Access & Persistence

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

WINTER 2010

MESSAGE FROM THE CHAIR

Over the course of the fall, the Advisory Committee staff has traveled coast to coast to present to the academic community the Committee's preliminary research findings from the *Condition of Access and Persistence Study* (CAPS). Substantive responses have strengthened the study's methodology and findings. Committee staff met with higher education faculty and their students at the following universities: University of Maryland, Pennsylvania State University, Harvard University, University of Michigan, and Stanford University. In each graduate classroom, Committee staff received thorough and detailed assessments of Advisory Committee progress to date, and the Committee appreciates the feedback from the academic community. Campus visits were arranged by members of the Advisory Committee's policy research group, which has been convened to assist with the second CAPS report, an analysis of the implications of the economic downturn on the access and persistence of low- and moderate-income students.

In addition to campus visits, the Committee staff has also reached out to the greater higher education community through conference presentations that detail the Committee's new charges, which include not only CAPS, but also the *Higher Education Regulations Study* (HERS) and simplification activities related to Department of Education programs. These presentations were shared with the California Community Colleges Student Financial Aid Administrators Association, Coalition of State University Aid Administrators, National Association of College and University Attorneys, Student Financial Aid Research Network, and National Association of State Student Grant and Aid Programs. Responses from these associations have been positive.

The Advisory Committee encourages continued support for and partnerships with its work as it proceeds to hold a public hearing in the late spring or early summer. The Committee's upcoming hearing will center on the roll-out of the first annual CAPS report on the adequacy of need-based grant aid and its impact on the access, persistence, and graduation rates of low- and moderate-income students. The agenda may also include a report on HERS progress and a Department of Education update. The hearing will close with a public comment session.

This issue of *Access & Persistence* also includes articles on new persistence data from CAPS, a negotiated rulemaking summary, information on recent changes to the FAFSA, and a summary of the Committee's key findings on access over the last decade. We hope you find these articles informative and helpful. As this long winter draws to a close, the Committee salutes the higher education community for its contributions to Committee work.

Allison Jones

PERSISTENCE OF FULL-TIME DEPENDENT STUDENTS

Bachelor's degree attainment is vital to our country's national competitiveness. As a result, narrowing income-related gaps in degree attainment is of critical importance. However, findings from the Beginning Postsecondary Students survey (BPS) indicate that persistence toward degree completion may be declining. The BPS survey measures persistence rates of students in their third year of postsecondary education. The data below compare two separate BPS studies—students who started in 1995 and 2003, respectively. **Figures 1 & 2** focus on students who are not enrolled anywhere after three years.

Three-Year Persistence Beginning at a 4-Year College

Figure 1 illustrates the percentage of students who started at a 4-year college and were not enrolled in any institution three years later. For example, the percentage of low- and moderate-income students beginning in 2003 who were not enrolled anywhere three years later was higher than the percentage of their peers who began in 1995.

- For low-income students who had taken at least Algebra II, the percentage not enrolled in any college rose from **15 percent** to **19 percent**.
- For moderate-income students who had taken at least Algebra II, the percentage not enrolled in any college rose from **13 percent** to **14 percent**.

Except for those of middle-income students, three-year persistence rates declined between 1995 and 2003.

