August 2, 2013

The Honorable John Kline
Chairman
Committee on Education and the Workforce
2181 Rayburn House Office Building
Washington, DC 20515

The Honorable George Miller
Ranking Member
Committee on Education and the Workforce
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Kline and Ranking Member Miller:

I write to share my views on the upcoming reauthorization of the Higher Education Act (HEA). As a global leader in cooperative education, online experiential learning, and use-inspired research, Northeastern University is committed to working in partnership with the federal government to increase student access, promote innovation, and improve higher education outcomes.

As you know, a dramatic transformation of higher education is currently underway. Today, non-traditional students comprise the vast majority of all U.S. undergraduates. These students are demanding more options in how they access higher education, the cost and pace of higher education programs, and the ways in which they can gain recognition and credit for different types of skills and competencies.

In fact, a national public opinion survey commissioned last fall by Northeastern showed that an overwhelming majority of Americans are eager for experiential learning opportunities—particularly cooperative education—that integrate classroom and real-world learning. Moreover, students want institutions to help them develop entrepreneurial skills and provide them with a clear path to be successful in today’s competitive global labor market.

As you prepare to reauthorize the Higher Education Act, I encourage you to take stock of the many changes occurring in higher education today, and promote policies that acknowledge these important shifts. For example, policies to support successful learning methods, degree programs and delivery systems across more institutions could make a significant impact. This includes providing more flexibility in the Federal Work-Study program so that Work-Study funds can be used to support
students in jobs obtained through cooperative education programs, such as our hallmark program at Northeastern.

It is vital that Congress reaffirm the historic partnership between students, institutions, and the government that has helped fuel the nation’s economic growth by maintaining the federal investment in student financial aid. This includes continuing strong support for the Pell Grant and the Perkins Loan programs to assure that students can access and afford the higher education opportunities of their choice and develop the skills they need to compete in the global workforce.

Finally, I encourage you to take steps to recognize and support institutions with strong outcomes, such as high degree completion and post-graduate employment rates. Similarly, I hope Congress will reconsider existing policies and approaches that may inhibit the spread of innovation in higher education, such as the credit hour definition, state authorization rules, and certain accreditation policies.

Attached, please find several recommendations for the Committee’s consideration that are of particular interest to Northeastern. To assure that our higher education institutions can compete globally, I urge you to maintain a proper balance between necessary regulation and the freedom to innovate. With a strong federal partnership, we can strengthen and preserve America’s role as the world leader in higher education.

Thank you for the opportunity to offer these suggestions. I look forward to working with you in the months ahead to strengthen the HEA to benefit the next generation of learners.

Sincerely,

[Signature]

Joseph E. Aoun
President

c: The Honorable Virginia Foxx, Chairman, Subcommittee on Higher Education & Workforce Training
The Honorable Rubén Hinojosa, Ranking Member, Subcommittee on Higher Education & Workforce Training
The Honorable John Tierney, Member, Subcommittee on Higher Education & Workforce Training
Higher Education Act Reauthorization
Northeastern University’s Recommended Policy Changes

Simplifying and Improving the Student Aid and Loan Programs

Enabling Cooperative Education Within the Federal Work-Study Program
The Federal Work-Study (FWS) program currently provides $976 million annually to institutions to distribute to students with demonstrated financial need to work part-time (not exceeding 20 hours per week) while pursuing their studies. The Administration has proposed doubling this funding over the next five years.

While the FWS program authorizes institutions to support students working part-time in community service, public service, and in limited cases, private for-profit employment, the majority of FWS recipients work in jobs for the institutions themselves. Unfortunately, traditional FWS positions, while helping students defray costs and expenses, are often not closely related to students’ career goals and academic programs.

Institutions should be given additional flexibility to assist needy students in securing experiential learning opportunities that will not only help defray their costs and expenses, but will also enhance theoretical instruction, give students the skills and training they need to obtain post-college employment in their chosen field, and incent completion of their academic studies.

