NASFAA's "Off the Cuff" Podcast – Episode 269 Transcript

OTC Inside the Beltway: 'Not the Rosiest Way to Start September' - Big Questions on Federal Budget Negotiations

Announcer:

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Justin Draeger:

Hey, everybody, welcome back to another edition of "Off the Cuff." I'm Justin Draeger.

Karen McCarthy:

I'm Karen McCarthy from NASFAA's Policy Team.

Jonathan Fansmith:

And I'm Jon Fansmith from the American Council in Education.

Justin Draeger:

Welcome back from our summer break. Glad to have you all here. Jon, we're glad to have you back for, is this season two or three for you? Two?

Jonathan Fansmith:

I don't know how you do your seasons. If they're annual, I think this might be two.

Justin Draeger:

Season two. And Jon, I'm glad to say your contract's been renewed. We've doubled your pay and tripled all the syndication residuals.

Jonathan Fansmith:

Tense negotiations, though. I had to threaten to hold out. There was a lot of acrimony in the press, a lot of frankly, misleading reports I think you planted, Justin. Anyway.

Justin Draeger:

I play hardball, but you did. You're going to get two mugs this year instead of one, so congratulations.

Jonathan Fansmith:

If it weren't for the good will I have towards Karen, who knows.

Karen McCarthy:

Thanks, Jon.

Justin Draeger:

Yeah. You know how many times I hear that? Welcome back. I hope you guys had a great summer break. It felt like, for us, we came off the NASFAA conference was at the end of July or end of June, early July. July went by really quickly, and then August, which was supposed to be the DC rest, just wasn't a rest.

Karen McCarthy:

Agree. Hard agree.

Jonathan Fansmith:

Strong agreement.

Justin Draeger:

Geez. Whoa, Karen. I feel like there was a lot in that "I agree."

Karen McCarthy:

Yeah.

Jonathan Fansmith:

Aimed actually at you, Justin.

Justin Draeger:

Yeah, I know. It's virtual, but wow. No, it was very busy and part of it was emanating from the Biden administration, which we'll talk about a little bit today. But even on the Hill, Congress was in recess for a portion of August, but a lot of activity nonetheless. I think we're going to see that ramp up here in the fall. We'll talk about it a little bit. But first, we should ask. Highlights? Karen, Jon, anything stand out from your summers? Anything good happen? Or bad? I'll take either.

Jonathan Fansmith:

Yeah, I had a great summer. Actually, we traveled around a lot. Nothing overseas, but Cape Cod where we always go see family, which is nice, and some time in upstate New York. And my favorite part of the summer now, new second year-end tradition, the two weeks where my daughters go to sleep-away camp at the same time.

Karen McCarthy:

Oh, nice.

Jonathan Fansmith:

It's so nice. Honestly, it's great to go out to dinner or we saw some shows and stuff like that during the week, but the absolute best part is waking up in the morning. It's like having two extra hours where you can just sit there. You're not attending to somebody else's needs and prep and everything else. My wife and I could sit at the table in our kitchen, sip coffee, have leisurely conversations about things in the news or of interest to us. It was remarkable. I don't have high dreams as to what I want out of life, and that just really hit the spot right there, so that was great.

Justin Draeger:

There are certain milestones in my kids' lives that I remember. Not the ones where they walked or lost a tooth, but like when they slept in for the first time. Or when they got up and made their own breakfast.

Karen McCarthy:

How about the driver's license? The driver's license, when you have to-

Justin Draeger:

When I stopped having to drive them places?

Karen McCarthy:

Yes. Yes.

Justin Draeger:

Yes, that's a good one. I think it was every step towards independence where they weren't relying on me. Those are the milestones that, for me, I put in the old scrapbook. Mental scrapbook because I don't scrapbook. Jon, the going off to camp is a big one. I do remember when my two youngest were both gone at the same time, just serendipitously. They were both at very, not at the same camp, but different camps. I think for maybe Deanne, my wife, it was like, oh, they're gone. But for me it was like, this is the taste of freedom. This is my future and I am here for it.

Jonathan Fansmith:

Yeah. I am not great at the separation part. When we say goodbye, my wife is much better actually about managing that than I am. I would love to linger and give extra hugs.

Justin Draeger:

Oh yeah, you're the parent seeing the bus off.

Jonathan Fansmith:

Right, right. Right? But I will say, once you finally get back to life, you know? There is something to be said for this.

