

# FOIA MARKER

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**Collection/Record Group:** Clinton Presidential Records

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**OA/ID Number:** 13220

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**Folder Title:**

Education - HEA [Higher Education Act] Reauthorization [6]

**Stack:**

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**Row:**

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**2**



Charlotte\_Fraas @ ed.gov

07/22/97 06:48:00 PM

Record Type: Record

To: Robert M. Shireman

cc:

Subject: Higher Ed

Not to beat a dead horse, but I was at a meeting with Sally Stroup and she said the following re higher ed reauthorization

By Friday they would have drafts of Graduate, International programs. title III and hep-camp

They will start drafting title IV Aug 1 and will have it finished by the end of the recess, barring some unforeseen problem eg they would have to consult a member who was unreachable on an important item. During this process they will have regular consultation/contact with la's for committee members to avoid markup problems. They will move the bill mid-Sept. They have ended their hearings.

They are "in line" with what the Administration appears to be proposing re graduate programs.

Todd Jones is drafting title V--it will be patterned after the professional development piece in IDEA

They don't care about international ed being changed.

RE applications--prior prior and no FAFSA (?) will be huge problems.

They want to keep the FFEL/DL fight as quiet as possible.

They'd like to eliminate origination fees but there is not money--finding \$ to change need analysis, which affects subsidized lonas, to meet paygo would even be a problem.

Campus-based--Sally has a personal mission to look at the formula but realizes the pitfalls. Wants us to consider doing the same.

HR 715(campus crime) will be folded into the HEA

SO, all this points to our objectives of moving HEA pieces up to the Hill sooner than possible.



Kathryn B. Stack

04/23/97 09:48:54 AM



Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: Patricia A. Smith/OMB/EOP

Subject: Re: I'm all confused 

It's my understanding from Pat that the specific "service" deferment that used to be in statute and regulations no longer exists. But the current "economic hardship" deferment covers students getting subsidized loans that take a year off to do service (assuming those doing "service" get no or very little income).

The DPC proposal -- as we see it -- would require extending the same deferment eligibility to students with unsubsidized loans. William estimated the cost at \$7 million over five years, assuming no inducement effect, and historical data that show 3% of those individuals that request a deferment do so for "service-related" reasons.

I faxed Maureen the one page sheet we gave Diana, that includes the info William gave us. It would be good if Maureen could take a hard look to see if she agrees with William's assumptions (his cost estimate seems quite low).

# Economic Hardship - new loans

§682.210, Note

34 CFR Ch. VI (7-1-94 Edition)

shall provide the lender with a statement certifying that she—

- (i) Is the mother of a preschool-age child;
- (ii) Entered or reentered the workforce not more than one year before the beginning date of the period for which the deferment is being sought;
- (iii) Is currently engaged in full-time employment; and
- (iv) Does not receive compensation that exceeds \$1 per hour above the rate prescribed under section 6 of the Fair Labor Standards Act of 1938 (the Federal minimum wage).

(2) In addition to the certification required under paragraph (r)(1) of this section, the borrower shall provide to the lender documents demonstrating the age of her child (e.g., a birth certificate) and the rate of her compensation (e.g., a pay stub showing her hourly rate of pay).

(3) For purposes of this paragraph—

- (i) A preschool-age child is one who has not yet enrolled in first grade or a higher grade in elementary school; and
- (ii) Full-time employment involves at least 30 hours of work a week and is expected to last at least 3 months.

(Approved by the Office of Management and Budget under control number 1840-0598)  
 (Authority: 20 U.S.C. 1077, 1078, 1078-1, 1078-2, 1078-3, 1082, 1085)

[57 FR 60323, Dec. 18, 1992, as amended at 58 FR 9120, Feb. 19, 1993; 59 FR 25746, May 17, 1994]

**EFFECTIVE DATE NOTES:** 1. At 59 FR 25746, May 17, 1994, in §682.210, in paragraph (a)(3)(ii), after the word "loan", "for which the application was received by an eligible lender on or after January 1, 1993" was added; in paragraph (a)(8), the phrase "as to that loan" was removed; in paragraph (b)(6) introductory text, after the word "when", "the" was removed and "a" was added in its place; in paragraph (c)(3), before "SLS", "an" was removed and "a Stafford," was added in its place, after the word "application", "or other form certified by the school or for multiple holders of a borrower's loans, shared data from the Student Status Confirmation Report," was added, after the word "outstanding", "Stafford," was added, and "that is held by the lender" was removed, effective either 45 days from the date of publication in the FEDERAL REGISTER or later if Congress takes certain adjournments.

2. At 59 FR 33594, June 29, 1994 §682.210 was amended by revising paragraph (a)(1); by adding a new paragraph (a)(11); by revising

paragraph (c)(4); and by adding a new paragraph (s), effective July 1, 1993 or after the information collection requirements contained in this section have been approved by the Office of Management and Budget, whichever is later. A document announcing the effective date will be published in the FEDERAL REGISTER. For the convenience of the reader, the revised text is set forth below.

### §682.210 Deferment.

(a) General. (1)(i) A borrower is entitled to have periodic installment payments of principal deferred during authorized periods after the beginning of the repayment period, pursuant to paragraph (b) of this section.

(ii) With the exception of a deferment authorized under paragraph (c) of this section, a borrower may continue to receive a specific type of deferment that is limited to a maximum period of time only if the total amount of time that the borrower has received the deferment does not exceed the maximum time period allowed for the deferment.

(11) If two individuals are jointly liable for repayment of a PLUS loan or a Consolidation loan, the lender shall grant a request for deferment if both individuals simultaneously meet the requirements of this section for receiving the same, or different deferments.

(c) \* \* \*  
 (4) A borrower serving in a medical internship residency program, except for an internship in dentistry, is prohibited from receiving or continuing a deferment on a Stafford, SLS, or Consolidation loan under paragraph (c) of this section.

### (s) Deferments for new borrowers on or after July 1, 1993—

(1) General. A new borrower who receives an FFEL Program loan first disbursed on or after July 1, 1993 is entitled to receive deferments under paragraphs (s)(2) through (s)(6) of this section. For purposes of this section, a "new borrower" is an individual who has no outstanding principal or interest balance on an FFEL Program loan as of July 1, 1993 or on the date he or she obtains a loan on or after July 1, 1993. This term also includes a borrower who obtains a Federal Consolidation Loan on or after July 1, 1993 if the borrower has no other outstanding FFEL Program loan when the Consolidation Loan was made.

(2) Student deferment. An eligible borrower is entitled to a deferment for at least half-

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## VI (7-1-94 Edition)

Adding a new paragraph 1, 1995 or after the requirements have been approved by the Department and Budget, a document announcing the requirements to be published in the Federal Register for the convenience of the borrower. The text is set forth

The borrower is entitled to receive payments of principal and interest during authorized periods of repayment periods of this section. If a deferment authorized under paragraph (b) of this section, the borrower is not entitled to receive a payment that is limited to a payment only if the total amount the borrower has repaid does not exceed the amount allowed for the

The borrower and the guarantor are jointly liable for the loan or a Consolidated Loan. The lender may grant a request for a consolidation of loans simultaneously with this section for relevant deferments.

The borrower is not eligible for a medical internship except for an internship prohibited from receiving a Stafford Loan under paragraph (b) of this section.

## Borrowers on or after

The borrower who receives a loan first disbursed on or after July 1, 1995 is entitled to receive payments (s)(2) through (s)(5) of this section. An individual who obtains a loan or interest balance on a loan as of July 1, 1995 who obtains a loan after July 1, 1995 is not eligible for a Federal Consolidation Loan.

An eligible borrower is not eligible for at least half-

## Off. of Postsecondary Educ., Education

time study in accordance with the rules prescribed in §682.210(c), except that the borrower is not required to obtain a Stafford or SLS loan for the period of enrollment covered by the deferment.

(3) *Graduate fellowship deferment.* An eligible borrower is entitled to a graduate fellowship deferment in accordance with the rules prescribed in §682.210(d).

(4) *Rehabilitation training program deferment.* An eligible borrower is entitled to a rehabilitation training program deferment in accordance with the rules prescribed in §682.210(e).

(5) *Unemployment deferment.* An eligible borrower is entitled to an unemployment deferment in accordance with the rules prescribed in §682.210(h) for periods that, collectively, do not exceed 3 years.

(6) *Economic hardship deferment.* An eligible borrower is entitled to an economic hardship deferment for periods of up to one year at a time that, collectively, do not exceed 3 years, if the borrower provides documentation satisfactory to the lender showing that the borrower—

(i) Has been granted an economic hardship deferment under either the FDSL or Federal Perkins Loan Programs for the period of time for which the borrower has requested an economic hardship deferment for his or her FFEL loan;

(ii) Is receiving payment under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance;

(iii) Is working full-time and earning a total monthly gross income that does not exceed the greater of—

(A) The minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938; or

(B) An amount equal to 100 percent of the poverty line for a family of two as determined in accordance with section 673(2) of the Community Service Block Grant Act; or

(iv) Is not receiving total monthly gross income that exceeds twice the amount specified in paragraph (s)(6)(iii) of this section and, after deducting an amount equal to the borrower's monthly payments on federal postsecondary education loans, as determined under paragraph (s)(6)(viii) of this section, the remaining amount of that income does not exceed the amount specified in paragraph (s)(6)(iii) of this section.

(v) For a deferment granted under paragraph (s)(6)(iv) of this section, the lender shall require the borrower to submit at least the following documentation to qualify for an initial period of deferment—

(A) Evidence showing the amount of the borrower's most recent total monthly gross income, as defined in paragraph (s)(6)(ix) of this section; and

## §682.211

(B) Evidence that would enable the lender to determine the amount of the monthly payments that would have been owed by the borrower during the deferment period to other entities for federal postsecondary education loans in accordance with paragraph (s)(6)(viii) of this section.

(vi) To qualify for a subsequent period of deferment that begins less than one year after the end of a period of deferment under paragraphs (s)(6)(iii) or (iv) of this section, the lender shall require the borrower to submit a copy of the borrower's federal income tax return if the borrower filed a tax return within eight months prior to the date the deferment is requested.

(vii) For purposes of paragraph (s)(6)(iii) of this section, a borrower is considered to be working full-time if the borrower is expected to be employed for at least three consecutive months at 30 hours per week.

(viii) In determining a borrower's eligibility for an economic hardship deferment under paragraph (s)(6) of this section, the lender shall count only the monthly payment amount (or a proportional share if the payments are due less frequently than monthly) that would have been owed on a federal postsecondary education loan if the loan had been scheduled to be repaid in 10 years from the date the borrower entered repayment, regardless of the length of the borrower's actual repayment schedule or the actual monthly payment amount (if any) that would be owed during the period that the borrower requested an economic hardship deferment.

(ix) For purposes of paragraph (s)(6) of this section, a borrower's total monthly gross income shall be the gross amount of income received by the borrower from employment (either full-time or part-time) and from other sources.

(Authority: 20 U.S.C. 1077, 1078, 1078-1, 1078-2, 1078-3, 1082, 1085)

## §682.211 Forbearance.

(a)(1) The Secretary encourages a lender to grant forbearance for the benefit of a borrower or endorser in order to prevent the borrower or endorser from defaulting on the borrower's or endorser's repayment obligation, or to permit the borrower or endorser to resume honoring that obligation after default. *Forbearance* means permitting the temporary cessation of payments, allowing an extension of time for making payments, or temporarily accepting smaller payments than previously were scheduled.

