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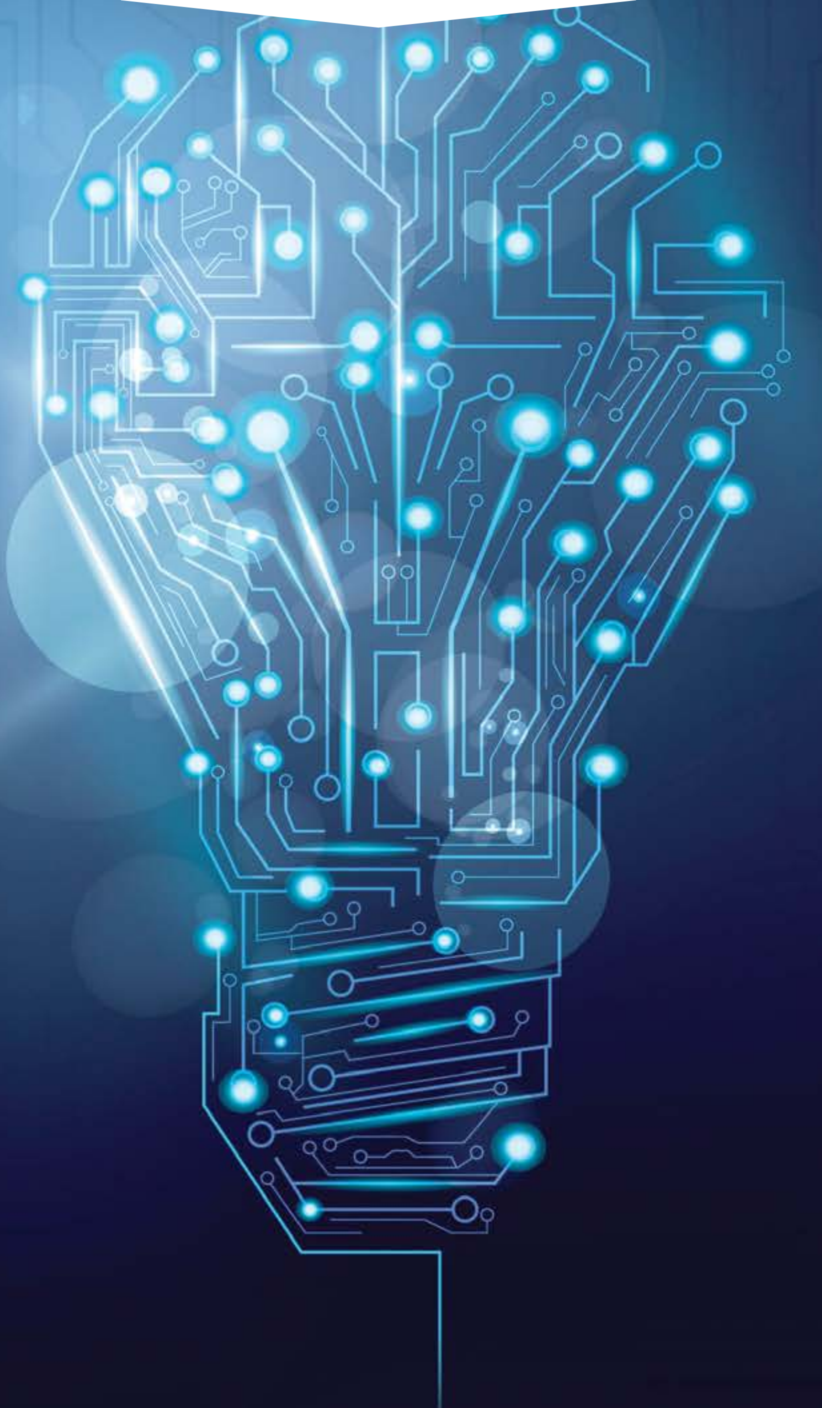
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS



NASFAA TASK FORCE REPORT

MODERNIZING TITLE IV AID TO ENCOURAGE AND ACCOMMODATE INNOVATION IN HIGHER EDUCATION

Emily Garcia, a dean's list biomedical engineering student in her junior year at Springfield State, was struggling in her biosignals and analysis course. She was spending more time in setting up her analytical models than in conducting the analysis itself. She felt that if she could strengthen her data modeling techniques, she could improve her performance in the class. Springfield State offered an application in computational approaches course in its bioinformatics program. Since the program, and those courses, are a part of a competency-based (direct assessment) program Emily thought it would allow her to move through it at an accelerated pace and support her studies for this term. However, when Emily pursued this option with her advisor, she found out that she would not be able to use financial aid to enroll in the direct assessment course because federal regulations only permit financial aid for direct assessment if the entire program is offered via direct assessment and she only wanted to enroll in a single direct assessment course. Emily also looked at a similar course being offered by Red Rocks Coding Academy, a non-traditional education provider, but was thwarted again when financial aid rules and the school's policy related to consortium agreements meant the only solution to funding that course was a very expensive private loan.

Introduction

Education has been an evolving enterprise since Plato first sat at Socrates' feet. What sets the past few decades apart in the history of education, though, is the rapid pace of change. New technologies, workforce demands, consumer expectations, entrepreneurial innovations and public sensitivity to cost are increasing the pressure for accessible, productive and meaningful education programs. Yet, too often, traditional higher education policies and financial aid rules stymie even the most sensible of these innovations. In December 2018, NASFAA assembled a task force of financial aid professionals to revisit previous work from 2015 and identify specific Title IV recommendations aimed toward breaking down barriers that impede progress toward positive change. The Modernizing Title IV Aid to Encourage and Accommodate Innovation in Higher Education Task Force (The Innovation Task Force) was charged with the following:

- Meet with experts and pioneers in innovative learning models to better understand current and future trends.
- Consider the implications and challenges of administering Title IV aid to these new types of programs under existing statutes and regulations.
- Examine specific Title IV eligibility and compliance barriers to innovation — including but not limited to Satisfactory Academic Progress (SAP), Return of Title IV Funds (R2T4), attendance, disbursement schedules, cost of attendance (COA), Pell scheduled award amounts, and annual loan limits.
- Formulate specific policy recommendations that would accommodate these types of programs while protecting the federal investment and providing for program integrity, including proposed statutory changes to be included in the reauthorization of the Higher Education Act (HEA) of 1965.
- Identify potential future development or demonstration projects that would experiment with innovative learning models.

The members of the task force included:

- Melissa Haberman, Chair, University of Wisconsin Extended Campus
- Mark Bandré, Bethany College
- Adam Ghiloni, Tri-County Technical College
- Andrew Hammontree, Francis Tuttle Technology Center
- Jillian Klein, Capella University
- William Pena, Southern New Hampshire University
- Melissa Pizzo, Arizona State University
- Karen Krause, NASFAA Commission Director, University of Texas, Arlington
- Jill Desjean, NASFAA Liaison
- Megan Walter, NASFAA Liaison
- Thomas Babel, NASFAA Advisor

Executive Summary

The federal aid programs were designed primarily around traditional semester, quarter or longer-term certificate calendars. In past years, Congress and the U. S. Department of Education (ED) have tweaked around the edges to accommodate online and modular modalities. In more recent years, ED has used its experimental sites authority to study potential regulatory changes to foster innovation in competency-based education, subscription models, short-term certificates and partnerships with non-traditional education providers. Yet, existing ED guidance and the potential of non-compliance liability continues to stifle innovation and wider use of emerging educational concepts and technologies. The barriers include anachronistic regulations and practices which, while well-intentioned, cause institutions to shy away from innovation. This report addresses these barriers with recommendations that both expand ED's tool set to foster innovation and revise regulations to better support emerging educational programs and maintain adequate protections for students and taxpayers.

Background

In 2015, NASFAA convened the Innovative Learning Models Task Force to explore the Title IV federal student aid system in the context of the rise of nontraditional programs in higher education, such as competency-based education, prior learning assessments, and massive open online courses. The task force's work culminated in a set of recommendations presented as a first step toward ensuring that the structure of the Title IV aid programs did not stifle the development and growth of innovative learning models, stressing their potential to expand access to higher education at lower cost and in shorter time than traditional time-based programs could.

