Total Pages: 27

LRM ID: MNB82

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

Tuesday, December 2, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	Janet R. Forsgren (for) Assistant Director for Legislative Reference Melinda Haskins for
OMB CONTACT:	Melissa N. Benton PHONE: (202)395-7887 FAX: (202)395-6148
SUBJECT:	**EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IV, Part F -- Need Analysis**
DEADLINE:	**COB Friday, December 5, 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: ED intends to transmit these proposals informally to congressional staff next week.

DISTRIBUTION LIST

AGENCIES:
118-TREASURY - Richard S. Carro - (202) 622-0650
129-VETERANS AFFAIRS - Robert Coy - (202) 273-6666
61-JUSTICE - Andrew Fois - (202) 514-2141

EOP:
Wayne Upshaw
Kathryn B. Stack
S. A. Noe
Timothy A. Rosado
Barry White
Robert M. Shireman
Jonathan H. Schnur
Michael Cohen
William R. Kincaid
Daniel J. Chenok
Daniel I. Werfel
Robert G. Damus
Edward M. Rea
Beverly B. Thierwechter
Toni S. Hustead
Randolph M. Lyon
Constance J. Bowers
Janet R. Forsgren
James C. Murr

LRM ID: MNB82 **SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IV, Part F -- Need Analysis

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: Melissa N. Benton Phone: 395-7887 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

12/2/97draft

PART F--NEED ANALYSIS

CONFORMING AMENDMENTS

SEC. 471. (a) Section 471 of the Act is amended, in the matter preceding paragraph (1), by striking out "subparts 1 or 4" and inserting in lieu thereof "subpart 1".

(b) Section 473 of the Act is amended by striking out the first comma and "except subpart 4 of part A,".

COST OF ATTENDANCE

SEC. 472. Section 472 of the Act is amended--

(1) by striking out paragraphs (5) and (10) and;

(2) by redesignating paragraphs (6), (7), (8), (9), (11), and (12) as paragraphs (5), (6), (7), (8), (9), and (10), respectively.

FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS

SEC. 473. Section 475 of the Act is amended--

(1) in subsection (c)--

(A) in paragraph (2), by amending the table to read as follows:

"Percentages for Computation of State and Other Tax Allowances

If parent's State or territory of residence is--	And parent's total income is--	
	less than $15,000	$15,000 or more
	then the percentage is--	
Alaska, Nevada, Tennessee, Texas, Wyoming	3	2
American Samoa, Canada, Federated States of Micronesia, Florida, Guam, Louisiana, Marshall Islands, Mexico, Northern Mariana Islands, Palau, Puerto Rico, South Dakota, Virgin Islands, Washington	4	3
Alabama, Mississippi	5	4
Arizona, Arkansas, Connecticut, Illinois, Indiana, Missouri, New Mexico, North Dakota, Oklahoma, West Virginia	6	5
Colorado, Georgia, Idaho, Kansas, Kentucky, New Hampshire, Pennsylvania	7	6
California, Delaware, Hawaii, Iowa, Montana, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, Utah, Vermont, Virginia	8	7
Maine, Maryland, Massachusetts, Michigan, Minnesota, Rhode Island	9	8
District of Columbia, Wisconsin, Oregon	10	9
New York	11	10
Other	4	3

";

(B) in paragraph (4), by amending the table to read as follows:

"Income Protection Allowance

Family Size (including student)	Number in College					For Each Additional Subtract:
	1	2	3	4	5	
2	$12,350	$10,240				
3	$15,380	$13,280	$11,160			
4	$19,000	$16,880	$14,780	$12,670		
5	$22,410	$20,300	$18,200	$16,080	$13,980	
6	$26,220	$24,100	$22,000	$19,980	$17,790	$2,100
For Each Additional add:	$2,960	$2,960	$2,960	$2,960	$2,960	

";

and

(C) in paragraph (5), by striking out "$2,500" each place it appears and inserting in lieu thereof "$2,800" in each such place;

(2) in subsection (d)--

(A) in paragraph (1), in the matter preceding subparagraph (A), by striking out "The" and inserting in lieu thereof "Except as provided in paragraph (5), the";

(B) in paragraph (2)(C), by amending the table to read as follows:

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is--	Then the adjusted net worth is:
Less than $1	$0
$1 to $90,000	40 percent of NW.
$90,001 to $265,000	$36,000 plus 50 percent of NW over $90,000
$265,001 to $440,000	$123,500 plus 60 percent of NW over $265,000
$440,001 or more	$228,500 plus 100 percent of NW over $440,000

";

(C) in paragraph (3), by amending the table to read as follows:

"Education Savings and Asset Protection Allowances for Families and Students

If the age of the oldest parent is--	And there are two parents	one parent
	then the allowance is---	
25 or less	$0	$0
26	2,500	1,700
27	5,000	3,300
28	7,400	5,000
29	9,900	6,700
30	12,400	8,400
31	14,900	10,000
32	17,400	11,700
33	19,800	13,400
34	22,300	15,100
35	24,800	16,700
36	27,300	18,400
37	29,800	20,100
38	32,200	21,800
39	34,700	23,400

40	37,200	25,100
41	38,100	25,700
42	39,100	26,200
43	40,100	26,900
44	41,100	27,500
45	42,100	28,000
46	43,200	28,700
47	44,300	29,400
48	45,400	29,900
49	46,600	30,700
50	47,700	31,400
51	49,200	32,300
52	50,500	32,900
53	52,000	33,700
54	53,300	34,500
55	55,000	35,500
56	56,600	36,400
57	58,400	37,200
58	60,100	38,300
59	61,900	39,400
60	63,800	40,300
61	66,000	41,400
62	68,300	42,600
63	70,300	43,800
64	72,700	45,000
65	75,200	46,500

";

and

(D) by adding at the end thereof the following new paragraph:

"(5) Notwithstanding section 478(a), the Secretary may, in lieu of the contribution from assets calculated under this subsection, prescribe in regulation a contribution from parents' assets based on an amount determined using factors such as the income of the parents.";

(3) in subsection (e), by amending the table to read as follows:

"Parent's Assessment From Adjusted Available Income (AAI)

If AAI is --	Then the assessment is--
Less than -$3,409	-$750
-$3,409 to $ 11,000	22% of AAI
$11,001 to $13,900	$2,420 + 25% of AAI over $11,000
$13,901 to $16,700	$3,145 + 29% of AAI over $13,900
$16,701 to $19,500	$3,957 + 34% of AAI over $16,700
$19,501 to $22,300	$4,909 + 40% of AAI over $19,500
$22,301 or more	$6,029 + 47% of AAI over $22,300

";

(4) in subsection (g)--

(A) in paragraph (2)(D), by striking out "$1,750." and inserting in lieu thereof "$3,500."; and

(B) in paragraph (3), by amending the table to read as follows:

"Percentages for Computation of State and Other Tax Allowance

If the student's State or territory of residence is---	The Percentage is--
Alaska, Nevada, South Dakota, Tennessee, Texas, Washington, Wyoming	0
Florida, New Hampshire	1
American Samoa, Canada, Connecticut, Federated States of Micronesia, Guam, Illinois, Louisiana, Marshall Islands, Mexico, North Dakota, Northern Mariana Islands, Palau, Puerto Rico, Virgin Islands	2
Alabama, Arizona, Mississippi, Missouri, New Jersey, Pennsylvania	3
Arkansas, Colorado, Georgia, Indiana, Kansas, Michigan, Nebraska, New Mexico, Oklahoma, Rhode Island, Vermont, Virginia, West Virginia	4
California, Delaware, Idaho, Iowa, Kentucky, Maine, Massachusetts, Montana, North Carolina, Ohio, South Carolina, Utah, Wisconsin	5
Hawaii, Maryland, Minnesota, Oregon	6
District of Columbia, New York	7
Other	2

";

(5) in subsection (h)--

(A) by striking out "The" and inserting in lieu thereof "(1) Except as provided in paragraph (2), the"; and

(B) by adding at the end thereof the following new paragraph:

"(2) Notwithstanding section 478(a), the Secretary may, in lieu of the contribution from assets described in paragraph (1), prescribe in regulation a contribution from student assets based on an amount determined using factors such as the income of the student."; and

(6) in subsection (i)--

(A) in the heading thereof, by striking out "MONTHS FOR PURPOSES OTHER THAN SUBPART 2 OF PART A OF THIS TITLE.--" and inserting in lieu thereof the following: "MONTHS.--"; and

(B) in the matter preceding paragraph (1), by striking out "for purposes other than subpart 2 of part A of this title:" and inserting in lieu thereof a colon.

FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS
WITHOUT DEPENDENTS OTHER THAN A SPOUSE

SEC. 474. Section 476 of the Act is amended--

(1) in subsection (a)--

(A) in the matter preceding paragraph (1), by striking out "For" and inserting in lieu thereof "Except as provided in paragraph (2), for";

(B) in paragraph (1), by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(C) in paragraph (2), by striking out "paragraph (1)" and inserting in lieu thereof "subparagraph (A)";

(D) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(E) by inserting immediately after the subsection heading the paragraph designation "(1)"; and

(F) by adding at the end thereof the following new paragraph:

"(2) For periods of enrollment of other than 9 months, the expected family contribution shall be determined by dividing the expected family contribution determined under paragraph (1) by 9, and multiplying the result by the number of months enrolled.";

(2) in subsection (b)--

(A) in paragraph (1)--

(i) in subparagraph (A)

(I) by amending clause (iv) to read as follows:

"(iv) an income protection allowance, determined in accordance with paragraph (4);"; and

(II) in clause (v), by striking "paragraph (4);" and inserting "paragraph (5);"; and

(ii) in subparagraph (B), by striking "paragraph (5)." and inserting "paragraph (6).";

(B) in paragraph (2), by amending the table to read as follows:

"Percentages for Computation of State and Other Tax Allowance

If the student's State or territory of residence is---	The Percentage is--
Alaska, Nevada, South Dakota, Tennessee, Texas, Washington, Wyoming	0
Florida, New Hampshire	1
American Samoa, Canada, Connecticut, Federated States of Micronesia, Guam, Illinois, Louisiana, Marshall Islands, Mexico, North Dakota, Northern Mariana Islands, Palau, Puerto Rico, Virgin Islands	2
Alabama, Arizona, Mississippi, Missouri, New Jersey, Pennsylvania	3
Arkansas, Colorado, Georgia, Indiana, Kansas, Michigan, Nebraska, New Mexico, Oklahoma, Rhode Island, Vermont, Virginia, West Virginia	4
California, Delaware, Idaho, Iowa, Kentucky, Maine, Massachusetts, Montana, North Carolina, Ohio, South Carolina, Utah, Wisconsin	5
Hawaii, Maryland, Minnesota, Oregon	6
District of Columbia, New York	7
Other	2

";

(C) in paragraph (4)(A), by striking out "$2,500" and inserting in lieu thereof "$2,800";

(D) by redesignating paragraphs (4) and (5) as paragraphs (5) and (6), respectively; and

(E) by inserting after paragraph (3) the following new paragraph:

"(4) <u>INCOME PROTECTION ALLOWANCE</u>.--The income protection allowance is determined by the following table (or a successor table prescribed by the Secretary under section 478):

"Income Protection Allowance

Family Size	Number in College	
(including student)	1	2
1	6,000	
2	9,000	6,000

"; and

(3) in subsection (c)--

(A) in paragraph (1), in the matter preceding subparagraph (A), by striking out "The" and inserting in lieu thereof "Except as provided in paragraph (5), the";

(B) in paragraph (2)(C), by amending the table to read as follows:

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is--	Then the adjusted net worth is:
Less than $1	$0
$1 to $90,000	40 percent of NW
$90,001 to $265,000	$36,000 plus 50 percent of NW over $90,000
$265,001 to $440,000	$123,500 plus 60 percent of NW over $265,000
$440,001 or more	$228,500 plus 100 percent of NW over $440,000

";

(C) in paragraph (3), by amending the table to read as follows:

"Asset Protection Allowance for Families and Students

If the age of the student is--	And the student is married	single
	then the allowance is--	
25 or less	$0	$0
26	2,500	1,700
27	5,000	3,300
28	7,400	5,000
29	9,900	6,700
30	12,400	8,400
31	14,900	10,000
32	17,400	11,700
33	19,800	13,400
34	22,300	15,100
35	24,800	16,700
36	27,300	18,400
37	29,800	20,100
38	32,200	21,800
39	34,700	23,400
40	37,200	25,100
41	38,100	25,700
42	39,100	26,200
43	40,100	26,900
44	41,100	27,500
45	42,100	28,000
46	43,200	28,700
47	44,300	29,400
48	45,400	29,900
49	46,600	30,700
50	47,700	31,400
51	49,200	32,300
52	50,500	32,900
53	52,000	33,700
54	53,300	34,500
55	55,000	35,500
56	56,600	36,400
57	58,400	37,200
58	60,100	38,300

59	61,900	39,400
60	63,800	40,300
61	66,000	41,400
62	68,300	42,600
63	70,300	43,800
64	72,700	45,000
65 or more	75,200	46,500

";

and

(D) by adding at the end thereof the following new paragraph:

"(5) Notwithstanding section 478(a), the Secretary may, in lieu of the contribution from assets calculated under this subsection, prescribe in regulation a contribution from the family's assets based on an amount determined using factors such as the income of the family.".

FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS
WITH DEPENDENTS OTHER THAN A SPOUSE

SEC. 475. Section 477 of the Act is amended--

(1) in subsection (a)--

(A) in the matter preceding paragraph (1), by striking out "For" and inserting in lieu thereof "Except as provided in paragraph (2), for";

(B) in paragraph (1), by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(C) in paragraph (3), by striking out "paragraph (2)" and inserting in lieu thereof "subparagraph (B)";

(D) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively;

(E) by inserting immediately after the subsection heading the paragraph designation "(1)"; and

(F) by adding at the end thereof the following new paragraph:

"(2) For periods of enrollment of other than 9 months, the expected family contribution shall be determined by dividing the expected family contribution determined under paragraph (1) by 9, and multiplying the result by the number of months enrolled.";

(2) in subsection (b)--

(A) in paragraph (2), by amending the table to read as follows:

"Percentages for Computation of State and Other Tax Allowances

If student's State or territory of residence is--	And family's total income is--	
	less than $15,000	$15,000 or more
	then the percentage is---	
Alaska, Nevada, Tennessee, Texas, Wyoming	3	2
American Samoa, Canada, Federated States of Micronesia, Florida, Guam, Louisiana, Marshall Islands, Mexico, Northern Mariana Islands, Palau, Puerto Rico, South Dakota, Virgin Islands, Washington	4	3
Alabama, Mississippi	5	4
Arizona, Arkansas, Connecticut, Illinois, Indiana, Missouri, New Mexico, North Dakota, Oklahoma, West Virginia	6	5
Colorado, Georgia, Idaho, Kansas, Kentucky, New Hampshire, Pennsylvania	7	6
California, Delaware, Hawaii, Iowa, Montana, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, Utah, Vermont, Virginia	8	7
Maine, Maryland, Massachusetts, Michigan, Minnesota, Rhode Island	9	8

District of Columbia, Wisconsin, Oregon	10	9
New York	11	10
Other	4	3

";

(B) in paragraph (4), by amending the table to read as follows:

"Income Protection Allowance

Family Size (including student)	Number in College					For Each Additional Subtract:
	1	2	3	4	5	
2	$12,350	$10,240				
3	$15,380	$13,280	$11,160			
4	$19,000	$16,880	$14,780	$12,670		
5	$22,410	$20,300	$18,200	$16,080	$13,980	
6	$26,220	$24,100	$22,000	$19,980	$17,790	$2,100
For Each Additional add:	$2,960	$2,960	$2,960	$2,960	$2,960	

";

and

(C) in paragraph (5), by striking out "$2,500" each place it appears and inserting in lieu thereof "$2,800" in each such place;

(3) in subsection (c)--

(A) in paragraph (1), in the matter preceding subparagraph (A), by striking out "The" and inserting in lieu thereof "Except as provided in paragraph (5), the";

(B) in paragraph (2)(C), by amending the table to read as follows:

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is--	Then the adjusted net worth is:
Less than $1	$0
$1 to $90,000	40 percent of NW
$90,001 to $265,000	$36,000 plus 50 percent of NW over $90,000
$265,001 to $440,000	$123,500 plus 60 percent of NW over $265,000
$440,001 or more	$228,500 plus 100 percent of NW over $440,000

";

(C) in paragraph (3), by amending the table to read as follows:

"Asset Protection Allowance for Families and Students

If the age of the student is--	And the student is married	single
	then the allowance is--	
25 or less	$0	$0
26	2,500	1,700
27	5,000	3,300
28	7,400	5,000
29	9,900	6,700
30	12,400	8,400
31	14,900	10,000
32	17,400	11,700
33	19,800	13,400
34	22,300	15,100
35	24,800	16,700
36	27,300	18,400
37	29,800	20,100

38	32,200	21,800
39	34,700	23,400
40	37,200	25,100
41	38,100	25,700
42	39,100	26,200
43	40,100	26,900
44	41,100	27,500
45	42,100	28,000
46	43,200	28,700
47	44,300	29,400
48	45,400	29,900
49	46,600	30,700
50	47,700	31,400
51	49,200	32,300
52	50,500	32,900
53	52,000	33,700
54	53,300	34,500
55	55,000	35,500
56	56,600	36,400
57	58,400	37,200
58	60,100	38,300
59	61,900	39,400
60	63,800	40,300
61	66,000	41,400
62	68,300	42,600
63	70,300	43,800
64	72,700	45,000
65 or more	75,200	46,500

";

and

(D) by adding at the end thereof the following new paragraph:

"(5) Notwithstanding section 478(a), the Secretary may, in lieu of the contribution from assets calculated under this subsection, prescribe in regulation a contribution from the family's assets based on an amount determined using factors such as the income of the family." and

(4) in subsection (e), by amending the table to read as follows:

"Assessment From Adjusted Available Income (AAI)

If AAI is--	Then the assessment is--
Less than -$3,409	-$750
-$3,409 to $ 11,000	22% of AAI
$11,001 to $13,900	$2,420 + 25% of AAI over $11,000
$13,901 to $16,700	$3,145 + 29% of AAI over $13,900
$16,701 to $19,500	$3,957 + 34% of AAI over $16,700
$19,501 to $22,300	$4,909 + 40% of AAI over $19,500
$22,301 or more	$6,029 + 47% of AAI over $22,300

".

REGULATIONS; UPDATED TABLES

SEC. 476. Section 478 of the Act is amended--

(1) in subsection (a)(1)--

(A) in subparagraph (A), by striking out "or" at the end thereof;

(B) in subparagraph (B), by striking out the period at the end thereof and inserting in lieu thereof a semicolon and "or"; and

(C) by adding at the end thereof the following new subparagraph:

"(C) as otherwise provided in this part.";

(2) in subsection (b), by striking out "1993-1994,", "sections 475(c)(4) and 477(b)(4).", and "1992" and inserting in lieu thereof "1999-2000,", "sections 475(c)(4), 476(b)(4), and 477(b)(4).", and "1998", respectively;

(3) in subsection (c)--

(A) in the matter preceding paragraph (1), by striking out "1993-1994," and inserting in lieu thereof "1999-2000,";

(B) in paragraph (1), by striking out "1992" and inserting in lieu thereof "1998"; and

(C) in paragraph (2), by striking out "'$30,000', '$105,000', and '$195,000'" and inserting in lieu thereof "'$36,000', '$123,500', and '$228,500'";

(4) in subsection (d), by striking out "1993-1994," and inserting in lieu thereof "1999-2000,";

(5) in subsection (e)--

(A) in the matter preceding paragraph (1), by striking out "1993-1994," and inserting in lieu thereof "1999-2000,"; and

(B) in paragraph (1), by striking out "1992" and inserting in lieu thereof "1998";

(6) in subsection (g), by striking out "1993-1994," and inserting in lieu thereof "1999-2000,"; and

(7) in subsection (h), by striking out "1993-1994," and inserting in lieu thereof "1999-2000,".

FINANCIAL AID ADMINISTRATOR DISCRETION

SEC. 477. Section 479A(a) of the Act is amended to read as follows:

"(a) IN GENERAL.--Except as otherwise provided in this section, nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both), or, in extraordinary circumstances, the amount of the expected family contribution, to allow for treatment of an individual eligible applicant with special circumstances.

"(2) Notwithstanding paragraph (1), a financial aid administrators may not make the adjustments described in such paragraph in the absence of special or extraordinary circumstances.

"(3) For purposes of this section--

"(A) 'special circumstances' shall be defined as conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students; and

"(B) 'extraordinary circumstances' shall, notwithstanding section 478(a), be defined by the Secretary in regulation.

"(4) Notwithstanding section 478(a), the Secretary may prescribe such regulations as the Secretary determines necessary to reduce the potential for abuse of this section.

"(5) Nothing in this title shall be interpreted as limiting the authority of the financial aid administrator, in documenting the need for adjustments under this section, to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.".

DEFINITIONS

SEC. 478. Section 480 of the Act is amended--

(1) in subsection (a)(1)--

(i) by inserting the subparagraph designation "(A)" immediately after the paragraph designation;

(ii) by striking out "preceding tax year" and inserting in lieu thereof "base year (as determined by the Secretary under subparagraph (B))"; and

(iii) by adding at the end thereof the following new subparagraph:

"(B)(i) The Secretary shall specify the year that shall be used as the base year for purposes of subparagraph (A). If, after consultation with representatives of institutions of higher education, students, affected State agencies, and other relevant parties, as determined by the Secretary, the Secretary determines that a year other than the preceding tax year shall be used as the base year, an institution of higher education may, without meeting the requirements of individual special circumstances and documentation in section 479A, use the income and asset information of the student (and the student's parents, in the case of a dependent student, or the student's spouse, if any, in the case of an independent student) from the preceding tax year to adjust the student's expected family contribution as calculated using the base year specified by the Secretary.

"(ii) Notwithstanding section 478(a), the Secretary may specify such adjustment factors as may be necessary to update base year information to reflect changes in the national economy.

"(iii) The Secretary shall ensure that any change in the base year used for purposes of subparagraph (A) shall be implemented at a time and in a manner that minimizes any possible disruption to the student aid delivery process.";

(2) in subsection (c)(1), by amending subparagraph (A) to read as follows:

"(A) has served more than 180 days on active duty in the United States Army, Navy, Air Force, Marines, or Coast Guard; and";

(3) in subsection (d)(7), by striking out the period at the end thereof and inserting in lieu thereof a comma and "subject to such measures as the Secretary may take, including the issuance of regulations (notwithstanding section 478(a)), as the Secretary determines necessary to protect against the misuse of this paragraph."; and

(4) in subsection (e)--

(A) in paragraph (2), by adding "and" at the end thereof;

(B) in paragraph (3), by striking out the semicolon and "and" at the end thereof and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

draft 12/2/97

PART F--NEED ANALYSIS
Section-by-Section Analysis

Section 471. Section 471 of the bill would make conforming amendments to sections 471 and 473 of the Act that would eliminate references to the State Student Incentive Grant (SSIG) program. Section 415(a) of the bill would repeal the SSIG program.

Section 472. Section 472 of the bill would eliminate paragraphs (5) and (10) from the definition of "cost of attendance" in section 472 of the Act. Section 472(5) of the Act limits the costs that may be included for a student engaged in a program of study by correspondence to tuition and fees and, if required, books and supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training. Section 472(10) of the Act prohibits the inclusion of equipment rental or purchase costs for a student receiving instruction via telecommunications technology. These distinctions between the allowable cost of attendance for students in distance learning programs and students in more traditional, classroom-based programs of study are not justified, since students in both types of programs have room and board costs, and often have similar needs for equipment (such as personal computers). Other changes pertaining to distance learning programs are proposed in sections 4__ and 4__ of the bill.

Section 473. Section 473 of the bill would amend the calculation of the expected family contribution (EFC) for a dependent student in section 475 of the Act. First, sections 473(1)(A), (B), and (C), (2)(B) and (C), and (3) of the bill would update the numbers used in sections 475(c)(2), (4), and (5), (d)(2)(C) and (3), and (e) of the Act, respectively, for the computation of State and other tax allowances, the income protection allowance, the employment expense allowance, the adjusted net worth of a business or farm, the education savings and asset protection allowances for families and students, and the parent's assessment from adjusted available income.

Sections 473(2)(A) and (D) of the bill would amend section 475(d) of the Act to authorize the Secretary to prescribe in regulation a contribution from parents' assets based on an amount determined using factors such as the parents' income. This contribution would be in lieu of the contribution from assets calculated under section 475(d) of the Act, which discourages saving for postsecondary education. Similar amendments are proposed for sections 475(h), 476(c), and 477(c) of the Act in sections 473(5), 474, and 475 of the bill, respectively.

Section 473(4) of the bill would amend section 475(g) of the Act to update the numbers used in the employment expense allowance and the computation of State and other tax allowance for the calculation of the dependent student's contribution from income.

Section 473(5) of the bill would amend section 475(h) of the Act to permit the Secretary to prescribe in regulation a contribution from the dependent students' assets based on an amount determined using factors such as his or her income. This contribution would be in lieu of the contribution from assets currently calculated under section 475(h) of the Act, which discourages saving for postsecondary education.

Finally, section 473(6) of the bill would make minor technical changes to section 475(i) of the Act.

