

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is a darker shade of blue. The hourglass is centered on the page.

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*THE HIGHER EDUCATION ACT: REAUTHORIZATION
BY THE 105TH CONGRESS*

James B. Stedman, Domestic Social Policy Division

Updated February 2, 1999

Abstract. On October 7, 1998, the President signed the Higher Education Amendments of 1998 (H. R. 6) into law (P.L. 105-244). This legislation reauthorizes the Higher Education Act (HEA), which includes the main federal programs of student assistance for postsecondary education. This report provides an overview of the main HEA programs, and summarizes the main provisions of the House and Senate bills and final HEA Amendments of 1998.

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ABSTRACT

On October 7, 1998, the President signed the Higher Education Amendments of 1998 (H.R. 6) into law (P.L. 105-244). This legislation reauthorizes the Higher Education Act (HEA), which includes the main federal programs of student assistance for postsecondary education. This report provides a brief overview of the main HEA programs, and summarizes the main provisions of the House and Senate bills and final HEA Amendments of 1998. For details of amendments to specific programs, see CRS reports referenced herein. This report will not be updated.

The Higher Education Act: Reauthorization by the 105th Congress

Summary

On October 7, 1998, the President signed the Higher Education Amendments of 1998 (H.R. 6) into law (P.L. 105-244). This legislation reauthorizes the Higher Education Act (HEA). The conference report for H.R. 6 was approved by the House on September 28, 1998 and by the Senate on September 29, 1998.

Among its provisions, the new law:

- establishes a new formula for interest rates for new student loans that provides for lower interest rates for student borrowers (Congress passed H.R. 2400, enacted as P.L. 105-178, with a provision authorizing this new formula temporarily from July 1 through October 1, 1998);
- establishes a new performance-based organization to administer federal student aid programs;
- amends need analysis procedures to increase working dependent students' and single independent students' eligibility for financial aid;
- authorizes new programs to strengthen the quality of the elementary and secondary teaching force, as well as expand loan cancellation for individuals teaching in low-income elementary and secondary schools; and
- authorizes efforts to help disadvantaged elementary and secondary students graduate from high school and enter college.

Previously, the House had passed a separate version of legislation to reauthorize the HEA on May 6, 1998. The Senate had passed its original version of this legislation on July 9, 1998.

The principal objective of the HEA is to expand postsecondary education opportunity, particularly for low-income individuals, and to increase the affordability of postsecondary education for many moderate income families. The HEA, whose programs are administered by the U.S. Department of Education, authorizes the federal government's major student aid programs, as well as other programs aiding institutions and supporting services for disadvantaged students. The HEA Title IV student aid programs are responsible for nearly \$42 billion in grant, loan, or work-study assistance.

Contents

Introduction	1
Overview of the Major HEA Programs	2
Legislative Action in the 105 th Congress, 2 nd Session	4
Status of HEA Reauthorization Legislation	4
Major Provisions	4
Student Assistance	5
Elementary and Secondary School Teachers	9
Institutional Aid	12
Student Services	13
Legislation	13
P.L. 105-33, H.R. 2015	13
P.L. 105-244, H.R. 6	14
H.R. 914 (McKeon)	14
H.R. 2535 (McKeon)	14

The Higher Education Act: Reauthorization by the 105th Congress

On October 7, 1998, the President signed the Higher Education Amendments of 1998 (H.R. 6) into law (P.L. 105-244). This legislation amends and reauthorizes the Higher Education Act (HEA). (Major provisions of the new law are described below in the section on legislative action in the 105th Congress.) The Transportation Equity Act for the 21st Century (H.R. 2400), signed into law on June 9, 1998 (P.L. 105-178), included a provision authorizing a new compromise student loan interest rate formula (as included in P.L. 105-244; see description below) on a temporary basis from July 1, 1998 through October 1, 1998.

Introduction

The Higher Education Act of 1965 (HEA) has been reauthorized by the 105th Congress. This legislation, whose programs are administered by the U.S. Department of Education (ED), authorizes the federal government's major student aid programs (HEA Title IV), as well as other programs providing institutional aid (primarily HEA Title III) and support services for disadvantaged students (selected HEA Title IV programs). Although important support outside of the HEA flows to postsecondary education institutions through multiple federal agencies for such activities as research and development, the federal presence in postsecondary education is shaped to a significant degree by HEA programs. For example, the HEA is the statutory authority for nearly \$42 billion in federally supported student financial assistance. This is nearly all of the available federal student aid, and about 69% of **all** financial aid awarded to postsecondary students.¹ Over time, the various federal income tax benefits enacted in 1997, such as the HOPE Scholarship and the Lifetime Learning tax credit, will come to constitute a significant portion of the total federal aid for students.²

To place the HEA in context, it is important to consider the magnitude of the postsecondary enterprise. It includes traditional higher education institutions (i.e., public or private, nonprofit 2- and 4-year colleges and universities), as well as other postsecondary institutions (i.e., proprietary or for profit schools offering technical training programs usually of less than 2-years' duration, and public vocational schools). The HEA Title IV student aid programs are open to all types of

¹ For details on student aid funding over time, see College Board. *Trends in Student Aid, 1998*, Washington 1998.

