

July 26, 1999

Bruce -

Just wanted to make sure that you saw this memo that Harris submitted last week.

Hope you are doing well. Look forward to catching up sometime soon.

Best,



CORPORATION
FOR NATIONAL
 SERVICE

July 23, 1999

MEMORANDUM TO THE PRESIDENT

From: Harris Wofford 

Subject: California's Commitment to Service in Higher Education

As you may be aware, Governor Gray Davis has proposed that service be a required part of the curriculum and experience of all students in the public colleges and universities in California. Along with the K - 12 initiative that is already underway in California, this step puts California on the leadership track in integrating service into the educational experience of all California students, which represents twelve percent of all young people in the country.

The Corporation for National Service's Office of Service-Learning is closely involved in helping to make sure that these efforts are high quality and that they are successfully implemented. For your information, I have attached a copy of the press release from Governor Davis' office and the letter he sent to the President of the University of California system asking that the Regents work with his administration to develop and implement this new service requirement.



PR99:167

FOR IMMEDIATE RELEASE

July 15, 1999

CONTACT: Michael Bustamante
(916) 445-4571

GOVERNOR DAVIS CALLS ON UC, CSU AND COMMUNITY COLLEGES TO ADOPT COMMUNITY SERVICE REQUIREMENTS

Governor's Secretary for Education Delivers Request at UC Regents Meeting

SAN FRANCISCO -- Governor Gray Davis today formally asked the University of California to begin working with California State University and California Community Colleges toward development of a community service requirement for graduation.

"I strongly support community service and believe that a service ethic should be taught and reinforced as a lasting value in California," Governor Davis wrote in a letter to UC President Richard C. Atkinson. "I write to request that you join me in my call to service."

The Governor's Secretary for Education, Gary K. Hart, read the governor's letter at today's meeting of the Regents of the University of California.

Governor Davis asked University of California faculty to work with their colleagues at California State University and California Community Colleges to create a proposal implementing a community service graduation requirement at all three segments of higher education.

"I want our students to understand, as generations before them did, the importance of contributing to their communities," the Governor wrote. "Knowing the complexity and scope of the issues to be deliberated, I request that you ask the [Academic] Council to work expeditiously and report back to you and to the Regents with their findings."

Governor Davis has asked Secretary Hart to work with the UC Regents, the Academic Council and the Academic Senate on the development of the community service plan.

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Please see attached letter to Richard Atkinson, President of the University of California.

July 15, 1999

Richard C. Atkinson, President
University of California
1111 Franklin Street
Oakland, CA 94607-5200

Dear President Atkinson:

I strongly support community service and believe that a service ethic should be taught and reinforced as a lasting value in California. California's college and university students enjoy remarkable benefits from a taxpayer-supported system of higher education that is surpassed by none. I want our students to understand, as generations before them did, the importance of contributing to their communities. To that end, I request California's public colleges and universities establish a community service requirement for undergraduate students at the University of California, the California State University, and the California Community Colleges. I write to request that you join me in my call to service.

The task of creating a community service requirement presents an exciting opportunity to effect positive change, so it is important that it be approached thoughtfully. I ask you to develop a plan for adoption by the Regents that would establish a graduation requirement for community service. I further request that you ask the Academic Council to work with their faculty colleagues at California State University and California Community Colleges through the Intersegmental Committee of Academic Senates to create a proposal implementing a community service graduation requirement at all three segments of higher education. Knowing the complexity and scope of the issues to be deliberated, I request that you ask the Council to work expeditiously and report back to you and to the Regents with their findings.

I have asked Secretary Hart to work with you, the Academic Council and the Academic Senate in the development of the plan and to keep me regularly apprised of the progress of the Academic Council. I look forward to working with you and the Regents on this issue.

Sincerely,

GRAY DAVIS

URGENT

Total Pages: _____

LRM ID: CJB268

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

Wednesday, August 5, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

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

OMB CONTACT: Constance J. Bowers

SUBJECT: PHONE: (202)395-3803 FAX: (202)395-6148
REVISED EDUCATION Conference Document on HR6 Higher Education
Amendments of 1998

DEADLINE: 5:00 p.m. today Wednesday, August 5, 1998

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

COMMENTS: ED intends to transmit this letter to the conferees shortly. Therefore, this deadline is firm.