Justin Draeger:

Yeah, okay. Yeah. Well, good for you. I'm glad you got that week or two to sip coffee by yourself, and now you're back to reality.

Jonathan Fansmith:

Yeah.

Justin Draeger:

So, good for you.

Jonathan Fansmith:

No time alone. Yeah.

Justin Draeger:

It shows on your face. Karen, how about you? Any highlights?

Karen McCarthy:

Yeah. I was also here, there, and everywhere. I think I'm at the other end of the parenting spectrum from Jon. My daughter, like your son, Justin, is a high school senior, so I had a little bit of the, oh, this might be one of our last family vacations together. And it was great. But yeah, this is the year of the lasts, which I'm trying not to get too caught up in. My daughter's really caught up in it, like everything has to be perfect. I was like, okay, let's lower the bar a little bit. But yeah, we had a great summer. Went to the beach, went to the mountains, visited some relatives. Yeah, it was fun.

Justin Draeger:

Good for you. Just to be clear, I am not in that place. We still have a young one at home and our oldest, who comes home from college, reminds us we still have to show up as parents for this youngest, who's still lingering around. I have one off at college and I have an 18-year-old, who's a senior year, but I still have one at home. And so, my youngest for example, yesterday was like, "I want to get up and run in the morning before school," and he catches the bus at the ungodly hour of 6:30 in the morning.

Jonathan Fansmith:

Oh, God.

Justin Draeger:

Yeah, it's wild. I don't know what's going on with Fairfax Middle Schools.

Jonathan Fansmith:

That's awful.

Justin Draeger:

So, that meant we had-

Jonathan Fansmith:

Does he go to school in Connecticut? What is his...

Justin Draeger:

No, it's just the good old public school system where if we lived a quarter mile the other direction, he'd have a middle school that was a mile from our house. And instead, he's bused out to I don't know where, Chantilly. So, that meant we had to be out the door running at 5:15 this morning for him to be able to get the miles in.

Karen McCarthy:

And he wants to run with you?

Justin Draeger:

I can't send my 13-year-old. Okay, I know I give off the aura of a parent who doesn't care, but I do sort of feel...

Jonathan Fansmith:

It's not doesn't care, promotes autonomy.

Justin Draeger:

I do feel some responsibility. I can't just send my 13-year-old out running in pure darkness at 5:15.

Karen McCarthy:

It is really dark.

Justin Draeger:

In a neighborhood without sidewalks, which is our neighborhood.

Jonathan Fansmith:

You could buy one of those headlamps, right?

Karen McCarthy:

Yeah. Yeah.

Jonathan Fansmith:

That solves a problem.

Karen McCarthy:

Yeah. Do you have streetlights? Streetlights?

Justin Draeger:

No, we don't have street lamps either, streetlights either.

Karen McCarthy:

Oh, God.

Justin Draeger:

Yeah.

Karen McCarthy:

That's dark.

Justin Draeger:

Yeah. So, I did go running with him at 5:15, and my oldest daughter's voice was ringing my head when she comes home and lectures my wife and I, "You still have to show up for Archer. You still have to be parents for Archer." Because last year I didn't get the Christmas lights out. It just starts falling off. You're like, what are we...

Jonathan Fansmith:

I'm not really seeing the connection there.

Justin Draeger:

Well, she's like, "Why aren't the Christmas lights out?" I'm like, "For what? Why?" She's like, "You still have to be'"

Karen McCarthy:

For Archer.

Justin Draeger:

Yeah. She's like, "You still have to be parents. You still have to do Christmas for Archer." So, that's what was ringing in my head and I was like, yep. Well, great job all around and I think we all get the award for being great parents this summer.

Jonathan Fansmith:

Yay.

Justin Draeger:

Okay. Let's jump into what's going on in Washington DC. Let's start off with the Biden administration's announcement of the Save Plan. On September 1st, interest did start accumulating back on federal student loans, even though payments won't restart until October. The Biden administration also rolled out some early implementation on its new income-driven repayment plan, the Save Plan, which we've talked about before. But, Jon, why don't you catch us up on the latest and greatest. What's going on here?