Since the issuance of the Innovative Learning Models Task Force report, ED has abandoned several experimental site initiatives, ED's Office of Inspector General has issued a highly controversial report finding Western Governors University's competency-based programs non-compliant with various federal regulations, and initiated negotiated rulemaking on accreditation and innovation. Additionally, 2018 mid-term elections resulted in a change in House leadership and with it, new HEA reauthorization priorities. Consequently, NASFAA believed another look in this area could help inform policy discussions.

In its quest to find outstanding models for incentivizing innovation in higher education, the Innovative Learning Models Task Force cast a global net in its research. The U.S. is unique in its support for higher education. It is unmatched in terms of its mix of providers and access to higher education, albeit more costly than most. There are many countries that offer free or low-cost higher education, but seats in these institutions are limited. No other country offers the same level and mix of financial assistance as the U.S., but the U.S. system comes with an unmatched level of regulation. While the relative lack of regulation in other countries certainly enables innovation, it also means there is less accountability for institutions in those countries to show productive outcomes.

There was a strong sentiment among task force members that while much can be done to further foster innovation, controls for poor-performing programs and bad actors must accompany those actions. While our recommendations call for lifting the ban on a student unit record, the task force feels that, even absent a student unit record, a collaborative effort between institutions and ED can result in identifying key performance measures that can be collected within the existing ban.

The task force met contemporaneously with ED's 2018-19 Accreditation and Innovation negotiated rulemaking session. The task force also included non-federal negotiators, who kept the group apprised of developments to inform task force discussions. Because the task force concluded its work prior to the negotiated rulemaking consensus vote, any minor differences between the negotiated rulemaking consensus language and the task force report do not necessarily imply disagreement, and could be due to timing.

Recommendations and Discussion

Legislative Changes

Recommendation: Congress should enact the experimental sites changes included in the Innovation Zone Act that was introduced in the 115th Congress, which includes a requirement for ED to conduct an experimental design consultation with the Institute of Education Sciences (IES) prior to the start of an experiment, requires greater transparency in communicating the outcomes of completed experiments, and permits institutions of higher education to propose potential experiments to ED. We recommend expanding on this proposed legislation to require public, annual reporting on the progress and outcomes of ongoing and completed experimental sites. We also recommend permitting institutions of higher education to propose not only fully-conceived experimental site proposals, but also more limited proposal ideas for ED to fully develop, in order to permit lower-resourced institutions to participate in experiment design within the limits of what is feasible for them.

The Experimental Sites authority was designed to inform ED and Congress of the impact of potential policy changes before they were enacted. The authority allows the department to grant flexibility to institutions of higher education to test and evaluate alternatives to existing regulations. To date, ED has launched about 30 experiments. The evaluation and transparency into the outcomes of those experiments has been extremely limited. Too often, the experiments were launched with no evaluation plans, ambiguous data and reporting requirements, and no final reports.

For experimental sites to inform sound policy, there is a need for stronger research design and protocols, more rigorous data assessment, and greater transparency in disseminating the results of each experiment. Stakeholder input in experimental design is key to ensuring that experiments are relevant to the challenges institutions face in delivering Title IV aid, especially in the innovative learning models space where new challenges are most likely to surface.

As constructed today, the Experimental Sites program is antithetical to innovation. The experiments take too long to launch, the participant selection process is not transparent, and the linkage to student success is tenuous. They are also too often constructed such that institutions may not have the capability to participate — either due to unrelated conditions (such as program review findings), experiment parameters, or their own internal resources. Historically, ESIs have functioned more as long term regulatory relief instead of a pathway to meaningful change. Yet the program has great potential. The “try before you buy” approach can inform both policymakers and institutions, minimizing risk and, ultimately, enabling more thoughtful and meaningful regulatory changes. The program can be substantially improved through more rigorous construction and evaluation requirements which can be designed to provide earlier and regular feedback on the progress of the experiment. These requirements can be designed such that smaller, institution-proposed experiments can be launched that are timelier and that fully support innovation.

Recommendation: We recommend that Congress create a demonstration project or develop funding streams similar to the Fund for the Improvement of Postsecondary Education (FIPSE) grants for institutions to use to partner with Student Information System (SIS) providers to enhance their products to accommodate innovative learning models. Safeguards should be established to prevent taxpayer dollars from conferring disproportionate market advantages upon those SIS providers who participate in these programs.

