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FOIA MARKER

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Folder Title:
HEA [Higher Education Act] Conference [2]

Stack:	Row:	Section:	Shelf:	Position:
S	15	1	11	2

General: Can pass a bill that [illegible] makes any progress, [illegible]
. BUT can ~~[illegible]~~ [illegible]

AGENDA

Tuesday, July 21, 1998
12:00 noon
Room 2145

- Student Loans
  - Budget
  - sec. 458 - $35 [illegible]
  - Rate, consolidation
  - G.A. reform
- High Hopes for College
  - [illegible] - [illegible] - [illegible] colleges - details [illegible]
- Teacher Recruitment and Preparation and the National Board for Professional Teaching Standards
  - Loan forgiveness
- Distance Learning and Learning Anytime Anywhere Partnerships (LAAP) - ACE [illegible] ??
  - waiver authority
- Performance-Based Organization (PBO) - Jean Vela [illegible]
- Year 2000 (Y2K) - ED in good shape - schools [illegible]
- Other Issues

- exp. sites & QA - House eliminates - will you be fighting for it?
- neg-reg - dead - we have language
  - ~~would~~ draft [illegible]

458

- Access America - next Wed 10 a.m.

Kildee
Martinez
Andrews
Clay

7/21/98

Community — ACE (Cindy), USSA (Jamie), USPIRG (Evan, Sanjeev)

- TANF?
  - Data - Phila?

Other Issues:

St. Loans

* Ombudsman — $2 million -
  - structure & relationship — "indep."
    - see SBA

* Consoli role:
  - support d.l. reduction
  - FFEL reduc. w/ app. offset re rebate fee

* GA's — as community, prob. not involved.
  VFAs — ability of students to pick lender — figure
  VT & Penn — now limited ??

ACE & NASFAA: oppose —
* Rochema — high defaults → all grant
  - @ many CC's, the only ones borrowing are hi-risk...

local info *

☐ Look into effect of mdr. CCRC.
  [illegible]

CAFFA

ACE
- Prefer House on PLUS
-

HH
- Dr. Model can't work elsewhere
- Groups prefer House approach...

* NASFAA willing to help.
— the more localized, the better likely to be..

* Specs
Thurs

PBO

- Senate app — all prefer..

Teacher Prep
- Push last one to wrap up
- Bring Miller
- Integrating the

Would oppose: - Any Title IV funds cutoff — camel's nose
- $25K fine
- Didn't sign off on Miller

Senate: Quality doesn't fit the crime.

Should address: Emergency & temps, certification

Lien forgiveness
- ACE – not effective, but will endorse.
- NASFAA – will put out admin.

- ~~Rolins~~ reali. due . . .

Distance
Becky & Ned/Bernadi – charring ~~Distance~~ Title IV
- Distance Learning tomorrow –

?, ?, don't know yet . .

Y2K
NASFAA → get away on financial, 100 people . . .

- possible tele conf.

- 150% Pell limitation

- QA & Ex Sites
- Seagoe – need grandfather clause.

- Neg. Rulemaking.

Apter

- 2% - Mark · Speedy Cash.

- House - needs analysis generally better.

*LPA

*Negative offset to manuf

= 60 days to comment on reg 3

- Rpg on nearby course (speaker)

+ *25K fine

- FERPA concern

- McConn still looks.

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- Student Loans
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- Teacher Recruitment and Preparation, and the National Board for Professional Teaching Standards
- Distance Learning and Learning Anytime Anywhere Partnerships (LAAP)
- Performance-Based Organization (PBO)
- Year 2000 (Y2K)
- Other Issues

Calle, Marshall, Mort Z, Mauriuano, Scranton · × mayor, Cugavecher, Landis

□ * Budget – How does sequester work. "vs. surplus" – If it triggers, then it replaces the rich-middle deal.

× dual Bd

– salaries, etc

– Need help – response

× Consolidation rates –

✓

* Teachers –

Budget: Max offsets

Senate: cut back on grantees

Offsets
- Banks
- Oil
- Students
- Banks

* Outside of ed: Grimme Mae

– Level & duration of ↓ rate subsidy

Offsets

– Bankruptcy

– Level of bank subsidy – Sub & unsub split ??

Scanning

- Other leader schedules: Rechsorgane 98/95

- Quarterly vs. Annual SAP

- Duration? 8-14 issue already
  probabilistic won't be off forever..

Loan Forgiveness for Teachers

Both the House and Senate included loan forgiveness programs for teachers in their reauthorization bills. As discussed below, these programs would have complex and confusing eligibility requirements, would have a limited effect in attracting people to teaching, and would be costly and complex for the Department of Education to administer.

Loan forgiveness provisions would be complex and confusing for teachers and would treat teachers inequitably:

- Both the House and Senate proposals place many limitations on the types of teachers and loans that are eligible for loan forgiveness. These limitations would be confusing for teachers, and would create complexity in applying for and documenting eligibility for this benefit. Further, teachers and potential teachers typically do not have easy access to all of the information necessary to determine the amount of potential loan forgiveness. This will cause confusion for potential applicants.

- Under the House proposal, teachers who consolidate their loans would not be eligible for the loan forgiveness. This would prohibit teachers from taking advantage of the convenience of having one lender and, in some cases, of obtaining extended or income contingent repayment options.

- Requiring teachers to teach in the subject matter of their majors punishes teachers for decisions made by school systems. Teachers do not usually choose to teach outside their field of study, but are often required to do so by their school systems. Adding this requirement will not affect behavior, but will punish teachers who have been required by their school systems to teach subject matters outside their major fields of study.

Loan forgiveness would have a limited effect in attracting people to teaching:

- According to a number of past evaluation studies, existing loan forgiveness programs are ineffective tools for inducing individuals into specific career paths. The benefits of loan forgiveness in current programs are primarily enjoyed by people who would have become teachers without any loan forgiveness.

- Under both the House and Senate proposals, loan forgiveness is offered only to teachers who have federal loans and only after a teacher has completed three years of teaching in a school that is eligible for Title I funding. Loan forgiveness is stretched out over the teacher's fourth, fifth, and sixth years of teaching at an eligible school. Thus, a teacher would be required to teach at an eligible school for at least six years to obtain the full benefit.

- Teachers would be required to make nonrefundable payments on their loans for at least three years before they are eligible for forgiveness. This would substantially reduce the benefit of cancellation, and would discourage borrowers from accepting teaching positions in which their incomes are insufficient to cover their loan payments.

Loan forgiveness provisions would create huge administrative costs and complexities for the Department of Education:

- The proposals would require substantial new data reporting for the Department and the entire student loan system. The Department and lenders would need to determine whether teachers are teaching in eligible schools, in which subjects they majored, and in which years they obtained their loans. This information would have to be reported by schools or students, and the Department would need to track all of the data for many years after the student graduates which would be costly. In particular, it would very costly for the Department to track a teacher's length of eligible service -- especially if the teacher taught at more than one eligible school.

TOP PRIORITY (Sec's letter)

Student loans (Kennedy/Harkin/Clay/Kildee/Andrews/Miller)
interest rate on new loans
consolidation interest rates
Must be fully paid for; possibility of sequestration
Market mechanisms--study? auctions? information amend?

Section 458 and ga reform (Kennedy, Andrews)

National Board for Professional Teaching Standards (Kildee. Kennedy, Dodd)

High Hopes (Fattah, Kennedy)

Teacher preparation and recruitment, incl Bingaman/Miller (Jeffords, Coats, Kennedy, Dodd, Bingaman, Clay, Miller)

Distance and LAAP (Wellstone, McKeon)

PBOs (inl ombudsman? proprietary liason?) (Jeffords/Kennedy/McKeon/Kildee)

Y2k (Dodd)

Welfare amendment?

NEXT LEVEL OF ISSUES (attachment)

Pell (Admin's proposals)
- eliminate high default schools (Roukema)
- 150% limit (Kennedy/Jeffords)
- ESL only (Kennedy/Jeffords)
- Tuition sensitive rule (Kennedy/Jeffords)
- 5th Year Pell

GA Reform
- VFAs (Kennedy, Goodling, McKeon) - prob. ~~Senate~~ House

Other Loan Issues
- Repayment (Kennedy/Andrews) - ICR in FFEL (not in either bill)
- Comparability in loan consolidation (Kennedy/Andrews)

Need analysis
- assets (Dodd) - Senate - excludes parent & student assets - yes, if can finance FY99
- IPAs (Dodd) - House: dep 3000, Sen. d 2500 ~~[illegible]~~ 3-6-3 Senate [illegible] - $1250 - 3250 - 4250 - w: 6-96 - our [illegible]
- dislocated workers (Dodd) - Kildee - not in either bill.