Jonathan Fansmith:

The Save Plan is clearly a priority of the administration. They've been really making an effort to promote awareness of it and trying to reach out to borrowers. I think the secretary has done, you can probably correct me, two or three different webinars, events, other things to raise awareness to it. There's been a lot of outreach to organizations like ours and others to try and spread the word, and seemingly very successfully. They announced this week that of 1.6 million borrowers who filed to enter repayment and pick a repayment plan, I think 1 million of those 1.6 chose the Save Plan. You add that to the 3 million or so that we're in the, we've talked about this, but Save is a conversion of another repayment plan called Repay. All those people carried over, so there's now 4 million borrowers enrolled in the plan.

That's a pretty impressive launch to the program, especially because we're not really all the way there yet. A lot of the provisions won't really kick in until next year. There are a few things, and I'm sure, I don't know if we need to go into them in detail. I know NASFAA covers this extensively, has resources up on your website. But given the fact that some of the things like the reduced payments, the move from

10% to 5% of income won't be reflected until July, getting people signed up for this, I think they've done a pretty good job of explaining this is a very generous plan for borrowers. And people are responding.

Justin Draeger:

Yep, I would agree. Pretty successful out of the gate. We did see some confusion out on social media and I've heard some reports of folks, borrowers concerned that their payments in the Save Plan have been higher than they would have expected. And of course the department has a payment calculator that they are using, and that can happen, right? Karen, I just want to double check. There isn't a cap like maybe on some of the other repayment plans. You could have a payment plan that's higher than your standard repayment plan in Save, but that would be because your income is higher.

Karen McCarthy:

Right. Yeah. So, I've been recommending to everyone to use the loan simulator that's available, because it will model out what the payments would be under all of the plans and you can see. It won't pick your "best plan," but you can see. Am I looking for the lowest payment now or the shortest time to full repayment? So, it will help you to determine what's the best plan for you based on whatever your priorities are.

Justin Draeger:

We had some NASFAA staff actually test out this loan payment simulator and it was working correctly. Obviously, we can't speak for every borrower in every instance, but it seemed to be working correctly. But you could have a higher payment plan, and if you do under Save, there's nothing that prevents you from going back down into a standard repayment. Borrowers can switch in and out of various payment plans, including switching out of Save if they so choose.

Karen McCarthy:

Right.

Justin Draeger:

Okay.

Karen McCarthy:

The other thing, Justin, that will be interesting to see, and I know that there was this big push as of September 1st that interest is starting to accrue but payments won't actually be due until next month. I think of this as a little bit of the test population of the direct data sharing from the Future Act of doing the income documentation and certifying that. Because the big rollout of that will obviously happen when we get the 24/25 FAFSA in December, but they're using it now. And so, as people are starting to verify their income, that should be happening. I'm kind of keeping my fingers crossed. No news is good news that that is working as it should. But the numbers will start to pick up as people start to enroll in the income-driven repayment plans and actually use that. So, it'll be a good test population prior to the 24/25 FAFSA going live.

Justin Draeger:

Yeah, it's sort of a nice beta with a smaller group before we have millions and millions and millions of people filling out a FAFSA. Jon, Republicans of course have signaled that they're not exactly happy with the Save Plan. Can you summarize their objections and what they're doing about it?

Jonathan Fansmith:

Yeah. Republicans and especially in Congress, have been very unhappy with this proposal. You go back to when the administration, I think, introduced the NPRM, the proposed rule outlining what they wanted to do. I believe it was Virginia Fox. It might have been Senator Cassey actually who said, "This is backdoor free college." There is a very strong hostility to this among congressional Republicans, who believe that... And frankly kind of interestingly because previous income-based repayment plans, even the concept of income-based repayment plans in many cases originated with Republicans or bipartisan efforts. This one, because of how generous it is, I think frankly maybe more so inflamed by the debate over forgiveness broadly rather than really this plan itself, is strongly opposed by Congressional Republicans.

And to the point that they have chosen to introduce something what's called a Congressional Review Act bill. I don't know if it's technically a bill, but it's a process by which you introduce legislation. It moves under an expedited process, requires only a simple majority in both chambers, can't be filibustered to kill this regulation. This is very rarely used, at least very rarely used successfully, in part because it moves through the process like a regular bill does. So, the president would need to sign it. If the president vetoes it, which President Biden would certainly veto this, you would need a super majority in both chambers to override the veto. So, everyone knows this will not succeed. It is more a measure of their displeasure that they're going through the process of doing it.

