

An Engaged Family's Perspective on the Future of Christian Higher Education

**The Battle for Religious Liberties
at Colleges & Universities**

**King Consulting Group
& Hand-Up Financial
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Workshop Summary

- Religious liberty has always been a focal point for faith-based educational institutions. However, in the last five years those risks have grown exponentially and are now invading the lives of current and future students.
- Today we will look at these risk and the future of Christian Higher Ed from three different perspectives:
 1. **A Dad's Perspective** – from the father of four daughters and the leader of the ABACC Financial Freedom Project
 2. **Future Parents' and Students' Perspectives** - Thoughts on the religious liberty topic with an 8-10 year or longer-term worldview
 3. **A Community Solution** - Ways schools, family's and stakeholders can collectively act now to protect educational choice for coming generations

A Dad's Perspective

Separation of Church & State in Education

- Religion has had a major role in education in America even before there was a United States.
- The 1960's saw a major attack on religion in education, as groups like the ACLU, with the help of the judiciary, turned President Jefferson "wall of separation between Church on State" on its head.
- The 1965 Higher Education Act centralized education policy and more importantly funding, with the U.S. Dept. of Education (ED), setting the stage for an inevitable collision course between money and mission.
- Today most secular colleges and universities have become intolerant to the idea of civil discourse and the value of varying perspectives, especially as it relates to religious beliefs.

Landmark Battles Solidify ED's Supreme Role

- The 1970's and 80's brought the creation of most Federal Aid programs in existence today, as well as landmark cases to define whether religious institutions would have to submit to ED's authority.
- Grove City and Hillsdale had actions that were resolved by the U.S. Supreme Court, which ruled schools, not students were the primary beneficiaries of Federal Aid (and thus subject to ED's authority if they participated in Federal programs).
 - Hillsdale stopped accepting all Federal Aid in 1984.
 - Grove City stopped accepting Pell grants in 1984 and all other Aid in 1996.
- Only a few small colleges and universities followed in their footsteps.

A “New” Branch of Government

- The next three decades saw the power of administrative law and federal bureaucracy (including ED) grow exponentially under a separate, but not equal branch (sometimes referred to as the 4th Branch).
- Administrative law leaves a substantial portion of faith-based school with no religious liberty protections at all.
- Administrative agencies have vast (Supreme Court affirmed) powers to create regulations, issue interpretive rulings, and oversee their own judicial proceedings.
- Recent examples of these broad powers over religious schools include:
 - 2016 clash between the ED/DOJ and many faith-based universities over the definition of gender and marriage
 - Reinterpretation of religious liberty exemptions from 2009 through 2016
 - CA and NY agencies attempting to take away state funding from schools utilizing birth-sex to define gender

What's on the horizon for 2020 and Beyond

- Legislative Risks - Such as the Equal Rights Amendment
- Judicial Risk – already on the 2020 docket for the Supreme Court are many cases that could become relevant to this sector, including:
 - LGBT rights in the workplace
 - Whether Catholic schools can claim the “ministerial exception” in employment law disputes
 - A case from Montana over whether the tax authority can invalidate scholarship programs for religious schools
- Executive Branch Risk – Many of the top presidential candidates have openly indicated that they would take a hard line against any religious organizations that don't fully embrace their progressive opinions on gender, marriage and sanctity of life.

2019 Future of Financial Aid Survey - Methodology

- As a follow up to some conversations had by many at the 60th Annual ABACC Conference, Bruce Hoeker, Executive Director of ABACC asked if we could tailor an update to the 2016 Survey. With 2016 as a baseline, we desired to see several things:
 - How has the improved regulatory and legislative environments in the past few years affected member's anxiety levels and the types of discussions that were occurring?
 - What actions had been taken since the 2016 survey, as well as how those actions compared to the contemplated actions from the earlier survey?
 - What actions members intended to take in this next three-year season?
 - What kinds of resources members felt they needed in the coming months and years?

2019 Future of Financial Aid Survey – Key Results

- Despite the recent improvement to religious liberty risk, levels of anxiety amongst ABACC members about the long-term risks to federal and state aid, and the potential need to find alternative solutions, remain very comparable from 2016 to 2019.
- Even with the level of anxiety still being high, the action steps taken in the last three years were limited, especially when compared to those anticipated in 2016.
- Four out of five respondents consider this topic to still be an important, high or strategic priority.
- A fairly broad array of action steps are contemplated over the coming years, which will require substantial collaboration from ABACC, members, Institutions, and partners in order to be achieved.
- Full survey results can be found in Appendix B.

