February 15, 2018

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

RE: The University of Wisconsin System’s Feedback to Senator Alexander’s Higher Education Accountability White Paper

Dear Senator Alexander:

Thank you for the opportunity to respond to your Higher Education Accountability white paper. The University of Wisconsin System (UW System) appreciates your efforts to modernize and simplify federal requirements for institutions of higher education. The UW System believes smart and reasonable regulations play an important role in ensuring institutional accountability and responsible stewardship of taxpayer dollars; however, excessive and burdensome federal regulations directly harm our ability to maximize operational capabilities. We appreciate the work of the Task Force on Federal Regulation of Higher Education, which you commissioned, to study federal regulation and identify potential improvements. We are hopeful that many of your recommendations will see fruition as the Higher Education Act is reauthorized.

While the UW System understands the goals of the 90/10 rule, gainful employment, and cohort default rates to protect borrowers from fraudulent actors in the for-profit industry, we also believe that 1) a one-size fits all approach to accountability ignores significant differences between public, non-profit institutions and for-profit institutions; 2) to more accurately measure the success of a program, accountability metrics should focus on completion rates, not just students’ ability to pay back their loans; and 3) accountability should be measured at the institutional or cohort level, not at the program level.

#1: Create Separate Accountability Requirements for Non-Profits and For-Profits

New accountability metrics should not treat public, non-profit colleges and universities the same as for-profit institutions. There are fundamental differences between these types of institutions, and non-profit institutions are already held to higher standards at the state and federal levels. For example, the University of Wisconsin System and Technical College System in Wisconsin receive state funding and respond to the Wisconsin state government through
performance funding metrics that are designed to provide accountability and oversight for those funds.

Regarding Gainful Employment regulations, the University of Wisconsin System already implemented these policies. We disclose extensive student-based information related to the institution, the Gainful Employment (GE) program, as well as other programs in which students are enrolled in a particular academic year. Not only are these requirements burdensome—they consume about half of a full-time position for the Financial Aid Office at one institution alone to oversee the 50 or so programs that fall under this classification—we question their usefulness. We are concerned the current volume and level of detail confuse rather than inform students, if students look at all.

UW System recommends repealing or at a minimum streamlining the rules to provide only the key pieces of information most useful to consumers. In addition, any proposed new Gainful Employment disclosures should be subject to extensive consumer testing to determine whether the information is likely to be used in students’ decision making.

#2: Focus on Completion Rates
If the desire of the federal government is to hold institutions or programs responsible for leaving students with excessive or unmanageable debt, then the UW System believes that focusing on improving completion rates is more beneficial than focusing on loan repayment rates (LRR).

As your white paper acknowledges, not all debt is created equal. Considering a college graduate can make approximately $1 million more over a lifetime than a non-college graduate, the average student loan debt per borrower of $29,000 is a smart investment. The data supports this argument, because generally the issue of paying back loans is less about the debt than it is about whether the student successfully completed their program. Students who complete their program and have higher levels of debt also have increased earning capacity to pay back their loans. Students with small amounts of debt, but that did not complete their program, are the ones who struggle to pay their loans back.

One paper by Adam Looney of the U.S. Treasury Department and Constantine Yannelis of Stanford University found that completion rates are highly correlated with other outcome measures like default rates and that the rise in default and delinquency are largely due to increases in non-traditional borrowers that attend institutions with low completion rates.¹

Further, the graph below from the New York Federal Reserve Bank illustrates the relationship that students with smaller debt loads struggle to pay their loans back.²

The UW System agrees the cohort default rate is an incomplete measurement, because it does not consider the full picture of loan repayment, such as deferment, delinquency without default, and repayment of the principle. Rather, the loan repayment rate is really just an indicator of whether or not a student will ultimately default on their loan in the future.

If the LRR, or dollar-based approach, is established the UW System recommends the LRR take into account deferment, and income-based repayment programs as counting as positive repayment status, otherwise the LRR would be artificially low. These options take into account legitimate life events that could cause a student who successfully completed a program, which is what should be measured for accountability standards, to be unable to temporarily pay back a loan or pay it back at a lower rate.

#3: Measure Accountability at the Institutional Level
The UW System believes that new accountability metrics should be measured at the institutional level, not at the program level. The issue with measuring a LRR at the program level is that it measures a student’s ability to pay back a loan based on their program when the individual program does not have the ability to control its cost. The cost of tuition and fees are determined at the institutional level. For example, a student going into an Economics program will likely pay the same tuition and fees as a student going into a Computer Science or Engineering Program. The students in the latter programs will likely have more ability to pay their loan back than students in the former program, yet the programs cost the same.

² [http://libertystreeteconomics.newyorkfed.org/2015/07/looking_at_student_loan_defaults_through_a_larger_window.html#V0zUaVPF9fJ](http://libertystreeteconomics.newyorkfed.org/2015/07/looking_at_student_loan_defaults_through_a_larger_window.html#V0zUaVPF9fJ)
The tuition and fees pay for fixed costs and student support services at the institutional level that contribute to the success of a student in the program, such as high-impact practices like student organizations and advising services. Measuring the LRR at the programmatic level does not seem to be an accurate way of measuring the success of a program when the program also does not have the ability to control its costs. There are too many institutional factors that impact the success of a student in a program that it would be too difficult to isolate the effect of a program on the student’s ultimate success and ability to pay back the loan. Also, basing the LRR or another metric at the programmatic level will miss the factors that were stated above that may be of concern to Congress.

Lastly, if the goal is to target programs with low enrollments or that have poor outcomes, the UW System already has policies in place to address individual programs. If the goal of the federal government is to have a more robust measure of the success that institutions have preparing a student, then an institutional level metric that focuses on completion rates makes more sense.

Thank you again for the opportunity to review and comment on your Higher Education Accountability White Paper. The UW System will continue to be a resource as these discussions continue about how to best develop smart and reasonable accountability requirements. If you have any questions regarding the comments in this letter, please contact me or Kris Andrews, Associate Vice President for Federal Relations, by email at kandrews@uwsa.edu, or by phone at 608-263-3362.

Respectfully,

Ray Cross
President
University of Wisconsin System