The other thing, less relevant on the House side but in the Senate side, there's some political dynamics to this too. It continues, as I mentioned, this sort of fight over forgiveness, the political fight, the framing around forgiveness. Who benefits from it? Who's paying for it? Republicans and Democrats both see it as a winning political argument. The opposite sides of the coin on this, in the Senate, Republicans are defending 10 seats in the upcoming election, democrats are defending 23. When they tried to do CRA on loan forgiveness, they pulled three Democrats, Jon Tester, Christian Sinema, and Joe Manchin, in support of overturning the Biden administration's regulations. I think a lot of Republicans know this won't happen, but they think maybe if we can put one of those 23 on record supporting a policy that may be unpopular, maybe tied to a broader loan forgiveness that's unpopular certain constituencies, there's political gain in simply making them make that statement.

So, again, the future of this is not in any doubt, but there are political ramifications of simply having the vote and what can be drawn from that. We'll go through those motions. I think that's the thing to do, see in the Senate who's looking at their electorate and saying what do they think about loan forgiveness and where do they stand. What freedom do I have to go against my own administration, an administration for my own party here? We'll see. Kind of interesting to watch.

Justin Draeger:

We'll have more information on the Save Plan and specifically what financial aid offices and aid administrators can do as they're talking to their borrowers about the Save Plan and repayment options as this repayment start date is quickly approaching for borrowers in October, in a upcoming episode of "Off the Cuff." So, stay tuned for that. While we're sticking with loan forgiveness, let me turn to Karen for just a moment. Because, Karen, we had an announcement from the department while we were out on break on their upcoming negotiated rule-making on debt forgiveness. We talked about this before,

before we left for break, but the administration is pursuing debt forgiveness now through a regulatory agenda. They put out a call for nominations. Anything notable in that call?

Karen McCarthy:

Yeah. When they put out their call for nominations, they always list the stakeholder groups, who they are looking to seat at the table. So, when somebody gets nominated, you say, "I am nominating so-and-so to represent students or borrowers or veterans or whatever the group may be." We at NASFAA, there has typically always been a seat at the table representing specifically financial aid administrators. There are other institutional, more sector-based seats as well, but there's always been a dedicated FAA seat.

In this request for nominations, there is no seat dedicated to financial aid administrators. There are four institutional seats at the table. There are also four seats representing students and borrowers. So, the students and borrowers have a few more seats than they typically have in the past. But NASFAA itself doesn't have a dedicated stakeholder seat that is dedicated to our population.

Justin Draeger:

Yeah, so equal number of students and institutions. When you generally think of the stakeholders, it just ends up being a very broad number of stakeholders. In this instance, I don't know that it's hard for me to necessarily figure out all of the department's thinking on all of this except that it is a notable change from how they've considered stakeholders in the past. And specifically for our community, we are not necessarily a specific identified constituency in this upcoming round of negotiations.

Karen, I wonder if you could also just give us a sense of we have this going on, but there's also a whole bunch of regulations that we're still expecting before November 1st, and some big ones, and there's a whole list of negotiations. The department has announced we are still going to negotiate, separate from loan forgiveness.

Karen McCarthy:

Yeah. I think people may have lost track of some of these items, but as a reminder, we are still waiting on final rules to come out sometime before November 1st, a package there. That will include such topics as financial responsibility. The big one there is gainful employment. I feel like people have willingly forgotten about gainful employment for the summer. We will have final rules, hopefully, on that before November 1st.

Prior to this announcement about this debt forgiveness negotiated rule-making session, ED had earlier had plans to negotiate some other topics this fall. Included in that batch are R2T4, the definition of third-party servicers, et cetera. And then, this debt cancellation Neg-Reg popped up and the debt cancellation Neg-Reg seems to have jumped the line procedurally, because we already have the request for nominations for that one. We have not yet seen the request for nominations on the earlier announced Neg-Reg that was originally part of their plans.

So, there is still plenty of time for them to do that request for nominations and do that over the course of the fall and into next year like they had originally planned. I don't know if their plan has changed at all. There is enough time for, I don't know resource-wise what they're thinking over at the Department of Ed. They haven't announced a change in plan and that they are temporarily abandoning the other negotiation plans or not. But as of now, it's still on the agenda.

Justin Draeger:

Let me just say something about the resource, because while NASFAA and I'm sure, Jon, ACE and other higher ed associations, this is sort of like our bread and butter. We are paid to represent institutions to really focus on these rules that have a wide range of impacts on all of our institutions. We work together and collaboratively on these sorts of things. But it has been a regulatory palooza and a long time here in DC. It's not contingent even on legislation anymore, it's just ongoing.