2016-2019 Additional Themes Beyond Survey

- Cabinet and board members have wrestled with ways to address additional funding solutions and protections against religious liberty risks, but haven't been able to find a launch point that is feasible
- Schools would like to start with some small steps on the financial freedom pathway - that can help them diversify their funding sources today and provide protection for religious liberty risk in the future.
- Schools acknowledge that building and managing a compliant loan/ISA program could be a non-feasible distraction for their core mission of educating students
- Schools are looking for additional education financing solutions that will add immediate value to their students, including:
 - Increasing access
 - Reducing large out-of-pocket or in-school payment obligations
 - Increasing the amount of credit loads that can be taken per term (and thereby reducing the time to completion)

Future Parents' and Students' Perspectives

Parent and Student - Video Testimonials

- Parent Testimonials:
 - John Dickerson - Campus Pastor
 - Other parents' world views

- Student Testimonials:
 - Sydney: High school class of 2022; College class of 2026
 - Abbey: High school class of 2023; College class of 2027
 - Meredith: High school class of 2023; College class of 2027
 - Paris: High school class of 2024; College class of 2028
 - Lexi: High school class of 2024; College class of 2028

A Community Solution

Is it time for a change?

- Over 80% of faith-based college administrators surveyed in both 2016 and 2019 believe that the risk of losing federal aid is high, if not imminent.
- The Founding Fathers always envisioned people of faith being part of government, but never envisioned American government being in control of religion.
- Throughout most of U.S. and human history, the majority of churches, hospitals and educational institutions were founded by religious organizations and supported by followers who shared in their ideological beliefs.
- Over decades the power and culture of ED has grown to unimaginable levels and faith-based schools could be one Executive Order or action by ED away from having their access to all Federal aid terminated.
- **With the risk identified, the time to act is now!**

What Would Independence Require?

- Intelligently designed **debt** (student loans) and **equity** (income share agreements –ISAs) solutions to allow students, schools and supporters to collectively invest in the future of individuals and all receive long-term return on that investment.
- Replacement funding for Federal and State grant programs.
- New infrastructure to replace federal grant and loan program funding.
- Stewardship and accountability to all parts of the system for the lifetime of the obligations.
- A community of financial supporters that believe in the long-term mission of Christian Higher Ed
- Scalable solutions that can add value today, while building the rails for the future-state model to ride on.

Potential Path Forward To Navigate These Challenges

Shorter-Term

Develop a comprehensive Student Finance strategy designed to provide immediate economic benefit to the Institution and its students. This will likely include some form of school sponsored financing programs that can allow the Path to Independence to begin while also improving current financial viability. Examples could include:

- Replacement solutions for potential loss of State Grants or Perkins

- Remove barriers to entry for students lacking funding

- Potential to replace some unfunded discounts with repayable solutions

Medium-Term

Begin to diversify away from dependence on Federal and State Aid as new sources of capital, infrastructure and successful student repayments coalesce to solidify the pathway

Longer-Term

Complete the transition to total independence from Federal and State Aid using the bridge built during the prior two phases

Future-State Partnership That Meets the Needs of All

- **Students** – To get a higher education, virtually all students and families need well-designed and well-executed financing solutions, delivered at affordable price points, regardless of their credit score or background
- **Schools** – To avoid intrusive government regulations, institutions need alternative funding to replace Federal funding, at comparable prices and approval rates, while avoiding becoming a lender themselves
- **Supporters/Investors** – To provide high social impact investment with positive financial returns, investors need a safe and trusted place to deploy capital, ensure compliance with all federal and state lending laws, and provide a tremendous societal benefit to students and the schools of their choice

A unifying platform will be needed to bring students, school and investors together in a way that meets these common goals

