
TASSCUBO PRIMARY MEMBERS RETREAT

WASHINGTON & NACUBO UPDATE

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Diverging Views on Higher Education

Sept. 2017: NBC News and Wall Street Journal poll:

- 49 percent of Americans agreed with the statement that a four-year degree “is worth the cost because people have a better chance to get a good job and earn more money over their lifetime”
- 47 percent, said that a degree is not worth the cost “because people often graduate without specific job skills and with a large amount of debt to pay off.”

July 2017: A Pew Research Center poll finds:

- 58 percent of Republicans say colleges have a negative effect on the “way things are going” in the United States.

July 2018 : Columbia University's Teachers College Poll

- 76% of respondents said public funding of higher education was either an excellent (44 percent) or good (32 percent) investment
- 61% of respondents support increased government spending on postsecondary education
- More than 70% recognized “a lot” or “some” contribution to larger benefits to the public from higher education, particularly related to scientific advances
- 25% perceived college education to contribute “not much” or “nothing” to graduates’ personal enrichment and growth
- Almost 30% perceived higher education to contributing “not much” or “nothing” to graduates’ wealth and success

Tax Cuts and Jobs Act of 2017

Broad impact on colleges and universities

- **Treatment of tax-exempt organizations**

- No more advance refunding of tax-exempt bonds
- New exec comp excise tax
- New UBIT rules
 - Fringe benefits
 - Basketing

- **New business expenses**

- Moving expenses (taxable income)
- Entertainment expenses (non-deductible)

- **Charitable giving and endowments**

- How will the changes impact giving?
 - “Doubling” of standard deduction
 - Doubling of estate tax exclusion
 - Prohibition on charitable seating deduction
- New endowment excise tax

UBIT ON FRINGE

- NACUBO confident that benefits related to ***on-premises athletic facilities*** are not subject to UBIT. We do realize this is unclear and believe IRS and Treasury—or Congress—will clarify this point.
- It is our understanding that ***pretax benefits*** for transportation, while not taxable to the employee, ***may*** be counted as amounts paid or incurred by the employer and are therefore subject to the UBIT tax.
- It is our understanding if there is an expense, UBIT applies for transit, but ***may or may not*** not apply to parking facilities.
- The fringe benefit UBIT provision went into effect Jan. 1, 2018.
- New guidance from IRS allows for offset of losses.

Outstanding Questions

- UBIT Basketing
 - New guidance offers “safe harbors”
- Executive Compensation Excise Tax
 - The employer is liable for an excise tax equal to 21 percent of the sum of (1) any remuneration in excess of \$1 million paid to a covered employee by an applicable tax-exempt organization for a taxable year, and (2) any excess parachute payments
 - JCT made it clear that intent was to cover public institutions (in person and in committee report) but there appears to have been an oversight in drafting

Charitable Giving

- “Doubling” of the standard deduction
 - For 2017, approximately 46.5 million returns elected to itemize deductions. For 2018, when the standard deduction is roughly doubled, JCT estimates this number is estimated to drop to 18 million.
 - AEI estimates a drop in giving in 2018 of about 4% (\$17.2 billion) as a result of doubling the standard deduction and reduction in tax rates.
- Doubling of the estate tax exclusion
 - Fewer taxpayers will pay the estate tax and those that do will pay less.

Tax-Exempt Bonds

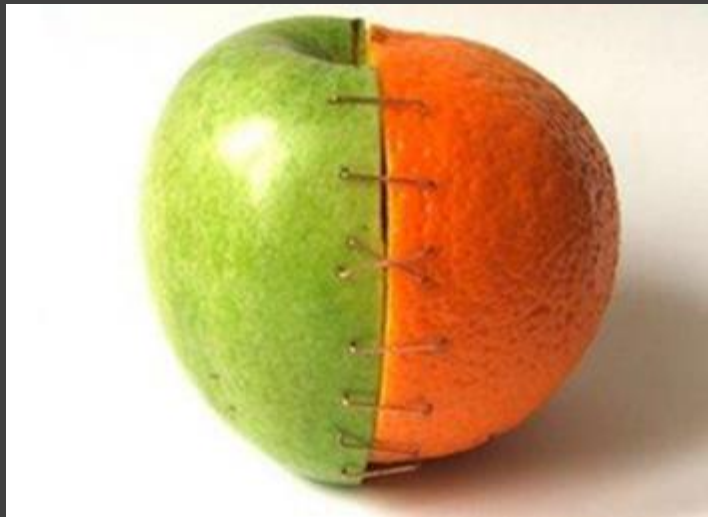
- Advance refunding eliminated
- Tax-exempt bond financing protected

Recently
Released from
NACUBO



***Implementing the Tax
Cuts and Jobs Act: A
Summary of IRS Guidance***

If you don't tell your story, someone else will.