Section 474. Section 474 of the bill would amend the calculation of the EFC for an independent student without dependents (other than a spouse) in section 476 of the Act, in ways similar to the changes proposed in section 473 of the bill to section 475 of the Act regarding the calculation of the EFC for a dependent student: the numbers used in the various allowances that are part of the EFC calculation would be updated, and the Secretary would be authorized to prescribe in regulation a contribution from the independent students' assets based on an amount determined using factors such as his or her income in lieu of the contribution from assets currently calculated under section 476(c) of the Act.

In addition, sections 474(2)(A) and (E) of the bill would amend section 476(b) of the bill to make the income protection allowance (IPA) for independent students without dependents (other than a spouse) more comparable to the IPAs used for parents of dependent students and for independent students with dependents. This change would increase the Pell Grant and other need-based aid available to low- and moderate-income students in this category.

Finally, section 474(1) of the bill would amend section 476(a) of the Act to include an authority, comparable to that found in section 475(i) of the Act for dependent students, to adjust the EFC of an independent student without dependents (other than a spouse) for periods of enrollment of other than 9 months. A similar change is proposed in section 475 of the bill for independent students with dependents other than a spouse. This amendment is consistent with the purpose of the EFC calculation: to determine what a student and his or her family can reasonably expect to contribute during the student's period of enrollment. If the period of enrollment is other than the "traditional" 9 month period, the EFC should logically be adjusted as well.

Section 475. Section 475 of the bill would amend the calculation of the EFC for an independent student with dependents (other than a spouse) in section 477 of the Act, in ways similar to the changes proposed in sections 473 and 474 of the bill to section 475 and 477 of the Act, respectively: the numbers used in the various allowances that are part of the EFC calculation would be updated, the Secretary would be permitted to prescribe in regulation a contribution from the independent students' assets based on an amount determined using factors such as his or her income in lieu of the contribution from assets currently calculated under section 477(c) of the Act, and an adjustment of the EFC for periods of enrollment for other than 9 months would be authorized.

Section 476. Section 476 of the bill would amend section 478 of the Act to update the academic years referred to in this section, include a reference to the income protection allowance table that would be added to section 476(b) of the Act by section 474 of the bill, and to broaden the regulatory authority in section 478(a)(1) of the Act to permit the Secretary to prescribe regulations to carry out the provisions of part F of title IV of the Act where specifically permitted by the provisions of part F. Currently, the Secretary may only update the tables used in part F and propose modifications in the need analysis methodology via regulation. This limited exception would provide the Secretary with necessary flexibility to carry out specific provisions of part F.

Section 477. Section 477 of the bill would amend section 479A(a) of the Act make some minor stylistic changes, to expand a financial aid administrator's authority to use professional judgment to adjust the amount of the EFC, and to authorize the Secretary to regulate the use of the professional judgment authority as needed to reduce the potential for its abuse. Current law permits the use of professional judgment only to adjust the data elements used in calculating the EFC, and can result in an unnecessary, awkward, and burdensome recalculation of the EFC, when the adjustment could have been more appropriately and easily made by adjusting the EFC itself. Adjusting the EFC would enable a financial aid administrator to more accurately reflect a student's circumstances. To prevent abuse, this expanded authority could only be used in extraordinary circumstances that would be defined by the Secretary in regulation.

Section 478. Section 478 of the bill would amend the definitions in section 480 of the Act. First, section 478(1) of the bill would amend section 480(a)(1) of the Act to require the Secretary to specify the year to be used as the base year for purposes of the definition of "total income." (Currently, the tax year preceding the first calendar year of the academic year for which the determination of need is calculated is considered the base year.)

Under the proposed amendment, if the Secretary determines, after consultation with representatives of the higher education community, that a year other than the preceding tax year should be used as the base year, an institution of higher education could adjust a student's EFC, as calculated using the base year specified by the Secretary, by using the student's income and asset information from the preceding tax year (the base year under current law). This adjustment could be made without meeting the requirements of individual special circumstances and documentation for the exercise of financial aid administrator discretion under section 479A of the Act. The Secretary could also specify any necessary adjustment factors to update base year information to reflect changes in the national economy, and would ensure that any change in the base year would be implemented in a way that minimizes any possible disruption to the student aid delivery process.

These changes would provide the Secretary with the flexibility needed to reduce burden on applicants and institutions in the data collection and verification of information processes. This flexibility would enable the Secretary to receive aid applications for an award year significantly earlier than January 1, as under current law, which would allow many schools to inform students of their eligibility for financial aid at the same time they do their admissions. This change would be a major step toward creating a "virtual application," which is a core concept of the Project EASI (Easy Access for Students and Institutions) delivery system. Data analyses indicate that the preceding tax year (the current base year) is not the only reasonable indicator of EFC for a particular academic school year, and the proposed amendment contains safeguards that would permit the updating of information, either for the individual student (by the institution) or for all students (by the Secretary, to reflect changes in the national economy).

Section 478(2) of the bill would amend the definition of a "veteran" in section 480(c)(1) to conform with the definition used by the Department of Veterans' Affairs (DVA). This change would remove an obstacle to data matching between the DVA and the Department of Education.

Section 478(3) of the Act would add safeguards against abuse to the definition of an independent student in section 480(d) of the Act. Currently, a financial aid administrator may make a documented determination of independence by reason of unusual circumstances that are in addition to the regular criteria for determining that a student is independent. The Secretary would be authorized to take necessary measurs, including the issuance of regulations, to prevent the abuse of this authority by financial aid administrators.

Section 478(4) of the bill would amend section 480(e) of the Act by eliminating an outdated reference in current paragraph (4) to payments made, and services provided, under part E of title IV of the Social Security Act.

Total Pages: 13

LRM ID: MNB73

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

Tuesday, December 2, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

Melissa Harvin for

OMB CONTACT: Melissa N. Benton
PHONE: (202)395-7887 FAX: (202)395-6148

SUBJECT: **EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IV, Part A, Subpart 1 -- Pell Grants**

DEADLINE: **COB Friday, December 5, 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: ED intends to transmit these proposals informally to congressional staff next week.

DISTRIBUTION LIST

AGENCIES:
118-TREASURY - Richard S. Carro - (202) 622-0650
61-JUSTICE - Andrew Fois - (202) 514-2141

EOP:
Barry White
Wayne Upshaw
Kathryn B. Stack
S. A. Noe
Timothy A. Rosado
Robert M. Shireman
Jonathan H. Schnur
Michael Cohen
William R. Kincaid
Daniel J. Chenok
Daniel I. Werfel
Robert G. Damus
Edward M. Rea
Beverly B. Thierwechter
Thomas P. Stack
John S. Radzikowski
James Boden
Constance J. Bowers
Janet R. Forsgren
James C. Murr

LRM ID: MNB73 **SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title IV, Part A, Subpart 1 -- Pell Grants

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: Melissa N. Benton Phone: 395-7887 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 draft 11/28/97

TITLE IV--STUDENT FINANCIAL ASSISTANCE

PART A--GRANTS TO STUDENTS

SEC. 400. Section 400 of the Act is amended--

(1) in subsection (a)--

(A) in paragraph (1), by striking out "basic educational opportunity grants" and inserting in lieu thereof "Federal Pell Grants";

(B) by striking out paragraph (3);

(C) in paragraph (5)--

(i) by striking out "assistance" and inserting in lieu thereof "incentives"; and

(ii) by striking out the period at the end thereof and inserting in lieu thereof "to reward them for retaining Federal Pell Grant recipients until they complete their degree programs."; and

(2) in subsection (b), by striking out "subparts 1 through 8," and inserting in lieu thereof "subparts 1 through 6,".

SUBPART 1--PELL GRANTS

AMENDMENTS TO PELL GRANTS

SEC. 401. (a) The heading for subpart 1of part A of title IV of the Act is amended to read as follows: "FEDERAL PELL GRANTS".

(b) Section 401 of the Act is amended--

(1) in the heading thereof, by striking out "BASIC EDUCATIONAL OPPORTUNITY" and inserting in lieu thereof "FEDERAL PELL";

(2) in subsection (a)--

(A) by amending paragraph (1) to read as follows:

"(1) The Secretary shall, through September 30, 2003, provide such sums as may be necessary to eligible institutions for the award of Federal Pell Grants under this section to eligible students (as defined in section 484) attending such institutions as undergraduates."; and

(B) by striking out paragraph (3);

(3) by amending subsection (b) to read as follows:

"(b) AMOUNT OF FEDERAL PELL GRANTS.--(1) Except as provided in paragraphs (2), (3), (4), and (5), the amount of the Federal Pell Grant that may be awarded to an eligible student for an academic year shall be the amount remaining after subtracting the student's expected family contribution for that year, as determined under part F, from the maximum Federal Pell Grant established for that academic year in the applicable appropriations Act.

"(2) If the maximum Federal Pell Grant established for an academic year in the applicable appropriations Act exceeds $2,400, the amount of the Federal Pell Grant that may be awarded to an eligible student for that academic year shall be the lesser of--

"(A) the amount determined under paragraph (1); or

"(B) the sum of--

"(i) $2,400;

"(ii) 50 percent of the difference between $2,400 and the maximum Federal Pell Grant established for that academic year; and "(iii) the lesser of--

"(I) the remaining 50 percent of the difference between $2,400 and the maximum Federal Pell Grant established for that academic year; or

"(II) the sum of the student's tuition, fees, and, if the student has dependent care expenses (as defined in section 472(7)) or disability-related expenses (as defined in section 472(8)), an allowance determined by the institution in accordance with each such definition.

"(3) If a student attends an institution of higher education on less than a full-time basis during any academic year, the amount of the Federal Pell Grant that the student may be awarded for that year shall be reduced to reflect the degree to which the student is attending the institution on a part-time basis, in accordance with a schedule of reductions established by the Secretary.

"(4) In no case may a student be awarded a Federal Pell Grant that, as calculated under this subsection, exceeds the difference between a student's cost of attendance (as defined in section 472) and his or her expected family contribution (as determined under part F).

"(5) If the amount of a Federal Pell Grant that a student would be awarded, as calculated under this subsection, is less than $400, the student shall not be awarded a Federal Pell Grant for that academic year.

"(6) The Secretary may allow, on a case-by-case basis, a student to be awarded two Federal Pell Grants during a single award year, if--

"(A) the student is enrolled at an eligible institution on a full-time basis in an associate or baccalaureate degree program of study that is 2 years or longer and computed in credit hours; and

"(B) the student completes course work toward completion of an associate or baccalaureate degree that exceeds the requirements for a full academic year as defined by the institution.

"(7) If a student is incarcerated in a Federal or State penal institution, the student shall not be awarded a Federal Pell Grant.";

(4) in subsection (c)--

(A) by amending paragraph (1) to read as follows:

"(1)(A) Except as provided in subparagraph (B), the period during which a student may receive Federal Pell Grants at an institution shall not exceed 150 percent of the period normally required by a full-time student (or the equivalent period, in the case of a part-time student) to complete the course of study in which the student is enrolled, as determined by the instititution.

"(B)(i) Except as provided in clause (ii), in no case may a student receive Federal Pell Grants for more than eight academic years of full-time study (or the equivalent period of part-time study) in the aggregate.

"(ii) A student may receive grants for more than eight academic years of full-time study (or the equivalent period of part-time study) in the aggregate to the extent the institution in which the student is enrolled determines necessary to accommodate the rights of students with disabilities under section 504 of the Rehabilitation Act of 1973."; and

(B) in paragraph (2)

(i) by inserting immediately after the paragraph designation the subparagraph designation "(A)";

(ii) in the first sentence therein--

(I) by striking out "Nothing" and inserting in lieu thereof

"Except as provided in subparagraph (B), nothing"; and

(II) by striking out "certificate" and all that follows through the end thereof and inserting in lieu thereof "certificate.";

(iii) by striking out the second sentence therein; and

(iv) by adding at the end thereof the following new subparagraph:

"(B)(i) A student may receive a Federal Pell Grant to attend English language instruction that is a separate course of study only if--

"(I) students enrolled in such a course are required to take an independently administered standardized test of English language proficiency upon completion of the course; and

"(II) not less than a minimum percentage of such students achieve a passing score on that test.

"(ii) The Secretary shall specify in regulation one or more standardized tests of English language proficiency, the minimum percentage of students who must achieve a passing score, and such other requirements as the Secretary determines are necessary to implement clause (i).";

(5) by striking out subsection (d);

(6) in subsection (e), by striking out the second and third sentences therein;

(7) by striking out subsection (f); and

(8) by redesignating subsections (e), (g), and (h) as subsections (d), (e), and (f), respectively.

PELL PERSISTENCE SUPPLEMENT

SEC. 402. Subpart 1 of part A of title IV of the Act is further amended by adding at the end thereof the following new section:

"PELL PERSISTENCE SUPPLEMENT

"SEC. 401A. (a) IN GENERAL.--The Secretary is authorized to award one persistence supplement, in the amount specified in subsection (c), to a student who--

"(1) is in the second academic year of a program of undergraduate education or training;

"(2) is eligible to receive a Federal Pell Grant under section 401 for that award year; and

"(3) has an expected family contribution (as determined under part F) of zero for that award year.

"(b) AWARD AMOUNT.--The amount of a persistence supplement under this section shall be --

"(1) $300 for award year 1999-2000; and

"(2) the amount established in the applicable appropriations Act for a succeeding award year.

"(c) NOTICE; DISTRIBUTION.--(1) The Secretary shall publicize the availability of persistence supplements to potential recipients.

"(2) Persistence supplements awarded under this section shall be distributed to students using the payment system established for purposes of distributing awards under section 401.

"(d) AUTHORIZATION OF APPROPRIATIONS.--(1) There are authorized to be appropriated such sums as may be necessary for fiscal year 1999, and for each of the four succeeding fiscal years to carry out this section.

"(2) No funds may be appropriated under this section for any fiscal year for which funds appropriated for grants awarded under section 401 are insufficient to fully fund all awards as calculated using the maximum grant established for that year in the applicable appropriations Act and the award rules under section 401.".

11/26/97 TITLE IV--STUDENT FINANCIAL ASSISTANCE

PART A--GRANTS TO STUDENTS

Section 400. Section 400 of the bill would amend section 400 of the Act to conform with other changes proposed in the bill, including updating references to the Federal Pell Grant program, the repeal of the State Student Incentive Grant program and the Special Child Care Services for Disadvantaged College Students program, and the addition of the new Retention Incentives for Institutions program.

SUBPART 1--FEDERAL PELL GRANTS

Section 401. Section 401 of the bill would amend section 401 of the Act to make several changes to the Federal Pell Grant program. Section 401(a) of the bill would update the subpart heading to reflect the current name of the program, and throughout section 401 of the bill references to "basic grants" would be updated to refer to "Federal Pell Grants." Section 401(b)(2) of the bill would amend section 401(a)(1) to extend the program through FY 2003, eliminate unnecessary language, and eliminate the current statutory requirement that the Secretary advance 85 percent of the funds requested by institutions to provide Federal Pell Grants to their students prior to the start of each payment period. Even though this statutory provision would be eliminated, it is the Secretary's intention to continue the current advance funding practices until an electronic payment disbursement system is implemented. The implementation of the student-specific, "just-in-time" payment disbursement system is currently projected to take place for the 1999-2000 award year.

The current requirement for advancing funds has resulted in mismatches between institutions' needs and the funding that they receive due to variations in institutions' actual need for Federal Pell Grant funds from one award year to the next, or even from one payment period to the next. Excess funds advanced to one institution must be reallocated by the Secretary to another institution that received insufficient advance funds, and this process is unnecessarily burdensome and inefficient. Although tightened reporting regulations and improved procedures have been implemented in recent years to reduce the level of undisbursed funds that institutions may have at any one time and reduce the delays in reallocating the de-obligated funds to other schools, advancing lump sums still leaves the potential for unnecessary burden and inefficiency in managing Federal Pell Grant funds.

Under the just-in-time system, institutions would submit requests for each recipient's Federal Pell Grant payment, singly or in batches, prior to, or during, the payment period. Upon approval, the funds necessary to meet the payment request would then be electronically transferred from the Federal Government to the institution. The institution would then disburse the Federal Pell Grant payment to the student. This approach would alleviate the "float" of undisbursed funds at institutions with no immediate need, and would allow Federal Pell Grants funds to be directed efficiently and quickly to institutions based on their actual needs.

Section 401(b)(3) of the bill would amend section 401(b) of the Act by rewording and reordering that provision to improve clarity. With one minor clarification, the award rules remain unchanged. The bill would eliminate current section 401(b)(1) of the Act, which states that the purpose of the Federal Pell Grant program is to provide a grant that, in combination with the expected family contribution, a Federal Supplemental Educational Opportunity Grant, and a State Student Incentive Grant, will meet at least 75 percent of a student's cost of attendance. This goal, while laudable, is not realistic given budgetary constraints. Instead, proposed new section 401(b)(1) of the Act would state that, except as provided in proposed new section 401(b)(2), (3), (4), and (5), the amount of the Federal Pell Grant that may be awarded to an eligible student for an academic year shall be the amount remaining after subtracting the student's expected family contribution for that year, as determined under part F, from the maximum Federal Pell Grant established for that academic year in the applicable appropriations Act. This would replace specific maximum Federal Pell Grant amounts and would acknowledge that the maximums in section 401(b) have ordinarily been overridden in appropriations Acts.

Proposed new section 401(b)(2) of the Act would contain the award rule currently in section 401(b)(3)(A) of the Act, as rewritten to improve clarity. A reference to "fees" that was probably an inadvertent omission from the current law, would be added to this provision. In addition, the dependent care and disability related expenses included in this award rule would be modified from a flat $750 to the amounts established under sections 472(7) and (8) (as renumbered in section ___ of the bill), respectively, in order to provide consistency between the award rules and the cost of attendance definition used for purposes of determining need for title IV assistance..

Proposed new section 401(b)(3) of the Act would contain the provisions regarding reduction of Federal Pell Grant awards for students attending institutions of higher education on a less than full-time basis that are currently in section 401(b)(2)(B) of the Act. Proposed new section 401(b)(4) of the Act would contain the same award rule as that provision does under current law, but it would be reworded to eliminate unnecessary language.

Under the proposed amendment, section 401(b)(5) of the Act would be amended to change the minimum Federal Pell Grant award to a true $400 minimum. Under current law, the minimum Federal Pell Grant award is $400, but students qualifying for an award between $200 and $400 receive a $400 award without regard to need. The current provision, enacted in 1992, was part of an increase in the Federal Pell Grant minimum from $200 to $400 that was intended to provide a higher, more meaningful, minimum Federal Pell Grant, but not eliminate students who had received a Federal Pell Grant in the prior year at the lower, earlier minimum award amount. However, this overbroad "grandfathering" results in doubling the awards of students who, under a normal application of the Federal Pell Grant award rules, would receive only $200 Federal Pell Grants. This increase is not warranted. Under the proposed amendment, a student qualifying for a Federal Pell Grant award of less than $400 would not receive a Federal Pell Grant. This change would make the award rules consistent for all students.

Section 401(b)(6) of the Act would not be changed by the bill, and section 401(b)(7) of the Act would be eliminated as unnecessary. Current section 401(b)(8) of the Act would be moved to proposed new section 401(b)(7) of the bill with only stylistic changes.

Section 401(b)(4)(A) of the bill would amend section 401(c)(1) of the Act to set new limits on the period during which a student may receive Federal Pell Grants. Current law limits the receipt of Federal Pell Grants to the period of time--no matter how long--required for the completion of the student's first undergraduate baccalaureate degree. As amended, a student could not receive Federal Pell Grants for more than the full-time equivalent of 150 percent of the period normally required for the completion of each course of study in which the student is enrolled, as determined by the institution, with an overall maximum equal to the full time equivalent of eight academic years. (An institution would, however, be required to modify these limits to the extent necessary to accommodate the rights of students with disabilities under section 504 of the Rehabilitation Act of 1973.) These amendments are an attempt to seek a balance between allowing financially needy students time to successfully complete their course of study, while preventing abuse of the Federal Pell Grant program by students dragging out their studies excessively (the so-called "professional student"). In addition to preventing the potential abuse, it is also hoped that time limits will, in general, encourage students to finish their courses of study on a timely basis.

Section 401(b)(4)(B) of the bill would amend section 401(c)(2) of the Act to address concerns with the effectiveness of, and potential for abuse in, some English as a Second Language (ESL) "stand-alone" programs that teach English exclusively and are not part of a larger program of study. (The Department is not considering any change with respect to remedial programs or ESL programs that are part of larger programs.). The proposed new section 401(c)(2)(B) of the Act would assist the Secretary in determining which programs are providing an adequate level of instruction for purposes of participation in the Federal Pell Grant program, by requiring students who complete ESL stand-alone programs to take an independently-administered, standard exam, such as The College Board's Test of English as a Foreign Language (TOEFL), as a measure of minimal English language proficiency. The ESL program's eligibility for the Federal Pell Grant program would be based on a minimum percentage of the program's graduates passing the standardized test. The Secretary would establish in regulation which standardized test or tests of English language proficiency may be used, the minimum percentage of students who must achieve a passing score, and other requirements necessary to implement this provision.

Section 401(b)(5) of the bill would eliminate section 401(d) of the Act, concerning the submission of applications by students seeking to obtain Federal Pell Grants. This provision is unnecessary and duplicative of section 483 of the Act.

Section 401(b)(6) of the bill would eliminate language in section 401(e) of the Act that specifics the manner in which Federal Pell Grants funds are to be credited to a student's account by the institution. The Department's cash management regulations, which are designed to clarify and consolidate current policies and requirements, improve the delivery of Title IV funds, reduce burden, and improve program accountability, include a streamlined policy on crediting a student's account at the institution. See 34 C.F.R. 668.164. The cash management regulations provide more flexibility to students and institutions to easily clear outstanding balances in the student's account that may otherwise endanger the student's continued attendance, and are thus preferable to the procedures currently described in section 401(e) of the Act.

Section 401(b)(7) of the bill would eliminate section 401(f) of the Act, which contains processing and other requirements for the calculation of Federal Pell Grant amounts, and which, apart from a few minor differences, duplicates the requirements of section 483 of the Act.

Section 402. Section 402 of the bill would add a new section 401A to the Act to authorize the Secretary to award a persistence supplement to second-year students who are Federal Pell Grant recipients and have an expected family contribution (EFC) of zero for that award year. The amount of a persistence supplement would be $300 for award year 1999-2000, and set in the appropriations process for succeeding award years. These persistence supplements would be distributed to students using the Federal Pell Grant payment system, and the Secretary would publicize the availability of persistence supplements to potential recipients.

The bill would authorize such sums as may be necessary for FY 1999 and for each of the four succeeding fiscal years for persistence supplements, but no funds would be authorized for persistence supplements for a fiscal year if insufficient funds are appropriated for Federal Pell Grants for that year.

Since 1973, the Federal Pell Grant program has been the cornerstone of the Federal Government's effort to provide access to postsecondary education for lower income families. However, as important as it is to provide access to postsecondary education for low-income students, it is also important to encourage them to complete their chosen courses of study. The purpose of the proposed new persistence supplements is to increase persistence and retention among Federal Pell Grant recipients by targeting the supplement at that point in a student's academic career when it would have the greatest impact, the second year. Studies have consistently shown that the highest college dropout rate occurs between the first and second years. Thus, targeting second-year students could have the greatest impact on increasing persistence and retention. To further ensure that these grants are targeted to the most needy, only those returning second-year students with EFCs of zero would receive a persistence supplement.

HEA Reauthorization

Total Pages: ____

LRM ID: CJB108

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

Monday, October 6, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

Janet R. Forsgren

FROM: 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 I - General Provisions and Program Integrity Triad**

DEADLINE: **cob Friday, October 10, 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 attached language contains provisions from current Title XII and part H of Title IV. It also includes definitions in Part G of Title IV of the Act, since that section must be reviewed in conjunction with the General Provisions.

DISTRIBUTION LIST

AGENCIES:
61-JUSTICE - Andrew Fois - (202) 514-2141
118-TREASURY - Richard S. Carro - (202) 622-0650
25-COMMERCE - Michael A. Levitt - (202) 482-3151

EOP:
Wayne Upshaw
S. A. Noe
Kathryn B. Stack
Timothy A. Rosado
Barry White
Robert M. Shireman
Michael Cohen
William R. Kincaid
Daniel J. Chenok
Daniel I. Werfel
Edward M. Rea
Winifred Y. Chang
Robert G. Damus
Janet R. Forsgren
Jim Murr

LRM ID: CJB108 **SUBJECT:** EDUCATION Draft Bill on Higher Education Act Reauthorization - Title I - General Provisions and Program Integrity Triad

---

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

[Title IV, Part G Definitions is also included]

draft 10/2/97

TITLE I--GENERAL PROVISIONS AND PROGRAM INTEGRITY TRIAD

REPEALS;
CREATION OF NEW GENERAL PROVISIONS AND PROGRAM INTEGRITY TITLE

SEC. 101. (a) REPEALS.--Title I, Part H of Title IV, and Title XII of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq., hereinafter in this Act referred to as "the Act") are repealed.