² For a description of the new tax credits for education, see CRS Report 97-915, *Tax Benefits for Education in the Taxpayer Relief Act of 1997*, by Bob Lyke.

postsecondary education institutions, while other HEA programs are restricted to traditional higher education institutions. In the 1995-1996 academic year, over 19.4 million students were enrolled in postsecondary education institutions at all levels. Of these students, 7.6 million (39%) attended community colleges, 6.8 million (35%) attended public 4-year colleges and universities, 3.6 million (18%) attended private, nonprofit 4-year colleges and universities, and nearly 1 million (5%) attended proprietary institutions. These numbers include undergraduate, graduate, and first professional (e.g., law, medicine, etc.) students. The last two groups are enrolled in public and private universities.³

This report provides an overview of the major HEA programs, and describes legislative action on reauthorization legislation in the second session of the 105th Congress.

Overview of the Major HEA Programs

The heart of the HEA is its student aid programs authorized under Title IV. These programs seek to expand educational opportunity and support nearly \$42 billion in student assistance. This cumulative total amount of aid provided includes directly appropriated federal funds, student loan volume in the Federal Family Education Loan and Direct Loan programs, and institutional matching funds required under several of the federal student aid programs. Title IV student aid is provided in the form of grants (which do not have to be repaid), loans, and work-study assistance.

The two largest Title IV student aid programs are Pell Grants and Federal Family Education Loans (FFELs). Under both, students receive funds to attend the postsecondary education institutions of their choice. Pell Grants are need-based aid for undergraduate students. These grants aided an estimated 3.7 million students with nearly \$6.3 billion in the 1997-1998 school year.⁴ FFELs are made by private lenders and are available to undergraduate and graduate students, and their parents. Some kinds of FFELs are need-based, others are not. In 1997-1998, some \$21.8 billion was borrowed under this program. A relatively new program — Federal Direct Loans (DLs) — provides the same kinds of loans as the FFEL program, but the loan capital is provided directly by the federal government; participating postsecondary institutions or a contractor act as the loan originator on behalf of the federal government. Some \$10.9 billion in Direct Loans was borrowed in 1997-1998.⁵

³ For more information on postsecondary enrollment and who gets student aid, see CRS Report 98-57, *Postsecondary Education: Where Do Students Go to School and Who Receives Financial Aid?*, by Rick Apling.

⁴ For a description of the Pell Grant program, see CRS Report 97-101, *Pell Grants: Background and Issues*, by Margot A. Schenet. Cited Hereafter as *Pell Grants: Background and Issues*.

⁵ For volume and other program data on student loans, see CRS Report RL30048, *Federal Student Loans: Program Data and Default Statistics*, by Margot A. Schenet.

Three smaller Title IV student aid programs — Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study (FWS), and Federal Perkins Loans — are collectively known as the **campus-based programs** because their funds are allocated to postsecondary institutions for award to students. Institutions must match a portion of their allocation under each of these programs. Undergraduates can participate in each of these programs, while graduate students are eligible for Work-Study and Perkins Loans. In 1997-1998, \$583 million in SEOGs went to about 991,000 students; over \$1 billion was paid to some 945,000 students in the Federal Work-Study program; and about 788,000 students borrowed over \$1 billion in Perkins Loans.⁶

The HEA's primary programs for student services are the federal TRIO programs, which provide disadvantaged students with support services to help them complete high school, and enter and persist in college. The TRIO programs (so called because there were once just three of them) include Talent Search, Upward Bound, Student Support Services, Educational Opportunity Center, McNair Postbaccalaureate, and Staff Training. For FY1998, 735,000 individuals participated in the various TRIO programs which received about \$530 million. A related program, prior to reauthorization was the National Early Intervention Scholarship and Partnership (NEISP) program which sought to increase high school completion and college enrollment by combining academic and social services targeted on low-income youth to enable them to complete high school, with scholarship aid for college enrollment. States were awarded funding for this program.⁷

The primary institutional assistance programs are the Institutional Aid programs (found in Title III of the HEA prior to reauthorization), which award grants to higher education institutions to strengthen their academic, administrative, and financial capacities. Separate funding is awarded to historically black colleges and universities (HBCUs) and to institutions serving substantial percentages of Hispanic students. Annual funding for these programs has been somewhat in excess of \$200 million over the past several years.⁸ Among other institutional aid programs are those offering support for international education, facilities construction and renovation, graduate study, innovation in higher education, and science programs at minority institutions.

