HEA Reauth —
final clearance

William R. Kincaid
07/22/97 06:23:20 PM

Record Type: Record

To: Constance J. Bowers/OMB/EOP

cc:

Subject: HEA Title VI comments

Only one comment: on page 2 (or 3 circled), there are two references to "the internationalization of undergraduate education" as a program purpose. Although I can speculate, I don't really know what that means (and it sounds vaguely sinister!). We should come up with something that explains the concept in English.

SPECIAL

Total Pages: 9

LRM ID: CJB75

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

Friday, July 18, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

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

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

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

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

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

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

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

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

You may also respond by:

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

(2) sending us a memo or letter

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

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

FROM: ____________________ (Date)

____________________ (Name)

____________________ (Agency)

____________________ (Telephone)

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

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: ____________________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

T - VI (INTERNATIONAL PROGRAMS) DRAFT 7/18/97

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

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

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

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

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

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

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

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

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

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

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

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

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

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

②

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

(2) in subsection (a)--

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4)

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

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

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

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

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

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

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

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

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

"AUTHORIZATION OF APPROPRIATIONS

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

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

"AUTHORIZATION OF APPROPRIATIONS

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

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

"AUTHORIZATION OF APPROPRIATIONS

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

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

"EVALUATIONS

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

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

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

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INTERNATIONAL EDUCATION PROGRAMS

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

- Nine programs are currently funded under the HEA and provide a coordinated approach to strengthening international education: National Resource Centers, Foreign Language and Area Studies Fellowships, Language Resource Centers, International Research and Studies, Undergraduate International Studies and Foreign Languages, Centers for International Business Education, Business and International Education, American Overseas Research Centers, and the Institute for International Public Policy.

- These programs have helped to create high quality graduate and undergraduate international programs; encouraged outreach to the pre-collegiate level; and helped the business community meet the demands of an increasingly competitive global marketplace.

- Both the Department and the community agree that these programs are working well and should be continued with only minor changes.

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

- Eliminate Sec. 605 *Intensive Summer Language Institutes* and Sec. 607 *Foreign Periodicals Program*. Sec.607 has not been funded since 1993 and Sec.605 has never been funded. Our recommendation to eliminate these two sections is consistent with the Department's policy to eliminate unfunded programs.

- Eliminate Sec. 632 *Preservation of Pre-1992 Programs*. The elimination of this trigger provision gives the Department greater flexibility to support programs that best meet the changing needs in international education. Furthermore, Sec. 632 refers specifically to the 1992 amendments to HEA and is outdated.

- Eliminate Sec. 604(b) Programs of Demonstrated Excellence. This subsection of Sec. 604 *Undergraduate International Studies and Foreign Language Programs* has never been funded. We are proposing to eliminate it and incorporate key provisions of this program in subsection (a).

- Revise Sec. 603 *Language Resource Centers* for the following purposes:

    - To strengthen their role as resources to improve foreign language teaching and learning in K-12;

    - To focus each Center on a specific world area and carry out activities in collaboration with foreign language educators and professional associations;

- To make dissemination an essential component of each Center activity;
- To encourage utilization of the advances in educational technology; and
- To authorize domestic and overseas intensive summer language programs.

- **Add a new section on evaluation.** Consistent with the increasing emphasis on performance measures and program results, we are proposing to add a new section on evaluation of the domestic and overseas international education programs.. However, we are recommending that no funds be spent for this purpose until the amount available to each program is not less than the amount available for fiscal year 1998.

DRAFT 7/16/97

REAUTHORIZATION ISSUES -- GRADUATE EDUCATION SUMMARY

It is incumbent on the Federal Government to foster and support graduate education in order to enhance the quality of life; to ensure the technological and economic superiority of the United States of America; and, to improve and expand the teaching capacity of the US. We therefore propose a single graduate education program which would provide incentives and support for US citizens, especially students from traditionally underrepresented populations, to complete doctoral and masters' degree programs leading to academic careers in areas of national need.

CURRENT PROGRAMS

Currently under Title IX, there are 7 programs, of which three are funded. These programs are:

A. Grants to Institutions to Encourage Women and Minority Participation
✓B. Patricia Roberts Harris Fellowships (Funded)
✓C. Jacob K. Javits Fellowships (Funded)
✓D. Graduate Assistance in Areas of National Need (Funded)
E. Faculty Development Fellowships
F. Assistance for Training in the Legal Profession
G. Law School Clinical Experience.

combine purposes

PROPOSAL

The revised Title IX of the HEA will consist of one program: The National Need Graduate Fellowship Program. This program would consolidate the purposes of the GAANN, Patricia Roberts Harris, and Javits Fellowship programs (HEA, Title IX , parts B,C,D). All other Title IX programs (Parts A, E, F & G) would be eliminated.

Focus of the Program

National Need by Discipline

Legislation would read: "the Secretary shall designate on a periodic basis areas of national need, such as the arts, humanities, social sciences, life sciences, or physical sciences." Areas of National Need will be determined in consultation with appropriate Government agencies and other organizations, utilizing statistics on current and projected needs in academic fields, and students currently in the academic pipeline.

Traditionally Underrepresented

Applicants must demonstrate commitment to recruiting and training students from traditionally underrepresented populations. Define "Traditionally Underrepresented" in the statute so that the Secretary may determine on a periodic basis what segments of the population are underrepresented.

thru 1 yr periodically; women minorities

The program will focus on teaching and research and will be awarded to those students demonstrating superior ability. Would include non-professional Doctorates and Terminal non-professional masters degrees. Professional degrees, such as MBA, MD and JD would not be eligible. May include teaching-oriented Doctorates in Professional fields (Engineering, Law). The fellowship may not be used at schools or departments of divinity.

Institutional-based awards. Grants shall not be made of less than \$125,000 or greater that \$750,000. Degree granting institutions, departments, and programs would be eligible to apply. When the Secretary determines that a grantee is unable to use all of the funding available to it, the Secretary may re-allot those funds to programs which can use the funds authorized for this program. Continuation funding will have priority over new awards.

Jointly currently individually some

Consistent with the allocation of awards based on the quality of competing applications, the Secretary shall promote an equitable geographic distribution among public and private institutions of higher education.

Grantees will be required to provide data on performance indicators and measures which address: Input Assessment (student quality); Program Performance (student experience and skill building); and, Outcome Assessment (Placement, development of ind. research).

An institutional match based on the GAANN 25% model - the grantee will provide from other non-Federal funds, for purposes of the fellowship program, an amount equal to at least 25% of the amount received.

Only entering students would be eligible; students with existing graduate credit in a particular program would be ineligible.

Grants would provide for 3 years of support or completion of the degree, whichever is less. Students must demonstrate academic progress to continue to receive fellowship funding.

A recipient's financial need would not determine the size of the stipend; the stipend will be set according to the NSF stipend. The institutional allowance will be a $10,000 97-98 base adjusted annually by inflation as determined by the Department of Labor's CPI.

The academic department must provide at least one year of supervised training in instruction.

Budgeted funds will include a set-aside to fund NCC's for prior awards under GAANN, Javits, and Harris prior to funding new awards. Those grants will be funded under the original terms of award.

Request an appropriation of $50,000,000 to carry out this program.

T-IX (GRADUATE FELLOWSHIP PROGRAM)

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

"TITLE IX -- NATIONAL NEED GRADUATE FELLOWSHIP PROGRAM

"PURPOSE

"Sec. 901. In order to promote high-quality, graduate-level teaching and research in areas of national need and to encourage women and minorities to prepare for postsecondary academic careers in those fields of national need in which they are, and have traditionally been, under represented, it is the purpose of this title to provide assistance to eligible entities to establish graduate fellowships to recruit and assist students of superior ability.

"GRANTS

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

"(b) Geographic Equity.--In making grants under this title, the Secretary shall, to the exent practicable, promote an equitable geographic distribution among eligible public and private institutions of higher education.

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

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

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

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

"(2) An institution of higher education that makfees in amounts

that exceed the institutional payments made by the Secretary under section 907(a) may count such payments toward the amounts the institution is required to provide under paragraph (1).

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

"(h) Continuation of Grant Funding.--The Secretary shall award new grants under this section only if previous grant recipient have received continuation of their authorized funding; except that, to the extent appropriations under this title are insufficient to allow full funding, the Secretary may reduce the amounts required to be awarded to previous grant recipients.

"ELIGIBILITY

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

"(A) academic departments and programs and other academic units of an institution of higher education that offer programs of study leading to a terminal postbaccalaureate degree in an area of national need as designated under subsection (b); and

"(B) those entities eligible under paragraph (1) that submit joint proposals involving one or more nondegree granting institutions that have formal arrangements for support of doctoral dissertation research with degree-granting instititutions.

"(2) The nondegree granting institutions described in subsection (a) (2) include an organization that--

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

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

"(iii) is not a private foundation;

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

"(v) has necessary research resources not otherwise readily available in such institutions to such students.

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

AREAS OF NATIONAL NEED

"SEC. 904. (a) Designation.--After consultation with the National Science Foundation, the National Academy of Sciences, the National Endowment for the Humanities, the National Endowment for the Arts, the Department of Labor, and other appropriate non-profit agencies and organizations, the Secretary shall, on a periodic basis, designate areas of national need.

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

"(1) the interest to the nation in--

"(A) supporting postbaccalaureate study in specific academic fields; and

"(B) preparing a larger number of women and individuals from minority groups for postsecondary academic careers in specific fields of postbaccalaureate study in which they are, and have traditionally been, under represented; and

"(2) the extent of other federal and non-federal support for postbaccalaureate study in such fields and for such individuals;

"APPLICATIONS

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

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

"(1) describe--

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

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

"(C) the academic program or programs of the applicant for which the grant is sought;

"(D) other instutional support the applicant intends to make available to fellowship awardees; and

"(F) the policies and procedures the applicant will use in awarding fellowships using funds under this title to students of demonstrated achievement and exceptional promise;

"(2) demonstrate the relevant academic program or programs' quality and outcomes by means of performance-based criteria including, but not limited to, the entity's performance in recruiting students, training students, and placing students after completion of the course study; and

"(3) provide assurances that--

"(A) in awarding fellowships using funds under this title, the applicant shall give priority to students traditionally underrepresented in the fields for which the grant is sought; and

"(B) in the event that funds made available to an applicant under this title are insufficient to provide the assistance due a student under the commitment entered into pursuant to section 905(b)(1), the applicant will, to the extent of its ability, fulfill the commitment to the student from any funds available to it;

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

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

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

"FELLOWSHIPS

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

"(A) entering their first year of graduate study or research in the field;

"(B) intending to pursue a doctoral degree in the field;

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

"(D) plan postsecondary teaching or research careers.

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

"(b) Stipends.-- Individual stipends awarded under this section shall--

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

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

"(d) Amount of Stipends.--The amount of a stipend to a fellowship awardee shall be set at a level of support at least equal to that provided by the National Science Foundation graduate fellowships.

"(e) Special Rule.--No commitment under subsection (b)(1) shall be made to a fellowship awardee under this section unless the institutional recipient of funds under section 902 has determined that adequate funds, either from the amounts received or anticipated under this title or from other institutional funds, are available to fulfill such commitment.

"(f)Continutation of Fellowships.--No student shall continue to receive a fellowship stipend under this title if he or she is--

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

"(2) engaged in less than fulltime study or research in the field in which such fellowship was awarded; or

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

"INSTITUTIONAL ALLOWANCES

SEC. 907. (a) Institutional Payments.--(1) In addition to the fellowship stipends paid to students under this title, the Secretary shall pay to the institution of higher education for each individual awarded a fellowship under this title at such institution, an institutional allowance.