Appropriations

So far, for FY19 (AY 2019-20), lawmakers approved:

- \$100 increase for the maximum Pell Grant award
- Level-funding for Work-Study and FSEOG
- \$2 billion increase for the National Institutes of Health (NIH)
- Nearly 12 percent increase in funds for Department of Defense 6.1 basic research



“Suggestions” in the FY19 (AY19-20) Trump Budget Request

- Elimination of subsidized student loans, “saving” \$28.5 billion over 10 years
- Elimination of Public Service Loan Forgiveness program
- Elimination of the Federal Supplemental Educational Opportunity Grant
- Expand Pell Grant eligibility to include high-quality, short-term programs.
- Reformed Federal Work-Study program with funds allocated to schools based in part on enrollment of Pell recipients
 - Institutions could then fund employment, internships, or other programs if the placements were career or academically relevant
- 1-percent increase for veteran and dependent benefits, including GI Bill educational assistance

Status of the House PROSPER Act



Virginia Foxx (R-NC)
Bill sponsor



Brett Guthrie (R-KY)
Bill co-sponsor

- Passed House Committee on Education and Work along party lines
- No hearings, despite higher education community call for more analysis
- Democrats support some components like the expansion of Pell grants, but oppose the slashing other aid programs



Democrats oppose the bill

“HEA has always been considered in this committee in a bipartisan way. Unfortunately, [the bill] cannot be considered bipartisan because it chooses clear winners and losers. Under this bill, corporate interests are put first and students are put last.”

— *Bobby Scott (D-VA)*



\$15 billion in federal student aid over the next decade would be lost if the PROSPER Act became law, according to a CBO report published Feb. 6, 2018

Senate's Approach to Reauthorization



Sen. Lamar Alexander
(R-TN)



Sen. Patty Murray
(D-WA)

Multiple hearings

- Affordability (2/6)
- Accountability and risk (1/30)
- Access and innovation (1/25)
- Simplification and transparency (1/18)
- FAFSA simplification (11/28)

Policy papers

- Framework for accountability (R)
- Principles to guide reauthorization (D)

Aid Like a Paycheck

Core Concern

Paying students all of their aid in the beginning of a term makes it difficult for them to budget and control spending.

- Credit balance refunds would be paid to students in equal monthly or weekly installments
 - May be unequal to adjust for varying costs, such as upfront charges for tuition and fees
- First installment may be paid as early as 30 days before first day of classes
 - Must be paid no later than 30 days after the start of classes
- Details unclear

