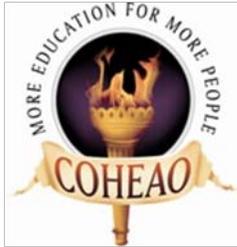


**The**



# **Torch**

**May 9, 2014**

*A bi-weekly report from the Coalition of Higher Education Assistance Organizations*

## **COHEAO News**

- [\*\*Special Attachment: Draft Agenda for the COHEAO Mid-Year Conference—August 3-5, Denver\*\*](#)  
COHEAO is also trying something a little bit different for us at this year's Mid-Year—concurrent sessions. This year's Mid-Year agenda will include both concurrent and general sessions for conference attendees. A preview of the conference program is included with today's edition as a special attachment.
- [\*\*The May 22 COHEAO Webinar: Your HRSA Student Loan Portfolio: Due Diligence Insight and Financial Management Awareness\*\*](#)  
Set for Thursday, May 22<sup>nd</sup> from 2:00pm-3:30 pm, "Your HRSA Student Loan Portfolio: Due Diligence Insight and Financial Management Awareness," will provide an in-depth look at managing the HHS loan programs.

## **Congress**

- [\*\*Senator Warren Leads Democratic Effort on Student Loan Refinance\*\*](#)  
Sen. Elizabeth Warren and several of her Democratic colleagues introduced legislation to allow existing student loan borrowers to refinance their student loans.
- [\*\*Special Attachments—Secretary Duncan Appears Before Congressional Committees\*\*](#)  
Secretary Arne Duncan has appeared before the House Education and the Workforce Committee, the Senate Appropriations Committee, and the Senate Budget Committee to discuss the Administration's FY 2015 budget request during the past two weeks.
- [\*\*Senate Confirms Ted Mitchell for Undersecretary Post\*\*](#)  
The Senate confirmed Ted Mitchell as Under Secretary at the Department of Education yesterday on a voice vote. The position is considered to be the top post for higher education policy.
- [\*\*Bishop Introduces Automatic Default Legislation\*\*](#)  
Representative Tim Bishop (D-NY) introduced legislation to help students in the case of an automatic default.
- [\*\*Franken and Grassley Introduce Net Price Calculator Bill\*\*](#)  
Senators Al Franken (D-MN) and Chuck Grassley (R-IA) introduced bipartisan legislation on net price calculators.

## White House & Administration

- [Latest Perkins Loan Orange Book Released](#)  
The Orange Book for Perkins Loans for the 2012-2013 academic year has been released.
- [Federal Student Loan Interest Rates to Rise But Stay Lower Than Projections](#)  
The interest rates for Stafford and PLUS loans were set this week by the 10 year Treasury rate on May 7.

## Industry

- [ACA Highlights Importance of Collections to Governments in Updated TCPA Comments](#)  
In updated comments related to its petition before the Federal Communications Commission on updating the Telephone Consumer Protection Act , ACA International recently highlighted the importance of the collection industry to federal, state, and local governments. T
- [AEI Report Suggests Problems with Parent PLUS Loans](#)  
The American Enterprise Institute released a report on Parent PLUS Loans. The report, released from AEI's new Center for Higher Education Reform, calls for improved data on the program.

## Attachments

- [COHEAO Commercial Members](#)
- [COHEAO Board of Directors](#)
- [Three hearing summaries from Washington Partners on Secretary Duncan's recent appearances before Congressional Committees](#)

**\*\*Please note: Today's edition includes a draft agenda for the COHEAO Mid-Year Conference as a separate attachment.**

## **Special Attachment: Draft Agenda for the COHEAO Mid-Year Conference— August 3-5, Denver**

The COHEAO Mid-Year Conference is a unique event that offers deep insights on the most pressing legislative and regulatory issues facing campus professionals as well as training on the basics of program administration. In addition to updates on the Congress, the CFPB, and the Department of Education, sessions at the COHEAO Mid-Year will address financial literacy and higher education, the use of debit cards on campus, UDAAP enforcement, and much more.

COHEAO is also trying something a little bit different for us at this year's Mid-Year—concurrent sessions. This year's Mid-Year agenda will include both concurrent and general sessions for conference attendees. A preview of the conference program is included with today's edition as a special attachment.

Online registration is now open for the COHEAO Mid-Year Conference. [Register today!](#) Set for August 3-5 in Denver, the COHEAO Mid-Year Conference is the premier summertime event for campus loan administrators and student financial services professionals.

The COHEAO Mid-Year will be held at the Grand Hyatt Denver, a modern, comfortable hotel located in the heart of the city. COHEAO has negotiated a fabulous rate of \$169 for conference attendees. Whether it is catching a game at nearby Coors Field, a visit to the Rocky Mountains, or any of the other fun activities Denver has to offer, the Grand Hyatt Denver is a perfect location for tacking a summer vacation onto a business trip.

[Go ahead and sign up today.](#) This is a conference you won't want to miss.