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

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

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

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

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

"CONTINUATION OF INSTITUTIONAL AWARDS UNDER PREVIOUS PROGRAMS

"SEC. 908. Before making awards under this title for any fiscal year, the Secretary shall fund non-competing continuation awards under parts B: Patricia Roberts Harris Fellowship Program; C: Jacob K. Javits Fellowship Program; and D: Graduate Assistance in Areas of National Need of title IX of the Higher Education Act of 1965 as in effect prior to the enactment of the Amendments of 1997. These non-competiting continuation awards shall be supported in accordance with the terms of the original award.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 909. There are authorized to be appropriated $XX,000,000 for fiscal year 1998 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this title.

LEGISLATIVE SPECIFICATIONS FOR REAUTHORIZATION

TITLE X, PART A

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

The Educational and Institutional Improvement team recommends continuation of the current legislative language for this section, with the following exceptions:

1) Subpart 1, Section 1001(a) Authority:

a) Current language: "The Secretary is authorized to make grants to...institutions of higher education or combinations of such institutions and other public and private nonprofit institutions and agencies..."

b) Proposed language: "The Secretary is authorized to make grants to...institutions of higher education or other public and private nonprofit institutions and agencies..."

c) Rationale: The current language does not clearly permit a grant to, for example, a nonprofit association of mathematics faculty members, unless that association has somehow "combined" with a college or university in the grant application. The recommended change would clarify but not alter current practice -- all nonprofit organizations have been considered eligible to apply for FIPSE support for projects to improve postsecondary education. There are no costs involved.

2) Subpart 1, Section 1003(a) Technical Employees:

a) Current language: "The Secretary may appoint...not more than 5 technical employees to administer this subpart..."

b) Proposed language: "The Secretary may appoint...not more than 7 technical employees to administer this subpart..."

c) Rationale: This section is designed to permit flexibility in hiring so that the expertise of permanent staff can be supplemented to reflect emerging issues of postsecondary reform. The recommendation to increase allowable technical employees from 5 to 7 is not a request for additional staff lines; rather, it would simply permit greater flexibility in filling positions that may open up in the future. As the nature and content of grant applications to FIPSE change continuously in response to evolving trends in postsecondary education, a high degree of staff flexibility is essential.

3) Subpart 1, Section 1004(a) In General:

a) Current language: "There are authorized to be appropriated to carry out this subpart...$20,000,000 for the fiscal year 1993 and such sums as may be necessary for each of the 4 succeeding years.

b) Proposed language: "There are authorized to be appropriated to carry out this subpart...$30,000,000 for the fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding years.

c) Rationale: The authorization number is increased to leave open the possibility that increases might be proposed in FY99 and thereafter. The Comprehensive Program grant competition conducted under this part annually receives some 2,000 proposals to reform postsecondary education, of which FIPSE's current budget enables funding of about 70 grants (about 3 percent of applications). The result is that many fine proposals go unfunded for lack of resources. An increase to $30 million, authorized and appropriated, would enable FIPSE to fund approximately twice as many reform initiatives each year.

4) Subpart 1, Section 1004(b) Planning Grants:

a) Current language: "There are authorized to be appropriated to carry out section 1001(b) $1,000,000 for fiscal year 1993 and such sums..."

b) Proposed language: "There are authorized to be appropriated to carry out section 1001(b) $1,000,000 for fiscal year 1999 and such sums..."

c) Rationale: A change in dates to reflect the new authorization statute.

5) Subpart 2, Section 1011 (c) Areas of National Need:

a) Current language: "Areas of national need shall initially include, but shall not be limited to, the following: (1) International exchanges. (2) Campus climate and culture. (3) Evaluation and dissemination.

b) Proposed language: "Areas of national need shall initially include, but shall not be limited to, the following: (1) International postsecondary education and exchange. (2) Institutional restructuring to improve learning and promote cost efficiencies. (3) Evaluation and dissemination of model programs."

c) Rationale: Two of the three specified areas would remain the same, with somewhat more descriptive language. The third area in the current statute (campus climate) would be replaced by a new one (institutional restructuring) to recognize the increasing interest among the public in discovering new ways to provide postsecondary education at reasonable cost. As the language does not limit the areas of national need to those specifically listed, these changes would not preclude consideration of other project ideas in any case. There are no costs involved.

6) Subpart 2, Section 1011(d) Authorization of Appropriations:

a) Current language: "There are authorized to be appropriated to carry out this subpart $5,000,000 for fiscal year 1993 and such sums as may be necessary for each of the 4 succeeding fiscal years."

b) Proposed language: "There are authorized to be appropriated to carry out this subpart $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

c) Rationale: There is a change of dates to reflect the new authorization statute.

SUMMARY OF TITLE VI REAUTHORIZATION PROPOSALS
INTERNATIONAL EDUCATION

The Department is recommending that the international education programs continue to be administered as separate programs under Title VI. The reauthorization proposals include minor changes to the legislation to streamline the statute and to provide better outreach to the foreign language community.

Access and Effective Education

Revise Sec. 603 Language Resource Centers to strengthen responsibility of Centers to provide service to a broader range of the education community

- Strengthen the responsibility of the Language Resource Centers to serve as resources to improve foreign language teaching and learning in K-12. hi to K-12
- Require Language Resource Centers to focus on a specific world area and to carry out their activities in collaboration with foreign language educators and professional associations.
- Integrate the dissemination function into each of the Language Resource Center activities as an essential component.
- Encourage Language Resource Centers to utilize the advances in educational technology.
- Authorize Language Resource Centers to conduct domestic and overseas intensive summer language programs.

Streamline the Statute

- Eliminate Intensive Summer Language Institute Program and Foreign Periodicals Program. These programs are not currently funded.
- Eliminate requirement for Preservation of Pre-1992 Programs.

SPECS FOR TITLE VI (HEA) INTERNATIONAL EDUCATION PROGRAMS

1. Eliminate Sec. 605 *Intensive Summer Language Institutes.*

Current law: Sec. 605 authorizes the Secretary to make grants to institutions of higher education, or combinations of such institutions, for the purpose of establishing and conducting intensive summer language institutes.

Proposed change: Eliminate Sec. 605 authorizing the Summer Instensive Language Institutes from Title VI.

Reasons for change:

Sec. 605 has never been funded, and the Department has no plans to fund these Institutes. In keeping with Department policy we are therefore recommending that this section be eliminated from Title VI.

2. Eliminate Sec. 607 *Perodicals and Other Research Materials Published Outside the United States (Foreign Periodicals Program).*

Current law: Sec. 607 authorizes the Secretary to award grants to institutions of higher education, public or nonprofit private library institutions, or consortia of such institutions for the acquisition of, and provision of access to, periodicals and other research materials published outside the United States.

Proposed change: Eliminate Sec. 607 authorizing the acquisition of periodicals and other research materials published outside the United States (Foreign Periodicals Program) from Title VI.

Reason for change:

Sec. 607 has not been funded since 1993. Currently the Department has no plans to resume funding this program. In keeping with Department policy we are therefore recommending that this section be eliminated from Title VI.

3. Eliminate Sec. 632 *Preservation of Pre-1992 Programs.*

Current law: Sec. 632 provides that, not withstanding any other provision of law, amendments to Title VI establishing new programs or expanding existing programs not be funded in fiscal year 1993 or the four succeeding years unless and until Congress enacts appropriations for programs under Title VI enacted prior to the 1992 Amendments at a level no less than the level of funding in effect for such preexisting programs for fiscal year 12992.

Proposed change: Eliminate Sec. 632 mandating the preservation of pre-1992 programs.

Reasons for change:

1. Sec. 632 referrs specifically to the 1992 amendments to HEA and is outdated.

2. The elimination of this trigger provision gives the Department greater flexibility to support programs that best meet the changing needs in international education and the Nation's need for expertise in foreign languages and related world areas and international studies.

4. Revise Sec. 603 *Language Resource Centers* as proposed below.

(A) To strengthen the responsibility of the Language Resource Centers to serve as resources to improve foreign language teaching and learning in K-12.

Current law: Sec. 603 authorizes the Secretary to make grants and to enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening and operating a small number of language resource and training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively.

Proposed change: The Secretary is authorized to make grants and to enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating a small number of national language resource and training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively **at all levels of education in the United States**.*(proposed changes listed in bold.)*

Reason for change:

The change we are proposing would strengthen the outreach of the Centers to K-12 by directing them to serve as resources to improve foreign language teaching and learning in K-12.

(B) To require Language Resource Centers to focus on a specific world area and to carry out their activities in collaboration with foreign language educators and professional associations.

Current law: Sec. 603 currently contains no requirement that Language Resource Centers focus on a specific world area or that their activities be conducted in collaboration with foreign language educators and professional associations.

Proposed change: Activities carried out by Centers **shall focus on the language of a specific world area, shall be conducted in collaboration with foreign language educators and professional associations, and** may include ---

Reason for change:

1. The proposed change would require that Centers concentrate their resources more effectively for greater benefit.

2. The proposed change would require that Centers develop linkages with other foreign language educators and professionals for greater mutual benefit.

(C) To integrate the dissemination function into each of the Language Resource Center activities as an essential component.

Current law: Sec. 603 currently lists the dissemination of research results and teaching materials as a separate activity, as follows: *(6) the widespread of dissemination of research results, teaching materials, and improved pedagogical strategies to others within the postsecondary education community.*

Proposed changes: We are proposing to eliminate activity (6) as a separate activity and to integrate the dissemination function as an essential component of Center activities. The list of authorized activities would be revised as follows with proposed changes in bold:

(1) the conduct and **dissemination** of research on new and improved teaching methods, including the use of advanced educational technology;

(2) the development **and dissemination** of new teaching materials **and instructional delivery systems** reflecting the use of such research in effective teaching strategies;

(3) the development, [delete "and"] application, and **dissemination** of performance testing **instruments** appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;

(4) the training of teachers in the administration and interpretation of performance tests, the use of effective teaching strategies, and the use of new technologies;

(5). the publication **and dissemination to others in the foreign language field** of instructional materials in the less commonly taught languages;

Reasons for changes:

1. These proposed changes would strengthen the responsibility of the Centers to serve the foreign language community.

2. Strengthening the dissemination function of Centers would maximize the benefits resulting from the federal investment in the improvement of foreign language teaching and learning.

(D) To encourage Language Resource Centers to utilize the advances in educational technology.

Current law: Sec. 603 as currently written does not reflect the advances in educational technology that can be utilized to increase the effectiveness of outreach.

Proposed changes: Add the following to the list of authorized activities:

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

We are also proposing to add the words **and instructional delivery systems** to activity (2) listed above.

Reason for changes:

1. The proposed changes would encourage the Centers to make use of the advances in educational technology to improve dissemination and to enhance their outreach function.

(E) To authorize Language Resource Centers to conduct domestic and overseas intensive summer language programs.

Current law: Sec. 603 does not currently authorize Centers to conduct intensive summer language programs, either in the U.S. or overseas.

Proposed change: We are proposing to add the following section under allowable activities.

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

Reason for change:

1. We are proposing the elimination of Sec. 605 Intensive Summer Language Institutes as a separate authorization. Adding the above section into Sec. 603 will give the Language Resource Centers an added measure of flexibility in helping to improve foreign language teaching and learning.