Institutional Aid (Title III now) (Clay/Jeffords)
- HSIs - NO COMMENT - need findings??
- Tribal colleges
- Native Alaskans - Senate [illegible]
- HBGIs - funding formula
- HBCU capital financing

Loan forgiveness (Kennedy/Clay/Miller/Kildee)

Campus-based formula (McKeon) — House formula [illegible] even more severe than ours, — proprietary, [illegible] support our proposal.

Graduate education (Kildee)
- House combined but didn't do [illegible];

Refunds (Jeffords/Kennedy)
- support [illegible] schools [illegible]

Program integrity (Miller/Roukema)
- 85/15 — House weakens
- Anti-injunction language — House
- Financial responsibility — " — unnecessary
- Cohort default rate — RECONSIDER

Advanced placement (Bingaman)
- Senate adopts current program — if State pays fees, can use $ for test prep, etc. Support

Overly prescriptive for ED/difficult to administer
- Negotiated rulemaking — Senate esp. bad.
- Biennial regs review — no.
- Program review criteria (McKeon) — [illegible]
- Ombudsman? (Dodd)
- Proprietary school liason?
- TRIO (Hinojosa, Bingaman) — [illegible] House — support; Admin set-aside — House eliminated — oppose.
- Recertification — Senate 6 yrs instead of 4
- drug offenders — both bills — [illegible] or delete.

Flexibilities/burden reduction for schools (Roemer)
- QA and ex sites — Senate better.
- Loan proration
- Electronic exit counseling
- Multi-year prom note — Senate is our proposal
- ability to implemenet regs earlier — Senate

Campus-based programs (Kildee)
- work-study--comm service — House — [illegible]
- Perkins admin issues and revolving fund — [illegible]; we may a study...

Sharing IRS info — House authorizes Sec to confirm AGI w/IRS; Senate requires...

* a need process

Number of programs (McKeon, Goodling)

ISSUES WE HAVE NOT BEEN SUCCESSFUL ON SO FAR--do we continue to fight for these?

- Community service deferment (Mikulski)
- Origination fees level playing field (Harkin)
- College awareness (Fattah)
- Taxation of forgiveness (Dodd)

Teacher Prep

- Senate – recommend [illegible] ... lighthouse
  and grants to States

  50-50 funding split

  funding levels?

  Base = Grants or Gr?s. ..

- NBPTS – ~~[illegible]~~ – demand a prob.

- Loan forgiveness – attractive
  - last 2 yrs,
  - after 3rd yr of tchg
  - in subject area

  CBO: [illegible] [illegible] $40 million

  = simplify, all loans start [illegible]...

  20 · 20 – 20 · 20 – 20

  * MANAGEABILITY issues...

- Recruitment andt – 6th yr. [illegible] for tchr ed.
  - Secy's discretion.

  - Appropriations ??

- Accountability /
  "Rpt Cards" –
  - HBCU – Florida A&M

- Patricia
- Andrea Crane
  - Shaw - Ca Berez

- wellspore audit:

Issues
- Data
- Philosophy / policy - college
- Regulatory issue - others w/o any Rove but can [illegible]...

- ~~[illegible]~~
- what exactly is problem
- Does the order do, does it address...

- College / Voc Ed split.

wellspore provides
- [illegible] Ga saves...

Significant HEA Conference Issues

A lengthy list of conference issues was discussed in meetings between NEC, ED, and OMB on July 16 and 17. ED was not prepared discuss any issues related to interest rates, loan consolidation, GA reform, or section 458 until after internal ED meetings (scheduled for 7/20). Of the issues discussed last week, the following were the most significant items requiring OMB review/concurrence:

Wellstone amendment - Administration will take no strong position at this time.

Loan forgiveness for teachers - Included in both House and Senate bills, but strongly opposed by the Department as (1) bad policy, since there is no strong evidence that it will have the desired effect of attracting and retaining high quality teachers; and (2)administratively unworkable as drafted. CBO estimates the program at $180 million over 5 years (ramping up to $80 million per year by 2003); ED estimates are less than half of that. Because it appears inevitable that the final HEA will include loan forgiveness, ED plans to recommend modifications to address the administrative issues. For example, the bill provides forgiveness of only 3rd and 4th year loans, rather than all loans. ED would have to set up new systems to track such loans separately, and it's not clear how consolidated loans would be handled.

Y2K and HEA - Smith continues to want a broad waiver allowing ED to delay implementation of any HEA changes that interfere with Y2K compliance. As of Friday, however, ED's attorneys had not reviewed the new Senate provision that allows the Secretary to "take whatever steps are necessary" to ensure Y2K compliance. ED agreed to review the Senate language and reassess whether broader authority is needed. Agreement on an "Administration position" for the letter to conferees may require involvement of DeSeve, Koskinen, and OIRA.

Needs Analysis

- **Assets.** Neither House nor Senate adopted the Administration's proposals on treatment of assets. ED prefers the Senate's approach (to assess student and parent assets together at the family rate), which does not "tax" student assets as much as current law or the House bill. ED estimates it may raise the cost of the Pell program by $100-$200 million per year.

- **Income Protection Allowance.** Neither the House nor Senate bill provide IPAs as generous to both dependent and independent students as the Administration's bill (1999 budget policy did not fully fund these.) ED would like to support the more generous formulas in the House bill.

- **Language to Finesse Support for Higher Cost Options.** Because the

Administration cannot commit to a Pell budget policy to fully fund both the Senate assets formula and the House IPA formulas, Shireman recommends our letter remind the conferees of the Administration's language proposal to allow changes to these formulas in annual appropriations bills.

FFEL/DL Comparability in Repayment Terms. Some differences still remain in borrower terms, and income contingent repayment terms available under Direct Loans are considerably more generous than "income sensitive repayment" terms under FFEL. If Rep. Andrews is named as a conferee, ED plans to work with him on a proposal to make ICR available in both programs.

IRS Income Verification. The House bill allows ED to verify income with IRS; the Senate bill requires it. ED strongly supports the Senate version, but IRS/Treasury is likely to oppose. OMB is asking Treasury for its views now. If Treasury continues to strongly oppose a legislative mandate, OMB may want to use this as an opportunity to get IRS to agree to administrative changes that IRS has previously told other parts of OMB (DeSeve/GGF/OIRA) it could consider (e.g., matching ED/IRS data if students sign a consent block on the student aid application).

Elimination of Perkins Revolving Fund. Under currrent law, this fund gets about $40 million in annual revenue from ED's collection of Perkins loan defaults, which are funneled back into the Perkins program. House and Senate bills require that ED's collections go back to Treasury (as a mandatory funding offset for other HEA costs). ED wants to oppose the House and Senate bill as inconsistent with the 1999 President's policy to use these funds to partially finance $100 million in Federal contributions to the Perkins loan program.

Taxation of ICR Loan Forgiveness after 25 years. Neither House nor Senate included the Administration's proposal to exempt from taxes the amount of loan forgiveness provided to ICR borrowers after 25 years. Shireman suggests that if Congress takes up a proposal to create ICR in the FFEL program, lenders would want to support this change. (Without ICR in FFEL, lenders and Republicans will strongly oppose it since it enhances the benefits to direct loan borrowers.)

June 16, 1998
(Senate)

S. 1882 - Higher Education Amendments of 1998
(Sen. Jeffords (R) VT and 5 others)

The Administration is strongly committed to working with Congress to reauthorize the Higher Education Act (HEA) this year and is encouraged that S. 1882 reflects numerous Administration proposals. However, the Administration strongly opposes enactment of S. 1882 in its current form because it contains several highly problematic provisions. These include excessive subsidies to lenders and guaranty agencies in the student loan program and inadequate funding for student aid management in the section 458 account. The Administration understands, however, that the inadequate funding will be resolved in the managers' amendment to S. 1882.

Student Loan Interest Rates. The Administration is pleased that S. 1882 includes the Administration's proposal for a new, low rate that borrowers will pay on student loans, saving those who borrow over the next five years billions of dollars. The Administration, however, strongly objects to the bill's provisions that would provide $2.4 billion in arbitrary and excessive subsidies for lenders over five years. Lenders typically are willing to accept below-average rates of return on government-guaranteed loans because of the lower risk associated with such loans. Yet, according to Department of the Treasury and Congressional Budget Office analyses, the bill would provide returns that are above lenders' profits on their overall loan portfolio. Much of the additional $2.4 billion of spending is not offset in S. 1882 and therefore would trigger a possible sequester of several entitlement programs as specified by law.

