NCHER BRIEFING

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Weekly Rundown

The NCHER Weekly Rundown, which includes the latest information on important events in Washington, DC, is available today and can be downloaded from the NCHER website.

Senate Appropriations Committee Releases Legislative and Report Language for Recently-Passed Labor, HHS, Education Appropriations Act

On Friday, the Senate Appropriations Committee released the Legislative Text and Committee Report accompanying S. 4942, the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act, which recently passed the committee. As previously reported, the bill provides $80 billion in discretionary funding for the U.S.Department of Education. It includes a $100 increase in the maximum award for the Pell Grant program bringing it up to $7,495 for the 2025-2026 award year and sustains funding for Federal Work Study and the Federal Supplemental Educational Opportunity Grant that provide additional need-based aid to students to help afford postsecondary education. The legislation also includes a $20 million increase for Federal TRIO Programs, a $5 million increase for GEAR UP, a $5 million increase for the Child Care Access Means Parents in School Program, a $5 million increase for the Basic Needs Program, and a $5 million increase for the Postsecondary Student Success Grant Program to help students prepare for and succeed in post-secondary education. It also includes a one-year extension of Account Maintenance Fees paid to guaranty agencies, which was recommended by NCHER.

The bill also provides $2.1 billion for student aid administration at Federal Student Aid (FSA), $100 million over last year, which will support a wide range of activities, including implementing the Free Application for Federal Student Aid, disbursing student aid, and ensuring services are available to student loan borrowers. It includes long-standing language requiring the Secretary of Education to allocate new borrower accounts to eligible student loan servicers on the basis of their past performance and the capacity of each servicer to process new and existing account and prohibiting the Secretary from awarding any contract solicitation unless it provides for the participation of multiple student loan servicers that contract directly with the Department to manage a unique portfolio of borrower accounts and the full life-cycle of loans from disbursement to pay-off with certain limited exceptions. It also includes language requiring the Secretary to re-allocate accounts from servicers for recurring non-compliance with FSA guidelines, contractual requirements, and applicable laws, including for failure to sufficiently inform borrowers of available repayment options, to evaluate servicers on their ability to meet contract requirements (including an understanding of federal and state law), future performance on the contracts, and history of compliance with applicable consumer protections laws, to hold prime contractors accountable for meeting the requirements of the contract and the performance and expectations of subcontractors, and to incentivize more support to borrowers at risk of delinquency or default. The legislation includes $60 million for the continuation of student loan servicing activities, including supporting borrowers reentering repayment and $40 million for the adjudication and processing of borrower defense claims for class members under the settlement agreement in Sweet v.

Cardona.

The report includes the following language:

Timely FAFSA Launch.—The Committee is concerned about the challenges students and institutions faced due to the difficult launch of the Free Application for Federal Student Aid for the 2024–2025 award year. The Committee strongly recommends that the Department ensures that the FAFSA is available on October 1 and ensures full functionality for the 2025–2026 FAFSA upon launch. This shall include FAFSA processing, school receipt of processed FAFSAs, processing of paper FAFSAs, and FAFSA correction functionality for applicants, institutions of higher education, and States. In advance of the October 1st launch, the Committee urges a timely release of the Federal student aid estimator, the FAFSA demonstration site, communication and training materials, a user-friendly Pell look-up table, eligibility and technical guides, and a quick, effective, and secure process for attaining an FSA ID. Funds provided under this account should be allocated to improve customer service, including by conducting rigorous consumer testing as required by law. The Committee urges the Department to communicate a timeline for the complete 2025–2026 FAFSA launch as soon as possible and directs the Department to provide weekly briefings on the timeline, consumer testing, and bug fixes on the 2025–2026 FAFSA and related processes, including the creation of the FSA ID, transmission of ISIRs, and availability of corrections. The Committee remains concerned about the number of students whose FAFSA applications remain incomplete after beginning the application process due to errors that occurred during the launch of the 2024–2025 FAFSA. To address this issue, the Department is directed to utilize outreach processes to identify and assist students who have begun, but not successfully submitted a complete FAFSA application for both the 2024–2025 FAFSA and the 2025–2026 FAFSA. The Committee further directs the Department to provide a detailed launch plan for the FAFSA for the upcoming award year no later than 10 days after enactment of this act. Should the launch of the form be delayed after October 1 of the year prior to the upcoming award year, the Department shall provide the Committees, the Senate Committee on Health, Education, Labor and Pensions, and the House Committee on Education and the Workforce with written notification and a written timeline for the upcoming FAFSA launch no later than 10 days after enactment of this act and continue to update the written notification and written timeline every week until complete.