Risk Sharing and Accountability

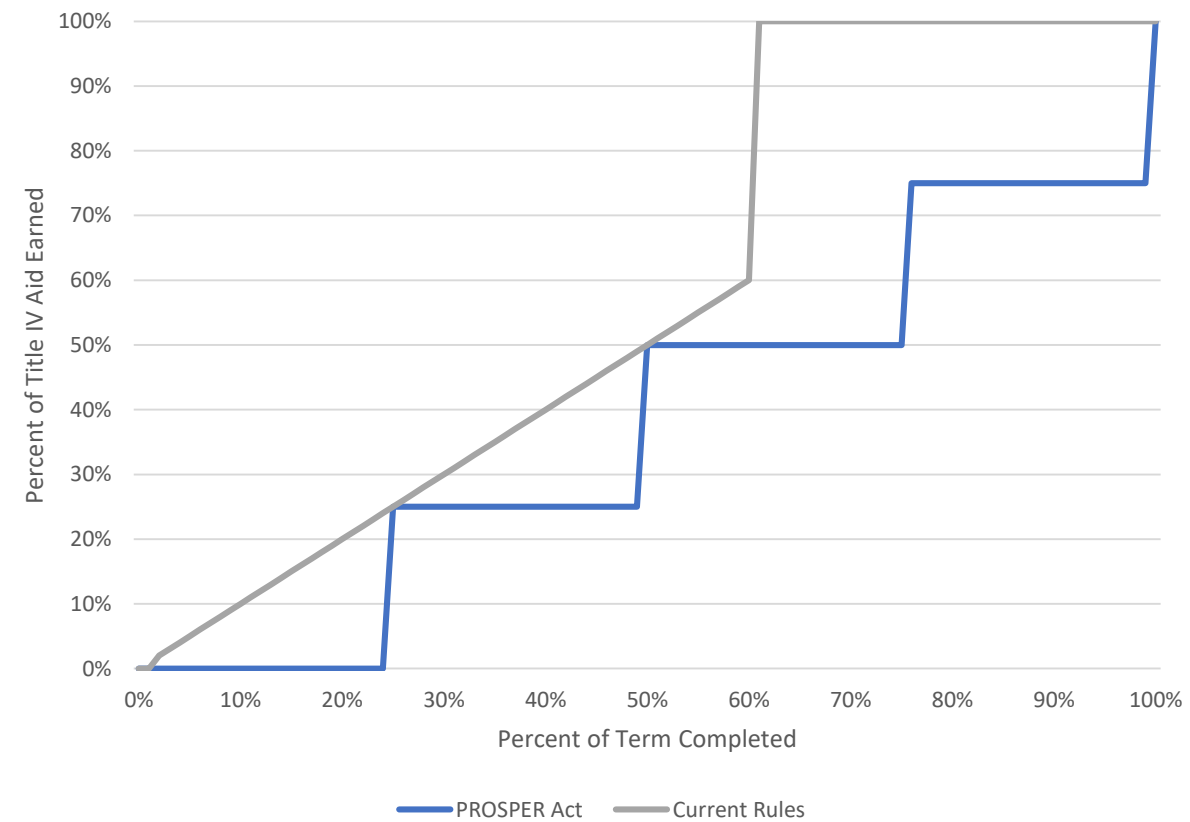
Core Concern

Colleges and universities do not have enough “skin in the game” leaving tax payers to foot the bill for defaulted loans.

- Replace cohort default rate with loan repayment rate
 - Calculated by program of study
- Tighten rules on “earned aid” under R2T4 for withdrawn students, so schools bear more of the cost
- Require schools to repay ED for some portion of defaulted loans

- Also in the name of risk sharing, the PROSPER Act would require schools to return payments all the way up through the end of the program
- Aid earned by quarter of term
- School returns unearned aid based on total disbursed, regardless of credit balance refunds
- If student completes at least one modular course in term, not treated as withdrawal