### **COHEAO Mid-Year Conference at a Glance**

<b>When:</b>	<b>August 3-5, 2014 (Conference Programming August 4 &amp; 5)</b>
<b>Where:</b>	<b>Grand Hyatt Denver</b>
<b>Registration:</b>	<a href="http://goo.gl/hE1mVy">http://goo.gl/hE1mVy</a>
<b>Additional Info:</b>	<a href="http://goo.gl/ZifljU">http://goo.gl/ZifljU</a>
<b>Costs:</b>	<b>\$460 for all COHEAO members (\$510 after July 11) \$560 for institutional &amp; organizational non-members (\$610 after July 11) \$1,610 for commercial non-members (\$1,660 after July 11)</b>
<b>Conference Hotel:</b>	<b>Grand Hyatt Denver</b>
<b>Hotel Registration:</b>	<a href="#">Click here</a> for online registration Call (402) 592-6464 and mention COHEAO.
<b>Hotel Rate:</b>	<b>\$169 (Market rates after July 11)</b>

## **The May 22 COHEAO Webinar: Your HRSA Student Loan Portfolio: Due Diligence Insight and Financial Management Awareness**

Are you involved in the HHS loan programs at your campus or organization? [Register today](#) for the upcoming COHEAO webinar. Set for Thursday, May 22<sup>nd</sup> from 2:00pm-3:30 pm, “Your HRSA Student Loan Portfolio: Due Diligence Insight and Financial Management Awareness,” will provide an in-depth look at managing the HHS loan programs. [Register Today!!](#)

COHEAO President Maria Livolsi will be joined by her colleague at the State University of New York Student Loan Service Center, Patty Baltzel, in presenting this webinar. The webinar will include a basic review of the numerous campus-based Health and Human Services (HHS) loan programs and provide an in-depth look at best practices in managing these programs. It will also illustrate how SUNY complies with applicable rules, regulations, and guidance from the Health Resources and Services Administration (HRSA).

If your work encompasses the HHS loan programs, this is a webinar you won't want to miss. [Sign up today!](#) Additional details are below.

- **What:** COHEAO Webinar, “Your HRSA Student Loan Portfolio: Due Diligence Insight and Financial Management Awareness”
- **When:** Thursday, May 22<sup>nd</sup>, 2:00 PM-3:30 PM Eastern Time
- **Who:** Maria Livolsi and Patty Baltzel, SUNY Student Loan Service Center
- **Costs:** \$49 for COHEAO members/\$99 for non-COHEAO members
- **Registration/Additional Info:** [http://coheao.site-ym.com/events/event\\_details.asp?id=438878&group=](http://coheao.site-ym.com/events/event_details.asp?id=438878&group=)

## **Congress**

### **Senator Warren Leads Democratic Effort on Student Loan Refinance**

This week, Sen. Elizabeth Warren and several of her Democratic colleagues introduced legislation to allow existing student loan borrowers to refinance their student loans. Representatives George Miller (D-CA) and John Tierney (D-MA) have introduced identical legislation in the House.

The legislation, dubbed the “Bank on Students Emergency Loan Refinancing Act,” calls for the Department of Education to refinance existing Direct Loans, FFEL Loans, and private loans at last year’s interest rates for Stafford and PLUS Loans. The bill directs the Secretary to establish income and debt-to-income (DTI) ratio thresholds for eligible borrowers. In the case of private loans, despite the fact the bill contains “emergency” in its name, the borrowers must be current on their accounts.

The Department of Education has yet to publicly comment on how the Secretary would establish these eligibility requirements or any aspect of the legislation. Some supporters of this refinance proposal have been critical of the White House’s reticence to support the refinance initiative and have even accused the Department of “stonewalling” Warren and her allies because they couldn’t, or wouldn’t, provide data on the costs of such a program and potential benefits for borrowers.

These accusations led to another *Huffington Post* article that was critical of ED on student lending matters. The online publication has been running articles increasingly critical of the Department of

Education and its contractors. The latest is titled, “How Arne Duncan Is Undercutting Senate Democrats On Student Loan Reforms.”

The offset for the costs associated with a federal loan rate decrease would be defrayed by two factors: 1) The “Buffett Rule” to increase taxes on Americans making more than \$1 million a year; 2) The “savings” associated with converting FFEL and private loans to Direct Lending. These are non-starters for Republicans. When asked about the bill, Senate HELP Committee Ranking Member Lamar Alexander (R-TN) expressed his concern over the calculation of the federal cost of the legislation as it specifically requires the use of Federal Credit Reform Act accounting, as opposed to Fair-Value accounting.

"The Democrats' proposal is starting down the road of turning a trillion dollars of student loans into grants and counting spending in a way that the Congressional Budget Office has told Congress not to do," Sen. Lamar Alexander (R-TN) said in a statement to *Politico*.

However, criticism from Republicans may be just what Warren and her colleagues are seeking. The refinance legislation, which is part of a broader “Fair Shot” campaign aimed at various aspects of income inequality, has openly been discussed as a “messaging bill” for Democrats who like the contrast between curbing tax benefits for wealthy individuals and providing more benefits for students.

The Progressive Change Campaign Committee (PCCC), a political action committee that calls itself the “Elizabeth Warren wing of the Democratic Party,” has launched an online petition designed to pressure Republicans into supporting the legislation. Several candidates, including some of the bill’s cosponsors, such as Sens. Al Franken (D-MN) and Sherrod Brown (D-OH), as well as some Democratic candidates for the Senate, are using the legislation to directly engage their opponents.