Legislative Action in the 105th Congress, 2nd Session

This section summarizes the major features of the reauthorization bills upon which the 105th Congress took action during its second session.

Status of HEA Reauthorization Legislation

⁶ See College Board, *Trends in Student Aid*.

⁷ For information on TRIO and NEISP, see CRS Report 97-339, *Federal TRIO Programs and the National Early Intervention Scholarship and Partnership Program*, by Jim Stedman.

⁸ For information on Institutional Aid programs, see CRS Report 97-737, *Title III of the Higher Education Act: Status and Reauthorization Issues*, by Jim Stedman.

On October 7, 1998, the President signed the Higher Education Amendments of 1998 (H.R. 6) into law (P.L. 105-244). The conference report (H.Rept. 105-750) was approved by the House on September 28, 1998 (voice vote) and by the Senate on September 29, 1998 (vote of 96-0). The original version of H.R. 6 was approved by the House of Representatives on May 6, 1998 (vote of 414-4). The Senate passed its version of H.R. 6 on July 9, 1998 (vote of 96-1), after having completed action on S. 1882 and inserting its text into H.R. 6 in lieu of the House-passed text of H.R. 6.

Major Provisions

In the discussion below, references to the “House bill” or to the “Senate bill” are to the original House- or Senate-passed versions of H.R. 6. **Text in italics describes the content of the new law — P.L. 105-244.**

P.L. 105-244 addresses several major areas: student assistance, elementary and secondary school teachers; institutional aid; and support services for precollege and college students. For each area, treatment by the House and Senate bills is described, followed by a description of the new law.

In addition to the provisions discussed below, the new law includes numerous other amendments involving campus crime reporting requirements, higher education faculty retirement, efforts to reduce drug and alcohol abuse by college students, the education of disabled college students, and a study by the General Accounting Office (GAO) of the effectiveness of education in helping welfare recipients become employed.

The new law reorganizes the HEA, refocusing some titles and deleting others; it also repeals numerous unfunded HEA program authorities as well as several authorities for commissions and studies.⁹ As amended, the HEA now includes the following titles:

- Title I - General Provisions
- Title II - Teacher Quality Enhancement Grants for States and Partnerships
- Title III - Institutional Aid
- Title IV - Student Assistance
- Title V - Developing Institutions
- Title VI - International Education Programs
- Title VII - Graduate and Postsecondary Improvement Programs
- Title VIII - Studies, Reports and Related Programs

Student Assistance. Among the student aid areas addressed by the House and Senate bills, the following are considered briefly below: institutional eligibility, student loans, Pell Grants, campus-based student aid programs, student aid administration, need analysis, and college costs.

⁹ The U.S. Department of Education has developed summary information on the 1998 Amendments to the HEA that are available on its web site: [<http://www.ed.gov/offices/ope>].

Student Loans. The House- and Senate-passed versions of H.R. 6 established the same new formula for interest rates for new Stafford loans after July 1, 1998: borrowers pay interest based on a formula of the 91-day Treasury bill + 1.7% while in school, grace or deferment, and the 91-day T-bill + 2.3% in repayment. P.L. 105-178 authorized this new rate temporarily until October 1, 1998. This formula provides students with a lower interest rate than previously authorized. At the same time, the special allowance paid to lenders is set at rate higher than that which students pay (but lower than under prior law), to provide them with an additional .5% return, as an incentive to remain in the program. The Senate bill sunset the new rates on July 1, 2003. The House bill also changed consolidation loan interest rates to the weighted average of loans consolidated; the Senate bill kept current law, which allowed lower rates (the same as the Stafford rates) for consolidation loans in the DL program. *The new law includes the new lower Stafford loan rates and higher special allowance. It sets FFEL Consolidation loan rates at the weighted average, but maintains current lower consolidation loan rates in the DL program through January 31, 1999. After January 31, consolidation loan rates in both programs will be set at the weighted average.*

The Senate, but not the House bill, provided a new extended repayment option for FFEL borrowers with high loan balances; both bills provided loan forgiveness for a limited group of borrowers entering teaching (see below). Both bills also included a separate loan forgiveness provision for child care providers. *The new law includes the new extended repayment option as well as the loan forgiveness provisions.*

Both bills restructured FFEL guaranty agency financing, preserving current federal reserve funds while recalling additional reserve funds. Both provided guaranty agencies more flexibility in the use of future revenues. *The new law reflects the provisions in both bills that reform guaranty agency financing and recalls \$250 million in reserves.*¹⁰

