out private loans to meet educational expenses. However, many borrowers are unaware of the array of benefits of federal loans. As the private education loan market continues to grow, it is imperative that Congress enact better protections for students and their families. Under the Truth in Lending Act, students must submit a self-certification form to their private lender, but often lack the requisite financial aid information before making these decisions.

Requiring school certification of private loans, including the notification and counseling of students with any remaining federal aid eligibility, would significantly reduce the risks to students, families and the economy as a whole, while helping students make more informed borrowing decisions. This requirement would build upon increasingly common, but currently voluntary, actions by institutions to require such certification. Further, students who need summary information about their federal student loan debt often access the National Student Loan Data System (NSLDS) to obtain information such as the type of loan (subsidized Stafford, unsubsidized Direct Stafford, etc.), original amount, holder or servicer, and outstanding balance. However, borrowers can only see this information in the NSLDS regarding their federal student loans, not private loans. Once universal certification by institutions is required, private student loans should also be searchable in the NSLDS. Lenders should be required to report all private student loans to the national database.

***The Free Application for Federal Student Aid (FAFSA)***

1) Ensure that Community College Students Complete the Free Application for Federal Student Aid (FAFSA):

Data shows that more than 20 percent of all community college students, most of them part-time, do not fill out the FAFSA. While this percentage has decreased slightly in recent years, the fact that so many students do not complete a FAFSA is unacceptable. The complexity of the application form, while considerable, is only partly responsible for students not completing the application process. There is evidence that many students misperceive both the total costs of college as well as the student aid that is available. This situation is due in part to institutional shortcomings, which are in turn due to the overwhelming administrative pressures placed on

community college financial aid administrative offices. Often student aid officials are simply stretched too thin to do everything that they should.

Institutions should be expected to ensure that the vast majority of their students file a FAFSA; this could be tied to Title IV institutional eligibility. Students should not be obligated to complete the FAFSA, but most will want to and should be helped to do so. We plan to provide further proposals in this area.

2) Inform FAFSA Filers of Non-Title IV Support Options:

Many students who struggle to succeed in their educational pursuits experience a great deal of financial hardship, even while working to support themselves and their families. Expenses often lead students to work or attend school part-time so they can make ends meet, and attending part time reduces their likelihood of completing their program of study.

Students' financial barriers can be significantly ameliorated through existing public benefits, tax credits, financial advising, and other support services. Students who submit a FAFSA should be made aware of public benefits for which they may be eligible upon completion of the form. Additionally, efforts to provide access to these important support services on campus, such as through SingleStop USA and the Benefits Access for College Completion (BACC) initiative, should be an important component of federal competitive grant programs targeted towards college completion.

3) Accept Prior-Prior Year Income Information for IRS Data Retrieval:

The ability of student applicants to directly import income and financial data from their IRS Form 1040 to the FAFSA (known as the "IRS Data Retrieval Tool") has greatly simplified the application process for many students. However, as implemented, data retrieval has significant shortcomings. It is virtually impossible for an applicant filing on traditional academic and tax schedules to use the FAFSA-IRS link. A family that files taxes as soon as their W-2s become available at the beginning of February could not use the data retrieval tool until sometime between mid-February and April – well past the application deadlines for many state and institutional aid programs and advised practices for obtaining first-come, first-served grants. Research conducted in 2012 found that only 24 percent of applicants use the data retrieval tool.

Instead, numerous studies have confirmed that the use of prior-prior year (or two years' prior) income data in place of the prior year (one year prior) data currently used in determining eligibility for student financial aid, often results in much easier processes for students completing the FAFSA. The older information is also highly predictive of subsequent earnings, resulting in low award variation. Therefore, we propose that Congress adopt the use of prior-prior year data for the FAFSA needs analysis.

**III. Increase college accessibility, affordability, and completion:**

Through a combination of low tuition and strong federal support for student aid, community colleges have remained accessible and affordable institutions to a broad swath of the population.