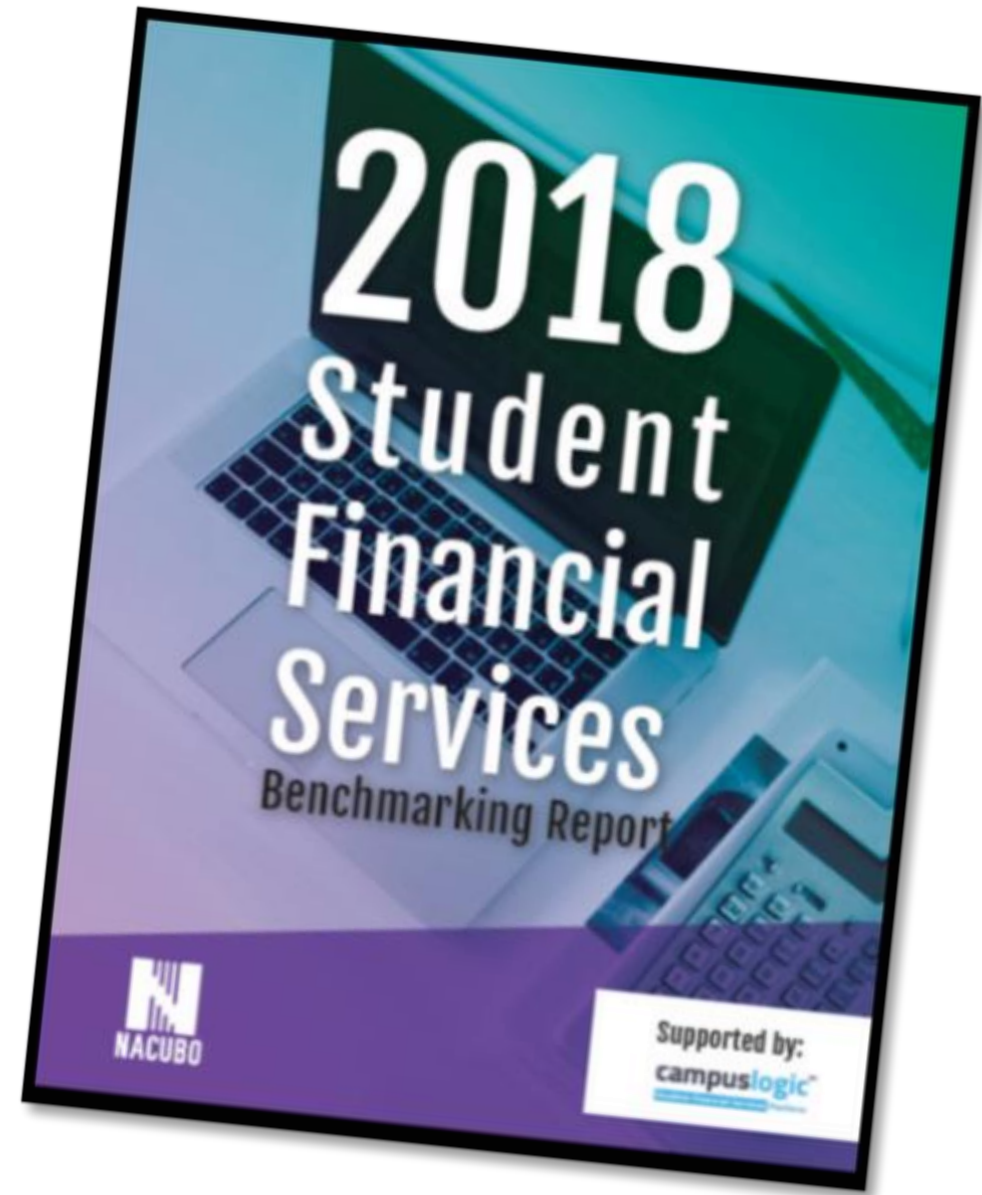
Return of Title IV Funds



Released Sept. 4

If you were a participating institution you can access your complimentary copy through
My NACUBO

- *Unpaid balances*
- *Payment methods*
- *Credit balance refunds*
- *Staff size and budgets*



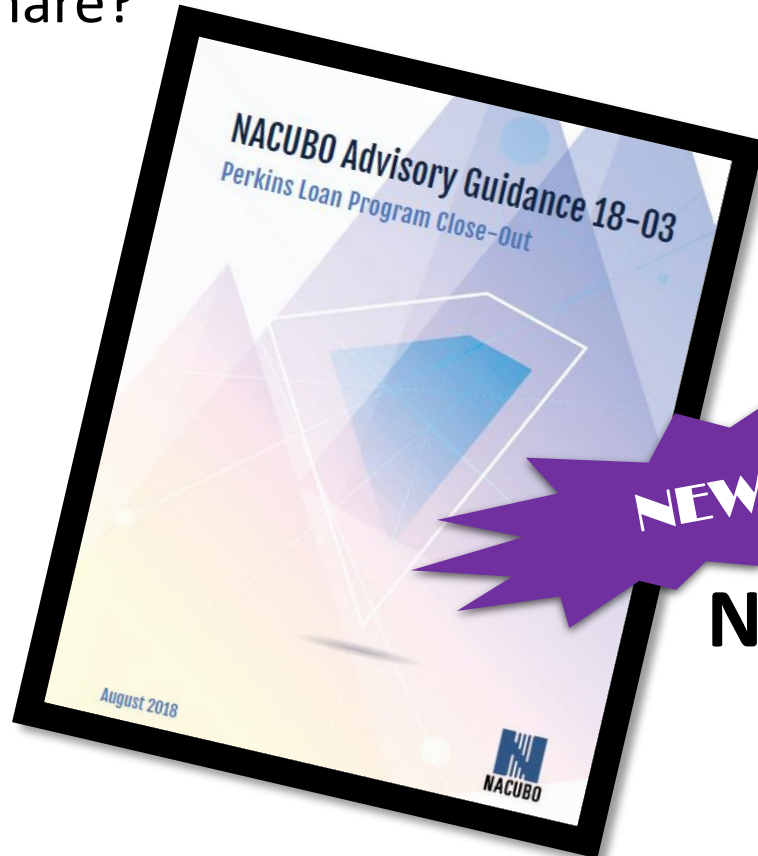
*Overpayments by
International
Students*