Three-Year Persistence Beginning at a 2-Year College

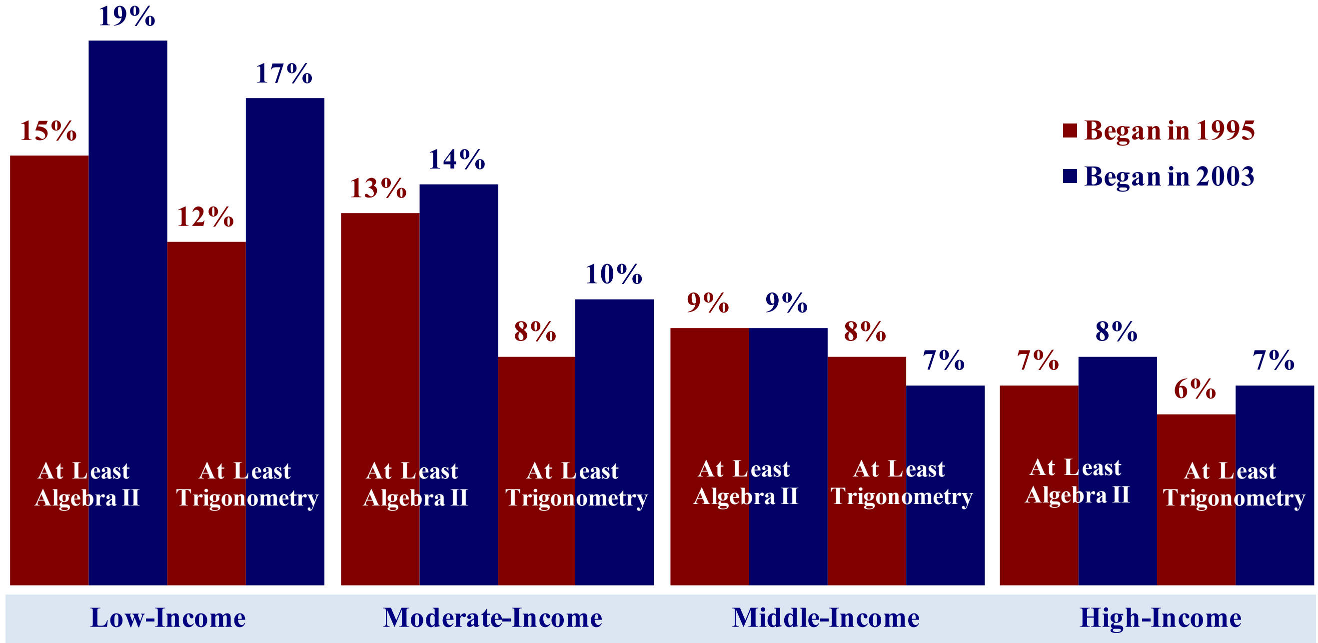
Figure 2 shows the three-year persistence rates of students who began at 2-year colleges in 1995 and 2003.

- For all low- and moderate-income students who had taken at least Algebra II, the percentage who had never attained a degree or were not enrolled anywhere rose from **26 percent** to **37 percent**.
- Even among those expecting at least an associate's degree, the percentage of students who had never attained a degree or were not enrolled anywhere rose from **24 percent** to **36 percent**.

Overall, persistence of low- and moderate-income students starting in 2003 appears to be lower than those who began in 1995, regardless of whether they started at a 4-year or a 2-year college. ◆