The Administration supports moving toward market mechanisms to set appropriate lender returns on FFEL loans by studying and pilot testing some models. A policy that moves toward an auction mechanism for this purpose should be part of the interest rate structure.

Guaranty Agency Reforms. The Administration is deeply concerned that S. 1882 fails to make adequate performance-based reforms to encourage and reward efficient service delivery by guaranty agencies and instead includes new and excessive sources of revenue for guaranty agencies. The most objectionable features of the bill's guaranty agency provisions would:

- Stifle innovation and accountability for results by unduly restricting the scope of the voluntary, performance-based agreements between the Secretary and the guaranty agencies.
- Establish an excessive portfolio maintenance payment out of the section 458 account to guaranty agencies. The Administration understands, however, that the inadequacy of funds in the section 458 account for the Department of Education student financial aid administration will be resolved in the managers' amendment to S. 1882.

- Discourage guaranty agencies from preventing loan defaults by providing them with potentially much larger payments for collecting on loans *after* they default. This would result in costs of at least $644 million above the reasonable range of collection costs during five years.

Other Concerns. The Administration will seek to address other deficiencies in S. 1882 including the following.

- S. 1882 fails to include the Administration's High Hopes and College Awareness Information initiatives. The initiatives would provide students, particularly those in low-income middle schools, with effective information, tutoring, and mentoring to prepare for college and deepen their commitment to pursue postsecondary education. The Administration understands that an amendment may be offered to incorporate aspects of these initiatives into S. 1882. Such an amendment would be a step in the right direction.

- S. 1882 does not lower origination fees for students. The Administration understands that an amendment may be offered to eliminate the one percent insurance premium for borrowers of subsidized FFELs, and to reduce comparably the loan fee for subsidized Direct Loans. The Administration strongly supports such an amendment.

- S. 1882 does not include the President's proposal to allow individuals with unsubsidized student loans to serve their communities for up to three years without accruing interest on these loans.

- S. 1882 fails to exclude from taxation any loan balances that are forgiven after the maximum number of years of income-contingent repayment. Income-based repayment ensures that borrowers who remain low-income relative to their debt do not have to carry that burden for more than 25 years. Saddling them with an additional tax liability is neither appropriate nor was it ever intended.

In addition, the Administration will seek to improve further other provisions of the bill, such as the following.

- The Administration supports the provisions of S. 1882 that would prohibit consolidation of loans that are subject to a judgment secured through litigation or a wage garnishment order. The Administration also supports the provisions that would provide an extended repayment plan for FFEL borrowers with outstanding loans of more than $30,000. This would provide greater comparability between the repayment options available for FFEL and Direct Loan borrowers. The Administration will work with Congress to improve the terms of FFEL consolidation loans to match the terms of Direct Loans.

- The Administration supports making student financial assistance more widely available to students enrolled in distance education programs. The Administration supports amendments that may be offered to eliminate the bill's excessive restrictions on participation in the proposed distance education demonstration program and include the Administration's Learning Anytime Anywhere Partnership initiative.

The Administration looks forward to working with Congress to resolve these and other issues, such as those recently articulated in a more detailed letter from the Secretary of Education, as Congress works to reauthorize the Higher Education Act.

Pay-As-You-Go Scoring

S. 1882 would increase direct spending; therefore, it is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. The Administration has serious concerns about the significant net costs of the bill which are not offset. If the bill were enacted, its net budget costs could contribute to a sequester of mandatory programs. The Administration will work with the Congress to address its many serious concerns with the bill and to make modifications necessary to eliminate the bill's adverse budget effects. OMB's preliminary scoring of this bill is that it would increase direct spending by $1,560 million during FYs 1998-2003:

PAY-AS-YOU-GO ESTIMATES
Fiscal Years
(In millions of dollars)

	1998	1999	2000	2001	2002	2003	1998-2003
Net Budget Cost	-$440	$126	$421	$440	$480	$533	$1,560

* * * * * * * * * *

(Do Not Distribute Outside Executive Office of the President)

This draft position was developed by LRD (Connie Bowers) in consultation with HR (Stack/ Noe/White) and the Department of Education (Templeman/). The Departments of Justice (Jones), Labor (Morin), Interior (Carnevale), VA (Gallin), HHS (Taylor), and the Treasury (Dorsey), the Corporation for National and Community Service (Sofer), Equal Employment Opportunity Commission (White), General Services Administration (Ratchford), Office of Personnel Management (Gardner), Office of Government Ethics (Ley), Peace Corps (Hendry), Social Security Administration (Warner), NEC (Shireman), CEA (Korenman), WHC (Correia), VA/PERS (Kogut), DDM (Breul), BRCD (McAllister), HLTH (Davis), and BASD (Sullivan) agree with or do not object to this position.

OMB/LA clearance: Konigsberg, Chow, Lew (OMB); Cohen (DPC); Johnson, Stein (WHLA); Correia (WHC); Shireman (NEC); CoS (via Goldberg)

BACKGROUND

The Administration's Proposals

HEA Reauthorization Amendments. The appropriations authorizations for programs under the Higher Education Act (HEA) will expire at the end of fiscal year 1998. Legislative language to reauthorize the HEA was provided by the Department of Education (ED) to congressional staff in various pieces between September 1997 and February 1998. The Administration's reauthorization proposal is based on the following principles: (1) making college more affordable; (2) simplifying the student aid process; (3) ensuring students receive a high quality education and taxpayer dollars are well spent; (4) encouraging Americans to work and save for college; (5) helping more low-income Americans prepare for and go to college; (6) helping working Americans improve their wages and their lives through further education; and (7) recruiting qualified teachers to high-need communities with a teacher shortage.

New Budget Initiatives. Among the specific HEA amendments proposed by the Administration to carry out these principles are several new initiatives included in the President's FY 1999 Budget. These include: (1) High Hopes for College, which would establish partnerships to provide high-poverty, middle-school students with information, tutoring, mentoring, and rigorous course work to prepare for college; (2) Learning Anytime, Anywhere Partnership program, to encourage institutions to use innovative technology to promote lifelong learning; (3) College Awareness Information Program, to provide information on preparation for college and financial aid programs to young students and their families and to out-of-school youth and adult learners; (4) Access and Retention Innovations, which would authorize experimental studies to explore effective and efficient ways to package financial aid for low-income students; and (5) Teacher Recruitment and Preparation initiatives, which would fund scholarships to students who will teach in high-poverty areas and fund other programs to improve teacher quality. S. 1882 does not include these Administration initiatives.

Student Loan Interest Rate Structure Change. On March 2, 1998, as part of the HEA reauthorization, ED provided to Congress legislative language to adjust student loan interest rates. That proposal, announced by Vice President Gore on February 25, 1998, would address concerns articulated by banks that the interest rate structure scheduled to go into effect on July 1, 1998, would lower their profits and result in many banks withdrawing from student lending. The Administration's February proposal would maintain lower student loan interest rates for students, but would eliminate unnecessary costs to lenders by changing the benchmark for setting the interest rate to an instrument that more closely tracks lenders' own financing practices.

In response to the Administration's proposal, Congress devised a plan that included the Administration's proposed interest rate for students, but would require taxpayers to pay lenders an unnecessary subsidy. The Administration recognized the difficulty of justifying any statutorily set rate for lender subsidies, and therefore advanced an alternative proposal in May that would move toward an auction mechanism for setting lender rates, while keeping the same student rates proposed earlier. The new proposal would require a study of alternative auction-based systems, pilot testing of the most promising models, and full implementation after an independent evaluation shows the pilot projects have been successful.

House Action -- H.R. 6

On May 6, 1998, the House passed H.R. 6, its counterpart to S. 1882, by a vote of 414-4. A Statement of Administration Policy sent to the House stated that the President's senior advisers would recommend veto of H.R. 6 because it would: (1) change the student loan interest rate structure to provide excessive profits to lenders and require unnecessary new spending; (2) provide significantly increased payments to guaranty agencies and insufficient funding for the Department of Education to manage effectively all the student aid programs (i.e., the Sec. 458 guaranty agency administrative funds provisions); and (3) repeal authority for the National Board for Professional Teaching Standards. It also stated that strongly objectionable amendments could also be added, such as an amendment by Rep. Riggs to incorporate the text of the Anti-Discrimination in College Admissions Act. As passed, H.R. 6 does not contain the Riggs amendment or repeal authority for the Teaching Standards board.