Pell Grants. The Senate bill increased the **authorized** maximum Pell Grant more than the House bill (actual Pell Grant maximum awards are determined by appropriations; the FY1998 **authorized** maximum was \$4,500, the appropriated maximum was \$3,000). The House bill increased the level at which the program award rules become sensitive to tuition from \$2,400 to \$3,000; both bills increased the amount allowed for dependent care or disability expenses under tuition sensitivity. The Senate bill also lowered the minimum Pell Grant award to \$200 (from \$400), and set a time limit on a student's eligibility of 150% of the normal time to complete an undergraduate program. The Senate bill, but not the House bill, authorized Pell Grant support to students in non-degree postbaccalaureate programs providing courses required for teacher licensing. Such students must be enrolled at institutions not offering baccalaureate degrees in education. *The new law increases the authorized maximum gradually from \$4,500 in 1999-2000 to \$5,800 in 2003-2004; increases the tuition sensitivity trigger to \$2,700 and raises the allowances for child care and disability expenses under tuition sensitivity. The Senate's provision allowing additional Pell Grant support for future teachers was adopted; however,*

¹⁰ For more details on the amendments to the student loan programs, see CRS Report 98-291, *Student Loans: 1998 Amendments*, by Margot A. Schenet.

the provisions on the minimum award and time limits were not included in P.L. 105-244.

The House bill, but not the Senate bill, included a separate authorization of appropriations for a new “super-Pell” that would double students’ Pell Grant awards for the first 2 years of college if they graduated in the top 10% of their high school class. *P.L. 105-244 includes a new program in HEA Title IV, Part A that authorizes an award equal to a student’s Pell grant for the first 2 years of college if they graduate in the top 10% of their high school class.*¹¹

Campus-Based Student Aid Programs. The House bill, but not the Senate bill, amended the institutional allocation formulas for each of the campus-based programs to reduce the amount of aid awarded on the basis of the historical level of aid received by participating institutions, and increased the amount awarded on the basis of institutional need for assistance. In addition, a minimum share of FWS funds was reserved for reading tutor jobs. The Senate bill extended these programs without major changes to the allocation formulas. *The new law includes a modified version of the House provision which preserves the historical level of aid institutions receive, but allows new funds, above the FY1999 levels, to be allocated solely on the basis of institutional need. Provisions for the use of FWS funds for reading tutors are also included.*

Institutional Eligibility. Both bills recognized that distance learning programs may face barriers under current rules. They provided the Secretary with authority to conduct demonstrations to evaluate the impact of such programs on access and the appropriate level of federal support, and to recommend necessary changes to the eligibility provisions. The Senate bill initially limited the number of such demonstrations to 15 degree-granting institutions or consortia, and also specified that the Western Governors University is eligible to participate. *The new law includes provisions for distance learning demonstrations that allow Title IV eligible institutions, systems, or consortia, and Western Governors University, to participate in an initial 15 demonstrations, with an additional 35 to be allowed in the third year.*

An institutional eligibility rule that was originally established in 1992 HEA amendments to curb fraud and abuse in the proprietary school sector requires proprietary institutions to have 15% of their revenue from non-Title IV sources (the 85-15 rule); the House bill specified that revenues may include funds received for educational and training programs not eligible for Title IV support, thus overturning existing regulations on this issue. The House bill also made more changes to the cohort default rate rules that govern eligibility in the student loan programs than the Senate bill. The House bill added a definition of exceptional mitigating circumstances that exempts institutions from the default cut-off; it was similar to, but somewhat less stringent than the definition in existing regulations. The House bill, but not the Senate bill, also extended the cohort default rule to participation in the Pell Grant program; schools ineligible for participation in FFEL because of high defaults would also be ineligible for participation in the Pell Grant program. Both

¹¹ For details on changes to the Pell Grant program, see *Pell Grants: Background and Issues*.

bills provided an exemption from the cohort default rate rules for schools with few borrowers. The Senate bill, but not the House bill, revised institutional refund policy requirements.

P.L. 105-244 modifies the current 85-15 rule to 90-10; includes a definition of mitigating circumstances in the statute that is similar to existing regulations, but reduces the poverty rate and placement rate required; exempts institutions with few borrowers from the cohort default rate rules; and, extends the cohort default rules to participation in the Pell Grant program. A modified version of the Senate provision on refund policy requirements is also included. The new refund requirements will apply to all students for HEA Title IV assistance only.