FIGURE 1: THREE-YEAR PERSISTENCE OF FULL-TIME DEPENDENT STUDENTS WHO BEGAN AT A 4-YEAR COLLEGE

NOT ENROLLED IN ANY COLLEGE AFTER THREE YEARS

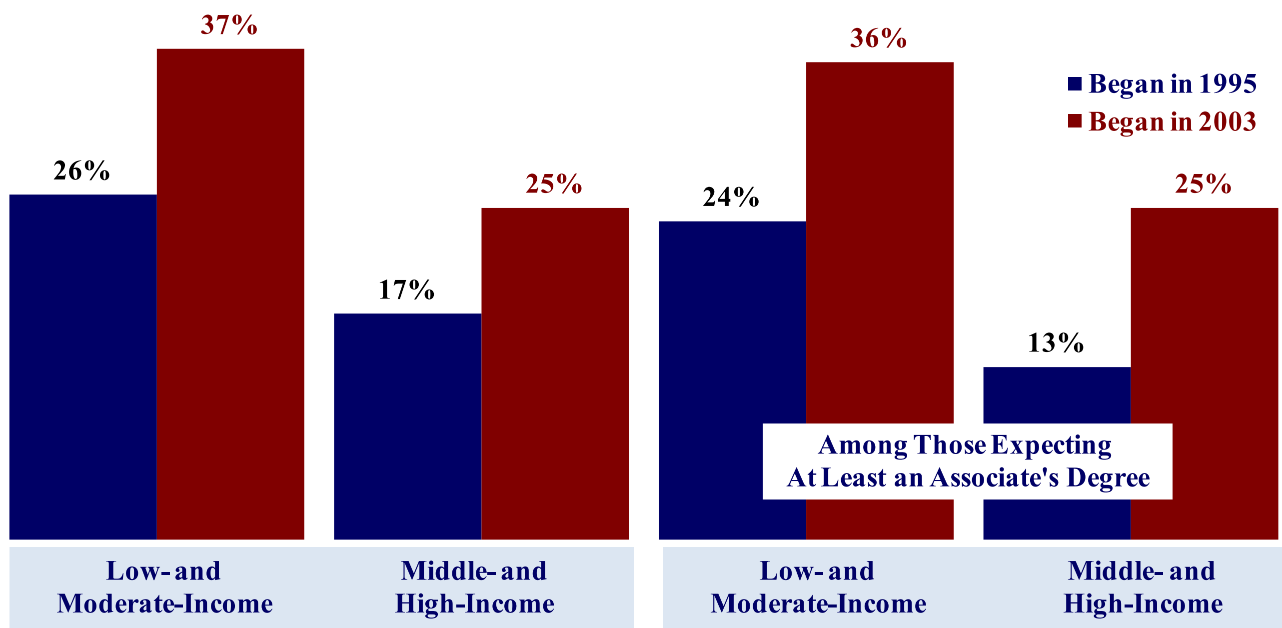


Source: Beginning Postsecondary Students Study (BPS): 1995-1996 and 2003-2004

FIGURE 2: THREE-YEAR PERSISTENCE OF FULL-TIME DEPENDENT STUDENTS WHO BEGAN AT A 2-YEAR COLLEGE

NEVER ATTAINED DEGREE OR CERTIFICATE AND NOT ENROLLED IN ANY COLLEGE

At Least Algebra II



Source: Beginning Postsecondary Students Study (BPS): 1995-1996 and 2003-2004

SIMPLIFICATION UPDATE: IRS STUDY & FAFSA CHANGES

IRS Data Retrieval

In January, the Department of Education's Office of Federal Student Aid (FSA) initiated IRS Data Retrieval, a process that enables student aid applicants and parents of dependent applicants to transfer certain tax return information from an IRS website directly to FSA's 2009-10 [Free Application for Federal Student Aid (FAFSA) on the Web](). This process is intended to further simplify and streamline the aid application experience for students and parents. Allowing applicants to transfer information directly from the IRS database to the FAFSA should reduce time, effort, and data entry; in addition, such transfers should improve data accuracy and consistency, and reduce the need for verification and corrections.

On January 24, 2010, a pilot was implemented in the 2009-10 version of FAFSA on the Web for initial and renewal applications. During this initial pilot period, FSA plans to analyze 2009-10 application submissions to determine usage and performance, gather feedback from users (both applicants and schools), and identify potential future improvements. This summer, FSA plans to fully implement IRS Data Retrieval for the 2010-2011 processing cycle.

The basic steps in the process are as follows:

- At the FAFSA website, applicant selects "Fill Out Your FAFSA."
- System displays option to access IRS Data Retrieval Tool.
- Applicant authenticates using FSA PIN.
- System displays "Get My Federal Income Tax Information" function on the IRS website.
- If IRS authenticates the taxpayer, federal income tax data for prior year appears.
- Applicant has option to select "Transfer Now," and, if chosen, IRS data is transferred, IRS session ends, and system returns applicant to FAFSA session, now populated with IRS data.
- Students and parents must perform this process independently.

In order to further facilitate simplification, the Administration has asked Congress to remove remaining asset questions and other financial information that cannot be found on a family tax return. The SAFRA legislation passed by the House, begins this task by removing most asset information from the needs analysis equation. Removing all asset questions would make it possible for students to apply for aid using only the information on their tax returns.

2010-11 Changes to the FAFSA

Several design changes to FAFSA on the Web provide enhanced navigation and simplify the application process. The new design uses skip logic to reduce the number of questions students and parents must answer, to decrease the number of entry pages presented to applicants, and to shorten the overall length of the application. These include:

- Dynamic question labels, help text, and instructions based on applicant profile (for example, marital status, responses to tax filing status, and type of tax return filed)
- Clear identification of student and parent sections of the application
- Status indicators to guide applicant through the Web modules (for example, student demographics, basic eligibility, and dependency status)
- Enhanced display of help text, alert and status messages, and instructions.

These design changes to FAFSA on the Web will enhance the application process, furthering the goals of the Department to simplify and streamline financial aid application. ◆

NEGOTIATED RULEMAKING WRAP-UP

The program integrity session of negotiated rulemaking concluded in late January with negotiators unable to reach consensus on five of the fourteen issues identified by the U.S. Department of Education. According to federal negotiated rulemaking procedures, the diverse panel of negotiators needed to reach consensus on the full package of fourteen issues for any revisions to be officially adopted by the Department; therefore, the Department is not required to use any of the language agreed to by negotiators on the first nine issues. However, the Department assured negotiators that it would not completely discard language discussed and developed during the sessions, during which negotiators came to consensus on three issues that impact access and persistence for low- and moderate-income students. These issues include misrepresentation of information to students and prospective students, certain disbursements of Title IV Funds, and coursework retaking.