And so, we're thinking about resource deployment. We've got several packages of regulations that are overlapping constantly in motion, so we're thinking about how we deploy resources. Karen just mentioned resources at the department. I want to turn the conversation for just a moment to spending, and there's a couple maybe dynamics to this. One I want to ask you, Jon, is about federal student aid spending. Because I'm understanding that, as I understand it, Politico has been reporting that the department might be seeking some sort of emergency funding for federal student aid. Then, I want to turn the conversation larger about the fact that in three and a half weeks we have a new federal fiscal year and no spending bills. So, where are we at and what's going on? Does the department have the resources to pull off all of this regulating and all of return to repayment, new FAFSA? Where are we at with federal funding in general?

Jonathan Fansmith:

Yeah. I don't know which is the bad to worst scenario here, right? Where to start? Does FSA have all the resources it needs? No, FSA doesn't have anywhere near the resources it needs, and we know this for a lot of reasons. We knew that there was actually pretty bipartisan agreement to give FSA more resources in the last funding bill than they currently have. For a variety of reasons, probably beyond the scope of this podcast to go into right now, that did not happen. So, they're flat-funded, even as, as you pointed out, they are being tasked with either beginning or implementing or finalizing a number of huge things against the backdrop of the resumption of repayment after three and a half years. Against the backdrop of forgiveness proposals that are out there that require wherever they lead, a lot of staff time and effort and outreach and work. They don't have enough resource to do that.

The other evidence we have that the administration knows this, is that we have this process in federal budgeting, which are called anomalies, where essentially if you are going to do something where you carry federal funding forward, this will become important when we talk about the bigger spending picture, something called a continuing resolution. Congress essentially buying more time against their deadlines to finalize their spending bills. When you do that, you request anomalies. Things that have changed in the last year that say you can't just keep going as we have been because these things need attention. FSA funding is one of the areas the administration identified as anomaly, and that is significant.

It's super wonky. I get it, it's super inside baseball, but it's significant because it's saying across the range of the federal government, the White House has prioritized this as one of the areas that they think needs attention. The argument is not we've been attacked by a foreign power and has created a new demand in this area. It's really recognition of the fact that they're operating below what they should have been, and it may lead to a crisis. So, it needs to be addressed. It's enough of an emergency that you should take this somewhat extraordinary step to address it. That is meaningful.

The problem, of course, is that the outlook for getting that funding to FSA as all these things are happening probably hasn't been bleaker than at any point in the last decade or so. We've talked a little bit about this before and not going to rehash all of it, but the debt ceiling deal that Speaker McCarthy reached with the administration almost immediately was trashed by members of the Freedom Caucus. Large conservative block within the House Republicans, who thought that the levels proposed weren't low enough. They still believe that. They want to spend far less than even their Republican appropriator counterparts have proposed. It leaves them tens of billions, over $100 billion dollars different from what the Senate, and not a bipartisan process either but with significant Republican buy-in, has proposed.

We are getting to the point. Federal fiscal year ends at the end of this month, at the end of September. That is theoretically our deadline. So, that continuing resolution I meant, that extension that I mentioned before, they need to do that before that deadline hits or we hit a shutdown, a government shutdown. The terms that are being thrown around for doing that don't leave a lot of optimism right now. Senate has a bipartisan proposal. It would include about $40 billion of money for Ukraine, for disaster relief, for other purposes, including those anomalies like FSA, like we talked about. House Republican leadership has already rejected that and said they won't include any Ukraine money as part of the deal. So, they're simply buying an extension of time to try and work out a deal. They're already disagreeing about that.

We also have a large part of the Freedom Caucus that the overall funding levels, even if they are to agree to CR, the ultimate deal, very, very hard to reach. And a lot of pretty inflammatory rhetoric about if we don't think the government is operating the way it should, what is the harm in a shutdown? Now, we've seen this dynamic I don't know how many times now. Somebody could count for me over the last 20 years. It is a terrible position for House Republicans to be in politically, heading into a presidential election year. It never works. When you force a shutdown, the public hates you and they take it out on you at the polls. They blame you for the fact that they can't go to a federal park. They blame you for the fact that their checks are getting delayed. They blame you for the fact that there's all sorts of services and benefits they've taken, have an expectation of, are delayed or canceled. It's just a bad, bad outcome.