Additional Administration Comments on S. 1882

On June 5, 1998, Secretary Riley sent a letter to members of the Senate objecting to the same provisions as in this Statement of Administration Policy, and expressing numerous other concerns about the bill.

SUMMARY OF S. 1882

S. 1882 was reported by the Committee on Labor and Human Resources on May 4, 1998, by a vote of 18-0. It would reauthorize for five years and amend in various respects student financial assistance and other higher education programs. Major provisions that differ from the Administration's proposal are described below.

Student Loan Interest Rates and Fees. The bill would set the rate students pay on loans equal to the 91-day T-bill plus 1.7 percent while a student is in school, and to the 91-day T-bill plus 2.3 percent while a student is in repayment. Lenders would receive an additional 50 basis point subsidy during the in-school and repayment periods. This same rate structure was included as a temporary 3-month provision in the Transportation Equity Act for the 21st Century, which the President signed on June 9th.

The Administration proposed setting the student and lender rate at the same level that S. 1882 would establish for students. The Administration proposal was based on an analysis by the Treasury Department that showed that lender profitability would be adequate to ensure continued availability of guaranteed student loans at a lower cost to the taxpayer. Since the Administration offered its proposal in February, it has advanced an alternative proposal that would preserve the lower student rates in both the congressional and Administration proposals, but move toward a market-based mechanism for determining lender subsidies. S. 1882, unlike the Administration's proposal, would provide a $2.4 billion subsidy to lenders.

S. 1882 does not include the Administration's proposal to lower origination fees for students to lower their costs of borrowing. The Administration proposed to lower fees by one percentage point for all borrowers, and to phase them out entirely for borrowers of subsidized loans. The reductions would be funded from resources from guaranty agency reforms proposed by the Administration. As noted above, an amendment is expected to be offered to lower the fees.

Administrative Funding Reduction. The bill would increase administrative payments from section 458 to guaranty agencies in the FFEL Program, taking away funds necessary for ED's administration of student financial aid loan and grant programs. Such increased payments to guaranty agencies would require ED to reduce its other administrative payments for student aid application processing, loan default collections, and student aid systems modernization. The additional payments to guaranty agencies are unwarranted, since guaranty agencies already receive adequate funding to carry out their operations.

Student Assistance. S. 1882 contains a number of provisions proposed by the Administration, and others that are objectionable. These include the following:

- Pell Grants. S. 1882 would establish maximum Pell Grants of $5,000 in 1999-2000 increasing to $5,800 in 2003-2004. The Administration had proposed to set the maximum award annually in the appropriation bill after establishing a maximum of $3,100 in 1999-2000. The bill contains a version of the Administration's proposals to (1) set new limits on the period during which a student may receive Federal Pell Grants, and (2) make the Pell Grant Program eligibility of a stand-alone English as a Second Language course contingent upon a minimum percentage of the course's graduates passing a standardized test. These provisions would reduce the potential for program abuses. The bill does not contain the Administration's proposal to terminate Pell Grant program eligibility for institutions with high student default rates. S. 1882 would authorize a new child care grant program for institutions with large numbers of Pell Grant recipients. The Administration did not propose such a program.

- New Initiatives. The bill fails to include the following Administration initiatives: (1) High Hopes for College (described above); (2) College Awareness Information, which would use the media to improve preparation among secondary school students for college; (3) Learning Anytime, Anywhere initiative, which would improve technology-based postsecondary learning; and (4) Access and Retention Innovations initiative, which would support large-scale student financial assistance research packages.

- Federal Family Education Loan (FFEL) Program. In addition to the administrative funding reduction described above, S. 1882 would change the compensation of guaranty agencies by creating an incentive structure providing excessive payments to guaranty agencies and rewarding inefficiency. The bill would, however, authorize ED to enter into voluntary flexible agreements with up to six guaranty agencies to waive or modify related statutory requirements. Other provisions are objectionable because they fail to include Administration proposals that would: (1) require the Secretary to pay the interest that accrues on an unsubsidized FFEL or Direct Loan while the borrower is receiving an economic hardship deferment on the loan and performing community service; (2) change FFEL consolidation loan terms to match those of Direct Loans; and (3) eliminate the current law "anti-injunction" provision that provides that injunctions cannot be issued against the Secretary that would interfere with the discharge of his responsibilities under the loan programs. In addition, provisions in S. 1882 for loan forgiveness for teachers are unworkable and an ineffective way to encourage additional individuals to pursue teaching careers.

- Direct Loans. S. 1882 fails to exclude from Federal taxation the amounts forgiven after the maximum number of years of income-contingent repayment. That Administration proposal would ensure that borrowers who remain low-income relative to their debt do not have to carry that burden for more than 25 years.

Teacher Training. S. 1882 incorporates the Administration's Recruiting New Teachers for Underserved Areas" proposal and many components of the Administration's "Lighthouse Partnerships for Teacher Preparation" program. The bill, however, contains new provisions on teacher quality that raise concern. For example, it would limit funding available for teacher preparation partnerships.

Performance-Based Organization. S. 1882 would establish a PBO within ED to simplify and improve the delivery of student financial aid. Under amendments expected to be added to the bill, the Secretary would provide the PBO with certain personnel and procurement flexibilities in order to allow for the establishment of an organization rewarded for meeting specified contractual goals for management and delivery of student aid. The Administration has supported the creation of such a PBO, but did not submit a specific legislative proposal.

Other General Provisions. The following miscellaneous provisions of S. 1882 are also objectionable:

- Suspension of aid eligibility for students who have been convicted of any drug offense under Federal or State law.

- Institutional oversight provisions, e.g., the requirement that ED conduct program reviews based on specific criteria.

- Requirement that ED make available the complete, unredacted program review guide.

- Requirement that the Secretary allow institutions to "cure" inadvertent administrative errors.

- Lengthening recertification period from four to six years.

- Requirements that all future title IV regulations be subject to negotiated rulemaking, and requirement that the Secretary conduct biennial reviews of regulations.

PAY-AS-YOU-GO SCORING

According to HRD (Stack) and BASD (Sullivan), S. 1882 is subject to the pay-as-you-go (PAYGO) provisions of the Omnibus Budget Reconciliation Act of 1990. S. 1882 would decrease direct spending by $440 million in FY 1998 and result in a net increase in direct spending of $1,560 million during FYs 1998-2003.

LEGISLATIVE REFERENCE DIVISION DRAFT
June 12, 1998 - 3:45 p.m.

S. 1882 - The Higher Education Amendments of 1998
Opening Statement by Chairman James M. Jeffords
Committee on Labor and Human Resources
United States Senate
July 9, 1998

Mr. President, I am extremely pleased that the Senate is considering S. 1882, the Higher Education Amendments of 1998. This legislation extends for 5 years the authorization of programs under the Higher Education Act and makes significant improvements in student benefits and in the operation of these programs.

The Higher Education Act is among the most significant statutes under the jurisdiction of the Committee on Labor and Human Resources. Since its inception in 1965, the Act has been focused on enhancing the opportunities of students to pursue postsecondary education. This legislation will make college more accessible for more Americans by increasing the amount of Pell grants and lowering interest rates for student loans. By increasing the access and quality of higher education, this bill will help ensure that our nation remains a leader in educational excellence for all of our citizens. By giving more students the ability to attend college, we are giving them the opportunity to pursue their dreams.

136 years ago this week, Senator Justin Smith Morrill from Vermont led the effort in the United States Senate to pass the Land Grant College Act of 1862, which opened the doors of higher education to all Americans. Today, I am proud to follow in Justin Smith Morrill's footsteps and urge the Senate to pass this important bipartisan legislation which will make the dream of getting a college education become a reality for millions of students across this nation.

Over the years, the federal effort in this area has been substantial and will continue to be so. The Higher Education Act currently provides $48.5 billion in student financial assistance for 8.5 million students and $216 million for institutional development. In 1995-96, 55 percent of undergraduate students received financial aid under this Act. Over the next ten years, the Federal government will guaranty over 88 million student loans--totaling over $383.5 billion. Over the next five years, the Federal government will provide more than 25.4 million Pell Grants.

The reauthorization bill we are considering today preserves the focus on students--who are the primary reason we have a Higher Education Act in the first place. Students now in school will be assured of receiving the lowest interest rate in nearly two decades on their loans. Students now in high school who aspire to a college education will benefit from an expanded early intervention program known as CONNECTIONS, as well continuing to receive services from the time-tested and highly regarded TRIO programs.