FAFSA Data.—Not later than 30 days after the date of enactment of this act, the Secretary shall report to the Committees, the House Committee on Education and Workforce, and the Senate Committee on Health, Education, Labor, and Pensions relevant data compiled for the 2023–2024 and 2024–2025 award years, which shall include, at minimum: (1) The number of FAFSA submissions processed by Federal Student Aid; (2) The average processing turnaround time from *the point of FAFSA submission to disbursal of aid; (3) The number of submissions which contained inaccuracies thereby requiring resubmission to the Department; (4) The amount of Federal student aid awarded broken down by type; and (5) The number of submissions from students filing during 2023– 2024 which resulted in a decrease in aid under the Student Aid Index formula for 2024–2025.*

FAFSA Simplification Impact Analysis.—The Committee is interested in further analyzing the impact of major formula and eligibility changes included in the FAFSA Simplification Act, including increases to income protection allowances, the use of Federal poverty level for Pell Grant eligibility, receipt of public benefits, treatment of family farms, and number of students enrolled in college simultaneously. The Committee directs the Department to publish a distributional analysis of the major changes within 180 days of enactment, and to ensure such analysis is disaggregated by family income and dependency status, includes estimates of the number of recipients, gains and losses in aid, and both average and median changes to the Student Aid Index, as applicable. Additionally, the Committee encourages the Department to project differences in aid recipients over time from such changes and include detailed explanations of such projections.

Unaccompanied Homeless Youth and Other Students Without Parent or Family Support.—The Committee is concerned that youth who do not have parental support are experiencing significant challenges completing the FAFSA and financial aid process. Students experiencing, or at risk of, homelessness and who do not have documentation have been incorrectly categorized as provisionally independent and have been arbitrarily limited in how they can document their experience with homelessness. In addition, the FAFSA form unnecessarily limits the provisional independence options for other students. The Committee directs the Department to correct these errors for the 2025–2026 cycle and to issue updated guidance within 60 days that clarifies and streamlines the ability of unaccompanied homeless youth and other students who do not have parental support to access Federal financial aid.

FAFSA Family Farm Impact Study.—The new Student Aid Index formula included in the FAFSA Simplification Act (Title VII, Division FF of Public Law 116–260) requires students applying for Federal student aid to report the net worth of the farms on which their family resides, which could impact the eligibility of students to qualify for Federal student aid. The Committee directs the Department to conduct a study of the 2024–2025 FAFSA data within 90 days of enactment to thoroughly understand the impact of the requirement for students to report the farms their families live on as assets for purposes of applying for Federal student aid.

FAFSA Student Support Strategy.—The Committee shares the Department's goal of increasing FAFSA completion rates. The Committee directs the Department to provide a report within 120 days on its efforts to boost FAFSA completion rates for the 2024–2025 award year through the FAFSA Student Support Strategy, as managed by ECMC, announced on May 6, 2024. This report shall include detailed information on total funding obligated from the Federal Student Loan Reserve Fund for ECMC's use, funding amounts awarded to each grantee by ECMC, how ECMC selected grantees, how much each grantee spent, a summary of metrics ECMC and the Department used to measure grantees' performance, a summary of the types of activities each grantee used, and whether grantees tracked how many more students completed the FAFSA as a result of their efforts and if so, the number of additional students that completed the FAFSA per grantee.