Senate Leadership indicated the legislation will likely reach the Floor sometime in June. It is not expected to pass Congress, but will likely remain a central issue in the 2014 campaign.

### **Special Attachments—Secretary Duncan Appears Before Congressional Committees**

Secretary Arne Duncan has appeared before the House Education and the Workforce Committee, the Senate Appropriations Committee, and the Senate Budget Committee to discuss the Administration’s FY 2015 budget request during the past two weeks. The proceedings focused largely on elementary and secondary education, but student loans and higher education were discussed at times in both hearings.

Summaries from each hearing prepared by Washington Partners, LLC are included with today’s edition as special attachments.

### **Senate Confirms Ted Mitchell for Under Secretary Post**

The Senate confirmed Ted Mitchell as Under Secretary at the Department of Education yesterday on a voice vote. The position is considered to be the top post for higher education policy.

Mitchell has previously served as the president of Oberlin College. However, he most recently has been involved in K-12 policy, specifically charter schools and technology. Mitchell also has an extensive background in teacher preparation reform, an area of interest for the Department.

“Ted Mitchell has worked to foster innovation that benefits all students, especially those in underserved communities, in areas ranging from higher education to teacher preparation to education technology. His experience as a college president and administrator, as well as his unwavering commitment to equity for every student, makes him uniquely suited for this role,” said Education Secretary Arne Duncan. “He will lead us through this important time in higher education as we continue to work toward the President’s goal to produce the best-educated, most competitive workforce in the world by 2020.”

### **Bishop Introduces Automatic Default Legislation**

Representative Tim Bishop (D-NY) introduced legislation to help students in the case of an automatic default.

The Protecting Students from Automatic Default Act, H.R. 4511, would require private lending institutions to notify students when a loan is placed in automatic default. It would also require the lender to allow a student 90 days to find a new co-signer.

“The practice of automatically defaulting on student loans without notice to the student or an opportunity to correct the situation is deplorable,” said Bishop.

The Consumer Financial Protection Bureau issued a report on automatic defaults last week. The CFPB indicated it has heard complaints on this subject for more than a year, but did not provide data on these complaints, including how many have been submitted. Student Loan Ombudsman Rohit Chopra acknowledged in a call with reporters that the Bureau does not know how prevalent this practice actually is.

The legislation has been endorsed by the American Council on Education and a coalition of higher education organizations. That letter is available online.

The text of H.R. 4511 will soon be posted at [www.congress.gov](http://www.congress.gov). If you would like a copy of the legislation, please email [whuffman@wpllc.net](mailto:whuffman@wpllc.net).

### **Franken and Grassley Introduce Net Price Calculator Bill**

Senators Al Franken (D-MN) and Chuck Grassley (R-IA) introduced bipartisan legislation on net price calculators. A press release from the Senators highlights the following aspects of the legislation:

- Help increase students' access to net price calculators by requiring institutions to place their calculators on webpages where students and families are likely to look for cost and admissions information-such as the financial aid or tuition and fees page.
- Improve comparability between schools by requiring that "net price" be the most visually prominent figure on the results screen.
- Strengthen information for veteran students by requiring that calculators indicate on the results screen that prospective students may qualify for veteran benefits and include a link to direct eligible students to such benefits.
- Authorize the Department of Education to develop a "universal calculator" that would enable students to answer one set of financial and academic questions in order to generate a list of comparable net price estimates for multiple institutions of higher education.

- Require the Department of Education to submit a report on the steps the Department has taken to raise awareness of NPCs among prospective students and families, particularly those in high school and middle school, and students from low-income families.

Senators Franken and Grassley have worked together to tackle college affordability for some time. In addition to the *Net Price Calculator Improvement Act*, the two also have a bill the *Understanding the Trust Cost of College Act*—that would create a universal financial aid award form.

A similar version of the *Net Price Calculator Improvement Act* was earlier introduced in the House by Rep. Elijah Cummings (D-Md.). A summary of the legislation from the offices of Sens. Franken and Grassley is available online:

<http://www.franken.senate.gov/files/documents/140501NetPriceCalculator.pdf>

## **White House & Administration**

### **Latest Perkins Loan Orange Book Released**

The Orange Book for Perkins Loans for the 2012-2013 academic year has been released. The report offers the rates at the state and institutional level. It also reports a national Perkins Loan cohort default rate of 11.23 percent, which is slightly higher than the CDR for the Stafford Loan programs. However, the rates are calculated in a different fashion, and the borrower pools are quite different, so an “apples to apples” comparison of default rates is not possible.

Here is how FSA describe the Orange Book in its announcement: “The Federal Perkins Loan Program Status of Default as of June 30, 2013, known as the Orange Book, is a report that lists each school that participated in the Federal Perkins Loan (Perkins Loan) Program during the 2012-2013 Award Year and provides a cohort default rate for each school. This report is based on data submitted by schools in the Fiscal Operations Report for 2012-2013 and Application to Participate for 2014-2015 (FISAP).”

Additional information on the Perkins Loan Orange Book is available online:

<http://www.ifap.ed.gov/perkinscdrguide/1213PerkinsCDR.html>

### **Federal Student Loan Interest Rates to Rise But Stay Lower Than Projections**

The interest rates for Stafford and PLUS loans were set this week by the 10 year Treasury rate on May 7. These rates are effective for loans disbursed from July 1, 2014-June 30, 2015, though the recently proposed refinance legislation would use the rates from 2013-2014 (see related article).