(b) NEW TITLE I.--The Act is further amended by inserting immediately after the enacting clause the following new title:

"TITLE I -- GENERAL PROVISIONS
"PART A -- DEFINITIONS; PROGRAM INTEGRITY TRIAD
"SUBPART 1 -- DEFINITIONS; STATE AUTHORIZATION OF INSTITUTIONS

"DEFINITIONS; STATE AUTHORIZATION OF INSTITUTIONS

"SEC. 101. As used in this Act:

"(a)(1) The term 'institution of higher education' means an educational institution in any State that--

"(A) admits as regular students only persons who--

"(i) have a high school diploma or its recognized equivalent; or

"(ii) are beyond the age of compulsory school attendance in the State in which the institution is located;

"(B) is legally authorized within such State to provide a program of education beyond secondary education;

"(C) provides an eligible program, as defined in paragraph (2);

"(D) is a public or other nonprofit institution; and

"(E) is--

"(i) fully accredited by an accrediting agency or association recognized by the Secretary under subpart 2 to be a reliable authority as to the quality of education or training offered; or

"(ii) preaccredited by an accrediting agency or association that has been recognized by the Secretary for the granting of preaccreditation status pursuant to subpart 2.

"(2) Subject to paragraph (3), the term 'eligible program' means an educational program--

"(A) the successful completion of which leads to an associate, baccalaureate, professional, or graduate degree;

"(B) that consists of not less than two academic years and is acceptable for full credit toward a baccalaureate degree;

"(C) that is at least--

"(i) 600 clock hours of instruction, 16 semester hours, or 24 quarter hours, offered during a minimum of 15 weeks, in the case of a program of training to prepare students for gainful employment in a recognized occupation; or

"(ii) 300 clock hours of instruction, 8 semester hours, or 12 quarter hours, offered during a minimum of 10 weeks, in the case of--

"(I) an undergraduate program that requires an associate degree or its equivalent for admission; or

"(II) a graduate or professional program; or

"(D) for purposes of parts B and D of title IV, in addition to the programs described in subparagraphs (A), (B), and (C), that is at least 300 clock hours of instruction, but less than 600 clock hours of instruction, offered during a minimum of 10 weeks, that provides training to prepare students for gainful employment in a recognized occupation.

"(3)(A) In order for a program of one academic year or less that is offered by a proprietary institution of higher education (as defined in section 481(b)) and provides training to prepare students for gainful employment in a recognized occupation to be an eligible program for purposes of title IV, that program shall also--

"(i)(I) have a verified completion rate of at least 70 percent, as determined in accordance with the regulations of the Secretary;

"(II) have a verified placement rate of at least 70 percent, as determined in accordance with the regulations of the Secretary; and

"(III) satisfy such further criteria as the Secretary may prescribe by regulation; or

"(ii) have, for students that enrolled in the program, a verified placement rate of at least 70 percent in the recognized occupation for which its students are trained, or in a related, comparable, recognized occupation, as determined in accordance with the regulations of the Secretary.

"(B) The requirements of subparagraph (A) shall be phased in as follows:

"(i) in the case of a program that meets the definition of an eligible program as in effect on the day before the date of enactment of this provision--

"(I) the program shall be deemed to satisfy the requirements of subparagraph (A) through the first complete award year after the date of enactment of this provision;

"(II) after the first complete award year, the program shall be required to satisfy the requirements of subparagraph (A)(i)(I) in order to be deemed to satisfy the requirements of subparagraph (A) for the succeeding award year; and

"(III) after the second complete award year, the program shall be required, for each succeeding award year, to satisfy the requirements of subparagraph (A) in order to be considered an eligible program;

and

"(ii) in the case of a program that does not meet the definition of an eligible program as in effect on the day before the date of enactment of this provision--

"(I) the program shall be deemed to satisfy the requirements of subparagraph (A) for the award year in which the program is awarded initial eligibility and the succeeding award year;

"(II) after the period described in subclause (I), the program shall be required to satisfy the requirements of subparagraph (A)(i)(I) in order to be deemed to satisfy the requirements of subparagraph (A) for the next succeeding award year; and

"(III) after the period described in subclause (II), the program shall be required, for each succeeding award year, to satisfy the requirements of subparagraph (A) in order to be considered an eligible program;

"(b) The term 'State' means a State, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, the government of the Northern Mariana Islands, the government of the Federated States of Micronesia, and the government of the Republic of Palau and the government of the Marshall Islands.

"(c) The term 'nonprofit' as applied to a school, agency, organization, or institution means a school, agency, organization, or institution owned and operated by one or more nonprofit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(d) The term 'secondary school' has the same meaning given that term under section 14101(25) of the Elementary and Secondary Education Act of 1965.

"(e) The term 'Secretary' means the Secretary of Education.

"(f) The term 'local educational agency' has the same meaning given that term under section 14101(18) of the Elementary and Secondary Education Act of 1965.

" (g) The term 'State educational agency' has the same meaning given that term under section 14101(28) of the Elementary and Secondary Education Act of 1965.

"(h) The term 'State higher education agency' means the officer or agency primarily responsible for the State supervision of higher education.

"(i) The term 'elementary school' has the same meaning given that term under section 14101(14) of the Elementary and Secondary Education Act of 1965.

"(j) The term 'combination of institutions of higher education' means a group of institutions of higher education that have entered into a cooperative arrangement for the purpose of carrying out a common objective, or a public or private nonprofit agency, organization, or institution designated or created by a group of institutions of higher education for the purpose of carrying out a common objective on their behalf.

"(k) The term 'gifted and talented' has the same meaning given that term under section 14101(16) of the Elementary and Secondary Education Act of 1965.

"(l) The term 'school or department of divinity' means an institution, or a department or branch of an institution, the program of instruction of which is designed for the education of students (A) to prepare them to become ministers of religion or to enter upon some other religious vocation (or to provide continuing training for any such vocation), or (B) to prepare them to teach theological subjects.

"(m) The term 'Department' means the Department of Education.

"(n) The term 'disability' has the same meaning given that term under section 3(2) of the Americans With Disabilities Act of 1990 (42 U.S.C. 12102(2)).

"(o) The term 'special education teacher' means a teacher who teaches children with disabilities as defined in the Individuals With Disabilities Education Act (20 U.S.C. 1400 et seq.).

"(p) The term 'service-learning' has the same meaning given that term under section 101(23) of the National and Community Service Act of 1990 (42 U.S.C. 12511(23)).

"SUBPART 2 -- ACCREDITING AGENCY APPROVAL

"APPROVAL OF ACCREDITING AGENCY OR ASSOCIATION

"SEC. 111. (a) STANDARDS REQUIRED.--No accrediting agency or association may be determined by the Secretary to be a reliable authority as to the quality of education or training offered for the purposes of this Act or for other Federal purposes, unless the agency or association meets standards established by the Secretary pursuant to this section. The Secretary shall, after notice and opportunity for a hearing, establish standards for such determinations. Such standards shall include an appropriate measure or measures of student achievement. Such standards shall require that--

"(1) the accrediting agency or association be a State, regional, or national agency or association and demonstrate the ability and the experience to operate as an accrediting agency or association within the State, region, or Nation, as appropriate;

"(2) the agency or association--

"(A)(i) for the purpose of participation in programs under this Act, has a voluntary membership of institutions of higher education and has as a principal purpose the accrediting of institutions of higher education; or

"(ii) for the purpose of participation in other programs administered by the Department of Education or other Federal agencies, has a voluntary membership and has as its principal purpose the accrediting of institutions of higher education or programs;

"(B) is a State agency approved by the Secretary for the purpose described in subparagraph (A); or

"(C) is an agency or association that, for the purpose of determining eligibility for student assistance under title IV, conducts accreditation through--

"(i) a voluntary membership organization of individuals participating in a profession; or

"(ii) an agency or association that has as its principal purpose the accreditation of programs within institutions that are accredited by another agency or association recognized by the Secretary;

"(3) if such agency or association is an agency or association described in--

"(A) paragraph (2)(A)(i), then such agency or association is separate and independent, both administratively and financially of any related, associated, or affiliated trade association or membership organization;

"(B) paragraph (2)(B), then such agency or association has been recognized by the Secretary on or before October 1, 1991; or

"(C) paragraph (2)(C), and such agency or association has been recognized by the Secretary on or before October 1, 1991, then such agency or association is separate and independent, both administratively and financially of any related, associated, or affiliated trade association or membership organization, but the Secretary may waive this requirement upon a demonstration that the existing relationship has not served to compromise the independence of its accreditation process;

"(4) such agency or association consistently applies and enforces standards that ensure that the courses or programs of instruction, training, or study at the institution of higher education are of sufficient quality to achieve, for the duration of the accreditation period, the stated objective for which the courses or the programs are offered;

"(5) the standards of accreditation of the agency or association assess the institution's--

"(A) curricula;

"(B) faculty;

"(C) facilities, equipment, and supplies;

"(D) fiscal and administrative capacity as appropriate to the specified scale of operations;

"(E) student support services;

"(F) recruiting and admissions practices, academic calendars, catalogs, publications, grading and advertising;

"(G) program length and tuition and fees in relation to the subject matters taught and the objectives of the degrees or credentials offered;

"(H) measures of program length in clock hours or credit hours;

"(I) success with respect to student achievement in relation to its mission, including, as appropriate, consideration of course completion, State licensing examination, and job placement rates;

"(J) default rates in the student loan programs under title IV of this Act, based on the most recent data provided by the Secretary;

"(K) record of student complaints received by, or available to, the agency or association;

"(L) compliance with its program responsibilities under title IV of this Act, including any results of financial or compliance audits, program reviews, and such other information as the Secretary may provide to the agency or association;

"(M) distance learning program or courses (if any are offered by the institution), including the institution's criteria for the selection of students, its provisions for monitoring student progress, the academic and student support services available to students, and its measures of educational outcomes; and

"(N) refund policy;

"except that subparagraphs (G), (H), (I), (J), (L), (M), and (N) shall not apply to agencies or associations described in paragraph (2)(A)(ii);

"(6) such agency or association shall apply procedures throughout the accrediting process, including evaluation and withdrawal proceedings, that comply with due process, including--

"(A) adequate specification of requirements and deficiencies at the institution of higher education or program being examined;

"(B) notice of an opportunity for a hearing by any such institution;

"(C) the right to appeal any adverse action against any such institution; and

"(D) the right to representation by counsel for any such institution;

"(7) such agency or association shall notify the Secretary, and the appropriate

State entity that licenses or authorizes the institution, within 30 days of the accreditation of an institution or any final denial, withdrawal, suspension, or termination of accreditation or placement on probation of an institution, together with any other adverse action taken with respect to an institution;

"(8) such agency or association shall make available to the public, upon request, and to the Secretary and the State in which the institution of higher education is located a summary of any review resulting in a final accrediting decision involving denial, termination, or suspension of accreditation, together with the comments of the affected institution; and

"(9) such agency or association shall have in effect a fair and equitable refund policy establishing the minimum terms and conditions under which an institution of higher education accredited by the agency or association shall return unearned tuition, fees, room and board, and other charges to a student, if the student withdraws from, or otherwise fails to complete, the period of enrollment for which such charges were assessed.

"(b) SEPARATE AND INDEPENDENT DEFINED.--For the purpose of subsection (a)(3), the term 'separate and independent' means that--

"(1) the members of the postsecondary education governing body of the accrediting agency or association are not elected or selected by the board or chief executive officer of any related, associated, or affiliated trade association or membership organization;

"(2) among the membership of the board of the accrediting agency or association there shall be one public member (who is not a member of any related trade or membership organization) for each six members of the board, with a minimum of one such public member, and guidelines are established for such members to avoid conflicts of interest;

"(3) dues to the accrediting agency or association are paid separately from any dues paid to any related, associated, or affiliated trade association or membership organization; and

"(4) the budget of the accrediting agency or association is developed and determined by the accrediting agency or association without review or resort to consultation with any other entity or organization.

"(c) OPERATING PROCEDURES REQUIRED.--No accrediting agency or association may be approved by the Secretary as a reliable authority as to the quality of education or training offered by an institution seeking to participate in the programs authorized under this title, unless the agency or association--

"(1)(A) performs, at regularly established intervals, on-site inspections and reviews of institutions of higher education, with particular focus on educational quality and program effectiveness, and ensures that accreditation team members are well-trained and knowledgeable with respect to their responsibilities; and

"(B) if at least 10 percent of the institutions accredited by the agency or association have a cohort default rate for the most recent year of 20 percent or more, performs at least one unannounced on-site inspection or review, during the interval between the agency's grant of accreditation or preaccreditation to the institution or program and the expiration of the accreditation or preaccreditation period, at each institution that is accredited by the agency or association and offers vocational education;

"(2) requires that any institution of higher education subject to its jurisdiction that plans to establish a branch campus submit a business plan, including projected revenues and expenditures, prior to opening the branch campus;

"(3) agrees to conduct, as soon as practicable, but within a period of not more than 6 months of the establishment of a new branch campus or a change of ownership of an institution of higher education, an on-site visit of that branch campus or of the institution after a change of ownership;

"(4) requires that teach-out agreements among institutions are subject to approval by the accrediting agency or association, consistent with standards promulgated by such agency or association;

"(5) maintains, and makes publicly available, written materials regarding standards and procedures for accreditation, appeal procedures, and the accreditation status of each institution subject to its jurisdiction; and

"(6) discloses publicly whenever an institution of higher education subject to its jurisdiction is being considered for accreditation or reaccreditation.

"(d) LENGTH OF APPROVAL.--No accrediting agency or association may be approved by the Secretary for the purpose of this Act for a period of more than 5 years.

"(e) INITIAL ARBITRATION RULE.--The Secretary may not recognize the accreditation of any institution of higher education unless the institution of higher education agrees to submit any dispute involving the final denial, withdrawal, or termination of accreditation to initial arbitration prior to any other legal action.

"(f) JURISDICTION.--Notwithstanding any other provision of law, any civil action brought by an institution of higher education seeking accreditation from, or accredited by, an accrediting agency or association approved by the Secretary for the purpose of this title and involving the denial, withdrawal, or termination of accreditation of the institution of higher education, shall be brought in the appropriate United States district court.

"(g) LIMITATION ON SCOPE OF STANDARDS.--Nothing in this Act shall be construed to permit the Secretary to establish standards for accrediting agencies or associations that are not required by this section. Nothing in this Act shall be construed to prohibit or limit any accrediting agency or association from adopting additional standards not provided for in this section.

"(h) CHANGE OF ACCREDITING AGENCY.--The Secretary shall not recognize the accreditation of any otherwise eligible institution of higher education if the institution of higher education is in the process of changing its accrediting agency or association, unless the eligible institution submits to the Secretary all materials relating to the prior accreditation, and the Secretary determines, based upon the materials submitted by the institution, that the institution had reasonable cause for changing the accrediting agency or association.

"(i) DUAL ACCREDITATION RULE.--The Secretary shall not recognize the accreditation of any otherwise eligible institution of higher education if the institution of higher education is accredited, as an institution, by more than one accrediting agency or association, unless the institution submits to each such agency and association and to the Secretary the reasons for accreditation by more than one such agency or association and demonstrates to the Secretary reasonable cause for its accreditation by more than one agency or association. If the institution is accredited, as an institution, by more than one accrediting agency or association, the institution shall designate which agency's accreditation shall be utilized in determining the institution's eligibility for programs under this Act.

"(j) IMPACT OF LOSS OF ACCREDITATION.--An institution may not be certified or recertified under subpart 3 for purposes of title IV, or participate in any of the other programs authorized by this Act, if such institution--

"(1) is not currently accredited by any agency or association recognized by the Secretary;

"(2) has had its accreditation withdrawn, revoked, or otherwise terminated for cause during the preceding 24 months, unless such withdrawal, revocation, or termination has been rescinded by the same accrediting agency; or

'(3) has withdrawn from accreditation voluntarily under a show cause or suspension order during the preceding 24 months, unless such order has been rescinded by the same accrediting agency.

"(k) RELIGIOUS INSTITUTION RULE.--Notwithstanding subsection (j), the Secretary shall allow an institution that has had its accreditation withdrawn, revoked, or otherwise terminated, or has voluntarily withdrawn from an accreditation agency, to remain certified as an institution of higher education under subpart 3 for a period sufficient to allow such institution to obtain alternative accreditation, if the Secretary determines that the reason for the withdrawal, revocation, or termination--

"(1) is related to the religious mission or affiliation of the institution; and

"(2) is not related to the accreditation standards provided for in this section.

"(l) LIMITATION, SUSPENSION, OR TERMINATION OF APPROVAL. (1) The Secretary shall limit, suspend, or terminate the approval of an accrediting agency or association if the Secretary determines, after notice and opportunity for a hearing, that the accrediting agency or association has failed to apply effectively the standards, or operate according to the procedures, provided in this section.

"(2) The Secretary may determine that an accrediting agency or association has failed to apply effectively the standards provided in this section if an institution of higher education seeks and receives accreditation from the accrediting agency or association during any period in which the institution is the subject of any interim action by another accrediting agency or association, described in subsection (a)(2)(A)(i), (2)(B), or (2)(C), leading to the suspension, revocation, or termination of accreditation, or the institution has been notified of the threatened loss of accreditation, and the due process procedures required by such suspension, revocation, termination, or threatened loss have not been completed.

"(m) LIMITATION ON THE SECRETARY'S AUTHORITY.--The Secretary may recognize only accrediting agencies or associations that--

"(1) accredit institutions of higher education for the purpose of enabling such institutions to establish eligibility to participate in the programs under this Act; or

"(2) accredit institutions of higher education or higher education programs for the purpose of enabling them to establish eligibility to participate in other programs administered by the Department of Education or other Federal agencies.

"(n) INDEPENDENT EVALUATION.--(1) The Secretary shall conduct a comprehensive review and evaluation of the performance of all accrediting agencies or associations that seek recognition by the Secretary in order to determine whether such accrediting agencies or associations meet the standards established by this section. The Secretary shall conduct an independent evaluation of the information provided by such agency or association.

Such evaluation shall include--

"(A) the solicitation of third-party information concerning the performance of the accrediting agency or association; and

"(B) site visits, including unannounced site visits as appropriate, at accrediting agencies and associations, and, at the Secretary's discretion, at representative member institutions.

"(2) The Secretary shall place a priority for review of accrediting agencies or associations on those agencies or associations that accredit institutions of higher education that participate most extensively in the programs authorized by this title and on those agencies or associations that have been the subject of the most complaints or legal actions.

"(3) The Secretary shall consider all available relevant information concerning the compliance of the accrediting agency or association with the standards provided for in this section, including any complaints or legal actions against such agency or association. In cases where deficiencies in the performance of an accreditation agency or association with respect to the requirements of this section are noted, the Secretary shall take these deficiencies into account in the approval process. The Secretary shall not, under any circumstances, base decisions on the approval or disapproval of accreditation agencies or associations on standards other than those contained in this section.

"(4) The Secretary shall maintain sufficient documentation to support the conclusions reached in the approval process, and, upon disapproval of any accreditation agency or association, shall make publicly available the reason for such disapproval, including reference to the specific standards under this section that have not been fulfilled.

"(o) <u>REGULATIONS</u>.--The Secretary shall by regulation provide procedures for the recognition of accrediting agencies or associations and for the appeal of the Secretary's decisions.

"SUBPART 3--ELIGIBILITY AND CERTIFICATION PROCEDURES

"ELIGIBILITY AND CERTIFICATION PROCEDURES

"SEC. 121. (a) GENERAL REQUIREMENT.--For purposes of qualifying institutions of higher education for participation in programs under title IV, the Secretary shall determine the legal authority to operate within a State, the accreditation status, and the administrative capability and financial responsibility of an institution of higher education in accordance with the requirements of this section.

"(b) SINGLE APPLICATION FORM.--The Secretary shall prepare and prescribe a single application form that--

"(1) requires sufficient information and documentation to determine that the requirements of eligibility, accreditation, and capability of the institution of higher education are met;

"(2) requires a specific description of the relationship between a main campus of an institution of higher education and all of its branches, including a description of the student aid processing that is performed by the main campus and that which is performed at its branches;

"(3) requires--

"(A) a description of third party servicers of an institution of higher education; and

"(B) the institution to maintain a copy of any contract with the institution of higher education and a financial aid service provider or loan servicer, and provide a copy of any such contract to the Secretary upon request; and

"(4) requires such other information as the Secretary determines will ensure compliance with the requirements of this title with respect to eligibility, accreditation, administrative capability and financial responsibility.

"(c) FINANCIAL RESPONSIBILITY STANDARDS.--(1) The Secretary shall determine whether an institution has the financial responsibility required by this subpart on the basis of whether the institution is able--

"(A) to provide the services described in its official publications and statements;

"(B) to provide the administrative resources necessary to comply with the requirements of this title; and

"(C) to meet all of its financial obligations, including (but not limited to) refunds of institutional charges and repayments to the Secretary for liabilities and debts incurred in programs administered by the Secretary.

"(2) Notwithstanding paragraph (1), if an institution fails to meet criteria prescribed by the Secretary with respect to operating losses, net worth, asset-to-liabilities ratios, or operating fund deficits, the institution shall provide the Secretary with satisfactory evidence of its financial responsibility in accordance with paragraph (3). Such criteria shall take into account any differences in generally accepted accounting principles, and the financial statements required thereunder, that are applicable to for-profit and nonprofit institutions. The Secretary shall take into account an institution's total financial circumstances in making a determination of its ability to meet the standards herein required.

"(3) The Secretary shall determine an institution that is currently eligible to participate in the programs under title IV to be financially responsible, notwithstanding the institution's failure to meet the criteria under paragraphs (1) and (2), if--

"(A) such institution submits to the Secretary third-party financial guarantees, such as letters of credit payable to the Secretary, that shall equal not less than one-half of the annual potential liabilities of such institution to--

"(i) the Secretary for funds under title IV, including loan obligations discharged pursuant to section 437; and

"(ii) students for refunds of institutional charges, including funds under title IV;

"(B) such institution has its liabilities backed by the full faith and credit of a State, or its equivalent;

"(C) such institution establishes to the satisfaction of the Secretary, with the support of a financial statement audited by an independent certified public accountant in accordance with generally accepted auditing standards, that the institution has sufficient resources to ensure against the precipitous closure of the institution, including the ability to meet all of its financial obligations (including refunds of institutional charges and repayments to the Secretary for liabilities and debts incurred in programs administered by the Secretary); or

"(D) such institution has met standards of financial responsibility, prescribed by the Secretary by regulation, that indicate a level of financial strength not less than those required in paragraph (2).

"(4) If an institution of higher education that provides a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree fails to meet the ratio of current assets to current liabilities imposed by the Secretary pursuant to paragraph (2), the Secretary shall waive that particular requirement for that institution if the institution demonstrates to the satisfaction of the Secretary that--

"(A) there is no reasonable doubt as to its continued solvency and ability to deliver quality educational services;

"(B) it is current in its payment of all current liabilities, including student refunds, repayments to the Secretary, payroll, and payment of trade creditors and withholding taxes; and

"(C) it has substantial equity in school-occupied facilities, the acquisition of which was the direct cause of its failure to meet the current operating ratio requirement.

"(5) The determination as to whether an institution has met the standards of financial responsibility provided for in paragraphs (2) and (3)(C) shall be based on an audited and certified financial statement of the institution. Such audit shall be conducted by a qualified independent organization or person in accordance with standards established by the American Institute of Certified Public Accountants. Such statement shall be submitted to the Secretary at the time such institution is considered for certification or recertification under this section. If the institution is permitted to be certified (provisionally or otherwise) and such audit does not establish compliance with paragraph (2), the Secretary may require that additional audits be submitted.

"(6)(A) The Secretary shall establish requirements for the maintenance by an institution of higher education of sufficient cash reserves to ensure repayment of any required refunds.

"(B) The Secretary shall provide for a process under which the Secretary shall exempt an institution of higher education from the requirements described in subparagraph (A) if the Secretary determines that the institution--

"(i) is located in a State that has a tuition recovery fund that ensures that the institution meets the requirements of subparagraph (A);

"(ii) contributes to the fund; and

"(iii) otherwise has legal authority to operate within the State.

"(d) ADMINISTRATIVE CAPACITY STANDARD.--The Secretary is authorized--

"(1) to establish procedures and requirements relating to the administrative capacities of institutions of higher education, including--

"(A) consideration of past performance of institutions, or persons in control of such institutions, with respect to student aid programs; and

"(B) maintenance of records;

"(2) to establish such other reasonable procedures as the Secretary determines will contribute to ensuring that the institution of higher education will comply with administrative capability required by this subpart.

"(e) FINANCIAL GUARANTEES FROM OWNERS.--(1) Notwithstanding any other provision of law, the Secretary may, to the extent necessary to protect the financial interest of the United States, require--

"(A) financial guarantees from an institution participating, or seeking to participate, in a program under title IV, or from one or more individuals who the Secretary determines, in accordance with paragraph (2), exercise substantial control over such institution, or both, in an amount determined by the Secretary to be sufficient to satisfy the institution's potential liability to the Federal Government, student assistance recipients, and other program participants for funds under title IV; and

"(B) the assumption of personal liability, by one or more individuals who exercise substantial control over such institution, as determined by the Secretary in accordance with paragraph (2), for financial losses to the Federal Government, student assistance recipients, and other program participants for funds under title IV, and civil and criminal monetary penalties authorized under title IV.

"(2)(A) The Secretary may determine that an individual exercises substantial control over one or more institutions participating in a program under title IV if the Secretary determines that-

"(i) the individual directly or indirectly controls a substantial ownership interest in the institution;

"(ii) the individual, either alone or together with other individuals, represents, under a voting trust, power of attorney, proxy, or similar agreement, one or more persons who have, individually or in combination with the other persons represented or the individual representing them, a substantial ownership interest in the institution; or

"(iii) the individual is a member of the board of directors, the chief executive officer, or other executive officer of the institution or of an entity that holds a substantial ownership interest in the institution.