Group Discussion:
Building Enabling Platforms
for the Future-State Model

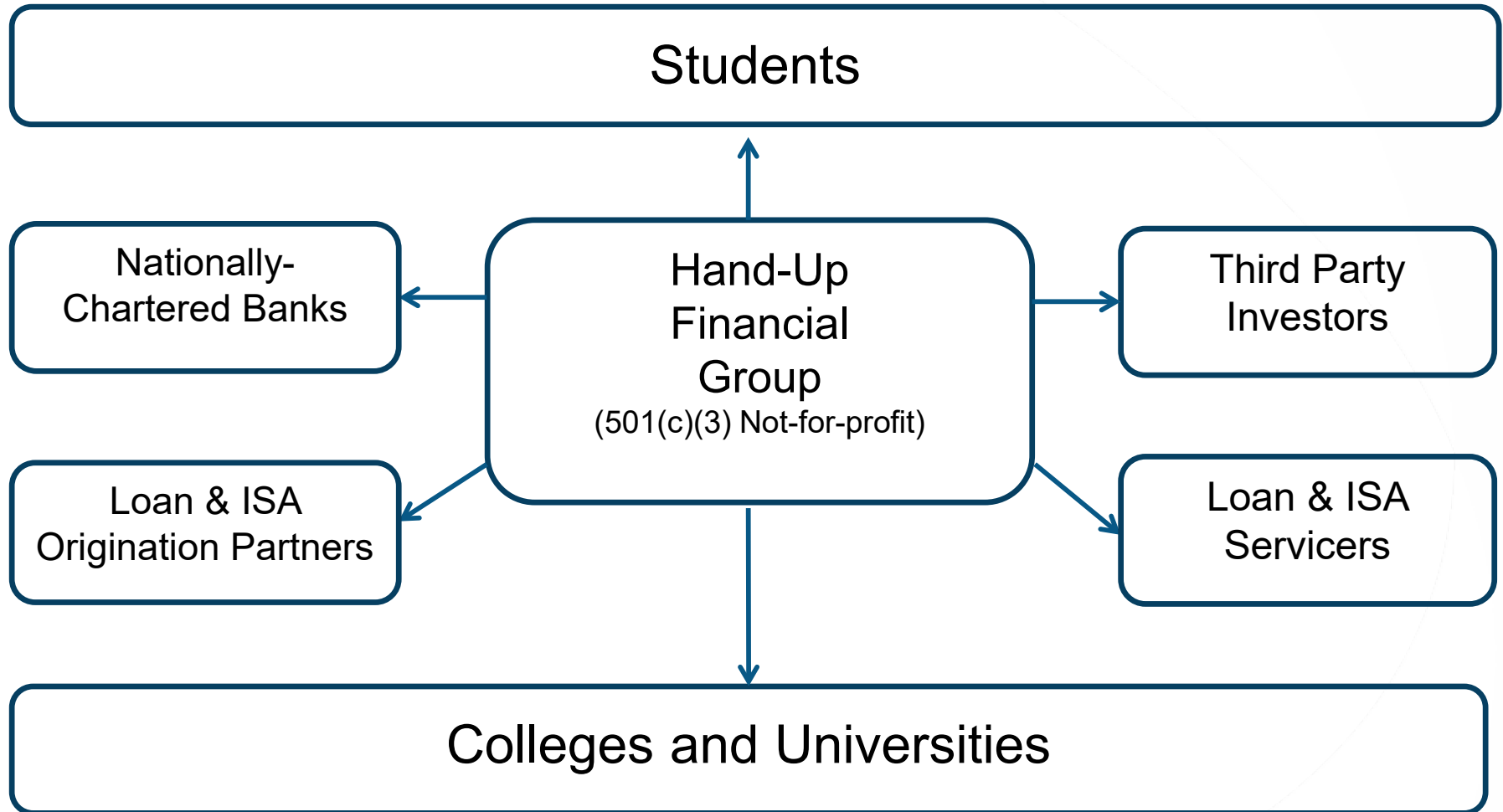
Building a Bridge to the Future of Christian Higher Ed

Open table and group discussions on how “We” can collectively solve these problems, so future students can be assured that they have freedom of choice for not only the next decade, but many more!

Probing Questions:

- **What do schools need to do and when?**
- **What can families do?**
- **What do stakeholders and alumni need to do?**
- **What role do the church and parachurch/missionary organizations need to play?**
- **What role can industry supporters play in building the necessary infrastructure?**
- **What role does KCG and HU intend to play?**

Hand-Up Private Funding Platform & Partners



Enabling Platform for Repayable Solutions-Hand-Up

Hand Up Financial Group (HU) is unique non-profit educational finance platform designed to provide GAP Funding solutions to institutions and its mission focused investors to meet the diverse needs of students

- Allows schools to start small with a school funded loan program, gain an understanding of how to improve repayment rates, and gather the insight needed to attract third party investors
- Over time these loan programs can be scaled and include many different investor funded options including income sharing agreements
- Ensures all the complexities and compliance of a loan program are managed outside of a school by HU, thereby enabling the school to focus on what they do best: educating students

How Does the Hand-Up Model Work?

