

## Access & Persistence



### ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE



## FALL 2008

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### MESSAGE FROM THE CHAIR

Reauthorization of the Higher Education Act, which the President finalized with his signature in mid-August, is a tremendous accomplishment that will positively impact students for years to come. Low- and moderate-income students in particular will benefit from increases to the Pell Grant maximum, as well as changes to the income protection allowance, the automatic-zero EFC, and the definition of the independent student. And, as discussed in the summer issue of AP, the *Higher Education Opportunity Act* has created significant new responsibilities for the Advisory Committee. The Committee has made immediate progress, as described below, on three of these projects: the Innovative Pathways Study, the study of regulations, and the adequacy of need-based aid report.

The Innovative Pathways Study (IP) was launched on April 4, 2006, per the intent of the Senate. As part of the study, the Advisory Committee has since delivered three reports: *Transition Matters* (May 2008), *Early & Often* (July 2008), and, the most recent, *Apply to Succeed: Ensuring Community College Students Benefit from Need-Based Financial Aid* (September 2008). This latest IP study is a follow-on to the first community college report, *Transition Matters*, which described barriers to enrollment, persistence, and four-year college transfer faced by low- and moderate-income community college students. The second report outlines steps to ensure that the transfer pathway to bachelor's degree completion remains viable for students who have that aspiration. Two main findings emerge: one, that millions of community college students who appear to be eligible for federal need-based assistance are not applying, and, two, that eligibility benefits enacted by the *College Cost Reduction and Access Act* are not yet fully understood. The next steps in the IP Study are an interim report due in 2009 and a final report due no later than 2011.

In addition to the IP Study, the Committee has been developing an approach to and plans for two new studies: the Higher Education Regulations Study (HERS), and the Condition of Access and Persistence Study (CAPS). HERS has several components: analysis of existing regulations, review of proposed rulemaking and new regulations, development of an information clearinghouse, and the creation of review panels. CAPS is a requirement to report annually on the availability of need-based aid for low- and moderate-income students, as well as on their enrollment, persistence, and graduation rates. Articles in this issue of AP describe the Committee's plans for both studies.

Finally, as the Committee noted at its June roundtable on the current financial crisis, the collapse of credit markets may have severe consequences for higher education. While the availability of federal need-based aid and federal loans has remained reliable, the crisis is beginning to affect the endowment levels and revenue streams of colleges and universities, which will take a toll on need-based student aid in general. As the academic year progresses, the Committee will continue, through its congressional mandate, to monitor the situation and suggest stakeholder actions to maintain access to higher education for low- and moderate-income students. ♦

## PLANS & APPROACH TO HIGHER EDUCATION REGULATIONS STUDY

The recently enacted HEA reauthorization, the *Higher Education Opportunity Act*, charges the Advisory Committee with a new purpose, function, and special analysis related to higher education regulations. The new purpose references the need for the Committee to monitor the potential impacts of federal regulations on student financial assistance and on the cost of receiving a postsecondary education. The statutory language calls for recommendations to help streamline regulations for institutions from all sectors. The new function tasks the Committee with developing and maintaining a clearinghouse to help institutions understand the regulatory impact of the federal government, in order to raise awareness of institutional legal obligations. As a part of this project, the Committee is also required to provide information to improve institutional compliance with federal regulations and reduce duplication and inefficiency. Finally, the new special analysis assigned to the Committee specifically charges it with conducting a review and analysis of regulations and with delivering a report and periodic updates to Congress over a three-year period. The resulting study will be called the Higher Education Regulations Study (HERS).

Congress has provided direction to the Advisory Committee on the parameters and scope of HERS, and has directed that the Committee, in its review, pay specific attention to evaluating the ways in which Title IV regulations affecting institutions that have received less than \$200,000 in Title IV funds in each of the last two award years may be improved, streamlined, or eliminated. To that end, the review and analysis will examine federal regulations in effect at the time of the review that apply to the operations or activities of institutions of higher education from all sectors. The Advisory Committee is required to review and evaluate the regulations within the scope of the study in terms of four criteria: whether a regulation is duplicative, no longer necessary, inconsistent with other federal requirements, or overly burdensome.

### Elements of the Study

To comply with congressional directives as described above, the Advisory Committee will undertake multiple, interrelated actions. Each of these activities is required by Congress: to monitor future regulations, to develop a public website, to convene review panels, to provide periodic updates, and to consult with relevant parties. These study elements are described in more detail below.

#### **Monitor Future Regulations**

Congress requests that the Advisory Committee monitor all future federal regulations, including notices of proposed rulemaking, for their impact on higher education and provide a succinct description of each regulation, or proposed regulation, that is generally relevant to institutions from all sectors.