The House bill also exempted, for one additional year, historically black colleges and universities (HBCUs) and tribal community colleges that had been explicitly exempted from cohort default rules until July 1, 1998; after July 1, 1999, such schools that demonstrate progress at reducing their default rates below the cut-off of 25%, may, at the Secretary's discretion, continue to be exempt for a further 2 years only. The Senate bill extended the HBCU and tribal college exemption until 2002, but gave the Secretary discretion to impose a cut-off after 2 years, if there is no evidence of progress. *The new law ends the HBCU and tribal colleges exemption in 1999, but allows further exemptions until July 1, 2002, at the Secretary's discretion, if institutions exhibit substantial improvement in their cohort default rates.*¹²

Administration of Student Aid Programs. Both the Senate and House bills established a new performance-based organization (PBO) responsible for managing the information processing and delivery systems for the student assistance programs authorized under HEA Title IV. Under both proposals, responsibility for establishing policies affecting the student aid programs would remain with the Secretary of Education, and the PBO would be part of ED. Further, the PBO would be directed by a chief operating officer (COO) with experience or expertise in management, financial services, and/or information technology. Among other responsibilities, the Secretary and the COO would attempt to integrate student aid delivery systems, improve service to students, and reduce administrative costs, while increasing flexibility and accountability. *The new law includes these provisions to establish a PBO in ED to improve the administration and management of the student aid programs.*

Need Analysis. The House and Senate bills, and the new law make several changes to the need analysis procedures used to determine what students and their families are expected to contribute (expected family contribution) toward their costs of education. These changes are intended to increase the eligibility for federal

¹² For more information on rules for institutional eligibility in the student assistance programs in the HEA, and changes made by P.L. 105-244, see: CRS Report 97-671, *Institutional Eligibility for Student Aid under the HEA: Background and Issues*, by Margot A. Schenet.

financial aid, particularly Pell Grants, of working dependent students and independent students without children.¹³

For working dependent students, the House and Senate bills amended the HEA to adjust the income protection allowance (IPA) for such students. The HEA, prior to reauthorization, set this IPA at \$1,750, although FY1998 appropriations legislation increased it to \$2,200 for 1998-1999. The House bill raised the IPA to \$3,000, while Senate bill set it at \$2,200 for 1999-2000. Both bills provided for annual adjustments to the IPA for inflation. Further, both bills included an additional allowance against dependent students' income in cases where parental income is too low to cover living expenses. Finally, only the House bill sought to reduce disincentives for saving and working by combining student and parental assets, instead of assessing student savings separately.

Under the new law, the dependent student IPA will be \$2,200 for 2000-2001 (the same as its 1998-1999 level and the level set by the appropriations process for 1999-2000). This level will be adjusted for inflation in subsequent years. The law now includes the additional allowance against student income when parental income is too low to cover living expenses. The House proposal to combine student assets with parental assets was not adopted.

The IPAs for independent students without children were also adjusted in both bills. The HEA prior to reauthorization specified an IPA of \$3,000 for single independent students and for married students without children when both spouses are enrolled; FY1998 appropriations legislation boosted this IPA to \$4,250 for 1998-1999. For these students, the House bill increased the IPA to \$5,500 while the Senate bill set it at \$4,250 for 1999-2000. For married independents with no children when only one spouse is enrolled, the HEA specified level was \$6,000, which was raised to \$7,250 for 1998-1999 by FY1998 appropriations legislation. The House bill increased the IPA for these students to \$8,500 while the Senate bill maintained the \$7,250 level for 1999-2000. Both bills provided for annual adjustments in these IPAs for inflation.

The new law sets new IPAs for independent students without children for the 2000-2001 award year — \$5,000 for single independent students and for married students without children when both spouses are enrolled, and \$8,000 for married students with no children when only one spouse is enrolled. These levels will be adjusted for inflation in subsequent years. The appropriations process maintained the 1998-1999 IPA levels for 1999-2000.

Both bills removed Montgomery GI Bill education benefits from consideration in the determination of students' financial need. Under existing law, these and other veterans education benefits were not considered for determining Pell Grant awards but could affect determination of need for other HEA Title IV assistance.

¹³ For the history of changes in these provisions in the 1992 HEA amendments and the concerns that were raised about the treatment of these students, see *Pell Grants: Background and Issues*.

The new law specifies that Montgomery GI Bill (active duty) education benefits will be excluded from consideration in the determination of students' financial need for subsidized student loans. Otherwise, current law treatment of these veterans' education benefits is continued. The treatment of education awards provided under the National and Community Service Act of 1990 is adjusted from current law to conform to the new treatment of Montgomery GI Bill (active duty) education benefits.

College Costs. Concern over annual increases in college costs above the rate of inflation prompted the House and Senate to include provisions in their bills intended to provide a clearer picture to policymakers, parents, and students of these costs and factors contributing to their increase. Under the House bill, both ED and the GAO were charged with collecting and reporting information on college costs to assist in analysis of costs and to educate consumers. Similarly, the Senate bill required the collecting and reporting of college cost data by ED to support informed decision making about college attendance. The Senate bill provided for a fine of up to \$25,000 for institutions failing to provide requested cost data. In addition, the Senate bill required ED to develop a "higher education market basket" to gauge changes in the costs faced by higher education institutions.