"(B) The Secretary may determine that an entity exercises substantial control over one or more institutions participating in a program under title IV if the Secretary determines that the entity directly or indirectly holds a substantial ownership interest in the institution.

"(3) For purposes of this subsection, an ownership interest is defined as a share of the legal or beneficial ownership or control of, or a right to share in the proceeds of the operation of, an institution or institution's parent corporation. An ownership interest may include, but is not limited to--

"(A) a sole proprietorship;

"(B) an interest as a tenant-in-common, joint tenant, or tenant by the entireties;

"(C) a partnership; or

"(D) an interest in a trust.

"(4) The Secretary shall not impose the requirements described in subparagraphs (A) and (B) of paragraph (1) on an institution that--

"(A) has not been subjected to a limitation, suspension, or termination action by the Secretary or a guaranty agency within the preceding 5 years;

"(B) has not had, during its 2 most recent audits of the institution's conduct of programs under title IV, an audit finding that resulted in the institution being required to repay an amount greater than 5 percent of the funds the institution received from programs under title IV for any year;

"(C) meets and has met, for the preceding 5 years, the financial responsibility standards under subsection (c); and

"(D) has not been cited during the preceding 5 years for failure to submit audits required under this subpart or under title IV in a timely fashion.

"(5) For purposes of section 487(c)(1)(I), this section shall also apply to individuals or organizations that contract with an institution to administer any aspect of an institution's student assistance program under title IV.

"(f) ACTIONS ON APPLICATIONS; SITE VISITS.--The Secretary shall ensure that prompt action is taken by the Department on any application required under subsection (b). The Secretary may establish priorities by which institutions are to receive site visits, if any, and may coordinate such visits with site visits by States, guaranty agencies, and accrediting bodies in order to eliminate duplication, and reduce administrative burden.

"(g) TIME LIMITATIONS ON, AND RENEWAL OF, ELIGIBILITY.--(1) The eligibility for the purposes of any program authorized under title IV of any institution that is participating in any such program on the date of enactment of the Higher Education Amendments of 1992 **[still needed? what about a reference to time limits for institutions that began participating after that date?]** shall expire in accordance with the schedule prescribed by the Secretary in accordance with paragraph (2), but, except as provided in paragraph (4), not later than 5 years after such date of enactment.

"(2) Except as provided in paragraph (4), the Secretary shall establish a schedule for the expiration of the eligibility for purposes of any such program of all institutions of higher education within the 5-year period specified in paragraph (1). Such schedule may place a priority for the expiration of the certification of institutions on particular institutions, or categories of institutions, as determined by the Secretary.

"(3) Except as provided in paragraph (4), after the expiration of the certification of any institution under the schedule prescribed in paragraph (2), or upon request for initial certification from an institution not previously certified, the Secretary may certify the eligibility for the purposes of any program authorized under title IV of each such institution for a period not to exceed 4 years.

"(4) The Secretary shall prescribe in regulation the recertification requirements applicable to an institution outside of the United States that meets the requirements of section 481(a)(1)(C) and received less than $500,000 in funds under part B of title IV for the most recent year.

"(h) PROVISIONAL CERTIFICATION OF INSTITUTIONAL ELIGIBILITY.--(1) Notwithstanding subsections (d) and (g), the Secretary may provisionally certify an institution's eligibility to participate in programs under title IV--

"(A) for not more than one complete award year in the case of an institution of higher education seeking an initial certification; and

"(B) for not more than 3 complete award years if--

"(i) the institution's administrative capability and financial responsibility are being determined for the first time;

"(ii) there is a complete or partial change of ownership, as defined under subsection (i), of an eligible institution; or

"(iii) the Secretary determines that an institution that seeks to renew its certification is, in the judgment of the Secretary, in an administrative or financial condition that may jeopardize its ability to perform its responsibilities under a program

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE GENERAL COUNSEL

Division of Legislative Counsel
(Telephone # - 401-8313)

Telefax Transmittal Sheet
(Telefax # - 401-5391)

TO: CONNIE BOWERS OMB/LRD

FROM: LORI TEMPLEMAN

DATE/TIME: 10/6/97 10^45 am

PAGES SENT (including transmittal) Sent in two parts

II

COMMENTS: Hard copy of title I bill + section by section + bill language on definitions in pt G of title IV.

title I bill language = 46 pages

title I sec. by sec = 7 pages

pt G title IV language = 3 pages

participation agreement.

"(2) Whenever the Secretary withdraws the approval of any accrediting agency, the Secretary may, notwithstanding the withdrawal, continue the eligibility of an institution of higher education that meets the requirements of accreditation, eligibility, and certification on the day prior to such withdrawal, to participate in the programs authorized by title IV for a period not to exceed 18 months from the date of the withdrawal of approval.

"(3) If, prior to the end of a period of provisional certification under this subsection, the Secretary determines that the institution is unable to meet its responsibilities under its program participation agreement, the Secretary may revoke the institution's further participation in programs under title IV.

"(i) TREATMENT OF CHANGES OF OWNERSHIP.--(1) An eligible institution of higher education that has had a change in ownership resulting in a change of control shall not qualify to participate in programs under title IV after the change in control (except as provided in paragraph (3)) unless it establishes that it meets the requirements of section 481 (other than the requirements in subsection (b)(1)(B)) and this section after such change in control.

"(2) An action resulting in a change in control may include (but is not limited to)--

"(A) the sale of the institution or the majority of its assets;

"(B) the transfer of the controlling interest of stock of the institution or its parent corporation;

"(C) the merger of two or more eligible institutions;

"(D) the division of one or more institutions into two or more institutions;

"(E) the transfer of the controlling interest of stock of the institutions to its parent corporation; or

"(F) the transfer of the liabilities of the institution to its parent corporation.

"(3) An action that may be treated as not resulting in a change in control includes (but is not limited to)--

"(A) the sale or transfer, upon the death of an owner of an institution, of the ownership interest of the deceased in that institution to a family member or to a person holding an ownership interest in that institution; or

"(B) another action determined by the Secretary to be a routine business practice.

"(j) TREATMENT OF BRANCHES.--(1) A branch of an eligible institution of higher education, as defined pursuant to regulations of the Secretary, shall be certified under this subpart before it may participate as part of such institution in a program under title IV, except that such branch shall not be required to meet the requirements of section 481(b)(1)(B) prior to seeking such certification. Such branch is required to be in existence at least 2 years after it has been certified by the Secretary as a branch campus participating in a program under title IV, prior to seeking certification as a main campus or free-standing institution.

"(2) The Secretary may waive the requirement of section 101(a)(1)(B)for a branch that--

"(A) is not located in a State;

"(B) is affiliated with an eligible institution; and

"(C) was participating in one or more programs under title IV on or before January 1, 1992.

"PROGRAM REVIEW; DATA

"SEC. 122. (a) GENERAL AUTHORITY.--In order to strengthen the administrative capability and financial responsibility provisions applicable to title IV, the Secretary--

"(1) shall provide for the conduct of program reviews on a systematic basis designed to include all institutions of higher education participating in programs authorized by title IV;

"(2) may give priority for program review to institutions of higher education that are--

"(A) institutions with a cohort default rate for loans under part B of title IV in excess of 25 percent, or that places such institutions in the highest 25 percent of such institutions;

"(B) institutions with a default rate in dollar volume for loans under part B of title IV that places the institutions in the highest 25 percent of such institutions;

"(C) institutions with a significant fluctuation in Federal Stafford Loan volume or Federal Pell Grant awards, or both, in the year for which the determination is made compared to the year prior to such year;

"(D) institutions reported to have deficiencies or financial aid problems by the State in which it is located, or by the appropriate accrediting agency or association;

"(E) institutions with high annual dropout rates; and

"(F) such other institutions as the Secretary deems necessary; and

"(3) shall establish and operate a central data base of information on institutional accreditation, eligibility, and certification that includes--

"(A) all information available to the Department;

"(B) all relevant information made available by the Secretary of Veterans Affairs;

"(C) all relevant information from accrediting agencies or associations;

"(D) all relevant information available from a guaranty agency; and

"(E) all relevant information available from States.

"(b) SPECIAL ADMINISTRATIVE RULES.--(1) In carrying out subsections (a)(1) and (2), the Secretary shall establish guidelines designed to ensure uniformity of practice in the conduct of program reviews of institutions of higher education.

"(2) The Secretary shall review the regulations of the Department and the application of such regulations to ensure the uniformity of interpretation and application of the regulations.

"(c) AVAILABILITY OF INFORMATION.-The Secretary may make the information obtained under subsection (A)(3) readily available to all institutions of higher education, guaranty agencies, States, and other organizations participating in the programs authorized by title IV.

"(d) TRAINING.--The Secretary may provide training to personnel of the Department, including criminal investigative training, designed to improve the quality of financial and compliance audits and program reviews conducted under title IV.

"(e) SPECIAL RULE.--The provisions of section 103(b) of the Department of Education Organization Act shall not apply to Secretarial determinations made regarding the appropriate length of instruction for programs measured in clock hours.

"PART B -- GENERAL PROVISIONS

"ANTIDISCRIMINATION REQUIREMENTS
FOR INSTITUTIONS OF HIGHER EDUCATION
RECEIVING FEDERAL ASSISTANCE

"SEC. 131. (a) IN GENERAL.--Institutions of higher education receiving Federal financial assistance may not use such financial assistance, directly or indirectly, to undertake any study or project, or fulfill the terms of any contract, containing an express or implied provision that any person or persons of a particular race, religion, sex, or national origin be barred from performing such study, project, or contract, except that no institution shall be barred from conducting objective studies or projects concerning the nature, effects, or prevention of discrimination, or have its curriculum restricted on the subject of discrimination against any such person.

"(b) LIMITATIONS ON STATUTORY CONSTRUCTION.--Nothing in this Act shall be construed to limit the rights or responsibilities of any individual under the Americans With Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), the Rehabilitation Act of 1973 (29 U.S.C. 701 et seq.), or any other law.

"FEDERAL CONTROL OVER EDUCATION PROHIBITED

"SEC. 132. Nothing contained in this Act, or any other Act, shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the membership practices or internal operations of any fraternal organization, fraternity, sorority, private club or religious organization at an institution of higher education (other than a service academy or the Coast Guard Academy) that is financed exclusively by funds derived from private sources and whose facilities are not owned by such institution.

"TREATMENT OF TERRITORIES
AND TERRITORIAL STUDENT ASSISTANCE

"SEC. 133. (a) The Secretary is required to waive the eligibility criteria of any postsecondary education program administered by the Department where such criteria do not take into account the unique circumstances in Guam, the Virgin Islands, American Samoa, Palau, the Commonwealth of the Northern Mariana Islands, and the freely associated states.

"(b) Notwithstanding any other provision of law, an institution of higher education that is located in any of the freely associated states, rather than a State, shall be eligible, if otherwise qualified, for assistance under chapter 1 of subpart 2 of part A of title IV of this Act.

"NATIONAL ADVISORY COMMITTEE
ON INSTITUTIONAL QUALITY AND INTEGRITY

"SEC. 134. (a) ESTABLISHMENT.--There is established in the Department a National Advisory Committee on Institutional Quality and Integrity (hereinafter in this section referred to as the "Committee"), which shall be composed of 15 members appointed by the Secretary from among individuals who are representatives of, or knowledgeable concerning, education and training beyond secondary education, including representatives of all sectors and types of institutions of higher education (as defined in section 481(a)), to assess the process of eligibility and certification of such institutions under subpart 3 of part A, and the provision of financial aid under title IV.

"(b) TERMS OF MEMBERS.--Terms of office of each member of the Committee shall be 3 years, except that any member appointed to fill in a vacancy occurring prior to the expiration of the term for which the member's predecessor was appointed shall be appointed for the remainder of such term.

"(c) FUNCTIONS.--The Committee shall--

"(1) advise the Secretary with respect to establishment and enforcement of the standards of accrediting agencies or associations under subpart 2 of part A;

"(2) advise the Secretary with respect to the recognition of a specific accrediting agency or association;

"(3) advise the Secretary with respect to the preparation and publication of the list of nationally recognized accrediting agencies and associations;

"(4) develop and recommend to the Secretary standards and criteria for specific categories of vocational training institutions and institutions of higher education for which there are no recognized accrediting agencies, associations, or State agencies, in order to establish the eligibility of such institutions on an interim basis for participation in federally funded programs;

"(5) advise the Secretary with respect to the eligibility and certification process for institutions of higher education under subpart 3 of part A, together with recommendations for improvements in such process;

"(6) advise the Secretary with respect to the relationship between--

"(A) accreditation of institutions of higher education and the certification and eligibility of such institutions; and

"(B) State licensing responsibilities with respect to such institutions; and

"(7) carry out such other advisory functions relating to accreditation and institutional eligibility as the Secretary may prescribe.

"(d) MEETING PROCEDURES.--The Committee shall meet not less than twice each year at the call of the Chairperson. The date of, and agenda for, each meeting of the Committee shall be submitted in advance to the Secretary for approval. A representative of the Secretary shall be present at all meetings of the Committee.

"(e) REPORT.--The Committee shall, not later than November 30 of each year, make an annual report through the Secretary to the Congress. The annual report shall contain--

"(1) a list of the members of the Committee and their addresses;

"(2) a list of the functions of the Committee;

'(3) a list of dates and places of each meeting during the preceding fiscal year; and

'(4) a summary of the activities, findings and recommendations made by the Committee during the preceding fiscal year.

"(f) TERMINATION.--The National Advisory Committee on Institutional Quality and Integrity shall continue to exist until September 30, 2003.

"STUDENT REPRESENTATION

"SEC. 135. The Secretary shall, in appointing individuals to any commission, committee, board, panel, or other body in connection with the administration of this Act, include individuals who are, at the time of appointment, attending an institution of higher education.

"FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS

"SEC. 136. Nothing in this Act, or any other Federal law, shall be construed to prohibit any institution of higher education from requiring a student who is a foreign national (and not admitted to permanent residence in the United States) to guarantee the future payment of tuition and fees to such institution by--

"(1) making advance payment of such tuition and fees;

"(2) making deposits in an escrow account administered by such institution for such payments; or

"(3) obtaining a bond or other insurance that such payments will be made.

"DISCLOSURES OF FOREIGN GIFTS

"SEC. 137. (a) DISCLOSURE REPORT.--Whenever any institution is owned or controlled by a foreign source, or receives a gift from, or enters into a contract with, a foreign source. the value of which is $250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.

"(b) CONTENTS OF REPORT.--Each report to the Secretary required by this section shall contain:

"(1) For gifts received from or contracts entered into with a foreign source other than a foreign government, the aggregate dollar amount of such gifts and contracts attributable to a particular country. The country to which a gift is attributable is the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the aggregate amount of such gifts and contracts received from each foreign government.

"(3) In the case of an institution which is owned or controlled by a foreign source, the identity of the foreign source, the date on which the foreign source assumed ownership or control, and any changes in program or structure resulting from the change in ownership or control.

"(c) ADDITIONAL DISCLOSURES FOR RESTRICTED AND CONDITIONAL GIFTS.-- Notwithstanding subsection (b), whenever any institution receives a restricted or conditional gift or contract from a foreign source, the institution shall disclose:

"(1) For such gifts received from or contracts entered into with a foreign source other than a foreign government, the amount, the date, and a description of such conditions or restrictions. The report shall also disclose the country of citizenship, or if unknown, the principal residence for a foreign source which is a natural person, and the country of incorporation, or if unknown, the principal place of business for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the amount, the date, a description of such conditions or restrictions, and the name of the foreign government.

"(d) RELATION TO OTHER REPORTING REQUIREMENTS.--(1) STATE

REQUIREMENTS.--If an institution described under subsection (a) is within a State that has enacted requirements for public disclosure of gifts from, or contracts with, a foreign source that are substantially similar to the requirements of this section, a copy of the disclosure report filed with the State may be filed with the Secretary in lieu of a report required under subsection (a). The State in which the institution is located shall provide to the Secretary such assurances as the Secretary may require to establish that the institution has met the requirements for public disclosure under State law if the State report is filed.

"(2) USE OF OTHER FEDERAL REPORTS.--If an institution receives a gift from, or enters into a contract with, a foreign source, where any other department, agency, or bureau of the Executive Branch requires a report containing requirements substantially similar to those required under this section, a copy of this report may be filed with the Secretary in lieu of a report required under subsection (a).

"(e) PUBLIC INSPECTION.--All disclosure reports required by this section shall be public records open to inspection and copying during business hours.

"(f) ENFORCEMENT.--(1) COURT ORDERS.--Whenever it appears that an institution has failed to comply with the requirements of this section, including any rule or regulation promulgated thereunder, a civil action may be brought in an appropriate district court of the United States, or the appropriate United States court of any territory or other place subject to the jurisdiction of the United States, to request such court to compel compliance with the requirements of this section.

"(2) COSTS.--For knowing or willful failure to comply with the requirements of this section, including any rule or regulation promulgated thereunder, an institution shall pay to the Treasury of the United States the full costs to the United States of obtaining compliance, including all associated costs of investigation and enforcement.

"(g) REGULATIONS.--The Secretary may promulgate regulations to carry out the ministerial duties imposed on the Secretary by this section.

"(h) DEFINITIONS.--For the purpose of this section--

"(1) the term 'contract' means any agreement for the acquisition by purchase, lease, or barter of property or services by the foreign source, for the direct benefit or use of either of the parties;

"(2) the term 'foreign source' means--

"(A) a foreign government, including an agency of a foreign government;

"(B) a legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

"(C) an individual who is not a citizen or a national of the United States or a trust territory or protectorate thereof; or

"(D) an agent, including a subsidiary or affiliate of a foreign legal entity, acting on behalf of a foreign source;

"(3) the term 'gift' means any gift of money or property;

"(4) the term 'institution' means any institution, public or private, or, if a multicampus institution, any single campus of such institution, in any State,--

"(A) that meets the requirements of section 101(a)(2), (3)(A) and (B), and (5); and

"(B) to which Federal financial assistance is extended (directly or indirectly through another entity or person), or that receives support from the extension of Federal financial assistance to any of its subunits; and

"(5) the term 'restricted or conditional gift or contract' means any endowment, gift, grant, contract, award, present, or property of any kind which includes provisions regarding–

"(A) the employment, assignment, or termination of faculty;

"(B) the establishment of departments, centers, research or lecture programs, or new faculty positions;

"(C) the selection or admission of students; or

"(D) the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.

"APPLICATION OF PEER REVIEW PROCESS

"SEC. 138. All applications submitted under this Act that require peer review shall be read by a panel of readers composed of individuals selected by the Secretary, which shall include outside readers who are not employees of the Federal Government. The Secretary shall ensure that no individual assigned under this section to review any application has any conflict of interest with regard to that application which might impair the impartiality with which that individual conducts the review under this section.

"DRUG AND ALCOHOL ABUSE POLICIES

"SEC. 139. (a) CERTIFICATION REQUIREMENTS.--Notwithstanding any other provision of law, no institution of higher education shall be eligible to receive funds or any other form of financial assistance under any Federal program, including participation in any federally funded or guaranteed student loan program, unless it certifies to the Secretary that it has adopted and has implemented a program to prevent the use of illicit drugs and the abuse of alcohol by students and employees that, at a minimum, includes--

"(1) the annual distribution to each student and employee of --

"(A) standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on its property or as part of any of its activities;

"(B) a description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol;

"(C) a description of the health risks associated with the use of illicit drugs and the abuse of alcohol;

"(D) a description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and

"(E) a clear statement that the institution will impose sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by subparagraph (A); and

"(2) a biennial review by the institution of its program to--

"(A) determine its effectiveness and implement changes to the program if they are needed; and

"(B) ensure that the sanctions required by paragraph (1)(E) are consistently enforced.

"(b) AVAILABILITY TO SECRETARY AND PUBLIC OF ANNUAL DISTRIBUTIONS AND BIENNIAL REVIEWS.--Each institution of higher education that provides the certification required by subsection (a) shall, upon request, make available to the Secretary and to the public a copy of each item required by subsection (a)(1) as well as the results of the biennial review required by subsection (a)(2).

"(c) REGULATIONS; SANCTIONS.--(1) The Secretary shall publish regulations to implement and enforce the provisions of this section, including regulations that provide for--

"(A) the periodic review of a representative sample of programs required by subsection (a); and

"(B) a range of responses and sanctions for institutions of higher education that fail to implement their programs or to consistently enforce their sanctions, including information and technical assistance, the development of a compliance agreement, and the termination of any form of Federal financial assistance.

"(2) The sanctions required by subsection (a)(1)(E) may include the completion of an appropriate rehabilitation program.

"(d) PROCEDURES APPLICABLE UPON TERMINATION OF FINANCIAL ASSISTANCE.--Upon a determination by the Secretary to terminate financial assistance to any institution of higher education under this section, the institution may file an appeal with an administrative law judge before the expiration of the 30-day period beginning on the date such institution is notified of the decision to terminate financial assistance under this section. Such judge shall hold a hearing with respect to such termination of assistance before the expiration of the 45-day period beginning on the date that such appeal is filed. Such judge may extend such 45-day period upon a motion by the institution concerned. The decision of the judge with respect to such termination shall be considered to be a final agency action.

"EVALUATION AND PERFORMANCE MEASUREMENT

"SEC. 140. (a) AUTHORIZATION OF APPROPRIATIONS.--(1) There are authorized to be appropriated for fiscal year 1999 and the four succeeding fiscal years such sums as may be necessary for the Secretary to carry out evaluations and other activities, including activities designed to measure performance under the Government Performance and Results Act, that the Secretary determines necessary in order to evaluate the effectiveness and operations of any program authorized by this Act, and the performance of such recipients of funds under this Act as the Secretary determines appropriate.

"(2) The appropriations authorized under paragraph (1) shall be in addition to any other appropriations for evaluations and related activities authorized by this Act.

"(b) PERFORMANCE GOALS AND INDICATORS.--(1) An applicant for funds under program authorized by this Act that the Secretary determines shall be evaluated in accordance with this section shall include in its application--

"(A) in a manner consistent with the performance indicators established by the Secretary under paragraph (2), the applicant's objective, quantifiable and measurable performance goals that are to be achieved by the activities supported by such funds; and

"(B) the applicant's policies and procedures for evaluating the effectiveness of its activities in reaching those performance goals;

"(2) The Secretary shall publish performance indicators for a variety of activities, under the programs authorized by this Act that the Secretary determines shall be evaluated under this section, which recipients shall use in evaluating and reporting on the effectiveness of their activities under such program that are associated with their performance goals under paragraph (1)(A) for such activities.

"(3) The Secretary shall award funds under a program authorized by this Act to an otherwise eligible applicant only if the applicant's performance goals are sufficiently rigorous as to meet the purposes of the program and the performance indicators for the program as established by the Secretary under paragraph (2).

"(4) In the case of a continuation award for the second and succeeding years of a grant, the Secretary shall make such continuation award only after determining that the grantee is making sufficient progress toward achieving its performance goals under paragraph (1)(A).

"(c) INFORMATION COLLECTION.-The Secretary is authorized to collect such information as may reasonably be necessary to evaluate the effectiveness and operations of any program authorized by this Act that the Secretary determines shall be evaluated under this section, including the performance of any recipient of funds under such program.".

(c) STUDY OF ACCREDITING AGENCY STANDARDS FOR DISTANCE LEARNING.--(1) The Secretary of Education shall conduct a study to examine the effectiveness with which accrediting agencies and associations are developing and enforcing the distance learning standards described in section 111(a)(5) of the Act.

(2) Not later than two years after the date of enactment, the Secretary shall prepare and submit to Congress a report on the study authorized by this subsection, together with such recommendations arc are deemed appropriate.

(3) There are authorized to be appropriated $3,000,000 to carry out this subsection.

10/2/97

TITLE I--GENERAL PROVISIONS AND PROGRAM INTEGRITY TRIAD

Section-by-Section Analysis

Section 101. Section 101(a) of the bill would repeal title I, part H of title IV, and title XII of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq., hereinafter in this Act referred to as "the Act"). Title I of the Act currently contains the School, College and Universities Partnerships (SCUP) program, Articulation Agreements, and the Access and Equity To Education For All Americans Through Telecommunications program. Amendments to the SCUP program are proposed in section ___ of the bill.

Section 101(b) of the Act would set out a new Title I for the Act that would contain the general provisions for the Act, many of which were taken from current title XII of the Act, as well as the program integrity "triad" that applies primarily to title IV of the Act, but has some applicability (the authorization of an institution by a State to provide a program of postsecondary education in that State, as well as the Secretary's recognition of accrediting agencies and associations) to the other titles of the Act as well. Proposed new part A of title I of the Act would consist of the definitions (currently in section 1201 of the Act, with some amendments, as described below) for the Act and the program integrity triad provisions, divided into subparts that represent the three aspects of the triad: proposed new subpart 1 would contain the definitions for the Act, which include the requirement for the State authorization of an institution of higher education (references to the State Postsecondary Review program here and throughout title IV of the Act, would be eliminated, consistent with the 1995 rescission of funding for that program); proposed new subpart 2 would contain the standards for accrediting agency approval; and proposed new subpart 3 would contain the Department's eligibility and certification procedures for institutions. Proposed new part B of title I of Act would contain the general provisions applicable to the Act that, except as noted below, are currently in title XII of the Act.