- HU offers students and schools unique products and terms not found anywhere else in the private student finance marketplace
- HU's non-profit status allows it to offer products and services that are as economical as federal loans to students, but with better customer service solutions
- HU utilizes best-in-class third party origination partners that make the application process for students and schools simple and efficient.
- HU has a highly qualified management team and utilizes seasoned servicing partners to build a compliance environment that could not be replicated at individual schools
- HU's capital structures rely on multiple sources of capital working in synergy to address differing risk tolerances and investment objectives

Questions?

Appendix A:

Key KCG and Hand-Up Board and Management Bios

Board and Management Bios: Don King



Don King

**Founder, Chairman & CEO -HU
Managing Partner- KCG**

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Don King is a Big-4 CPA that began his career in public accounting, where he worked primarily on Real Estate, Energy, and Higher Education clients. His Hand-Up Financial Group, Inc. (HU) and King Consulting Group, LLC (KCG) both leverage teams that have over 60 years of Higher Ed experience in a variety of Institutional Finance/Accounting and Student Finance roles. Combined these entities focus on helping Institutions with issues related to: Strategic Finance Consulting; Higher Ed Financial, Operational and Regulatory Advising; Mergers & Acquisitions (M&A) Advising; Post-Secondary Strategic Consulting; Education GAP Funding Program Design and Management; Federal Default and Repayment Rate Reporting Services; and Student Loan Portfolio Advising.

Don previously served in a variety of roles in the post-secondary education industry, including executive level finance positions focused on operational and financial oversight of multi-state and multi-national educational institutions, external auditor, and executive recruiter.

Don has two decades of experience in the GAP Funding Industry with particular expertise in building and managing programs through partnerships with schools, third-party servicers and sources of capital. His team also has experience analyzing millions of federal and private student loan records for hundreds of thousands of students.

Don serves on the Regional Board of HOPE International, a global faith based nonprofit focused on addressing both physical and spiritual poverty through microenterprise loans and development. He is also an ABACC corporate sponsor and has been leading efforts on the Financial Freedom Project since 2019.

Don holds a Bachelor's degree in Business Administration, with a concentration in Accounting, Summa Cum Laude, from the College of William & Mary.

Board and Management Bios: Mike Brase



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Mike Brase began his career as a Big-4 CPA in public accounting, where he worked primarily on Financial Services, Manufacturing and Governmental/Non-Profit clients. He has spent the last 20+ years leading and advising management within the health care and education service sectors.

Mike previously served in a variety of roles in the post-secondary education industry, including Vice President of Finance with responsibilities over accounting, budget/forecast, student accounts, receivable management, collections, key regulatory measure oversight, cash forecasting and business analytics. His teams have provided support to operations on such things as pricing decisions, maximizing sources of funding, analysis on the impact of anticipated scholarship programs, acquisition integrations and monthly insight on financial results.

Mike has provided business leadership for Financial Aid and Student Accounts in a \$50 million student system conversion as well as numerous other cross-functional projects.

Mike serves on the Board Advisory team for The Leadership Institute (TLI), a international ministry that inspires generations of leaders who *listen* to God, *follow* Jesus rhythms of life, and *lead* from the overflow.

Mike holds a Bachelor's degree in Business Economics from the University of California, Santa Barbara.

Board and Management Bios: Will Calhoun



William Calhoun
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William Calhoun brings a rich history in post-secondary education and publicly-traded companies as he assists clients with revenue growth, risk mitigation, and regulatory compliance. William helps Cicero clients accomplish these objectives by bringing a creative consumer focus, unique experience in this space, and dedication to the needs of our clients' students and customers. These characteristics have allowed William to develop and coordinate growth, compliance and risk-mitigation strategies across admissions, education, career services, marketing, accreditation and licensing, and internal education departments.

Career Highlights:

- **Developed and rigorously managed overall strategy in investigations by Senate Health, Education, Labor & Pensions Committee, Consumer Financial Protection Bureau, individual state attorneys general, the Securities & Exchange Commission, various Offices of the Inspector General, federal and state education departments, and by the Department of Justice;**
- **Law clerk to the United States Court of Appeals for the Sixth Circuit and editor-in-chief of the BRIGHAM YOUNG UNIVERSITY LAW REVIEW;**
- **University and departmental honors graduate of Brigham Young University, where he was also a two-time ITCA Academic All-America, First Team tennis player, and magna cum laude graduate of J. Rueben Clark Law School.**

Appendix B:
ABACC & KCG
2019 The Future of Financial Aid
Perception Survey -
Detailed Results