Interagency Coordination for Benefits Outreach and Financial Aid.—The Committee notes that students and families would benefit from additional information on public and tax benefit programs that can help them meet their basic needs and cost of attendance, and that the recipients of public and tax benefit programs would benefit from information on financial aid to help them enroll in higher education. The FAFSA Simplification Act supports data-sharing agreements and interagency coordination and outreach plans for such purposes under sections 483(c)(3) and 485E(c) of the HEA, respectively. Within 60 days of enactment, the Committee directs the Department to provide a briefing on the status of implementation of these provisions, including the establishment of data sharing and interagency agreements with Federal agencies, and other efforts to expand notifications to students about public and tax benefit programs. Further, the Committee strongly encourages the Department to promote such outreach through direct and regular notices to financial aid applicants, technical assistance to institutions, grant priorities, and communications with States.

Maintaining Higher Education Transparency and Research.—The Committee is concerned by reports that existing higher education research, data collection, reporting, and secure data-sharing organizations are being limited contrary to Congressional intent under the FAFSA Simplification Act. Collecting and publishing timely and relevant student access and outcome data that does not publicly release personally identifiable information and related analyses through mechanisms such as third-party research agreements, agency surveys, and administrative data collections with strong privacy protections have been and continue to be essential for the planning, administration, operation, and evaluation of the student aid programs and higher education grant programs. Additionally, students and their families benefit from targeted outreach and enrollment into public and tax benefit benefits for which they may be eligible and which help them afford the cost of college. Such data uses do not result in publicly disclosing personally identifiable information. The Committee urges the Department to *maintain secure data collection, reporting that does not publicly release personally identifiable information, privacy-protected research, and interagency data-sharing, including tax information such as income and family size, as part of the administration of the Federal student aid programs under the HEA. Further, the Committee directs the Department to reaffirm such data uses in agency guidance to further transparency, research, evaluation, and accountability in higher education while still ensuring student privacy. Further, the Committee directs the Department to permit the secure use of student and family tax data, in accordance with Internal Revenue Service guidelines, to satisfy Federal data collection and reporting requirements.*

Return of Title IV Funds.—The Committee continues to encourage the Department to pursue efforts to simplify and streamline the Return of Title IV Funds process for institutions of higher education and students.

Return to Repayment.—The Committee directs the Secretary to provide monthly briefings and reports to the Committees and to the Committees on Education and the Workforce of the House of Representatives and on Health, Education, Labor, and Pensions of the Senate on student aid administrative activities and data for Federal student loans during fiscal year 2025. Information should include, but not be limited to, borrower status, including the percentage of total borrowers and the percentage of at-risk borrowers (defined as borrowers who have one or more of the following risk factors: a previous history of default, missing a payment in the first 3 months of entering repayment, not completing their degree program, or pausing payments multiple times) in repayment in repayment by repayment plan; the percentage of borrowers and the percentage of at-risk borrowers who are delinquent or not making payments; share of borrowers at-risk of defaulting on their student loans currently in active repayment, by repayment plan; average and median amount repaid through the duration of repayment by repayment plan; average and median income of borrowers who receive forgiveness through IDR; share of borrowers making $0 payments; metrics on communications with borrowers in the Targeted Early Delinquency Intervention [TEDI] program and equivalent programs and Fresh Start segment or equivalent support program such as open and click through rates for emails and repayment actions; and any changes to communications with borrowers based on data or behavioral economics assumptions gathered during communications campaigns. The Committee also directs the Department to produce and broadly disseminate an accessible public report that summarizes this data on an annual basis.

College Scorecard.—The Committee recognizes the value of institution-level outcomes data, including graduation rates, student loan repayment rates, and post-college earnings data for higher education accountability and directs the Department to update the College Scorecard's data annually. The Committee also encourages the Department to continue refining the existing *measures on the College Scorecard and examining new measures to add to maximize transparency about postsecondary educational opportunities and outcomes for students.*

State-Based and Non-Profit Servicing Organizations.—The Committee continues to note that many State-based and non-profit servicing organizations have demonstrated and specialized experience in helping struggling borrowers, and continues to encourage the Department and Federal student loan servicers to work with state and nonprofit organizations to help student and parent borrowers repay their Federal student loans.