Students who have graduated and are faced with exceptionally high loan burdens will be able to take advantage of extended repayment options under the guaranteed loan program. Recognizing the toll which ever increasing colleges costs are placing on students, the bill builds on recommendations of the National Commission on the Cost of Higher Education so that students and their families can obtain useful cost information.

This bill reflects a strong commitment to the maintenance of two viable loan programs-- the guaranteed or Federal Family Education Loan Program (FFELP) and the Direct Loan Program. Among the most challenging tasks facing the committee was developing a student loan interest rate which could offer the lowest viable interest to students while assuring sufficient lender participation to preserve full access to loans. After nearly a year of consultation with students, lenders, representatives of the higher education community, the administration and financial services experts, the committee developed a compromise interest rate package. Lender yield is reduced by 30 basis points while students receive the significant interest rate reduction they have anticipated. This solution is by no means perfect, but it promise to preserve the stability of the FFEL program for the nearly 4 million students and their families who depend upon these loans each year.

The legislation also includes a new guaranty agency financing model-- the goal of which is to achieve cost savings and efficiencies in the delivery and administration of student aid while ensuring that students, lenders, the Federal government, and institutions of higher education receive high quality service. Additional efforts to improve the delivery of student aid programs include the development of a Performance Based Organization (PBO) to strengthen the management of key systems within the Department of Education. A number of provisions in the legislation also pave the way toward taking advantage of the efficiencies made possible through electronic processing and other technological advances.

Looking toward the future, the bill contains several provisions dealing with the Year 2000 computer problem. The Office of Management and Budget has raised serious questions about the Department of Education's ability to meet the timetable outlined by the General Accounting Office for the testing of software renovation work.

Failure to renovate all mission critical systems could result in disruptions in the management and delivery of student financial aid to more than 8 million students. This is an area in which the committee will be following closely in the months ahead.

Perhaps the most exciting and far-reaching innovation in this legislation is its provisions dealing with teacher preparation. The bill before us eliminates some 15 small, categorical teacher training programs--only one of which receives funding-- and replaces them with a comprehensive model for change and improvement. The teacher quality provisions included in Title II of S. 1882 are an important first step towards really improving teacher training. I think it will be viewed as one of the lasting achievements of this reauthorization.

It represents a collaboration of good ideas from many members of the Labor and Human Resources committee, each who spent a great deal of time on this matter. The result is a proposal that breaks away from "business-as-usual" practices, and encourages States and education partnerships to reform their efforts to meet the needs of students in today's classroom.

At its foundation, Title II embraces the notion that investing in the preparation of our nation's teachers is a good one. Well prepared teachers play a key role in making it possible for our students to achieve the standards required to assure both their own well being and the ability of our country to compete internationally. In fact, the continued health and strength of our nation depends on our country's ability to improve the education of our young people. Integral to that is the strength and ability of our nation's teaching force. Without a strong, competent, well prepared teaching force, other investments in education will be of little value.

The bill takes a two-pronged approach to helping assure that our nation's elementary and secondary school teachers will be thoroughly prepared to offer the quality of instruction needed to assure that students achieve the standards we need and expect. Working at both the state level to promote system-wide reforms and at the local level to develop partnerships to enhance the quality of teacher training, the bill offers a comprehensive and systematic approach to this pressing national need.

Title II demands excellence from our teacher preparation programs; encourages coordination; focuses on the need for academic content knowledge and strong teaching skills; and fosters state innovations in establishing more rigorous standards and exploring alternative certification. These efforts recognize the fundamental connection that exists among states, institutions of higher education, and efforts to improve education for our nation's elementary and secondary school teachers.

The teacher training provisions included in this bill are unique in other ways as well. In particular, the committee included very strong accountability measures as part of this title. In order to maintain a grant, a State or a partnership will have to show improvement -- measurable results -- that go to the heart of learning.

It is important to consider the Title II provisions in the context of education reform because, as I have said before, good teachers are at the core of educational improvement.

It has been 15 years since the national crisis in education was raised by the A Nation At Risk report. The admonition was given in these terse words: If a foreign government had imposed on us our educational system we would have declared it an act of war.

Yet little has changed. There is some improvement in science but little in math. Children are coming to school slightly more prepared to learn, but this is primarily in the area of health.

It is obvious that nothing is going to change unless it changes in the classroom. And nothing will change in the classroom until the teachers change. And the teachers can't be expected to change until they have help in knowing what is expected of them.

In the most recent Goals 2000 Report issued last November, we learned that in more than 40 States there was no change in the percentage of teachers who reported that they held a degree or held a teaching certificate in their main teaching assignment. In 33 States no change was reported in the proportion of beginning public school teachers who participated in a formal teacher induction process.

Dindo Rivera, who travels about the county for IBM raising this issue, likes to explain it this way: If you were an office worker and had fallen asleep as Rip Van Winkle did for twenty years and walked into a modern office you go into catatonic shock at trying to do anything from answering the phone to typing a letter. However, if you were a school teacher when you walked back into the classroom after your slumber, you'd feel right at home in your subjects.

Some changes are occurring. The concept of "social promotion" initiated in the 60's is being challenged but creating serious problems for schools requiring remedial help. Literacy programs are being initiated to stop or reduce the inflow of non readers. But as to the crisis of math and science and other critical subjects, we have seen little in the way of results.

Pointing a finger at the colleges of education is not inappropriate. They need to change. They must ensure that graduates are capable of facing today's challenge--not yesteryears. But they are unlikely to change unless the universities that host them pay attention to them. Often times, the schools of education are treated as step children. In most cases the degrees issued are not enough to increase their capacity to teach updated courses -- and these updated courses are sorely needed.

We must focus attention on this issue. We should fully fund the new Title II Teacher Quality Program that is included in this bill. We should also call together the presidents of the universities to challenge them to take immediate action to remedy the crisis. We must enlist the teachers and the teachers unions and insist that they too help out.

The Higher Education bill before us does make strides in the direction of reform and improvement. Still, we must do even more to raise awareness of the problem and the need to change. The number of teachers is not as important as the quality of teachers. On the Federal level we must focus on promoting and ensuring quality. We don't necessarily need millions of new teachers -- what we really need are millions of GOOD teachers.

The need for good teachers has been recognized. The Hunt Commission Report, "What Matters Most: Teaching for America's Future" has a goal of providing 100,000 nationally accredited teachers. But their goal is too far off into the next century. Their goal would provide one teacher for every school. We need one for every CLASSROOM and, most certainly every new teacher graduating must be trained to be a good teacher. Every teacher's college must meet that challenge and every present teacher must be given the training to be a good teacher. The present bill takes a giant step in that direction.

In closing, I would like to acknowledge the long hours and hard work of members of the Labor and Human Resources Committee and their staffs over the past 18 months as we have worked to develop this legislation. Even with the substantial streamlining we have done in the Act, a thorough review of all its provisions is a large and challenging task. At this time, I would like to offer particular thanks to the ranking minority member, Senator Kennedy, to Senator Coats, and to Senator Dodd. These three members have gone well beyond the extra mile in helping to forge a bipartisan approach to improving the lives of American students. Throughout committee deliberations, there have been legitimate differences of opinion. The spirit of cooperation and the commitment to working through these differences has allowed us to present to the Senate a solid piece of legislation which I believe every member of this body can proudly support.

- General: Timing, Conferees
  ~~Staff~~

- Welfare: * HHS, House-Senate dynamics
  * Gov positions presence - not weaken work req'ts - support for [illegible] analyzing.
  * Analyses

- Teacher
  - Lighthouse
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- Distance Learning

- St. Louis
- School eleg.

Ways & Means

Frank Newman, a high-profile spokesman on college issues during his 14 years as president of the Education Commission of the States, is stepping down to direct a study on the future of higher-education policy.

The three-year project will begin in November, with support coming from the Pew Charitable Trusts and E.C.S., an organization of state officials and educators. Mr. Newman said his work would expand on an E.C.S. report, released in June, that described how governors and other state leaders want colleges to operate more efficiently, educate and train a new labor force, improve teaching, and do a better job at meeting states' needs.

"We have this influx of new college providers, more students, virtual coursework—a whole array of chaos," he said. "Policy makers are struggling to say, 'How do we bring order to this?' We badly need to rethink what we're doing."