Proposed new section 101 contains the new definitions for the Act. Section 1201 of the Act currently sets out the definitions for the Act, and most of those definitions have been moved to proposed new section 101 with only minor stylistic and technical changes. However, proposed new section 101(a) of the Act, which defines "institution of higher education," has been extensively revised. This revision is intended to clarify the definition and to move more of the definition of an institution of higher education for purposes of Title IV of the Act, currently in section 481(a) of the Act, to proposed new section 101(a), so that the interrelationship of the two definitions is more easily understood and to eliminate duplicative provisions.

Proposed new section 101(a) would also explicitly provide that graduate and professional programs are eligible to participate in HEA programs; this is currently implied from the definitions in sections 481(a) and 1201(a) of the Act. In addition, community colleges offering short-term programs would no longer be subject to a two-year waiting period for eligibility to participate in title IV programs. We understand that this requirement was not intended to apply to State-supported institutions. However, proprietary institutions would still be subject to the two-year waiting period under section 481(b), as amended by section 4__ of the Act.

In addition to moving the provisions regarding the definition of an "eligible program" from section 481(e) of the Act to proposed new sections 101(a)(2) and (3), the bill would expand the applicability of the outcome measures added to the Act in 1992 for short-term vocational programs. Currently, a 300-to-600 hour nondegree vocational program (a program that prepares students for gainful employment in a recognized occupation) at a proprietary or vocational institutions, must have a verified completion rate of at least 70 percent and a verified placement rate (of those completers) of at least 70 percent for its students to be eligible to receive student loans. Proposed new section 101(a)(3) would instead apply this "70/70" requirement to programs of one academic year or less offered by proprietary institutions, and add the alternate requirement that such a program could also be considered an eligible program for title IV purposes if the program has a verified placement rate of at least 70 percent in the recognized occupation for which they were trained or in a related comparable recognized occupation. This alternate requirement would permit a program to include in its placement rate students that did not complete the program, but obtained a job in the field for which the student received some training. The expanded requirements would be phased in, so that institutions will have time to assemble the data needed to calculate the placement and completion rates on these longer programs.

These changes to the 70/70 requirements would still focus on programs that are statutorily defined to be in existence to serve the particular goal of preparing students for employment in the field for which the student was trained. The amendments would apply the requirement to a larger group of institutions, but the requirements would still be limited to the institutions where concerns about the quality of education are most prevalent, as well as the institutions that have the most problems with Title IV compliance.

Subpart 2 of part A of proposed new title I of the Act would contain the standards for accrediting agency approval, and except as noted below, are taken from section 496 of the Act with only minor technical and stylistic changes.

Proposed new sections 111(a)(3)(C) and (h) are minor clarifications of language taken from current section 496(a)(3)(C) and (h) of the Act.

Proposed new sections 111(a)(5)(M) and (N) of the Act would add a requirement that accrediting agencies have specific standards on distance learning programs or courses at an institution (if any), including the institution's criteria for the selection of students, its provisions for monitoring student progress, the academic and student support services available to students, and its measures of educational outcomes; and on an institution's refund policy. Proposed new section 111(a)(9) of the Act would also require an accrediting agency to have in effect its own fair and equitable refund policy such agency or association shall have in effect a fair and equitable refund policy establishing the minimum terms and conditions under which an institution that it accredits shall return unearned tuition, fees, room and board, and other charges to a student, if the student withdraws from, or otherwise fails to complete, the period of enrollment for which such charges were assessed. These changes are intended to provide accountability in two areas that have a significant potential for abuse, and complement the changes regarding distance learning proposed in section ___ of the bill, and regarding refunds in section ___ of the bill.

Proposed new section 111(c)(1) of the Act would contain revised requirements for unannounced inspections by an accrediting agency of the institutions that it accredits. Current section 496(c)(1) of the Act, on which proposed new section 111(c)(1) is based, requires an accrediting agency to conduct an unannounced inspection of every institution that offers vocational education, regardless of whether it is a single purpose vocational institution or a multi-purpose research university that happens to offer a few vocational programs that are clearly ancillary to its principal mission. Proposed new section 111(c)(1)(B) of the Act would limit the requirement for unannounced site visits by accrediting agencies or associations to instances where at least 10 percent of the institutions accredited by the agency or association have a cohort default rate for the most recent year of 20 percent or more. In those instances, the accrediting agency or association would still be required to performs at least one unannounced on-site inspection or review, during the interval between the agency's grant of accreditation or preaccreditation to the institution or program and the expiration of the accreditation or preaccreditation period, at each institution that it accredits and that offers vocational education;

Unannounced visits are intended to reveal fraud and abuse, such as instances where an institution has a library on the day of the announced site visit that subsequently disappear as soon as the accrediting agency personnel leave. It is highly unlikely that an unannounced site visit would uncover a serious problem with personnel, resources, or facilities at a large, multi-purpose institution that would not otherwise be discovered during an announced site visit. Proposed new section 111(c)(1)(B) of the Act would target unannounced agency reviews to institutions that have historically experienced program administration problems, while relieving burden on institutions where unannounced reviews are not cost effective.

Proposed new subpart 3 of part A of title I of the Act would contain the the Department's eligibility and certification procedures for institutions seeking to participate in the student assistance programs under title IV of the Act, and except as noted below, are taken from sections 498 and 498A of the Act with only minor technical and stylistic changes.

Proposed new section 121(b)(3) of the Act would modify the language taken from current section 498(b)(3) of the Act to require that an institution maintain a copy of any contract between the institution and a financial aid service provider or loan servicer, and provide a copy of any such contract to the Secretary upon request, instead of requiring that the institution supply the copy with its application to participate in the student aid programs under title IV of the Act.

Proposed new section 121(c)(3) of the Act would modify the language taken from current section 498(c)(3) of the Act by clarifying that third party financial guarantees may be used to satisfy the statutory financial responsibility standards only by institutions that are currently eligible to participate in the title IV programs, not by institutions seeking an initial determination of eligibility. In addition, proposed new section 121(c)(3)(A) of the Act would eliminate the reference to performance bonds as one type of third party financial guarantee that the Secretary might accept in satisfaction of the financial responsibility standards. Performance bonds are rarely used and do not offer adequate protection of the Federal financial interest.

Proposed new section 121(f) of the Act would eliminate the current requirement that the Department conduct a site visit at each institution before certifying or recertifying its eligibility to participate in the title IV programs, as well as the authority for the Department to charge reasonable fees for these site visits. Instead, the proposed new section 121(f) would state that the Secretary would ensure that prompt action is taken by the Department on an application to participate in the title IV programs, that that the Secretary may establish priorities by which institutions are to receive site visits, if any, and may coordinate such visits with site visits by States, guaranty agencies, and accrediting bodies in order to eliminate duplication, and reduce administrative burden.

Limited resources prevent the Department from being able to conduct site visits for all certifications and recertifications of institutions. The authority to charge fees does not alleviate this problem, since any fees that Department might charge could not be retained by the Department to offset the cost of site visits. The fees would merely be deposited in the Treasury.

Moreover, such visits are not necessary for every institution; if the Department needs to visit an institution during recertification because of apparent concerns with the institution, it will conduct an on-site program review as authorized elsewhere in the statute.

Proposed new section 121(g) of the Act would modify the recertification requirements applicable to an institution located outside of the United States, so that a foreign institution that received less than $500,000 in Federal Family Education Loan (FFEL) program funds would be subject to a recertification schedule set by the Secretary in regulations, rather than the typical every five years schedule. (Foreign institutions can only participate in the FFEL program.)

The Department has encountered substantial administrative difficulty in its effort to certify and monitor all foreign schools in the same manner as all other Title IV schools. Problems in certifying and monitoring foreign institutions include the difficulty in evaluating institutional financial strength that is expressed in foreign currencies, as well as the myriad complications inherent in monitoring schools on foreign soil. Because the vast majority of foreign institutions have low loan volumes, the Department believes that the costs and resources needed to fully monitor these schools that have, over time, posed limited problems with respect to compliance with Title IV rules and regulations, can be better spent elsewhere.

Proposed new section 121(j)(1) of the Act, which is based on the language from current section 498(j)(1) of the Act on the treatment of branches, would clarify that, prior to seeking certification as a main campus or free-standing institution, a branch is required to be in existence at least 2 years after it has been certified by the Secretary as a branch campus participating in a title IV program.

Proposed new section 122(c) of the Act would modify the language from current section 498A(c) of the Act to eliminate the requirement that the Secretary develop and carry out a plan for the data collection concerning institutional accreditation, eligibility, and certification, and make the information obtained in that data collection readily available to all institutions of higher education, guaranty agencies, States, and other organizations participating in the title IV programs. Instead, proposed new section 122(c) of the Act would merely authorize the Secretary to make the information available to title IV program participants. The requirement for a data collection plan is an intrusion on the Secretary's management of the Department.

Proposed new section 122(d) of the Act would modify the language from current section 498A(d) of the Act to make the provision of audit and program review training (including criminal investigative training) to Department personnel optional rather than mandatory. The current statutory requirement is an undue interference into the Secretary's management of the Department.

Proposed new part B of title I of Act would contain the general provisions applicable to the Act that, except as noted below, are currently in title XII of the Act.

Proposed new section 131 of the Act would contain the antidiscrimination requirements currently in section 1202 of the Act. Section 1203 of the Act, which describes State agreements for programs under title I of the Act, the State Student Incentive Grant (SSIG)program (in an outdated reference), and under part A of title VII of the Act, is no longer necessary. The title I programs were never funded and would be eliminated by the amendments in this title of the bill, the SSIG program is proposed for repeal in section 4__ of the bill, and part A of title VII is proposed for repeal in section ___ of the bill.

Due to a numbering error in the Act, there are currently two sections designated as section 1204 of the Act. The first section 1204, which contains the prohibition against Federal control of education, would be moved to proposed new section 132 of the Act; the second section 1204 of the Act, which relates to the treatment of territories and territorial student assistance, would be moved proposed new section 133 of the Act.

Proposed new section 134 of the Act would contain the authority for the National Advisory Committee on Institutional Quality and Integrity, currently in section 1205 of the Act. This proposed new provision would extend the authorization of the Committee until September 30, 2003, and eliminate outdated references to the terms of initial members of the Committee and to a repealed provision of the General Education Provisions Act. Section 1206 of the Act, which currently authorizes a Joint Study Commission on Postsecondary Institutional Recognition, would be eliminated as no longer necessary.

Proposed new section 135 of the Act contains the provision on student representation on committees and other administrative bodies currently in section 1207 of the Act.

Proposed new section 136 of the Act contains the provision relating to the financial responsibility of foreign students currently in section 1208 of the Act.

Proposed new section 137 of the Act contains the disclosure of foreign gifts provision currently in section 1209 of the Act, with minor changes to the definition of an "institution" for purposes of that section to make it more consistent with the definition in proposed new section 101(a).

Proposed new section 138 of the Act contains the peer review provision currently in section 1210 of the Act. Sections 1211 and 1212 of the Act would be eliminated. Section 1211 of the Act contains outdated limits on aggregate appropriations for most of the HEA programs for fiscal years 1987 through 1991, and section 1212 of the Act contains the expired authority for technology transfer centers.

Proposed new section 139 of the Act contains the requirement for the adoption and implementation of policies on drug and alcohol abuse by institutions of higher education that is currently in section 1213 of the Act. A minor clarification would be made to the title of the section to more accurately reflect the substance of the provision.

Proposed new section 140 of the Act is a new provision that would authorize such sums as may be necessary to be appropriated for fiscal year 1999 and the four succeeding fiscal years to enable the Secretary to carry out evaluations and other activities, including activities designed to measure performance under the Government Performance and Results Act, that the Secretary determines necessary in order to evaluate the effectiveness and operations of any HEA program, as well as the performance of such recipients of funds under the Act as the Secretary determines appropriate. These appropriations would be in addition to any other appropriations for evaluations and related activities authorized by the Act.

If the Secretary determines that an HEA program is to be evaluated under proposed new section 140, an applicant for funds under that program would be required to include in its application: 1) the applicant's objective, quantifiable and measurable performance goals to be achieved by the activities supported by those funds; and 2) the applicant's policies and procedures for evaluating the effectiveness of its activities in reaching those performance goals. The applicant's performance goals must be consistent with the performance indicators that the Secretary will publish for a variety of activities under the HEA programs that the Secretary determines will be evaluated under proposed new section 140. The Secretary could only award program funds to an otherwise eligible applicant only if the applicant's performance goals are sufficiently rigorous as to meet the purposes of the program and the performance indicators for the program established by the Secretary. The Secretary could make a continuation award only after determining that the grantee is making sufficient progress toward achieving its performance goals.

The Secretary would also be authorized to collect such information as may reasonably be necessary to evaluate the effectiveness and operations of any HEA program that the Secretary determines will be evaluated under proposed new section 140.

Finally, section 101(c) of the bill would require the Secretary to conduct a study to examine the effectiveness with which accrediting agencies and associations are developing and enforcing the distance learning standards described in proposed new section 111(a)(5) of the Act. $3 million would be authorized to be appropriated to carry out this study, and the Secretary's report on the study would be due to Congress not later than two years after the date of enactment of the bill. This would help to ensure accountability in the field of distance learning, and provide the Secretary and the Congress with more information about this developing area of technology and its impact on the HEA programs.

[Draft 10/2/97--Section 481 amendments only]

PART G--GENERAL PROVISIONS

DEFINITIONS

SEC. 481. Section 481 of the Act is amended--

(1) in subsection (a)--

(A) in paragraph (1)--

(i) in the matter preceding subparagraph (A), by striking out "section 1201(a)--" and inserting in lieu thereof "section 101(a)--";

(ii) in subparagraph (A), by adding "and" at the end thereof;

(iii) by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) only for purposes of part B, an institution located outside the United States that--

"(i) is comparable to an institution of higher education as defined in section 101(a); and

"(ii) has been approved by the Secretary for the purpose of part B, except that the Secretary shall not approve any distance learning program or courses offered by the institution."; and

(iv) by striking out subparagraph (C);

(B) in paragraph (2)--

(i) in subparagraph (A), by striking out "paragraph (1)(C) of this section" and "section 1201(a)." and inserting in lieu thereof "paragraph (1)(B)" and "section 101(a).", respectively;

(ii) in subparagraph (B), by striking out "paragraph (1)(C)," and "section 1201(a)." and inserting in lieu thereof "paragraph (1)(D)" and "section 101(a).", respectively;

(iii) by striking out subparagraph (D); and

(iv) by redesignating subparagraph (E) as subparagraph (D);

(C) in paragraph (3)--

(i) by amending subparagraphs (A) and (B) to read as follows:

"(A) offers more than 50 percent of the institution's courses through distance learning, unless the institution provides at least a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree ;

"(B) enrolls 50 percent or more of its students in distance learning, unless the institution provides at least a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree;";

(D) in paragraph (5), by striking out "part H." and inserting in lieu thereof "part A of title I."; and

(E) in paragraph (6), by striking out "part H of this title." and inserting in lieu thereof "part A of title I.";

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

"(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.--(1) For the purpose of this section, the term 'proprietary institution of higher education' means a school that--

"(A) meets the requirements of section 101(a), other than paragraph(1)(D);

"(B) has been in existence for at least 2 years; and

"(C) has at least 15 percent of its revenues from sources that are not derived from funds provided under this title, as determined in accordance with regulations prescribed by the Secretary.

"(2) Such term also includes a postsecondary educational institution that changes from a proprietary institution to a nonprofit institution, for a period of not less than two complete fiscal years following such change.";

(3) by amending subsection (c) to read as follows:

"(c) DISTANCE LEARNING.--For the purpose of any program under this title, the term 'distance learning' means an educational process that is characterized by the separation, in time or place, between instructor and student, or among students. Distance learning may include courses offered principally through the use of--

"(1) television, audio, or computer transmission, such as open broadcast, closed circuit, cable, microwave, or satellite transmission;

"(2) audio or computer conferencing;

"(3) video cassettes or discs; or

"(4) correspondence.";

(4) by striking out subsection (e); and

(5) by redesignating subsection (f) as subsection (e).

CITIZENS' SCHOLARSHIP FOUNDATION *of* AMERICA

Dollars for Scholars®
Scholarship Management Services™
ScholarShop®

PHOTOCOPY
PRESERVATION

CITIZENS' SCHOLARSHIP FOUNDATION *of* AMERICA

Dollars for Scholars® -- Scholarship Management Services™ -- ScholarShop®

1505 Riverview Road
P.O Box 297
St. Peter, MN 56082
507-931-1682
Fax 507-931-9168

DOLLARS *for* SCHOLARS™

A program of Citizens' Scholarship Foundation® of America

DOLLARS FOR SCHOLARS® Chapter List

ALABAMA
Wil-Low Dollars for Scholars (Hayneville)

ARIZONA
CSF of Tucson-Habbjach

CALIFORNIA
Alpha Phi Alpha Dollars for Scholars (Los Angeles)
Comm. Schol. Assoc. of Anaheim UHSD
CSF of Banning
Boyle Heights Elementary Institute
Schol. Fdn. (Los Angeles)
CSF of Central Valley
Century Dollars for Scholars
COBA Dollars for Scholars (Los Angeles)
College Bound Dollars for Scholars (Cerritos)
Crenshaw H.S. Scholarship Foundation
Dorsey H.S. Scholarship Foundation
Eagle Rock High School Scholarship Fdn.
ECHO (Los Angeles)
Esperanza Scholarship Fdn. (Upland)
First Achievers Dollars for Scholars (Carson)
Friends of L.A.C.E.S. (Los Angeles)
Fremont Ch. of Commerce Schol. Fdn.
CSF of Fullerton UHSD
Duane E. Furman H.S. Schol. Fdn.
Garfield H.S. Alumni Dollars for Scholars
Glenn County Scholarship Fdn.
Gompers AVID Dollars for Scholars (San Diego)
Grant A.M.E. Church Schol. & Ed. Comm. (Compton)
Greater Riverside Dollars for Scholars
Hoover H.S. Dollars for Scholars (San Diego)
Immaculate Heart to Heart Dollars for Scholars (Hollywood)
Laguna Beach H.S. Scholarship Fdn.
Latino Leadership Fdn. (Los Angeles)
Lincoln Heights Ed. Counc. & Schol. Fdn. (Los Angeles)
Los Angeles Co. Ct. Schools Dollars for Scholars
Mae Muse Childs Scholarship Fund (Los Angeles)
Assoc. of Mexican American Educators-L.A. Central
Assoc. of Mexican American Educators Dollars for Scholars (Santa Fe Springs)
Murrieta Valley H.S. Scholarship Fdn.
New Vision Scholars (Bellflower)
Nurturing Inspired Achievement (Los Angeles)
Oakland's Advance A Student Schol. Fund
Ocean Beach Dollars for Scholars
Oroville Educational Foundation
Petaluma Educational Foundation
Ramona High Dollars for Scholars
San Bernardino Community Schol. Assoc.
San Diego Co. Court Schools Schol. Fdn.
San Dieguito Dollars for Scholars
San Fernando/Sylmar Community Council
Santa Ana H.S. Dollars for Scholars
Partnership Scholarship Fdn. of Santa Ana
S. CA Conference Women's Missionary Society
Star Achievers Dollars for Scholars (Long Beach)
Carrol Alice Stout Schol. Fdn. (El Cajon)
CSF of Temecula
Torrey Pines Dollars for Scholars Fdn.
Valley H.S. Scholarship Fdn.
Ward AME Church-A.W. Jordan W.M.S. (Los Angeles)
Wilmington Dollars for Scholars

COLORADO
CSF of Brighton
CSF of Fountain-Fort Carson and
Widefield High Schools

CONNECTICUT
CSF of Avon
CSF of Bloomfield
CSF of Canton
CONNCAP Dollars for Scholars (New Britain)
Coventry Scholarship Fdn.
Ellington Community Scholarship Assoc.
Greater Hartford Interracial Schol. Fund
Hord Foundation, Inc. (Danbury)
Norwalk Mentor Program Sch. Fund
Rippowam Dollars for Scholars
CSF of South Windsor
CSF of Stafford Springs
CSF of Washington
Wesleyan University Upward Bound Parents Advisory Group
CSF of Wethersfield
Willington Schol. Fdn.-PTA
The Woodbury Scholarship Fund

DISTRICT OF COLUMBIA
Calvin Coolidge Alumni Association
CSF of Simpson-Hamline UMC

FLORIDA
The Brevard Schools Fdn. (Melbourne)
CSF of Indian River County

GEORGIA
Atlanta Dollars for Scholars

IDAHO
Castleford CSF
Gooding Academic Boosters Dollars for Scholars Fdn., Inc.
Wood River Valley Dollars for Scholars Foundation

ILLINOIS
C-U One-To-One Mentoring Schol. Fdn., a Dollars for Scholars Chapter (Champaign)
Maine West Dollars for Scholars (Des Plaines)
Michael H. Hudson Dollars for Scholars Schol. Fund (Chicago)

INDIANA
Adams Central Scholarship Fdn.
Argos Dollars for Scholars
Community of Attica Schol. Endowment
Austin Dollars for Scholars
Avon Community Dollars for Scholars
Barr-Reeve Scholarship Foundation
Bellmont Scholarship Foundation
Benton Council for Acad. Excellence
CSF of Blackford County
Blue River Valley Dollars for Scholars
Bluffton/Southern Wells Dollars for Scholars
Borden Dollars for Scholars
Bremen Dollars for Scholars
Brownsburg Educational Fdn., Inc.
Carroll County-Delphi CSF
Carver Community Organization Dollars for Scholars (Evansville)
Castle H.S. Dollars for Scholars (Newburgh)

Caston Community Academic Scholarship Foundation (Fulton)
Center Grove Scholarship Foundation
Concord Dollars for Scholars
Corydon Dollars for Scholars
CSF of Covington
Decatur Township Dollars for Scholars
Dubois Ruritan Dollars for Scholars
East Chicago Central H.S. Dollars for Scholars
East Gibson Dollars for Scholars
East Washington Community Schol. Fdn. (Pekin)
Eastbrook Dollars for Scholars
Eastern Hancock Dollars for Scholars (Charlottesville)
Ebenezer Baptist Church Dollars for Scholars Foundation (Indianapolis)
CSF of Edinburgh School Community
Elkhart Area Career Center Foundation
Elkhart Central H.S. Dollars for Scholars
Elkhart Memorial Dollars for Scholars
Fairfield Dollars for Scholars
Franklin Community Dollars for Scholars
Frankton Dollars for Scholars
Fremont Scholarship Foundation
Frontier Dollars for Scholars
Goshen High School Dollars for Scholars
Greater Rockville Scholarship Foundation
Hagerstown Comm. Dollars for Scholars
CSF of Hamilton
Hamilton Southeastern Dollars for Scholars Fdn.
Hanover Dollars for Scholars
Hauser Community Scholarship Fdn.
Higher Learning Connection Schol. Fund, (Gary)
Highland Dollars for Scholars
Hobart River Forest Comm. School Corp., Dollars for Scholars
Indian Creek Comm. Dollars for Scholars
Jac-Cen-Del Comm. Schol. Fdn. (Osgood)
Jefferson Advisory Council Dollars for Scholars (Lafayette)
Kouts High School Memorial Schol.Fund
Lake Central Dollars for Scholars
Lake Station CSF
Lakeland CSF
Lanesville Comm. Dollars for Scholars
Laville CARE Dollars for Scholars
James C. Lentz Memorial Schol. Fund, a Dollars for Scholars Chapter (Indianapolis)
Merrillville H.S. Dollars for Scholars
Milan Scholarship Foundation, Inc.
Mitchell Community Schools Schol. Fdn.
Morgan Township School Memorial Scholarship Fund
New Castle Dollars for Scholars
North Central H.S. Dollars for Scholars (Farmersburg)
North Daviess Community Dollars for Scholars
North Knox Scholarship Foundation
North Vermillion Dollars for Scholars
Northern Community Schools CSF
Northridge Dollars for Scholars
Northwood Dollars for Scholars
Norwell Dollars for Scholars (Ossian)
Portage H.S. Dollars for Scholars
Prairie Heights H.S. Dollars for Scholars
Princeton Area Dollars for Scholars
A Rainbow House Academy Community Scholarship Fdn. (Indianapolis)
Richmond College Incentive Plan
Salem Education Foundation
Shenandoah Dollars for Scholars
Shoals Dollars for Scholars
South Adams Dollars for Scholars
South Dearborn Community Schol. Fdn.
South Decatur Area Dollars for Scholars
South Gibson Dollars for Scholars (Haubstadt)
South Henry Dollars for Scholars (Straughn)
Speedway CSF
Springs Valley Dollars for Scholars (French Lick)
St. John Missionary Baptist Church, J.W. Bledsoe Schol. Fdn. (Ft. Wayne)
Sunman-Dearborn Schol. Fdn. (St. Leon)
CSF of Tell City
Tipton Scholarship Foundation
21st Century Parents Dollars for Scholars Scholarship Program (Indianapolis)
Union Community Scholarship Fund
Union Township Schol. & Ed. Fdn.
Valparaiso Scholarship Foundation
V.A.L.U.E.S Schol. Fdn. (Hammond)
Wawasee Dollars for Scholars
West Central Community Schol. Fund
Westview CSF
Whiteland Community H.S. Dollars for Scholars
Whitko Dollars for Scholars

IOWA

Ackley-Geneva Dollars for Scholars
Allamakee Dollars for Scholars (Waukon)
Algona Community School Fdn.
Amana and Clear Creek Dollars for Scholars
CSF of Ankeny
Ballard Community Dollars for Scholars
BC-IG Citizens' Scholarship Fdn. (Battle Creek-Ida Grove)
Baxter Community Dollars for Scholars
CSF of B-G-M (Brooklyn)
Central Community Dollars for Scholars (Elkader)
Charles City Area Dollars for Scholars
Colfax-Mingo Dollars for Scholars
Crestwood Dollars for Scholars (Cresco)
Davis County Dollars for Scholars
Denver Dollars for Scholars
Dike Community Dollars for Scholars
Eagle Grove Area Dollars for Scholars
East Buchanan CSF
East Central Dollars for Scholars
East Union Dollars for Scholars Fdn.
CSF of Eldora-New Providence
English Valleys CSF (N. English)
CSF of Floyd
Forest City Dollars for Scholars
CSF of Garnavillo
G-R Dollars for Scholars (Gladbrook)
Grundy Center Dollars for Scholars
Guttenberg Area Dollars for Scholars
Hampton-Dumont Dollars for Scholars
CSF of HLV (Victor)
CSF of Iowa Falls
Janesville Dollars for Scholars
CSF of Jesup
Johnston Dollars for Scholars
Linn-Mar School Fdn. (Marion)
L-S CSF (Lynnville)
MFL Marmac Dollars for Scholars (Monona)
CSF of Montezuma Comm. Schools
New Hartford Dollars for Scholars
CSF of Newton
North Fayette Dollars for Scholars Fdn.
CSF of Oelwein
CSF of Parkersburg
Postville District Dollars for Scholars
Riceville Community Dollars for Scholars
Sac Community Dollars for Scholars
St. Ansgar CSF
Solon Dollars for Scholars
Southeast Warren Dollars for Scholars (Liberty Center)
Southern Cal School Fdn. (Lake City)
South Tama County Scholarship Fdn.
Starmont Community Dollars for Scholars (Strawberry Point)
CSF of Storm Lake
T-C Dollars for Scholars (Neola)
Tripoli-Frederika CSF
Turkey Valley Fdn. Dollars for Scholars (Jackson Junction)
CSF of Twin Cedars Comm. Schools
Union Community Dollars for Scholars (LaPorte City)
CSF of Urbandale
Valley Community Dollars for Scholars
CSF of Vinton
W-SR Dollars for Scholars (Wellsburg)

Waterloo Community Dollars for Scholars
West Central Comm. Dollars for Scholars (Stuart)
West Des Moines Comm. Schools Fdn. for Educational Excellence

KANSAS
CSF of Phillips County

KENTUCKY
Community Educational Foundation of Pike County
Lincoln County Educational Fund, Inc.
Dollars for Scholars of Owensboro-Daviess County
Whitney M. Young Dollars for Scholars (Louisville)

LOUISIANA
Dollars for Scholars Jefferson
New Orleans Public School Schol. Fdn.