(2) Subject to paragraph (b) of this section, a lender may grant forbear-

old loans only  
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the certifi-

(1) That the borrower is engaged in full-time service as an officer in the Commissioned Corps of the USPHS;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(k) Peace Corps deferment. To qualify for a deferment for service under the Peace Corps Act, the borrower shall provide the lender with a statement from an authorized official of the Peace Corps certifying—

(1) That the borrower has agreed to serve for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(l) Full-time volunteer service in the ACTION programs. To qualify for a deferment as a full-time paid volunteer in an ACTION program, the borrower shall provide the lender with a statement from an authorized official of the program certifying—

(1) That the borrower has agreed to serve for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(m) Deferment for full-time volunteer service for a tax-exempt organization. To qualify for a deferment as a full-time paid volunteer for a tax-exempt organization, a borrower shall provide the lender with a statement from an authorized official of the volunteer program certifying—

(1) That the borrower—

(i) Serves in an organization that has obtained an exemption from taxation under section 501(c)(3) of the Internal Revenue Code of 1986;

(ii) Provides service to low-income persons and their communities to assist them in eliminating poverty and poverty-related human, social, and environmental conditions;

(iii) Does not receive compensation that exceeds the rate prescribed under section 6 of the Fair Labor Standards Act of 1938 (the Federal minimum wage), except that the tax-exempt organization may provide health, retirement, and other fringe benefits to the volunteer that are substantially equiv-

alent to the benefits offered to other employees of the organization;

(iv) Does not, as part of his or her duties, give religious instruction, conduct worship services, engage in religious proselytizing, or engage in fund-raising to support religious activities; and

(v) Has agreed to serve on a full-time basis for a term of at least one year;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(n) Internship or residency deferment.

(1) To qualify for an internship or residency deferment under paragraphs (b)(2)(v) or (b)(5)(iii) of this section, the borrower shall provide the lender with a statement from an authorized official of the organization with which the borrower is undertaking the internship or residency program certifying—

(i) That the internship or residency program is a supervised training program that requires the borrower to hold at least a baccalaureate degree prior to acceptance into the program;

(ii) That, except for a borrower that provides the statement from a State official described in paragraph (n)(2) of this section, the internship or residency program leads to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers post-graduate training;

(iii) That the borrower has been accepted into the internship or residency program; and

(iv) The anticipated dates on which the borrower will begin and complete the internship or residency program, or, in the case of a borrower providing the statement described in paragraph (n)(2) of this section, the anticipated date on which the borrower will begin and complete the minimum period of participation in the internship program that the State requires be completed before an individual may be certified for professional practice or service.

(2) For a borrower who does not provide a statement certifying to the matters set forth in paragraph (n)(1)(ii) of this section to qualify for an internship deferment under paragraph (b)(2)(v) of this section, the borrower shall provide the lender with a statement from an of-

ficial of the appropriate State agency certifying that the internship or residency program, or a thereof, is required to be completed before the borrower may be certified for professional practice or service.

(o) Parental-leave deferment. To qualify for the parental-leave deferment described in paragraph (n) of this section, the borrower shall provide the lender with—

(i) A statement from an authorized official of a participating school certifying that the borrower was on at least a half-time basis during the six months preceding the beginning of the deferment period;

(ii) A statement from the lender certifying that the borrower—

(A) Is pregnant, caring for a newborn child, or caring for a child immediately following the placement of the child with the borrower in connection with an adoption;

(B) Is not, and will not be, enrolled in school during the deferment period; and

(C) Is not, and will not be, employed in full-time employment during the deferment period; and

(iii) A physician's statement certifying the existence of a pregnancy, a birth certificate, or a statement from the adoption agency evidencing a pre-adoption placement.

(2) For purposes of paragraph (o)(1)(ii)(C) of this section, full-time employment involves at least 30 hours of work per week and is expected to last at least three months.

(p) NOAA deferment. To qualify for a National Oceanic and Atmospheric Administration (NOAA) deferment, the borrower shall provide the lender with a statement from an authorized official of the NOAA corps, certifying—

(1) That the borrower is performing duty service in the NOAA corps;

(2) The date on which the borrower's service began; and

(3) The date on which the borrower's service is expected to end.

(q) Targeted teacher deferment. To qualify for a targeted teacher deferment under paragraph (n) of this section, the borrower shall provide the lender with a statement from an authorized official of the school year of service for which the deferment is requested, certifying that the borrower—

- (A) 90 percent of the loan under this part;
- (B) the interest due on such loan; and
- (C) any collection fees due on such loan;

in a lump sum payment.

(20 U.S.C. 1087dd) Enacted June 23, 1972, P.L. 92-318, sec. 137(b), 86 Stat. 275, 277; amended October 12, 1976, P.L. 94-482, sec. 130(d), 130(c), 130(D), 130 (g)(1) and (g)(2), 90 Stat. 2147; amended June 15, 1977, P.L. 95-43, secs. 1(a)(39), 91 Stat. 217; amended October 3, 1980, P.L. 96-374, secs. 442(b) (4), (5), 443, 444, 445(b)(2), 446, 448(c), 1391. 94 Stat. 1440, 1441, 1442, 1443, 1503; amended August 13, 1981, P.L. 97-35, sec. 539, 95 Stat. 458; amended April 7, 1986, P.L. 99-272, sec. 16028, 100 Stat. 353; amended October 17, 1986, P.L. 99-498, sec. 405(a), 100 Stat. 1448; amended June 3, 1987, P.L. 100-50, sec. 13(i), 101 Stat. 349; amended July 13, 1988, P.L. 100-369, sec. 7(c), 102 Stat. 837; amended December 19, 1989, P.L. 101-239, sec. 2001(3), 103 Stat. 2111; amended July 23, 1992, P.L. 102-325, sec. 464, 106 Stat. 580; amended December 20, 1993, P.L. 103-208, sec. 2(9)(9)-(11), (m), 107 Stat. 2471, 2486.

**SEC. 465. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.**

(a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The percent specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

(2) Loans shall be canceled under paragraph (1) for service—

(A) as a full-time teacher for service in an academic year in a public or other nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to chapter 1 of the Education Consolidation and Improvement Act of 1981, and which for the purpose of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 111(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school;

(B) as a full-time staff member in a preschool program carried on under the Head Start Act which is operated for a period which is comparable to a full school year in the locality if the salary of such staff member is not more than the salary of a comparable employee of the local educational agency;

(C) as a full-time special education teacher, including teachers of infants, toddlers, children, or youth with disabilities in a public or other nonprofit elementary or secondary school system, or as a full-time qualified professional provider of early intervention services in a public or other nonprofit program under public supervision by the lead agency as authorized in section 676(b)(9) of the Individuals With Disabilities Education Act;

(D) as a member of the Armed Forces of the United States, for service that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities;

(E) as a volunteer under the Peace Corps Act or a volunteer under the Domestic Volunteer Service Act of 1973;

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(F) as a full-time law enforcement officer or corrections officer for service to local, State, or Federal law enforcement or corrections agencies;

(G) as a full-time teacher of mathematics, science, foreign languages, bilingual education, or any other field of expertise where the State educational agency determines there is a shortage of qualified teachers;

(H) as a full-time nurse or medical technician providing health care services; or

(I) as a full-time employee of a public or private nonprofit child or family service agency who is providing, or supervising the provision of, services to high-risk children who are from low-income communities and the families of such children.

For the purpose of this paragraph, the term "children with disabilities" has the meaning set forth in section 602(a)(1) of the Individuals with Disabilities Education Act.

(3)(A) The percent of a loan which shall be canceled under paragraph (1) of this subsection is—

(i) in the case of service described in subparagraph (A), (C), (F), (G), (H), or (I) of paragraph (2), at the rate of 15 percent for the first or second year of such service, 20 percent for the third or fourth year of such service, and 30 percent for the fifth year of such service;

(ii) in the case of service described in subparagraph (B) of paragraph (2), at the rate of 15 percent for each year of such service;

(iii) in the case of service described in subparagraph (D) of paragraph (2), not to exceed a total of 50 percent of such loan at the rate of 12½ percent for each year of qualifying service; or

(iv) in the case of service described in subparagraph (E) of paragraph (2) at the rate of 15 percent for the first or second year of such service and 20 percent for the third or fourth year of such service.

(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

(C) Nothing in this subsection shall be construed to authorize refunding of any repayment of a loan.

(4) For the purpose of this subsection, the term "year" where applied to service as a teacher means academic year as defined by the Secretary.

(5) The amount of a loan, and interest on a loan, which is canceled under this section shall not be considered income for purposes of the Internal Revenue Code of 1986.

(6) No borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

(b) REIMBURSEMENT FOR CANCELLATION.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans

so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection.

(c) SPECIAL RULES.—

(1) LIST.—If the list of schools in which a teacher may perform service pursuant to subsection (a)(2)(A) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

(2) CONTINUING ELIGIBILITY.—Any teacher who performs service in a school which—

(A) meets the requirements of subsection (a)(2)(A) in any year; and

(B) in a subsequent year fails to meet the requirements of such subsection,

may continue to teach in such school and shall be eligible for loan cancellation pursuant to subsection (a)(1) such subsequent years.

(20 U.S.C. 1087ee) Enacted June 23, 1972, P.L. 92-318, sec. 137(b), 86 Stat. 277, 278; amended Nov. 1, 1978, P.L. 95-561, sec. 1323, 92 Stat. 2363; amended October 3, 1980, P.L. 96-374, secs. 442(b)(6), 448 (d), (e), 1391, 94 Stat. 1440, 1443, 1503; amended October 17, 1986, P.L. 99-498, sec. 405(a), 100 Stat. 1451; amended June 3, 1987, P.L. 100-50, sec. 13(j), 101 Stat. 349; amended July 18, 1988, P.L. 100-369, sec. 7(c), 102 Stat. 837; amended November 29, 1990, P.L. 101-647, sec. 2101(a) and (b), 104 Stat. 4856; amended October 7, 1991, P.L. 102-119, sec. 26(h), 105 Stat. 607; amended July 23, 1992, P.L. 102-325, sec. 465(a)-(c), 106 Stat. 582; amended September 21, 1993, P.L. 103-82, sec. 102(c)(3), 107 Stat. 834; amended December 20, 1993, P.L. 103-208, sec. 2(k)(12)-(14), (k)(7), (m), 107 Stat. 2471, 2486.

**SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.**

(a) IN GENERAL.—After September 30, 1996, and not later than March 31, 1997, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

(1) The Secretary shall first be paid an amount which bears the same ratio to the balance in such fund at the close of September 30, 1996, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

(2) The remainder of such balance shall be paid to the institution.

(b) DISTRIBUTION OF LATE COLLECTIONS.—After March 31, 2005, each institution with which the Secretary has made an agreement under this part, shall pay to the Secretary the same proportionate share of amounts received by this institution after September 30, 1996, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Secretary under subsection (a).

(c) DISTRIBUTION OF EXCESS CAPITAL.—(1) Upon a finding by the institution or the Secretary prior to October 1, 1997, that the

## SUBSIDIZED DEFERMENTS FOR SERVICE

**Proposal:** Any college student who took a year off to do service would be eligible to have the Federal government pay all interest on their Federal student loans for that period.

### Pricing Assumptions

1. Students performing community service who have *subsidized* loans, available only to needy students, are now eligible to receive Federal interest payments during such deferments, on the basis of economic hardship. Additional costs would occur only for students with *unsubsidized* Stafford loans, available to all borrowers.
2. Historically, in 2- and 4-yr. institutions, 7% of both subsidized and unsubsidized borrowers entering repayment request a deferment. Of that group requesting a deferment, 3% request a service-related deferment.
3. The Education Department estimates that covering the one-year interest costs of borrowers with unsubsidized loans (or of the portion of their loans that are unsubsidized) would cost **\$7 million over five years**. This estimate does *not include any inducement effect* of the added Federal subsidy.
4. Studies of somewhat analogous loan forgiveness programs suggest that there is no significant inducement effect in these kinds of programs. However, if we were to assume a significant inducement factor, doubling the number of student borrowers who would choose to perform a year of service, then the five year costs would be \$14 million.

March 25, 1997

The Reverend Tony Campolo  
Eastern College  
10 Fairview Drive  
St. Davids, Pennsylvania 19087-3696

Dear Tony:

Thanks so much for your kind words on Nightline and for your recent letter. I also want to thank you again for your participation in the National Prayer Service on Inauguration Day -- your words were so uplifting and meant a lot to me.