NOTE: The changes proposed for Sec. 603 *Language Resource Centers* are attached as a chart for purposes of comparison.

Changes to LRC Legislation: Proposed changes are indicated in ***bold italics***.

SEC. 603. LANGUAGE RESOURCE CENTERS *(current legislation)*	SEC. 603. LANGUAGE RES

Changes to LRC Legislation: Proposed changes are indicated in ***bold italics***.

SEC. 603. LANGUAGE RESOURCE CENTERS ***(current legislation)***	**SEC. 603. LANGUAGE RESOURCE CENTERS** ***(proposed changes)***
(a) LANGUAGE RESOURCE CENTERS AUTHORIZED.—The Secretary is authorized to make grants to and enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating a small number of national language resource and training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively. Activities carried out by such centers may include--	**(a) LANGUAGE RESOURCE CENTERS AUTHORIZED.--The Secretary is authorized to make grants to and enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating a small number of national language resource and training centers, which shall serve as resources to improve the capacity to teach and learn** foreign languages effectively ***at all levels of education in the United States.*** Activities carried out by such centers ***shall focus on the languages of a specific world area, shall be conducted in collaboration with foreign language educators and professional associations, and*** may include------
(1) the conduct of research on new and improved teaching methods, including the use of advanced educational technology;	(1) the conduct and ***dissemination*** of research on new and improved teaching methods, including the use of advanced educational technology;
(2) the development of new teaching materials reflecting the use of such research in effective teaching strategies;	(2) the development ***and dissemination*** of new teaching materials ***and instructional delivery systems*** reflecting the use of such research in effective teaching strategies;
(3) the development and application of performance testing appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;	(3) the development, [delete "and"] application, and ***dissemination*** of performance testing ***instruments*** appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;
(4) the training of teachers in the administration and interpretation of performance tests, the use of effective teaching strategies, and the use of new technologies;	(4) the training of teachers in the administration and interpretation of performance tests, the use of effective teaching strategies, and the use of new technologies;
(5) the publication of instructional materials in the less commonly taught languages; and	(5) the publication ***and dissemination to others in the foreign language field*** of instructional materials in the less commonly taught languages; and
(6) the widespread dissemination of research results, teaching materials, and improved pedagogical strategies to others within the postsecondary education community.	[DELETE CURRENT LANGUAGE DUE TO INCLUSION OF DISSEMINATION IN ALL PREVIOUS ACTIVITIES. INSTEAD:} ***(6) the development and coordination of networking frameworks and activities (such as Internet listservs and bulletin boards, newsletters, conferences and discussion groups) to provide foreign language teachers with ongoing professional development opportunities.***

	(7) the conduct of overseas or domestic intensive summer language institutes designed to meet the needs for intensive ***foreign language training by students or to provide professional development and improve language instruction through preservice and inservice training for foreign language teachers.***
(b) CONDITIONS FOR GRANTS.--Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the provisions of this section.	(b) CONDITIONS FOR GRANTS.--Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the provisions of this section.

Delivery Systems Reauthorization Proposals

The reauthorization proposals relating to delivery systems further the overall goal of improving management of the programs. The recommendations are as follows:

1. Delete reference to "multiple data entry forms."

2. Allow the FAFSA to collect additional data elements for the purpose of awarding student financial assistance. Delete the limitation of eight nonfinancial items used by the States.

3. Delete the requirement that the Secretary develop a separate loan application for the FFEL program. Allow the FAFSA to be used as the loan application in the FFEL as well as the Direct Loan program.

4. Update the section on contracts for collection and processing to reflect current status of MDE contractors and their relationship to FAFSA processing.

5. Delete the requirement that ED ensure that one of the contractors serve graduate and professional students.

6. Add statutory language that provides authority for the Secretary to modify any requirement in consultation with affected parties concerning applying for aid and delivery of funds to take into account new technology and new business processes if those modifications would better meet the needs of students and other systems-users.

7. Provide authority for the Secretary to provide system services for non-Title IV student aid/scholarship purposes and authority to charge and retain fees for such services (except to students and parents).

8. Pay schools and third party servicers for processing electronic applications and corrections according to ED's quality and editing requirements.

9. Delete the requirement that any person who assists another in completing a FAFSA provide his/her name, signature, address, etc.

10. Delete expired section involving antitrust.

Summary of Need Analysis Reauthorization Proposals

The reauthorization proposals for the Federal need analysis formulas further the overall goals of improving access to postsecondary education, and improving management of the programs.

Access:

¥ Consider whether to eliminate or modify the use of cash/savings assets.

¥ Consider whether to modify the contribution from dependent student earnings.

Improving Management:

¥ Consider whether to allow prior prior year data as a substitute for base year data.

¥ Consider whether to allow less than annual need determination for AFDC applicants only.

¥ Consider whether to allow schools professional judgment authority to change a student's dependency status from independent to dependent.

¥ Improve program management income by data matching with IRS through Title IV aid requirement of applicant authorization for sharing of applicant data with IRS.

¥ Consider whether to allow schools under extraordinary circumstances only, the professional judgment authority to change the final EFC amount.

¥ Consider whether changes to the master calendar to increase institutional flexibility by limiting applicability to regulations relating to the calculation of awards and delivery of funds to students. Additionally, whether to allow the Secretary to designate regulations which schools or other entities could choose to implement before the effective date.

List of Need Analysis Reauthorization Proposals

1. Assets: Options under consideration

(a) Eliminate cash savings in Federal need analysis.
(b) Replace current asset protection allowances with an expected cash savings contribution.

2. Dependent student earnings: Options under consideration

(a) Increase student income protection allowance from $1,750 to $3,500.
(b) Combine student available income with parents available income.

3. Prior prior year data:

(a) Allow prior prior year data as a substitution for base year data in need methodology formulas.

4. Federal need analysis determination:

(a) Allow less than annual need determination for AFDC applicants only.

5. Professional judgment authority for dependency status determination:

(a) Allow schools the autnority to change a student's dependency status from independent to dependent.

6. FAFSA applicant's authorization to release their data to IRS:

(a) Title IV federal aid requirement to share application data with the IRS for purposes of an income match.

7. Other than 9 month need analysis calculation:

(a) Extend eligibility for an other than 9 month EFC calculation to independent students.

8. Cost of attendance for correspondence students:

(a) Delete reference to correspondence students in the cost of attendance for all students, other than incarcerated students, who are enrolled at least half-time.

9. Professional judgment authority to change the final EFC amount:

(a) Allow schools the professional judgment authority to change the final EFC amount, in addition to adjusting the data elements only under extraordinary circumstances as defined by the Secretary.

10. Study abroad provision:

(a) Eliminate the study abroad provision in the statute.

11. Certification for GSL eligibility:

(a) Delete this reference in the statute.

12. Loss of eligibility for violations of loan limits:

(a) Delete the term fraudulently in reference to this statute.

13. Modify eligibility for automatic zero EFC calculation:

(a) Improve and simplify the current definition of eligibility for an automatic zero EFC calculation. Eliminate the confusion caused by the current requirement "eligible to file an IRS income tax form 1040a or 1040ez".

14. Master calendar changes:

(a) Limit applicability to regulations relating to the calculation of awards and delivery of funds to students. In particular, apply the publication deadline to regulations governing student consumer disclosures, student eligibility, need analysis, cost of attendance determination of award amounts, and delivery of funds to students. Change the delay of effective date of late publications from December 1 to November 1.

(b) Allow the Secretary to designate regulations which schools or other entities could choose to implement before the otherwise applicable effective date.

Gatekeeping and Oversight

- **Summary of proposals**

- **List of proposals**

Summary of Gatekeeping and Oversight Reauthorization Proposals

Access:

- Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid by repealing current requirements limiting the percentage of correspondence courses that can be offered by institutions. Ensure accountability of these programs through accreditation by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.
- Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

LeBlanc/ Sherry committee recommend do a multi-year period would claim 5-8 institutions.

Effective Education -- High Standards/High Achievement:

- Extend the 70/70 completion and placement requirement to all vocational programs up to one-year in length. Modify the existing requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete the program.

currently 1 year 3 months

Simplify Program Delivery and Improve Management:

- Repeal State Postsecondary Review Entity Program.
- Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.
- Terminate from Title IV eligibility foreign institutions with cohort default rates greater than one-half the national average for each year. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes. Extend the time between recertification to seven years for low loan volume foreign schools.
- Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Make other related provisions consistent with FFEL program.
- Institutions that unsuccessfully appeal high cohort default rates and that choose to receive loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.
- Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.

- Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.
- Broaden the authority for the Quality Assurance program.

List of Gatekeeping and Oversight Reauthorization Proposals

1. Allow distance learning programs and institutions (degree-granting programs or regionally accredited institutions) to be eligible for Title IV aid by repealing current requirements limiting the percentage of correspondence courses that can be offered by institutions and making other technical changes in the areas of institutional eligibility, student eligibility, and cost of attendance.

2. Ensure accountability of distance learning programs through accreditation and assist the Department in monitoring the accrediting agencies by authorizing an independent study (by the National Academy of Sciences or the National Association of Public Administration, for example) to examine the effectiveness with which accrediting agencies are developing and enforcing outcome measures for distance learning programs.

3. Repeal State Postsecondary Review Entity Program.

4. Repeal State share of default costs provision (also included in budget).

5. Limit required unannounced reviews by accrediting agencies to those agencies at which at least 10 percent of the institutions they accredit have cohort default rates for the most recent year of 20 percent or higher. Allow the option for all accrediting agencies to conduct unannounced site visits when they are deemed necessary by the agency.

6. Provide the Secretary the authority to develop a performance-based approach to statutory and regulatory requirements whereby the Secretary would exempt institutions from selected administrative requirements provided they meet stringent performance criteria.

7. Terminate from Title IV eligibility all foreign institutions with cohort default rates greater than one-half the national average for each year. Impose no compliance requirements on deferment-only institutions. Limit submission of financial statement audits and compliance audits to foreign schools with high loan volumes (less than $500,000). Extend the time between recertification to seven years for low loan volume foreign schools.

8. Extend the 70/70 completion and placement requirement (i.e., 70 percent of students must complete and 70 percent of them must obtain employment in the field they are trained) to *all* vocational programs up to one-year in length. Modify the requirement by allowing institutions to meet the requirement if 70 percent of their students are placed in jobs for which they are trained regardless of whether they complete.

9. Impose the existing 85/15 requirement on institutions that switch from for-profit to non-profit during a two-year transition period.

10. Institutions that unsuccessfully appeal high cohort default rates and that choose to receive loans during the appeal process will be held liable by posting surety in an amount sufficient to cover these costs.

11. Clarify that, in submitting cohort default rate appeals based on allegations of improper loan servicing, a school may request only copies of the records received by the guaranty agency in deciding whether to pay a claim and maintained by the agency.

12. Clarify that loans which the Department determines were improperly serviced are eliminated from both the numerator and denominator in the calculation of the cohort default rate.

13. Terminate an institution's participation form the Perkins Loan program if its Perkins default rate exceeds 25 percent for the three most recent years. Add a provision allowing schools to appeal loss of Perkins eligibility based on mitigating circumstances as determined by regulation. Eliminate the provision that allows for the exclusion of improperly serviced loans from the calculation of Perkins cohort default rates. Eliminate the submission of a default reduction plan.