In the fall of 2012, annual tuition and fees for a full-time, full-year student was just \$3,131. At the height of the recent recession in 2010, community college enrollments were up 20% compared to 2007, reflecting a close relationship between community college enrollments and broader economic trends as workers sought new skills and retraining.

Ensuring higher rates of completion for community college students has become a top priority of AACC, ACCT, and other community college organizations. They have formally undertaken a “completion commitment” that has brought an emphasis on completion to community colleges across the country. The completion commitment represents a dramatic change in institutional behavior, requiring changes in resources, course structure, faculty responsibilities, etc. There is evidence that this tidal shift in focus in beginning to yield results.

Despite the broad calls for student aid “reform,” the reality is that the student financial aid programs generally serve community college students well. The basic model of student aid going to an individual to use at the institution of his or her choice has allowed the decentralized, competitive system of American higher education to flourish. However, effective operation of this model is also dependent upon adequate consumer information – including the reforms suggested earlier – being available.

Low completion and transfer rates by low-income students reflect the difficulty in providing the costly array of educational services and interventions that can help these students prepare for, and succeed in, college. As community colleges enroll higher percentages of low-income students, this challenge increases. We are increasingly concerned with the stratification of American higher education; community colleges are now enrolling significantly higher percentages of low-income students than ten years ago. In addition, it must be acknowledged that student financial aid programs alone cannot compensate for the dramatically lower funding that community colleges receive to educate their students.

In addition to discussions about institutional performance, we recognize the role that student motivation and commitment play in education success. Without doubt, institutions have a role in cultivating student engagement in a variety of respects. Students themselves must be active agents in their educational experience.

However, Congress may want to consider a pilot program under the Department’s experimental sites authority that would provide some type of financial incentive for those students who attain degrees in circumstances where the odds are particularly daunting. There is some evidence that a direct financial incentive may play a positive role in encouraging student persistence.

1) Establish Stronger State Maintenance of Effort Provisions:

State and local governments play a fundamental role in financing higher education, and in the reauthorization they must be compelled to provide their fair share. Unfortunately, state funding per community college student has dropped dramatically over the last five years. For instance, between the 2007-08 and 2010-11 academic years, state funding for community colleges on an FTE basis declined from \$4,578 to \$3,430. This type of disinvestment places enormous strains on the entire community college system. Federal “maintenance of effort” provisions are an

important component; without them, states would likely have reduced higher education funding even more dramatically over the past several years.

We support a maintenance-of-effort (MOE) provision that would require states to continue to fund public higher education at historic levels. Despite some fiscal sleights-of-hand, the maintenance-of-effort provisions included in the American Recovery and Reinvestment Act provided tremendously helpful financial sustenance to institutions. Ideally, MOE provisions would be based on per-student funding levels, rather than aggregate amounts that do not reflect increased enrollment levels.

## 2) Pell Bonus for Community Colleges with Strong Student Outcomes:

For community colleges, declining state support has increasingly challenged their ability to effectively support and graduate students experiencing the greatest financial and academic barriers. To help incentivize community colleges that are able to generate excellent student outcomes, we support a new federal investment under Title III known as a “Pell Bonus for Community Colleges.”

Under this proposal, colleges with a combined graduation and transfer rate that meets a certain standard, or ones that are making substantial progress towards that standard, would receive a partial match of their total amount of Pell Grant funds received in the prior award year. The level of the match would increase with a college’s combined student success rate, reaching a 5% increment of Pell funds for the highest student success rates. Eligible institutions could either use the bonus to support additional need-based aid for the neediest students, or to create support programs to further enhance student success. The match would serve as both an incentive for colleges to enroll additional Pell students, but also to further improve their graduation and transfer rates for all students.

## 3) Enact Federal Support to Help Students Enter Community College Well-Prepared:

The biggest hurdle community colleges face in graduating more students is the fact that so many of them enroll inadequately prepared to do college work. More than 60 percent of all community college students are in need of developmental education, which, despite dramatic and positive changes in its nature and delivery, remains a graveyard for many students’ educational aspirations. If students entered college better prepared, there is no question that many more of them would complete their academic programs. This, in turn, would lead to better return on investment from student aid programs.