I deeply appreciate your support and enthusiasm for the Presidents' Summit for America's Future. Your new program for involving college men and women in service to poor urban communities sounds very promising. You'll be pleased to know that the federal government can help those who serve as full-time volunteers without pay. I've asked the Department of Education to provide you with information on how students who take very low income jobs after school can qualify for economic hardship deferments of up to three years on their student loans.

Thanks, too, for sending the prayers by George Eliot. I enjoyed reading them, and they are, indeed, quite appropriate. As always, I am grateful for your wise, spiritual counsel.

Talk to you soon.

Sincerely,

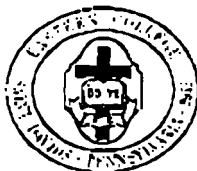


BC/LIJ/RLM/RSM/RLM/JAD/JAD/emu-lynn-lynn-jfc-ckb-efr-efr-emu-  
emu-ws-emu-ech-efr-lynn  
(Corres. #3415264)  
(3.campolo.t)

cc: Secretary Riley, Dept. of Education, w/copy of inc.  
cc: J.Dorskind/TDS 94  
cc: Mike Cohen, 218, w/copy of inc.  
cc: Bob Shireman, 8236, w/copy of inc.  
cc: Diana Fortuna, 224, w/copy of inc.  
cc: Scott Michaud, 96 OEOB

Xeroxed copy of personally signed original to NH through Todd Stern

CLEAR THRU TODD STERN



February 18, 1997

President Bill Clinton  
The White House  
West Wing  
Washington, DC 20500-2000

Dear Mr. President:

Please accept my gratitude for the incredible opportunity that you provided for me when you asked me to share in the National Prayer Service on the day of the Inauguration. It was one of the highlights of my life. It was a privilege to share the Gospel not only with you, but with millions of Americans who participated in that special service via television.

I also wanted to strongly commend you for calling the Summit On Voluntarism. Needless to say, you not only have my support but the support of Americans all across the nation. The response everywhere I go is a response of enthusiasm. The outpouring of commitments to heed your call for public service is truly amazing. I am convinced that the initiative for calling this conference came from a power that is even higher than the White House.

I met with Harris Wofford this past Sunday evening to discuss ways in which the religious and educational sectors of America could optimize this opportunity to challenge their people to serve the poor and the needy. Harris was especially enthusiastic about a new coalition of organizations which I have helped to call together with the expressed purpose of getting college students to serve poor urban neighborhoods through church-based programs. This coalition includes the following organizations:

1. Intersarsity Christian Fellowship
2. The National Association of Evangelicals
3. The Coalition for Christian Colleges and Universities
3. The African-American Ten Point Coalition
4. The Hispanic Clergy
5. The Youth Ministries of Mainline Denominations
6. Compassion International

We will be asking college-aged men and women to take off school for a year in order to serve in church-based ministries in urban neighborhoods. We expect to recruit as many as ten thousand young people who would be willing to take off a year either between their sophomore and junior years of education or following graduation. We have already secured sufficient financial resources to make this program a success. The response to the invitation to serve gives us certainty that the human resources to make this program a success will be available.

Our plan is to put together teams of five collegians and place them in urban churches where they will do door to door visitation. They will speak to and listen to community people, initiate after-school programs for tutoring and for cultural enrichment and work in neighborhood public schools as volunteers. One of their primary commitments will be to get parents involved in the education of their children. The name of this movement is called Mission Year.

President Clinton

Page 2

There is one great need that must be met to facilitate this huge outpouring of volunteers. There must be some means devised whereby paybacks on student loans can be deferred for a year. We know we can get thousands of young people to commit themselves, but they will find themselves unable to live out that commitment unless such deferments are arranged. Immediately upon stopping their education in order to volunteer, they would be expected to start payment on student loans given our present system. Most of them would not be in a position to do so if they are serving without pay - which will be the case. Is there something that you can do? Can legislation be initiated that could make the needed deferments a possibility?

On a more spiritual note, I came across a couple of prayers written by George Eliot. As I read them, I thought that these would be prayers that would be meaningful to you.

#### AT HIS FEET

As soon as we lay ourselves entirely at His feet, we have enough light given us to guide our own steps; as the foot-soldier, who hears nothing of the councils that determine the course of the great battle he is in, hears plainly enough the word of command which he must himself obey.

#### A RIVER

You are seeking some good other than the law you are bound to obey. But how will you find good? It is not a thing of choice; it is a river that flows from the foot of the Invisible Throne, and flows by the path of obedience. I say again, man cannot choose his duties. You may choose to forsake your duties, and choose not to have the sorrow they bring. But you will go forth, and what will you find? Sorrow without duty - bitter herbs, and no bread with them.

One last thing! You must know that people all across America are praying for you, especially in these difficult days. But I want to remind you of the most important responsibility that you have as the President, and that is to pray for all of us. People in leadership must not only lead, they must pray for those that they lead. God expects those to whom He gives authority to pray for those over whom that authority is exercised. Pray for us Mr. President even as we pray for you.

Your friend,

  
TONY CAMPOLO

TC:dmor

# SPECIAL

Total Pages: 5

LRM ID: CJB77

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
Washington, D.C. 20503-0001

Friday, July 18, 1997

## LEGISLATIVE REFERRAL MEMORANDUM

**TO:** Legislative Liaison Officer - See Distribution below

**FROM:** *Janet R. Forsgren*  
Janet R. Forsgren (for) Assistant Director for Legislative Reference

**OMB CONTACT:** Constance J. Bowers  
PHONE: (202)395-3803 FAX: (202)395-6148

**SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title X  
FIFSE (Fund for the Improvement of Postsecondary Education) 5

**DEADLINE:** noon Friday, July 25, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

**COMMENTS:** The Higher Education Act Reauthorization legislation will be reviewed and cleared in separate parts. ED will transmit formally a comprehensive bill later.

### DISTRIBUTION LIST

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LRM ID: CJB77 SUBJECT: EDUCATION Draft Bill on Higher Education Act Reauthorization - Title X FIFSE (Fund for the Improvement of Postsecondary Education)

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148 Office of Management and Budget Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: \_\_\_\_\_ (Date) \_\_\_\_\_ (Name) \_\_\_\_\_ (Agency) \_\_\_\_\_ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

\_\_\_\_\_ Concur

\_\_\_\_\_ No Objection

\_\_\_\_\_ No Comment

\_\_\_\_\_ See proposed edits on pages \_\_\_\_\_

\_\_\_\_\_ Other: \_\_\_\_\_

\_\_\_\_\_ FAX RETURN of \_\_\_\_\_ pages, attached to this response sheet

T-X (FIPSE)

DRAFT 7/18/97

SEC. --- (a) Section 1001(a) is amended by striking out "institutions of higher education or combinations of such institutions and" and inserting in lieu thereof "institutions of higher education, combinations of such insitutions, and".

(b) Section 1003(a) is amended by striking out "5 technical employees" and inserting in lieu thereof "7 technical employees".

(c) Section 1004 is amended to read as follows:

**"AUTHORIZATION OF APPROPRIATIONS**

"SEC. 1004. (a) IN GENERAL--There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this subpart, except for subsection (b).

"(b) PLANNING GRANTS--There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out section 1001(b).".

(d) Section 1011 is amended--

(1) in subsection (c), by striking out paragraphs (1) through (3) and inserting in lieu thereof the following:

"(1) international cooperation and student exchange among postsecondary educational institutions;

"(2) institutional restructuring to improve learning and promote cost efficiencies;  
and

"(3) evaluation and dissemination of model programs."; and

(2) by amending subsection (d) to read as follows:

"(d) AUTHORIZATION OF APPROPRIATIONS--There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this subpart.".

###

18

## FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

FIPSE, established by the Higher Education Act Amendments of 1972, awards grants "to improve postsecondary education opportunities by encouraging the reform, innovation, and improvement of postsecondary education, and providing equal educational opportunity for all." Total funding for FIPSE equalled \$18 million in FY 97.

FIPSE grant competitions include:

- o The Comprehensive Program, FIPSE's primary grant competition, which annually accounts for over eighty percent of its program budget.
- o Smaller, "special focus" competitions in areas of particular national need are also conducted each year. In recent years these competitions have addressed such topics as dissemination of proven postsecondary reforms, and development of cooperative postsecondary programs between institutions in the United States and those in the Mexico, Canada, and European Union.

The Comprehensive Program:

- o Is open to all public and private nonprofit postsecondary institutions, from two year institutions to research universities. In FY 97, 2156 applications were submitted.
- o Supports demonstration projects addressing a wide range of postsecondary improvements, access to postsecondary education for all types of students, teaching and learning. Most grant awards are in the areas of access and retention, curriculum reform, educational technology, school-college collaboration, school-to-work programs, international education, faculty development, and graduate and professional education.
- o Is very competitive: of the approximately 2000 applications submitted each year, only about 75 receive FIPSE grants, a funding ratio of less than four percent.
- o Requires each funded project to engage in systematic evaluation of its outcomes, and to disseminate its results to the postsecondary community.
- o Includes evaluation of outcomes that leads to institutionalization of successful projects; a large majority of FIPSE projects are continued after FIPSE funding expires.

In recognition of this program's outstanding success over the past 25 years, both

the Department of Education and the higher education community have recommended that FIPSE be reauthorized without substantial change in its statute. Three minor amendments are proposed here to: 1) clarify the range of eligible grantees; 2) provide for increased staff flexibility; and 3) encourage applicants to address the need to restructure Institutions to improve learning and promote cost efficiencies.

DRAFT- 7/15/97

**SPECIAL**Total Pages: 9

LRM ID: CJB75

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
Washington, D.C. 20503-0001

Friday, July 18, 1997

## LEGISLATIVE REFERRAL MEMORANDUM

**TO:** Legislative Liaison Officer - See Distribution below

**FROM:** *Janet R. Forsgren*  
Janet R. Forsgren (for) Assistant Director for Legislative Reference

**OMB CONTACT:** Constance J. Bowers  
PHONE: (202)395-3803 FAX: (202)395-6148

**SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title VI --  
International Programs

**DEADLINE:** 5:00 p.m. Wednesday, July 23, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

**COMMENTS:** The HEA Reauthorization legislation will be reviewed and cleared in separate parts. ED will consolidate the entire bill for formal transmittal later.