*Also in today's
edition!*



The Perkins Loan Program

- Expired September 30, 2017
- Decision for schools
 - Keep collecting and get back institutional share?
 - Assign to ED and lose institutional share?



NACUBO Advisory Guidance

Actions at the Department of Education

Feb. 2017

- ED withdraws guidance requiring public schools to allow **transgender students** to use restrooms that match their gender identity, rather than the gender on their birth certificates in a "Dear Colleague" letter

March
2017

- **Teacher Preparation** rule is overturned using Congressional Review Act

June
2017

- DeVos announces new rulemaking sessions on **gainful employment and borrower defense-to-repayment rules** made final during the Obama administration.

Sept.
2017

- ED issues "interim" guidance on how colleges should investigate and penalize **sexual assault** under Title IX, which begins a process to replace Obama-era guidance

Actions at ED

May +
June 2018

- May: ED postpones the effective date of a 2016 Department of Education rule addressing **state authorization** for distance education and study abroad programs.
- June: ED further delays the date schools will have to comply with certain rules under **gainful employment** (GE) disclosure requirements related to promotional materials and disclosures. Institutions are still required to post completed GE Disclosure templates on their websites.

July 2018

- Attorney General Revokes Obama-Era **Affirmative Action** Guidance.

July
2018

- ED publishes in the Federal Register draft rules for handling **borrowers' claims** that they were misled or defrauded by institutions. NPRM also revisits proposals originally introduced by the Obama administration that require financial protections from colleges.

July
2018

- ED announces new rulemaking sessions on rules related to **accreditation**.



Also at ED...

- **Mobile FAFSA.** The Office of Federal Student Aid (FSA) announced that its mobile application is now available from the Apple App Store and Google Play. FSA says the app will allow students and families to easily and securely complete and submit the Free Application for Federal Student Aid (FAFSA), manage their FSA IDs, and view federal student loan and aid history.
- **Student Accounts Phishing Concerns.** The Department of Education issued an electronic announcement warning institutions about a phishing campaign that could result in fraud. Attackers are using a phishing email to obtain access to student accounts via student account portals, where they can change where credit balance refunds are sent.



Overtime

- The Department of Labor (DOL) has been hosting listening sessions at locations throughout the country to receive community input on its overtime rule.
- This is the first action DOL has taken since receiving comments

Deferred Action for Childhood Arrivals

- 241,000 DACA recipients are currently enrolled in college
- Court injunction has put March 5 deadline on hold but future is uncertain



Era of
Uncertainty



The Value of Higher Education Initiative

- To help business officers communicate these important messages, NACUBO has launched the Value of Higher Education initiative, which aims to:
 - Counter the negative discourse surrounding the value of higher education.
 - Promote its myriad benefits.
 - Shape public opinion toward a more positive perception of higher education's contribution.

Tools

- Backgrounder
- Infographics
- Success Stories
- PowerPoint
- Social Media-friendly

Infographics



Success Stories



News from NACUBO

- Susan Johnston, NACUBO's new CEO
- Austin, July 13-16, 2019
- Refresh of NACUBO's Strategic Plan

NACUBO's Strategic Blueprint

Five Board-Identified Priorities:

- Engage institutions in undertaking necessary transformations
- Increase proactive advocacy
- Drive effective solutions
- Strengthen the strategic leadership role of the CBO
- Lead higher education's integration of analytics to achieve institutional strategic goals



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