Among the questions he expects the study to tackle:

- What are the best ways for states to support public higher education?
- How should new academic programs, offered by institutions or over the Internet, be evaluated?
- How can states assess student learning at a time when more students take college courses in high school, at two different

GOVERNMENT & POLITICS

New Plan for Higher Education Act Dismays Many College Lobbyists

They say worst parts of House and Senate versions made it into the compromise bill

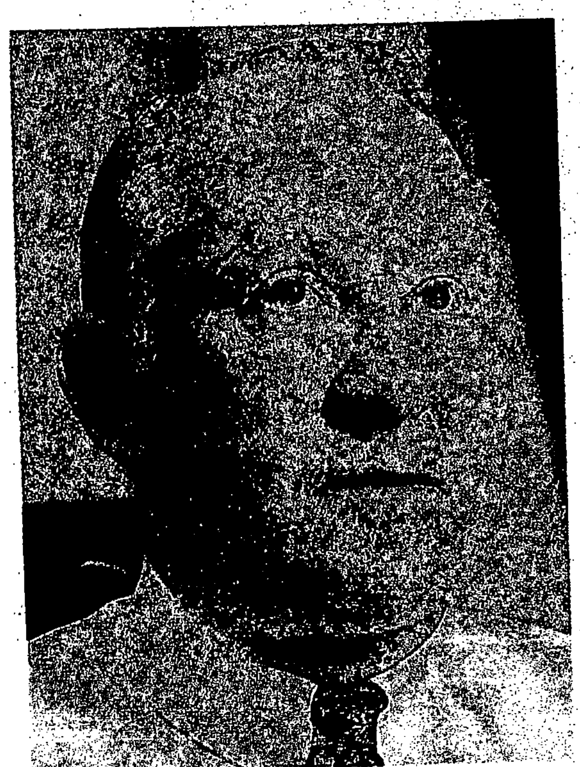
BY STEPHEN BURD

WASHINGTON

COLLEGE LOBBYISTS' enthusiastic support for the work done by the Republican-led Congress to draft legislation extending the Higher Education Act seemed on the verge of crumbling last week.

As Congress unveiled a compromise version of the legislation negotiated by lawmakers from the Senate and House of Representatives, the leading higher-education associations and student groups assailed several provisions that they said would hurt needy students and threaten the integrity of the federal student-aid programs.

They were particularly upset by a provision that would cut for only a few months the interest rate for borrowers who wish to refinance their student loans, and by a plan to cover some of the bill's costs by making it harder for student-loan borrowers to discharge their debts through bankruptcy.



DENNIS BRACK, BLACK STAR

colleges, who he believes would benefit greatly from the legislation.

"This is the problem with special interests: You help them with one thing and they don't say, 'That's wonderful.' They say, 'But what about this other provision?' " he complained.

'SCARCE RESOURCES'

The college associations say Republican lawmakers are providing special favors for a different set of special interests—banks and for-profit trade schools—that have given them large campaign contributions.

"My colleagues believe that scarce resources that were available were used to provide benefits to the loan industry, while important, concrete steps to lower loan costs to students were passed over," Mr. Hartle said in his letter.

He cited the lawmakers' decision this month to lower the interest rate on consolidated loans in the guaranstates to support public higher education?

- How should new academic programs, offered by institutions or over the Internet, be evaluated?
- How can states assess student learning at a time when more students take college courses in high school, at two different campuses, or by other unconventional methods?

Mr. Newman said he would remain president of E.C.S. until a successor is chosen, which is expected to be by July 1999, when the group's next annual meeting is to be held.

■

The Education Department is accustomed to getting mountains of paperwork from colleges. This month, a college in the mountains sent the department something else entirely: four people on a thank-you mission.

A staff member from Western Carolina University, his wife, and two students from high schools in the surrounding Appalachian mountains arrived in Washington last week—on bicycles—after a 634-mile, 12-day trip.

They wanted to thank the department, in person, for financing the university's Education Talent Search Program, which provides academic support to disadvantaged middle- and high-school students and encourages them to attend college or get other training after graduation.

The participants—Todd W. Murdock, the program's director; his wife, Therese; Jody Anthony, a junior at Swain County High School; and Troy Adams, a senior at Hiwassee Dam School, were to meet with Education Department officials and U.S. Sen. Lauch Faircloth, a North Carolina Republican.

They also planned to pick up a check for $259,000, which will support the program at Western Carolina for the coming year.

They were particularly upset by a provision that would cut for only a few months the interest rate for borrowers who wish to refinance their student loans, and by a plan to cover some of the bill's costs by making it harder for student-loan borrowers to discharge their debts through bankruptcy.

SURPRISED LAWMAKERS

Lawmakers were surprised by the reaction. They had expected that college groups would continue to support the legislation enthusiastically. After all, it would increase spending on Pell Grants and slash the cost of loans to students.

While the associations stopped short of announcing that they would fight the bill, the American Council on Education fired off a letter to the House and Senate negotiators, outlining the groups' objections to the bill. The letter's author, Terry W. Hartle, told lawmakers that he could not predict whether the groups would oppose the legislation if changes were not made.

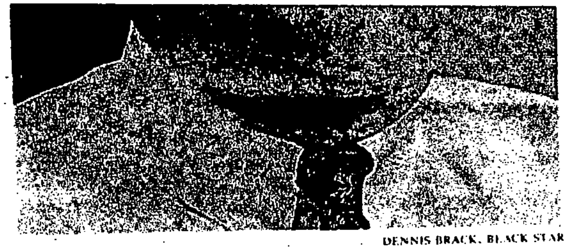
"I cannot tell you what the individual associations will say about the bill in its current form," wrote Mr. Hartle, the council's senior vice-president for government and public affairs. "I do know that some of the associations are quite dissatisfied, and I am especially aware that the students think you have forsaken them."

Some lobbyists were blunter. "It seems to us that in too many instances, the House and Senate conferees produced a bill that combined the worst proposals from each of their chambers' bills," said Barmak Nassirian, a policy analyst at the American Association of State Colleges and Universities.

PUTTING THE BILL AT RISK

Republican lawmakers and their aides had not seen the letter when *The Chronicle* went to press. Nonetheless, they warned the college groups that opposition to a few provisions in the bill could jeopardize the entire measure.

"What they have to ask themselves is



DENNIS BRACK, BLACK STAR

Rep. Howard P. (Buck) McKeon: "If we have extra money to spend, we should use it to help to get people to college."

whether their concerns are grave enough to put the entire bill at risk," said Jay Diskey, a spokesman for the House Committee on Education and the Workforce, which helped to draft the legislation.

The G.O.P. lawmakers planned to bring the bill to a final vote on the House floor late last week and to the Senate this week. They feel intense pressure to get the bill to President Clinton to sign before October 1, the expiration date for a three-month solu-

"Some of the associations are quite dissatisfied, and I am especially aware that the students think you have forsaken them."

tion aimed at averting a change in the formula used to calculate the interest rate on student loans.

Many lenders have warned that if the interest-rate change is allowed to occur, they would be forced to leave the student-loan program.

In an interview, Rep. Howard P. (Buck) McKeon, a California Republican who was instrumental in drafting the legislation, said he was especially upset to hear complaints from advocates for students and

used to provide benefits to th industry, while important, co steps to lower loan costs to st were passed over," Mr. Hartle his letter.

He cited the lawmakers' de this month to lower the intere on consolidated loans in the g teed and direct student-loan pro for only a few months.

Republicans and Democrats House and Senate made a which they agreed to lower t January the rate that borrowe on refinanced loans in the direct-lo gram, to the same level set for ne under the legislation. The deal wo halve the 1.05-per-cent fee that ler the guaranteed-loan program pay t ernment to make refinanced loans; duction would allow the lenders rebates to borrowers that could m lowered rates in the direct-loan pr

After January, both loan pr would set the interest rate on cons loans at the weighted average of t of the multiple loans being refinan

The college groups, Mr. Hartl believe that the agreement "prov too small a window" for borrower efit from the rate reduction. Other lobbyists said that by lowering the rate on refinanced loans for only time, the lawmakers had caved i desires of lenders, which have posed such lowered rates.

WHO SHOULD BENEFIT?

Mr. McKeon said the lawmake were tied, because they did enough money to pay for a more- solution. He also said he did not t making it cheaper for borrower nance their loans was the best us ed resources, particularly when no limit on who could benefit fro vision.

"If we have extra money to s should use it to help get people

Continued on

:authorization of the Higher Education Act

ınges in most programs would take effect in the 1999-2000 academic year.

ELL GRANTS

SENT LAW: The maximum authorized grant 4,500 for fiscal 1997-98; the actual maxin grant this year is $2,700, and will rise to)00 in 1998-99.