Many community colleges work closely with their local high schools in an effort to enhance college preparation. This takes the form of providing testing, curriculum development, academic counseling sessions, professional development, and college orientation. These activities exist alongside the dual enrollment and related programs that have taken root on community college campuses and yielded positive results.

Despite the reality of limited federal funding, a new federal program that was modeled on FIPSE or Title III-A that allowed institutions to design projects to engage local school districts in joint

efforts to increase educational attainment of those students, with an eye to ensuring their subsequent college success, is an appropriate and needed investment. Such a program should be driven by some basic principles:

- Program eligibility would be limited to non-profit institutions (as in all non-Title IV HEA programs) that enroll substantial percentages of low-income students.
- Institutions would need to provide a detailed plan about the nature and intended impact of their cooperative arrangements with high schools. Grants would be for three years.
- Institutions of higher education would be the grant-receiving agent, but would need to have executed agreements with one or more secondary schools.
- Proposals would be generated from the local level with the broadest possible flexibility in design, in part because there is no commonly utilized standard for entry into degree programs (despite progress in the area generally). They would be subject to peer-review.
- Success would be measured from the current level of student preparation.

4) Require Development of Articulation Agreements to Promote Effective Transfers:

The lack of predictable, comprehensive acceptance of the transfer credits of community college students who subsequently enroll in other institutions adds tremendous inefficiency to the higher education system, and exacts a huge price on students. Some states have established seamless pathways for students to move from community college to other institutions without the loss of any credit, using common course numbering, guaranteed articulation, and other approaches. Individual institutions have developed highly effective articulation arrangements for specific programs. When information about these opportunities is available to students, it can be a powerful tool for cost-effective education. But these instances of the system working optimally are the exception rather than the rule.

States and institutions have traditionally made education policy decisions on transfer students. However, there is much to be gained by federal action in this area. Experience at the state level has proven that impetus external to higher education institutions has usually been required to ensure genuine reform. Therefore, in reauthorization Congress must develop a mechanism to require that public institutions of higher education put into place the articulation agreements specified in Section 486A of the Higher Education Act. Creative approaches to affecting this will be necessary to ensure that institutional control over curriculum is ensured while necessary change also occurs.

5) Establish Pell Early Notification Systems for Low-Income Students:

Having more information about available aid at an earlier point in the college selection process has been shown to dramatically improve students' chances of attending college and receiving the benefits for which they are eligible. In order to raise awareness about the availability of financial aid, ED should begin 'early notification' of potential Pell Grant eligibility for 8th graders receiving National School Lunch Program benefits, and should rigorously evaluate it. Although these students would not confirm their eligibility until they file the FAFSA and receive financial aid award letters, this additional information earlier in the process would encourage college attendance for low-income students.

#### **IV. Encourage institutions to reduce costs:**

Brutal state funding cuts in the recent recession have forced community colleges to look for efficiencies in all corners of their operations. A wide variety of measures have been employed. Some of these include centralizing administrative functions, using space more efficiently, sharing curriculum, ending programs with reduced demand, and limiting energy costs. A few examples of ways that institutions have reduced costs include:

- Community colleges and four-year public institutions in Arizona have created innovative, lower cost educational delivery models to help students finish faster and at lower cost. Already put in place are options to lock in tuition for students who initially complete an associate's, "no frills" university centers focused on high-demand majors, and co-located community college and regional university campuses.
- The Kentucky Community and Technical College System is using software that analyzes how academic resources are being managed, which helps institutions offer courses more efficiently, increases productivity, and gets students through more quickly.
- Tennessee, including its community colleges, has used a grant from Complete College American to help with three areas of focus: using transformative technology to reduce time to degree; develop tools for student and campuses to evaluate and award credit for prior learning; and create Completion Academics to provide intensive technical assistance to institutions.