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LRM ID: CJB268 SUBJECT: REVISED EDUCATION Conference Document on HR6 Higher Education Amendments of 1998

RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

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

You may also respond by:

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

(2) sending us a memo or letter

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

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

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

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

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

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8/5/98 1:28 PM

Dear Conference:

I am pleased that versions of H.R. 6, a bill to reauthorize the Higher Education Act of 1965 (HEA), have passed both the Senate and the House, and I greatly appreciate the hard work that you and your staff have devoted to this important legislation. I am especially pleased that both bills have adopted the student interest rate on new loans at the level proposed by the Vice President last winter. This will help students manage better their postsecondary education debt and thus make college more affordable.

We now have the opportunity to work together during the conference deliberations to enact a strong bipartisan bill that will help more Americans prepare for and gain access to college, improve teacher recruitment and preparation, and promote better program management. In this work, we must all keep our focus on the goal of producing legislation that is grounded in sound educational and fiscal policy to provide maximum benefits to students. That is the ultimate purpose of the Higher Education Act.

This letter and its attachment highlight the issues in the HEA reauthorization that are of particular importance to the Administration. They include issues such as: ensuring that the bill is fully paid for and there is no risk of a government-wide sequester; ensuring that there are adequate funds available to administer effectively both the Federal Family Education Loan (FFEL) and Direct Loan programs; maintaining a key aspect of the Nation's commitment to raising the quality of teaching and learning--the ability of the National Board for Professional Teaching Standards to continue to test teachers against tough, high standards by continuing to offer master teacher certification; and offering borrowers the same low interest rate on FFEL and Direct consolidation loans. I am confident that the issues presented by the bills now in conference can be resolved to our mutual satisfaction. I must inform you, however, that if the Conference approach to these issues does not serve students well, and if the Conference should incorporate other provisions that are unfavorable to students, then I would recommend that the President veto H.R. 6.

Interest rates

I am pleased that both the Senate and House versions would lower the interest rates that students pay on new loans by 0.8 percent, as the Administration proposed. This reduction is a major accomplishment that will provide substantial savings for students. I am concerned, however, that many current borrowers are struggling with excessive debt, and need to have access to the lower interest rates as well. The final version of H.R. 6 should reduce the interest rate costs for all borrowers by lowering the interest rate on FFEL Consolidation Loans so that it is the same as the rate applicable to Direct and FFEL student loans and Direct Consolidation Loans. This policy is consistent with our HEA reauthorization proposal to have the same

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low consolidation rates in both loan programs.

In order to provide the low consolidation rate in the FFEL program, it will be necessary to adjust subsidies or the offset fee to make the loans sufficiently profitable. At the same time, however, subsidies that both the House and Senate versions of the bill would provide to lenders in the Stafford and PLUS loan programs are too high, and I urge you to reduce or eliminate them.

Section 458

I remain adamantly opposed to any cuts in the student aid administrative funds available to the Department under section 458 of the HEA beyond those agreed to in last year's balanced budget package. The further decreases in section 458 funds contained in both the House and Senate versions of H.R. 6 would impair the Department's ability to administer effectively the FFEL and Direct Loan programs by threatening the Department's ability to manage such activities as student aid application processing, student loan default collection, and the urgently needed modernization of student aid delivery systems. Both the Senate and House versions would create a new loan processing and issuance fee to be paid to guaranty agencies from section 458 funds. I strongly support the Senate's provision to cap this fee to better ensure sufficient funding for the efficient administration of the loan programs.

The Senate's decision to offset the amendment regarding need analysis determinations for veterans receiving G.I. Bill benefits with funds from section 458 also undermines the Department's ability to manage the loan programs. I hope to work with you to find a more suitable offset for this provision.