Federal Fund, Operating Fund, and Guaranty Agency Reporting.—Not later than 180 days after enactment, the Department is directed to produce and make publicly available on the FSA Data Center, a report regarding the Federal Funds authorized under section 422A of the HEA and the Operating Funds authorized under section 422B of the HEA. The Committee directs such report to include the following for each guaranty agency: total amount in the Federal Fund and total amount in the Operating Fund available for obligation, a list of obligations (detailed by amount, recipient, and purpose) from the previous fiscal year from each of the Federal Fund and the Operating Fund, the total amount the Secretary transferred to the Operating Fund in the previous fiscal year, changes in the Federal Fund and Operating Fund and forecasted performance of the guaranty agencies, and how the Department ensures effective oversight of both the Federal Fund and any transfers into the Operating Fund. The report shall also include, for each guaranty agency, how much from the Federal Fund was obligated to Project Success for the previous fiscal year, a list of Project Success partner institutions for that fiscal year, a summary by partner institution of what Project Success funds were spent on in that fiscal year, and for each guaranty agency and partner institution (as applicable), the metrics the Department is using to evaluate the effectiveness of the Project Success funds, how the Department selected current Project Success partner entities, and how many students were served by each Project Success partner entity. Finally, the report should include what is communicated to Guaranty Agencies when Federal funds are released for any grantmaking or programmatic purposes, including about the duration of project performance, the timely outlaying of funds for agreed upon activities, what percent of funds are allowed be held onto by Guaranty Agencies for administrative or indirect costs, and how the Department ensures Guaranty Agencies are adhering to basic grantmaking standards and requirements such as the standards and requirements other entities are required to adhere to in EDGAR.

Promoting Safe Campuses.—The Committee is concerned by reports of increased discrimination on college campuses, including hate crimes motivated by anti-Semitic and anti-Muslim prejudice. As Federal Student Aid conducts its fiscal year 2025 work on enforcement of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act [Clery Act], *including complaint assessments, media assessments, and program reviews, the Committee encourages Federal Student Aid to include institutions where known anti-Semitic or anti-Muslim hate crimes have occurred during the 2023–2024 academic year in such assessments and reviews. The Committee further encourages the Department to issue appropriate and timely fines for violations of the Clery Act.*

Student Loan Dashboard.—The Committee directs the Department to study the best way to create a government-wide student loan dashboard that provides prospective students and their families with comprehensive and easy to understand information about the availability of Federal student loans and Federal student loan repayment programs across the Federal Government, including eligibility requirements, application information, loan type, and repayment terms. In conducting this study, the Department shall examine how existing government-wide resources could be updated and shall consult with the relevant Federal agencies that administer Federal student loans and Federal student loan repayment programs, as the Department determines appropriate. The study shall also include a plan for how a government-wide student loan dashboard could be implemented within 180 days of completion of the study. The Department shall share this study with the Committees, the Senate Committee on Health, Education, Labor and Pensions, and the House Committee on Education and the Workforce within 1 year of enactment of this bill.

For additional coverage of the bill, see this article from Inside Higher Ed.

Department of Education Inspector General Releases Audit Report Finding FSA Did Not Properly Implement Federal Taxpayer Information Provisions of FAFSA Simplification Act

Last week, the U.S. Department of Education's Inspector General (IG) released an audit report looking at the Office of Federal Student Aid's (FSA) implementation of the federal taxpayer information provisions of the FUTURE Act and the Free Application for Federal Student Aid (FAFSA) Simplification Act. The IG did not examine the botched rollout of the FAFSA, which is likely the subject of a separate report. To use and receive tax information from the Internal Revenue Service, the Department had to develop or change several systems. The IG found that FSA did not have processes in place to monitor project costs and budgets, oversee the contractors working on the project, or properly evaluate risks associated with the project. Those failures likely hampered the agency's ability to properly oversee the project and ensure a timely launch of the application. For example, the Department did not clearly outline what a contractor was expected to produce as part of its work to "create a secure cloud environment for the applications that manage and store" federal tax information and FSA employees were not sure who was responsible for tracking the project's deliverables and ensuring the contract-monitoring steps and processes were in place. The IG made six recommendations to FSA to improve implementation of federal taxpayer information. For additional coverage, see this article from Inside Higher Ed.