14. Repeal the refund requirements and substitute a simplified proposal that incorporates a disbursement schedule that determines the amount of Title IV aid a student has earned when the student ceases attendance. Some minimum requirements for refunds will be established.

15. Provide the Department the authority to issue administrative subpoenas in pursuing termination actions against institutions.

16. Make technical changes to the definition of eligible institution (in Sections 481 and 1201) that would eliminate duplicative and confusing language. In addition, the changes would clarify that graduate and professional programs are eligible to participate in programs authorized under the HEA, and specify that community colleges offering short-term programs are not subject to a two year waiting period for eligibility.

17. Repeal Section 498(f) that requires the Department to conduct site visits at institutions for each certification or recertification and allows the Department to charge institutions for the costs associated with these site visits.

18. Broaden the statutory authority for the Quality Assurance program into additional areas beyond verification.

19. Extend the exemption from cohort default rate penalties to Historically Black Colleges and Universities and tribally controlled community colleges so long as those institutions are showing continuous improvement in their default rates.

Delivery Systems Reauthorization Proposals

The reauthorization proposals relating to delivery systems further the overall goal of improving management of the programs. The recommendations are as follows:

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4. Update the section on contracts for collection and processing to reflect current status of MDE contractors and their relationship to FAFSA processing.

5. Delete the requirement that ED ensure that one of the contractors serve graduate and professional students.

6. Add statutory language that provides authority for the Secretary to modify any requirement in consultation with affected parties concerning applying for aid and delivery of funds to take into account new technology and new business processes if those modifications would better meet the needs of students and other systems-users.

7. Provide authority for the Secretary to provide system services for non-Title IV student aid/scholarship purposes and authority to charge and retain fees for such services (except to students and parents).

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HEA Reauthorization

URGENT

Total Pages: ____

LRM ID: CJB53

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

Tuesday, June 17, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

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

SUBJECT: REVISED EDUCATION Testimony on Higher Education Act Reauthorization

DEADLINE: 10:30 a.m. Wednesday, June 18, 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:

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LRM ID: CJB53 **SUBJECT:** REVISED EDUCATION Testimony on Higher Education Act Reauthorization

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

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(Telephone # - 401-8313)

Telefax Transmittal Sheet
(Telefax # - 401-5391)

TO: CONNIE BOWERS OMB/LRD

FROM: LORI TEMPLEMAN

DATE/TIME: 6/17/97 5[07] pm

PAGES SENT (including transmittal) 14

COMMENTS: Revised testimony, per conversation.

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-2110

DEPARTMENT OF EDUCATION

Statement of

Richard W. Riley, Secretary

June 19, 1997

Subcommittee on Postsecondary Education, Training and Life-Long Learning

United States House of Representatives
Committee on Education and the Workforce

DRAFT - 6/17/97 -- 5:00 p.m.

Mr. Chairman and Members of the Subcommittee,

I am pleased to appear before you to discuss the Administration's proposal for the reauthorization of the Higher Education Act of 1965 (HEA). The President has emphasized universal access to postsecondary education and lifelong learning as top priorities of his Administration. Our reauthorization proposal builds upon the President's proposed HOPE Scholarship, $10,000 tax deduction, and increases in Pell Grants and Work Study. It will set the direction for Federal support of higher education as we enter the next century.

More than ever before, education is the fault line between those who will prosper in the new economy and those who will be left behind. Today's good jobs increasingly require skills and training beyond a high school education, and effective and accessible postsecondary education is critically important to individuals as well as our Nation's economy and democracy. In fact, the most recent estimates available from the Census Bureau show that a person with a bachelor's degree earns about $600,000 more in today's dollars over the course of a lifetime than a person who did not continue his or her education beyond high school.

For over 30 years, the HEA has worked to promote access to effective postsecondary education, with college enrollment increasing from 5.9 million students in the fall of 1965 to 14.3 million in the fall of 1995. In 1997, we expect 7.6 million students, or about one-third of all postsecondary students enrolled throughout the year, to receive nearly $43 billion through HEA student financial aid programs, costing the Federal government $13 billion. This is a good investment in America's future.

But we have an unfinished agenda. Students whose parents have less income and formal education still enroll in higher education at lower rates than do their peers from more affluent and better educated families. Ninety-one percent of 1992 high school graduates from the highest socio-economic quartile entered college within two years, compared to only 71 percent of students in the middle quartiles and 49 percent of students in the lowest quartile. Ensuring access is therefore the first critical principle underlying our HEA reauthorization proposal. The other three are supporting high standards and high achievement; improving outreach to potential students and linkages to employment and elementary and secondary education; and simplifying program delivery and improving management. I am encouraged that the Congress and the higher education community share these objectives.

The challenge in this reauthorization is to achieve greater investment in postsecondary education within the Bipartisan Budget Agreement. Our overall proposal will be aggressive, but realistic. We will recommend targeted program reforms rather than a "wish list" of new programs that we can fund in the context of a balanced budget.

Access: Opportunity with Responsibility

Ensuring access to postsecondary education for all Americans continues to be the most important goal of Federal postsecondary education policy. President Clinton extends the concept of educational access to mean "opportunity with responsibility." As the principal beneficiaries of postsecondary education, students should be expected to study hard and pay some of the costs of their own education. Nonetheless, the student's family, the States, postsecondary institutions, and the Federal government also have important roles. The student's family has an obligation to prepare the student for a fulfilling and productive future. States provide crucial governance and financial support to the Nation's higher education system, especially through annual appropriations that cover large portions of public institutions' operating budgets. Each institution also has a duty to provide high-quality and efficiently administered programs, support students, and manage Federal funds responsibly. Any consideration of the Federal role in postsecondary education must recognize the roles and responsibilities of these multiple players.

We are concerned that students and parents, especially those from low-income families, have incomplete, and sometimes misleading, knowledge of the cost of attending postsecondary education, the availability of financial aid, and eligibility requirements for aid. Also troubling are recent reports indicating that parents of even very young children view college costs as one of their foremost worries. Although it is not the role of the Federal government to determine tuition levels, we can do more to allay fears about college costs and also to encourage long-term planning for education after high school. We are examining a number of options, including one that would identify and publicize the amount of Federal aid that postsecondary students in participating programs are eligible to receive and the typical costs of education.

We are also concerned that our current need analysis formula -- which determines how much financial aid a student is eligible to receive -- may discourage students from working and families from saving. To address this concern, we are considering ways to modify the treatment of assets in the calculation of expected family contribution. We know that Congressman Clay has recently introduced a bill, H.R. 1435, that would increase the amount of income that is excluded from assessment in the need analysis formulas for both dependent and independent students. We are reviewing this proposal in terms of its benefits to students and its conformity with a balanced budget.

Pell Grants, which are the foundation of Federal student aid, have made postsecondary education possible for millions of low-income students who otherwise would not have had this opportunity. Recent bipartisan support in Congress has resulted in considerable increases in Pell Grant funding and an increase in the number of undergraduate student recipients. We would like the reauthorized HEA to provide a strong Pell Grant program, and in future budgets we hope to propose substantial annual increases in the maximum Pell Grant award, as long as they can be paid for within a balanced budget. To this end, the Administration proposed a $3,000 maximum award in the 1998 budget, and the President fought for this increase in the Bipartisan Budget Agreement.

In part because of the diminishing value of the Pell Grant in real terms throughout the 1980s, many students and families increasingly rely on student loans to finance postsecondary education. Given borrowers' financial obligations, we will not consider any proposal that would increase the cost of borrowing for students or parents. On the contrary, the President's 1998 budget proposed substantial reductions in the loan origination fees that student borrowers must pay, and we will continue to work to eliminate these fees entirely if it is possible within the framework of a balanced Federal budget.

To improve HEA programs for graduate education, we are considering the consolidation of Title IX's Javits, Harris, and Graduate Assistance in Areas of National Need programs into one flexible, comprehensive fellowship program focused on national academic needs. We are preparing a proposal that would define national need in terms of both academic discipline and population representation. The new program would provide flexibility while retaining important elements of the programs that would be consolidated.

We also want to respond to changes in the demographics of the college population as well as technological innovations. Nearly half of all college students are now working adults over 25 years of age who cannot easily take time from their jobs or other commitments to participate in traditional higher education settings. Exciting new technologies are enabling postsecondary institutions to respond to popular demand from these students by offering enhanced distance learning opportunities. For example, students can now take courses over the Internet and interact with instructors via e-mail.

To ensure quality in these ventures, we will ask accrediting agencies to develop and enforce educational outcome standards specific to distance learning. To provide equivalent student aid opportunities for all learners, while making sure that this is a good investment of Federal education funds, we propose to modify several provisions of the HEA. In addition to taking steps to ensure educational quality through accreditation of these programs, we intend to modify some provisions that limit institutional eligibility for Title IV aid, including those based on percentages of students and programs in distance learning. Also under consideration is a proposal that the non-tuition cost of attendance for students in distance learning programs be computed under the same methodology used for other off-campus students.

Support Effective Education: High Standards, High Achievement

In addition to ensuring access, Federal programs should continue to promote and enhance outstanding educational opportunities and encourage students to take advantage of them. Several of our reauthorization ideas address this objective of promoting high standards and high achievement.

We are considering ways to reward needy students who excel academically. We also plan to propose limiting the length of time students may qualify for Pell Grants -- perhaps to 150 percent of the usual program length -- thereby encouraging timely degree completion and safeguarding taxpayer dollars. Taken together, these proposals reinforce our commitment to ensure access for all students and reward those who achieve at the highest level, yet also promote student accountability.

We can also encourage and promote high standards and achievement on the part of educational providers by continuing to support the Fund for the Improvement of Postsecondary Education (FIPSE). The postsecondary education community overwhelmingly endorses this program, which supports reform and enhancement projects in areas ranging from student preparation to faculty development and improvement of campus environments. We will stress dissemination as an important feature of the reauthorized FIPSE, thereby encouraging replication of the exciting and effective projects it funds.

We want to continue to support improvements in academic quality and institutional management at institutions serving disadvantaged and minority students. Our plan to create separate parts of Title III for Hispanic-Serving Institutions and Tribally-Controlled Colleges will elevate their visibility. We will also encourage all Title III schools to strengthen the use of technology in both academic and administrative operations.

Finally, we are concerned about the quality of teaching at elementary and secondary schools. We will propose to improve teacher preparation programs to help meet the President's goal of ensuring a talented, dedicated, and well-prepared teacher in every American classroom. Without effective teaching, the highest standards in the world will not yield a well educated society. Our Nation faces major challenges in this undertaking, as we will need an additional two million teachers to keep up with student population growth over the next decade. We are considering a new teacher preparation program, in which colleges and universities that have demonstrated excellence in preparing teachers would partner with other postsecondary institutions that are committed to improving their own teacher preparation programs. In addition, we are considering improved teacher recruitment programs to include paraprofessionals, mid-career people, and individuals willing to work in underserved areas.

Improve Outreach to Potential Students and
Linkages to Employment and Elementary and Secondary Education

By forging strong links among elementary and secondary education, postsecondary education, and employment, we can establish crucial connections at both ends of the educational spectrum that complement and increase the effectiveness of our investment in student financial aid. Specifically, we aim to provide effective mentoring, academic preparation, and counseling to motivate young people and their families to develop and deepen their aspirations and commitment to pursue postsecondary education. Our goal must not be just to ensure access, but also to encourage students to persist and graduate.