MAINE
Boothbay Region Student Aid Fund, Inc.
CSF of Cumberland/North Yarmouth
CSF of Freeport
CSF of Hampden-Newburgh-Winterport
Norway-Paris Kiwanis Charitable Fdn.
CSF of Sacopee Valley
CSF of SAD 29 - Houlton
CSF of SAD 54 - Skowhegan
CSF of So. Aroostook Comm. Sch. Dist.
CSF of Wiscasset
CSF of Yarmouth
CSF of York

MARYLAND
Donnell E. Bacon Memorial Schol. Fund (Baltimore)
Park Heights Schol. Fund (Baltimore)
CSF of St. Mary's County
Scholarships for Scholars (Annapolis)
Seat Pleasant Dollars for Scholars

MASSACHUSETTS
CSF of Abington
Alumni & Friends of Lynn Classical H.S., Inc.
Andover Dollars for Scholars
Arlington Citizens Scholarship Fdn.
CSF of Bedford
Belmont Scholarship Fund
Beverly Scholarship Foundation
Town of Billerica Scholarship Foundation
The Boxford Public Library and Perley Schol. Funds
CSF of Bridgewater-Raynham
Brockton Dollars for Scholars
Burlington Community Schol. Fdn., Inc.
Joseph Case H.S. Schol. Trust Funds, Inc.
CSF of Chatham
Concord-Carlisle Scholarship Fund
CSF of Dighton-Rehoboth
Dracut Scholarship Foundation
East Cambridge Scholarship Fund
CSF of Easthampton
CSF of Fall River
Donald A. Fisher CSF (West Bridgewater)
Gloucester Scholarship Foundation
CSF of Granville-Tolland
CSF of Harwich
CSF of Holliston
CSF of Lanesboro
Latino Comm. Scholars Fund (Boston)
Latino Scholarship Fund (Holyoke)
Lexington PTA Scholarship Fund
Lincoln-Sudbury Schol. Fund, Inc.
Lynnfield Scholarship Fdn., Inc.
CSF of Mansfield
CSF of Marblehead, Inc.
CSF of Marlborough, Inc.
Peter Medoff Dudley Youth Scholarship Fund (Boston)
METCO College Scholarship Fund of Lexington
Methuen Scholarship Foundation
CSF of Middleboro
CSF of Millbury
CSF of Millis
Minnechaug Schol. Fdn. (Wilbraham)
Nashoba Regional Scholarship Fdn.
North Adams Dollars for Scholars
North Andover Scholarship Fdn., Inc.
North Reading Dollars for Scholars, CSF
CSF of Northampton
Northborough Schol. Advisory Committee
Norwood Scholarship Foundation, Inc.
Orange Scholarship Foundation
CSF of Pittsfield
Reading Scholarship Fdn., Inc.
CSF of Rockland
CSF of Sherborn
CSF of Somerset
Somerville H.S. Scholarship Fdn.
Southborough Schol. Advisory Committee
CSF of Southwick
The Town of Dedham Schol. Committee
CSF of Uxbridge
CSF of Wakefield
City of Waltham Scholarship Fund
Wayland H.S. Scholarship Committee
Wenham Village Improvement Society
West Boylston Scholarship Fdn.
CSF of Westfield, Inc.
Town of Weymouth Scholarship Fund
CSF of Whitman-Hanson
Woburn H.S. Schol. Fund, Inc.
Worcester Latino Dollars for Scholars
Workforce Dollars for Scholars (Cambridge)

MICHIGAN
CSF of Allegan
Willow Run/Ypsilanti Dollars for Scholars

MINNESOTA
Aitkin Area Dollars for Scholars
CSF of Alexandria
Ashby Area Dollars for Scholars
Barnesville Dollars for Scholars
Barnum CSF
Becker Dollars for Scholars
Belgrade-Elrosa CSF
CSF of Belle Plaine
Bertha-Hewitt Dollars for Scholars
CSF of Blackduck
CSF of Blooming Prairie
Blue Earth Educational Assistance. Inc.
CSF of Braham
CSF of Brandon
CSF of Breckenridge
Brooklyn Center Lions Club Schol. Fund
Brooten Dollars for Scholars
CSF of Browerville
The Larry Brown Youth Ed. Corp. (Minneapolis)
Cambridge-Isanti Dollars for Scholars Foundation
Chisago Lakes Education Fdn. (Lindstrom)
CSF of Cleveland
Climax-Shelly Dollars for Scholars
Cloquet Community Scholarship Fund
CSF of Cromwell-Wright
CSF of Dassel-Cokato
Delano Area Dollars for Scholars
Detroit Lakes Scholarship Fdn.
CSF of Dilworth-Glyndon-Felton
Dist. 883 Dollars for Scholars (Rockford)
Eagle Valley Dollars for Scholars (Clarissa)
East Central Dollars for Scholars (Sandstone)
Esko Educational Fdn.
CSF of Evansville
CSF of Fairmont School Dist. 454
Faribault Area Pub. Sch. Ed. Trst. Assoc.
Fergus Falls Area Dollars for Scholars
Fillmore Central Dollars for Scholars
Floodwood Dollars for Scholars
Garrison Dollars for Scholars
G-F-W Dollars for Scholars (Winthrop)
CSF of Goodhue
CSF of Granada-Huntley Dist. 460
CSF of Granite Falls

Hawley Dollars for Scholars
Henning Student Aid Foundation
Herman/Norcross Dollars for Scholars
Hutchinson Area Dollars for Scholars
CSF of Jackson
CSF of the Jasper School Area
CSF of Kasson-Mantorville
Kimball Area Dollars for Scholars
Lac qui Parle Valley Dollars for Scholars
CSF of Lake Benton
LCWM Dollars for Scholars (Lake Crystal)
CSF of Lake of the Woods
Lake Park Dollars for Scholars
CSF of Lakefield
Lakeville Dollars for Scholars
LeRoy-Ostrander Dollars for Scholars
CSF of LeSueur School Dist. 393
CSF of Long Prairie
CSF of Luverne
Schol. Fund of Madelia School Dist. 837
Mankato/North Mankato Area Dollars for Scholars
Maple River Dollars for Scholars
Martin County West Dollars for Scholars
McLeod County East Dollars for Scholars
Menahga Dollars for Scholars Fdn.
Milaca Scholarship Foundation
Minnewaska Area Dollars for Scholars (Glenwood)
Moorhead Fdn. Dollars for Scholars
CSF of Moose Lake
Mora Dollars for Scholars
Morris Area School District No. 769 Fdn.
Morrison County Student Loan Assoc., Inc.
Morristown Dollars for Scholars
Mountain Lake Dollars for Scholars
Pam Lindow Foundation of Nevis
New Prague Community Schol. Fund
CSF of New Ulm School Dist. 88
Norman County West Dollars for Scholars
Northland Scholarship Fund, Inc. (Remer)
CSF of Ogilvie
CSF of Olivia
CSF of Osakis
Parkers Prairie School Dist. 547
CSF of Paynesville
Perham CSF
Ricky Peterson Memorial Schol. Fdn. (Houston)
Pine River-Backus Dollars for Scholars
CSF of Pipestone School Dist. 583
Princeton Scholarship Foundation
Prior Lake Women of Today
CSF of Randolph
Rocori Area Dollars for Scholars (Cold Spring)
CSF of Rush City
St. Joseph Area Dollars for Scholars
St. Louis Park Dollars for Scholars
CSF of St. Peter-Kasota
CSF of Sauk Centre
School District #4 Fdn. (McGregor)
CSF of Sebeka
Shakopee Dollars for Scholars
CSF of Sleepy Eye
South High Foundation
Spring Grove Dollars for Scholars
Staples & Motley Dollars for Scholars
Swanville Community Schol. Fund, Inc.
Twin Valley Dollars for Scholars
CSF of Verndale
CSF of Wabasha-Kellogg
Wadena-Deer Creek Dollars for Scholars
Waubun-Ogema-White Earth Dollars for Scholars
Westbrook-Walnut Grove Dollars for Scholars
West Central Area Dollars for Scholars
CSF of Wheaton
CSF of Windom
CSF of Worthington

MONTANA

Brady Dollars for Scholars
Conrad Dollars for Scholars
Custer County Education Foundation
Sidney Area Dollars for Scholars

NEBRASKA

Denton Dollars for Scholars
CSF of the Heartland (Omaha)

NEW HAMPSHIRE

CSF of Auburn
Candia Dollars for Scholars
CSF of Con-Val School District
CSF of Exeter
CSF of Fall Mountain Reg. School Dist.
CSF of Farmington
CSF of Franklin, Inc.
CSF of Gorham-Randolph-Shelburne
Greater Pittsfield CSF, Inc.
CSF of Hollis/Brookline
CSF of Lebanon
CSF of Londonderry
CSF of Mascoma Valley (Enfield)
The Jeff Morin Memorial Schol. Fund (Nashua)
Dollars for Scholars of Mount Washington Valley (North Conway)
CSF of Salem
CSF of Souhegan Valley (Millford)
Winnacunnet High Schol. Fdn., Inc.

NEW JERSEY

CSF of Atlantic City (Ventnor)
Burlington Twp. Schools Schol. Comm.
Clearview Community Schol. Committee
Lawrence H.S. Dollars for Scholars
CSF of Mahwah
Dollars for Scholars of Northern New Jersey
Pennsauken High School Foundation
Citizens' Schol. Comm. of Pitman, Inc.
The Don Smith Memorial Schol. Fund (Port Republic)
South Plainfield Vision 2001 Education Fdn., Inc.

NEW YORK

ACORNS-Alexander Community Organization for Renewable and New Scholarships
CSF of Altmar-Parish-Williamstown
CSF of Andes School Support Org.
Argyle Community Schol. Committee
Dollars for Scholars of Baldwin, NY, Inc.
Beaver River Scholarship Fdn., Inc.
Belleville-Henderson Dollars for Scholars
Belmont Rotary Dollars for Scholars
Brothertown Scholarship Fund (Waterville)
Cairo-Durham Dollars for Scholars
Canaseraga Citizens' Scholarship Fdn.
CSF of Canastota School District
Charlotte Valley Central School Dollars for Scholars
Chenango Forks Scholarship Foundation
CSF of Chittenango Central School
CSF of Clinton
Clyde-Savannah Dollars for Scholars
Colesville Dollars for Scholars (Harpursville)
Dollars for Scholars of Commack
Corinth Dollars for Scholars Fdn.
CSF of Corona-East Elmhurst
Deposit Educ. Endowment Program, Inc.
DeRuyter Dollars for Scholars
Dollars for Scholars of Dover UFSD (Dover Plains)
Dundee Dollars for Scholars
East Greenbush Education Fdn.
East Harlem Dollars for Scholars (New York City)
Fairport Dollars for Scholars
Freeport Dollars for Scholars
Gananda Dollars for Scholars (Walworth)
CSF of Gilboa
Greenville Ctrl. Sch. Dist. Dollars for Scholars
Hadley-Luzerne Schol. Fund, Inc. (Lake Luzerne)
Hannibal Dollars for Scholars
Herkimer BOCES Dollars for Scholars
CSF of Island Trees (Levittown)

Johnsburg Dollars for Scholars
CSF of Jordan-Elbridge
Scholarship Assoc. of Lake George
Leuze-Reardon-Belloff Schol. Committee (Adams)
CSF of Liverpool
Madison Central Dollars for Scholars
CSF of Margaretville Central School
Marion Dollars for Scholars
Dollars for Scholars of Medina
CSF of Mexico, New Haven, Palermo
Minerva Chapter of Dollars for Scholars (Olmsteadville)
The Nanuet Rotary Schol. Fdn., Inc.
CSF of New Berlin
Northern New York Community Fdn. Dollars for Scholars (Watertown)
CSF of No. Syracuse Central School Dist.
North Warren Dollars for Scholars
Nyack Rotary Scholarship Fund
Oneonta Dollars for Scholars
Onondaga Central Schools Ed. Fdn. Bd.
Ontario/Walworth Dollars for Scholars
Owego Apalachin Dollars for Scholars
Oxford Academy and Central School
District Dollars for Scholars
Palmyra-Macedon Central School Dist.
Penfield Scholarship Association
Penn Yan Dollars for Scholars
CSF of Phoenix School District
CSF of Port Byron School District
Queensbury Dollars for Scholars
Red Jacket Schol. Committee (Shortsville)
CSF of Rhinebeck
CSF of Rome
CSF of Roxbury
CSF of Sandy Creek Central School Dist.
Schuylerville Comm. Schol. Committee
CSF of Seaford
CSF of Sidney
South Kortright CSF
Southern Cayuga Scholarship Foundation
CSF of Stamford
SUNY Plattsburgh Upward Bound Dollars for Scholars
Sweet Home Central School Dist.
Taconic Hills Community Schol. Fdn.
Unatego Dollars for Scholars (Otego)
Union-Endicott Dollars for Scholars Fdn.
Utica Dollars for Scholars
CSF of Vernon-Verona-Sherrill
Vestal Dollars for Scholars
Victor Scholarship Program
Voorheesville Dollars for Scholars
Walton Dollars for Scholars
CSF of Wantagh
Warrensburg Scholarship Assoc., Inc.
Williamson Dollars for Scholars

NORTH CAROLINA
Gaston County Dollars for Scholars

NORTH DAKOTA
Aneta, Kloten, McVille, Pekin, Tolna Area Dollars for Scholars
Argusville, Gardner, Grandin Area Dollars for Scholars
Arthur/Hunter Dollars for Scholars
Beach, Golva, Medora & Sentinel Butte Area Dollars for Scholars
Belfield Area Dollars for Scholars
Beulah Area Dollars for Scholars
Bowman Area Dollars for Scholars
Buffalo, Fingal, Tower City Area Dollars for Scholars
Cavalier Area Dollars for Scholars
Center Area Dollars for Scholars
Central Cass Dollars for Scholars
Dickinson Area Dollars for Scholars
Divide County Area Dollars for Scholars
Edgeley Dollars for Scholars
Elgin/New Leipzig Area Dollars for Scholars
Ellendale Area Dollars for Scholars
Enderlin Area Dollars for Scholars
Fargo Area Dollars for Scholars
Garrison Dollars for Scholars
Glen Ullin Area Dollars for Scholars
Glenburn Area Dollars for Scholars Fdn.
CSF of Grand Forks-E. Grand Forks
Halliday Area Dollars for Scholars
Hankinson Dollars for Scholars
Hatton Area Dollars for Scholars
Hazelton-Moffit-Braddock Area Dollars for Scholars
Hazen Area Dollars for Scholars
Hebron Area Dollars for Scholars
Hillsboro Scholarship Fdn.
Kidder County Area Dollars for Scholars
Killdeer Area Dollars for Scholars
Kindred Area Dollars for Scholars
Lakota Michigan Unity Area Dollars for Scholars
LHS Club/Dollars for Scholars (LaMoure)
Lisbon Dollars for Scholars
Mayville Portland Clifford Galesburg Area Dollars for Scholars
Minot Area Dollars for Scholars
Mott Area Dollars for Scholars
New Salem-Almont Area Dollars for Scholars
New Town Area Dollars for Scholars
Northwood Area Dollars for Scholars
Page Area Dollars for Scholars
Regent Area Dollars for Scholars
Tioga Area Dollars for Scholars
Wahpeton Dollars for Scholars
Washburn Area Dollars for Scholars
Watford City Area Dollars for Scholars
West Fargo Dollars for Scholars
Wishek Area Dollars for Scholars
Wyndmere Area Dollars for Scholars

OHIO
CSF of Bath Local School District
CSF of Coshocton County
CSF of Delaware County
CSF of East Clinton
CSF of Greenville
CSF of Guernsey County
Lake Academic Booster Club
CSF of Medina
CSF of Newcomerstown
CSF of Norwalk
CSF of Oberlin
CSF of Springfield/Holland
Tri-State Area CSF (E. Liverpool)
CSF of Troy
CSF of Wapakoneta
Withrow Dollars for Scholars

OREGON
Bobcat Fdn./Dollars for Scholars (Union)
Cleveland H.S. Dollars for Scholars Fdn.
Condon Dollars for Scholars Fdn.
Days Creek Dollars for Scholars Fdn.
Gaston Dollars for Scholars Fdn.
Harney County Dollars for Scholars
Harrisburg Dollars for Scholars Fdn.
Henley Dollars for Scholars
McKenzie Dollars for Scholars Fdn.
North Clackamas Education Fdn.
RR2000 Scholarship Fdn. (Portland)
South Morrow County Schol. Trust
South Umpqua Valley Dollars for Scholars (Myrtle Creek)

PENNSYLVANIA
Beaver-Leeds Dollars for Scholars (Philadelphia)
Berks County Community Fdn., Inc.
Community Scholarship Foundation of Canon-McMillan (Cannonsburg)
Dallastown Area Dollars for Scholars
CSF of Lancaster County
Northeastern School Dist. Schol. Fdn. (Manchester)
Spring Grove Area Schol. Fdn.
West York Area Dollars for Scholars (York)
York City Dollars for Scholars

RHODE ISLAND
Access to Opportunity Dollars for Scholars (Warwick)
CSF of Barrington
CSF of Cranston
CSF of East Providence

EWG Kids Dollars for Scholars (Exeter)
Latino Dollars for Scholars of Rhode Island Foundation (Greater Providence)
CSF of Little Compton
CSF of Middletown
CSF of North Providence
CSF of Portsmouth
CSF of Scituate

SOUTH CAROLINA
Laurens County Education Enrichment Fund
CSF of North Charleston

SOUTH DAKOTA
Arlington Dollars for Scholars

TEXAS
El Campo Academic Booster Club
Wharton Academic Booster Club

VERMONT
Addison County Education Council
CSF of Bennington
Twinfield Scholarship Committee
Upward Bound Dollars for Scholars (Lyndonville)
Winooski Dollars for Scholars Fdn.

VIRGINIA
Oakton Dollars for Scholars
CSF of Shenandoah County

WASHINGTON
CSF of Adna
African American Dollars for Scholars Foundation (Seattle)
Bellingham Comm. Dollars for Scholars
Bethel Educational Scholarship Team (Spanaway)
Blaine Scholarship Foundation
Centralia H.S. Dollars for Scholars Fdn.
Chewelah Scholarship Fdn.
Cusick Dollars for Scholars Fdn.
Eatonville Dollars for Scholars Fdn.
Entiat Dollars for Scholars Fdn.
Evergreen Scholarship Fdn.
Fife High School Scholarship Fdn.
Grandview Dollars for Scholars Fdn.
Joyce Community Scholarship Fdn.
Kettle Falls School Dist. Schol. Program
La Conner Community Scholarship Fdn.
LaCenter Community Scholarship Fdn.
McCleary Scholarship Fund
Mercer Island Comm. Schol. Program
Mount Baker Scholarship Fdn. (Deming)
Neah Bay Dollars for Scholars Fdn.
Northport Dollars for Scholars
Omak Dollars for Scholars Fdn.
Orondo Dollars for Scholars Fdn.
Oroville Dollars for Scholars Fdn.
Orting Alumni Schol. Fdn.
Pateros School Dollars for Scholars Fdn.
P.A.E.F. Alumni Association/Dollars for Scholars (Port Angeles)
Puyallup Schools Fdn.
Rochester Scholarship Association
St. John-Endicott Cooperative Schools Fdn. Dollars for Scholars Program
Selkirk Dollars for Scholars (Ione)
Steilacoom Historical Education Fdn.
Student Educational Equity Dollars for Scholars Fdn. (Tacoma)
Tenino Dollars for Scholars Fdn.
Toppenish-Wapato Dollars for Scholars
United Snoqualmie Valley Schol. Fdn.
Vashon Community Scholarship Foundation
West Valley Dollars for Scholars Fdn.
Yelm Dollars for Scholars

WEST VIRGINIA
CSF of Beckley
CSF of New Martinsville
CSF of Shady Spring District
CSF of Trap Hill-Liberty

WISCONSIN
Bangor Scholarship Foundation
Beaver Dam Scholarship Foundation, Inc.
Cashton H.S. Scholarship Foundation
Clayton Community Dollars for Scholars
CSF of Clear Lake
Ellsworth Area Dollars for Scholars
CSF of Florence County
CSF of Frederic
Grantsburg Community Scholarship Fdn.
Highland Area Dollars for Scholars
Menomonie Area Public Schools Foundation, Inc.
Niagara Area CSF
Oconto Falls Dollars for Scholars
CSF of Rhinelander
Sauk Prairie Fdn. for Acad. Excellence
Shawano Dollars for Scholars
Somerset Memorial Scholarship Fund, Inc.
St. Croix Falls District Scholarship Fdn.
Unity Educational Scholarship Fdn., Inc.

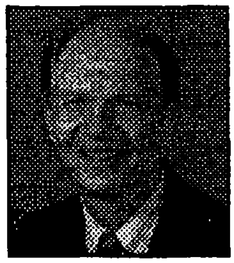
7/22/97:llk:\CHP\DS.LIS

CITIZENS'
SCHOLARSHIP
FOUNDATION
of AMERICA

Dollars for Scholars®
Scholarship Management Services℠
ScholarShop®

A letter from the president

An Update from CSFA President
William C. Nelsen
September, 1997



College Costs and Student Aid

Dear Friend of CSFA:

As students enter colleges this fall millions of them, and their families, are feeling the financial burdens of paying for higher education. The average cost of a four-year degree is approximately $25,000 at public institutions and $70,000 at private colleges and universities. These costs have risen rapidly in the past two decades. Between 1981 and 1995 college tuition increased over 200%.

Citizens' Scholarship Foundation of America (CSFA), the nation's largest private sector scholarship and educational support organization, continues to work hard with our constituents–corporate scholarship sponsors, Dollars for Scholars community volunteers, organizational partners, individual donors and others–to help offset these rising college costs through scholarship dollars. But increasingly CSFA's constituents worry about several critical questions: Do our scholarships make any difference in the face of these rising costs? In fact, does providing more student financial aid actually encourage colleges to raise their prices even more? Are colleges doing their part to keep costs down? Is government playing its proper role as well?

The straightforward answer to these questions in one sentence is: **Colleges, government, and the private sector must each do their part in an active partnership to make college accessible to America's students.** Moreover, CSFA and its constituents are in a unique position to encourage each member of this partnership to play its proper role.

Colleges can and should do more to hold down costs. As a former college president, I understand the pressures that college administrators and boards face to continually increase faculty salaries, add to library holdings, provide more technological improvements, and improve the student residential and social environment. Meeting government regulations in connection with federal aid programs have often added to college costs. And many colleges have perceived that they need to "be all things" to all students to meet enrollment goals. Fortunately, many colleges are beginning to tackle the cost issue by refocusing on their central educational missions and on delivering the best educational value. And while there is no evidence to indicate that increases in available student aid automatically produce increases in tuition, private sector scholarship providers will be watching higher educational institutions closely, because they want the schol-

1505 Riverview Road, P.O. Box 297, St. Peter, Minnesota, 56082, 507-931-1682

arship dollars they are providing–whether through community fund-raising efforts or from corporate programs–to be used efficiently and effectively.