**DISTRIBUTION LIST****AGENCIES:**

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61-JUSTICE - Andrew Fois - (202) 514-2141  
76-National Economic Council - Sonyia Matthews - (202) 45/6-6630

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James C. Murr  
Janet R. Forsgren  
Lisa M. Kountoupes



## F - VI (INTERNATIONAL PROGRAMS)

DRAFT 7/18/97

## SEC. -- (a) Section 603(a) of the Act is amended--

(1) in the first sentence, by striking out the period at the end thereof and inserting in lieu thereof "at all levels of education in the United States.";

(2) in the second sentence, by inserting "shall focus on the languages of a specific world area, shall be conducted in collaboration with foreign language educators and professional associations, and" after "centers";

(3) in paragraph (1), by inserting "and dissemination" after "the conduct";

(4) in paragraph (2), by--

(A) inserting "and dissemination" after "the development"; and

(B) inserting "and instructional delivery systems" after "teaching materials";

(5) in paragraph (3), by striking out "and application of performance testing" and inserting in lieu thereof a comma and "application, and dissemination of performance testing instruments";

(6) in paragraph (5), by inserting "and dissemination to others in the foreign language field" before "of instructional materials"; and

(7) by striking out paragraph (6) and inserting the following new paragraphs:

"(6) the development and coordination of networking frameworks and activities (such as Internet listservs and bulletin boards, newsletters, conferences, and discussion groups) to provide foreign language teachers with ongoing professional development opportunities; and

"(7) the conduct of overseas or domestic intensive summer language institutes designed to meet the needs for intensive foreign language training by students or to provide professional development of, and improve language instruction through pre-service and in service training for, foreign language teachers. "

## (b) Section 604 of the Act is amended--

(1) in the section heading, by striking out "UNDERGRADUATE

**INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS” and inserting in lieu thereof “UNDERGRADUATE PROGRAMS IN INTERNATIONAL STUDIES”;**

**(2) in subsection (a)-**

**(A) by amending the subsection heading to read as follows:**

**“(a) Incentive for the Creation of New Programs and the Strengthening of Existing Programs in Undergraduate International Studies and Foreign Languages and the Internationalization of Undergraduate Education.--”;**

**(B) by amending paragraphs (1) and (2) to read as follows:**

**“(1) Authority.--The Secretary is authorized to make grants to institutions of higher education, combinations of such institutions, or partnerships between nonprofit educational organizations and such institutions, to assist such institutions or combinations in planning, developing, and carrying out programs to improve undergraduate instruction in international studies and foreign languages. Such grants shall be awarded for the purpose of seeking to create new programs, or to strengthen existing programs, in undergraduate area studies, foreign languages, and other international fields.**

**“(2) Federal Share and Use of Funds.--Grants under this subsection may be used to pay not more than 50 percent of the cost of projects and activities that are an integral part of such a program, such as--**

**“(A) planning for the development and expansion of programs in undergraduate international studies and foreign languages and the internationalization of undergraduate education;**

**“(B) teaching, research, curriculum development, and other related activities;**

**“(C) training of faculty members in foreign countries;**

**“(D) expansion of existing and development of new opportunities for learning foreign languages, including the less commonly taught languages;**

**“(E) programs under which foreign teachers and scholars may visit institutions as visiting faculty;**

**“(F) international education programs designed to develop or enhance linkages between two- and four-year institutions of higher education, or baccalaureate and post-baccalaureate programs or institutions;**

**“(G) the development of an international dimension in preservice and inservice teacher training;**

**“(H) the development of undergraduate educational programs in locations abroad where such opportunities are not otherwise available and which provide courses that are closely related to on-campus foreign language and international curricula;**

**“(I) the integration of new and continuing education abroad opportunities for undergraduate students into curricula of specific degree programs;**

**“(J) the development of model programs to enrich or enhance the effectiveness of educational programs abroad, including pre-departure and post-return programs, and the integration of educational programs abroad into the curriculum of the home institution;**

**“(K) the expansion of library and teaching resources;**

**“(L) the use of innovative technology to increase access to international education programs;**

**“(M) the development of programs designed to integrate professional and technical education with area studies, foreign languages, and other international fields;**

**“(N) the establishment of linkages overseas with institutions of higher education and organizations that contribute to the educational objectives of this subsection;**

**“(O) the conduct of summer institutes in foreign area and other international fields to provide faculty and curriculum development, including the integration of professional and technical education with foreign area and other international studies, and to provide foreign area and other international knowledge or skills to government personnel or private sector professionals in international activities; and**

**“(P) the development of partnerships between institutions of higher education and the private sector, government, and elementary and secondary education institutions to enhance international knowledge and skills.”;**

**(C) in paragraph (3), by striking “and private” and inserting a comma and “private sector corporation or foundation”;**

**(D) after paragraph (4), by adding the following new paragraphs:**

**“(5) Grant Conditions.--(A) Grants under this subsection shall be made on such terms and conditions as the Secretary determines to be necessary to carry out the objectives of this subsection.**

**“(B) An applicant for a grant under this subsection shall include in its application--**

**“(i) evidence that the applicant, has conducted extensive planning prior to submitting its application;**

**“(ii) an assurance that the faculty and administrators of all relevant departments and programs within the applicant institutions are involved in ongoing collaboration with regard to achieving the stated objectives of the application;**

**“(iii ) an assurance that students at the applicant institutions, as appropriate, will have equal access to; and derive benefits from, the program assisted under this subsection; and**

**“(iv) an assurance that each institution of higher education will use the Federal assistance provided under this subsection to supplement and not supplant institutional funds and activities provided by the institution prior to the receipt of Federal funds.**

**“(6) Evaluation.--The Secretary may establish requirements for program evaluations and require recipients to submit annual reports that evaluate the progress and performance of students in programs under this subsection.”; and**

**(3) by striking out subsection (b) and redesignating subsection (c) as subsection (b).**

**(c) Sections 605, 607, and 632 of the Act are repealed and sections 606, 608, 609, and 610 are redesignated as 605, 606, 607, and 608 respectively.**

**(d) Section 610A is redesignated as section 609 and amended to read as follows:**

**“AUTHORIZATION OF APPROPRIATIONS**

**“SEC. 609. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part”.**

**(e) Section 614 is amended to read as follows:**

**“AUTHORIZATION OF APPROPRIATIONS**

**“SEC. 614. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part”.**

**(f) Section 627 is amended to read as follows:**

5

**"AUTHORIZATION OF APPROPRIATIONS**

**"SEC. 627. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part".**

**(g) Part D of title VI is amended by adding at the end thereof a new section 633 to read as follows:**

**"EVALUATIONS**

**"SEC. 633. (a) In General.--For the purpose of improving the operation of programs and projects assisted under this title and section 102(b)(6) under the Mutual Educational and Cultural Exchange Act, the Secretary may make grants to or enter into contracts with institutions of higher education and other public or private institutions or organizations to evaluate the effectiveness of the programs assisted under this title and the programs assisted under section 102(b)(6) of the Mutual Educational and Cultural Exchange Act.**

**"(b) Contents.--The evaluations described in subsection (a) shall design, develop and implement both quantifiable as well as quality outcome indicators by which to measure the success of, and potential improvements in, the programs funded under this title and section 102(b)(6) of the Mutual Educational and Cultural Exchange Act. The evaluations shall measure the success of such programs and identify organizational and program practices particularly effective in meeting the purposes of this title.**

**"(c) Reservation of Funds.--The Secretary may reserve not to exceed 2 percent of the amount appropriated under this title for any fiscal year to carry out this section whenever the amount made available under this title for each program authorized by this title for a fiscal year is not less than the amount available for each such program for fiscal year 1998."**

**###**

## INTERNATIONAL EDUCATION PROGRAMS

The Department funds a variety of international education programs to help meet the nation's need for expertise in foreign languages, area studies and international studies, and for a more internationally literate citizenry.

- o Nine programs are currently funded under the HEA and provide a coordinated approach to strengthening international education: National Resource Centers, Foreign Language and Area Studies Fellowships, Language Resource Centers, International Research and Studies, Undergraduate International Studies and Foreign Languages, Centers for International Business Education, Business and International Education, American Overseas Research Centers, and the Institute for International Public Policy.
- o These programs have helped to create high quality graduate and undergraduate international programs; encouraged outreach to the pre-collegiate level; and helped the business community meet the demands of an increasingly competitive global marketplace.
- o Both the Department and the community agree that these programs are working well and should be continued with only minor changes.

We are proposing the following minor changes to the legislation to eliminate unfunded programs, to strengthen outreach to K-12, and to encourage greater use of technology, and to include a new section on evaluation.

- Eliminate *Sec. 605 Intensive Summer Language Institutes* and *Sec. 607 Foreign Periodicals Program*. Sec.607 has not been funded since 1993 and Sec.605 has never been funded. Our recommendation to eliminate these two sections is consistent with the Department's policy to eliminate unfunded programs.
- Eliminate *Sec. 632 Preservation of Pre-1992 Programs*. The elimination of this trigger provision gives the Department greater flexibility to support programs that best meet the changing needs in international education. Furthermore, Sec. 632 refers specifically to the 1992 amendments to HEA and is outdated.
- Eliminate *Sec. 604(b) Programs of Demonstrated Excellence*. This subsection of *Sec. 604 Undergraduate International Studies and Foreign Language Programs* has never been funded. We are proposing to eliminate it and incorporate key provisions of this program in subsection (a).
- Revise *Sec. 603 Language Resource Centers* for the following purposes:
  - To strengthen their role as resources to improve foreign language teaching and learning in K-12;
  - To focus each Center on a specific world area and carry out activities in collaboration with foreign language educators and professional associations;

- To make dissemination an essential component of each Center activity;
  - To encourage utilization of the advances in educational technology; and
  - To authorize domestic and overseas intensive summer language programs.
- ◆ Add a new section on evaluation. Consistent with the increasing emphasis on performance measures and program results, we are proposing to add a new section on evaluation of the domestic and overseas international education programs.. However, we are recommending that no funds be spent for this purpose until the amount available to each program is not less than the amount available for fiscal year 1998.

DRAFT 7/16/97

# SPECIAL

Total Pages: 12

LRM ID: CJB76

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
Washington, D.C. 20503-0001

Friday, July 18, 1997

**LEGISLATIVE REFERRAL MEMORANDUM**

**TO:** Legislative Liaison Officer - See Distribution below

**FROM:** *Janet R. Forsgren*  
Janet R. Forsgren (for) Assistant Director for Legislative Reference

**OMB CONTACT:** Constance J. Bowers  
PHONE: (202)395-3803 FAX: (202)395-6148

**SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IX -  
Graduate Education

**DEADLINE:** 10:00 a.m. Thursday, July 24, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

**COMMENTS:** The HEA Reauthorization will be reviewed and cleared in separate parts. ED will consolidate the entire bill for formal transmittal later.

**DISTRIBUTION LIST****AGENCIES:**

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William P. Marshall  
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Lisa M. Kountoupes  
James C. Murr  
Janet R. Forsgren

LRM ID: CJB76 SUBJECT: EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IX - Graduate Education

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

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(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148 Office of Management and Budget Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: \_\_\_\_\_ (Date) \_\_\_\_\_ (Name) \_\_\_\_\_ (Agency) \_\_\_\_\_ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

- \_\_\_ Concur
\_\_\_ No Objection
\_\_\_ No Comment
\_\_\_ See proposed edits on pages \_\_\_
\_\_\_ Other: \_\_\_
\_\_\_ FAX RETURN of \_\_\_ pages, attached to this reponse sheet

## T-IX (GRADUATE FELLOWSHIP PROGRAM)

DRAFT 7/18/97

SEC. —. Title IX of the Act is amended to read as follows--

“TITLE IX -- NATIONAL NEED GRADUATE FELLOWSHIP PROGRAM

“FINDINGS; PURPOSE

“Sec. 901. (a) Findings.--The Congress finds that:

“(1) It is incumbent on the Federal Government to support the cultural and technological leadership and economic competitiveness of the United States and, to help meet this goal, to improve and expand the graduate level teaching and research capacity of the United States.

“(2) In a variety of fields that are vital to the national interest there are insufficient numbers of qualified faculty at institutions of higher education to meet the demand.

“(3) Providing equal opportunity in higher education for traditionally underrepresented populations has been and remains an important Federal objective.

“(4) Women are 52% of the total population of the United States and minorities are 24.5% of the total population (i.e., African-Americans are 11.13%, Hispanics are 9.34%, Asian/Pacific Islanders are 3.39% and Native Americans are 0.65%), and individuals with disabilities are 10% of the total population.

“(5) In 1994-1995, women earned 55% of the bachelors degrees, minorities earned 18.5% of the bachelors degrees (7.7% were earned by African-Americans, 4.8% were earned by Hispanics, 5.4% were earned by Asian/Pacific Islanders, and 0.6% were earned by American Indian/Alaskan Natives), and individuals with disabilities earned 4.4% of the bachelors degrees.

“(6) Women, minorities, and individuals with disabilities continue to be underrepresented among students earning Doctoral degrees. Overall, in 1994-1995, women received 45% of doctoral degrees (earning 14% of the engineering Ph.Ds, 22% of the computer and information sciences Ph.Ds, 23% of the mathematics Ph.Ds, and 33% of the business Ph.Ds) and minorities received 16% of the doctoral degrees (8% were Asian, 5% were African-American, 3% were Hispanic and 0.4% were Native American). Minorities earned 6% of the law and legal studies Ph.Ds, 8% of the English language and literature/letters Ph.Ds, 11% of the philosophy Ph.Ds, and 13% of the communication Ph.Ds. Individuals with disabilities accounted for 4.5% of those receiving doctoral degrees.

