



**Budget Testimony
Association of Proprietary Colleges
January 15, 2008**

Senator Carl Krueger
Chair
Senate Finance Committee

Assemblyman Herman D. Farrell, Jr.
Chair
Ways and Means Committee

Senator Krueger, Assemblyman Farrell, members of the Legislature, thank you for giving me the opportunity to present testimony regarding this year's budget.

My name is Stephen J. Jerome, President of the Association of Proprietary Colleges Board of Directors and President of Monroe College.

The Association of Proprietary Colleges (APC Colleges) represents 26 degree granting proprietary colleges operating on 36 campus locations in New York State and enrolling 50,000 students in associate, baccalaureate, master's, and doctoral programs. As one of the four sectors of higher education, these colleges play an important role in helping solve New York's workforce issues and contribute handsomely to the State bottom line. These colleges prepare students for the workforce with placement rates as high as 98%. APC college students are the most diverse of all higher education sectors. In fact, over 52% of our students are Black or Hispanic. In addition, we serve the largest percentage of financially needy students attending college in the four sectors of higher education. Our colleges depend on tuition income. They receive no State or Federal financial contribution and pay taxes. A sample of 10 colleges show they have provided nearly \$100M in capital investments in the past few years, employ more than 4,000 faculty and staff with payrolls exceeding \$130M, and provide nearly \$20M in institutional scholarships annually to students. Finally, we deliver an education that attracts students that employers want: employable graduates. This is because of the small classes, high quality faculty and curriculum that is based on the needs of employers, and intensive support services. Our colleges have some of the best graduation rates compared to similar institutions in other sectors. With this background and internships, our students succeed to the benefit of the New York State workforce. In fact, the vast majority of our students remain in New York State.

Overview of Executive Higher Education Budget

We applaud the Governor for making a careful analysis of student financial aid using a scalpel to address the Tuition Assistance Program (TAP). Unlike earlier Governors, there

is no across the board reduction in TAP awards, no cut to the overall amount budgeted for this critical priority and retention of the forward thinking accelerated TAP program established by Education Law §665(2)(c) which has improved retention and graduation rates and provided incentives to accelerate continuous study.

The Governor's budget proposal contains appropriations of \$789M for TAP which includes \$44M to support increased TAP awards resulting from recommended tuition rate increases for SUNY and CUNY. In addition, the Governor proposes numerous changes to the TAP Program.

We believe the Governor's goal is to support New York college students, especially during this time of economic instability. Yet, the proposal places certain barriers which thwart the accomplishment of this goal.

This testimony will provide the APC college reaction to issues relevant to its students and offer alternate means to accomplish the same goals.

Increase Full-Time Status to 15 credits and pro-rate payments for students enrolled for--in between 10 and 14 credits

Executive Proposal

Under the proposal, the definition of full-time study would be redefined as 15 credit hours per semester and TAP awards would be prorated for students enrolling for 10 to 14 credits per semester. Under current law, full-time study is defined as 12 semester credits or its equivalent with maximum TAP eligibility at a 4 year institution of 8 semesters and 6 semesters at a 2 year institution.

Awards for students earning between 10 and 14 credits would be prorated by an enrollment factor. The enrollment factor will be:

The percentage obtained by dividing the number of enrolled credits as certified by the school, by 15 semester credits or its equivalent.

In addition, the proposal converts the lifetime TAP award eligibility for students who receive a prorated award from semesters to credits earned.

The Governor's budget did not specifically discuss what would happen to students attending a two year institution, however, we believe based on the actual language the same criteria would apply to students attending a two year institution.

This would take effect on July 1, 2009 and would save \$21.7 million in 2009-20 and \$31 million annually thereafter.

APC Position

Reject the Increase of Full-Time Status to 15 Credits.

The current system of 12 credits for full-time study comports with federal financial aid law. This means that a student who takes 12 credits is eligible for full-time TAP and Pell awards. This leads to the wise investment of public money as it discourages student debt, especially in the early semesters of enrollment, and encourages retention and graduation.