We particularly would like to see increased degree and certificate completion among low-income students, whose rate of completion is one-third lower than that of their high-income counterparts. Thus, we are examining ways to reward institutions that serve large numbers of Pell Grant recipients who complete an educational program. Such incentives would encourage institutions to retain low-income students through degree completion.

We are determined to strengthen the TRIO programs, which support and encourage precollegiate students by preparing them for enrollment and success in college. The Upward Bound and Student Support Services programs help low-income, first-generation college students enter and persist in college. An evaluation conducted by Mathematica Policy Research showed that Upward Bound increases students' educational expectations, prepares them academically, and results in more parental involvement in their children's school-related activities. Similarly, an evaluation conducted by Westat, Inc. showed that participants in Student Support Services earn higher grade point averages, enroll in more classes, and persist at a greater rate than do other similar students.

We also want to strengthen the Federal commitment to mentoring and early intervention for disadvantaged youngsters by stepping up efforts to inform students at an early age that college is a realistic possibility. We are considering a proposal to redefine the Talent Search program as a mentoring and academic support program to help disadvantaged middle school students by instilling motivation and work habits conducive to academic success; providing information on collegiate academic requirements, typical costs, and financial aid availability; and involving parents.

Improve Management and Simplify Program Delivery

The reauthorized HEA should continue to improve management and simplify program delivery, our fourth guiding principle. We aim to reduce burden on institutions and provide them the flexibility to manage the programs so that they can serve students well. We will also ensure that students and postsecondary institutions continue to receive efficient, seamless and predictable customer service that enables them to plan ahead.

We will continue to strengthen Title IV program management by improving the Department's oversight of participating postsecondary institutions. In recent years, we have significantly improved Federal Family Education Loan (FFEL) program management. The national FFEL cohort default rate declined from 22.4 percent to 10.7 percent between 1990 and 1994. Federal payments for defaulted FFELs have declined approximately 40 percent between 1991 and 1996, despite a 60 percent increase in the volume of loans in repayment during the same period. And collections on defaulted FFELs have more than doubled since 1992.

We also have strengthened the gatekeeping procedures to prevent unscrupulous schools from participating in student aid programs. Over the past four years, the Department's actions have led to the removal of 875 schools, including 672 schools removed from all student aid programs and an additional 203 from Federal loan programs. These actions are the result of careful implementation of legislation enacted by the Congress since 1990, which have given the Department more tools to manage the Federal student aid programs.

We need to continue striving toward a proper balance, however, between protecting students and Federal funds and imposing burdens on schools. To strike this balance, we are proposing to create a statutory and regulatory framework for tailored, performance-based standards -- developed in consultation with the postsecondary community -- in lieu of the current "one size fits all" rules. A gatekeeping and oversight system based on institutions' track records and risk to Federal funds will recognize the diversity of American higher education, reduce burden where appropriate, provide incentives for institutions to be fiscally and administratively responsible, and target Federal oversight resources on high-risk institutions.

We are also working to ensure strong management of our student loan programs and to provide equal benefits for students in Direct Lending and FFEL. The creation and implementation of the Direct Loan program already has revolutionized Federal student loan delivery by providing a simpler, more automated, and more accountable system to borrowers and participating institutions. The existence of Direct Lending has also stimulated improvements in FFEL. The Direct Loan program also offers borrowers a choice of repayment options that have improved borrowers' ability to manage their student loan debt. In our FY 1998 budget submission, we proposed to expand the Direct Loan repayment options to FFEL borrowers, improve the terms of FFEL consolidation loans, and prohibit lenders from offering different benefits to selected borrowers. The budget provisions, like our HOPE Scholarship proposal, would provide students additional assistance and flexibility in financing postsecondary education, and we plan to include them in our reauthorization plan, as well.

In the President's 1998 budget, we propose economic incentives for guaranty agencies that would reduce the need for regulation, lower costs to the taxpayers, and improve performance. Our proposal clarifies that guaranty agencies administer guarantees paid by the Federal government under performance-based agreements. The Department would pay 100 percent of lender default claims, compensate guaranty agencies through a set of fees related to the functions they perform, and recall Federal funds unnecessarily held in reserve by the agencies.

We recognize the importance of simplifying program delivery and have taken steps in this direction. In consultation with students, schools, lenders, guaranty agencies, and secondary markets, the Department is developing Project Easy Access for Students and Institutions (EASI), an electronic, student-centered delivery system through which students will be able to apply for aid, determine their eligibility, and have their aid delivered to the school of their choice almost instantaneously. As envisioned, EASI would also enable borrowers to check on their loan balances 24 hours a day after leaving school, assist institutions in tracking enrollment and repayments as well as fulfilling reporting requirements, and help the Department with program management, reporting, and oversight in a real-time environment.

We are modernizing other aspects of the delivery system consistent with the EASI vision. Later this month, students and families will be able to complete the financial aid application via the Internet. We are also considering the use of multi-year promissory notes and imaging for both the Direct Loan and FFEL programs, which could greatly reduce administrative burden for the schools, lenders, and the Department.

Some in the postsecondary education community have advocated new organizational forms to modernize student aid. Recently proposed models include a mutual benefit corporation (MBC) – which, as I understand it, is a non-governmental corporation operating under a charter and bylaws approved by an appropriate Federal agency that is set up to help run an industry -- and a performance-based organization (PBO) within a Federal agency under the policy supervision of the Secretary and the President. We are reviewing modifications that have been proposed for delivering student aid, and will communicate with the Committee if legislative change is needed to improve efficient and effective program management.

Conclusion

It has been my pleasure to share with you our higher education strategy and our approach to the reauthorization of the Higher Education Act. In proposing the HOPE Scholarship tax credit and other tax incentives to help families pay for college and life-long learning, major increases in funding for important postsecondary education programs in our FY 1998 budget, and a strong Higher Education Act, we are dedicated to strengthening the Federal commitment to postsecondary education. We look forward to working with you to craft a Higher Education Act that will allow us to meet the challenges of the next century. I am happy to respond to any questions you may have.

HEA / Hispanic Rus

NOTE TO MAUREEN MCLAUGHLIN

THROUGH: Kathy Stack

FROM: Leslie Mustain, Aromie Noe, Tim Rosado

SUBJECT: Hispanic Initiative

You recall that you asked us to provide our suggestions in support of an Hispanic Initiative. We offer four areas of consideration that are within the context of the Department's Higher Education reauthorization bill.

Modify the TRIO program

- We strongly support the reauthorization Linkages Team's option to eliminate prior experience authority.

- We support, as well, the Team's sub-options to assist the Secretary in giving funding priority to geographic areas under-served by TRIO programs.

- In lieu of, or addition to, acceptance of the above options, we suggest ED consider giving the Secretary authority to designate incremental increases in budget authority each year to grantees serving "emerging communities." The emerging communities definition could, for the purposes of the program, be those with growing or sustained, limited English proficient (LEP) populations.

- We also suggest integrating into statute an incentive structure to encourage grantees to serve "hardest-to-serve" student populations. The definition of hardest-to-serve could be structured in a manner which pulls into TRIO programs more low-performing Hispanic students likely to drop out of school. Regardless of the benefit to any Hispanic Initiative, we see an incentive structure as a useful way to persuade grantees to better serve a greater portion of more 'difficult' students, generally.

  An incentive structure could use either the push or pull approach; withholding a portion of the grant until evidence of performance is shown or providing financial rewards on top of the basic grant.

Target Work-Study funds to Hispanic mentoring programs

- Since a significant portion of new Work Study funds is to be targeted toward community service, we suggest targeting a portion of those funds toward Hispanic mentoring programs. There are some excellent examples of programs that <u>pair</u> Hispanic high/middle school students with Hispanic college students, providing the younger students with <u>role models/mentors</u> as well as college readiness activities (visits to campuses, tutoring, etc.)

- Reallocated Work Study funding priorities can to targeted to schools serving large populations of limited English proficient students or Hispanics. There are, for example, 197 Hispanic-serving institutions that could be used as pilots for the mentoring programs.

- Examples of successful Hispanic mentoring/college readiness programs to be used as models could be included in report language to the reauthorization bill.

Special Focus Competition in FIPSE

- We suggest that FIPSE establish a special focus competition for innovative student support services projects.

- The projects could focus on transition (high school to college) and retention issues of minority students. 'Acute' problem areas could also be targeted within this focus, such as retention of Hispanic students in support services programs.

ED doesn't want to target this much.

Probs w/ this & NAFTA-related competit.

Would prefer to focus on TA.

Restructure the Urban Community Service Program

- If the Department desires to reauthorize an Urban Community Service-type program, we recommend that it be restructured significantly in a way that will harness the resources of IHEs to address just the education needs of school districts in high poverty areas, urban *or* rural.

- The new program could be structured in a manner which targets acute education needs, such as minority student dropouts and instruction for limited English proficient students.

- Performance of the grantees, and program overall, would be measured in terms of the improvements made to the school districts in the problem areas targeted by the grantees.

Talk about folding into one community service program or part of urban initiative / Bring over [illegible] [illegible] for LEP - [illegible]

At your convenience, we are available to discuss any of these suggestions further.

cc: Bob Shireman

HIGHER EDUCATION REAUTHORIZATION
HISPANIC ORGANIZATIONS

ISSUES	HACU	PRESIDENT'S ADVISORY COMMISSION
Distribution of campus-based funds.	Campus-based aid should be distributed to institutions with the highest need, not based on a distribution formula which grandfathers many institutions' allotments at levels set in the mid-1980s.	Distribute all campus-based funds under an established fair share formula that does not guarantee some institutions a certain aid allotment regardless of the number of needy students enrolled.
Academic Libraries and Information Services.	Designate HSIs as eligible for Title I Part D grants.	No comment.

No longer with us

Title III.	○ Designate the HSI program as Part C of Title III and redesignate other parts accordingly. ○ Repeal the requirement that an additional 25% of the Hispanic students enrolled be either low income or first generation college students. ○ Repeal the requirement that 50% of Hispanic students enrolled be first generation college students. ○ Repeal requirement that 25% of Hispanic students are either low income or first generation college students. ○ Repeal the requirement that funding for Title III Part A grants be greater than $80 million before any funds are provided to HSI grants. ○ Repeal provision that limits the definition of an HSI by counting only full-time equivalent students. ○ Permit HSIs to use up to 20% of their grants for establishing or increasing their institutional endowments. ○ Expand section 316(d)(3) to include partnerships with community-based organizations.	○ Repeal the requirement that prohibits funding for HSIs until Part A grants are funded at $80 million. ○ Repeal provision that limits the definition of an HSI by counting only full-time equivalent students enrolled at an institution. ○ Repeal the requirement that an additional 25% of the Hispanic students enrolled be either low income or first generation college students. ○ Add a funding priority for applicants with collaborative arrangements with LEAs <u>and</u> community based organizations. ○ Allow grantees the option to use up to 20 percent of their grant to establish or increase endowment funds at an institution.

ED is recommending sep $$ for HSIs

are recommending

recommend for HBCUs

Not going to do.

recommend can do w/ TRIO.

