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February 13, 2018

The Honorable Lamar Alexander
Chairman
U. S. Senate Committee on Health,
Education, Labor and Pensions
428 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Chairman Alexander:

On behalf of the ten campuses of the University of California (UC), representing nearly 274,000 students, more than 218,000 faculty, staff, and other academics, and almost two million living alumni, thank you for your and Senator Murray's leadership in working toward drafting bipartisan legislation to reauthorize the Higher Education Act (HEA). Federal investment in higher education allows students of all socio-economic backgrounds to train to become the next generation of teachers, entrepreneurs, medical professionals, and scholars. The University continues to be an excellent steward of federal and state investments, and we welcome the opportunity to improve institutional accountability in higher education.

I appreciate the opportunity to share UC's perspectives in response to your recently released White Paper on Accountability in Higher Education. The University's comments are outlined below. Additionally, I would like to share with you the priorities UC would like to see addressed in the reauthorization of the HEA, as well as UC's analysis of the House Committee on Education and the Workforce's PROSPER Act. Both documents are enclosed with this letter.

Cohort Default Rates:

UC believes that maintaining robust federal guardrails on the $123 billion of federal financial aid is important to ensure that programs continue to support future generations of students. Although cohort default rate review/enforcement/analysis has not produced the results the Senate Committee on Health, Education, Labor and Pensions desired, we recommend modifying rather than abandoning these parameters to ensure the U.S. Department of Education uses its authority to sanction schools that are not delivering an effective education relative to debt burdens their students accrue. In 2012, California declared that schools with default rates above 15.5 percent over three years, and graduation rates below 30 percent, would no longer be eligible to participate in the Cal Grant, a state-funded financial aid program for California residents attending a qualifying California institution of higher education, meeting grade point average and income limits. Under these eligibility requirements, 154 schools had their Cal Grant eligibility rescinded; these schools were mostly for-profit institutions. Holding institutions accountable to a more stringent standard ensures that state funds are targeted to students attending colleges and universities that provide a high-quality education to low-income Californians.

As you consider shifting from a cohort default rate to a loan repayment rate as the basis for establishing Title IV eligibility, I would caution that counting in-school deferments against an institution would be unfair. Graduate students with temporary deferments are more likely to yield higher lifetime earnings and less likely to default on student loans. Even more concerning would be a shift to considering program-level loan repayment rates, as this policy would be extremely difficult to measure. Every program at each institution independently defines curricula and requirements for completion differently – no two programs at two schools are the same. UC prides itself on offering a diversity of programs of study that are open to students from diverse backgrounds. UC is concerned that adopting this policy would limit access for low-income students who want to study social work or teaching, for example. While these career paths may often lead to lower pay, they provide a valuable public good.

90/10:

UC does not receive more than 90 percent of its revenue from Title IV funding, nor is it a financially sound practice for any institution to rely so heavily on federal financial aid funding. The 90/10 policy is a useful measure for identifying institutions that view students as exhaustible pools of federal funding instead of as future members of our educated workforce contributing to the public good. To minimize such behavior, UC supports moving to an 85/15 threshold. This improvement will have far-reaching positive impact, protect students, expand opportunities for educational success, and more effectively target federal aid dollars. Institutions of higher education are incubators of innovation, and the research and work conducted at universities has led to scientific achievements and the founding of Fortune 500 companies. Institutions of higher education should continue to be places where research and innovation occurs, but they should not profit from federal dollars.

Gainful Employment:

It is unfortunate that the current administration did not choose to carry out the gainful employment rules developed to improve institutional accountability, and is instead going through the process of negotiated rulemaking. UC believes that the gainful employment indicator is another useful measure in determining which institutions are predatory and have no intention of providing a degree or credential that will lead to productive, long-term career prospects.

Rewarding Good Stewardship:

For the vast majority of institutions of higher education, it is not difficult to meet the current accountability requirements. An interesting opportunity to more effectively manage Title IV funding would be to decrease regulatory and reporting requirements for institutions with long records of good stewardship of federal dollars, while exploring progressive penalties for institutions providing a poor return on federal investment. For example, schools with a cohort default rate of less than 15.5 percent could be deemed responsible stewards of federal aid dollars, limiting further reporting for a set number of years. Institutions exceeding the cohort default rate would incur certain penalties, and require an additional level of reporting, such as 85/15, gainful employment, reporting on programs of study, etc. Schools continuing to fail at each metric would incur increasingly severe penalties until they either return to satisfactory performance or are deemed ineligible to participate in Title IV. Special dispensation may be necessary for open access, nonprofit institutions with very limited borrowing, such as community colleges.

As you and your colleagues continue to work on a Senate HEA reauthorization proposal, UC urges you to continue to take a bipartisan approach in crafting the legislation and to consider the perspective of UC as outlined in this letter and the attached documents. If you have any questions on how policy changes you are considering may affect a large public institution like the University of California, please contact me or Crystal Martinez, the director for education for the UC system at crystal.martinez@ucdc.edu or 202-974-6308.

Yours very truly,

Janet Napolitano

Janet Napolitano
President

Enclosures

cc: U.S. Senator Patty Murray
U.S. Senator Dianne Feinstein
U.S. Senator Kamala D. Harris
Interim Associate Vice President Chris Harrington