Technology is frequently cited as a barrier for institutions attempting to administer federal student aid for innovative learning models. Currently, SIS providers are incentivized to enhance their products to be compliant with new laws and regulations, or to offer new features (such as student portals) that reflect trends that are likely to be adopted by a significant number of institutions. SIS providers are unlikely to invest in their product to support innovative learning modalities with an uncertain market. As a result, proven and effective innovations may not be widely adopted because there is no technology solution to implement them. Well-resourced institutions can adopt workarounds (often manual), but those have shortcomings, including increasing compliance risk and incomplete assessment of innovation pilots. Lesser resourced institutions typically walk away from the opportunity. In short, institutions need technological enhancements before they can adopt innovative learning models, but software providers need a critical mass of institutions to adopt innovative learning models before they create technological enhancements. Federal funding can ameliorate some of the implementation costs required to modify systems, encouraging SIS providers to better support innovative learning models. Safeguards should be put in place to ensure that federal funds are not simply enabling a SIS provider to cover costs that would be a normal part of its development work.

Recommendation: Congress should repeal HEA section 134(a) to lift the ban on ED collecting data for the purpose of creating a student unit record.

Institutions develop and offer thousands of new programs every year. Theoretically, these new programs are tied to market (job, research, etc.) studies justifying their development. Technology companies spend billions each year to develop and offer new products enabling faster and more secure communications. Theoretically, these enhance productivity, security and enjoyment. In many areas of our lives, we have standards (such as miles per gallon, cost to replace, etc.) on which we can make that assessment, but in higher education, any standard is obfuscated by a congressional ban preventing ED from creating a student unit record which would enable comprehensive measurement of outcomes. So, while research supports the use of innovative measures such as competency-based education and augmented learning, the ban effectively prevents cross-institutional comparisons and more thorough assessments of innovative models. A single student unit record, with protections in place to ensure the privacy of individual student data, would permit for more rigorous, research-based assessments that would inform not only the design of innovative learning models, but the delivery of financial aid in those models.

Recommendation: Congress should authorize a demonstration project to permit Pell Grant funding for enrollment in short-term programs.

Today's students and employers need and demand shorter-term credentials to either complement or replace traditional degree programs. Modern careers require lifelong learning to advance in their roles, or in some cases to even keep up with the changing demands of their existing roles. Allowing Pell Grants for short-term programs, with appropriate protections in place to protect taxpayer dollars, will allow for smaller bursts of learning throughout an individual's career.

Recommendation: Congress should amend HEA Section 481(b)(4) to permit Title IV eligibility for students concurrently enrolled in direct assessment and traditional courses (hybrid programs).

Currently, students can only receive Title IV aid for enrollment in direct assessment programs in which student performance is evaluated exclusively through direct assessment. Enrollment in traditional credit-based courses will not be considered in a student's financial aid eligibility for students enrolled in direct assessment programs. This limits institutions' ability to best serve their students. While quantitative subjects, such as math or computer science, may be ideal direct assessment options for many students, other coursework, such as speech or psychology, may be more suitable as a traditional credit-based course for those same students. The opposite may be true for other students. The goal in expanding eligibility to include direct assessment programs was to fund pathways that optimized student success. Permitting Title IV aid for hybrid direct assessment programs would ensure a greater likelihood of student success as they navigate their educational program based on their own unique learning needs.

Recommendation: Congress should amend HEA Section 479A(c) to allow institutions to establish lower loan limits for specific populations, academic programs, credential levels, or other categories established by the school, beyond the limited flexibility being tested under the ongoing Experimental Sites Initiative which only permits lowering unsubsidized loan eligibility.

Institutions may be hesitant to offer innovative (especially lower-cost) programs when students have access to the full annual maximum federal loan amount and the outcomes of that program are not yet known. Allowing institutions a period of time to measure outcomes and adjust loan limits to levels appropriate to those outcomes protects students and taxpayers.

Regulatory Changes

Recommendation: ED should amend 34 CFR 668.10(b) to allow institutions to add new direct assessment programs offered at the same credential level as already-approved programs, unless the new program makes a significant difference in the methodology used in determining credit equivalencies, how the institution identifies when a student has withdrawn, satisfactory academic progress, term structure, returns of unearned aid, or requirements for regular and substantive interaction between students and instructors from direct assessment programs that have already received approval. Additionally, ED should amend CFR section 668.10(h) to allow institutions to make non-substantive changes to approved direct assessment programs, using the above criteria as a guide in establishing what changes are considered substantive.