“(7) Women and minorities remain underrepresented in faculty positions at institutions of higher education in the United States. For example, 37% of the total higher education faculty are women, and 12.5% are minorities, of which 4.8% are Asian, 4.8% are African-American, 2.8% are

Hispanic, and 0.5% are Native American.

"(8) The most recent data shows that there are 1,673,000 Ph.D holders in the U.S., of whom 85.6% are white and 14.4% are minorities (including 3.9% who are African-American and 2.5% who are Hispanic), and 28.6% are women.

"(9) A diverse faculty enriches and enhances the educational experience for all students and can increase minority enrollment as well as improve increased minority retention and graduation from America's colleges and universities.

"(10) Specific action is needed at the Federal level to promote teaching and research in academic fields that are determined to be areas of national need, as well as to enhance the stimulus to achievement of all students in America's colleges and universities that is provided by the presence of minorities, women, and individuals with disabilities in the higher education professorate.

"(b) Purpose.--In order to promote high-quality, postsecondary teaching and research in areas of national need, and to encourage women, minorities, and individuals with disabilities, to prepare for postsecondary academic careers in fields in which they are, and have traditionally been, underrepresented, it is the purpose of this title to provide assistance to eligible entities to establish graduate fellowships to recruit and assist students of superior ability, especially those from underrepresented groups.

#### "GRANTS

"Sec. 902. (a) Authority.--Subject to section 908, the Secretary shall make grants in accordance with the provisions of this title to eligible entities under section 903 to enable such entities to award graduate fellowships in designated areas of national need to eligible students.

"(b) Geographic Equity.--In making grants under this title, the Secretary shall, to the extent practicable, promote an equitable geographic distribution of awards.

"(c) Duration.--Grants made under this title shall be for a period of up to 3 years.

"(d) Minimum and Maximum Amounts.--Each grant awarded under this title shall be in an amount that is at least \$125,000, but not more than \$750,000, for any fiscal year.

"(e) Program Quality.--The principal criterion for awarding grants under this title shall be the relative quality of the graduate programs described in applications submitted under section 905.

"(f) Matching Requirement.--(1)(A) To receive a grant under this section for any fiscal year, an eligible entity shall contribute, from non-federal sources, toward the cost of carrying out the graduate fellowship program for which the grant is awarded an amount that is at least 25 percent of

the amount of the grant.

“(B) An eligible entity’s contribution may be in cash or in kind, fairly evaluated.

“(2) An eligible entity that makes institutional payments to individuals supported by fellowships under section 906 for tuition and fees in amounts that exceed the institutional allowances made by the Secretary under section 907(a) may count the excess of such payments toward the amount the eligible entity is required to provide under paragraph (1).

“(g) Reallotment—If, during any fiscal year, the Secretary determines that a recipient of funds under this title is unable to use all of the funds awarded to it, the Secretary may, on such dates as the Secretary may fix, reallot the funds not needed to other recipients that the Secretary determines can use such funds.

#### “ELIGIBILITY

“Sec. 903.(a) Eligibility.--(1) The Secretary is authorized to award grants under section 902 to--

“(A) institutions of higher education on behalf of their academic departments and programs, or other academic units, that offer programs of study and research leading to a terminal postbaccalaureate degree in an area of national need as designated under section 904; and

“(B) those entities eligible under subparagraph (A) that submit a joint proposal with one or more nondegree-granting institutions that have a formal arrangement with one or more degree-granting institutions for support of doctoral dissertation research.

“(2) The nondegree-granting institutions described in paragraph (1) (B) must--

“(i) be described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from tax under section 501(a) of such Code;

“(ii) be organized and operated substantially to conduct scientific and cultural research and graduate training programs;

“(iii) not be private foundations;

“(iv) have academic personnel for instruction and counseling who meet the standards of the institution of higher education in which the students are enrolled; and

“(v) have necessary research resources not otherwise readily available

to such students.

"(b) Special Rule.--No entity shall be eligible for a grant under section 902 unless the graduate program that is the subject of its application for assistance has been in existence for at least 4 years prior to the date the application is made.

#### "AREAS OF NATIONAL NEED

"SEC. 904. (a) Designation.--After consultation with the National Science Foundation, the National Academy of Sciences, the National Endowment for the Humanities, the National Endowment for the Arts, the Department of Labor, and, as appropriate, other Federal and public and private agencies and organizations, the Secretary shall, on a periodic basis, designate areas of national need, such as the Arts, Humanities, Social Sciences, Life Sciences, or Physical Sciences.

"(b) Basis for Designation.--The Secretary shall base such designations on--

"(1) the Nation's interest in supporting graduate study and research in specific academic fields; and

"(2) the extent of other Federal and non-Federal support for graduate study and research in such fields.

#### "APPLICATIONS

"SEC. 905. (a) Authority.--An eligible entity that desires to receive a grant under section 902 shall submit an application to the Secretary in such manner and form, and containing such information and assurances, as the Secretary may reasonably require.

"(b) Contents of Applications.--Each application shall--

"(1) describe--

"(A) the number, types, and amounts of the fellowships that the applicant intends to offer under the grant;

"(B) the designated area or areas of national need the applicant intends to address under the grant;

"(C) the academic program or programs of the applicant for which the grant is sought, including its experience in training students who obtain academic positions at institutions of higher education; and

"(D) the policies and procedures the applicant will use in awarding fellowships

using funds under this title;

“(2) demonstrate the relevant academic program or programs' quality and outcomes by means of performance-based criteria, including the applicant's performance in recruiting students, training students, and placing students after completion of the course of study; and

“(3) provide assurances satisfactory to the Secretary that--

“(A) in awarding fellowships using funds under this title, the applicant shall give priority to women, individuals from minority groups, and individuals with disabilities, in designated areas of national need in which such individuals are, and have traditionally been, underrepresented;

“(B) in the event that funds made available to an applicant under this title are insufficient to provide the assistance due a student under the commitment entered into pursuant to section 906(b)(1), the applicant will fulfill the commitment to the student from any funds available to it;

“(C) the applicant will provide at least 1 year of supervised training in instruction for students; and

“(D) Federal funds made available under this title for any fiscal year shall be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this title, and in no case to supplant those funds.

“(c) Priority --In awarding grants under this title, the Secretary shall give priority to applicants that demonstrate to the Secretary's satisfaction that they are preparing women, individuals from minority groups, and individuals with disabilities, in the designated areas of national need in which such individuals are, and have traditionally been, underrepresented in postsecondary academic careers.

“(d) Application Review Panels --To the extent possible, the Secretary shall use geographically balanced review panels of nationally recognized scholars to review and rank applications.

#### “FELLOWSHIPS

“SEC. 906. (a) Fellowships --(1) Recipients of funds under this title shall use such funds to award fellowships in designated areas of national need to eligible students who--

“(A) are entering their first year of graduate study or research in a designated field;

“(B) are intending to pursue a doctoral degree in the designated field;

“(C) have demonstrated excellence in their previous postsecondary programs of study; and

“(D) plan postsecondary teaching or research careers.

“(2) Notwithstanding paragraph (1)(B), a recipient may award fellowships to students pursuing a master's degree in those fields in which the master's degree is commonly accepted as the appropriate degree for a tenure-track faculty position in that field at a baccalaureate, degree-granting institution.

“(b) Stipends.—Fellowship stipends awarded under this section shall--

“(1) be provided pursuant to a written commitment between the institutional recipient of funds and the fellowship awardee; and

“(2) provide for support of the awardee through completion of the degree in the awardee's field, not to exceed 3 years.

“(c) Amount of Stipends.—The amount of a stipend to a fellowship awardee shall be set each year at a level of support that is at least equal to that provided by the graduate fellowships awarded by the National Science Foundation.

“(d) Special Rule.—No commitment under subsection (b)(1) shall be made to a fellowship awardee under this section unless the recipient of funds under this title has determined that adequate funds, either from the amounts received or anticipated under this title or from other institutional funds, are available to fulfill such commitment.

“(e) Continuation of Fellowships.—No student shall continue to receive a fellowship stipend under this title if he or she is—

“(1) not maintaining satisfactory progress in study or research in the field in which such fellowship was awarded;

“(2) engaged in less than full-time study or research in the field in which such fellowship was awarded; or

“(3) is engaged in gainful employment, other than employment involved in teaching, research, or similar activities determined by the institution to be in support of the student's progress towards a degree.

#### “INSTITUTIONAL ALLOWANCES

SEC. 907. (a) Institutional Payments.—(1) In addition to the fellowship stipends paid to

students under this title, the Secretary shall pay to the eligible entity for each individual awarded a fellowship under this title at such institution, an institutional allowance.

"(2) Except as provided in paragraph (3), such allowance shall be--

"(A) \$10,000 for the academic year 1997-1998; and

"(B) \$10,000 for each succeeding academic year, adjusted annually for inflation as determined by the Department of Labor's Consumer Price Index for the previous calendar year.

"(3) The institutional allowance paid under paragraph (1) shall be reduced by the amount the institution charges and collects from a fellowship awardee for tuition and other fees as part of the recipient's instructional program.

"(b) Use for Overhead Prohibited.--Funds made available under this section shall not be used for the general operational overhead of the academic department or program.

#### "CONTINUATION OF INSTITUTIONAL AWARDS UNDER PREVIOUS PROGRAMS

"SEC. 908. Before making new awards under this title for any fiscal year, the Secretary shall, as appropriate, make continuation awards to recipients under this title, including recipients of awards under parts B, C, and D of this title as it was in effect prior to the enactment of Higher Education Act Amendments Act of 1997.

#### "AUTHORIZATION OF APPROPRIATIONS

"SEC. 909. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this title.

###

## NATIONAL NEED GRADUATE FELLOWSHIP PROGRAM

### Purpose

The purpose of the National Need Graduate Fellowship Program (NNGFP) is to promote high-quality, graduate-level teaching and research in areas of national need and to encourage women, minorities, and individuals with disabilities to prepare for postsecondary academic careers in such fields in which they are, and have traditionally been, underrepresented. For example, women earned 22% of all doctorates awarded in the physical sciences; African American students earned 2.9% of all doctorates awarded in the arts and humanities; and Hispanic students earned 3.0% of all doctorates awarded in the life sciences (1995 statistics).

The NNGFP continues the Department's efforts over the past four years to consolidate the existing graduate education programs (Javits, Harris, GAANN). The single program streamlines and simplifies program management for both grantees and the Department, while maintaining key elements of the previously existing graduate education programs.

### Proposal

- o **National Need:** The Secretary will designate areas of national need such as the arts, humanities, social sciences, life sciences and physical sciences. The Department will consult with the National Science Foundation, the National Endowment for the Arts, the National Endowment for the Humanities, the National Academy of Sciences and other appropriate agencies and organizations to determine national need. The determination of national need will consider relevant statistics and the extent to which other Federal and non-Federal programs support postbaccalaureate study in these areas.
- o **Underrepresented Populations:** Priority will be given to applicants that indicate strong past and continuing performance in serving populations traditionally underrepresented, including women, minorities, and individuals with disabilities in the academic program for which fellowships are sought.
- o **Academic and Research Careers:** The Department will evaluate applications based on the applicant's previous experience in training students who obtain teaching and research positions at institutions of higher education.

### Institutional Commitment

- o **Institutional-Based Awards:** Grants will be awarded to institutions rather than individuals. Although this does not allow for portability, an institutional fellowship is a vehicle for strengthening institutional capacity. In addition, an institutional award will reduce the administrative burden on the institution and the Department.

- o **Institutional match:** There will be an institutional match based on the GAANN 25% model - the grantee will provide from non-Federal funds, an amount equal to at least 25% of the amount of Federal funds received.
- o **Duration of grants:** Grants would provide for three years of support or until completion of the degree, whichever is less. Students must demonstrate academic progress to continue to receive fellowship funding. A 25% match from the institutions will ensure a faculty, departmental, and institutional commitment.
- o **Supervised training:** The academic department will be required to provide at least one year of supervised training in instruction for students.