But you're not talking about the Republican Party or even House Republicans are doing this. You're talking about a block within that. Those narrow margins that have defined this entire Congress give the power to even small groups to force their will. So, we are headed towards a conflict without any easy or... Normally, we can pick. Congress screws up the timeframe, it takes them a long time to get the funding deals done, but you can see where they might ultimately wind up. And all the discussions are around what concessions can be made to get you there. This is one where the two sides are so far apart, it's hard to even envision where they begin the process.

Justin Draeger:

When you're talking about a block within the Republican Party, this is also where you start to see leadership turnover. So, you might end up with a deal, and the deal ends up causing Speaker McCarthy to lose his job. We've seen that with previous Republican speakers. They get the deal done, it gets done with a majority that consists of Democrats, and they end up having to lay themselves on the altar of sacrifice to get the deal done.

Jonathan Fansmith:

I will, say the Freedom Caucus has already fired the warning shot in that exact scenario. Which is, after the debt ceiling deal was passed, they shut down all floor action in the House for a week and a half until they got a concession that they could set the bills, not at the levels that have been agreed to, but at levels lower than that. They are not unserious about their demands or their willingness to pursue them.

Justin Draeger:

Right, which I think was made pretty clear on the umpteenth vote for Speaker of the House in January.

Jonathan Fansmith:

Right. We started in this place and it's only gotten more so. Yeah, that's exactly right, Justin.

Justin Draeger:

So, we're really watching two things here, which you summarized well, Jon. The first thing we're watching is what happens at the end of this month, whether there's a continuing resolution that keeps the government open. The second thing we're watching, though, is whether FSA receives this anomalous funding and a continuing resolution. The idea that we'll even have a full budget bill is kind of off the table. So, the best case scenario here is that we just keep the government open at current levels, but FSA is asking for this slight increase because it's operating at such a deficit. It sounds like not only do we not have agreement on a CR, a continuing resolution to keep the government open, we also don't have agreement on whether FSA should receive this emergency anomalous funding that's been requested by the White House. And so, we're at a deficit in both of these things.

Jonathan Fansmith:

Yeah. I kind of skipped over that, but I put out that there would be this anomaly and it's been proposed. It's not entirely clear that the same House Republicans who are so upset about the Save Plan and loan forgiveness would be amenable to the idea of while we... Because the administration is pursuing these things, there's extra demands on FSA, so they need additional money to do it. It's certainly familiar with a lot of House Republicans who would look at that and say, we don't want them doing that in the first place, so why would we fund them?

Justin Draeger:

Right. The CRA to shut down Save is destined to fail. This is the political move. But here, why don't we stick it to them this other way?

Jonathan Fansmith:

Sure.

Justin Draeger:

While they're pursuing forgiveness through a regulation, by the way. It's conceivable that they might try to tack on an amendment to a spending bill that also shuts down any regulating in a certain area like forgiveness. Remember, with GE at one point there were amendments being submitted that tried to shut down GE previously through-

Jonathan Fansmith:

Yeah, this is very common actually. Nobody should and if you have anything better to do with your time, but if you can read appropriations bills, there's all this what's called report language. At the end of it, there are very often, and it's not unique to education or anything else, but dozens and dozens of provisions essentially saying the federal government is prohibited from using any funds authorized within this bill to do X, Y, or Z. That's a very standard way of dealing with policy issues or limiting executive authority through the funding process. So, yeah, you're right, Justin. That's very much on the table.

Justin Draeger:

Karen, talk to us for just a moment. We talked a lot about the debt ceiling last spring, early summer. In a government shutdown situation, how does this impact federal student aid money?

Karen McCarthy:

Yeah. Well, in the past, all of the FSA systems remain up and running and their vendors continue to work. They will, all of the agencies, they will need to identify who are considered to be essential workers. So, all of that remains to be seen. They've gone through this in the past. As Jon has mentioned, this isn't new territory here. What I am most curious about is that they have so many people working to get this new FAFSA up sometime in the month of December. I don't know that all of those people will be considered essential workers. So, that is a question that I have is if there is a government shutdown, will that delay the release of the 24-25 FAFSA any further? Unknown. I am not trying to panic anyone. We have no inside information there, but that is a big question in my mind.