#### **Develop a Website**

The Committee has been charged with developing and maintaining an easy to use, searchable, and regularly updated website that will allow information sharing among stakeholders, including dissemination of the

Committee’s analysis of regulations. The website will perform three primary functions. It will provide the information collected by the Advisory Committee in monitoring future regulations. An area for experts and members of the public will be provided to offer recommendations for ways in which regulations may be streamlined. The website will also publish the study of the National Research Council of the National Academy of Sciences on deregulation.

### **Convene Review Panels**

The Committee is required to have at least two review panels of higher education representatives, including individuals involved in Title IV student financial assistance programs who have experience with federal regulations that affect all sectors of higher education. The review panels are charged with reviewing current regulations and providing recommendations to the Committee with respect to streamlining regulations.

### **Provide a Report and Updates**

No later than two years after the negotiated rulemaking process for the Higher Education Act reauthorization is complete, the Committee is charged with delivering a report detailing the findings of the review panels and recommendations. In addition, the Committee is tasked with providing periodic updates to the congressional authorizing committees regarding the impact of *all* federal regulations on all sectors of higher education, as well as providing suggestions discussed on the website for streamlining or eliminating duplicative regulations.

### **Consult with Relevant Parties**

Throughout the study, the Advisory Committee is to consult with four groups: the Secretary of Education, other federal agencies, relevant representatives of higher education institutions, and individuals with expertise and experience in this field. This consultation is to occur in relation to conducting the review and analysis of regulations and in developing the required website.

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## Moving Forward

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Regulations pertaining to higher education encapsulate a broad range of topics and are issued from a multitude of sources. There are more than 20 federal agencies that oversee various regulations for higher education. Regulations include such issues as financial aid programs, research, campus safety, environmental standards, employment, student privacy, copyright, harassment, immigration, student life issues, and much more.

The Study of Regulations represents a complex and detailed task, yet one that has the potential to be of great assistance to students and the higher education community. The Advisory Committee appreciates the trust and confidence of Congress in placing such a significant project under its mandate, and the Committee looks forward to working with the higher education community and federal agencies to carry out the congressional directives. The Committee is currently planning the study design and implementation and will provide further information to the higher education community once that process is complete. ♦

## PLANS & APPROACH TO CONDITION OF ACCESS & PERSISTENCE STUDY

The 2008 reauthorization of the Higher Education Act, the *Higher Education Opportunity Act*, charges the Advisory Committee with a new function related to grant aid and student persistence:

To provide an annual report to the authorizing committees that provides analyses and policy recommendations regarding the adequacy of need-based grant aid for low- and moderate-income students; and the postsecondary enrollment and graduation rates of low- and moderate-income students.

Specifically, the statutory language requires that the Committee report annually on three topics as related to the needs of low- and moderate-income students:

- Adequacy of need-based grant aid
- Postsecondary enrollment rates
- Postsecondary graduation rates

The resulting analysis will be entitled *Condition of Access & Persistence Study* (CAPS) and will consist of six reports. The first report will be released in August of 2009, with five subsequent reports to be released annually thereafter, through the year 2014.

### Background

In 2006, the Advisory Committee released *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness*, which examined bachelor's degree loss estimates among college-qualified low- and moderate-income students in the 1990s and the current decade. It is estimated that 1 to 1.6 million bachelor's degrees were lost in the 1990s and that a projected 1.4 to 2.4 million will be lost in the current decade.

The Committee's update to *Mortgaging Our Future*, in the form of a [May 2008 policy bulletin](#), projected even higher bachelor's degree loss rates for the current decade. The update also showed a shift in enrollment away from four-year institutions and toward two-year institutions for college-qualified low- and moderate-income students. Together, *Mortgaging Our Future* and its update illustrate how financial barriers to college impede enrollment, persistence, transfer, degree completion, and America's global competitiveness.

The connection between national competitiveness and bachelor's degree attainment has been widely accepted. Thus, the broad themes of *Mortgaging Our Future*, particularly the correlation between America's competitiveness and bachelor's degree attainment, can be carried forward through the essential elements of CAPS: monitoring of the adequacy of need-based aid, enrollment and graduation rates.

## Moving Forward

This comprehensive study will examine the adequacy of need-based aid from all sources, including federal, state, and institutional. Likewise, with regard to enrollment and graduation rates, the study will examine data sources within each of these sectors. The goal is to develop a broad and diverse collection of both quantitative and qualitative research, so as, to the extent possible, generate results that are representative of the population of the United States. Access will continue to be measured by the price, net of all grant aid, facing low- and moderate-income students at four-year public colleges.

The inaugural report, to be released in August 2009, will serve as a benchmark for the five additional reports. It will outline what is known and unknown regarding the adequacy of need-based aid, and will establish the structure and outline of subsequent reports.