Currently, institutions must seek approval for all direct assessment programs they wish to offer. This requirement was established in the Higher Education Reconciliation Act of 2005. The requirement applied "In the case of a program being determined eligible for the first time." Previously, direct assessment programs were not eligible for Title IV aid. Establishing the requirement allowed ED to develop consistent rules in evaluating how schools participate in the learning process and establish credit or clock hour equivalencies, among other factors, but these areas fall more appropriately under the purview of accreditors, not ED. The task force supports the continued role of accreditors in approving all new and changed programs. However, continuing to require ED approval for all new direct assessment programs, even if they closely replicate an existing approved program, or for changes to direct assessment programs when only minor changes are being made to an already-approved direct assessment program, will tax ED's resources and lead to delays in approving requests, creating a barrier to entry for institutions. As direct assessment programs mature, it is logical to consider precisely where problems could arise in the absence of ED approval, and limit required approval to only those circumstances.

Recommendation: ED should allow subscription-based competency-based education (CBE) programs to operate under term-based Title IV aid disbursement rules, as is currently being permitted in ED's CBE Experimental Site.

CBE programs offered under subscription models are required to disburse financial aid under non-term rules, which do not permit a subsequent aid disbursement until after the student has completed a set amount of coursework and a specific amount of time has elapsed. Under term-based rules, students are eligible for a subsequent aid disbursement based only on elapsed time (as well as satisfactory academic progress and enrollment requirements which also apply to non-term students). This inconsistent treatment unnecessarily complicates aid administration and communications, and ultimately confuses students in the process. If time, progress, and enrollment are sufficient safeguards for some students, they should be sufficient for all. The CBE Experimental Site was expanded in 2014 to allow participating institutions to test more flexibility in the timing of disbursements to more closely match students' needs for funds when they enroll in subscription model programs and reduce confusion.

Recommendation: ED should amend 34 CFR 668.34(a)(5) to include a provision for direct assessment programs that allows for a progress calculation that is based on the attainment of sufficient competencies to complete the program within the maximum time frame that is no more than 150% of the program's published length.

The existing regulation, which measures progress in terms of time and credit-hour attainment, is ill-fitting for direct assessment programs. Institutions participating in the CBE experiment are authorized to replace the progress measure: "In its evaluation of a student's, SAP the institution will determine whether the student has completed competencies associated with sufficient credit hours, clock hours, or the equivalent to complete the program within the maximum timeframe, that, for an undergraduate program, is no more than 150% of the program's published length." Direct assessment students are typically contemporary learners with competing demands for their time. Students in traditional programs are not penalized for moving slowly through a program by enrolling half-time, yet, under current rules, students in direct assessment programs are treated as not progressing when they need to take more time to complete their studies. Pell Lifetime Educational Units, Subsidized Loan Usage Limit, and aggregate Direct Loan limits all limit the amount of federal aid dollars students can receive.

Recommendation: ED should amend 34 CFR 668.22(a) to clarify that any student who has completed all course requirements for conferment of a degree or certificate within a payment period is not considered to have withdrawn from the institution during that payment period and, as such, is not subject to the Return to Title IV Funds calculation.

Under current regulations, a student in a modular or non-term CBE program who accelerates their studies and completes their program earlier than projected may be subject to a return of unearned aid. Similarly, a student enrolled in multiple modules who subsequently adds a course in a non-final module, completes that course and meets all course requirements for graduation and subsequently drops courses from the final module may also be subject to a return of unearned aid. The implications for students can be significant. The return can add to a financial burden that may already include costs related to a job search or relocation. Where explored by the student, the punitive withdrawal treatment may incentivize students to delay completion, and, consequently their entrance to the workforce and repayment of their student loans. More likely, the student will complete ahead of schedule and then be notified of the financial consequence in having done so, meaning one of their last experiences in college will have been a negative one.