Justin Draeger:

Yeah. So, funds still disperse, loans are still collected in repayment, COD operates, CPS operates, FAFSAs are still processed. What you're getting at is the essential personnel.

Karen McCarthy:

Right.

Justin Draeger:

For example, federal trainers may not be going out to conferences. You may not have access to people at the Department of Education if they're not deemed essential personnel. Those decisions are made in emergency plans right up to a shutdown. Then your question is a larger question, which is with all of these initiatives, does a Neg-Reg continue? Does that happen?

Karen McCarthy:

Right.

Justin Draeger:

Right. Those are likely to be interrupted in a federal shutdown. You can't usually have a Neg-Reg when the government's shut down.

Karen McCarthy:

Yeah, because now that I'm thinking of the dates, that first session for the debt cancellation. It is a virtual Neg-Reg, but still obviously people working.

Justin Draeger:

That's right.

Karen McCarthy:

Yeah, and is the middle of October.

Justin Draeger:

Right. Neg-Regs are generally interrupted in a federal shutdown. Who is coming together to continue operations on things like the FAFSA, that's an unknown. That's where you start to see cracks in the system. The day-to-day operations continue usually uninterrupted, but there are definitely cracks in the system in a federal shutdown, and those will be felt somewhere. So, not a great way to start September, not the rosiest picture. But on "Off the Cuff," we're trying to give it to folks pretty straight with their morning coffee.

One other piece I just wanted to touch on, because I think it hits on larger themes that are going to be of interest to financial aid administrators. And Jon, of course college presidents are thinking about this, too. I saw it pretty well encapsulated this last week in a New York Times/New York Magazine, New York Times Magazine piece on Americans losing faith in college. This builds on several articles we've seen in recent months on polling numbers that just show falling American sentiment about trust in higher education. We know that trust in institutions, and I don't mean college institutions I just mean institutions in general, have been falling. But I don't think we can just wipe this away as like, oh, Americans just trust Institutions less.

I do think there's something here with American higher education, and in the New York Times they get into this a little bit. Some of it has to do with college costs, some of it has to do with disclosure of costs. George Will actually, conservative commentator for the Washington Post got into this a few weeks ago with tuition discounting, which he basically called deceptive.

Jonathan Fansmith:

Right.

Justin Draeger:

But the New York Times piece really got into something about the difference between the wage gap between the college-educated, like you do earn more money generally if you go to college, and the wealth gap, which takes into account student debt. That I thought was, they resurrect some data from the Federal Reserve that shows that when you take into account student debt, college doesn't always pay off. Particularly for populations, Jon, that we know, we've identified it for a long time, students who take on debt and drop out. Or certain racial or ethnic groups who find themselves disproportionately in debt or going to certain programs that don't pay off. Or graduate students who find themselves disproportionately in a lot of debt. But I do think this gets at a larger issue about eroding trust in American higher education. Jon, I wonder from the presidential perspective, it's a big topic, but what you all are thinking and talking about here.

Jonathan Fansmith:

Yeah. This is a big subject and there's a lot of facets to it. Actually, if people haven't read that article, no matter what you think about the conclusions or even the framing, it's worth a read because it's an interesting piece. I think there's a pretty good, pretty succinct summary of a lot of the currents in this debate. Which as you point out, there's been a lot of articles actually about this over the summer. It's been one of the downers of the summer is there's actually been a lot of articles have come out. And I'll say, thoughtful, well-researched. We had the Gallup data about the lack of faith in higher education, which to your point, institutions across American society, we've dropped 15 percentage points, but we're still fourth among all institutional types.

So, I do think you talk to people about this, you hear a lot of things. You hear, well, there's a coordinated campaign of attacks on higher education that you didn't see 10 years ago and you didn't see 15 years ago. I think that's true. I think that has some merit. I think particularly among people who have not gone to college, those messages are resonating more than they used to. But I'll say that Times article I think kind of hit the nail on the head. The experience most Americans have, you tie it really to the financial outcomes. This idea of the difference between a wage premium and the wealth gap, it really gets into it. Particularly the thing they noted was right around 1980, which this is where the pivot point is. People who attended college before that point tend to be far more well-off than people who attended college after that point. The article touches on this a little bit. They talk about what people pay currently.