This charge presents the Advisory Committee with a unique opportunity to provide Congress with a yearly snapshot of the condition of access and persistence for low- and moderate-income students. Monitoring adequacy of grant aid on an annual basis will allow the Committee to analyze changes that may occur over time, particularly those resulting from the current economic crisis. The Advisory Committee looks forward to the challenges of fulfilling this congressional request. ♦

## NOTICE:

### *HEA Changes to ACSFA Membership Structure*

The most recent reauthorization of the HEA, the *Higher Education Opportunity Act*, has made significant changes to the dynamic of the Advisory Committee's membership. The Committee continues to be composed of 11 members from the financial aid community; however, the distribution of appointments has shifted. Previously, the House and Senate leadership appointed three members each, with one minority appointment per chamber, while the Secretary of Education appointed five members, one of them a student.

Under the changes enacted by HEA reauthorization, the House and Senate leadership will appoint four members each, evenly divided between the majority and minority, for a total of eight members appointed by the Congress. The Secretary will appoint three members, at least one of whom must be a student. In addition, each new member will be appointed for a single four-year term, as opposed to the three-year renewable appointments of the past. Under these changes to the Committee's statute, Advisory Committee members may no longer continue to serve until replaced.

## IMPACT OF CURRENT ECONOMIC CONDITIONS ON HIGHER EDUCATION

The current economic crisis is having an unsettling impact on higher education in ways that are becoming more pronounced since the Advisory Committee first addressed the issue during its [June 13, 2008 roundtable](#) in Nashville, Tennessee, “Ensuring Access to College Amid Economic Uncertainty.” During the roundtable, held on the campus of Vanderbilt University, the Committee hosted a number of higher education leaders and policymakers to discuss the impact of current economic conditions on higher education. At that time, the Committee focused on the repercussions for students of an unstable economy at the federal, state, and institutional levels, and discussed possible solutions to protect them.

Over the summer and fall, various news outlets chronicled the impact of continued economic decline on higher education. During the Nashville panel discussion, Mr. John Nelson, Managing Director, Moody’s Investors Service, described the impact of these economic conditions on some institutions. Soon thereafter, Moody’s Investors Service released a public report noting the effect the current economic climate could have on certain private institutions:

A new report by Moody’s Investors Service sets a cautious tone for private colleges and universities in 2008 and 2009. The slowing economy, declining investment returns, and student-loan uncertainty are all factors that could collectively chip away at the steady financial improvements private institutions have made in recent years.

*Chronicle of Higher Education*  
 (“Moody’s Report Paints Gloomy Picture for Colleges,” July 18, 2008)

Since then, economic conditions have deteriorated further, affecting a greater range of institutions. Problems that were initially confined to a few states, institutions, and students are now more widespread, capturing the attention of an even wider audience as the season for college applications begins anew. As concerns about funding persist in nearly every state, some public institutions that rely on state appropriations to set tuition rates are increasing tuition, cutting back on grant aid, or both:

State budget deficits are forcing already cash-strapped public universities to increase tuition, lay off employees and, in some states, cut enrollment. The crisis couldn’t come at a worse time. More families are opting for state institutions as college tuition has soared, and the credit crisis has made it harder to get student loans. At the same time, college enrollment is expected to swell as laid-off workers retool and a record number of students graduate from high school.

*Wall Street Journal*  
 (“State Budget Cuts Push Tuition Higher,” October 17, 2008)

The problems facing institutions also threaten their ability to offer institutional aid to offset the already high levels of work and loan burden that families face. This is especially critical at a time when family incomes are falling, and income inequality is rising rapidly. As the cost of goods increases, it affects both cost to institutions through the consumer price index, which may cause tuition hikes, and also the ability of families and students to afford housing, transportation, food, and other necessities associated with attending college in addition to tuition. These family economic considerations are apparently causing some students to re-think their college choices and consider less expensive options in the upcoming years. Both the *Christian Science Monitor* and the *New York Times* recently noted such trends:



Families are revising their lists – adding cheaper options or even eliminating all but the in-state public schools, according to college-admission counselors. They say students are considering community colleges months earlier than is typical. And questions about financial aid are flowing in from those who never needed to think about it before.

*Christian Science Monitor*  
 (“Students Eye Cheaper Colleges as Crisis Deepens,” October 23, 2008)

Clearly, along with the high stress level that comes with a record number of students applying to colleges, there’s the even higher stress level that comes with the realization that in tough times, affording college is no given and there are things that trump fancy windshield stickers from brand-name colleges ... “You want to do what’s best for your kid, but you also want to make financial sense.”