Throughout will have an increased role for technology

Graduate and professional programs. Not recommending Going to address together by rolling grad [illegible] some other program [illegible] program underrepresented here.	o Create a new grants program authority under Title III to provide awards to HSIs with graduate and professional programs to expand or improve grad/prof opportunities for Hispanic Americans and other students under represented in graduate education. o Provide a priority in funding to grant applicants under Part D of Title IX for programs which enroll students under represented in graduate and professional programs and which recruit such students from HSIs and HBCUs.	Support Hispanic graduate students in targeted fields especially math, sciences, health related professions, the humanities, and fields of anticipated faculty shortages.
TRIO. Instead going to focus on prior performance keep prior experience points but add points for underrepresented	o Repeal the "prior experience" consideration for TRIO programs and replace with a special consideration for proposed projects serving students "under represented in TRIO." o Provide a special consideration for the geographical distribution of TRIO programs. o Provide a priority in funding to Upward Bound projects serving individuals from population groups with a high rate of high school dropouts.	o Repeal the "prior experience" consideration for TRIO programs and replace with a special consideration for proposed projects serving students "under represented in TRIO." o Provide a special consideration for the geographical distribution of TRIO programs. o Provide a funding priority to Upward Bound applicants who provide assurances that are not less than 1/3 of the youths participating in project are high risk individuals.

Bilingual teachers.	Create a program to provide loan forgiveness for individuals, including bilingual teachers who agree to teach in Title I eligible schools with large concentrations of Limited English Proficient students and who teach bilingual education or participate in programs under Title VII of the Elementary and Secondary Education Act of 1965. Bilingual teachers working for community-based organizations serving language minority populations also would be eligible for the program.	Create a loan forgiveness program for bilingual teachers.
Cohort default rates.	Exempt HSIs from cohort default rate restrictions.	Exempt HSIs from cohort default rate restrictions.
FIPSE	Add a new authority under FIPSE for developing innovative methods for ensuring the successful transfer of students from 2-year to 4-year institutions.	No comment.
Funding for Pell Grants.	No comment.	Increase Pell Grant funding to authorized levels.
Bilingual education programs.	No comment.	Increase funds, maintain and promote Bilingual education.
Technology and the workforce.	No comment.	Establish programs that will train and prepare young adults and adults for a technology driven workplace.
Collaboration with business.	No comment.	Facilitate collaborations between businesses and higher education institutions, in order to provide apprenticeships, monitoring, and summer training activities for Hispanic students.

Outreach.	No comment.	Identify the most effective proactive approaches for early outreach to middle schools and high schools, matriculation between two- and four-year institutions, and persistence, interventions, including how there vary by Hispanic group, region and background.

Higher Ed Act
Reauthorization
(Hispanic Serving
Institutions)

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Office of the Deputy Assistant Secretary
Policy, Planning, and Innovation

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Washington, DC 20202-5143
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Fax Cover Sheet

Number of pages following cover sheet: 1

TO: Bill Kincaid **FAX:** 456-2878

FROM:

Maureen A. McLaughlin ____

Francine Picoult ✓

Lynn Mahaffie ____

Sandy Wood ____

Tia Cosey ____

MESSAGE:

(b) CONTINUATION REQUIREMENTS.—Any continuation application shall demonstrate the progress made toward achievement of the goals described pursuant to subsection (a).

(20 U.S.C. 1059b)

SEC. 316. HISPANIC-SERVING INSTITUTIONS.

(a) PROGRAM AUTHORIZED.—The Secretary shall provide grants and related assistance to Hispanic-serving institutions to enable such institutions to improve and expand their capacity to serve Hispanic and other low-income students.

(b) DEFINITIONS.—For the purpose of this section—

(1) the term "Hispanic-serving institution" means an institution of higher education which—

(A) is an eligible institution under section 312(b);

(B) at the time of application, has an enrollment of undergraduate full-time equivalent students that is at least 25 percent Hispanic students;

(C) provides assurances that—

(i) not less than 50 percent of its Hispanic students are low-income individuals who are first generation college students; and

(ii) another 25 percent of its Hispanic students are either low-income individuals or first generation college students;

(2) the term "first generation college student" means—

(A) an individual both of whose parents did not complete a baccalaureate degree; or

(B) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree; and

(3) the term "low-income individual" means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census.

(c) AUTHORIZED ACTIVITIES.—

(1) TYPES OF ACTIVITIES AUTHORIZED.—Grants awarded under this section shall be used by Hispanic-serving institutions of higher education to assist such institutions to plan, develop, undertake, and carry out programs.

(2) EXAMPLES OF AUTHORIZED ACTIVITIES.—Such programs may include—

(A) purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes;

(B) renovation and improvement in classroom, library, laboratory, and other instructional facilities;

(C) support of faculty exchanges, and faculty development and faculty fellowships to assist in attaining advanced degrees in their field of instruction;

(D) curriculum development and academic instruction;

(E) purchase of library books, periodicals, microfilm, and other educational materials;

Bill Kincaid

Higher Ed Act Reauthorization

2342

Total Pages: 15

LRM ID: CJB51

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

URGENT

Friday, June 13, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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 Testimony on Higher Education Act Reauthorization**

DEADLINE: **1:00 p.m. Monday, June 16, 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: In the attached testimony, ED describes aspects of the Administration's proposal for reauthorizing the Higher Education Act. Because this proposal is still under development, we wish to reach agreement on the testimony as quickly as possible.

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- How many of these ideas do we want to float now? (vs save)
- more of a focus on student responsibility?
- teach provision
- max total provision
- reform Bal. Budget agreement? (little mention)
- right setups/ encourage credits/ deductions? (little mention)

LRM ID: CJB51 **SUBJECT:** EDUCATION Testimony on Higher Education Act Reauthorization

**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

DRAFT - 6/13/97

Mr. Chairman and Members of the Committee,

I am pleased to appear before you to discuss the Administration's proposal for the reauthorization of the Higher Education Act of 1965 (HEA). The President has emphasized universal access to effective postsecondary education and lifelong learning as top priorities of his Administration. Our reauthorization proposal builds upon the President's proposed HOPE Scholarship, $10,000 tax deduction, and increases in Pell Grants and Work Study. It will set the direction for Federal support of higher education as we enter the next century.

More than ever before, education is the fault line between those who will prosper in the new economy and those who will be left behind. Today's good jobs require more skills and training than a high school diploma affords, and effective and accessible postsecondary education is critically important to individuals as well as our Nation's economy and democracy. A recent study by the National Center for Education Statistics (NCES) confirms that workers who have a record of high academic achievement earn more and are more productive in the workforce than those demonstrating lower academic achievement. In fact, the most recent estimates available from the Census Bureau show that a person with a bachelor's degree earns about $600,000 more over the course of a lifetime than a person who did not continue past high school.

For over 30 years, the HEA has worked well to promote access to effective postsecondary education, with college enrollment increasing from 5.9 million students in the Fall of 1965 to 14.3 million in 1995. Another roughly six million students enrolled at other times during 1995 or attended non-collegiate institutions. In 1997, we expect 7.6 million students, or about one-third of students enrolled sometime during the year, to receive nearly $43 billion through HEA student financial aid programs, costing the Federal government $13 billion.

But we have an unfinished agenda. Poor and middle-income students still enroll in postsecondary education at lower rates than do their more affluent peers. In 1995, 34 percent of low-income, 56 percent of middle-income, and 83 percent of high-income high school graduates entered college. Recognizing that the HEA needs to address these and other issues, we have focused on four principles in developing our reauthorization proposals: (1) ensuring access; (2) supporting high standards and high achievement; (3) improving outreach to potential students and linkages to employment and elementary and secondary education; and (4) simplifying program delivery and improving management. I am encouraged that the Congress and the higher education community share these objectives.

Access: Opportunity with Responsibility

Ensuring access to postsecondary education for all Americans continues to be the most important goal of Federal postsecondary education policy. President Clinton has aptly characterized this principle as "opportunity with responsibility." This is not uniquely a Federal responsibility, however. It is a responsibility shared with the student, the student's family, the States, and postsecondary institutions. As the principal beneficiaries of postsecondary education, students should be expected to study hard and pay some of the costs of their own education. The student's family also has an obligation to prepare the student for a fulfilling and productive future. Annual State expenditures on postsecondary education exceed $45 billion, indicating the crucial role of States in financing and governing American postsecondary education. Institutions, too, have a duty to ensure access by providing high-quality programs, supporting students, restraining tuition increases, and managing Federal funds responsibly. Any consideration of the Federal role in postsecondary education must recognize the roles and responsibilities of these multiple players.

We are concerned that college costs, which are increasing faster than both inflation and median family income, may be eroding access to postsecondary education. Especially troubling are recent reports indicating that parents of even very young children view college costs as one of their foremost worries. Many individuals, particularly those from lower-income families, do not know how much aid they are eligible to receive through our current student aid programs. We can do more to allay these fears and also encourage long-term planning for education after high school. We are examining a number of options, including one that would identify and publicize ~~better~~ widely the total amount of Federal aid that all postsecondary students in eligible programs could receive ~~compared~~ together with ~~and~~ the typical costs of education. The types of aid provided would vary, as they do now, according to students' financial situations -- the neediest students would qualify for more grants and subsidized loans, while other, less needy students would be eligible for unsubsidized loans -- but all students and families ~~concerned about their ability to finance postsecondary education~~ would benefit from knowing about the availability of a specific total amount of Federal aid that they

good info on

to use to finance postsecondary education.

~~For those the same~~

could expect. Identifying a fixed total Federal aid amount for all students would also discourage institutions from increasing tuitions disproportionately to increases in the amount of Federal aid available.

But would it encourage schools to ↑ up to the amount of aid available?

We are also concerned by a perception that our current needs analysis formula -- which determines how much financial aid a student may receive -- discourages working and saving. To change this perception and to encourage saving and investment for college, we are considering ways to modify the treatment of assets in the calculation of expected family contribution. Such changes would permit those who have saved diligently for postsecondary education expenses to reap the benefit of their effort. We also expect to propose that dependent students be allowed to keep more of the money they earn, rather than having most of it considered in the needs analysis formula. This is consistent with our Fiscal Year 1998 budget proposal to increase the income protection allowance for single or married independent students without dependents.

Pell Grants, the foundation of Federal student aid, have made postsecondary education possible for millions of low-income students who otherwise would not have had this opportunity. With bipartisan support in Congress, Pell Grant funding has increased considerably. Yet as the postsecondary student population has grown, and Pell Grant funding has been spread over more students, the maximum award has not kept pace with college costs. The current maximum Pell Grant of $2,700 would need to be $4,700 just to match its inflation-adjusted level in 1978. While a $2,000 increase is not feasible, we would like the reauthorized HEA to provide a strong Pell Grant program, and hope to propose in future budgets substantial annual increases in the

Should there be a reference to the Balanced Budget agreement here

maximum Pell Grant award, as long as they can be paid for within a balanced budget.

Because the value of the Pell Grant diminished in real terms throughout the 1980s, many students and families increasingly rely on student loans to finance postsecondary education. Given borrowers' financial obligations, we will not consider any proposal that would increase the cost of borrowing for students or parents. On the contrary, we will continue to propose substantial reductions in the loan origination fees that student borrowers must pay and we will work to eliminate these fees entirely if it is possible within the framework of a balanced Federal budget.

To improve HEA programs for graduate education, we are considering the consolidation of Title IX's Javits, Harris, and Graduate Assistance in Areas of National Need programs into one flexible, comprehensive fellowship program focused on national need. We are preparing a proposal that would define national need in terms of both academic discipline and population representation. The new program would provide flexibility while retaining important elements of the programs that would be consolidated.