HOUSE BILL: Would set the maximum authorized grant at $4,500 in 1999-2000, and would raise it by $200 in each of the following four years.

SENATE BILL: Would set the maximum authorized grant at $5,000 in 1999-2000, and would raise it by $200 in each of the following four years.

COMPROMISE BILL: Would set the maximum authorized grant at $4,500 in 1999-2000, and would raise it by $300 in each of the following three years and by $400 in 2003-04.

SENT LAW: If maximum grant exceeds 100, any grant over that amount is divided ween tuition and living expenses, and a stuıt can receive the tuition portion only if his her tuition exceeds $2,400—hurting stuıts at community colleges and other low-:t institutions.

HOUSE BILL: Would raise the level above which the size of a grant is based on a student's tuition to $3,000 from $2,400. Would bar from receiving grants students at colleges where a large proportion of students have defaulted on loans.

SENATE BILL: Would keep the level above which the size of a grant is based on tuition at $2,400. Would set the minimum Pell Grant at $200 rather than the current $400. Would limit the period over which a student can receive a Pell Grant to 150 per cent of the time usually required to finish a course of study.

COMPROMISE BILL: Would raise the level above which the size of a grant is based on a student's tuition to $2,700. Would keep the minimum Pell Grant at $400. Would bar from receiving grants all students at colleges where a large proportion of students have defaulted on loans. Would not limit the period of time over which a student can receive a Pell Grant.

NEEDS ANALYSIS

ESENT LAW: Students who are independent their parents can earn up to $3,000 a year d still qualify for a Pell Grant. Dependent ıdents can earn $1,750 without having the vernment add the total to their parents' rnings in calculating the family's need for]. For 1998 only, Congress voted to raise the vels to $4,250 a year for independent stu-:nts and $2,200 for dependent students.

HOUSE BILL: Would increase to $5,500 the amount that independent students can earn and still qualify for a Pell Grant, and increase to $3,000 the amount a dependent student can exclude from the assessment of his or her family's need. Would adjust the amounts yearly to keep pace with inflation.

SENATE BILL: Would increase to $4,250 the amount that independent students can earn and still qualify for a Pell Grant, and increase to $2,200 the amount a dependent student can exclude from the assessment of his or her family's need. Would adjust the amounts yearly to keep pace with inflation.

COMPROMISE BILL: Would increase to $5,000 the amount that independent students can earn and still qualify for a Pell Grant, and increase to $2,200 the amount a dependent student can exclude from the assessment of his or her family's need. Would adjust the amounts yearly to keep pace with inflation.

STUDENT LOANS

RESENT LAW: On July 1, the formula used to ılculate the interest rate on loans is scheduled ı change, reducing the rate from the current 2 per cent to 6.9 per cent. Lenders say the ıift would force them out of the guaranteed-ıan program.

HOUSE BILL: Would lower the interest rate students pay on loans to 6.8 per cent while they are in school, and to 7.4 per cent after that. Lenders, however, would draw an interest rate of 7.2 per cent while a student is in college and 7.9 per cent thereafter. The gap between what students pay and what lenders earn would be made up by larger federal subsidies to banks.

SENATE BILL: Same as in House bill.

COMPROMISE BILL: Would lower the interest rate on original loans in the same way that House and Senate bill would. Would, through January 1999, lower the rate that borrowers pay on refinanced direct loans to the same level set for original loans. Until January, would also halve a fee that lenders in the guaranteed-loan program pay the government to make refinanced loans, allowing them to give borrowers rebates to match the lowered rates for direct loans. After January, both loan programs would set the rate on refinanced loans at an average rate of the loans being consolidated.

STUDENT-AID DELIVERY

PRESENT LAW: The Education Department's op political officials are charged with managıng the computer and data systems through which the department awards financial aid to institutions and students.

HOUSE BILL: Would create a "performance-based organization" within the Education Department to manage the system that delivers student aid, to be led by a C.E.O. with extensive management experience.

SENATE BILL: Same as in House bill.

COMPROMISE BILL: Same as in House and Senate bills.

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COMPROMISE BILL: Same as in House and Senate bills.

TEACHER TRAINING

PRESENT LAW: The government sponsors a patchwork of several dozen programs, now authorized through Title V of the Higher Education Act, to train elementary- and secondary-school teachers.

HOUSE BILL: Would consolidate current teacher-education programs into a $250-million block grant to states, under Title II of the law. A third of the funds would be used for partnerships between colleges and schools in disadvantaged areas to improve teaching at the schools. The new grants would aim to reform schools of education to increase their emphasis on insuring that teachers are knowledgeable about the subjects they teach. The bill also would forgive student-loan debt incurred during a student's final two undergraduate years if he or she teaches for at least three years in a school with many low-income pupils.

SENATE BILL: Would merge teacher-education programs into three new grant programs, under Title II. One would provide $150-million in block grants to states to insure that teachers are trained well in their subjects. Another would provide $150-million in grants for partnerships between colleges and schools in disadvantaged areas to improve teaching. The third would offer $37-million in grants to help poor urban and rural schools recruit teachers. The bill also would forgive student-loan debt for teachers who spend at least three years in schools with many low-income pupils.

COMPROMISE BILL: Would merge teacher-education programs into three new programs. Forty-five per cent of the funds would go to block grants to states, in part, to increase the accountability of their education schools and teacher-training programs. Another 45 per cent would go to grants for partnerships between colleges and schools in low-income areas to improve teaching. The rest would go to grants to help poor urban and rural schools recruit teachers. The bill also would forgive loan debt incurred during a student's final two undergraduate years if he or she teaches in a school with many low-income students.

GRADUATE EDUCATION

PRESENT LAW: The Education Department supports three graduate fellowship programs: the Patricia Roberts Harris Fellowship Program for minority graduate students; the Jacob K. Javits Fellowship Program for students in the arts, humanities, or social sciences; and the Graduate Assistance in Areas of National Need Program, which gives grants to "exceptional" students in key fields, as determined by the Education Secretary.

HOUSE BILL: Would consolidate graduate fellowships into a Graduate Assistance in Areas of National Need Program.

SENATE BILL: Would fold the Harris program into the Graduate Assistance in Areas of National Need Program, but keep the Javits program separate. Would create Faculty Development Fellowships, aimed at helping women and minority-group members join college faculties. Would also create the Thurgood Marshall Legal Educational Opportunity Program, to help minority or low-income college students succeed in law school.

COMPROMISE BILL: Would fold the Harris program into the Graduate Assistance in Areas of National Need Program, but keep the Javits program separate. Would also create the Thurgood Marshall Legal Educational Opportunity Program, to provide minority or economically disadvantaged college students with the information, preparation, and financial assistance needed to succeed in law school.

EARLY INTERVENTION

PRESENT LAW: The government's five TRIO programs help disadvantaged students prepare for college, by providing counseling, tutoring, and other support services. Another program, the National Early Intervention Scholarship Program, gives money to states for similar services.

HOUSE BILL: Would keep the existing programs intact. Would also create a new program, authorized at $140-million in 1999-2000, to give grants to help colleges form partnerships with middle schools with many children from low-income families. College students would act as mentors and tutors to needy children, to let them know that college is within their reach.

SENATE BILL: Would keep the TRIO programs intact. Would combine the Early Intervention Scholarship Program with a new program of grants to help colleges form partnerships with middle schools with many low-income students. This $200-million "Connections" program would let colleges compete with other community groups for grants to let needy children know that college is within their reach.

COMPROMISE BILL: Would keep the TRIO programs intact. Would combine the Early Intervention Scholarship Program with a new program of grants to help colleges form partnerships with middle schools with many low-income students. This $200-million "Gear Up" program would let colleges compete with other community groups for grants to let needy children know that college is within reach.

STUDENTS ON WELFARE

PRESENT LAW: The 1996 welfare law will strip federal funds from states unless a certain proportion of welfare recipients are employed or in "work-related activities." The law says that 30 per cent of the people that a state counts as "working" may be enrolled in one-year vocational programs. It counts toward that figure teenage parents in high-school programs, leaving little room under many states' caps for those in college job-training programs.

HOUSE BILL: Does not deal with this issue.

SENATE BILL: Would let states permit welfare recipients to spend two years in college or vocational training, as part of the "work" requirement. Also, teenage parents would no longer count under the 30-per-cent cap, freeing up spaces for welfare recipients in college.