*New York Times*  
 (“Seeking Higher Education at Lower Prices,” October 25, 2008)

Perhaps a more concrete indicator of the economic troubles that families are facing, applications for federal financial aid are up 9.6 percent from last year at this same time, and the Pell Grant program is expected to face a \$6 billion shortfall. This deficit is likely due to the increase in applications along with other factors, such as increased eligibility, accumulated shortfalls from previous years, and increased numbers of students attending college overall:

Battered by a worsening economy, college students are seeking federal financial aid in record numbers this year, leading Bush administration officials to warn Congress that the most important federal aid program, Pell Grants, may need up to \$6 billion in additional taxpayer funds next year.

Driving the increased applications for federal aid, in part, have been nontraditional students returning to school to improve their job skills during the economic downturn, said Terry W. Hartle, senior vice president for public affairs at the American Council on Education, which represents colleges and universities ... “There are a lot of things going on — more people are applying for student aid, more people are going to college, more people who qualify for the aid are showing up at school,” said Thomas P. Skelly, the Department of Education’s director of budget service, who wrote a memorandum detailing the problem to Congress.

*New York Times*  
 (“Pell Grants Said to Face a Shortfall of \$6 Billion,” September 17, 2008)

In fact, *Diverse Issues in Higher Education* described the expected Pell Grant deficit as “the mother of all shortfalls” (October 16, 2008). The next Congress must decide whether to increase, cut, or keep the grant stable, given this shortfall and other federal fiscal concerns.

Students and families, many of whom feel already that college is beyond their financial reach, are now facing increased costs, with less discretionary income and fewer options to pay for college. It is the responsibility of the federal government, states, and institutions to work together to ensure that bachelor’s degree production is not only sustained, but is able to rise despite the economic uncertainty. Given our nation’s economic troubles, now is, more than ever, the time to be investing in a more highly skilled workforce for the future. ♦

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Scott Giles' responsibilities at VSAC include policy and strategy development; government, community, and public affairs; and delivery of career and education outreach services to low-income students and adults. Prior to joining VSAC, Mr. Giles served as Deputy Chief of Staff of the U.S. House of Representatives Committee on Science, advising the Chair on education, space, and research policy, as well as managing

the Subcommittees on Research and on Space and Aeronautics. Mr. Giles was a principal staff member on the *Mathematics and Science Partnerships Act*, the *Tech Talent Act*, the *Cybersecurity Research and Development Act*, the *NSF Authorization Act* of 2002, and the *Homeland Security Act* of 2002. From 1997 to 2001, Mr. Giles served on the professional staff of the Senate Committee on Health, Education, Labor, and Pensions where he advised the Chair on budget, education, and research policy and served as principal staff negotiator for budget and appropriations. He was a lead staff member on the *NSF Authorization Act* of 1998 and the HEA amendments of 1998. Prior to that, he worked for ten years as a Senior Associate and team leader at Cassidy & Associates where he provided government and public affairs services to colleges, universities, hospitals, and nonprofit organizations. From 1982-1986, he served as Legislative Director for the Honorable Frank Horton. Mr. Giles has a BA in religious studies from St. Lawrence University and an MA in religious ethics from the University of Virginia. He is a doctoral candidate in ethics at the University of Virginia and writes and speaks extensively on biomedical ethics, education, and science policy. Mr. Giles is listed in *Who's Who in American Education*. ♦

### ACSFA Announcements

The Advisory Committee's most recent report, *Apply to Succeed: Ensuring Community College Students Benefit from Need-Based Financial Aid*, was released in September. The report is a follow-on to the May 2008 report, *Transition Matters*. *Apply to Succeed* outlines steps that stakeholders can take to ensure the transfer pathway to bachelor's degree completion remains open for community college students with such aspirations.

On September 29, 2008, the Committee held its annual election of officers: Mr. Scott Giles was elected Chairperson, and Mr. Allison Jones was elected Vice Chairperson.

The Committee bids farewell to members Ms. Judith Flink, Dr. Claude Pressnell, Jr., and Ms. Norine Fuller upon the expiration of their terms. The Committee thanks them for their dedicated service and wishes them the best in their future endeavors.

Congress has appointed three new members to fill existing Committee vacancies: Dr. Helen Benjamin, Chancellor, Contra Costa Community College District; Mr. Norm Bedford, Director of Financial Aid and Scholarships, University of Nevada, Las Vegas; and Mr. Anthony J. Guida, Jr., Senior Vice President of Strategic Development and of Regulatory Affairs and Compliance, Education Management Corporation.

The Advisory Committee on Student Financial Assistance (Advisory Committee) is a Federal advisory committee chartered by Congress, operating under the Federal Advisory Committee Act (FACA); 5 U.S.C., App. 2. The Advisory Committee provides advice to the Secretary of the U.S. Department of Education on student financial aid policy. The findings and recommendations of the Advisory Committee do not represent the views of the Agency, and this document does not represent information approved or disseminated by the Department of Education.

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