**Maximum Stipend:** The stipend for individuals will be set according to the NSF-stipend and will no longer be needs-based. The maximum institutional allowance will be a \$10,000 1997-98 base adjusted annually for inflation as determined by the Department of Labor.

**Continuation Grants:** Budgeted funds will include a set-aside to fund continuation grants for prior awards under GAANN, Javits, and Harris prior to funding new awards. Those grants will be funded under the original terms of award.

DRAFT -7/17/97

**SPECIAL**Total Pages: 9

LRM ID: CJB75

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
Washington, D.C. 20503-0001

Friday, July 18, 1997

**LEGISLATIVE REFERRAL MEMORANDUM**

**TO:** Legislative Liaison Officer - See Distribution below

**FROM:** *Janet R. Forsgren*  
Janet R. Forsgren (for) Assistant Director for Legislative Reference

**OMB CONTACT:** Constance J. Bowers  
PHONE: (202)395-3803 FAX: (202)395-6148

**SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title VI --  
International Programs

**DEADLINE:** 5:00 p.m. Wednesday, July 23, 1997

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

**COMMENTS:** The HEA Reauthorization legislation will be reviewed and cleared in separate parts. ED will consolidate the entire bill for formal transmittal later.

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Lisa M. Kountoupes

LRM ID: CJB75 SUBJECT: EDUCATION Draft Bill on Higher Education Act Reauthorization - Title VI -- International Programs

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

- (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: (Date)
(Name)
(Agency)
(Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

- Concur
No Objection
No Comment
See proposed edits on pages
Other:
FAX RETURN of pages, attached to this reponse sheet

T - VI (INTERNATIONAL PROGRAMS)

DRAFT 7/18/97

SEC. -- (a) Section 603(a) of the Act is amended--

(1) in the first sentence, by striking out the period at the end thereof and inserting in lieu thereof "at all levels of education in the United States.";

(2) in the second sentence, by inserting "shall focus on the languages of a specific world area, shall be conducted in collaboration with foreign language educators and professional associations, and" after "centers";

(3) in paragraph (1), by inserting "and dissemination" after "the conduct";

(4) in paragraph (2), by--

(A) inserting "and dissemination" after "the development"; and

(B) inserting "and instructional delivery systems" after "teaching materials";

(5) in paragraph (3), by striking out "and application of performance testing" and inserting in lieu thereof a comma and "application, and dissemination of performance testing instruments";

(6) in paragraph (5), by inserting "and dissemination to others in the foreign language field" before "of instructional materials"; and

(7) by striking out paragraph (6) and inserting the following new paragraphs:

"(6) the development and coordination of networking frameworks and activities (such as Internet listservs and bulletin boards, newsletters, conferences, and discussion groups) to provide foreign language teachers with ongoing professional development opportunities; and

"(7) the conduct of overseas or domestic intensive summer language institutes designed to meet the needs for intensive foreign language training by students or to provide professional development of, and improve language instruction through pre-service and in service training for, foreign language teachers. "

(b) Section 604 of the Act is amended--

(1) in the section heading, by striking out "UNDERGRADUATE

INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS" and inserting in lieu thereof "UNDERGRADUATE PROGRAMS IN INTERNATIONAL STUDIES";

(2) in subsection (a)--

(A) by amending the subsection heading to read as follows:

"(a) Incentive for the Creation of New Programs and the Strengthening of Existing Programs in Undergraduate International Studies and Foreign Languages and the Internationalization of Undergraduate Education.--";

(B) by amending paragraphs (1) and (2) to read as follows:

"(1) Authority.--The Secretary is authorized to make grants to institutions of higher education, combinations of such institutions, or partnerships between nonprofit educational organizations and such institutions, to assist such institutions or combinations in planning, developing, and carrying out programs to improve undergraduate instruction in international studies and foreign languages. Such grants shall be awarded for the purpose of seeking to create new programs, or to strengthen existing programs, in undergraduate area studies, foreign languages, and other international fields.

"(2) Federal Share and Use of Funds.--Grants under this subsection may be used to pay not more than 50 percent of the cost of projects and activities that are an integral part of such a program, such as--

"(A) planning for the development and expansion of programs in undergraduate international studies and foreign languages and the internationalization of undergraduate education;

"(B) teaching, research, curriculum development, and other related activities;

"(C) training of faculty members in foreign countries,

"(D) expansion of existing and development of new opportunities for learning foreign languages, including the less commonly taught languages;

"(E) programs under which foreign teachers and scholars may visit institutions as visiting faculty;

"(F) international education programs designed to develop or enhance linkages between two- and four-year institutions of higher education, or baccalaureate and post-baccalaureate programs or institutions;

“(G) the development of an international dimension in preservice and inservice teacher training;

“(H) the development of undergraduate educational programs in locations abroad where such opportunities are not otherwise available and which provide courses that are closely related to on-campus foreign language and international curricula;

“(I) the integration of new and continuing education abroad opportunities for undergraduate students into curricula of specific degree programs;

“(J) the development of model programs to enrich or enhance the effectiveness of educational programs abroad, including pre-departure and post-return programs, and the integration of educational programs abroad into the curriculum of the home institution;

“(K) the expansion of library and teaching resources;

“(L) the use of innovative technology to increase access to international education programs;

“(M) the development of programs designed to integrate professional and technical education with area studies, foreign languages, and other international fields;

“(N) the establishment of linkages overseas with institutions of higher education and organizations that contribute to the educational objectives of this subsection;

“(O) the conduct of summer institutes in foreign area and other international fields to provide faculty and curriculum development, including the integration of professional and technical education with foreign area and other international studies, and to provide foreign area and other international knowledge or skills to government personnel or private sector professionals in international activities; and

“(P) the development of partnerships between institutions of higher education and the private sector, government, and elementary and secondary education institutions to enhance international knowledge and skills.”;

(C) in paragraph (3), by striking “and private” and inserting a comma and “private sector corporation or foundation”;

(D) after paragraph (4), by adding the following new paragraphs:

“(5) Grant Conditions.--(A) Grants under this subsection shall be made on such terms and conditions as the Secretary determines to be necessary to carry out the objectives of this subsection.

**“(B) An applicant for a grant under this subsection shall include in its application--**

**“(i) evidence that the applicant, has conducted extensive planning prior to submitting its application;**

**“(ii) an assurance that the faculty and administrators of all relevant departments and programs within the applicant institutions are involved in ongoing collaboration with regard to achieving the stated objectives of the application;**

**“(iii ) an assurance that students at the applicant institutions, as appropriate, will have equal access to, and derive benefits from, the program assisted under this subsection; and**

**“(iv) an assurance that each institution of higher education will use the Federal assistance provided under this subsection to supplement and not supplant institutional funds and activities provided by the institution prior to the receipt of Federal funds.**

**“(6) Evaluation--The Secretary may establish requirements for program evaluations and require recipients to submit annual reports that evaluate the progress and performance of students in programs under this subsection.”; and**

**(3) by striking out subsection (b) and redesignating subsection (c) as subsection (b).**

**(c) Sections 605, 607, and 632 of the Act are repealed and sections 606, 608, 609, and 610 are redesignated as 605, 606, 607, and 608 respectively.**

**(d) Section 610A is redesignated as section 609 and amended to read as follows:**

**“AUTHORIZATION OF APPROPRIATIONS**

**“SEC. 609. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part”.**

**(e) Section 614 is amended to read as follows:**

**“AUTHORIZATION OF APPROPRIATIONS**

**“SEC. 614. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part”.**

**(f) Section 627 is amended to read as follows:**

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**"AUTHORIZATION OF APPROPRIATIONS**

"SEC. 627. There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1998 through 2002 to carry out this part".

(g) Part D of title VI is amended by adding at the end thereof a new section 633 to read as follows:

**"EVALUATIONS**

"SEC. 633. (a) In General.--For the purpose of improving the operation of programs and projects assisted under this title and section 102(b)(6) under the Mutual Educational and Cultural Exchange Act, the Secretary may make grants to or enter into contracts with institutions of higher education and other public or private institutions or organizations to evaluate the effectiveness of the programs assisted under this title and the programs assisted under section 102(b)(6) of the Mutual Educational and Cultural Exchange Act.

"(b) Contents.--The evaluations described in subsection (a) shall design, develop and implement both quantifiable as well as quality outcome indicators by which to measure the success of, and potential improvements in, the programs funded under this title and section 102(b)(6) of the Mutual Educational and Cultural Exchange Act. The evaluations shall measure the success of such programs and identify organizational and program practices particularly effective in meeting the purposes of this title.

"(c) Reservation of Funds.--The Secretary may reserve not to exceed 2 percent of the amount appropriated under this title for any fiscal year to carry out this section whenever the amount made available under this title for each program authorized by this title for a fiscal year is not less than the amount available for each such program for fiscal year 1998."

###

## INTERNATIONAL EDUCATION PROGRAMS

The Department funds a variety of international education programs to help meet the nation's need for expertise in foreign languages, area studies and international studies, and for a more internationally literate citizenry.

- o Nine programs are currently funded under the HEA and provide a coordinated approach to strengthening international education: National Resource Centers, Foreign Language and Area Studies Fellowships, Language Resource Centers, International Research and Studies, Undergraduate International Studies and Foreign Languages, Centers for International Business Education, Business and International Education, American Overseas Research Centers, and the Institute for International Public Policy.
- o These programs have helped to create high quality graduate and undergraduate international programs; encouraged outreach to the pre-collegiate level; and helped the business community meet the demands of an increasingly competitive global marketplace.
- o Both the Department and the community agree that these programs are working well and should be continued with only minor changes.

We are proposing the following minor changes to the legislation to eliminate unfunded programs, to strengthen outreach to K-12, and to encourage greater use of technology, and to include a new section on evaluation..

- **Eliminate Sec. 605 *Intensive Summer Language Institutes* and Sec. 607 *Foreign Periodicals Program*.** Sec.607 has not been funded since 1993 and Sec.605 has never been funded. Our recommendation to eliminate these two sections is consistent with the Department's policy to eliminate unfunded programs.
- **Eliminate Sec. 632 *Preservation of Pre-1992 Programs*.** The elimination of this trigger provision gives the Department greater flexibility to support programs that best meet the changing needs in international education. Furthermore, Sec. 632 refers specifically to the 1992 amendments to HEA and is outdated.
- **Eliminate Sec. 604(b) *Programs of Demonstrated Excellence*.** This subsection of Sec. 604 *Undergraduate International Studies and Foreign Language Programs* has never been funded. We are proposing to eliminate it and incorporate key provisions of this program in subsection (a).
- **Revise Sec. 603 *Language Resource Centers* for the following purposes:**
  - To strengthen their role as resources to improve foreign language teaching and learning in K-12;
  - To focus each Center on a specific world area and carry out activities in collaboration with foreign language educators and professional associations;

- To make dissemination an essential component of each Center activity;
  - To encourage utilization of the advances in educational technology; and
  - To authorize domestic and overseas intensive summer language programs.
- ◆ Add a new section on evaluation. Consistent with the increasing emphasis on performance measures and program results, we are proposing to add a new section on evaluation of the domestic and overseas international education programs.. However, we are recommending that no funds be spent for this purpose until the amount available to each program is not less than the amount available for fiscal year 1998.