Government entities–including Congress, the President, and state legislatures–are showing new signs of responsiveness to student financial need. Pell grants for low-income students will likely be increased and the new tuition tax credits and income tax deductions for higher education expenses will help middle class families. And new state programs, like the Georgia Hope Scholarship Program, are providing valuable new assistance.

But the American public must not be lulled into thinking that our nation's student aid problems are solved. Costs will continue to rise, student aid family debt burdens will continue to grow, and government alone cannot solve the problem. **The private sector role must continue to increase, not decrease.** And, indeed, the private sector will be motivated to do even more when evidence is strong that colleges and government are doing their parts.

This past fiscal year (ending June 30, 1997), CSFA continued to give leadership to enlarging private sector aid. Our overall scholarship distribution increased over 20%, from $49 million to almost $60 million. Our three major programs continued to grow and strengthen. Scholarship Management Services added 79 new clients to their roster of corporate, foundation, and organizational sponsors, now totaling over 630. Dollars for Scholars continued to pursue the vision of mobilizing local community scholarship foundations throughout the nation by moving toward established state and regional Dollars for Scholars organizations in New England, Georgia, Southern California, Washington, Minnesota, Iowa, and Indiana. Other states will follow where interest, opportunity, and financial support appears strong. ScholarShop, CSFA's newest program that focuses on motivating and preparing junior and senior high youth for postsecondary education, spread to 30 sites in 12 states.

As a result of recent strategic planning CSFA made firm pledges to the Presidents' Summit on America's Future to reach a level of providing annually over $111 million to more than 111,000 students by the year 2000. We will seek to challenge, motivate, and encourage students in other ways as well. We have pledged to triple the number of students receiving mentoring and academic support programs through our Dollars for Scholars and ScholarShop community-based programs. And we will increase by 33% (from 30,000 to 40,000) the number of citizen volunteers engaged in helping youth directly through all of our programs.

As we at CSFA continue to work hard to expand private sector financial aid for students, we intend to speak assertively on behalf of our growing constituency and to do all we can to make sure that all parties in the financial aid partnership are carrying their load. Indeed, our constituents will expect us to do so!

Sincerely,

Bill Nelsen

William C. Nelsen
President

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a publication.

Publications have not been scanned in their entirety for the purpose of digitization. To see the full publication please search online or visit the Clinton Presidential Library's Research Room.

Our Pledge to America's Youth

CITIZENS' SCHOLARSHIP FOUNDATION *of* AMERICA

1997 Annual Report

Citizen Scholars 10/8

Pres, officers -

Speak

Charlotte Gillespie for Safe & Drug Free School

Scholarships

7 modules in curric -
self-development/esteem
options in life
Post sec options
Process of pursuing PS option
Financial aid option
Succeeding in college

Printed / computer
Rel. w/ college U..

Contract w/ youth serving agency or school -
bring kids in
after school / weekend
Most sites went at $ for Scholar site
Cargill
Boys / Girls Club

NEH -

Mtg w/ Citizen Scholars People
Kingsley, 10/8/97

Endowment grant -

Responsible for establishing local foundation -
targeted at low-income
Durenberger, Kerry, Penny, Weber

ESEA - one year auth. for FY 95
Parker -

HEA -
Kennedy, taking lead
Goodling strong supporter

Wellstone / Coats

Rel w/ I Have a Dream -
Focus on bring [healthy] individuals & a particular class
DFS - Rallying people more broadly
Cong'l Member D in community

Still proposing idea of endowment
ESEA auth. was 10M
Pres. asked for 40M nationwide
Trying 25M this time

CITIZENS' SCHOLARSHIP FOUNDATION *of* AMERICA

Dollars for Scholars® -- Scholarship Management Services℠ -- ScholarShop®

THE COMMUNITY SCHOLARSHIP MOBILIZATION PROGRAM

Statement for the House Committee on Education and the Workforce in Connection with the Reauthorization of the Higher Education Act

Citizens' Scholarship Foundation of America, Inc.

This statement is submitted on behalf of the Board, staff, volunteers, and clients of Citizens' Scholarship Foundation of America, the largest scholarship and educational support organization in America. CSFA through its community-based Dollars for Scholars® program, is our nation's largest volunteer-supported scholarship organization. Over 30,000 volunteers in almost 778 chapters are actively assisting their local youth to obtain the benefits of postsecondary education. CSFA through its Scholarship Management Services™, with over 630 clients, is the largest administrator of scholarship programs sponsored by corporations, foundations, associations, and individuals. CSFA's newest program, ScholarShop, challenges and assists young people, especially in disadvantaged communities, to prepare for postsecondary education.

Last year CSFA sent scholarship funding to over 2,300 colleges, universities, and vocational schools throughout the United States. The organization's national headquarters is in Minnesota and we currently have regional offices in Massachusetts, Connecticut, Washington, DC, Georgia, Indiana, Minnesota, Texas, Washington State, and California. Since its beginning in 1961, CSFA has distributed over $350 million to more than 300,000 students to help them pursue their higher educational goals.

Building a Public-Private Partnership

CSFA is strongly supportive of the Pell grant and federally-supported loan programs that have assisted students in recent decades. CSFA also urges Congress to support the new proposals for tax credits and tax deductions to assist families to better afford postsecondary education.

Yet, political leaders, educators, and citizens increasingly are recognizing the limitations of government. Therefore, at CSFA we believe strongly that the future financing of postsecondary education will require a partnership effort—a partnership among students, parents, state and federal governments, colleges and universities, and private-sector organizations and businesses. Yet, for this partnership to work each of the partners must perceive and fully assume a meaningful, lasting, committed sense of responsibility for the future success or failure of our American educational system, including the financing of postsecondary education.

Fundamentally our problem is not financial, but attitudinal. This nation has the resources necessary to educate very well our citizenry and workforce for the future. But we must inform,

1505 Riverview Road, P.O. Box 297, St. Peter, MN 56082 -- 507-931-1682 - 507-931-9168 (fax)

influence, and lead the American people to make sure that all members of the financial aid partnership do their share. And government policy can play a powerful role in this process.

Given the current severe financial stresses on government, families, and educational institutions, we must ask, where can new sources of aid in this partnership be found? One source that is too often overlooked and underestimated is the private sector. In this statement we set forth specific recommendations showing how government policy and legislative action can produce significant amounts of heretofore untapped financial assistance from the private sector, especially from local communities.

Building Community Support for Student Aid

One of the most exciting, rapidly-expanding volunteer movements taking place today in education is the development of community-based scholarship organizations. Through these organizations local residents come together in a systematic way to raise scholarship funds for their local students. This basic old American idea of "neighbor helping neighbor" remains a tremendous untapped resource for providing both scholarship dollars and personal encouragement for helping students pursue postsecondary education.

In a few instances local community-wide scholarship organizations are created entirely on their own. Or a community may already have a few individual scholarship programs sponsored by local service clubs. We are learning, however, that organized community-wide scholarship foundations do not develop spontaneously. Outside assistance and encouragement are almost always necessary.

A unique effort designed to create, develop, and sustain community scholarship foundations is the national Dollars for Scholars program. This CSFA program, founded by Dr. Irving Fradkin of Fall River, Massachusetts in the late 1950s, now has almost 770 affiliated chapters in 40 states. In local communities CSFA staff members work closely with high school officials, Chamber of Commerce representatives, service clubs, neighborhood groups, and other volunteer leaders to help form an initial steering committee. If the community leaders say "go" a formal scholarship foundation is organized with automatic nonprofit tax-exempt status granted by the IRS through affiliation with CSFA. Further support is provided for chapter organization, publicity, fund raising, academic support activities, and scholarship distribution.

Dollars for Scholars foundations can be organized in virtually any type of community, large or small, urban or rural, with impressive results. Two factors are crucial in making this community scholarship foundation movement grow rapidly: (1) the presence of a well-trained area director in a state or region to motivate and assist local volunteers; and (2) the availability of challenge or incentive grants to encourage chapter formation and stimulate initial fund raising. For example, challenge grants from the Lilly Endowment helped to encourage over 50 communities in Indiana to join the Dollars for Scholars program in two years and since then that number has doubled! In

Washington a state-funded challenge grant program has led to the creation of over 39 Dollars for Scholars chapters in the last few years!

The Dollars for Scholars program is a potentially powerful force for providing new financial assistance for students. It is—just as importantly—a highly effective means of raising educational expectations and improving educational achievement. Why? Five compelling reasons emerge from the experiences of communities already actively involved in the program.

1. The Dollars for Scholars program is a <u>local</u> program run by <u>local</u> people for their <u>local</u> students.
2. The Dollars for Scholars program fosters a real sense of <u>accountability</u> among students.
3. The Dollars for Scholars program is a <u>highly visible</u>, tangible program.
4. The Dollars for Scholars program is a way for a community to <u>empower</u> itself to act.
5. The Dollars for Scholars program can <u>change the educational atmosphere</u> of a community when local volunteers work hard to raise funds and set up personal academic support activities.

<u>The Community Scholarship Mobilization Program</u>

Can government play a role in helping to foster this national grass-roots citizens' movement for education? The answer is definitely, <u>yes</u>.

We propose that the Reauthorization of the Higher Education Act include a unique and highly cost-effective, "Community Scholarship Mobilization Program," that will mobilize hundreds of communities to challenge and motivate local students and provide them with scholarship assistance to pursue postsecondary education. Specifically proposed is a provision that will give the Secretary of Education the authority to award $25 million to a national scholarship and educational support organization to be used as follows:

100,000 to fund office - 1 full-time person + travel
endowed

- $20 million to endow ten state or regional service organizations that will in turn create hundreds of new community-based, volunteer-operated scholarship foundations.
- $4 million to provide an endowment whose interest income will be used to provide scholarships for students, matched by funds raised by "local affiliated scholarship chapters."
- $1 million to be used for implementing the ten new state/regional service organizations, including the recruitment and training of thousands of citizen volunteers.

The majority of new scholarship chapters supported by this one-time federal endowment program must be established in geographic areas with a high percentage of low-income students (low-income defined as Pell-grant eligible students).

Why should Congress authorize and fund this unique community empowerment opportunity?

- Interest earned on the one-time investment of $20 million will support approximately ten ongoing program service centers that will start and support community scholarship foundations. Interest from the additional $4 million investment will provide matching grants to help start community scholarship foundations in these same geographic areas.

- Based on the Dollars for Scholars' track record, this one-time investment will produce 1,000 new community scholarship foundations in ten years; approximately $100 million in new private scholarship funding over the next decade; over 30,000 community-based volunteers encouraging and supporting their local students; and over 100,000 new local community donors providing scholarship funding to support over 100,000 students.

- These estimates are based on the experience Dollars for Scholars has had in starting new chapters in states like Indiana, Washington, and Southern California. Where regional offices have been established, this extra effort needed to mobilize and assist volunteers has been highly successful in starting new chapters and generating the grassroots support needed to award a significant number of scholarships to young people in that state.

- Beyond financial assistance, community-based foundations like Dollars for Scholars help motivate young people—and increase academic expectations and achievement levels—through the critical links they establish between donors and recipients of scholarships through tutoring, mentoring, and other academic support programs they offer young people in their communities.

- Instead of another traditional federal program that may encourage dependency on the national government, the Community Scholarship Mobilization Program creates permanent regional centers to help establish citizen-based, community-run foundations. These foundations, in turn, challenge local citizens, businesses, and others to significantly expand private sector support for scholarships and other forms of educational assistance.

Conclusion

When government and the private sector work together in proper ways, the human and financial resources of this nation can be rallied to meet our postsecondary education needs of the future. And government can undertake the leadership role that produces not only financial results but also attitudinal change.

Government must continue to assume its responsibility through strong support of Pell Grants, loans, and other programs. But government can also set the tone for others in the financial aid partnership. If the fundamental message perceived by the public is "Government will take care of our postsecondary education financing problems," then the "can-do" spirit of the American people will be weakened. But if the message is, "We understand the power and goodness of you, the American people. We will do our share, but we challenge you to assume your responsibility as well," then people will respond with energy, resolve and financial support.

Long ago the French author Alevis de Tocqueville observed that the real strength of America was best demonstrated by the way in which we came together in our communities to solve problems. Too often we overlook that great American tradition. We urge the Committee to recommend this program that reinvigorates that tradition and helps to build a national citizens' movement for the support of our students.

Respectfully Submitted by:

Dr. William C. Nelsen, President
Citizens' Scholarship Foundation of America, Inc.
March 6, 1997

COMMUNITY SCHOLARSHIP MOBILIZATION ACT

SEC. 1. SHORT TITLE.

This part may be cited as the 'Community Scholarship Mobilization Act.'

SEC. 2. FINDINGS.

The Congress finds that --

(1) the local community, when properly organized and challenged, is one of the best sources of academic support, motivation toward achievement, and financial resources for aspiring postsecondary students;

(2) local communities, working to complement or augment services currently being offered by area schools and colleges, can raise the educational expectations and increase the rate of postsecondary attendance of their youth by forming locally-based organizations that provide both academic support (including guidance, counseling, mentoring, tutoring, encouragement, and recognition) and tangible, locally raised, effectively targeted, publicly recognized financial assistance;

(3) proven methods of stimulating these community efforts can be promoted through Federal support for the establishment of state or regional program centers to organize and challenge community efforts to develop educational incentives and support for local students; and

(4) using Federal funds to leverage private contributions to help students from low- and moderate-income families attain educational and career goals is an efficient and effective investment of scarce taxpayer-provided resources.

SEC. 3. DEFINITIONS

As used in this part:

(1) STATE OR REGIONAL PROGRAM CENTER -- The term 'state or regional center' means an organization that --

(A) is a division of, responsible to, and overseen by, the national organization; and

(B) is staffed by professionals trained to create, develop, and sustain local affiliated chapters in towns, cities, and neighborhoods.

(2) LOCAL AFFILIATED CHAPTER -- The term 'local affiliated chapter' means an organization that --

(A) is a nonprofit organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from taxation under section 501(a) of such Code (or shall meet this criteria through affiliation with the national organization described in paragraph (3));

(B) is formed for the purpose of providing educational scholarships and academic support for residents of the local community served by such organization;

(C) solicits broad-based community support in its academic support and fund-raising activities;

(D) is broadly representative of the local community in the structures of its volunteer-operated organization and has a board of directors that includes leaders from local neighborhood organizations and neighborhood residents, such as school or college personnel, parents, students, community agency representatives, retirees, and representatives of the business community;

(E) awards scholarships without regard to age, sex, marital status, race, creed, color, religion, national origin or disability; and

(F) gives special attention to awarding scholarships to deserving students from low- and moderate-income families in the local community.

(3) NATIONAL ORGANIZATION -- The term 'national organization' means an organization that --

(A) has the capacity to create, develop and sustain local affiliated chapters and affiliated state or regional divisions;

(B) has the capacity to sustain newly created local affiliated chapters in towns, cities, and neighborhoods through ongoing training support programs;

(C) is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from taxation under section 501(a) of such CODE;

(D) is a publicly supported organization within the meaning of section 170(b)(1)(A)(vi) of such Code;

(E) ensures that each of its local affiliated chapters meet the criteria described in subparagraphs (C) and (D); and

(F) has a program for or experience in cooperating with secondary and postsecondary institutions in carrying out its scholarship and academic support activities.

(4) HIGH-NEED AREA -- The term 'high-need area' means a community with a higher percentage of children from low- and moderate-income families than the national average of such percentage and a lower percentage of children pursuing postsecondary education than the national average of such percentage.

(5) STUDENTS FROM LOW- AND MODERATE-INCOME FAMILIES -- The term 'students from low- and moderate-income families' means students determined, pursuant to part F of title IV of the Higher Education Act of 1965, to be eligible for a Federal Pell Grant under subpart 1 of part A of title IV of such Act.

SEC. 4. PURPOSE, ENDOWMENT GRANT AUTHORITY.

(A) PURPOSE -- It is the purpose of this part to establish and support state or regional program centers to enable such centers to foster the development of local affiliated chapters in high-need areas that promote higher education goals for students from low- and moderate-income families by --

(1) providing academic support, including guidance, counseling, mentoring, tutoring, and recognition; and

(2) providing scholarship assistance for the pursuit of postsecondary education.

(B) ENDOWMENT GRANT AUTHORITY -- From the funds appropriated pursuant to the authority of section 6, the Secretary shall award an endowment grant, on a competitive basis, to a national organization to enable such organization to support the establishment or ongoing work of area program centers that foster the development of local affiliated chapters primarily in high-need areas to improve high school graduation rates and postsecondary attendance through the provision of academic support services and scholarship assistance for the pursuit of postsecondary education.

SEC. 5. GRANT AGREEMENT AND REQUIREMENTS.

(A) IN GENERAL -- The Secretary shall award the endowment grant described in section 4(B) pursuant to an agreement between the Secretary and the national organization. Such agreement shall --

(1) require the national organization to establish an endowment fund in the amount of the grant, the corpus of which shall remain intact and the interest income from which shall be used to support the activities described in paragraphs (2) and (3);

(2) require the national organization to use 80 percent of the interest income from the endowment fund in any fiscal year to support the establishment or ongoing work of state or

regional program centers to enable such centers to work with local communities to establish local affiliated chapters primarily in high-need areas and provide ongoing technical assistance, training workshops, and other activities to help ensure the ongoing success of the local affiliated chapters;

(3) require the national organization to use at least 15 percent of the interest income from the endowment fund in any fiscal year to provide scholarships for students from low- to moderate-income families, which scholarships shall be matched on a dollar-for-dollar basis from funds raised by the local affiliated chapters and to use no more than 5 percent for implementation of this program in designated states or regions;

(4) require the state or regional program centers supported by the national organization to establish a majority of the local affiliated chapters in high-need areas;

(5) require the national organization to submit, in each fiscal year in which such organization uses the interest from the endowment fund for a period of ten years, a report to the Secretary that contains --

(A) a description of the programs and activities supported by the interest on the endowment fund;

(B) the audited financial statement of the national organization for the preceding fiscal year; (C) a plan for the programs and activities to be supported from the interest on the endowment fund during the five succeeding fiscal years;

(D) an evaluation of the programs and activities supported by the interest on the endowment fund as the Secretary may require; and

(E) data indicating the number of students from low- and moderate-income families who received scholarships from local affiliated chapters, and the amounts of such scholarships;

(6) contain such assurances as the Secretary may require with respect to the management and operation of the endowment fund;

(7) contain an assurance that if the Secretary determines that such organization is not in substantial compliance with the provisions of this part, then the national organization shall pay to the Secretary an amount equal to the corpus of the endowment fund plus any accrued interest on such fund that is available to the national organization on the date of such determination.

(B) RETURNED FUNDS -- All funds returned to the Secretary pursuant to subsection (A) (7) shall be available to the Secretary to carry out any scholarship or grant program assisted under title IV of the Higher Education Act of 1965.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated $25,000,000 to carry out this part.

COMMUNITY SCHOLARSHIP MOBILIZATION ACT

Questions Frequently Asked

1. What is the fundamental purpose of the Community Scholarship Mobilization Act?

America's educational, business, and government leaders are increasingly alarmed by high dropout rates, lagging educational achievement levels, inadequate college attendance rates, and the insufficient skill levels of our nations work force. America's students must be properly challenged and encouraged to reach higher educational achievement levels, and they must have adequate financial support to pursue successfully post-secondary educational opportunities. The local community, properly organized, trained, and motivated is one of the best resources for providing support to students. The Community School Partnership Act will make possible the mobilization of Americans in thousands of communities in support of their local students.

2. What are Local Affiliated Chapters?

Local Affiliated Chapters are autonomous 501(c)(3) organizations, affiliated with the National Organization that is awarded the endowment grant. They have their own local board of directors composed of volunteers from the local community. These chapters raise money at the local level in order to distribute scholarships to local students, in addition to giving encouragement and backing to these students through academic support activities and the visible commitment of significant numbers of people to education.

3. Haven't previous federal elementary, secondary, and higher education acts met the needs outlined above for motivating students and funding their education?

Most educational analysts agree that major needs remain. For example, despite many positive results from the recent Higher Education Authorization Act, students and families have become more and more dependent on loans to finance post-secondary education. New sources of scholarship funds must be found to encourage and assist students to pursue post-secondary education. The local community provides a largely untapped resource for significantly greater financial aid for students. Moreover, the local community (including local neighborhoods in inner-city areas) produces the personal support, motivation, and challenge that can more directly impact student decisions and achievement at all educational levels.

4. What is the key element in creating Local Affiliated Chapters?

Extremely important is the role of the Area Director, a kind of "Johnny Appleseed" or "Circuit Rider" who can move from community to community presenting the program, assisting local community leaders, training volunteers, and providing ongoing support services. CSFA's 30 years of experience in creating Dollars for Scholars community scholarship foundations have affirmed the crucial role of this individual. The Area Program Center would be operated and managed by this individual.

5. What funding is required to establish and endow the program operations and services of an Area Program Center?

Based on CSFA's Dollars for Scholars operation, this is a highly cost-effective means of rallying the resources of the private sector to provide significant new resources for students. An area operation serving up to 150 chapters costs only $70,000 to $80,000 annually. Thus, this area program operation (consisting of an Area Director, office and secretarial services, travel and training programs) can be endowed for approximately $1.5 million. The legislation calls for the proceeds from an additional $500,000 to be used for matching grants to communities.

6. Why should the federal government consider such an allocation in light of the federal budget problems?

This approach to government funding is different. The bill calls for a one-time allocation of $25 million. The government will not be required to put more and more money into the program every year, as is too often the case with similar programs. Yet this one-time allocation will return $100 million over the next decade (based on track record of CSFA) in new scholarship support for students. In addition, millions of Americans will be mobilized as strong supporters of educational achievement in their local communities. This type of government action - Federal dollars used to challenge and organize significant new private sector support - will in the long run help alleviate the deficit problem, not add to it.

7. Won't the federal government need to continue to spend money overseeing the program?

As with other endowment programs the federal government has supported, the Education Department will need to formally monitor the use of funding and the program's growth for a limited time (a period of three to five years has been suggested). After this initial period, regular federal monitoring will be unnecessary. Of course, the records of the organization would always be available for spot monitoring. The program is based on 30 years of successful experiences and is designed to rally private sector resources, while not adding to federal staffing and office requirements.

8. Don't many communities already provide scholarships for local students?

Communities often provide a very limited number of scholarships usually sponsored by local service cubs or other organizations. Normally these are small in number and size. This program will provide opportunities for increasing their visibility, yet adding significantly more scholarships through organized community-wide fund raising.

9. Can this program work in low-income communities?

Yes. CSFA has already organized effective Dollars for Scholars chapters in low-income urban and rural communities. Residents are trained in organization, fund raising, and academic support activities. Money comes from the residents themselves and from donors who respond to effective fund-raising events and programs. The Dollars for Scholars program is as much a community empowerment program as a scholarship program.

10. Why shouldn't the federal government give the $25 million directly to communities for scholarships?

This action would represent a poor investment of federal resources. This method would benefit some students immediately but the money would quickly be gone. Allocating $25 million through the endowment of the Community Scholarship Mobilization service operations will produce thousands of new and permanent scholarship foundations and will allow this original money to be multiplied 10 to 20 fold in new scholarship funding in the first decade alone.

11. Why should this federal funding be earmarked for CSFA?

This bill does not earmark funding for CSFA. The organization will have to compete for the funds and the Secretary will make the determination as to who is awarded the endowment grant.

12. CSFA's Dollars for Scholars program has grown rapidly in recent years. Can't this program automatically keep growing?

CSFA currently has over 750 Dollars for Scholars chapters and is creating one new Dollars for Scholars community scholarship foundation every four days. That growth is impressive until one realizes that our nation has over 16,000 school districts (and the larger districts require not one but several or many chapters). Moreover, CSFA can no longer create, develop, and sustain larger numbers of new Dollars for Scholars chapters without significant new, ongoing financial resources. The Community School Partnership Act provides a means of "jump starting" the mobilization of Americans in communities throughout all fifty states - expanding this effective, well-tested program rapidly, while ensuring a permanent base for ongoing service to all the new chapters.

13. Can't CSFA simply raise this $25 million in the private sector?

CSFA has launched a National Campaign that is seeking to raise considerable funds from the private sector as well. But few private sector sources have the capability of providing $10 million in endowment funding in a relatively short period of time. In the years to come CSFA will be able to broaden its constituency nationally as the Dollars for Scholars program takes hold in more states and communities and endowment funding will be more likely attainable. But our nation cannot afford to miss reaching several generations of needy and deserving student s in the meantime! Now is the time to make sure that this effective program begins to impact nationally our country's educational needs and goals.

8/19/97

CITIZENS' SCHOLARSHIP FOUNDATION *of* AMERICA

Dollars for Scholars® -- Scholarship Management Services™ -- ScholarShop®

September 12, 1997

Bruce Reed
Assistant to the President for Domestic Policy
The White House
Washington, DC 20500

They may call you on this.

Bill ✓

Dear Bruce:

Wed 10a
Bill Nelsen

I am writing to request an appointment for Dr. Bill Nelsen, President of Citizens Scholarship Foundation of America; Irying Fradkin, Founder of CSFA; and myself. The time frame that works best for us is October 6, 7, or 8. CSFA is a non-profit education assistance foundation headquartered in Minnesota and has a nation-wide presence.