This can be accomplished by allowing FWS funds to be spent on students working full-time for up to 6 months as part of an approved cooperative education program, eliminating the FWS institutional cap on private sector employment, and raising the student earnings cap. By eliminating institutions’ required match for students working in start-ups and small early stage companies, Congress would encourage entrepreneurship and complement investment in science and technology innovation. Finally, allowing FWS funds to be used for up to 6 months of full-time work abroad would encourage global experiential learning. Please find attached (ATTACHMENT A) suggested provisions to provide additional flexibility in the FWS program.

Supporting and Strengthening the Perkins Loan Program
The Perkins Loan Program, which provides low cost loans to students with demonstrated financial need, is set to expire at the end of 2014. The Administration has proposed a major restructuring of Perkins to make it a more universal program and to serve an additional 3 million students.

Northeastern’s President, Joseph E. Aoun, immediate past chairman of the American Council on Education Board of Trustees, has been a leading higher education advocate to preserve Perkins. At the 2011 Perkins Loan Dialogue organized by Northeastern in Washington, the higher education community urged Congress and the Department of Education to preserve the Perkins Program’s flexibility for institutions and students and to retain as many of the current program’s features as possible, especially loan forgiveness and forbearance options which are important to our low-income students. Should the program end without action by
Congress, 500,000 students will be forced into private loans and over 1,800 colleges and universities nationwide will suffer substantial Perkins-related revenue losses.

Northeastern is a member of the Perkins Working Group, which urges Congress to retain the Perkins Program, particularly program features that promote persistence by allowing aid administrators to stretch what frequently amounts to the “last dollar” of aid to those most in need. The House version of the 2009 Student Aid and Fiscal Responsibility Act (Section 224 of H.R. 3221) included a proposal to expand Perkins to institutions that address access and affordability issues. We urge Congress to revisit that proposal and to include a “hold harmless” mechanism to ensure current Perkins institutions can continue to support the high-need student they serve. Please find attached (ATTACHMENT B) the Perkins Working Group’s reform proposal.

**Maintain Support for and Reinstate Flexibility in the Pell Grant**
The Pell program provides grants to high-need undergraduate students at more than 5,400 institutions nationwide, including nearly 3,000 students at Northeastern. Maintaining federal support for Pell, including preserving the provision indexing the maximum award to inflation, will ensure students can access and afford the higher education opportunities of their choice to help them develop the skills they need to be successful innovators in the global economy. We urge Congress to reconsider the recent elimination of “Summer Pell” by injecting flexibility into the awarding of grants to ensure every undergraduate student has access to the same maximum amount of grant aid over the course of their undergraduate career.

**Separating Cost from Campus-Based Aid Eligibility**
The Administration has proposed tying federal support for the campus-based aid programs to the efforts of institutions to keep tuition increases low and improve student access and outcomes. As you know, a provision of the 2008 Higher Education Opportunity Act (the Section 830 Low Tuition Incentive) would provide federal aid bonuses for such purposes, but no funding has been appropriated to implement the section.

Northeastern is committed to keeping tuition increases modest and to increasing financial aid. In fact, over the last six years, we have increased financial aid at more than double the rate of tuition and fees. While most major private universities are able to disburse financial aid funds from substantial endowments, our endowment covers just 4 percent of our grants and scholarships, compared to 23 percent for other research universities. We are concerned about the possible unintended consequences of a one-sized-fits-all approach that ignores the substantial institutional match colleges and universities have made through the campus-based programs to serve high need students.
Empowering Students as Consumers in Higher Education

Creating a Workable System of Tracking Graduate Employment & Student Outcomes
Student debt levels are at an all-time high, approaching an aggregate $1 trillion in outstanding loan debt nationwide. The average student loan debt is now $26,600 per borrower. Several proposals are currently pending in Congress to address student loan debt, including legislation to reduce student loan interest rates, revert to a variable rate structure for Stafford and PLUS loans, allow borrowers to refinance student loan debt, and require that borrowers be automatically enrolled in Income-Based Repayment plans.