DRAFT 7/16/97



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

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Policy, Planning, and Innovation

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Fax Cover Sheet

Number of pages following cover sheet: 2

TO: Bob Shileman

FAX: 456-2223

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FROM:

Maureen A. McLaughlin ✓

Francine Picoult \_\_\_\_\_

Lynn Mahaffie \_\_\_\_\_

Sandy Wood \_\_\_\_\_

Tia Coscy ✗

MESSAGE:

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U.S. Department of Education  
Office of Inspector General

## Draft

### **EXECUTIVE SUMMARY**

The 105th Congress has an opportunity to improve substantially the integrity of the Student Financial Assistance (SFA) programs and save taxpayers and students significant amounts of money through the 1998 reauthorization of the Higher Education Act (HEA). During the 1992 HEA reauthorization, Congress legislated a number of helpful reforms, including the 50-percent limitation on ability-to-benefit students, the requirement for trade schools to certify that no more than 85 percent of their funding is derived from HEA Title IV programs, statutory financial responsibility standards, and controls on institutional practices such as 30-day delayed disbursement, pro rata refunds, and multiple loan disbursements. The Office of Inspector General (OIG) believes that Congress should build on those reforms and continue to improve the integrity of the SFA programs.

To assist Congress in this important task, the OIG has prepared the following recommendations for amendments to the HEA. These recommendations are based on OIG audits, investigations and other data about fraud, waste and abuse in the SFA programs.

The OIG recommendations are organized into four major areas:

- Institutional eligibility and enforcement
- Student eligibility
- Loan programs
- Law enforcement

Each proposal sets forth our position, the current law, the recommended change to the law, and our rationale for the proposed change, as summarized below.

#### **Institutional Eligibility and Enforcement**

The mechanisms for ensuring that only high quality and well administered schools participate in the SFA programs continue to need improvement in order to ensure the integrity of the programs. We recommend that Congress —

- legislate performance standards for vocational schools,
- eliminate Pell eligibility for high-default schools,
- restrict distance learning to academic degree programs,
- require schools to post a surety when appealing loss of eligibility due to high-default rates,
- legislate separate statutory requirements for vocational trade schools and,
- eliminate the 25 year old requirement for Pell advance funding.



## Draft

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### Student Eligibility

In order to ensure that students are receiving appropriate amounts of federal aid, we recommend that Congress --

- require verification of applicants' income data with IRS, and
- limit professional judgment by financial aid administrators.

### Loan Programs

Effective management of the loan programs is dependent upon accurate and timely data. Therefore, we recommend that Congress --

- require annual reconciliation of NSLDS data,
- change the definition of loans in repayment, and
- standardize accounting and reporting for guaranty agency reserve funds.

In order to ensure that students are receiving their refunds, we recommend that Congress --

- require certification of refund liabilities by vocational trade schools, and
- require discharge of loans to the extent of unpaid refunds for student victims.

In addition, to protect the integrity and reduce the cost of the Consolidation and PLUS loan programs, we recommend that Congress --

- prohibit the consolidation of defaulted loans, and
- require the determination of the ability to repay PLUS loans and require joint parent/student liability.

### Law Enforcement

Due to the length of time it takes to prepare complex court cases against institutions that defraud the SFA programs, we recommend that Congress --

- require that SFA records be retained for five years and that certain original records be retained, and
- apply the extended statute of limitation for financial institution fraud to the FDLP.

**CONTACT PERSON:** Ellen Bass, Counsel to the Inspector General and Legislative Liaison



# National Association of Graduate- Professional Students, Inc.

## Executive Summary NAGPS Comments on Reauthorization of the Higher Education Act February 17, 1997

NAGPS believes federal commitment to graduate/professional education should include the following:

### I. Title IX Fellowship Program: Establish one program which offers awards in three areas (like TRIO):

- a. an individual, portable fellowship award for study in the arts, social sciences, and humanities
- b. an institutional fellowship award in areas of "national need" with no legislative language that specifies these areas)
- c. an individual fellowship award for underrepresented groups (women, minorities, low-income students)

### II. Student Loans

- a. maintain current total limit on student loans of \$138,000
- b. preserve interest exemption on graduate/professional student loans
- c. increase annual and aggregate subsidized student loan limit
  1. increase annual subsidized limit from \$8,500 to \$10,500
  2. increase aggregate subsidized limit from \$65,500 to \$79,500 (based on 7 year normative time to Ph.D. degree)
- d. reduce student loan interest rate to 5% or 5.5%
- e. establish a loan repayment assistance program
- f. reduce or eliminate origination fees
- g. establish parity favoring student borrowers between FFELP and FDSLPL
- h. extend the "grace period" on interest on student loans to 1 year
- i. review needs analysis for outside employment and independent students

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**III. Tax Incentives**

- a. **reinstate student loan interest deduction**
- b. **provide above-the-line tax deduction on tuition**
- c. **retroactively and permanently extend Section 127 of Tax Code, related to employer-provided educational assistance**
- d. **provide deductions for higher education savings accounts/IRAs, and remove penalties for early withdrawal from such accounts if funds are used for education**
- e. **reinstate tax-free status of fellowships and stipends**

**IV. Other Aid Funds**

- a. **extend Pell Grant eligibility to graduate and professional students who meet needs analysis**
- b. **use excess College Work Study funds to support additional teaching and research assistants**

For more information, contact NAGPS at (847) 256-1562 or visit our web site at <http://www.nagps.org/NAGPS/>



# National Association of Graduate- Professional Students, Inc.

February 17, 1997

The Honorable Bill Goodling  
Chairman, Committee on Education and the Workforce  
2181 Rayburn House Office Building  
Washington, DC, 20515-6100

Dear Chairman Goodling,

On behalf of the 160 graduate and professional student associations, and nearly 20,000 individual student members of NAGPS, I'd like to thank you and your Committee for the opportunity to offer comments and suggestions for this year's Reauthorization of the Higher Education Act. As the nation's only student group focused on graduate and professional student issues, we appreciate the opportunity to suggest programs that directly benefit our members and the nation as a whole.

The first section of our comments focuses on articulating a "social compact" for graduate and professional education: the rationale for a continued and strengthened federal role in providing funding and programmatic support for the nation's graduate and professional students. The second section of our comments focuses on the use of fellowships and grants to provide for wider access to advanced degree programs, and our suggestion for a new, revised Title IX Graduate Fellowship Program. The third and fourth sections of our comments highlight the skyrocketing level of graduate and professional student debt, and provides some suggestions for helping students manage their debt loads, first through changes in the student loan program itself, and secondly through tax incentives designed to encourage savings for higher education expenses. Finally, we conclude with some suggestions for other sources of aid that could also be used, such as currently unused College Work Study funds, to support graduate and professional education while serving important national needs.

## The Rationale for Graduate and Professional Education

Graduate and professional education produces the scientists, teachers, and scholars responsible for the discovery and dissemination of new knowledge, the interpretation and preservation of our cultural and intellectual heritage, and the articulation of our culture to the global environment with which we are increasingly interconnected. Graduate and professional education plays a central role in improving the health of our citizens and the quality of their lives. It makes essential contributions to our economic competitiveness and to our national security. It is the vehicle by which thousands of students and practicing professionals advance their skills, thereby expanding their career opportunities and increasing their productivity. It is also the vehicle for retraining thousands of workers who, as their chosen fields become obsolete, can re-orient their skills to other productive endeavors, thereby continuing to contribute to the national well-being.

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The United States invested \$171 billion in research and development (R&D) in 1995. Both the government and industry recognize that R&D is the principal engine driving economic growth and productivity. This nation's R&D effort could not occur without graduate education. Graduate and professional programs educate the scientists and engineers needed by industry, government, and universities. Moreover, the students in our graduate and professional programs are a key component of current research: they are active research performers, conducting a major portion of university research and enriching it with fresh ideas. To a far greater extent than in other countries, graduate and professional students are a key source of the creativity and productivity of U.S. academic research, the source of more than 50 percent of the national basic research. In this country, graduate education and research are conducted in the same place by the same people, and both activities are enriched by their interconnections.

Equally important is the role which graduate education plays in the shaping of intellectual future of the United States. In addition to training the future scientist and leaders of industry, graduate education shapes the future teachers and thinkers of our country. Teachers at all levels of education, from the professoriate to special education teachers in elementary schools, benefit from the teaching practice and in-depth study of subject matter that a graduate or professional school experience offers. These teachers ultimately teach the next generation of American children in schools across the nation, children from which tomorrow's leaders of society, industry and community are chosen. Advanced degree programs in the arts, social sciences, and humanities foster thinkers and researchers who continue the difficult and arduous process of understanding our own humanity and history. The impact of these programs often goes unrecognized and unchampioned in a society that places increasing primary emphasis on material and economic well being, however, we maintain that the support of programs in the study and teaching of arts, humanities and social sciences is absolutely vital if we are to preserve and enhance the intellectual and moral growth of our society.

The market for graduate and professional education extends well beyond the academic community. In 1994, nearly 50 percent of PhDs were employed outside higher education; 61 percent of that year's engineering PhDs were employed in industry. Master's education is one of the most rapidly growing sectors of higher education; a wide array of master's programs has been crafted by universities working cooperatively with the corporate sector to meet its need for new technical skills. These finely tuned programs permit people to advance their career opportunities by meeting the emergent needs that will sustain the competitiveness of U.S. industry. Through university technology transfer programs, direct links between the graduate academic laboratory and industrial laboratory are strengthening, allowing for a direct impact of graduate and professional education on the national economy.

There is a clear national interest and needs to be a strong federal role in maintaining the quality and vigor of our nation's graduate education enterprise. Threats to the well-being of American citizens and the security of this nation no longer take direct military forms, rather, the major threats to America in the 21st century will be technological and economic. Just as the Cold War provided a necessary rationale and compact between the federal government and higher education, so too does the need to preserve and enhance our technological and economic

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strength in an increasingly global economy. By investing in the education of graduate and professional students, we develop new strengths and enhance existing ones to preserve our place as a world leader.

Leadership in science and technology is a national imperative, and graduate education is an essential component of our scientific and technological capacity. Preserving our heritage; applying the lessons of the past to present problems; encouraging and developing the creativity of our citizens; assuring that we are the masters, not servants, of our technology - these activities are the domain of teaching, research, and scholarship in the humanities, social sciences, and the arts. They, too, are national imperatives, and their support falls squarely within the province of the federal government.

Graduate and professional education serves a number of important national needs and interests. To maintain and enhance America's economic competitiveness and national security, a firm commitment to supporting graduate and professional education in a reauthorized Higher Education Act is needed. Our comments which follow detail some of our ideas on what form such a commitment could take.

#### Fellowships and Grants as Means of Access

The United States has built the largest and most accessible system of higher education in the world. More than 50 percent of high school graduates enroll in higher education programs. Over 12 million students attend U.S. colleges and universities. These institutions employ more than 750,000 faculty members, and provide instruction in a wide range of topics. The vast majority of those faculty have been educated in our nation's graduate and professional school programs.

However, the nation still suffers from the consequences of unequal participation in graduate education. Because of the importance of graduate education to the nation, we must attract talent from the widest possible talent pool; we cannot afford underparticipation in graduate education from any sector of our society. Yet women, minorities, and low-income students remain severely underrepresented in graduate education, not just as students, but as professors, educators, and role models. A key component of the federal role in graduate education should be directed at ending this underrepresentation, through providing equal economic and academic opportunity to all current and future graduate and professional students.

One way that accessibility for women, minorities and low-income students can be enhanced is through the federal provision of scholarships and grants to students from these groups. Since 1991, the number of graduate fellowships offered by the Federal Government has declined from over 60,000 to under 10,000. Grants and fellowships targeted in specific academic areas, such as the humanities and social sciences, provide students who would otherwise not pursue their interests in these areas with financial resources where none would otherwise exist. These tools can be used to raise participation of underrepresented groups in advanced degree programs, train future leaders and academics from these groups, and encourage pursuit of

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academic goals in these fields which are absolutely essential to the welfare of the American spirit.