National Board for Professional Teaching Standards

I strongly oppose SECTION 809 OF THE HOUSE VERSION OF H.R. 6, WHICH WOULD prohibit Federal funds from MADE AVAILABLE TO the National Board for Professional Teaching Standards. By defining standards of excellence for experienced teachers, the National Board helps to focus and upgrade teacher training, recognize and reward outstanding teachers, and keep our best teachers in the classroom where they are needed most. As both Houses have recognized in the teacher recruitment and preparation provisions of the HEA, attracting and keeping well-trained teachers in the classroom is a national priority and an essential step to increase student achievement. More than half the States and a growing number of school districts offer incentives to teachers to seek Board certification, and have made Board certification an integral part of their overall efforts to strengthen teacher quality. By ending Federal support for the Board's research and development, the House provision jeopardizes the scheduled completion of the development of the remaining professional standards AND ASSESSMENTS within the next three years, and undermines these important VITAL State and local efforts. This is the wrong step to take at precisely the time when we must do everything possible to set the highest standards for our teachers.

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~~I strongly oppose the House provision to prohibit Federal funds from being spent on the National Board for Professional Teaching Standards. The National Board recognizes and rewards outstanding teachers who then become observable examples of excellence to which other teachers can aspire. Upgrading the teacher corps and raising teacher standards in this way is a key element of our efforts to improve student learning.~~

High Hopes

I am very pleased that both bills address the importance of early outreach to at-risk youth. The House version includes the Administration's proposal for High Hopes for College, while the Senate created a new "Connections" program that incorporates certain elements of High Hopes and the National Early Intervention Scholarship and Partnership (NEISP) program. I look forward to working with the conferees to ensure that the final version of the program encourages colleges to partner with high-poverty middle schools, offers comprehensive services to all students at these middle schools, and is administratively feasible.

Teacher training and recruitment

Both the House and Senate bills would authorize grants to states and local partnerships to reform and improve teacher training. The Senate version, which would divide funding equally between states and partnerships and would focus the partnerships on improving teacher education, offers a better chance at meaningful change than the House version, which limits partnerships' share of funding to 33 percent. Partnerships that involve colleges, teacher training programs, K-12 schools and other local organizations will encourage interaction among practicing teachers, aspiring teachers, and professors of education to better prepare teachers for 21st century classrooms than state-level efforts.

I am pleased that the Senate version includes the Administration's program to recruit new teachers for underserved areas through partnerships between colleges and underserved school districts. The House version fails to include sufficient efforts to recruit new teachers in order to address the pressing need for teachers in urban and rural areas. I urge the conferees to adopt the Senate's program for teacher recruitment.

Both bills include accountability provisions that require state and institutional "report cards" on the quality of teacher education. While I endorse reporting requirements that will provide more information about the teacher training process, I am still concerned about eliminating good students from student aid eligibility for some programs based on the inadequate performance of others.

Distance learning

We have made significant progress on the issue of distance learning, and I am pleased that both the House and Senate versions include demonstration programs to accommodate the new technologies and innovations that can greatly increase access

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to postsecondary education. The House provisions, which would allow the Secretary to waive any need analysis or general provisions for a representative sample of institutions (or consortia of institutions), would provide more flexibility and opportunity than the Senate provisions. The Senate version would authorize the waiver only of particular statutory provisions and any need analysis or general provisions regulations for 15 institutions or consortia initially, to be expanded to up to 50 in the third year of the program. I urge the conferees to provide sufficient flexibility in the demonstration projects to allow for the development and support of high-quality distance education programs, and I support the additional opportunities that would be provided by the House version.

~~We have made significant progress on the issue of distance learning, and I am pleased that both the House and Senate versions include demonstration programs to accommodate the new technologies and innovations that can greatly increase access to postsecondary education. The House's program would allow the Secretary to waive any provision in parts F or G of title IV or part A of title I, comprising all the need analysis provisions and general provisions, for a representative sample of institutions. The Senate version would limit participation in the demonstration program to 15 institutions or consortia initially, to be expanded to up to 50 in the third year of the program after an evaluation of the initial 15 is completed. The Senate program authorizes the waiver of the computer-related cost of attendance rules in Part F for non-proprietary demonstration schools, minimum weeks of instruction rules, rental or purchase of equipment provisions, and any regulations in Parts F and G. I urge the conferees to provide sufficient flexibility in the demonstration projects to allow for the development and support of high-quality distance education programs, and I support the additional opportunities that are provided in the House bill.~~

I am also pleased that the Senate version authorizes the Administration's Learning Anytime Anywhere Partnership (LAAP) program, which would encourage partnerships to develop innovative ways of delivering education, ensuring quality, and measuring student achievement that are appropriate to distance education. I urge the conferees to adopt LAAP.