Personnel costs at community colleges, which have lean infrastructures, are on average 80% of total expenditures. One byproduct of the need to drastically reduce costs at community colleges has been an increasing reliance on adjunct faculty. Adjuncts now teach over half of all the FTE credits delivered at community colleges. The average adjunct receives about \$2,300 per course taught. This reflects the financial realities facing community colleges. Maintenance of effort provisions will help community colleges keep tuitions down by providing adequate state support. Additionally, the streamlining data collection and reporting requirements will help reduce administrative costs.

#### **V. Promote innovation to improve access to and delivery of higher education:**

Higher education is evolving more rapidly than ever due to changes in technology, pedagogy, and the broader economy. Community colleges are at the forefront of this innovation, particularly in the area of distance, or online, education. Online courses, such as massive open online courses (MOOCs), hold promise for diversifying delivery models, but must ensure that the programs are well integrated with current institutional offerings. One promising area of application for online course innovation is in the area of remedial, or developmental, education courses. Some colleges have used open-source online materials to supplement remedial classes and help students take more tailored placement tests, resulting in higher rates of completion.

However, distance education programs have also created opportunity for program abuse, such as when students enroll in online courses in order to receive financial aid. Institutions need new tools to combat enrollment and financial aid fraud in order to help grow innovative models of education delivery.

Congress should also encourage greater innovation in the use of competency-based models that measure student learning and not just seat time. The Department should be encouraged to conduct a demonstration project in the use of competency-based models. Additionally, limitations on the use of direct assessment in remedial coursework stifles innovative models of improving students' attainment of basic skills, and this should be reviewed.

Finally, many community colleges consider their dual enrollment programs to be a key part of their strategy for improving college attendance and persistence. According to the most recent national data collected in 2002-2003, 71 percent of public high schools offered courses for dual credit. The number is surely much higher by now. Evidence suggests that the opportunity to take college-level courses during high school increases the college participation rate by familiarizing students with, and preparing them for, the academic expectations of college. Although dually enrolled students are ineligible for federal student aid, Congress should consider incentives for colleges to establish or expand dual enrollment programs to promote college completion.

#### **VI. Balance the need for accountability with the burden of federal requirements:**

There is consensus that institutional participation in the federal student aid programs carries with it a tremendous expense for institutions. The cost of compliance is, without question, out of balance with its benefits. Consequently, Congressional action to responsibly alleviate the burden of compliance with regulation should be a priority in HEA reauthorization. Policymakers also need to recognize that regulatory burden is not imposed solely by the Executive Branch and that Congressional requirements have played a substantial role in the regulatory morass that has developed. The HEA itself needs a careful scrubbing.

Of all sectors of higher education, community colleges are most negatively impacted by duplicative and burdensome federal regulation, as they have the fewest resources to devote to this activity. Some of suggestions for examination and alteration include:

##### 1) Coordinate the Overall Regulatory Process and Burden:

The sheer frequency of communications to institutions about changes in the rules concerning Title IV administration places an intolerable compliance burden on colleges. Therefore, ED should be limited to the frequency with which changes are imposed. We believe that this should be no more frequently than every two weeks. Further, the Department should work with institutions to create a process and mechanism for reporting information, such as under the Clery Act, which best serves the community and the school. Community colleges support the fundamental purpose of the Clery Act, and strongly value the individual and collective security of their students. However, the Clery Act has proven to be an extraordinarily complex and burdensome regulation for institutions to follow, with, for example, more than 70 new interpretations of compliance issued by the Department in 2011. The required coordination and simplification of regulatory and sub-regulatory changes will foster greater institutional compliance, reduce costs, and potentially provide more relevant and accurate information for students.

2) Clarify Intent for Gainful Employment Statute and Any Ensuing Regulation:

For community colleges, the Department of Education’s regulations governing programs preparing students for gainful employment have been a debacle. Enormous amounts of money have been spent on compliance that has yielded very little concrete benefit for students. Particularly distressing is the fact that, under the scheme formulated by ED, only 23% of more than 30,000 programs generated earnings data for students. This information might have been useful to consumers and institutions, but because of privacy-related restrictions it was not provided. In addition, the required disclosure by institutions of an “on-time” graduation rate and average indebtedness has served to confuse students while costing institutions large amount of money in compliance. These issues are tangential to the loan-related eligibility metrics created by the Department.