The new law requires ED to collect and report college cost information. The authority for fines of institutions for failure to report data is included. The Bureau of Labor Statistics is responsible for developing the market basket, in consultation with ED.

Elementary and Secondary School Teachers. The House bill authorized a Teacher Quality Enhancement Grants program of competitive matching grants to eligible grant recipients (state governors, unless another individual or entity is responsible for teacher certification and preparation) and to eligible partnerships (which must include exemplary higher education institutions preparing teachers, and Local Education Agencies (LEAs)). Eligible grant recipients were to use their funds for certification reform, alternative teacher preparation, institutional accountability for the quality of teacher graduates, effective ways of removing incompetent teachers, and teacher recruitment. Eligible partnerships would use their funds for similar activities, as well as professional development and the integration of technology into teaching. To be eligible for this program, exemplary institutions in the partnerships would be required to have at least an 80% pass rate by their teacher education graduates on state teacher assessments; by the second year, all other teacher education programs in the state would be required to have at least a 70% pass rate. LEAs in the program must inform any parent who requests the information about the qualifications of their children's teachers. Under these competitive grants, one-third of the annual appropriation was to fund partnership applications. When the annual appropriation exceeded \$250 million, awards are made by formula to eligible grant recipients who will also make awards to eligible partnerships. The initial authorization was such sums as may be necessary.

The Senate bill authorized three separate programs supporting teacher preparation and recruitment. Teacher Quality Enhancement Grants would be awarded competitively to states. Participating states were to designate the chief individual or entity responsible for supervision of education to administer activities of the program. Authorized activities were similar to those in the House bill.

Participating states must report on progress in various areas, including the pass rate on teacher certification exams. As with the House bill, any benefitting school district must provide information on teacher qualifications upon parental request. The Senate bill also authorized Teacher Training Partnerships Grants for partnerships involving higher education schools of arts and sciences, schools of education, LEAs, and individual schools. They included high need districts and schools (i.e., serving areas with high levels of poverty, high percentages of out-of-field teachers, or high rates of teacher turnover). Partnerships were to provide preservice clinical experiences for prospective teachers, reform teacher education curriculum, and prepare teachers to use technology. Partnerships must have evaluation plans with such objectives as increasing the pass rate on teacher certification exams. The initial authorization level for these two programs (Enhancement Grants and Partnership Grants) was \$300 million, divided evenly between them.

In addition, the Senate bill authorized a recruitment program (initial authorization of \$37 million) for higher education institutions with teacher education programs working in partnership with school districts in underserved areas (relatively high poverty areas). These partnerships provided scholarships with service payback requirements to prospective teachers, as well as support services.

The new law consolidates the programs authorized under the House and Senate bills into a single funding authority supporting separate grants to states and to partnerships for teacher improvement activities, and grants for teacher recruitment open to states and partnerships. The initial authorization is for \$300 million; 45% of the annual authorization is for state grants, 45% is for partnership grants, and 10% is for recruitment grants. Under the state grant, the eligible recipient is the state Governor, unless another individual or entity is responsible for the activities supported under this program. Authorized activities for state grants are similar to those in the House and Senate bills. Partnerships must include a higher education institution with a teacher education program that demonstrates high levels of performance or that requires its students to participate in intensive clinical experience and meet high academic standards and certain subject major requirements. Other required members of the partnerships are a school of arts and sciences, and a high need local educational agency. The law identifies certain mandated and permissive activities, drawn from those in the House and Senate bills. Recruitment funding supports either service payback scholarships that are coupled with support services and follow-up activities, or activities to enable high need school districts to recruit highly qualified teachers. Accountability requirements are imposed on participating states and partnerships. Continued funding is conditioned upon progress in meeting program purposes, goals, and objectives. LEAs or schools receiving funds under this program must provide information on teacher qualifications to parents who request it.

The House and Senate bills also included broad accountability requirements regarding the preparation of teachers by higher education institutions. Although they differed in many specific details, both bills required any state receiving funds under the HEA to provide information annually to ED concerning such issues as teacher licensing standards, assessments, and pass rates on such assessments. ED was to publish such information. Higher education institutions that receive federal funds (House bill) or have teacher preparation programs enrolling students who receive

federal assistance (Senate bill) must report widely their pass rates on teacher licensing examinations. The House bill, but not the Senate bill, required states to identify to the Secretary those HEA-aided institutions having teacher preparation programs with a pass rate of less than 70%. Both bills had similar requirements that states receiving HEA funding must have procedures for identifying low-performing teacher education programs. Further, if an institution's teacher education program had lost state approval or state financial support by virtue of its low performance, that institution (House bill) or that teacher preparation program (Senate bill) was ineligible for any professional development funding from ED, and no HEA Title IV-aided students could be accepted to, or enrolled in, the teacher education program.