PBO

I am glad that provisions that would create a Performance Based Organization (PBO) for the administration of student aid programs were included in both passed versions of H.R. 6. I prefer the PBO provisions in the Senate version, in part because these provisions explicitly provide for personnel and procurement flexibilities necessary for the successful operation of the PBO. I also ask that the conferees add certain buyout flexibilities to the personnel flexibilities included in the Senate version.

Year 2000

It is anticipated that all Department systems needed to deliver Federal student aid will be fully compliant with Year 2000 requirements no later than March 1999. However, the

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Department is still concerned that all of its partners and customers, particularly institutions of higher education, may not be able to ensure that all their data systems related to the delivery of aid are also compliant. In light of that concern, it is important that the final version of the bill authorize the Secretary to delay implementation of provisions of the bill with significant systems implications if earlier implementation would jeopardize the ability of the Department, or its partners or customers, to ensure that their data systems are Year 2000 compliant. In utilizing such discretion, the Department would work in close consultation with the Office of Management and Budget and the House and Senate authorizing committees.

Program integrity

There are numerous House and Senate provisions pertaining to program integrity, that, taken together, the Administration would regard as a serious weakening of current program integrity protections. These provisions include changes regarding program review criteria, financial responsibility, the anti-injunction provision and the "85-15" rule, and the manner in which the program participation rate index would be incorporated into cohort default rate determinations. Our concerns with these provisions are described in more detail in the attachment.

TANF

The Senate bill contains a provision amending the Temporary Assistance for Needy Families program (TANF). It would expand the type and length of education programs that may be counted toward a State's "work activity" participation rate. The provision would also extend the FY98 and FY99 exclusion of teen parents from the cap on education programs that may be counted toward a State's "work activity" participation rate to FY2000 and beyond. The Administration strongly supports the goal of enabling more welfare recipients to move from welfare to work. We look forward to working with conferees to ensure that the final legislation keeps the doors of college open to all Americans while still maintaining the welfare law's strong work requirements.

Pay-As-You-Go Scoring

The Omnibus Budget Reconciliation Act of 1990 requires that all revenue and direct spending legislation meet a pay as-you-go requirement. That is, no such bill should result in an increase in net budget costs, and, if it does, it will trigger a sequester if not fully offset. Statements of Administration Position on the two versions of the bill in conference indicated that each bill had significant net costs. The Administration will estimate the costs and savings in the conference bill as reported at the appropriate time.

The Office of Management and Budget advises that there is no objection to the submission of this report to the Congress, and _____ "not in accord with the program of the President."

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Yours sincerely,

Richard W. Riley

Attachment

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**ATTACHMENT
ADDITIONAL VIEWS ON ISSUES IN HLR. 6**

In addition to the concerns outlined in Secretary Riley's letter, this attachment expresses the Administration's views on other important issues in the Higher Education Amendments of 1998 conference. The issues are discussed in the order in which they appear in the current law or, in the case of new programs, in the passed versions of the bill.

Alcohol and drug abuse

Both the House and Senate versions of the bill would authorize the Department to offer grants and recognition awards to combat the illegal use of drugs and alcohol on campus. The Secretary would be authorized to make grants to or enter into contracts with institutions for alcohol, drug and violence prevention programming. This authority is similar to a program that already exists in the Safe and Drug-Free Schools program. While we believe this program activity is very important, we do not believe that it needs to be authorized in both the Higher Education Act and the Safe and Drug-Free Schools Act. We recommend *[eliminating this provision while]* maintaining the authorization in Safe and Drug-Free Schools.