2019 Future of Financial Aid Survey - Question 1

2019 Survey			2016 Survey	
Q1 How concerned are you that private faith-based institutions will be pushed out of participation in public funding for standing firm on their religious convictions related to behaviors protected by Title IX (i.e. marriage, gender identity, etc.)				
Answer Choices:	Response %	Response #	Response %	Response #
Lots of sleepless nights thinking about this one	12.70%	8	17.19%	11
Occasional anxiety/thought when I hear people discussing this	68.25%	43	62.50%	40
It crosses my mind occasionally, but have not given it much thought	12.70%	8	15.63%	10
Not on the radar... It's all good here	3.17%	2	3.13%	2
Not sure why we are even having this discussion	3.17%	2	1.56%	1
Total Respondents		63		64

2019 Future of Financial Aid Survey - Question 2

2019 Survey			2016 Survey	
Q2 Have you had any meaningful discussions related to this issue with the following? (select all answers that apply):				
Answer Choices:	Response %	Response #	Response %	Response #
Cabinet	73.02%	46	81.25%	52
Peer institutions	46.03%	29	26.56%	17
Board	58.73%	37	51.56%	33
Associations	34.92%	22	23.44%	15
Other	22.22%	14	17.19%	11
I have not had any discussions related to this topic	9.52%	6		
Total Respondents		63		64

2019 Future of Financial Aid Survey - Question 3

2019 Survey			2016 Survey	
Q3 What steps have you taken to manage the risk of losing Title IV funds and/or tax exempt status? (select all answers that apply):				
Answer Choices:	Response %	Response #	Response %	Response #
Found new sources for private or institutional loans/ISAs to replace the Federal Loan programs	9.52%	6	67.19%	43
Completed an endowment campaign study to determine our ability to raise an endowment should Federal and State funds dry up	12.70%	8	34.38%	22
Began to assess our current positioning by reviewing key metrics (i.e. completion rates, student debt levels, student loan default and repayment rates)	23.81%	15		
Sought foundation support to study this issue to determine next steps	3.17%	2	26.56%	17
Joined a coalition of schools that seeks to raise capital for a private loan	1.59%	1	56.25%	36
Invested significant time and energy with others discussing a path	28.57%	18	56.25%	36
Other	20.63%	13	10.94%	7
None	34.92%	22		
Total Respondents		63		64

2019 Future of Financial Aid Survey - Question 4

2019 Survey			2016 Survey	
Q4 What steps might you take in the next 1-3 years to manage the risk of losing Title IV funds and/or tax exempt status? (select all answers that apply):				
Answer Choices:	Response %	Response #	Response %	Response #
Find a source for private loans to replace the Federal Loan programs	55.56%	35	67.19%	43
Begin to do endowment campaign study to determine our ability to raise an endowment should Federal and State funds dry up	28.57%	18	34.38%	22
Work to assess our current positioning by reviewing key metrics (i.e. completion rates, student debt levels, student loan default and repayment rates)	41.27%	26		
Seek foundation support to study this issue to determine next steps	20.63%	13	26.56%	17
Join a coalition of schools that seeks to raise capital for a private loan	41.27%	26	56.25%	36
Invest significant time and energy with others discussing a path forward	55.56%	35	56.25%	36
Other	19.05%	12	10.94%	7
I don't plan to take any actions, as this is not an issue for us	6.35%	4		
Total Respondents		63		64

2019 Future of Financial Aid Survey - Question 5

2019 Survey			2016 Survey	
Q5 What leadership are you expecting from affinity groups or associations to which you belong? (select all answers that apply):				
Answer Choices:	Response %	Response #	Response %	Response #
Education (conference workshops webinars, etc.)	77.78%	49	54.69%	35
White papers, research	42.86%	27	43.75%	28
Association-wide studies	46.03%	29	46.88%	30
Facilitation of peer group discussions	52.38%	33	53.13%	34
None	9.52%	6	14.06%	9
Other (only included in 2016 survey that allowed for written responses)			12.50%	8
Total Respondents		63		64

2019 Future of Financial Aid Survey - Question 6

2019 Survey			2016 Survey	
Q6 Describe where this issue is on your list of top actionable priorities?				
Answer Choices:	Response %	Response #	Response %	Response #
Strategic priority to be acted on immediately	5.26%	3	10.94%	7
High priority and we intend to asses our options and readiness	28.07%	16		
Important, but not urgent, so we are reading the tea leaves	49.12%	28	70.31%	45
Not urgent and we do not consider it to be important at this point	3.51%	2	7.81%	5
We are sensing urgency, but do not see it as an important priority	8.77%	5	7.81%	5
We do not believe this is an issue or concern for us, therefore we are not spending any time on this issue at all.	5.26%	3	3.13%	2
Total Respondents		57		64