The rate was among the lowest daily rates of the year, but will still result in an increase of 80 basis points over last year’s federal loans. However, the increase was about 40 basis points less than expected by the Congressional Budget Office (CBO), the Office of Management and Budget (OMB), and other forecasters.

A table of last year’s rates and this year’s rates from *Inside Higher Ed* is included below:

	<b>Current-Year Rate</b> <i>(2013-2014 AY)</i>	<b>New Rate</b> <i>(2014-2015 AY)</i>
<b>Undergraduate Direct Loans</b> (Subsidized & Unsubsidized)	3.86%	4.66%
<b>Graduate Direct Loans</b>	5.41%	6.21%
<b>Direct PLUS Loans</b> (Grad PLUS & Parent PLUS)	6.41%	7.21%

For the full article from *Inside Higher Ed*, see:

<http://www.insidehighered.com/quicktakes/2014/05/08/interest-rates-federal-student-loans-set-rise#ixzz319S5y89N>

## Industry

### **ACA Highlights Importance of Collections to Governments in Updated TCPA Comments**

In updated comments related to its petition before the Federal Communications Commission on updating the Telephone Consumer Protection Act (TCPA), ACA International recently highlighted the importance of the collection industry to federal, state, and local governments. The letter noted President Obama’s call for the use of automated dialers for the collection of federal government debts and the anticipated budgetary savings.

*InsideARM* offers the following summary of the ACA requests in their petition:

- *Confirm that not all predictive dialers are categorically automatic telephone dialing systems.*
- *Clarify that “capacity” under the TCPA means present ability.*
- *Declare that prior express consent attaches to the person who incurs a debt, not only the specific telephone number the debtor provides at the time of consent.*
- *Create a safe harbor for autodialed “wrong number” non-telemarketing calls to wireless numbers.*

COHEAO has filed briefs with the FCC in support of the ACA petition and others like it regarding the use of predictive dialers to call cell phones. Updating TCPA is an issue that impacts numerous campus operations outside of collections.

If you are interested in a copy of COHEAO’s recent filings with the FCC, please email [whuffman@wpllc.net](mailto:whuffman@wpllc.net).

### **AEI Report Suggests Problems with Parent PLUS Loans**

The American Enterprise Institute released a report on Parent PLUS Loans. The report, released from AEI’s new Center for Higher Education Reform, calls for improved data on the program.

It also reviews the available data and asserts loans are going to many low-income families who are unlikely to be able to repay them. The report also suggests PLUS Loans may preclude low-income students from enrolling in more selective institutions.

A short excerpt from the report on the lack of data is included below.

*“ . . . much of the debate around Parent PLUS has taken place in the absence of empirical data about the program. Simply put, Parent PLUS has been grossly understudied as a financial aid tool, in large part because data are lacking on the characteristics of PLUS borrowers and the schools they attend. Critical questions remain: what exactly are students gaining access to with these loans? Where is this loan money going? Which families are taking out Parent PLUS loans? Combining several existing federal datasets, this report seeks to fill in some of these information gaps and advance our understanding of the Parent PLUS Loan program.”*

The Parent PLUS Loan Program has critics from both sides of the aisle. Negotiators are currently negotiating regulations that will affect who can obtain PLUS Loans under current law, and changes to the program are likely to receive serious consideration during HEA reauthorization.

The full report is available online: [http://www.aei.org/files/2014/04/30/-access-to-what-and-for-whom-a-closer-look-at-federal-parent-plus-loans\\_09253030784.pdf](http://www.aei.org/files/2014/04/30/-access-to-what-and-for-whom-a-closer-look-at-federal-parent-plus-loans_09253030784.pdf)

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Enterprise Recovery Systems, Inc.	Xerox, Inc.
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## HEARING BRIEF

### HOUSE EDUCATION AND THE WORKFORCE HEARING ON THE FY 2015 BUDGET FOR THE DEPARTMENT OF EDUCATION

Prepared by:

Ellin Nolan ([enolan@wpllc.net](mailto:enolan@wpllc.net))

April 29, 2014

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On Tuesday, April 29, the House Education and the Workforce Committee held a hearing titled, “Reviewing the President’s Fiscal Year 2015 Budget Proposal for the Department of Education.” The hearing provided members an opportunity to publicly respond to the Administration’s Department of Education (ED) budget request and ask Secretary of Education Arne Duncan questions about the proposals and the Administration’s priorities for education policy.

#### MEMBERS PRESENT

Chairman John Kline (R-MN); Ranking Member George Miller (D-CA); Representatives Thomas Petri (R-WI); Virginia Foxx (R-NC); Glenn Thompson (R-PA); Tim Walberg (R-MI); Phil Roe (R-TN); Todd Rokita (R-IN); Brett Guthrie (R-KY); Luke Messer (R-IN); Matt Salmon (R-AZ); Trey Gowdy (R-SC); Ruben Hinojosa (D-TX); John Tierney (D-MA); Rush Holt (D-NJ); Susan Davis (D-CA); Raul Grijalva (D-AZ); Timothy Bishop (D-NY); Joe Courtney (D-CT); Marcia Fudge (D-OH); Jared Polis (D-CO); Suzanne Bonamici (D-OR); Mark Takono; and Mark Pocan (D-WI).