The purpose of the meeting is as follows:

- Brief you on recent activities of CSFA especially the expansion of the Dollars for Scholars© movement where communities are organized to provide academic support activities and raise money for scholarships; and CSFA's newest program, Scholarshop where secondary school students are encouraged to set goals that include staying in school and planning for postsecondary education.
- Discuss the Community Scholarship Mobilization Act, an initiative that we are attempting to have included in the Higher Education Act reauthorization. This Act would encourage and organize communities to raise funds for scholarships.

I will follow up with your office to see if a time can be arranged. I can be reached at 703-284-5818. Thank you for your consideration.

Sincerely,

Steven Kingsley
Washington Representative, CSFA

P.S. Bruce, you may recall that we worked together several years ago when I was AA to Rep. Tim Penny and you were with the DLC. Since Tim left Congress, I have been in town working with CSFA and other education interests. Hope we can work out a time.

9-12-1997 3:01PM FROM NCS_FED_MKTG. 7032845819 P.1

Commitment Maker

THE PRESIDENTS' SUMMIT FOR AMERICA'S FUTURE

Citizens' Scholarship Foundation of America

The Citizens' Scholarship Foundation of America will double the number of students that are provided with scholarships to 80,000; increase (from approximately $40 million to $85 million) the scholarship resources distributed to students annually by 70 percent; triple the number of students receiving mentoring, academic support, and volunteers supporting them; and will create more than five times the number of Scholar Shops by the year 2000 to motivate and prepare students for post-secondary education in safe and exiting learning environments.

DOLLARS *for* SCHOLARS

Dollars for Scholars is a national network of more than 775 community-based scholarship foundations in 40 states. Last year, Dollars for Scholars chapters raised over $24.0 million and provided financial assistance to more than 18,000 students. In just the last five years, the number of local chapters and individual scholarship recipients has more than doubled!

What's Unique About Dollars for Scholars?

Dollars for Scholars chapters enjoy broad participation and support from local communities, provide academic support and help students pay for college. These grassroots foundations send a strong message to young people in their community: " We believe in you. We have high expectations of you. And we're willing to help you succeed!"

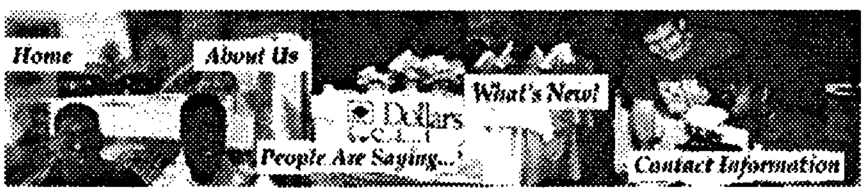
What Else Does Dollars for Scholars Offer?

Dollars for Scholars offers a ready-made program to mobilize volunteers, raise money, and award scholarships. It provides immediate nonprofit status, as well as staff assistance, newsletters and a comprehensive guidebook covering all aspects of local chapter operations and fundraising.

As an added benefit, all Dollars for Scholars recipients have access to a national network of more than 280 Collegiate Partners that pledge to maximize the benefits of Dollars for Scholars awards. Many of these schools also match Dollars for Scholars awards.

Can Dollars for Scholars Benefit A Community That Already Has A Scholarship Program?

Yes! Dollars for Scholars can be an umbrella organization to coordinate the awarding of both new and existing scholarships within a community. Dollars for Scholars offers broader visibility, proven promotional and fund-raising advice and access to more than 300 Collegiate Partners.



[Home]...[About Us]...[People Are Saying]...[What's New]...[Contact Information]

Dollars for Scholars is a program of the Citizen's Scholarship Foundation ® of America;

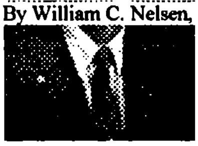
Pages created by Maguire/Maguire, Inc., Hosted by Seagull Technology, Inc.

what's new

More Than A Scholarship Program
Shawano Dollars for Scholars "Plants The Seeds" for Learning
From the East Coast to the West Coast, Dollars for Scholars Chapters Work With Their Local Post Offices

Dollars for Scholars: "More than a scholarship program".

By William C. Nelsen, President, CSFA



For over thirty-five years, the founder of Citizens' Scholarship Foundation of America, Dr. Irving Fradkin, has stressed that Dollars for Scholars is "far more than a scholarship program", and he's right!

Putting scholarship money into the hands of deserving students to help them attend postsecondary educational institutions of their choice is indeed of great significance. Yet the impact of mobilizing citizens to provide scholarships at the community level goes far beyond dollars and cents consideration. Dollars for Scholars is a powerful, visible program that:

- connects caring adults directly with their local youth
- challenges young people to stay in school and pursue postsecondary education
- sends a strong message to local students that raises educational expectations for them
- mobilizes volunteers to take seriously their responsibilities as caring citizens
- brings together people from various racial and ethnic groups for the purpose of helping young people
- creates a strong sense of community pride

In recent years, many Dollars for Scholars chapters have become even more explicit in providing "more than scholarships". They have undertaken specific, much-needed academic support programs to help students improve school performance and prepare for colleges, universities, vocational, and technical schools. Academic support committees have established effective tutoring or mentoring programs, set up workshops for parents and sudents concerning college preparation, or worked with nearby colleges on special orientation and training programs. A few have utilized the special resources of CSFA's new ScholarShop program to motivate and prepare students to enter and succeed in college.

Indeed, Dollars for Scholars is "more than a scholarship program".
---end article--[BACK TO TOP]

Shawano Dollars for Scholars "Plants The Seeds" for Learning

Everyone knows the tale of Johnny Appleseed. He was the pioneer who planted seeds across the country to promote the growth of apple trees. The Shawano (WI) Dollars for Scholars chapter is using their Johnny Appleseed Scholarship Program to promote the growth of learning among fifth grade students in their community. Although not your typical "merit" or "need-based" scholarship, the Jonny Appleseed scholarships provide transportation and expenses for a field trip to a nearby technical college and university. These scholarships offer an opportunity for every fifth grade student in Shawano to see what life is like on a college campus. Students from five middle schools in Shawano all attend these "College Days", thanks to the local Dollars for Scholars chapter and the Johnny Appleseed program.

According to Bill Prijic, principal at the participating Lincoln Middle School, "Visiting the schools gets the students starting to talk about what they want to be. It helps them think about other types of careers -- in addition to the ones they have grown up thinking about, such as a policeman, teacher, fireman, or the careers their parents are in."

During the visit, students attend classes, visit student dorms, check out the library, explore the student union, and other campus facilities. The tours are given by college students and teachers.

"On every trip," said Prijic, "the fifth graders see someone from Shawano on campus who is attending school. Seeing someone they know reinforces the idea of education beyond high school."

"College Days is a great opportunity for the students to see what is available to them after graduating from high school," said Joanne Edwards, a teacher at Lincoln. Edwards, who likes the many career options students witness at "College Days," continued. "Not only are students able to compare a four-year campus to a technical school, but also the many careers that each institution prepares them for."

"College Days" is just one of several academic support programs provided by the Shawano Dollars for Scholars chapter.

The chapter also recognizes students in grades 1-8 whose performance or attitude has improved significantly during a quarter. Each student receives a certificate and letter at home from the Dollars for Scholars chapter. The local newspaper publishes the names of all recipients.

"This 'improvement' certificate has generated the most positive feedback of the chapter's activitie's" said Ed Grys, past president of Shawano Dollars for Scholars. "Parents of the recipients always express their appreciation. They thank the chapter for the positive reinforcement given to their child. These children are making an effort to improve in school and are thrilled when they receive this extra recognition."

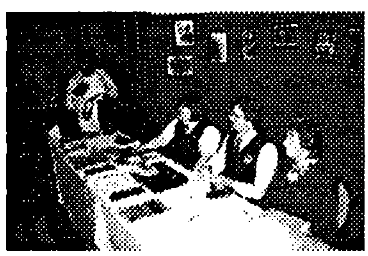
To help high school students think about ""life after school," the Dollars for Scholars chapter sends a "Parent's Guide to Career Development" to every parent of a Shawano High School 10th grade student.

"Dollars for Scholars hopes to help the student, and the whole family, start to make education after high school a priority," said Grys. "The information can stimulate family discussions about education and life beyond high school."

In addition to helping students of all ages prepare for postsecondary education, the chapter also provides scholarships to local graduating seniors. The rapid growth of Dollars for Scholars in Shawano is due to the value the community puts on education, according to Grys. "Our townspeople have a genuine interest in our young people, and they want our students to have the opportunity to go on to higher education," said Grys. "It is the chapter's goal to give a scholarship to every student who applies. Presently, we are able to fund about 40 % of the applicants."
---end article--[BACK TO TOP]

From the East Coast to the West Coast, Dollars for Scholars Chapters Work With Their Local Post Offices

Commemorative stamp cancellation events highlight the partnership between Dollars for Scholars and the United States Postal Service (USPS). USPS is a national sponsor and the "Official Carrier" for Dollars for Scholars.



One event, hosted by the University of San Diego, the newest Collegiate Partner in California, brought USPS employees, San Diego County education leaders, and other friends of Dollars for Scholars together. They gathered on campus to hear guest speakers and witness the commemorative stamp cancellation. The event was underwritten by Mission Federal Credit Union and Pepsi-Cola.

According to Dr. Rudy Castruita, County Superintendent of Schools and a long-time supporter of Dollars for Scholars, the event, "helped celebrate the United States Postal Service's support for education through their partnership with Dollars for

Scholars." Dr. Castruita added that the event will recognize the hundreds of volunteers who participate in the San Diego area's Dollars for Scholars chapters as well as the involvement of USPS employees to encourage and motivate students to succeed.

In Los Angeles, the post office held a celebration of the partnership between their local employees and Los Angeles area Dollars for Scholars chapters. The event included student testimonials on the meaning that Dollars for Scholars awards have had for them, as well as the commemorative stamp cancellation. Emphasis was on future collaborative efforts that will benefit communities and youth in the Los Angeles area.

The Somerset (MA) Dollars for Scholars chapter held a cancellation event in conjunction with their local post office, an event which succeeded in raising the visibility of Dollars for Scholars as well as raising funds for local scholarships. "We had the cancellation event at a local bank," said Kevin Garganta, co-president of the chapter. The postmaster came and did the cancellations right there and then chapter volunteers sold the envelopes throughout the day."

Another example of Dollars for Scholars chapters working with their local post office occurred in Elkhart, IN. The Elkhart Memorial Dollars for Scholars chapter and the Elkhart Central High School Dollars for Scholars chapter took the opportunity to work together with their post office as a way to add funds to their scholarship programs.
---end article--[BACK TO TOP]

[Home]...[About Us]...[People Are Saying]...[What's New]...[Contact Information]

NEW ENGLAND DOLLARS *for* SCHOLARS

Questions & Answers

Table of Contents

How do I start a Dollars for Scholars chapter?

Good question! We welcome your initiative and would love to have you join us. To avoid duplication of effort, our national web site (link) has particulars on that subject. If you want to browse here a while to get the flavor of what our chapters are up to, visit our Discussion Group.

Back to Top

How can I apply for scholarship aid?

Each Dollars for Scholars affiliate offers financial support to students from one or more schools in their area. You generally must live in the area covered by a chapter to apply for one of their scholarships. To find a chapter near you, go to the Chapter Info page and click on the state you are interested in. A list of chapters will be presented. Because names and phone numbers change frequently, you may contact us for the latest chapter information. Local chapter officials will be able to give specifics on their application requirements.

Back to Top

Who is available to answer my questions?

Depends on the question. Regional operations questions should be directed to the regional staff. Questions related to chapter operations can be handled by regional staff or individual chapter officials. Answers to specific problems may be obtained by posting messages in the Discussion Group.

Back to Top

What benefits are provided to local chapters by the regional organization?

Affiliation with CSFA provides access to a growing national network of community scholarship foundations. As an affiliate, your chapter will receive:

- Use of CSFA tax rulings, which includes automatic (501)(c)(3) tax-exempt; 170(b)(1)(A)(vi) public supported; and 509(a) not private foundation status as defined in the Internal Revenue Service Code.
- The right to use CSFA's registered trade name Dollars for Scholars in the promotion of your scholarship foundation.
- A copy of ***Master Manager***, a complete manual for successful chapter operation based on more than three decades of CSFA's experience.
- Dollars for Scholars Treasurer's Journal including income and expense sheets with complete instructions for use by chapters.
- ***Dollars for Scholars News***, a newsletter containing information and ideas from successful scholarship foundations across the country.
- Periodic mailings from CSFA on issues affecting community scholarships.
- Access to CSFA's professional staff (regional and national) to assist with individual program needs. Immediate assistance and advice by calling the New England regional office at 1-800-335-4360 or by calling CSFA's national Dollars for Scholars office at 1-800-248-8080.
- The opportunity to participate in volunteer training workshops.
- The opportunity to participate in regional workshops, gatherings and the Dollars for Scholars National Conference.

Affiliation with CSFA provides opportunities for additional scholarships:

- Grants from CSFA's Collegiate Partners that have agreed to match local Dollars for Scholars awards.
- National competition for $500 scholarships through CSFA's Community Volunteer Service Awards open to students with volunteer experience who are selected by the chapter to apply.

Back to Top

What are the chapter reporting deadlines?

This may be somewhat confusing to chapter volunteers, but we have answers in Chapter Reporting or check out the Calendar.

Back to Top

Do officers of the chapter have to be bonded?

You bet. It is now a requirement of the national Dollars for Scholars organization that officers must be bonded. You are encouraged to contact local area brokers where you may find the best deal.

Back to Top

What are Collegiate Partners?

Collegiate Partners are colleges, universities and other accredited post-secondary institutions that demonstrate their commitment to the development of private sector student aid by supporting the mission of CSFA and its volunteer-operated Dollars for Scholars community scholarship foundations. All Collegiate Partner institutions have made commitments that CSFA-related scholarships will be used first to fill any unmet need remaining after the institutions initial financial aid package has been calculated. Institutions further agree that the first $1,000 in CSFA-related scholarships will not be used to reduce institutional grant assistance.You may wish to view an extract of the Collegiate Partner Directory.

Back to Top

What are Matching Partners?

Matching Partners are institutions already enrolled in the Collegiate Partners program that make further commitments to students by agreeing to match scholarship awards coming to their campuses from Dollars for Scholars community scholarship foundations and other CSFA-managed corporate scholarship programs. These matching funds represent resources dedicated exclusively for this purpose and do not replace previously awarded institutional grants.

Back to Top

How do colleges treat scholarship aid?

THE FINANCIAL AID PROCESS

I. WHAT IS NEED?

SCHOOL COST:	$20,000
EXPECTED FAMILY CONTRIBUTION:	$10,000
NEED:	**$10,000**

It is important to remember that scholarship awards are always applied to "need" and do not change the Expected Family Contribution amount determined by the FAFSA federal form or the individual institution.

II. WHAT COLLEGES DO WITH NEED:

CASE A:	**FULL FUNDING**	**CASE B:**	**PARTIAL FUNDING**
COLLEGE GRANT	$4,000	COLLEGE GRANT	$2,500
STUDENT LOAN	$4,000	STUDENT LOAN	$4,000
WORK STUDY	$2,000	WORK STUDY	$2,000
TOTAL PACKAGE	$10,000	TOTAL PACKAGE	$8,500
NEED	**$10,000**	**NEED**	**$10,000**
UNMET NEED	$0	UNMET NEED	$1,500

III. YOUR DOLLARS FOR SCHOLARS AWARD:

A. By law, the college must include outside aid resources, such as ***Dollars for Scholars*** awards, in their calculation. Thus, in Case A, your award will provide the student with aid in excess of the $ 10,000 in demonstrated need. Therefore, your award will result in some adjustments of the original $10,000 package.

B. In Case B, your award of up to $1,500 may go toward the student's remaining need, meaning that no adjustment will be made in the $8,500 package offered by the college, depending on the school's policy regarding treatment of outside awards.

IV. COLLEGE AWARD ADJUSTMENTS:

The issue with college aid "adjustments" is not whether they **will** be made, but from **where** in the financial aid package they will be made. Let' see what would happen to a $1,000 Dollars for Scholars award at three Case A institutions:

Scenario 1: Self-Help Adjustment

Original Package			**Adjusted Package**	
Grant	$4,000		Grant	$4,000
Loan	$4,000	**becomes**	Loan	$3,000
Work	$2,000		Work	$2,000
Total	$10,000		D/S Award	$1,000
			Total	$10,000

Scenario 2: Grant Adjustment

Original Package			**Adjusted Package**	
Grant	$4,000	**becomes**	Grant	$3,000
Loan	$4,000		Loan	$4,000
Work	$2,000		Work	$2,000
Total	$10,000		D/S Award	$1,000
			Total	$10,000

Scenario 3: Split Adjustment

Original Package			**Adjusted Package**	
Grant	$4,000	**becomes**	Grant	$3,750
Loan	$4,000	**becomes**	Loan	$3,250
Work	$2,000		Work	$2,000
Total	$10,000		D/S Award	$1,000
			Total	$10,000

V. Understanding the System:

Scenario I will offer the best result for both the chapter and the award winner. The student will graduate with $ 1,000 less debt. **RECOMMENDATION:** Make the full award.

Scenario 2 benefits the college by reducing its commitment of institutional resources to the student. The chapter's award will, in effect, be funding the college's financial aid budget. **RECOMMENDATION:** Do not make an award. Consider an "honor" award for books of less than $200.

Scenario 3 reflects the policy of many institutions that have outside aid thresholds. In the example, the first $500 in outside aid will result in a loan adjustment. Any outside aid amount in excess of $500 will result in a 50/50 reduction of college grants and loans. **RECOMMENDATION:** Limit award to the outside aid threshold level set by the college to avoid college grant reductions.

Back to Top

How do Collegiate Partners treat scholarships our chapters provide to students?

I. Special Help from Our Collegiate Partners:

A. **All of our Collegiate Partners** have agreed that the ***Dollars for Scholars*** awards will be used to fill any unmet need remaining after the financial aid package has been calculated. When unmet need no longer exists, ***Dollars for Scholars*** awards up to $1,000 will be used to adjust the self-help portion of the package, not grant aid (see Scenario I above).

B. About one third of our Collegiate Partners have gone a step further. They will match ***Dollars for Scholars*** awards, over and above what they previously committed to the student. Each Matching Partner sets limits on the amount of matching funds that it will provide to an individual student. Consult your Collegiate Partner Directory for details. **No college can provide matching funds to a student whose need has already been fully met. That's why, generally, you'll only see schools with policies like those in CASE B above enrolled as Matching Partners.**

II. Announcing Grants to Collegiate Partners:

A. Make your check out jointly to the college and the student. Making the check out to just one party will make it impossible for the financial aid office to track the grant.

B. For Collegiate Partners that *do not* match grants, send a cover letter with the check indicating that your chapter is a **Dollars for Scholars** affiliate. You may adapt the sample letter in the Master Manager or request a copy of this letter from the regional office.

C. For Matching Partners, complete the Matching Award Request Form and send it to the college as soon as your awards committee has decided on a grant. **IMPORTANT:** If your chapter does not issue checks for its scholarships until late summer or the beginning of the second semester, you should send the Request Form to the college as soon as possible. Don't wait until you issue the check, or the matching funds set aside by the school may no longer be available!

III. For More Information...

A. To find out if a college meets 100% of need: Peterson's guides publishes an annual survey of financial aid policies of every accredited 4-year institution in the nation called Paying Less for College. For 2-year colleges, call the financial aid office directly or ask the student for a copy of his/her financial aid award letter.

B. To find out if a school is enrolled in the Collegiate Partners Program consult your Collegiate Partners Directory. If you need a new copy, call the regional office at 800-335-4360.

C. To find out if schools not enrolled as Collegiate Partners will reduce their scholarships when you make an award to one of their students, consult the Wakefield Report (available from the regional office) or call the school's financial aid office directly.

Back to Top

Home | Calendar | Q&A | About Dollars for Scholars | Chapter Info | Reporting
Dollars for Scholars Resources | Discussion Group | Links | Glossary | Find It | Contact Us | Credits | Site Plan

---

Francine_Picoult @ ed.gov
09/24/97 11:31:00 PM

Record Type: Record

To: William R. Kincaid

cc:
Subject: Re: Dollars for Scholars

Bill,

Please see my response below. I'll let you know if I find out anything else.

Francine

__________ Forward Header __________
Subject: Re: Dollars for Scholars
Author: Maureen McLaughlin at WDCA01
Date: 9/24/97 11:25 AM

Thanks. Please send this info to Bill but continue to see if you can get anything else from Diana.

__________ Reply Separator __________
Subject: Dollars for Scholars
Author: Francine Picoult at WDCA02
Date: 9/24/97 11:06 PM

Per Bill Kincaid's request, we research the program. In sum, here's what we found out.

Dollars for Scholars (DFS) is the nation's largest network of grassroots scholarship foundations, motivating and rewarding students through community-based programs offering financial and academic support. According to the DFS Website, it is a national network of more than 775 community-based scholarship foundations in 40 states and has raised over 24M and provided financial assistance to more than 18,000 students.

The 1997 CFC Catalog reports that only 5.6% of DFS's total revenue was used for fundraising and administrative costs, which is good because it is well below the 25% CFC eligibility level.

The Website is basically a PR document providing specific examples of

DFS programs across the country, if Bill is interested the site is http//www.dollars4scholars.org/

I have not heard back from Diana Phillips yet. She may know more about the organization.

Francine_Picoult @ ed.gov
09/26/97 01:13:00 AM

Record Type: Record

To: William R. Kincaid

cc:
Subject: Re[2]: Dollars for Scholars

Bill,

Some additional information from ED staff re: Dollars for Scholars.

Francine

Forward Header

Subject: Re[2]: Dollars for Scholars
Author: Diana Phillips at WDCB01
Date: 9/25/97 11:59 AM

Phil, am copying the names I see to make this quick. Sorry, was on travel. Here comes info. from the 1997 Directory of Dollars for Scholars, Collegiate Partners. Your webpage info is slightly updated, and you described DFS, but I think you may be looking for how the DFS COLLEGIATE PARTNERS works: Here's that info: Remember FIRST that (and most of this is quoted material):

1. Dollars for Scholars is what you call a "last dollars" organization: it "fills any unmet student need remaining after the institution's financial aid package has been calculated". [That's what distinguishes it from other types of scholarships.]

2. DFS defers to the institution's formula for determining student need.

3. When unmet need no longer exists, DFS scholarships of up to $1,000 will be used to adjust the self-help portion of a student's financial aid package. DFS prefers that loans be reduced before work-study grants. However, if the self-help portion of a student's aid package is not large enough to completely offset a DFS aware of up to $1,000, DFS recognized the institution's right to make adjustments to its institutional grant to the extent that the DFS award exceeds total self-help.

4. When need is fully met, treatment of the portion of DFS scholarships that exceed $1,000 will be at the institution's discretion.

5. DFS Collegiate Partners also provide additional support in many other ways, e.g., providing speakers for DFS workshops; hosting DFS events on their campuses; supporting efforts to organize local DFS chapters.

6. Matching partners are COLLEGIATE partners that make further commitments to undergraduate students by agreeing to match scholarship awards coming to their campuses from DFS chapters. (There's more info. on matching partners.)

7. DFS is a program of Citizens' Scholarship Foundation of America (CSFA), a national non-profit organization that also manages scholarship programs sponsored by more than 570 (or greater now) corporations, foundations, associations and individuals.

The National Headquarters is in St. Peter, MN. 1-800-248-8080. F: (507) 931-9250.

Hope this is useful. As you can see it's for h.s. seniors -- although it's helpful for students to be aware of the organization early. Diana

______________________________ Reply Separator ______________________________

Subject: Re: Dollars for Scholars
Author: Philip Schulz at wdca04
Date: 9/25/97 9:37 AM

Diana P.....

* Below is some background regarding my phone call of yesterday.

* Info i did not know when i called

* Evidently, the request for info came from Bill Kincaid of the DPC.

* As you can see, any additional information is welcome

* On an unrelated note. I was thinking last night that NASFAA might be supportive of the financial aid awareness aspect of priority 3. They're a fairly organized bunch and there are very many of them.

* thankz

______________________________ Forward Header ______________________________

Subject: Re: Dollars for Scholars
Author: Francine Picoult at WDCA02
Date: 9/24/97 11:31 PM

Bill,

Please see my response below. I'll let you know if I find out anything else.

Francine

______________________________ Forward Header ______________________________

Subject: Re: Dollars for Scholars
Author: Maureen McLaughlin at WDCA01
Date: 9/24/97 11:25 AM

Thanks. Please send this info to Bill but continue to see if you can get anything else from Diana.

______________________________ Reply Separator ______________________________

Subject: Dollars for Scholars
Author: Francine Picoult at WDCA02
Date: 9/24/97 11:06 PM

Per Bill Kincaid's request, we research the program. In sum, here's what we found out.

Dollars for Scholars (DFS) is the nation's largest network of grassroots scholarship foundations, motivating and rewarding students through community-based programs offering financial and academic support. According to the DFS Website, it is a national network of more than 775 community-based scholarship foundations in 40 states and has raised over 24M and provided financial assistance to more than 18,000 students.

The 1997 CFC Catalog reports that only 5.6% of DFS's total revenue was used for fundraising and administrative costs, which is good because it is well below the 25% CFC eligibility level.

The Website is basically a PR document providing specific examples of DFS programs across the country, if Bill is interested the site is http//www.dollars4scholars.org/

I have not heard back from Diana Phillips yet. She may know more about the organization.