That was also about the period where we stopped, particularly at the state level, investing in public higher education, which is where approximately 80% of people get their post-secondary education. It's where we started to see this increase in costs, because institutions responded to declining state subsidies by raising tuition. What we've seen over the intervening 40 years is this shifting the burden of the cost of college from big institutions like the state and the federal government much more onto the individual. That has limited, when you're not just accumulating debt but repaying that debt, and that is counting against. You still earn more if you go to college, right? College, lots of studies, which I forget, one came out this summer and says something like 54 different indicators of a good life, college graduates do significantly better on 52 of them, right?

There's no argument that going to college ultimately is good for you, but especially when you're talking about these populations, historically underrepresented populations of college -- Black students, Hispanic students, right? They are really feeling the impact in a way they are not seeing a benefit. They just don't see the benefit that is as substantial as their parents did. That's because we've started to say, you are much more responsible for paying for the costs.

Lots of ways to address that. Federal government, frankly, has for the most part, stepped up. Federal spending has increased per student significantly in that period. Not enough to cover how far the states have walked away, but if you boil all this down to economics, the economics are pretty clear. Students are much more skeptical because it is a bigger financial gamble for them to enter higher education. And so, the payoffs may not be as good and the risk is higher.

Justin Draeger:

Do you think, though, there's also maybe, there's an accountability side that in higher ed we have to embrace along the programmatic outcomes or the institutional outcomes? I'm not saying we've got it just right with the proposals that are on the table, but I think for a long time, and I'm not pointing fingers at ACE or NASFAA or any of our colleagues in particular, but I think there's always a defensiveness around accountability. But at some level, we accept accountability. It's built into the HEA. But there is a programmatic outcome here that's not working on the wealth side for students, that sometimes this is not paying off. For a lot of students in certain circumstances, it is not paying off on the wealth side. They are not better off for having gone to college, at least in terms of building wealth.

Jonathan Fansmith:

That's right. There are a lot of students in that category. I think the accountability piece is important. It is understandable, too, that when people are talking about accountability, there's an initial defensiveness. When you're talking about accountability, what you're saying is there's a problem that needs to be solved and the problem lies in your area. Right? There's not a lot of people who enter higher education for the money, right? They're doing it because they're committed to a mission. They believe in something, and whether that's they care deeply about an area of research or they want to work and help students, or they see themselves as contributing to building a greater society. There's a lot of, frankly, sacrifice that goes into pursuing this across whatever range of their financial aid administrator or a faculty member or somebody else. And so, when you hear these critiques, it's hard not to take that personally. Particularly as organizations that are so closely associated with the people who do that work, we tend to, I think, take that on too.

That said, numbers are numbers, and you can look. Again, this is not a defense of higher ed generally, but you can look and see that the problem areas are relatively small in the overall scheme of this higher education enterprise we have in the United States. But that doesn't mean they're any less important. For all the high-priced or high profile scandals we've seen about chains of institutions that collapse and all the students in bad shape, you really worry a lot. Or we should be worrying as much, about a 20 person program that's leading students into significant debt, and at institutions that overall is doing a good job with other students. Getting a better understanding of that, holding institutions accountable, I think reasonably is something everybody both should expect and be eager partners in.

Yeah, the proposals have been put out, a lot of which are hamstrung by limited federal data and the ability to effectively get to where the problems are. That shouldn't be an excuse for exploring ways to get at it. I think for the most part, higher ed welcomes that. Obviously, a little defensiveness. Obviously, some people whose interests are at stake may be more resistant. I'll give credit, frankly, to NASFAA, too, for often leading some of these conversations about ways to serve these students.

Justin Draeger:

Yeah, and it's hard, it's complicated. We want to do no harm, but we also have to recognize the harm being done today. And so, it's complicated. You pull a string here and you don't know how it might unravel something over there. This is a bigger conversation, and I think a good one to kick off our seventh season of "Off the Cuff." Everything we've been doing, we were adding it up this morning, seven years. At the NASFAA conference, I heard a lot of folks. I always deflect and tell everybody like, oh, great, we've got one listener, when people reach out to us. But you know what? We really do have a lot of folks that are tuning in across the profession for our updates on "Off the Cuff." We continue to do this because people continue to find it valuable.

Jon, we're really glad that you're back this season. Karen, thanks for always your expertise. And Hugh and Maria, who are always helping us both on "Off the Cuff" and behind the scenes, setting all of this up and helping us record and edit, a big thank you to you. We'll be back again next week. Thank you, everybody, for tuning in. Until next time, we'll talk to you very soon.