~~Both versions would also authorize National Recognition Awards to institutions that have developed and implemented innovative and effective alcohol prevention programs. We do not support the provision related to National Recognition Awards as we feel it is too prescriptive and too narrowly focused on alcohol to the exclusion of drug abuse. Furthermore, there is no evidence that this type of effort would lead to other institutions developing similar drug and violence prevention programs. Finally, the Department's experience with these types of programs suggests that they usually cost much more than the authorized amounts to implement effectively. If this program is authorized in the final version of the bill, we would strongly support adding additional flexibility and funding.~~

Institutional aid

Both versions of the bill make several positive changes to the institutional aid provisions that the Administration has recommended. Both versions of the bill allow institutions participating in Title III programs and Hispanic-Serving Institutions (HSIs) to use up to 20% of their grant funds to establish or expand an endowment fund and expand allowable activities to encourage institutions to use technology. Both versions would provide the HSI program more visibility by moving the program to a separate part in a different title, and simplifying the definition of HSI. Both the Senate and the House versions authorize grants for Tribal Colleges, as proposed by the Administration.

We prefer the House language on the changed funding formula for Historically Black Graduate Institutions (HBGIs) with the addition of the substance of the descriptive factors in the Senate provision for a competition; this will provide a more equitable distribution than either provision by itself. We also support the Senate provision for a minimum grant

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of \$1,000,000 to institutions before matching is required and the \$28,000,000 threshold for the use of the funding formula.

The Senate language HBCU capital financing is preferable because it incorporates the Administration's proposal to expand the kinds of projects that may be financed under this program. However, neither version adopts the recommendations proposed by the HBCU Capital Financing Program Advisory Board that the Administration has endorsed since our reauthorization proposal was submitted. We support the Advisory Board's recommendations to establish a technical assistance component, to include technology and infrastructure as qualified projects, and to revise Board membership to include the presidents of UNCF and NAFEO. We also support the Board's recommendation that the escrow requirement be reduced from 10 percent to 5 percent. Based on our experience with the program, we are confident that we can lower the escrow requirement to 5 percent without any Federal cost. ~~The Administration further proposes to clarify that a financing proposal must be in the "best financial interest of the institution" and that this determination must be made jointly by the Secretaries of Education and of Treasury.~~

Pell Grants

We appreciate the strong support for the Pell Grant program that is evident in both versions of the bill, and are very pleased to see that many of the Administration's proposals for the Pell Grant program have been included in either one version or the other.

We support the House provision to extend the cohort default rate cut-off to Pell Grant eligibility. This extension will increase institutional accountability and better protect students from unscrupulous schools. We believe that the mitigating circumstance provisions that the Department has adopted in regulation for the student loan programs protect those institutions in which only a few students borrow, and we would like to work with the conferees to incorporate ~~this regulatory~~ mitigating circumstances directly into the statute for purposes of institutional eligibility to participate in the Pell Grant program.

We support the Senate version of the bill's inclusion of the 150% time limit on student eligibility for Pell Grants, the new requirements for stand-alone English as a Second Language (ESL) programs, the tuition-sensitive award rule, and the extension of Pell Grant eligibility to college graduates enrolled in a non-graduate teacher training program. The Administration's proposal to limit Pell Grant eligibility to 150% of the time normally required to complete the course of instruction, with adjustments for students attending part-time and exemptions for students with disabilities, would prevent abuse of the program. We urge that the Administration's proposal to impose a total time limit of eight academic years of full time study, or the equivalent period of part-time study, be added to the 150% limit in the final version of the bill.

The Senate provision that students in stand-alone ESL programs may receive Pell Grants

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only if a minimum percentage of the program's students pass an English proficiency exam will also increase program integrity. The Senate bill also includes the Administration's proposal to clarify that "tuition" includes fees required for attendance, and that the institution may determine the dependent care/disability allowance.

Finally, the Senate version includes a provision that would allow college graduates to receive Pell Grants on a case-by-case basis for a fifth year if they are enrolled in a teacher training program. This program would provide new assistance to encourage college students to become well-trained, motivated teachers. However, we need to ensure that it is administratively workable. We look forward to working with you in conference to refine this provision.

TRIO programs

Current law provides for grants of both four and five years in the TRIO programs. The House version of the bill adopts the Administration's proposal to standardize grant duration in the Talent Search, Upward Bound, Student Support Services, Postbaccalaureate Achievement, and Educational Opportunity Centers Programs at four years; the Senate version of the bill does not change current statutory provisions. We strongly support the House's changes, since current law is confusing to the community, presents little or no practical benefit and is administratively complex.