We also want to respond to changes in the demographics of the college population as well as technological innovations. Nearly half of all college students are now working adults over 25 years of age who cannot easily take time from their jobs or other commitments to participate in the traditional higher education settings. Institutions of postsecondary education are increasingly responding to their demands by offering distance learning courses, whether over the Internet or via teleconferencing. To provide equivalent student aid opportunities for all learners, while making sure that this is a good investment of Federal education funds, we propose to modify several provisions of the HEA. Specifically, we plan to seek repeal of some provisions that limit institutional eligibility for Title IV aid based on percentages of students and programs in distance learning; we propose that students in distance learning programs become eligible for as much aid as other students; and we will require accrediting agencies to develop and enforce educational outcome standards specific to distance learning.

what about cr hours issue?

Support Effective Education: High Standards, High Achievement

In addition to ensuring access, Federal programs should continue to promote and enhance outstanding educational opportunities and encourage students to take advantage of them. Several of our reauthorization ideas address this objective of promoting high standards and high achievement.

*

We are considering rewarding needy students who excel academically with a supplement to their Pell Grant. We also plan to propose limiting the length of time students may qualify for Pell Grants -- perhaps to 150 percent of the usual program length -- thereby encouraging timely degree completion and safeguarding taxpayer dollars. Taken together, these proposals reinforce our commitment to ensure access for all students and reward those who achieve at the highest level, yet also promote student accountability.

how?

*

We can also encourage and promote high standards and achievement on the part of educational providers by continuing to support the Fund for the Improvement of Postsecondary Education (FIPSE). The postsecondary education community overwhelmingly endorses this program, which supports reform and enhancement projects in areas ranging from student preparation to faculty development and improvement of campus environments. We will stress dissemination as an important feature of the reauthorized FIPSE, thereby encouraging replication of the exciting and effective projects it funds.

We want to continue to support improvements in academic quality and institutional management at institutions serving disadvantaged and minority students. Our plan to create separate parts of Title III for Hispanic-Serving Institutions and Tribally-controlled colleges will elevate their visibility. We will also encourage all Title III schools to strengthen the use of technology in both academic and administrative operations.

Finally, we will propose changes in teacher preparation programs to ensure the presence of a talented, dedicated, and well-prepared teacher in every American classroom. Without effective teaching, the highest standards in the world will not yield a well educated society. Our Nation faces major challenges in this undertaking, as we will need an additional two million teachers to keep up with student population growth over the next decade. [We are considering a new teacher preparation program, in which colleges and universities that have demonstrated excellence in preparing teachers would partner with other postsecondary institutions that are committed to improving their own teacher preparation programs. In addition, we plan to expand the Minority Teacher Recruitment Program to include paraprofessionals, mid- career people, and individuals

* should we even get into this level of detail here?

willing to work in underserved areas.

Improve Outreach to Potential Students and

Linkages to Employment and Elementary and Secondary Education

By forging strong links among elementary and secondary education, postsecondary education, and employment, we can establish crucial connections at both ends of the educational spectrum that complement and increase the effectiveness of our investment in student financial aid. Specifically, we aim to provide effective mentoring, academic preparation, and counseling to motivate young people and their families to develop and deepen their aspirations of, and commitment to, pursuing postsecondary education.

We are determined to strengthen the TRIO programs, which support and encourage precollegiate students, preparing them for enrollment and success in college. The Upward Bound and Student Support Services programs help low-income, first-generation college students enter and persist in college. An evaluation conducted by Mathematica Policy Research showed that Upward Bound students have higher educational expectations, are better prepared academically, and have parents who are more involved in their children's school-related activities than similar students not participating in Upward Bound. Similarly, an evaluation conducted by Westat, Inc. showed that participants in Student Support Services earn higher grade point averages, enroll in more classes, and persist at a greater rate than do other similar students.

Our goal must not be just to ensure access, but also to encourage students to persist and graduate.

We particularly would like to see increased degree and certificate completion among low-income students, who currently complete bachelor's degrees at only half the rate of their high-income counterparts. Thus, we are examining ways to reward institutions that serve large numbers of Pell Grant recipients who complete an educational program. Such incentives would encourage institutions to retain low-income students through degree completion.

We also want to strengthen the Federal commitment to mentoring and early intervention for disadvantaged youngsters by stepping up efforts to inform students at an early age that college is a realistic possibility. Our proposal to redefine the Talent Search program as a mentoring and academic support program would help disadvantaged middle school students by instilling motivation and work habits conducive to academic success; providing information on collegiate academic requirements, typical costs, and financial aid availability; and involving parents.

Improve Management and Simplify Program Delivery

The reauthorized HEA should continue to improve management and simplify program delivery, our fourth guiding principle. We aim to reduce burden on institutions and provide them the flexibility to manage the programs so that they can serve students well. We will also ensure that students and postsecondary institutions continue to receive efficient, seamless and predictable customer service that enables them to plan ahead.

We will continue to strengthen Title IV program management by improving the Department's oversight of participating postsecondary institutions. In recent years, we have significantly improved Federal Family Education Loan (FFEL) program management. The national FFEL cohort default rate declined from 22.4 percent to 10.7 percent between 1990 and 1994. Federal payments for defaulted FFELs have declined approximately 40 percent between 1991 and 1996, despite a 60 percent increase in the volume of loans in repayment during the same period. And collections on defaulted FFELs have more than doubled since 1992.

We also have strengthened the gatekeeping procedures to prevent unscrupulous schools from participating in student aid programs. Over the past four years, the Department's actions have led to the removal of 875 schools, including 672 schools removed from all student aid programs and an additional 203 from Federal loan programs. These actions are the result of careful implementation of legislation enacted by Congress since 1990, which have given the Department more tools to manage the Federal student aid programs.

We need to continue striving toward a proper balance, however, between protecting students and Federal funds and imposing burdens on schools. To strike this balance, we are proposing to create a statutory and regulatory framework for tailored, performance-based standards -- developed in collaboration with the postsecondary community -- in lieu of the current "one size fits all" rules. A gatekeeping and oversight system based on institutions' track records will recognize the diversity of American higher education, reduce burden where appropriate, provide incentives for institutions to be fiscally and administratively responsible, and target Federal oversight resources on high-risk institutions.

We are also working to ensure strong management of our student loan programs with equal benefits for students in Direct Lending and FFEL. The creation and implementation of the Direct Loan program already has revolutionized Federal student loan delivery by providing a simpler, more automated, and more accountable system to borrowers and participating institutions. The Direct Loan program also offers borrowers a choice of repayment options that have improved borrowers' ability to manage their student loan debt. In our FY 1998 budget submission, we proposed to expand the Direct Loan repayment options to FFEL borrowers, improve the terms of FFEL consolidation loans, and require lenders to provide the same benefits to all of their borrowers. The budget provisions, like our HOPE Scholarship proposal, would provide students additional assistance and flexibility in financing postsecondary education.

We can reduce inefficiencies inherent in the FFEL program by modifying the guaranty agency structure to provide economic incentives for guaranty agencies that would reduce the need for regulation, lower costs to the taxpayers, and improve performance. The current guaranty agency structure is based on the fiction that guaranty agencies actually guarantee student loans, when in fact they merely administer guarantees paid by the Federal taxpayer. Our proposal clarifies the Federal role and transforms these agencies into third-party servicers for guaranty-related functions under performance-based agreements. The Department would pay 100 percent of lender default claims and recall Federal funds unnecessarily held in reserve by the agencies.

We recognize the importance of simplifying program delivery and have taken steps in this direction. In consultation with students, schools, lenders, guaranty agencies, and secondary markets, the Department is developing Project Easy Access for Students and Institutions (EASI), an electronic, student-centered delivery system through which students will be able to apply for aid, determine their eligibility, and have their aid delivered to the school of their choice almost instantaneously. As envisioned, EASI would also enable borrowers to check on their loan balances 24 hours a day after leaving school, assist institutions in tracking enrollment and repayments as well as fulfilling reporting requirements, and help the Department with program management, reporting, and oversight in a real-time environment.

We are modernizing other aspects of the delivery system consistent with the EASI vision. Later this month, students and families will be able to complete the financial aid application via the Internet. We are also considering the use of multi-year promissory notes and imaging for both the Direct Loan and FFEL programs, which could greatly reduce administrative burden for the schools, lenders and the Department.

Some in the postsecondary education community have advocated new organizational forms to modernize student aid. Recently proposed models include a mutual benefit corporation (MBC) -- which, as I understand it, is a non-governmental corporation operating under a charter and bylaws approved by an appropriate Federal agency that is set up to help run an industry -- and a performance-based organization (PBO) within a Federal agency under the policy supervision of the Secretary and the President. We are reviewing the desirability of an MBC, PBO or other specific alternative organization for delivering student aid, but do not want to jump to any conclusions without more careful study.

Conclusion

It has been my pleasure to share with you our higher education strategy and our approach to the reauthorization of the Higher Education Act. In proposing the HOPE Scholarship tax credit and other tax incentives to help families pay for college and life-long learning, major increases in funding for important postsecondary education programs in our FY 1998 budget, and a strong Higher Education Act, we are dedicated to strengthening the Federal commitment to postsecondary education. We look forward to working with you to craft a Higher Education Act that will allow us to meet the challenges of the next century. I am happy to respond to any questions you may have.

Higher Ed Act Reauthorization

SPECIAL

Total Pages: 5

LRM ID: CJB77

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

Friday, July 18, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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 X FIFSE (Fund for the Improvement of Postsecondary Education)

DEADLINE: noon Friday, July 25, 1997

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

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

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

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

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

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

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

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

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

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: ______________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

T-X (FIPSE) DRAFT 7/18/97

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

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

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

"AUTHORIZATION OF APPROPRIATIONS

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

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

(d) Section 1011 is amended--

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

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

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

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

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

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

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FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

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

FIPSE grant competitions include:

- The Comprehensive Program, FIPSE's primary grant competition, which annually accounts for over eighty percent of its program budget.

- Smaller, "special focus" competitions in areas of particular national need are also conducted each year. In recent years these competitions have addressed such topics as dissemination of proven postsecondary reforms, and development of cooperative postsecondary programs between institutions in the United States and those in the Mexico, Canada, and European Union.

The Comprehensive Program:

- Is open to all public and private nonprofit postsecondary institutions, from two year institutions to research universities. In FY 97, 2156 applications were submitted.

- Supports demonstration projects addressing a wide range of postsecondary improvements, access to postsecondary education for all types of students, teaching and learning. Most grant awards are in the areas of access and retention, curriculum reform, educational technology, school-college collaboration, school-to-work programs, international education, faculty development, and graduate and professional education.

- Is very competitive: of the approximately 2000 applications submitted each year, only about 75 receive FIPSE grants, a funding ratio of less than four percent.

- Requires each funded project to engage in systematic evaluation of its outcomes, and to disseminate its results to the postsecondary community.

- Includes evaluation of outcomes that leads to institutionalization of successful projects; a large majority of FIPSE projects are continued after FIPSE funding expires.

In recognition of this program's outstanding success over the past 25 years, both the Department of Education and the higher education community have recommended that FIPSE be reauthorized without substantial change in its statute. Three minor amendments are proposed here to: 1) clarify the range of eligible grantees; 2) provide for increased staff flexibility; and 3) encourage applicants to address the need to restructure institutions to improve learning and promote cost efficiencies.