#### WITNESSES

- The Honorable Arne Duncan, U.S. Secretary of the Department of Education

#### OPENING REMARKS

Chairman Kline opened the hearing by welcoming the Secretary and then immediately questioning a budget that prioritized funding for new programs rather than investing in proven initiatives, and more importantly, adds to the federal deficit. Kline also asked the Secretary to cooperate with the Committee in their effort to reauthorize the *Elementary and Secondary Education Act* and end the waiver process. He then questioned the Secretary about the length of time it takes the agency to respond in writing to questions from the Committee. In response, Secretary Duncan apologized and pledged to get future responses to the Chairman in a timely fashion.

Ranking Member Miller similarly welcomed the Secretary and then stated that Democrats and Republicans have two very different visions for budgeting when it comes to education. Democrats support increasing federal investments while Republicans would rather impose draconian cuts on the education budget. He called Republicans the party of NO versus the Democratic President who wants to

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close the achievement gap by making sure there is equitable funding for all students to prepare them for college and careers. He went on to praise schools across the country for undertaking massive transformation; adopting new assessments that truly measure success; experimenting with new instructional techniques; and expanding preschool investments. The role of government, according to Miller is to support these efforts, not cut them off at their knees. Miller said the role of the Committee is to stop passing bills that the President will never sign and say yes to programs that improve lives. Miller acknowledged that recent consideration of the reauthorization of the *Education Sciences Reform Act* and the *Success and Opportunity through Quality Charter Schools Act* are positive developments. He commended Duncan on recent activities of the Department, including the report on disciplinary practices; supporting students with disabilities; ongoing efforts to make sure colleges prepare students and addressing the troubling issue of sexual assaults; and the push for early education. He urged the Secretary to keep a laser like focus on renewal of waivers and hold the line when states dilute the hard work of closing the achievement gap.

## **WITNESS STATEMENTS**

### **Secretary Arne Duncan**

Secretary Duncan characterized education in the nation as “a good news, bad news story.” He quickly thanked the Members for the FY 2014 increase in funding for education and pointed to the 80% graduation rate for 2013 as the good news part of the story, along with higher enrollment of Latino and African American students in higher education.

He then turned to the bad news, beginning with the unacceptable opportunity gaps that exist across the country for low-income and minority students. He noted that our international competitors are spending more on education and doing better while we are spending less and falling further behind. In a knowledge based economy this will have a dire effect on our financial stability that we can ill afford. Duncan urged a return to the historical bi-partisan commitment to education.

Duncan said the Obama budget would increase investments needed to close achievement gaps. The U.S. is currently 25<sup>th</sup> in the world in enrollment in pre-school. This causes a huge gap in school readiness that many children can never close. Duncan described support for increased funding for early education as a bi-partisan issue everywhere except in the Congress. According to Duncan, every dollar spent on early education provides \$7 dollars in return, a return on investment endorsed by business, military and law enforcement leaders as well as 31 governors.

He expressed concern for English language learners, African American students and students with disabilities who don't get the same access to rigorous courses to prepare them for college. As a result, they waste limited Pell grants on remediation and never earn a degree.

Duncan called access to high speed broadband similarly inadequate, adding that two thirds of teachers wish they had more access to technology. Asian countries in particular take this issue more seriously. While 20% of U.S. students have access to broadband, 100% in South Korea have this benefit.

Closing opportunity gaps, according to Duncan, is the overarching goal of the Administration's budget for 2015. In sharp contrast, the Ryan Budget adopted by the House would cut education funding by 15% in 2015. He ended his statement with words of high praise for retiring Ranking Member Miller.

## MEMBER QUESTIONS

**Chairman Kline** defended the Ryan budget for eliminating the deficit at the end of 10 years, while the Obama budget continues to add to the deficit. He insisted that the Ryan budget protects special education funding which is an issue with broad bi-partisan support. He asked why there was no increase in IDEA in the FY 2015 budget? Duncan said in fact the Individuals with Disabilities Education Act (IDEA) had received a \$12 billion increase several years earlier as part of the stimulus bill and there was an \$100 million increase proposed for FY 2015. This led to a tense back and forth between the Chairman and the Secretary about the effectiveness of a one-time infusion of funding, that Kline had opposed, versus a constant increase in the base formula. That argument continued with the questioning by several other Members on both sides of the aisle, with Democrats accusing Republicans of giving lip service to full funding of IDEA but voting against any bill that actually provided real money.

Kline then brought up the issue of waivers and asked why the Secretary cancelled the waiver for Washington and approved the waiver for Illinois when he saw little difference in the concerns. Duncan responded that Washington had not acted in good faith in terms of their commitments made under the waiver. Again, many Republican and Democratic Members brought up the issue of waivers, expressing a variety of concerns.

**Ranking Member Miller** questioned the Secretary about equity issues, his top concern, under the waiver scenario. Duncan said the overall goal of the budget was to assure equity by improving funding for a long list of programs.