To accomplish these goals, we believe that Title IX of the current Higher Education Act can be rewritten and reauthorized to provide more support to students from these groups, in one program that will be easy to administer and support. Such a single program would include the following three awards:

- a) An Individual, Portable Fellowship Award For Study in the Arts, Social Sciences, and Humanities - Such an award would cover all educational costs and provide a living expense stipend for students enrolled in the arts, social sciences and humanities for a four year term or until completion of the degree program (whichever is shorter). Incoming graduate students would apply for this fellowship, and applications would competitively be reviewed with awards made directly to the student, regardless of institution of enrollment.
- b) An Institutional Fellowship Award in Areas of National Need - Such an award would cover all educational costs and provide a living expense stipend for students enrolled in advanced degree programs in certain disciplines deemed to be in the "national need" in a more flexible manner (e.g. the current GAANN program, but without the direct listing of academic fields in the legislative language). Such awards would be made to individual students by departments who receive the institutional award and would extend for four years, or until completion (whichever is shorter).
- c) An Individual Fellowship Award For Underrepresented Groups - Such an award would cover all educational costs and provide a living expense stipend for students from underrepresented groups (women, minorities, low-income students). Awards of this type would be made to individual deserving students upon entrance to the advanced degree program, and would extend for four years, or until completion (whichever is shorter).

#### Helping Students Manage Excessive Loan Debt

In a report titled "Graduating Into Debt", released in 1996, the Education Resources Institute and the Institute for Higher Education Policy described an alarming increase in graduate and professional student debt. Between 1993 and 1995, graduate and professional student borrowing increased by \$3.3 billion to a total loan volume of \$7.7 billion, an increase of 74% in just two years! In 1995, over 1 million graduate and professional students used a student loan to pay for their cost of education, an increase from 620,000 student borrowers in 1993. Graduate and professional students make up only 19% of all student borrowers, yet they borrow 28% of all loan dollars, and loans given to graduate and professional students average over \$3,000 per year greater than those provided to undergraduate borrowers.

More alarming is their finding that, for many societally important professions, the debt burden of a recent advanced degree recipient is prohibitively high, such that graduates are forced

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away from lower-paying, public service-oriented jobs, such as indigent care medicine or public interest law. Medical, dental and law students face average monthly student loan payments upon graduation in the range of \$500-800, based on median total student loan debts of \$40,300 for law, \$64,059 for medicine, and \$67,772 for dentistry. These figures represent 10-25% of expected starting salaries for legal services attorneys and community health specialists. Even if these graduates gain employment as an associate in a large legal firm or as a general practice doctor, these monthly payments are still nearly 10% of their monthly income. This large level of indebtedness can dictate employment choices, prevent meaningful savings or investment, and translate into a difficulty to obtain home and small business loans. In the worst case, these high levels of debt, combined with an inability to find lucrative employment, lead to student loan default. Even for core academic doctoral degree recipients, monthly payments on student loan debts in the \$10,000 range represent 2-5% of monthly income for those making average salaries within their fields.

The study also found that students from low-income and minority backgrounds are most likely to borrow at the graduate or professional school level. 77% of graduate or professional students with annual incomes less than \$10,000 used student loans in 1993, compared with 57% of graduate or professional students in the annual income range of \$20,000-\$29,999. Similarly, 62% of African American graduate students and 60% of Hispanic students borrowed in 1993, compared with 54% of white, non-Hispanic students. At a time when the nation still suffers from the consequences of unequal participation in graduate education, rising costs appear to offer a substantial barrier to participation in graduate education by those who would benefit from it the most.

There are several factors which have contributed to this surge in graduate and professional student borrowing:

- 1) Increasing tuition costs which have exceeded the cost of inflation.
- 2) Shifting resource allocations at the federal, state, and institutional levels that have reduced grant, scholarship, and fellowship funding for post-baccalaureate education.
- 3) Changes in the U.S. and global job market with many fields now requiring graduate degrees for those who wish to advance their careers.
- 4) Anxiety over corporate downsizing resulting in increasing numbers of individuals entering graduate/professional school to add skills and credentials to avoid losing their jobs.

To assist students in managing their large debt loads, and to prevent future graduates from amassing such large total debts, we recommend that the Committee propose a number of measures designed to reduce the overall costs of obtaining and paying off a student loan, thereby alleviating the need for increased student loan dollars:

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Keep the Current Aggregate Limit on Student Loans - Given the extreme debt burden of a student who borrows all available loan dollars (currently \$138,000), we believe an increase in the overall limit on student loan dollars is an unwise move if the goal is to minimize student loan indebtedness. In cases of specific high-cost programs (such as those formerly covered by the HEAL (Health Education Assistance Loans) program), this limit may be extended to prevent enrolled students from having to secure private loans to continue their education. Without an appropriate limit on student loan amounts, we fear that total loan volume will continue to increase dramatically to unmanageable levels which seriously impact a new graduate's career choices, and economic stability

Preserve the Interest Exemption on Graduate/Professional Student Loans - By reducing the amount of loan balance subject to interest accrual while still enrolled, this interest exemption saves students billions of dollars in loan debt upon graduation. Without this exemption, average monthly payments on student loans would skyrocket, limiting career choices and perhaps dissuading students from enrolling in advanced degree programs.

Allow A Greater Proportion of Subsidized Student Loans - By increasing the amount of subsidized loan dollars a student can obtain on an annual basis, from \$8,500 to \$10,500, total interest charges on the loan are reduced, and students can begin to repay principal on the loan sooner after graduation, thus reducing the likelihood of default, and diminishing the student's debt load. Similarly, the total aggregate amount available to students as subsidized loans should be increased by \$14,000. This would represent an increase from the current subsidized limit of \$65,500 to a new limit of \$79,500, an increase of \$2000 per year for 7 years, the normative time to degree for a student seeking an academic Ph.D. degree.

Reduce the Student Loan Interest Rate - By tying student loan interest rates to the 30-Year T-Bill, student loan interest rates are projected to decline to a rate of 5% or 5.5%. Over the life of the student loan, any reduction in the interest rate results in substantial savings to the student borrower. Savings to the federal government via reduced interest payments on subsidized loans can be used to fund other loan improvements.

Establish a Loan Repayment Assistance Program - For students engaged in particular programs (such as law, medicine, etc.) who pursue public interest and public service careers, a loan repayment assistance program can be created to pay part or all of a student's loan burden, based on their ability to pay relative to their comparatively low salary. Either a national program could be created, or federal funds could match state funds used to create and sustain state repayment programs.

Reduce or Eliminate Origination Fees - Origination fees do not help students pay for educational costs, yet students pay interest on these fees for the life of the loan. Even a small reduction in the origination fee would save students millions of dollars annually.

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Establish Parity Between FDSL P and FFELP - Competition between the two federal loan programs has proven to reduce administrative burden and loan costs students must endure to obtain a student loan. Students should not be financially penalized for picking either program, and parity between programs in terms of interest rates, origination fees, repayment schedules, or other terms of the loan, choosing the most favorable conditions for the student borrower in each case.

Extend the "Grace Period" for Interest on Subsidized Loans - In today's competitive job market, it is not clear that a student will necessarily find sufficient employment within a short time after graduation to allow them to begin payment on their student loans. We suggest the lengthening of the interest-free "grace period" to one year, which would minimize interest accrual and help reduce the number of student loans which enter default each year.

Review Needs Analysis to Improve Student Aid - The needs analysis methodology used to determine a student's educational expenses and financial need should be reviewed, particularly with regards to existing penalties to students who obtain outside employment as a means to reduce their reliance on student loans or other sources of federal financial aid. Such a review would discourage excessive borrowing based on overestimates of student need. Additionally, we support efforts to improve access to student aid by independent students who demonstrate financial need.

#### Using Tax Incentives to Reduce Educational Costs

The establishment of tax incentives for education are another means to encourage savings and expenditures on higher education and, in particular, pursuit of an advanced degree. We believe that the following tax incentives can be used in addition to the grants, fellowships and student loan program changes to reduce the overall cost of graduate and professional education:

Reinstate a Tax Deduction on Student Loan Interest - Such a proposal would allow for a tax deduction on a student's loan interest accrual on unsubsidized loans, which make up the bulk of student loans taken. This deduction existed until the passage of the "Tax Simplification Act of 1986, and it particularly benefits low-income students who essentially must take out student loans to pay for enrollment in an advanced degree program. The net result of such a deduction would be to reduce the overall cost of the loan.

Provide a Tax Deduction on Tuition - Another means of reducing overall college costs would be to provide a tax deduction on tuition and student fee expenses. Either the student or the student's parents (if the student is considered as a dependent) could deduct an amount equal to tuition and fees from their Adjusted Gross Income, thereby reducing tax payments due. Although the benefits to individual filers will differ with total income, we believe that all taxpayers would ultimately benefit from such a deduction.

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Retroactively and Permanently Extend Section 127 of the Internal Revenue Code - The "Employer Educational Assistance" section would allow for employees to receive up to \$5250 in educational benefits (tuition, etc.) from their employers without incurring a tax on those benefits as compensation. Permanent restoration of this Section is key to providing for the ability of employees to receive graduate training to improve their ability to compete for jobs, improve their job performance, acquire new skills, and contribute to a growing global economy.

Provide Deductions for Higher Education Savings Accounts - Parents and students would be allowed to put aside savings annually for educational expenses in a defined "education IRA" or "accumulation program", and be able to deduct the amount contributed to these accounts from their Adjusted Gross Income, thereby reducing tax payments. These funds could then be used later for higher education expenses, and withdrawn at any time for such expenses without tax penalties. This would serve as an incentive for both individual and family savings toward the cost of higher education, and potentially reduce the amount of student loan dollars required to finance the remainder needed to cover such costs. In particular, this would allow older, returning students to save gradually for future educational costs while maintaining employment in preparation for re-enrollment in an advanced degree program.

Reinstate Tax-Free Status of Stipends and Fellowships - The tax-free status of scholarships and fellowships (as well as stipends) was eliminated in the "Tax Simplification Act of 1986." Presently, any scholarship or fellowship monies received by a graduate or professional student which exceed the amount necessary to pay tuition, books and fees, is considered taxable income. Any stipend as a teaching or research assistant is also considered taxable income. Reinstating the tax-free status of all stipends, scholarships, or fellowships would reduce the overall educational cost to the student, reducing tax payments and lowering student debt burdens.

### Expanding Other Aid Funds for Graduate and Professional Students

Where grants and fellowships no longer suffice, student loans must be used to pay the remainder of the student's educational costs. But what about other existing forms of financial aid, such as Pell Grants and College Work Study? We would support the use of other financial aid programs to support and promote graduate and professional education, such as:

Extending Pell Grant Eligibility to Graduate and Professional Students - Graduate and professional students who meet needs analysis requirements would be eligible for Pell Grants at the current maxima allowable. Such an extension of eligibility would significantly reduce overall debt burdens, and provide significant advantage to low-income students, replacing loan dollars with grant funds.

Using College Work Study Funds for Teaching and Research Assistants - Many institutions return unused CWS funds at the end of each fiscal year, and these funds

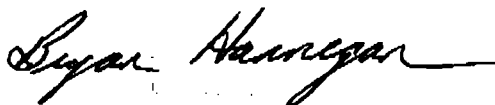
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could be used with departmental or institutional funds to create additional teaching and research assistant positions which support graduate and professional students. These additional positions can help to improve teaching, improve graduate and professional time-to-degree, and support students who would otherwise work outside of their immediate degree objectives to pay for their educational costs.

### Concluding Remarks

The pending Reauthorization of the Higher Education Act offers a wide range of opportunities to review our current programs and whether they provide the maximum educational opportunity to all U.S. citizens. We have offered a number of ideas here that, if implemented, will serve to reduce overall educational costs and expand access to advanced degree programs. An investment in graduate and professional education is an investment in the future of our nation, as the future strength of our nation and our economic well-being relies on a well-trained and educated workforce. We encourage the Committee to begin this investment through implementation of the programs and proposals outlined above, and we look forward to working with the Committee to see these proposals become reality.

Sincerely,



Bryan Hannegan  
President, National Association of  
Graduate-Professional Students (NAGPS)

cc: Honorable Howard P. "Buck" McKeon  
Honorable James M. Jeffords  
Honorable Edward M. Kennedy