NACUBO

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Senator Lamar Alexander
Chairman
Committee on Health, Education, Labor and Pensions
United States Senate
428 Senate Dirksen Office Building
Washington, DC 20510

Dear Chairman Alexander:

The National Association of College and University Business Officers (NACUBO) is a nonprofit professional organization representing chief administrative and financial officers at more than 1,900 colleges and universities across the country. NACUBO's mission is to advance the economic vitality, business practices, and support of higher education institutions in pursuit of their missions.

Those missions, rooted in teaching and education as well as the pursuit of research and community service, are costly endeavors. NACUBO shares your concerns with ensuring students receive an education worth their time and money. Many policy discussions have, rightly, gone into great depth of consideration of the costs students and families face, as well as the resulting student loan debt. It is not a small task to devise a measure to ensure that students leave an institution of higher education better off than they would otherwise be, and not face a difficult financial future due to student loan debt.

However, NACUBO wishes to place some of your focus on the cost of providing a worthy education. Looking at K-12 spending (based on 2015 data from the National Center for Education Statistics), states spent on average $12,903 per student. But that ranges dramatically. New York spends on average $20,744 per student, while Utah spends $6,751. While students and families do not *pay* tuition to attend public elementary and secondary schools, there is still a cost—just as there are costs to providing postsecondary education. Public elementary and secondary education costs are borne by the taxpayer (and many K-12 advocates argue that local school districts are underfunded). Postsecondary education is typically much costlier to deliver.

NACUBO is concerned that current risk-sharing discussions have not fully taken into account the cost of providing higher education. Efforts to address accountability, particularly when examining whether higher education is *worthy*, must also consider the perverse relationship these risk-sharing proposals can have on the costs of delivering quality higher education programs.

Under the accountability measures outlined in your white paper, institutions that continue to accept high-need borrowers must commit to student success to mitigate their future default risks. Such commitment is not free; but rather involves an investment of institutional resources. Additional monetary outlays increase the overall cost structure that tuition and fees will need to fund. Simply put, it is hard to see how these accountability measures will lower costs—and where new revenue will come from to fund such investments. States have little appetite to charge the public more for tuition and fees and have declining or limited room in their budgets to increase appropriations (support) for higher education.

Alternatively, your accountability measures may deter institutions from accepting higher need borrowers purely from a risk management perspective. This contradicts the goal of expanding college access. Open access institutions like community colleges, who frequently serve first-generation students, would be hit particularly hard by this provision. Rather than creating what could amount to a punitive system, the Committee should explore more ways to reward institutions that invest in vulnerable populations.

It is NACUBO's belief that any attempts to tie more institutional accountability to a student's eventual financial success should seek to do so without making it costlier for an institution to provide such an education, and should certainly not create a disincentive for institutions to expand access to high-risk student populations.

It is important to note that colleges and universities are already seeking best practices and investing in them. While many are quick to criticize spending at college campuses as, "administrative bloat," a closer look at institutional spending reveals that schools are investing heavily in student services. A 2014 study by the Delta Cost Project at the American Institutes for Research found that, "Colleges and universities have invested in professional jobs that provide non-instructional student services, not just business support. Across all educational sectors, wage and salary expenditures for student services (per FTE staff) were the fastest growing salary expense in many types of institutions between 2002 and 2012." Non-faculty staff may include professionals in financial aid and academic advising, counseling and health services and other specialized areas ranging from athletics to student-veterans support programs, where wise investments can have positive impacts on both completion and student success.

An additional area of concern lies in the fact that the proposals you are exploring require colleges and universities to face new liabilities on loans that these institutions do not actually own and in situations where schools have no power to make credit decisions or any determinations regarding borrowers. Further, because schools do not own or manage these loans, they have no service control over, including debt collection. In what other financial transaction would a party without control over a loan or the authority to collect somehow be held financially liable for the borrower default? Postsecondary institutions should not be held financially liable for the default rate of loans over which they have no tangible control in any sense up to and including the time the borrower is approved for the loan, the period in which they begin repayment, and their eventual loan repayment or loan default.

NACUBO recognizes that the ability of a student to repay their federal student loans after receiving a sound college education is important, both to Congress and to institutions of higher education. Rather than create a new, costly, and punitive system to achieve this shared goal, we urge you to explore ways to help institutions demonstrate the investments colleges and universities are already making in student success.

Further, because a student's ability to repay their loans relies on employment opportunities and economic conditions, we urge you to consider whether federal policy mechanisms can incentivize additional parties (e.g. employers, and state and local governments) to share the responsibility of student-to-employment success.

NACUBO welcomes the opportunity to further discuss college access, affordability, student completion and loan repayment rates with the Committee. Congress, working in conjunction with the higher education community, has an opportunity to improve the long-term financial stability of student borrowers without harming the institutions that educate them. We look forward to exploring these opportunities with you so we can continue to ensure America's legacy as providers of high quality higher education.

Sincerely,

John Walda
President and Chief Executive Officer