The new law includes the broad accountability requirements contained in both bills. Institutional reporting requirements are imposed on institutions whose teacher preparation programs enroll students receiving federal financial assistance. The reporting requirements are similar although states are not required to prepare a separate list of teacher preparation programs with pass rates below 70%. States are required to report pass rates in rank order by institution. The consequences for teacher education programs that lose state approval or support because of low performance are the same as in both underlying bills.¹⁴

Both bills authorized cancellation of subsidized FFELs and DLs (loan forgiveness) for full-time teaching in an eligible low-income public or private nonprofit elementary or secondary school. Under both bills, only amounts borrowed for the first 2 years of undergraduate study could be forgiven. The House bill required that borrowers have taught for 2 years before being able to cancel their loans — the Senate bill required 3 years of teaching. The House bill limited the total amount that could be forgiven to \$17,750 — the maximum in the Senate bill was \$8,000. The House bill required secondary school teachers to have majored in the subject areas in which they are teaching — the Senate bill required that the major be relevant to the teaching subject. Both bills require elementary school teachers to have demonstrated knowledge and teaching skills in elementary subject areas.

The new law provides cancellation for subsidized and unsubsidized loans made to new borrowers on or after October 1, 1998; such cancellation can only occur after 5 years of eligible teaching and is limited to \$5,000.

The House bill, but not the Senate bill, prohibited any funds under the HEA or any other act from being awarded to the National Board for Professional Teaching Standards, which is developing a voluntary, national program of teacher certification. *P.L. 105-244 does not contain such language.*

Institutional Aid. The primary institutional aid issues addressed in the new law focus on minority institutions, in particular: Hispanic-serving institutions (HSIs), tribal colleges and universities (TCUs), and HBCUs. The treatment of each of these groups of institutions is considered separately below. The House and Senate bills are described first, followed by a description of the new law.

¹⁴ For more information on the new HEA teacher education provisions, see: CRS Report 98-166, *Teacher Quality and Quantity: Proposals in the 105th Congress*, by Jim Stedman.

Both bills transferred the authority for assistance to HSIs from old HEA Title III to a separate title. They also modified the definition of an HSI to require only that at least 25% of full-time equivalent undergraduate students be Hispanic and that at least 50% of those students be low-income. Only the House bill amended **other** HSI eligibility requirements to include proprietary institutions meeting specified criteria. Under both bills, HSIs were newly authorized to use funds to address graduate and professional opportunities. The Senate and House bills authorized HSIs to spend 20% of their grants on endowment building. *The primary difference between the new law and the language in either the House or Senate bills is that it does not make any proprietary institutions eligible for assistance.*

Both bills authorized assistance to TCUs for activities similar to those authorized for other institutions. The House bill authorized TCUs to use funds for endowment building and apparently applied a 20% limitation; the Senate bill specified that up to 20% could be used for this purpose. *The new law authorizes assistance to TCUs and specifies that up to 20% of their funds can be used for endowment building.*

In other amendments affecting institutional aid, the House and Senate bills permitted the HBCU graduate and professional institutions specified in the HEA prior to reauthorization to expand the number of graduates and professional programs they can fund; both bills increased the number of HBCU graduate and professional institutions listed. Both bills allowed undergraduate HBCUs to use up to 20% of their funding for endowment building. Institutions not falling into any of the groups of institutions described above (so-called “Part A” institutions) were also authorized under both bills to spend up to 20% of their funding on endowment building. *The new law reflects the concurrence between the House and Senate bills on these various issues.*

The Senate bill, but not the House bill, added two additional groups of institutions to those receiving institutional aid — Alaska Native-serving institutions and Native Hawaiian-serving institutions — for activities similar to some of those authorized for other institutions. *The new law adds these two new groups of institutions as recipients of institutional aid.*¹⁵

Student Services. The new law modifies and extends HEA programs that support student services; it adds new programs designed to provide such support. Some of the latter are described below.