**Representative Petri** turned the discussion to student borrowing and the high rate of defaults. He urged consideration of his bill that would streamline the system, assuring access to income contingent repayment through payroll deductions and forgiveness after 20 years of repayment. He decried overly generous repayment programs as encouraging too much borrowing, particularly by graduate students. Instead, students should be rewarded for prudent borrowing. His bill would accomplish this goal.

Duncan said he shares Mr. Petri's concern about high levels of debt and default. A major goal for the Department right now is greater transparency about aid programs for students and their families. He also noted that though for-profit colleges are not all bad many take advantage of vulnerable students. The college rating system under development is looking at access, affordability and outcomes and will address some of these concerns. Duncan said that while the federal role is big in terms of support for higher education, states have a responsibility here as well. Similarly, he called on higher education institutions to put technology to better use and find other ways to reduce costs.

**Representative Holt** praised the funding for state longitudinal data systems as critically important. He also said he wanted to see expansion of the TEACH grants and asked for more attention to programs supporting international education. He then asked how the President's proposal for universal Pre-K would interface with Head Start early learning programs. Duncan said the Department has worked in partnership with the Department of Health and Human Services (HHS) since the beginning on issues from birth through 12<sup>th</sup> grade and will continue to do so.

**Representative Foxx** asked about the college rating system and said she appreciated the fact that Duncan had sought feedback from colleges and universities. She suggested that rather than the rating

system, the Department take the information that they already collect and make it more user friendly for families and students.

Duncan said that is not the goal. In North Carolina for instance, some schools have 95% grad rates versus some with 12 percent grad rates. The Department makes \$50 billion in grants and loans to schools all based on inputs, not outcomes. What is needed is accountability for all this funding in terms of what happens to students once they arrive on campus. Given that the overall investment in higher education is \$150 billion annually, he wants to see these funds go to the colleges that take completion seriously.

In response to a question from **Representative Grijavla** about charter schools depleting funds for public schools, Duncan said he supports high quality charters that serve a proportionate share of English language learners, students with disabilities and African American students.

**Representative Roe** turned the topic back to the early education initiative and asked why the Administration just did not invest more in Head Start. Duncan said the need was too great to simply increase Head Start. He wants all waiting lists eliminated.

**Representative Bishop** echoed many other Democratic Members by criticizing the Ryan budget for reducing support for higher education by eliminating provisions such as in-school interest subsidies. Duncan noted that the U.S. is now 12<sup>th</sup> in the world in college graduation rates. This needs to change. There can be disagreements on how to improve this but reducing access, reducing affordability and increasing costs is the wrong path to take.

**Representative Fudge** asked about the increased focus on competitive rather than formula grant programs. Duncan said in fact the vast majority of funds go to formulas, and he does all he can to assure fair distribution of competitive funding.

**Representatives Guthrie, Thompson and Davis** asked about funding for career and technical education (CTE) and urged greater support for these programs. Duncan said he supports CTE programs that prepare young people for jobs for tomorrow, not yesterday. While some programs do this, too many do not.

**Representative Polis** praised the ConnectEDucator initiative and asked for assurance that it will give teachers the tools they need to use technology effectively. Duncan noted that technology has changed everything with the single exception of education.

**Representative Bonamici** asked about the \$170 million for STEM education and asked if it would include support for schools that have included the arts in these initiatives. She also noted the importance of financial literacy and funding for 21<sup>st</sup> Century Learning Centers.

**Representative Salmon** asked about gainful employment regulations and asked if the Secretary would support applying these to all institutions and all disciplines, not just for-profit colleges. Duncan said he would get back to him on the details.

**Representative Hinojosa** asked about financial support for Hispanic Serving Institutions (HSIs), Historically Black Colleges and Universities (HBCUs), Minority Serving Institutions (MSIs), Gear Up and TRIO funding that has declined in recent years while the Department has proposed new programs. Duncan said these new initiatives represent a decision to strategically invest more in outcomes rather than access.

**Representative Roikita** said he had visited an Indian Reservation over the recess and was very concerned about the lack of resources for Bureau of Indian Affairs schools and asked about the Administration's commit to these school and to Tribal Colleges. Duncan acknowledged the travesty of limited government support for Indian schools of all types. He said he was deeply concerned about poverty on Indian land and had appointed someone from his office to work with the Bureau of Indian Education on these issues.

Other issues raised by Members included a question about high school redesign and early college high school from **Representative Takano**. Duncan expressed strong interest in both and a belief that though graduation rates have improved we still need to address the 20% that drop out.

**Representative Pocan** asked about the impact of vouchers on the issue of disparity between white and African American students. Duncan said the government should help make all schools great. The diversion of public funds to private schools works against this concept.

**Representative Davis** asked about the Department's support for social and emotional learning which is so critical to academic success. Duncan said he was in total agreement and that he hoped to release \$15 million for more research on this topic very soon.

**Representative Scott** asked how much money the government makes on the student loan program, suggesting a figure of \$10 billion annually. Duncan said a recent GAO study said it was impossible to predict, but the Congress had recently reset the interest rates. Scott asked about resource officers in school and whether or not they help or hurt to address discipline concerns. Duncan said well trained resource officers, social workers and counselors can all help to improve school discipline, proper training being the key. Scott's final question was about the impact of the elimination of summer Pell Grants on college completion rates. Duncan said the elimination of those grants was a cost decision that had resulted in millions more students receiving Pell Grants during the year.