The House version of the bill would eliminate the current administrative set-aside of 0.5% of appropriations for the TRIO Programs. The Senate version of the bill retains the set-aside. Eliminating the set-aside would have a significant and negative impact on the Department's ability to administer the TRIO Programs effectively. We support the Senate version.

Campus-based programs

The Administration proposed modifying the campus-based aid formula to gradually distribute a larger share of the program appropriation on the basis of measured institutional need for funds. The House version would eliminate the "pro rata" step. However, this change could lead to some institutions' allocations being reduced too quickly, rather than the gradual shifts proposed by the Administration. The Senate version has no comparable change, and, thus, fails to respond to changes in institutional need. We urge the conferees to adopt the Administration's proposal.

College awareness

Neither passed version of H.R. 6 would authorize the college awareness program proposed by the Administration. Recent studies have shown that low-income students attend college at significantly lower rates than individuals from high- and middle-income not because of financial inability to attend college but because of a lack of information about the requisite steps to prepare for, apply for, finance, and enroll in college. A college awareness program is a crucial element in our efforts to increase college attendance among low-income students, and would complement well the High Hopes program, which received support in both versions of the bill.

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Guaranty agencies and voluntary flexible agreements

Both versions of the bill authorize up to six guaranty agencies to enter into voluntary flexible agreements with the Department. Guaranty agency arrangements need to focus more heavily on preventing defaults, and voluntary flexible agreements could help promote greater administrative efficiency and improved service for students.

The Administration supports components of both the House and Senate versions of the guaranty agency reform, including the House provisions to allow the Secretary to regulate the operating fund when monies are owed to the Federal fund and to allow the Secretary to waive or modify any statutory requirements for agencies that enter into voluntary flexible agreements. The Administration supports the provision in the Senate version that specifies that voluntary flexible agreements cannot restrict borrowers from selecting the lender of their choice. The Administration also supports the Senate provisions to prohibit agencies that fail to make scheduled payments from receiving additional Federal funds, to require the Secretary's approval before agencies may support other student aid activities, to prohibit agencies from depositing interest earned on the Federal fund in the operating fund, and to reduce the loan processing and retention allowance fee. **The Administration opposes the Senate provisions that would add burdensome notice requirements, and to not require public notice regarding voluntary flexible agreements.**

The Administration also supports the provision of the House version that requires guaranty agencies to invest funds deposited into their operating funds in accordance with prudent investor standards, rather than the Senate provision which permits investment of the fund at the sole discretion of the guaranty agency.

FFEL repayment

We support the Senate provision to offer extended repayment plans of up to 25 years to FFEL borrowers with loans in excess of \$30,000. We also support the House provision that allows FFEL borrowers to retain their interest subsidies when they consolidate their loans. These changes would benefit FFEL borrowers with heavy debt burdens and would help level the playing field between the two loan programs. In addition, we support consideration of efforts to extend income-contingent repayment plans to FFEL borrowers.

Origination and insurance fees

Unfortunately, neither version would lower the up-front loan fees for students. Reducing the origination fees for Direct Loans and the insurance fees for FFEL loans would reduce students' cost of borrowing. The Administration proposed to lower the fees by one percentage point for all borrowers, and to phase them out entirely for borrowers of subsidized loans. **These fee reductions should be included in the conference agreement. They could readily be funded from resources that would be made through the guaranty agency reforms proposed by the Administration.**

Loan forgiveness

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Both the House and Senate include programs to forgive loans for teachers in high-poverty schools. We support ~~this effort to encouraging and enable~~ students to teach in the schools where their talents are needed most. However, ~~some changes are needed to the program as currently written would to make the program more effective and better help these students and make its the program's administration by the Department much more feasible~~ more workable. For example, because of the need to track student loans separately under the loan forgiveness provisions as currently structured, a student seeking loan forgiveness would be unable to consolidate his or her student loans. This is inequitable because it would limit the student's repayment options. In addition, the House and Senate versions of the bill also contain provisions for loan forgiveness for child care workers. In lieu of these proposals, the Administration supports its Child Care Provider Scholarship Fund, which would provide more than \$300 million in scholarships over five years to up to 50,000 child care providers annually