Increasing full-time study to 15 credits will require significant numbers of students taking 12 credits to secure loans as most colleges define full-time study and, therefore, full-time tuition, as 12 or more credits.

This will impact a significant percentage of students, including needier students already facing hardships, employed students who attend classes often in the evening or weekend and students transitioning to their first year of college. The financial, academic, family and employment responsibilities are often overwhelming, particularly for the first generation college student and older individuals with work and/or have family responsibilities.

As noted, traditionally both New York State and the federal government have defined full-time study as enrollment for 12 semester credits. Changing the definition of full-time study to 15 credits will lead to higher attrition rates and fewer graduates.

- a. This increase in credit hours will have a particularly detrimental effect on the "working poor" who are trying to obtain a college degree and become more productive members of society. These individuals are in a class that is most affected by a harsh economic environment and are least likely to have the time or ability to afford college under the proposed change.
- b. Forcing first year students who cannot take 15 credits per semester to find alternate sources of funds to cover tuition is counter-productive as it will require these students to incur debt or take on additional employment. Countless studies reveal that such students are most vulnerable to financial pressures that might result in their interrupting their studies.
- c. Many students, especially single women, already have difficulty balancing their work, child care, and college responsibilities. These students will be particularly hurt by changing the definition of full time to 15 credits.

Reject Changing Calculation of TAP Usage from Semester to Credits.

The proposed budget contains a number of radical changes in the manner in which state financial aid is administered. Translating from semesters to credits will require considerable and expensive administrative work on the part of both HESC and the state's

colleges and universities at great cost to all parties. This change also raises a number of subsidiary issues.

One of the larger policy issues for transfer students would be what happens to their continued eligibility for TAP if all their prior credits do not transfer. Would they still have eligibility up to 120 credits at their new institution, based on other TAP regulations, such as beneficial placement, that could significantly increase their number of semesters of eligibility. But given the Governor's desire to reduce spending and divide the same maximum eligibility per student over a longer period of time we would have to assume that a limit would be placed on transfer students that might further hurt them or restrict their total eligibility.

Increase Academic Standards of Progress for non-remedial TAP recipients to maintain TAP eligibility

Executive Proposal

Under the proposal, students defined as remedial, or students enrolled in a remedial program approved by the Commissioner of Education, will remain on the current academic standards and TAP eligibility schedules.

Remedial study means: students who are enrolled in remedial courses equivalent to at least 6 credits in their initial term and at least 12 credits in their first year and whose scores on recognized college placement exams indicate the need for remediation.

Students who are not defined as remedial or enrolled in remedial courses will be subject to increased academic standards that will require them to earn a total of 18 credits and a 1.8 Grade Point Average (GPA) by the end of their second semester of study. The current standards schedule requires a minimum of 9 credits and a 1.2 GPA after the second semester.

This proposal would take effect on July 1, 2009 and will save 4.6 million in 2009-10 and \$10 million thereafter.

APC Position

Revise Standards of Academic Progress

The proposed standards of academic progress are too severe, requiring a student to earn a total of six credits at the end of the first semester, 15 credits at the end of the second semester, 24 credits at the end of the third semester, 39 credits at the end of the fourth semester, and 54 credits at the end of the fifth semester.

In the proposed budget, eligibility for the fifth TAP payment requires completion of 54 credits. However, since an associate degree program usually requires 60 credits, students would either be forced to enroll part time during their last semester or take additional courses not required for their degree.

Students defined as remedial will continue to be governed by the current standards of progress chart. This will further complicate the matter as students at the same institution will be governed by different TAP regulations.

A compromise would be to utilize the following charts for all students, irrespective of whether or not they are taking remedial courses. These account for both the GPA and number of credit hours that must be completed per semester. Such standards are more rigorous than those currently required. Many institutions already use such standards and have excellent retention, graduation and placement outcomes, justifying the allocation of TAP funds.