## **CONCLUSION & ADDITIONAL INFO**

**Chairman Kline** thanked the Secretary for his time, added a few more "details" about Republican versus Democratic support for IDEA funding, asked for the Secretary's help urging the Senate to take up the *Success and Opportunity through Quality Charter Schools Act* and adjourned the hearing.

For more information about the hearing with written testimony and an archived webcast, go to: <http://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=376999>.



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HEARING BRIEF

**SENATE APPROPRIATIONS SUBCOMMITTEE ON LHHS HOLDS HEARING ON THE  
FY 2015 BUDGET FOR THE DEPARTMENT OF EDUCATION**

*Prepared by:*

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April 30, 2014

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On Wednesday, April 30, the Senate Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies (LHHS) held a hearing on the Fiscal Year 2015 Department of Education (ED) Budget. The hearing provided Members an opportunity to publicly respond to the Administration's budget request for ED and ask Secretary of Education Arne Duncan questions about the proposals and the Administration's priorities for education policy.

**MEMBERS PRESENT**

Chairman Tom Harkin (D-IA); Ranking Member Jerry Moran (R-KS); Senators Mary Landrieu (D-LA); Jeff Merkley (D-OR); Lamar Alexander (R-TN); and Mark Kirk (R-IL).

**WITNESSES**

- The Honorable Arne Duncan, U.S. Secretary of the Department of Education

**OPENING REMARKS**

**Chairman Harkin** extended a warm welcome to Secretary Duncan and commended the President's budget proposal for increasing ED's budget in FY 2015 by \$1.3 million noting that the increase was the second largest of any federal agency, only behind the Department of Veterans Affairs. Harkin then denounced the cuts to non-defense discretionary spending that would occur under Representative Paul Ryan's (R-WI) budget proposal and mentioned that the *Bipartisan Budget Act* was a "good start" for continuing important investments in education.

**Ranking Member Moran** began his remarks by acknowledging that early childhood education is essential to bettering our students and society. He then mentioned his disapproval of ED proposing new programs before fixing current programs and of competitive grants that tend to discourage those populations that need the most help from applying for much needed funding.

**WITNESS STATEMENTS**

Wednesday's Senate hearing was Secretary Duncan's second time—in one week—on Capitol Hill defending the President's FY 2015 budget for ED. His testimony mirrored his remarks a day before at

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the House Education and the Workforce Committee hearing on the FY 2015 budget for ED; however, the Senate hearing was less contentious than the one in the House due to Chairman Harkin's support of a majority of ED's initiatives.

## MEMBER QUESTIONS

**Chairman Harkin** began by acknowledging the bipartisan and bicameral support for pre-k programs. He then asked Secretary Duncan why ED decided to request \$100 million to support new Results Driven Accountability Incentive grants over adding more money to the Individuals with Disabilities Education Act (IDEA) formula grants. Duncan responded that too often our schools focus on compliance and checking a box when they should be looking at outcomes. Harkin also asked how the \$100 million in First in the World (FITW) grants would be used. Duncan stated that FITW grants would help college become more affordable for the average student, which is an ongoing struggle for many families due to the annual increases in college tuition.

**Ranking Member Moran** started off by asking if ED's college rating system would discourage students from pursuing higher education and if ED plans to continue developing the rating system regardless of Congress's decision to appropriate funds towards the initiative. Duncan stated that the rating system is being created to encourage more first generation students to attend an institution of higher education and for use as a tool for all students to make better decision about what college they attend. Duncan also mentioned that ED would greatly appreciate funding for the rating system, but regardless of Congressional funding, ED plans to implement the college rating system in the near future.

**Senator Alexander** expressed his dislike with the Department's *Elementary and Secondary Education Act* flexibility waivers, calling them a game of "Mother may I," and denounced ED's federal role in education policy likening it to a national school board. Duncan responded that ED has not overstepped its legal boundaries by asking states to develop standards and that ED "has never and will never touch curriculum" while trying to improve education for all students.

**Senator Landrieu** asked Secretary Duncan to provide evidence as to why ED has flat funded public charter schools—that have continuously proven to be models for improving failing schools—but continues to fund School Improvement Grants (SIG) which have not shown the same successes. Duncan noted that SIGs are only offered to the lowest 5 percent of failing schools to turn them around, which has partially been responsible for the record high graduation rates of high school students (80 percent) nationwide.

**Senators Merkley and Moran** expressed their views that rural communities face great disadvantages when applying for competitive grants. Duncan reiterated that 89 percent of ED's grants are formula based, leaving 11 percent of grants that are competitive. Duncan also noted that ED works very hard to make sure that no districts are at a disadvantage by focusing on high need areas to award grants to with the hopes of developing best practices from those grantees, especially for rural districts that have received their fair share of competitive grants. Senator Merkley also asked Duncan and ED to look into developing "Pay it Forward" grants to make college more affordable for the average person which Duncan agreed to look into.

**Senator Kirk** asked Duncan if he publicly supports his and Senator Cory Booker's (D-NJ) bill (S.2029) to expand year-round education which Duncan acknowledged stating that he believes extended school days and school years are important.