We would like ~~welcome the opportunity~~ to work with you on ~~these changes making the loan forgiveness provisions more equitable and effective~~. Options to consider include: treating all Federal student loans equally, regardless of the year in which they were received; offering loan forgiveness from the first year of teaching, or explicitly providing forbearance for the first years of teaching; changing the percentage of loans that may be forgiven each year; or creating a separate fund, financed through mandatory expenditures, for both teachers and child care workers.

Finally, under both versions of the bill, borrowers who have their remaining outstanding loan balance forgiven after 25 years of income-contingent repayment must continue to pay taxes on the amount forgiven. Saddling borrowers with additional tax liability is neither appropriate nor was it ever intended. The Administration supports adding a provision to exempt the amount forgiven from Federal income taxation.

Lending from proceeds of tax-exempt obligations

Under current law, secondary markets using tax-exempt funds must file a plan for doing business with the Department. This provision includes substantive restrictions on discrimination and on payment of premiums exceeding one percent for loans. The House version of the bill would eliminate both the filing requirement and the restrictions. The Senate version eliminates the filing requirement and the payment of premiums restriction, retaining only the nondiscrimination provision. The Administration supports elimination of the filing requirement but retention of both substantive restrictions.

Community service deferment

Neither version would permit the Secretary to pay the interest that accrues on an unsubsidized FFEL or Direct Loan while the borrower is receiving an economic hardship deferment on the loan and performing community service. This important proposal is part of the President's call to action to all Americans to serve their communities, and would allow individuals with student loans who qualify for economic hardship deferments to take up to three years to serve their communities without accruing

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additional interest on their loans. This would remove a financial obstacle to community service for borrowers who already satisfy economic hardship criteria, such as Peace Corps volunteers.

Market-based mechanisms

The Administration continues to support an objective, market-based determination of appropriate rates of return for lenders on student loans. A number of different market mechanisms have the potential to achieve this outcome, and we are eager to work with Congress to find the right approach. We also support obtaining financial information from FFEL lenders for a new study that could better guide the Congress regarding the profitability of lenders and the formulation of policy on student loans.

Work-study community service

The House version of the bill would add several burdensome requirements. First, it would add a requirement that at least two percent of an institution's allocation (in addition to the current five percent community service requirement) be spent on early childhood reading tutors. The House version of the bill would also require institutions to give priority in work-study funds to students tutoring in schools that meet certain criteria, a requirement which would unnecessarily complicate institutions' administration of the program. The Department has had great success with its voluntary partnerships with America Reads tutors, and prefers to continue with that approach.

Perkins Loans

Both the House and Senate version of the bills would eliminate the Federal Perkins Loan revolving fund account, the House explicitly to subsidize loan forgiveness for teachers in the FFEL and Direct Loan programs. We oppose this elimination. Without this fund, Congress would need to provide an increase in discretionary appropriations for Perkins Loan Federal Capital Contributions in order to avoid reducing loan volume. In addition, the House version of the bill includes forbearance provisions, including mandatory forbearance for Perkins Loans during a term of national service, that should be ~~were not~~ expanded to be comparable with FFEL and Direct Lending.

Need analysis

We are pleased with the House provisions to combine parent and dependent student assets to eliminate the differential assessment rates and to increase the income protection allowances significantly. These changes will protect more of the earnings of needy students, and will restore Pell Grant eligibility to many nontraditional students, and are a step in the right direction toward encouraging saving, increasing fairness, and simplifying the financial aid process for students and families, as proposed by the Administration. However, we note this change would increase discretionary spending, and thus the funding of these provisions would need to be examined during the annual appropriations process.

We are also pleased that both the Senate and House version of the bills would add an offset for dependent students in the amount of the parents' negative available income.