Therefore, in an effort to provide clarity to consumers as well as a reasonable regulatory burden in this area, Congress needs explicitly define its expectation in this area through statutory language. We believe that disclosures for programs of gainful employment should parallel those for other programs in the HEA. In its activity in this area, Congress should reflect the fact that the primary reason the vast majority students attend college is to enhance their employment prospects, even if this is by no means the only reason why they do so, or the only function of education.

3) Implement a Simple ‘Return to Title IV’ (R2T4) Policy for Withdrawing Students:

Under current law, a student who withdraws from school before the end of a payment period has “earned” the right to keep those funds on a pro-rata basis only. Once a student completes more than 60% of the payment period, they earn 100% of all aid awarded. Up through the 60% point, however, aid is earned in proportion to the percentage of time enrolled as measured by the length of the entire payment period, and institutions must “return” remaining aid to students. A student who was enrolled even one day earns a portion of his or her aid, which must be disbursed or at least offered.

While the basic concept underlying the return of Title IV funds (R2T4) is straightforward, the details are complicated and burdensome to administer. Further, given the wide range of program formats, individual student circumstances, and other factors, it is very difficult to address all scenarios that arise logically under a “one size fits all” approach. Unintended errors are inevitable. Instead, the law should lay out the basic requirements and parameters of an R2T4 policy that maintains some clear discretion for institutions.

ED should be directed to seek public input and report to Congress on ways to decrease the burden and complexity of R2T4 regulations and procedures within a set period of time after HEA enactment, and to conduct a subsequent negotiated rulemaking session devoted solely to R2T4, within parameters set by Congress. For example, the current pro-rata calculation of earned aid should be based on weeks – not days – of enrollment, with fractions of weeks attended rounded up. Additionally, schools should have more time to process R2T4 to deal with fluctuations in enrollment by increasing from 45 days to 60 days the period of time the institution has to return funds.

4) Promote Affordable Textbook Options for Students:

Access to high-quality, affordable textbooks and consistent information about the costs of required books and supplies is essential for community college students. The Higher Education Opportunity Act (HEOA) provisions in this area related to the disclosure by publishers and institutions of textbook pricing and version information, as well as publishers making textbooks and materials sold in a bundle available as individual components. According to the GAO, the HEOA provisions have helped to accelerate – but were not the cause of – increased information on textbook options to faculty and students and the availability of unbundled materials. Additionally, the rapid increase in textbook prices has slowed in recent years. Still, the regulations could be improved and updated to reflect publisher and faculty response to the new law and to encourage greater compliance. Faculty, institutions, and campus bookstores should retain the ability to purchase “unbundled” materials for their students’ unique academic needs. Congress could explore options to strengthen and clarify existing language.

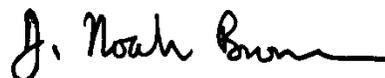
The price information that publishers make available should be reflective of the price at the beginning of the course in question so that faculty and students have access to accurate information. In addition, institutions are asked to provide college textbook ISBN information within course schedules for “preregistration and registration purposes.” This disclosure can be beneficial consumer information for students, but the current language is imprecise; one problem is the significant variation between states and institutions in regards to the definition of “preregistration,” or whether such period exists at all. Textbook information should be available in course schedules as soon as practicable for registration purposes.

AACC and ACCT look forward to working with Congress in the HEA reauthorization process to strengthen critical federal programs and policies affecting community colleges and their students. Improvements in this essential legislation will enable community colleges to help prepare millions of students for academic, professional and personal success in the 21<sup>st</sup> century.

Sincerely,



Walter G. Bumphus  
AACC President and CEO



J. Noah Brown  
ACCT President and CEO