COMPROMISE BILL: Would direct the General Accounting Office to study the impact the 1996 welfare-reform law has had on the college attendance of welfare recipients.

ntinued From Page A32

d help people stay in college," he said. By making it cheaper for people to consolidate their loans, we could be providing a federal subsidy to a doctor who is making a million a year. That's a waste of our money."

College lobbyists and student advocates, however, say that people who refinance their loans tend to be those who are having the most difficulty repaying them.

ECIAL FAVORS

The college groups also accuse Republican lawmakers of providing special favors to for-profit trade schools, another big source of campaign contributions. Mr. Hartle's letter urged Congress not to back away from restrictions that it has imposed on for-profit schools over the past decade in efforts to root out fraud in the student-aid programs.

Some provisions in the final bill, Mr. Hartle wrote, could "lead us to repeat the unpleasant experience of the 1980s, when public and political support for student aid was undermined by waste, fraud, and abuse."

The college groups especially oppose a provision in the bill that makes it more difficult for the Education Department to eject trade schools from the student-aid programs. The measure would allow the department to forgive colleges with high default rates if they show that they educate a disproportionate number of low-income students (*The Chronicle*, September 4).

TRADE SCHOOLS DEFEND THEIR RECORD

Omer E. Waddles, president of the Career College Association, which represents the proprietary schools, objected to the college groups' characterization of his institutions.

Trade schools have had their problems in the past, he said, but the government has effectively dealt with the problem schools.

"This is 'a smoke and mirrors' game on the part of the traditional education community," Mr. Waddles said. "It's time for the traditional community to join us at looking forward and to stop just focusing on the past." ■

★ **In-depth information** about the Higher Education Act can be found on *The Chronicle*'s World-Wide Web site at: *http://chronicle.com*

J.S. Archivist Announces Plan for Preserving Electronic Documents

DOUGLAS LEDERMAN

WASHINGTON

THE Archivist of the United States, John W. Carlin, last week released a plan aimed at insuring that government records that are created electronically be preserved under the same standards that apply to paper documents. But Mr. Carlin acknowledged critics' complaints that the process would be slow, and some scholars warned that in the interim the delay could impede the nation's understanding of how public policy is shaped.

Mr. Carlin's proposal was the latest attempt by the government to figure out how to preserve the millions of electronic documents that federal departments and agencies produce each year, while continuing to provide public access to the files.

Government officials have struggled with this problem since 1985, when a federal records after making paper copies of them (*The Chronicle*, October 24, 1997).

The judge, ruling in a lawsuit brought by Public Citizen, a non-profit group founded by Ralph Nader, and by several scholarly groups, also said that Mr. Carlin had abdicated his duties by letting agencies decide for themselves which records to keep.

Mr. Carlin appointed a panel made up of officials from several federal agencies to prepare a new plan. The Electronic Records Work Group reported its recommen- prepare their own plans for preserving all of the various kinds of electronic records they produce—a demand made by the judge in the case brought by Public Citizen. But Mr. Carlin warned that it could take several years for the agencies to come up with their plans and the Archives to approve them. The 300 executive-branch agencies and entities could produce as many as 200,000 proposals for the Archives to review; it normally conducts fewer than 6,000 such reviews each year, Mr. Carlin said.

> **"Because electronic records that deal with the development of policies and programs are not being preserved electronically, we could well be losing historical material."**

long and why they plan to take even longer" to formulate a plan for maintaining electronic records. "They're basically saying, 'We haven't started yet, and when we do, it's going to take a long time,' " he said.

FORMAL GUIDANCE FOR AGENCIES

Page Putnam Miller, director of the National Coordinating Committee for the Preservation of History, said that because of the Archives' long delay in dealing with the electronic-records problem, "the catch-up process just isn't easy."

She said the implication for scholars was that "because electronic records that deal with the development of policies and programs are not being preserved electronically, we could well be losing historical material" about how the policy evolves.

Mr. Carlin said last week that the Ar-

Mr. Carlin's proposal was the latest attempt by the government to figure out how to preserve the millions of electronic documents that federal departments and agencies produce each year, while continuing to provide public access to the files.

Government officials have struggled with this problem since 1985, when a federal panel warned that the country was "in danger of losing its memory" through the transition to the use of computers in creating records.

In 1995, the National Archives and Records Administration published General Records Schedule 20, its first formal guidance to agencies on how to maintain and release electronic records. Last October, however, a federal judge struck down that guidance, declaring that it illegally allowed government agencies to destroy electronic

"Because electronic records that deal with the development of policies and programs are not being preserved electronically, we could well be losing historical material."

prepare a new plan. The Electronic Records Work Group reported its recommendations last week to Mr. Carlin, who endorsed the proposals last week.

In his statement, the Archivist acknowledged that his agency had been slow to respond to the emergence of electronic records. "Although N.A.R.A. cannot change the past, we can be aggressive now and in the future, and we must do so to insure that essential evidence in electronic records is properly preserved," he said.

To achieve that goal, Mr. Carlin said, the agency would require federal agencies to

mally conducts fewer than 6,000 such reviews each year, Mr. Carlin said.

YEAR-2000 PROBLEMS

"Right now, agencies are too busy trying to solve their computer systems' Year-2000 problems, which must be fixed by a deadline that cannot be put off, to devote the necessary resources to implementing the new requirements for electronic-records management," Mr. Carlin said.

Michael Tankersley, a lawyer for Public Citizen, dismissed Mr. Carlin's statement as a "soliloquy on why they've taken so

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Mr. Carlin said last week that the chives would not meet the federal co October 1 deadline for telling agencies to do with their electronic records. The chives was expected last week to ask judge for an extension.

*** The full text** of the Archivist's plan electronic documents is available on *Chronicle*'s World-Wide Web site at: *http://chronicle.com*

WASHINGTON UPDATE

Compromise Reached on Temporary Visas

The White House and Congress last week agreed on a compromise bill that would raise the cap on the annual number of temporary visas available to foreigners to work in academe and other industries in the United States.

Aimed at better training American workers, and eventually reducing dependence on foreigners, the legislation also would provide up to $22.5-million annually to create as many as 10,000 scholarships a year for low-income students in mathematics, engineering, and computer science. An additional $49-million in new funds would be available for job training.

Congress has been trying for months to pass legislation to raise the annual limit of 65,000 on the number of H-1B visas that can be awarded to foreign professionals seeking work in the United States for up to six years. About 10 to 15 per cent of those visas are awarded to postdoctoral researchers and other academics.

In recent years, the government has reached the cap before the September 30 end of the fiscal year; this year it did so in July. From then on, no new visas can be issued. That, in turn, forces colleges or companies to wait until the next fiscal year begins to take on new researchers or workers.

The compromise bill would raise the cap on the number of visas to 115,000 in 1999 and 2000, and to 107,500 in 2001. The cap would revert to 65,000 in 2002.

The legislation is designed to assuage the concerns of some pro-labor Democrats and anti-immigration Republican lawmakers that raising the cap would hurt American workers.

For instance, it requires some employers—but not colleges—to attest that they had not laid off, nor would lay off within 90 days, comparably qualified American workers to make room for a visa holder.

It would also impose a $500 fee on every successful applicant for an H-1B visa, and use the funds—up to $75-million a year—for scholarships and training. The scholarships for math, science, and engineering students would be administered by the National Science Foundation.

The legislation contains other provisions important to colleges. It would allow colleges to base the "prevailing wage" that they must pay visa holders on the pay of comparably qualified people within academe, rather than require comparisons with for-profit employers.

It would also clarify that holders of H-1B visas can accept honoraria from colleges without the money counting as wages.

—DOUGLAS LEDERMAN

GAO: Year-2000 Glitch Could Delay Student Aid

The Department of Education's slow start on dealing with the year-2000 computer problem could "severely disrupt" the delivery of federal student aid to colleges and students, a high-ranking official of the General Accounting Office said in September.

"The Education Department is now accelerating its program, but with the slow start, it remains in a position of playing catch-up," said Joel C. Willemssen, director of the G.A.O.'s Office of Information Resources Management. "Accordingly, the department has m challenges ahead but limited remaining to adequately deal them."

Mr. Willemssen spoke at a h ing of the House of Represe tives Education and the Workf Subcommittee on Oversight Investigations.

The session was called afte Education Department receive "F" in a new report card fron House Government Reform Oversight Committee Subcom tee on Technology for its " performance" in preparing fo problem.

According to Education De ment officials, the departmen completed changes in only fo the 11 major computer system volved in delivering studen dollars to campuses and stude

Mr. Willemssen blamed "co ual turnover" among the