Recommendation: ED should amend 34 CFR 668.22 to clarify that programs that disburse aid in frequent, smaller disbursements throughout the payment period not be subject to Return of Title IV Funds (R2T4) requirements on the condition that, upon evaluation of the ongoing Experimental Sites Initiative testing this model, findings do not show that this practice has a disproportionate impact on low-income or other vulnerable student populations.

Withholding portions of aid disbursements until portions of the payment period are completed achieve the same end goal of the unearned aid calculation, with significantly less administrative burden for institutions and less confusion for students. This approach allows for additional flexibility and fewer negative financial consequences for students due to past-due balances arising from the R2T4 calculation, while still maintaining good stewardship of federal aid dollars.

Department of Education Non-Regulatory Recommendations

Recommendation: **ED should create a new Prior Learning Assessments (PLAs) experimental site to allow Title IV aid for more than the three credit hour limit defined in the current experiment to account for the effort required of a student to prepare materials for an assessment of prior learning.**

The use of PLAs substantially increases the likelihood that adult students will earn a postsecondary degree. PLAs can lower the cost of education and make it more likely that students can afford to persist. The three credit limit for Title IV aid for PLAs in the current experiment artificially limits the ability of the experiment to fully inform both institutions and policymakers of the potential benefits of PLAs. If expansion of Title IV aid eligibility to cover the cost of PLAs is to be included in the next HEA reauthorization, the important question of how to appropriately limit that eligibility must be addressed. A new experiment, using improved research design and evaluation methodology, that allows for more than three credits of Title IV aid for PLAs will help to establish the correct cap on the number of credits that Title IV aid should cover for the effort to conduct a PLA.

Recommendation: **ED's communications to institutions should be sensitive to the characteristics of the institution, including its programs and academic calendar. ED should regularly solicit feedback and improvement suggestions from institutions as to the efficacy of its communications.**

The reliance of students on an institution's administration of its Title IV participation is critical to the Title IV access mission. The receipt and appropriate response to ED's many communications to institutions is vital to that reliance. Critical communications cannot be exposed to single "points of failure." However, many ED communications to institutions are insensitive to the nature of the institution and counter-productive. Institutions that offer alternative learning models, for example, often have programs that operate outside of traditional academic calendars and, consequently, Federal Student Aid (FSA) processing windows. FSA issues ominous communications to notify campus officials, including the institution's president, when the financial aid office conducts processing outside of those windows; the implication is that there is some irregularity when, in fact, it is the norm for that type of program. For example, non-term programs require frequent re-opening of closed award years in the Common Origination and Disbursement (COD) system, which triggers FSA communications to the financial aid office, college presidents, and system chancellors. Many college presidents and chancellors regard any communication from ED as an indicator of increased non-compliance risk and will opt for a path (away from innovation) that reduces such communications. By assuring that its communications are appropriate to the receiving institutions, ED will minimize the dampening impact such communications have on institutions' innovation efforts.

Conclusion

While the modalities examined by this task force are characterized as "innovative" to distinguish them from traditional modes of education delivery based on seat time, many of these modalities have, in fact, existed for decades. These models were developed with students' needs in mind, the goal being to meet contemporary students where they are, instead of forcing them into more rigid learning models that were designed for an entirely different type of student. Yet, financial aid delivery models are still being forced to fit into the rules developed for those traditional modes of education, and are not always optimized to get funds to students when they need them or to minimize administrative burden. The task force strove to make legislative and regulatory recommendations for improving financial aid delivery based on sound evidence where that is available for established modalities, as well as to make other recommendations that will result in better evaluation of untested new innovations already in existence as well as those not yet conceived, all with the goal of informing better policy for the future.

THE NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS (NASFAA) PROVIDES PROFESSIONAL DEVELOPMENT AND SERVICES FOR FINANCIAL AID ADMINISTRATORS; ADVOCATES FOR PUBLIC POLICIES THAT INCREASE STUDENT ACCESS AND SUCCESS; SERVES AS A FORUM ON STUDENT FINANCIAL AID ISSUES, AND IS COMMITTED TO DIVERSITY THROUGHOUT ALL ACTIVITIES.

NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS
1801 PENNSYLVANIA AVENUE, NW, SUITE 850
WASHINGTON, DC 20006-3606
202.785.0453 | fax 202.785.1487 | WWW.NASFAA.ORG