The Department proposed language to establish types of activities that would constitute significant misrepresentation by a Title IV eligible institution or Title IV eligible agreements with non-eligible institutions. Furthermore, the Department proposed that institutions that make substantial misrepresentations to students and prospective students lose Title IV eligibility or face limitations on program participation. Draft language by the Department dealt with misrepresentation of college costs and available financial aid; for example, institutions would not be allowed to misrepresent the availability or nature of any financial assistance offered to students, including a student's responsibility to repay any loans, regardless of successful program completion and employment. Institutions would not be allowed to misrepresent a student's right to reject any particular type of financial aid or other assistance.

In terms of Title IV funds disbursement, the panel discussed whether and how students with estimated Title IV credit balances would be able to obtain books and supplies at the beginning of a payment period. The panel debated whether schools would retain the ability to disburse funds at times and in amounts that are in students' best interests. The proposal ultimately accepted limits that require early payment of anticipated credit balances to Pell Grant eligible students, and require the student to meet all disbursement requirements no later than 10 days before the start of the payment period. The proposed language does not change existing liability if the student never attends any classes. The language also gives institutions flexibility to determine the method by which funds are provided to students, which can include book vouchers or credits to student campus accounts. Under the proposed disbursement provision, the institution would assure that students can acquire necessary books and supplies by the seventh day of the payment period.

Negotiators also agreed to develop program regulations that specifically govern retaking coursework and to examine inconsistencies in this area as related to the treatment of students enrolled in certain clock-hour or non-term credit hour programs. The Department proposed to add language to the definition of "full-time student," allowing for a term-based program and for repeated courses to count toward enrollment status. However, credits would not have to be awarded for all course repetitions, as is the current policy.

Although negotiators were able to reach consensus on the above three issues that impact access and persistence for low- and moderate-income students, negotiators were unable to reach consensus on contentious policy issues such as gainful employment, incentive compensation for recruiters, the return of Title IV funds to departments, and state authorization of an institution as a requirement for Title IV eligibility. The Department will now revise all 14 rules as it sees fit before releasing them for a final round of public comment. A final decision on revisions in the rules is not expected until this fall. ◆

HIGHER EDUCATION BUDGET REQUEST

On February 1, 2010, President Barack Obama submitted his budget request for fiscal year 2011. The request, which totals $3.8 trillion, allocates a sum of $49.7 billion for Department of Education program funding. This amount represents a 3.5 percent increase from the FY2010 request, making the Department one of the few exceptions to the Administration's commitment to freeze most non-defense discretionary spending for FY2011.

One of the key provisions of President Obama's higher education budget is a significant change to the Pell Grant Program. The request includes a plan for the Pell Grant to become an entitlement program—this would require Pell funding to shift from discretionary to mandatory. The plan also calls for an annual increase in the maximum Pell Grant, tied to the Consumer Price Index plus one percentage point. Funding for these changes would come from the Administration's proposal to end the bank-based Federal Family Education Loan Program (FFELP) and shift all federal lending to the William D. Ford Federal Direct Loan Program (FDLP).

Other provisions in the FY2011 request include the following:

- Increase Pell Grant from $5,550 in 2010, to $5,710 in 2011, and to a projected $6,900 by 2019.
- Increase the Perkins Loan program from $1 billion to $6 billion, and re-structure the allocation formula to include more institutions than the program currently serves.
- Ease the Income-Based Repayment (IRB) plan by reducing monthly maximum payments and reducing the length of time students must wait for loan forgiveness.
- Eliminate six education programs, including the Leveraging Educational Assistance Partnership Program (LEAP)—programs set to be eliminated received $123 million in FY2010.

Aside from the major provisions listed above, most of the smaller student aid programs were funded at the same level as last year.

Notably, the budget request for higher education closely mirrors many of the provisions from President Obama's FY2010 request. Accordingly, it is closely tied to the pending student aid legislation moving through Congress, the *Student Aid and Fiscal Responsibility Act* (SAFRA, H.R. 3221), which passed the House of Representatives on September 17, 2009 and is currently awaiting Senate consideration. SAFRA calls for the end of the bank-based lending program and funnels those savings into Pell and other college access and success related programs.