#### **CONCLUSION & ADDITIONAL INFO**

Chairman Harkin thanked Secretary Duncan for his great leadership in education and ended the hearing. For more information about the hearing with written testimony and an archived webcast, go to: <http://www.appropriations.senate.gov/hearings-and-testimony/lhhs-subcommittee-fy15-department-education-budget>.



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## HEARING BRIEF

### SENATE BUDGET COMMITTEE HOLDS HEARING ON THE FY 2015 BUDGET FOR THE DEPARTMENT OF EDUCATION

Prepared by:

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May 6, 2014

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On Tuesday, May 6, Secretary of Education Arne Duncan appeared before the Senate Budget Committee to defend President Obama's FY 2015 spending plan for the Department of Education (ED). This was Secretary Duncan's fourth visit to Capitol Hill to defend ED's FY 15 budget.

#### MEMBERS PRESENT

Chairwoman Patty Murray (D-WA); Ranking Member Jeff Sessions (R-AL); Senators Sheldon Whitehouse (D-RI); Roger Wicker (R-MS); and Chuck Grassley (R-IA).

#### WITNESSES

- The Honorable Arne Duncan, U.S. Secretary of the Department of Education

#### OPENING REMARKS

**Chairwoman Murray** praised both the Secretary and the budget plan in her opening statement, noting that at a time when college is becoming unaffordable, K-12 schools are struggling, adults are in need of far better job training assistance and our allies around the world are increasing their investment in education, the United States is falling behind. The achievement gap that exists for low-income and minority students creates an education deficit that they can never fill, according to Murray. Murray expressed disappointment in the cancellation of the No Child Left Behind (NCLB) waiver for the state of Washington and urged the Secretary to find common ground with the state as quickly as possible.

**Ranking Member Sessions** praised the progress made in Alabama to improve reading and math scores by improving instruction, not by allocating more funding. According to Sessions, more money does not improve learning. Sessions was highly critical of the President for proposing increased funding for ED, in particular the \$50 billion special fund that Sessions insisted will not be approved. Given that the interest payment on the national debt approaches \$850 billion annually, Sessions said, the best way to find more funding for education would be to pay off that debt or cut discretionary spending from other agencies.

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## WITNESS STATEMENT

Secretary Duncan repeated his previous testimony, saying, in summary, that the education budget is aimed at closing achievement gaps, from birth through career. While U.S. student performance has been at a standstill, our competitors have been increasing their education spending and surpassing us at all levels. The U.S. is now 25<sup>th</sup> in enrollments in early education; 12<sup>th</sup> in college graduation; and in the middle of the pack in reading and math achievement.

## MEMBER QUESTIONS

**Chairwoman Murray** questioned the Secretary about a recent investigation into Sallie Mae regarding charging active military servicemen and women higher interest rates than is legal on student loans. She urged the Secretary to cancel a lucrative contract with Sallie Mae—that he recently signed—if the allegations prove true. Duncan said he was aware of the investigation and would keep her informed about its progress.

**Senator Grassley** asked the Secretary what he intended to do to help those states—like Iowa—that were not granted NCLB flexibility waivers when they fail to meet the 2014 proficiency deadline. Duncan said he has a strong working relationship with Iowa and the majority of other states, and the Department will remain vigilant about the support it offers. Grassley also asked if the states that dropped out of the Common Core State Standards would be allowed to turn to universities to affirm that they had implemented college and career ready standards. Secretary Duncan confirmed that possibility.

**Senator Whitehouse** said he had heard from a wide array of concerned educators and other school reform advocates in Rhode Island about the regulatory pressures on teachers and classrooms that were interfering with their ability to teach. He asked what Duncan was doing to address this concern. Duncan acknowledged that schools are hit by federal, state and district requirements that can be overwhelming and are often duplicative and unnecessary. He described ways the Department was attempting to streamline and otherwise modify their interactions with states to address this very real concern.

**Senator Wicker** questioned the Secretary about the recently released gainful employment regulations and asked why they did not apply to all degrees from all institutions, not just for-profit and community colleges. Wicker suggested that this was discriminatory against a sector that served as “a gateway to the middle class” for many students. Duncan replied that the intent of the regulations is to make sure all schools that purport to prepare students for the workplace actually do so and do not overburden vulnerable individuals with debt and no benefits. He said the comment period on the regulations is ongoing and the Department is sincerely looking for suggestions on how to help them achieve this goal.

Wicker also asked why ED was proposing a new federal early education program when 45 programs are already in existence. Duncan asked Wicker to look at this issue in terms of unmet need. If only a small percentage of students in Mississippi have access to early education programs then new investments are critical. The program is very popular with governors and

State Chiefs, according to Duncan, and participation is not mandatory. Those who want the funds can apply and design programs that best meet their state needs, Duncan said.

**Ranking Member Sessions** turned again to the topic of the federal debt and argued against the suggestion by the Secretary that the Congress in recent years had starved the education budget, noting the 15 percent increase in funding since President Obama took office. At that point the hearing was adjourned for a vote on the Senate floor.

#### **CONCLUSION & ADDITIONAL INFO**

For more information about the hearing with written testimony and an archived webcast, go to: <http://www.budget.senate.gov/democratic/public/index.cfm/hearings?ID=a5324924-7f2a-48ec-9520-e844b6739599>.