In 2012, the Consumer Financial Protection Bureau developed the “shopping sheet” to provide clearer information on college costs and financial aid to prospective students. Some 700 institutions adopted the voluntary financial aid award letter, which requires information on net price and estimated monthly payments on loans included in a student’s project financial aid package. Additional schools have signed on to the VA’s “Principles of Excellence”—including Northeastern—which requires use of the shopping sheet. Earlier this year, the White House also released its “College Scorecard,” which provides students with information about a college’s affordability and value, including net price, graduation rate, loan default rates, and median borrowing.

Northeastern supports increased transparency. At the same time, we encourage Congress to enhance efforts to provide students and their families with a financial literacy toolkit that would address issues such as securing and managing loans, personal credit, and creating a budget. While the shopping sheet is helpful, it is limited in that not all institutions provide consistent information to prospective students. One recommendation of the Gates Foundation’s “Reimagining Student Aid” series that we share is to help reduce student debt by giving student aid administrators the authority to limit individual students’ excessive federal borrowing.

Finally, should it codify a modified College Scorecard within the next HEA, we urge Congress to define the Scorecard’s “Employment” metric to provide students and families with a more accurate reflection of an institution’s student outcomes and value. Such data is not currently available within the current Scorecard. We look forward to being a resource for Congress and the Administration as you work to create a reasonable and useful measure of student outcomes.

Increasing College Accessibility, Affordability, and Completion

Expanding Opportunities for Cooperative Education Programs
Section 830 of the Higher Education Opportunity Act of 2008 authorized the Department of Education to make grants to institutions to encourage development of cooperative education programs, or “work experience that will aid students in future career and enable such students to support themselves financially while in school.” The program includes an authorization of funding for existing co-op schools to expand their co-op programs. To date, Congress has not appropriated funds to implement the program. In light of sequestration, Congress should consider expanding the current Federal Work-Study Program, and utilizing
the existing FWS funding stream, as outlined above, to promote cooperative education programs.

Promoting Innovation to Improve Access and Delivery

Study of Cooperative Education
While broad support exists for cooperative education programs, no comprehensive study of their efficacy has been done to date. Given the focus in higher education today on outcomes, we urge Congress to include a provision in the next HEA reauthorization to direct the Department of Education’s Institute for Education Sciences to work with the National Academy of Sciences to conduct a rigorous, quantitative study evaluating the intellectual benefits and educational outcomes resulting from cooperative education programs. In addition, Congress should amend the Cooperative Education Programs authorization referenced above to allow funds to be spent by institutions to undertake deep assessments of the efficacy and impact of their own such programs.

Balancing the Need for Accountability With the Burden of Federal Requirements

Supporting Innovation and Streamlining the State Authorization Requirement
The Department of Education’s 2010 “Program Integrity” rules require distance education programs to get permission to operate from every state in which they enroll students. In 2012, the U.S. Court of Appeals for the District of Columbia invalidated this requirement on procedural grounds. However, the Department recently issued notice in the Federal Register that it plans to reissue a new state authorization regulation.

Northeastern was in the process of complying with the rule, prioritizing those states based on its recent graduate campus expansion and the number of students and faculty residing in any given state. To date, administrative compliance with the State Authorization rule alone has cost Northeastern nearly $1 million. We urge Congress to consider including a provision in HEA to prevent the Department from regulating in this area, as such a requirement diverts resources from student support and the educational mission, stifles innovation, and limits student access to programs in some states. An exemption for non-profits or to facilitate reciprocal regional state authorization agreements would be welcome.

Reconsidering the Definition of Credit Hour
The Department’s program integrity rules also provided minimum standards for a credit hour to determine eligibility and funding for student aid and to improve consistency among schools in quantifying student work. Legislation to overturn this regulation passed the House of Representatives in 2012, but died in the Senate.