The President's budget request is just the first step in a multi-step budgetary process. Before October 1, the beginning of FY2011, the House and Senate must pass their budget resolutions and conference report, which will be followed by the release of the President's detailed budget request. The final step is the drafting and passage of appropriations bills. ◆

ACSFA KEY FINDINGS ON ACCESS

Beginning in 2001, the Advisory Committee released a series of reports on the status of equal access to education for low- and moderate-income students. The first two reports were *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity* (2001) and *Empty Promises: The Myth of College Access in America* (2002). Both reports describe the predicament of low- and moderate-income students in what was, then, a time of national prosperity, when "most Americans believe[d] that all students [had] the opportunity to earn a college degree through hard work in high school and college" (*Empty Promises*).

These reports make clear that low- and moderate-income students are attending college at half the rate of their high-income peers, in large part because the cost of college as a percentage of family income, is rising only for low- and moderate-income families. Excessive levels of unmet need often drive these students to enroll part-time, work excessive hours while enrolled, or abandon college plans altogether. As a result, academically prepared low- and moderate-income high school graduates are unable to attend college at rates comparable to their middle and high-income peers, and these losses in bachelor's degree attainment represent losses in economic and productivity for the nation.

In 2006, the Committee released *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness*, which analyzed longitudinal data on college access and persistence. These data provide a stark quantitative context for the Committee's earlier reports. Updated in 2008, the data from *Mortgaging Our Future* show that 1.7 to 3 million bachelor's degrees will be lost this decade from the American workforce due to financial barriers.

The Committee's broad recommendations to address this educational crisis have been remarkably consistent over time. Across these three reports, three concise policy implications stand out:

- Reduce excessive levels of unmet need by reducing work and loan burden for low- and moderate-income students.
- Increase need-based grant aid for low- and moderate-income students and moderate the trend toward merit-based aid.
- Rebuild the access and persistence partnership among states, colleges and universities, and the federal government.

Since 2001, progress has been made to address these policy imperatives. *The College Cost Reduction and Access Act of 2007* (CCRAA) adopted technical recommendations made by the Committee in *The Student Aid Gauntlet* (2005), which included raising the thresholds of the automatic-zero expected family contribution and the income protection allowance so that low-income students qualify for more federal need-based grant aid. In addition, both CCRAA and the *Higher Education Opportunity Act of 2008* establish increases in the maximum Pell Grant. Finally, as states, colleges, and universities struggle with the implications of the economic downturn, outreach strategies have been developed that encourage financial aid application.

In keeping with the tenor of these three reports, the Advisory Committee will release its first annual report from the *Condition of Access and Persistence Study* (CAPS) in the late spring or early summer. This first CAPS report will build upon the aforementioned reports and clarify the scope of the access and persistence problem still faced by low- and moderate-income students, as well as address possible solutions. ◆

Access & Persistence is published quarterly by Advisory Committee members and staff

In the coming weeks, the Advisory Committee expects the appointment of several new members to fill existing vacancies.

MEMBER APPOINTMENTS

ACSFA

The Advisory Committee's structure reflects the diversity of the financial aid community. College presidents and chancellors, state higher education officials, financial aid administrators, education association executives, bank officers, guaranty agency executives, and students have served on the Committee. They provide the technical expertise and knowledge of student aid and education policy necessary to carry out the work of the Committee as stipulated by Congress in statute.

Members of the Advisory Committee are appointed by Congress and the Department of Education. The eleven appointments are distributed among the Senate, House, and Department in a configuration designed to create a Committee that may act in a bipartisan manner. The House and Senate leadership appoint four members each, evenly divided between the majority and minority, for a total of eight members appointed by Congress. The Secretary of Education appoints three members, at least one of whom must be a student. Each member is appointed for a single four-year term. The seats of members whose appointments have expired stand vacant until a new appointment is made by the appropriate governmental body.

For more information about Advisory Committee membership and structure, contact the Committee staff at ACSFA@ed.gov or at 202-219-2099. ◆

ACSFA Announcements

In the coming months, the Advisory Committee will hold **a public hearing** devoted to the first annual report of the *Condition of Access and Persistence Study*. The hearing will also cover issues related to the *Higher Education Regulations Study* and Department of Education initiatives. More details will be available soon.

Mr. Anthony Jones has joined the Advisory Committee staff as Senior Policy Analyst. Prior to his work at the Committee, Mr. Jones worked for the Department of Education for nearly nine years, total, in both the Office of Postsecondary Education and Federal Student Aid. He is currently completing his PhD in higher education at the University of Georgia.

The Community Suggestions Website remains active. The Advisory Committee continues to seek public comment to help identify higher education regulations that are duplicative, no longer necessary, inconsistent with other federal regulations, and/or overly burdensome. The Committee will use this information to provide a comprehensive report to Congress and the Secretary of Education.

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