Both bills reauthorized the TRIO programs, making several amendments to authorized activities, including the addition of work-study activities to the Upward Bound program. *P.L. 105-244 reflects the provisions of the House and Senate bills.*

The House bill reauthorized the NEISP program, while the Senate bill modified the program, renaming it the Connections program, and incorporating into it some

¹⁵ For more information on the institutional aid programs in the HEA, see: CRS Report RS20009, *Institutional Aid under Title III and Title V of the HEA: Provisions and Status*, by Jim Stedman.

features of the High Hopes for College program included in the House bill. The High Hopes for College program (the House bill) authorized competitive, matching grants to college-school-community partnerships. Cohorts of students (an entire grade level at a participating low-income school) would receive, throughout their precollege education, various support services such as academic counseling, activities to foster career awareness, tutoring, and mentoring. In addition, partnerships would seek to improve parents' involvement in preparing their children for postsecondary education. Participating students would receive 21st Century Scholar Certificates indicating the amount of federal financial aid for college that the students may be eligible to receive when they attend college. *The new law authorizes Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). This program reflects a combination of the NEISP program and the House bill's High Hopes for College program. The state-based features of NEISP are continued with states eligible to receive at least 33% of GEAR UP annual funding. Partnerships to serve cohorts of students are eligible for at least 33% of the annual funding. The remainder is awarded to either kind of eligible recipient as determined by the Secretary of Education.*¹⁶

Both bills also newly authorized a grant program to higher education institutions for the provision of campus-based child care services. They also created a new Special Leveraging Educational Assistance Partnership program that is established with funds appropriated for the State Student Incentive Grant (SSIG) program above specified thresholds (\$25 million in the House bill and \$35 million in the Senate bill). (The Senate bill renamed the SSIG program as the Leveraging Educational Assistance Partnership (LEAP) program.) The Special LEAP funds were to be used for a wide variety of support activities for needy students, including transition programs from secondary to postsecondary education, scholarships for students entering teaching, and early intervention services and mentoring. *P.L. 105-244 adds a new program to the HEA for campus-based child care services. It also renames the SSIG program as the LEAP program and sets the threshold for funding the Special LEAP at \$30 million.*

Legislation

P.L. 105-33, H.R. 2015. The Balanced Budget Act of 1997. Contains FY1998 budget reconciliation provisions affecting the FFEL and DL programs. Provides for \$1.76 billion in savings over a 5-year period through recall of funds from guaranty agencies participating in the FFEL program, reduction in DL administrative expenses, and elimination of a loan origination fee for institutions participating in the DL program. Signed into law August 5, 1997.

P.L. 105-244, H.R. 6. Higher Education Amendments of 1998. House version approved (28-3) by House Committee on Education and the Workforce March 19, 1998 and ordered reported. Passed House May 6, 1998 (414-4). On April 1, 1998, the Senate version of this legislation (S. 1882) was approved (18-0) by Senate Committee on Labor and Human Resources and ordered reported. Senate completed

¹⁶ For information on the new program, see: CRS Report 98-957, *TRIO and GEARUP Programs: Provisions and Status*, by Jim Stedman.

action on S. 1882 July 9, 1998, and inserted text of this bill into H.R. 6, in lieu of House-passed text of H.R. 6. Senate then passed H.R. 6, as amended, July 9, 1998 (96-1). Conference report (H.Rept. 105-750) filed in the House September 25, 1998. Conference report approved by the House September 28, 1998 (voice vote) and by the Senate September 29, 1998 (96-0). Signed into law October 7, 1998.

H.R. 914 (McKeon). The Cost of Higher Education Review Act. Would establish a National Commission on the Cost of Higher Education, to review and make recommendations regarding trends in tuition and other fees charged by postsecondary institutions. Reported by House Committee on Education and the Workforce. Passed House March 11, 1997 (H.Rept. 105-14). On April 16, 1997, Senate passed an amended version of H.R. 914; and on May 13, 1997, House agreed to Senate amendments. A similar bill, H.R. 1511, was introduced by Representative McKeon, and was ordered to be reported by House Committee on Education and the Workforce on May 7, 1997. Provisions similar to those of H.R. 914 and H.R. 1511 were later enacted as part of P.L. 105-18 (H.R. 1871), an emergency supplemental appropriations act, signed into law June 12, 1997.

H.R. 2535 (McKeon). Emergency Student Loan Consolidation Act of 1997. Reported by House Committee on Education and the Workforce (H.Rept. 105-322). Passed House October 21, 1997. Would permit borrowers to consolidate all of their FFEL and DL loans under the FFEL program for a limited period of time. Previously, borrowers wishing to consolidate loans of both types could do so only through the DL program. Also provides that HOPE Scholarship or Lifetime Learning tax credits be excluded from calculations of a student's need for assistance under HEA Title IV programs. A similar bill, S. 1294, was introduced by Senator Jeffords, reported by the Senate Committee on Labor and Human Resources October 29, 1997 (S.Rept. 105-122). Provisions similar to those of H.R. 2535 and S. 1294 were ultimately enacted as part of P.L. 105-78 (H.R. 2264), FY1998 appropriations act for the Departments of Labor, Health and Human Services, Education, and Related Agencies.