DRAFT- 7/15/97

HEA Reauthorization

William R. Kincaid
08/01/97 10:25:28 AM

Record Type: Record

To: Jack_Kristy @ ed.gov @ inet

cc:
Subject: Title IX/Graduate comments

While you're waiting to hear back from DOJ and the WH Counsel's office on this, a couple of quick comments:

p. 1 -- It seems odd to have no specific data as examples of national areas of need in particular academic fields, in contrast with all of the findings about underrepresenation. A virtue of the program is that the need areas can change over time, but it seems like it would make sense to have one or two examples that clearly demonstrate why something like this is necessary.

Is it expected that students will be able to get fellowships to complete PhD's in law or business? If not, seems odd to use those figures as examples of underrepresentation.

My Webster's shows no period in "PhD" which is shown throughout the bill as "Ph.D," but what do I know, I'm just a lowly J.D.-M.P.A.

p. 4 -- Sec. 904(a) -- "such as the Arts, Humanities, Social Sciences, Life Sciences, or Physiscal Sciences" seems to indicate that the designation of need is just that broad, rather than national areas of need in things like electrical engineering, astrophysics, or biochemistry. I would assume that what's intended is more like the latter. Should this read something like "designate areas of national need, within fields such as the Arts, Humanities...?"

p. 5 -- (3)(C) -- this is confusing -- does this mean that the fellowship recipients will have to receive, in effect, at least one year of classroom instruction or supervised training (before they go off and do their own research or whatever), or does this mean that each recipient will get at least a year of supervised training in how to teach?

Thanks.

SPECIAL

Total Pages: 12

LRM ID: CJB76

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

Friday, July 18, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

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

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

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

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

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

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

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

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

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Office of Management and Budget
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______________________ (Agency)

______________________ (Telephone)

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

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _______

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this reponse sheet

T-IX (GRADUATE FELLOWSHIP PROGRAM) DRAFT 7/18/97

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

"TITLE IX -- NATIONAL NEED GRADUATE FELLOWSHIP PROGRAM

"FINDINGS; PURPOSE

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

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

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

Odd that there is no specific data on fields.

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

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

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

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

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

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Hispanic, and 0.5% are Native American.

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

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

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

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

"GRANTS

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

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

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

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

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

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

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the amount of the grant.

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

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

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

"ELIGIBILITY

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

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

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

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

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

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

"(iii) not be private foundations;

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

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

W

to such students.

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

"AREAS OF NATIONAL NEED

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

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

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

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

"APPLICATIONS

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

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

"(1) describe--

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

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

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

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

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using funds under this title;

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

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

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

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

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

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

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

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

"FELLOWSHIPS

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

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

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

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

"(D) plan postsecondary teaching or research careers.

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

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

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

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

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

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

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

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

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

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

"INSTITUTIONAL ALLOWANCES

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

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

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

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

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

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

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

"CONTINUATION OF INSTITUTIONAL AWARDS UNDER PREVIOUS PROGRAMS

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

"AUTHORIZATION OF APPROPRIATIONS

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

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NATIONAL NEED GRADUATE FELLOWSHIP PROGRAM

Purpose

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

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

Proposal

- National Need: The Secretary will designate areas of national need such as the arts, humanities, social sciences, life sciences and physical sciences. The Department will consult with the National Science Foundation, the National Endowment for the Arts, the National Endowment for the Humanities, the National Academy of Sciences and other appropriate agencies and organizations to determine national need. The determination of national need will consider relevant statistics and the extent to which other Federal and non-Federal programs support postbaccalureate study in these areas.

- Underrepresented Populations: Priority will be given to applicants that indicate strong past and continuing performance in serving populations traditionally underrepresented, including women, minorities, and individuals with disabilities in the academic program for which fellowships are sought.

- Academic and Research Careers: The Department will evaluate applications based on the applicant's previous experience in training students who obtain teaching and research positions at institutions of higher education.

Institutional Commitment

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

- **Institutional match:** There will be an institutional match based on the GAANN 25% model - the grantee will provide from non-Federal funds, an amount equal to at least 25% of the amount of Federal funds received.

- **Duration of grants:** Grants would provide for three years of support or until completion of the degree, whichever is less. Students must demonstrate academic progress to continue to receive fellowship funding. A 25% match from the institutions will ensure a faculty, departmental, and institutional commitment.

- **Supervised training:** The academic department will be required to provide at least one year of supervised training in instruction for students.

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

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

DRAFT -7/17/97

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SPECIAL

Total Pages: 32

LRM ID: CJB97

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

Monday, September 8, 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 IV, Part F -- Need Analysis**
DEADLINE:	noon **Thursday, September 11, 1997**

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

COMMENTS: The HEA reauthorization legislation is being circulated for clearance in separate parts for ED to transmit informally to congressional committees. ED will consolidate the entire bill for formal transmittal later.

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LRM ID: CJB97 **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: 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

9/4/97draft

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

"(A) the sum of--

"(i) Federal income taxes; and

"(ii) the amount of any tax credit taken under section 25A of the Internal Revenue Code of 1986;";

(B) 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

";

(C) 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

(D) 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)--

(i) by amending subparagraph (A) to read as follows:

"(A) the sum of--

"(i) Federal income taxes; and

"(ii) the amount of any tax credit taken by the student under section 25A of the Internal Revenue Code of 1986;"; and

(ii) in subparagraph (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 (i) read as follows:

"(i) the sum of--

"(I) Federal income taxes; and

"(II) the amount of any tax credit taken under section 25A of the Internal Revenue Code of 1986;";

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

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

(III) 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) INCOME PROTECTION ALLOWANCE.--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) by amending paragraph (b)(1)(A) to read as follows:

"(A) the sum of--

"(i) Federal income taxes; and

"(ii) the amount of any tax credit taken under section 25A of the Internal Revenue Code of 1986;";

(B) 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

";

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

"Income Protection Allowance

Family Size (including student)	Number in College 1	2	3	4	5	For Each Additional Subtract:
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

(D) 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	And the student is 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 (c), 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 by striking out "or the values of the data items required to calculate the expected student or parent contribution (or both)" and inserting in lieu thereof a comma and "the values of the data items required to calculate the expected student or parent contribution (or both), or, in extraordinary circumstances (as defined by the Secretary, notwithstanding section 478(a)), the amount of the expected family contribution".

DEFINITIONS

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

(1) in subsection (a)--

(A) in paragraph (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."; and

(B) in paragraph (2)--

(i) by striking out "and no portion" and inserting in lieu thereof "no portion"; and

(ii) by inserting immediately after "(42 U.S.C. 12571 et seq.)," the following: "and no portion of any tax credit taken under section 25A of the Internal Revenue Code of 1986,";

(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)--

(A) by redesignating paragraphs (1), (2), (3), (4), (5), (6), and (7) as subparagraphs (A), (B), (C), (D), (E), (F) and (G), respectively;

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

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

"(2) A financial aid administrator may make a documented determination that a student who meets the definition of an independent student in paragraph (1) should be considered to be a dependent student due to unusual circumstances.

"(3) The Secretary may take such steps, including the issuance of regulations (notwithstanding section 478(a)), as the Secretary determines necessary to protect against the misuse of the authority under paragraphs (1)(G) and (2).";

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

"(4) any tax credit taken under section 25A of the Internal Revenue Code of 1986."; and

(5) in subsection (j), by adding after paragraph (3) the following new paragraph:

"(4) Notwithstanding paragraph (1), a tax credit taken under section 25A of the Internal Revenue Code of 1986 shall not be treated as estimated financial assistance for purposes of section 471(3).".

REPEAL

SEC. 479. Section 479 of the Act is repealed.

draft 9/2/97

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, section 473(1)(A) of the bill would amend section 475(c)(1)(A) of the Act to exclude the HOPE Scholarship and Lifetime Learning tax credits from the parents' available income. This change, and related changes proposed in sections 474, 475, and 476 of the bill to sections 476, 477, and 480 of the Act, respectively, are intended to ensure that a student's future eligibility for Title IV assistance is not affected by his or her family's use of the HOPE Scholarship or the Lifetime Learning tax credits, and that the family's available income is accurately reflected by taking account of federal taxes that would be owed if neither the HOPE Scholarship tax credit nor the Lifetime Learning tax credit were available.

Sections 473(1)(B), (C), and (D), (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 exclude the HOPE Scholarship and Lifetime Learning tax credits from the dependent students' available income, and 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 HOPE Scholarship and Lifetime Learning tax credits would be excluded from the independent students' available income, 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) 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 HOPE Scholarship and Lifetime Learning tax credits would be excluded from the independent students' available income, 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 to expand a financial aid administrator's authority to use professional judgment to adjust the amount of the EFC. 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. This amendment would permit a financial aid administrator to make adjustments that more accurately reflect a student's circumstances. To prevent abuse of this provision, 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)(A) 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(1)(B) of the bill would amend section 480(a)(2) of the Act to exclude the HOPE Scholarship and Lifetime Learning tax credits from income and assets for any EFC calculation for any program under the Act.

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 expand the definition of an independent student in section 480(d)(7) to provide that a financial aid administrator may make a documented determination that a student who otherwise would be considered independent should not be considered independent because of unusual circumstances. 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 steps, including the issuance of regulations, to prevent the abuse of this expanded authority for financial aid administrators, or their current authority under section 480(d)(7) of the Act, is being abused.

This change would provide an additional tool for a financial aid administrator to assess an individual student's circumstances. There is reason to believe that, under current law, some students are being treated as independent who, in fact, remain dependent on their parents and receive parental support, or who would be able to receive parental support in lieu of Federal student assistance.

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. In its place, a new paragraph (4) would include the amount of a HOPE Scholarship or Lifetime Learning tax credit in the definition of "excludable income." Section 478(5) of the bill would prevent the HOPE Scholarship and Lifetime Learning tax credits from substituting for other forms of student aid by making clear that the amount of the credit is not to be treated as "other financial assistance." These changes, and related changes proposed in sections 473, 474, and 475 of the bill to sections 475, 476, and 477 of the Act, respectively, are intended to ensure that a student's future eligibility for Title IV assistance is not affected by his or her family's use of the HOPE Scholarship or the Lifetime Learning tax credits.

Section 479. Section 477 of the bill would repeal section 479 of the Act, which currently authorizes two simplifications of the application process, the Simplified Needs Test (SNT) and the automatic zero EFC. Under the SNT, applicants may qualify for a determination of need using fewer data elements if the parents of a dependent student (or the student, in the case of an independent student) have an income of not more than $50,000 and (1) were non-tax-filers, (2) filed a 1040A or a 1040EZ income tax form, or (3) were eligible to file a 1040A or a 1040EZ. Under section 479(c)(1) of the Act, a dependent student's family may qualify for an automatic zero EFC and a simplified application if they had parental income of less than $12,000 and (1) were non-tax-filers, (2) filed a 1040A or a 1040EZ, or (3) were eligible to file a 1040A or a 1040EZ. An independent student with dependents other than a spouse may also qualify under similar criteria in section 479(c)(2) of the Act.

While the idea of providing significant simplifications of the student aid application process for those with less complex financial situations and, in the case of the automatic zero EFC, low incomes, may appear advantageous, in practice, no real benefit has been provided to most students that the simplifications were intended to assist. Many applicants and their families who qualify for the SNT do not understand the current tax filing criteria, do not file the 1040A or 1040EZ, and do not know if they were eligible to file either of those forms. The data elements not required under the SNT have little or no impact on these applicants' eligibility, while the decision-making and complex criteria of the SNT create a barrier to completing the application form properly. In the case of the automatic zero EFC, the additional information must be supplied on the form if the applicant wants to apply for State aid, and thus no burden reduction is provided by the automatic zero EFC, either.