Northeastern complies with the federal definition for undergraduate and graduate courses. However, the university has been working on developing a policy that governs credit hours assigned to online courses and courses that meet less than the standard 15-week term, particularly hybrid and online courses. A one-sized-fits-all definition of a credit hour impinges on the ability of the university to innovate and undermines the regional accreditation system. We are encouraged by the Department of Education’s decision to
invite colleges to seek federal approval for degree programs that do not rely on the credit hour, but use direct assessment, to measure student learning.

Protecting Academic Freedom in the Accreditation System
Many observers of higher education today maintain that the current accreditation system is broken. Outdated, too focused on inputs, and not focused enough on student outcomes and institutional value, are some of the charges leveled at accreditors. Others argue that accreditation is costly to institutions and does a poor job of responding to innovative programs, whether online or competency-based.

Nevertheless, voluntary accreditation has served higher education in the United States extremely well. While we urge accrediting organizations to be more transparent and to do a better job of focusing on student success and educational quality, we strongly oppose a federal takeover of accreditation, which could negatively impact academic freedom, innovation and quality.
Modernizing the Federal Work-Study Program

Incenting Completion & Ensuring Value

Background Narrative

The Administration has focused its efforts on college affordability and completion in part by proposing to distribute limited federal resources in the campus-based aid programs to institutions that provide the best value to students and families. One way to enhance the value of a college degree and to incent more students to persist to completion is by ensuring that the Federal Work-Study (FWS) Program provides students with experiential learning opportunities that are meaningfully aligned with students’ academic programs and career goals.

FWS currently provides $976 million annually to institutions to distribute to students with demonstrated financial need to work part-time (not exceeding 20 hours per week) while pursuing their studies. The Administration has proposed doubling this funding over the next five years.

While the program authorizes institutions to support students working part-time in community service, public service, and in limited cases, private for-profit employment, the majority of FWS recipients work in jobs for the institutions themselves. Unfortunately, these positions, while helping students defray costs and expenses, are often not closely related to students’ career goals and academic programs.

The demands of the 21st century global knowledge economy urgently require a repurposing and modernizing of the FWS program to enhance employment-oriented cooperative education and other service-learning programs with a record of results. Institutions should be given flexibility to assist needy students in securing experiential learning opportunities that will not only help defray their costs and expenses, but will also enhance theoretical instruction, give students the skills and training they need to obtain post-college employment in their chosen field, and incent completion of their academic studies. Permitting FWS to be used on a full-time basis will also relieve some of the pressures and negative educational outcomes students working part-time experience in juggling school and work.

The United States currently suffers a shortage of available talent to fill open positions in both middle-skills jobs and STEM fields. An expanded FWS program will help develop a pipeline of talent to meet employers’ needs for these positions. Additional flexibility to encourage entrepreneurial experiential learning would complement the Administration’s targeted investment in science and technology innovation, as well as create jobs and spur economic growth. Finally, in an increasingly interdependent world, the FWS program can provide opportunities to develop critical global perspectives and understanding for students who otherwise would not have the means to access them.
Policy Recommendations

1. Provide Access to Career-Aligned Employment by Incenting Cooperative Education
   a. Allow FWS funds to be spent to support students working full-time for up to 6 months as part of an approved cooperative education program in the public, non-profit or private sector, provided such program is aligned with students’ academic course of study
   b. Eliminate current cap on the percentage of FWS funds an institution can allocate to students who receive an offer of employment in private for-profit organizations
   c. Raise the student earnings cap and weekly hourly employment limit to accommodate a 6 month term of full-time co-op employment

2. Target Federal Investment in Entrepreneurship and Science and Technology Innovation
   a. Eliminate institutions’ required FWS match for students working full-time or part-time in start-ups or early stage companies less than 2 years old and less than 25 employees
   b. Eliminate requirement that institutions provide FICA employer-contribution

3. Provide Opportunities for Global Experiential Learning
   a. Allow institutions to allocate FWS funds to students working full-time abroad for up to 6 months as part of an approved cooperative education program
An Approach to College Affordability

President Obama has called on the federal government, states, and colleges to work together to address the college affordability challenge. In particular, the President wants to promote a student aid system that rewards cost-effective policies on campus, provides value for American families, and ensures students the solid education they need to compete in our global economy.