AEI Releases Report on Financing Graduate Education

Last week, the American Enterprise Institute, Education Counsel, and the Century Foundation released a report titled, Financing Graduate Education: Next Steps for Federal Policy, as a follow up to a 2023 report that introduced five foundational pillars needed to address crucial issues in federal graduate financing. The five pillars include: (1) setting reasonable loan limits, (2) providing targeted grant aid to students and institutions, (3) ensuring sufficient value and return on investment for students and taxpayers, (4) enhancing the regulatory structure and consumer protections for private lending, and (5) improving data disclosure and transparency. On setting reasonable loan limits, the report calls for:

- Replacing Grad PLUS with Increased Stafford Loan Limits for Graduate Students. The Grad PLUS program could be eliminated, while the loan limits in the Stafford loan program could be increased to some extent. This would simplify federal student lending and allow students to rely on less expensive Direct Unsubsidized Loans (which carry a lower interest rate and lower origination fees), but it would likely further complicate unsubsidized loans by having differential loan terms for certain graduate students (e.g., medical students).
- Establishing Differentiated or Flexible Limits in Grad PLUS. While continuing the Grad PLUS program, the loan amounts could be capped, but the caps could differ by the credential length and type. The high costs of providing physician training programs, along with the high earnings of most graduates of these programs, might justify annual limits of $50,000 and aggregate limits of $250,000. However, a yearlong graduate certificate might not be eligible for Grad PLUS at all, given the program's relatively low costs, and masters programs might be limited to $20,000 annually and $50,000 overall, respectively. A slightly more complex version would provide different loan limits for individual programs based on factors such as

demonstrated earnings sufficient to repay the loans or success in graduating disadvantaged students.

- Allocating Loan Funds to Institutions Based on Outcomes. In this approach, colleges would be granted access to loan amounts they could allocate across programs and students, up to a total dollar amount the institution has earned. The amount of additional loan funds would be allocated to the institution based on performance factors such as graduation of Pell Grant recipients, job outcomes, and loan repayment. Like in the former Perkins loan program, the institution would decide which programs to fund and how much to offer particular students, within certain parameters. Unlike the Perkins program, the loan funds would be managed as Federal Direct Loans (not a separate revolving fund managed by the school). Rather than having an incentive to establish more programs and charge higher prices, as in the current Grad PLUS program, this approach would reward positive student outcomes and encourage institutions to prioritize quality and affordability, including among their own programs.

U.S. Department of Education News

For today's Federal Register, click here.

The following announcements were posted to Federal Student Aid's Knowledge Center:

- (GENERAL-24-97) Volume 2: School Eligibility and Operations Now Available [2024-25 Federal Student Aid Handbook]

General News

Inside Higher Ed reports that student enrollment challenges, compounded by the fiasco with the Free Application for Federal Student Aid, drove layoffs and program cuts as colleges sought to plug budget holes.

Roll Call reports that the U.S. Senate fell short of the necessary votes to pass a new bipartisan tax package that included financial relief to businesses and low-income families, amid opposition from most Republicans and some Democrats, and then adjourned for the traditional month-long August recess.

The Urban-Brookings Tax Policy Center released a new report titled, How Much Does College Cost, and How Does it Relate to Student Borrowing?, which concluded that higher education “sticker prices” have increased 114 percent since 1993, but net tuition prices have not changed after accounting for increases in financial aid and tax benefits. Nevertheless, over the same period, student borrowing tripled.

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1050 Connecticut Ave NW #65793
Washington, DC 20035

Phone: **(202) 822-2106**
Fax: (202) 822-2142