Proposed Alternative Standards of Progress Chart for Associate Degrees and Certificate Programs

Before Being Certified for This Payment	1 st	2 nd	3 rd	4 th	5 th	6 th
A Student Must Have Accrued At Least These Many Credits	0	3	9	18	30	45
With at Least This Grade Point Average	0	.75	1.25	1.5	2.0	2.0
Minimum Number of Credit Hours that Must be Completed the Prior Semester	0	6	6	9	9	12

Proposed Alternative Standards of Progress Chart for Baccalaureate Programs

Before Being Certified for This Payment	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
A Student Must Have Accrued At Least These Many Credits	0	3	9	21	33	45	60	75	90	105
With at Least This Grade Point Average	0	1.1	1.25	1.5	2.0	2.0	2.0	2.0	2.0	2.0
Minimum Number of Credit Hours that Must be Completed the Prior Semester	0	6	6	9	9	12	12	12	12	12

The New York Higher Education Loan Program

Executive Proposal

The Governor has proposed the creation of the New York Higher Education Loan Program which will provide students and parents with access to low-cost loans not currently available in the private loan market.

Students who are residents of NYS attending, or accepted for enrollment at, an eligible NYS college and enrolled at least half-time will be able to apply for loans – maximum amount is \$10,000. Students will be required to first apply for (1) their maximum eligibility of loans under FFELP and FDSLPL, excluding PLUS loans; (2) any other federal student aid, other than HEAL loans and other aid permitted; (3) any state student aid; and (4) any other student aid as prescribed by HESC. In addition, student applicants will have to apply with a co-signor.

Parents or legal guardians of a student, or accepted for enrollment at an eligible college are also eligible to apply for loans. Parent/Guardians must be a resident of NYS.

Participating colleges, lending institutions, etc., will be required to enter into a participation agreement with HESC and comply with all reporting and processing requirements as established by HESC.

Eligible college: is defined as a post-secondary institution, located within New York state, eligible for funds under Title IV of the Higher Education Act of 1965, as amended or successor statute offering a 2 or 4 year degree, graduate or professional degree granting or certification program.

HESC will administer the program in conjunction with the State of New York Mortgage Agency (SONYMA). It is expected that SONYMA will issue \$350 million in tax-free bonds in 2009-2010 to finance new fixed rate loans. There will also be unlimited private lender participation in an affordable variable rate loan program.

In addition, to the state's allocation of Private Activity Bond Volume Cap, a default reserve fund will be established to enable the issuance of tax-exempt bonds, favorable borrower interest rates and fees for both fixed and variable loans. The reserve fund will be capitalized with a combination of loan repayments, borrower fees, State General Fund dollars and contributions from participating higher education institutions equal to 1% of their students' loan dollar volume.

\$50 million is appropriated for the creation of the default reserve fund and \$5 million is appropriated to support administrative costs.

This proposal would take effect July 1, 2009.

APC Position

While we fully support this initiative, it raises a number of issues:

- Will full in-school deferment be available? The ability to defer principal and interest while the student remains enrolled at least half-time in school is essential for the program to be of benefit to most families. This is particularly important in our current economy.
- How will credit approval and interest rates be determined? An affordable interest rate that is below the national average for private education loans and that is available to parents and other co-signers who have a good, well-established credit history (and not just those with excellent or great credit) will significantly help with access to an important source of supplemental funding (that is becoming increasingly difficult for many to obtain in this extremely tight credit market).
- What will be required of schools in the participation agreement with HESC?

Final Consideration

There are alternate means of reducing the cost of TAP. These include: Treating all students who lose TAP eligibility equally. Currently, a student who drops out during a semester or who loses TAP eligibility due to a low GPA or an insufficient number of credits earned cannot enroll at the same institution and be eligible for TAP for a year. Yet the same student can enroll in another institution and be eligible for TAP the next semester. All students who lose TAP eligibility should be prohibited from using TAP for a year.

On behalf of our member colleges and our students, I would like to thank you for your consideration of our proposals.

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