Devising a successful approach is not easy. The American higher education system is the envy of the world because of its quality and diversity. But the very factors that make the system so successful also make it particularly difficult to devise a federal strategy that rewards affordability and value without creating unintended consequences.

The structure of American higher education also makes federal policy development a particular challenge because all sectors -- public and private -- serve all income groups, reflecting a broad cross-section of the population. Federal student aid has done much to make this possible; as has aid to students from colleges, states and the private sector. In many cases published tuition bears little correlation to what families actually pay. An additional layer of complexity is the diversity of players setting tuition policies: state legislatures, private boards, local government, and colleges’ administrations. Past efforts at federal pricing initiatives have generated great controversy and met with failure.

The campus-based aid programs make colleges partners in federal efforts to provide need-based aid through required campus matching funds. By creating a supplement to Pell Grants (SEOG) and maintaining an additional student loan program (Perkins), the federal government has successfully leveraged millions of private dollars in need-based aid for low-income students. The President’s proposal to explore creating an even stronger partnership between the federal government and colleges through the campus-based student aid programs is intriguing.

In addition, the Federal Work Study program gives nearly 700,000 students annually a chance to help pay for college through work both on and off campus. In turn, countless studies have shown that jobs on campus are a critical retention tool, in that students who work on campus are much more likely to persist to degree completion. In general, colleges that participate in campus-based aid programs, have better success rates than those that don’t.

In 2009, a prototype for restructuring the Perkins Loan Program was proposed as part of the Student Aid and Fiscal Responsibility Act (SAFRA), passing the House of Representatives that September. Although Senate rules precluded the program from being adopted when the final bill passed, the Perkins proposal offers an excellent framework for structuring the Administration’s new affordability goals without triggering the historical opposition to price controls. The Perkins Program’s excellent repayment rate means an expanded program could raise federal revenues while helping students avoid more expensive private loans. Finally, a substantial infusion of new federal funds, after a lack of federal funding for Perkins during the past decade, means that a new formula could be tested without threatening to displace an existing pipeline of student aid. The following proposal illustrates how the SAFRA proposals on Perkins might further the President’s goals on college affordability and value.
Aligning the SAFRA Reform of Perkins Loans with the President’s Goals on Affordability and Value in Higher Education

The Affordability Incentive: SAFRA proposed that 25 percent of new Perkins funding would be based upon a net-price or low-tuition incentive:

✓ Currently, Perkins determines unmet need by considering the actual cost of attendance of an institution.

✓ Under SAFRA, a portion of unmet need under Perkins was to be determined by the average tuition and fees of the sector plus the amount by which the non-federal grant aid provided by the school to needy students drives those students below the average tuition and fees for the sector. Therefore:
  o An institution that charged below the sector’s average would get “credit” for the gap in pricing; and
  o An institution that gave aid to Pell students would get “credit” for the gap between the amount students are charged and the sector average.

The Value Incentive: SAFRA proposed that 25 percent of new Perkins funding would be based upon the institution’s success with Pell students:

✓ Currently, Perkins considers the unmet need of all students in determining an institution’s eligibility for Perkins.

✓ Under SAFRA, a portion of the formula was to be based upon the number of Pell Grant recipients receiving a degree from an institution, compared to the total number of Pell Grant recipients receiving a degree at all institutions nationwide.

✓ We would also support reinstatement of a lower default rate cut-off for Perkins loans, to ensure evidence of borrower ability to manage additional loans.

Further Conversation: When the Perkins conversation moved to the Senate, several other variations of these affordability and value factors were considered. However, the House SAFRA bill continues to present an excellent framework for a collaborative, rather than confrontational, approach to the affordability conversation – an approach that would protect institutions that have made substantial investments of their own resources to existing programs while also benefiting students by offering alternatives to the more expensive private label loan programs.