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This offset would exclude from need analysis calculation the income of a student whose earnings are necessary for the family's living expenses. The Administration supports the House version of this offset since it allows for the use of "adjusted" available income as an offset against dependent student income. This means that any negative amount remaining after first offsetting any contribution from parental assets would then be used to offset dependent student income. The Senate version, on the other hand, would allow the full unadjusted negative available to offset both parental assets and the same amount again to offset dependent student income. In a sense, the Senate proposal would provide a double counting advantage.

Neither the House nor the Senate included language clarifying that financial aid administrators may adjust need determination to assist dislocated workers. The Administration has requested this change in recent letters to Congress, and will continue to seek to include it in the final version of the bill.

Multi-year promissory note forms

The House version of the bill would require a multiyear promissory note within 180 days of the enactment of the reauthorization bill. The Senate version would require the Secretary to develop a master promissory note for use beginning July 1, 2000. We agree that a multi-year promissory note will simplify the process by which students and their families apply for and receive federal student loans. In fact, we are currently in the final stages of developing the procedures and notes for the introduction of a master promissory note with a multi-year loan renewal process in both the FFEL and Direct Loan programs. We expect the new notes to be available for the 1999-2000 academic year with borrowers who apply for loans for the 2000-2001 year being the first who would benefit from the "multi-year functionality" since they would have signed the master note during the prior year. With these targets in mind, and in order to ensure that the processes work properly and effectively, we would prefer that the law not include a specific timeframe.

~~We agree that a multiyear promissory note will simplify the loan application process for borrowers, schools, lenders, and guaranty agencies. We are pleased to report that the Department is currently developing such a note. However, we would prefer not to have a specific timeframe in law in order to ensure proper development of the multiyear process before implementation of the new note. We will work with the authorizing committees to develop a plan of action for implementing this worthwhile reform in the context of other changes that would be made in the HEA reauthorization.~~

The Administration is also disappointed that neither version of H.R. 6 would provide the Secretary with the authority to approve alternative forms to determine need and eligibility for student aid that contain the same information as the Free Application for Federal Student Aid (FAFSA) as long as the entire form is provided free of charge, as was proposed by the Administration. The use of alternative free versions of the FAFSA, especially electronic versions, could reduce burden for students and families while

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streamlining the aid award process and maintaining the integrity of the delivery system.

IRS and information sharing

The House version of the bill would authorize the Secretary to confirm with the IRS each aid applicant's adjusted gross income, Federal income taxes paid, tax filing status, and number of exemptions. The Senate version of the bill would require the Secretary to verify aid applicant's tax return information with the IRS. The Administration has several concerns regarding the income verification proposals in both the House and Senate bills, including confidentiality of taxpayer information, and IRS resource and systems capacity issues (particularly in light of the Year 2000 conversion underway). The Administration would like to work with the conferees to determine whether an approach can be developed to address these issues, while still accomplishing the Members' objectives.

Drug offenders

We oppose the language in both versions of the bill suspending aid eligibility for students who have been convicted of any drug offense under Federal or state law. This provision would largely duplicate existing law denying Federal benefits to individuals convicted of a drug offense under Federal or state law. Current law also contains important judicial discretion provisions that are lacking in both versions.

Freely Associated States

Under current law, citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau attending any eligible institutions may be eligible for Pell Grants and certain other forms of student financial aid. (Students who are permanent residents of the Freely Associated States may be eligible for such aid to attend institutions in the Freely Associated States.) The Senate version makes no change to these provisions. The House version would terminate the eligibility of students who are citizens or permanent residents of Micronesia, the Marshall Islands on October 1, 2001, and until then, they would be eligible only if they attend an institution in Guam, Micronesia, the Marshall Islands, or Palau. We strongly oppose the House provisions. The United States has a special relationship with these countries, as well as a responsibility to assist them in nation-building, and the State Department has raised questions about the international significance of curtailing Federal student aid and its potential impact on the negotiation of future compacts with the Freely Associated States. Finally, it would be useful if the final version of H.R.6 were to include a clearer expression of congressional intent that the eligibility of these students from the FAS was not affected by the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Refunds

Although we are pleased that the Senate adopted the Administration's general approach for calculating refunds, we have strong concerns about allowing schools to retain all Title IV funds for students who withdraw from an institution without going through an official withdrawal process. This policy would create a huge loophole that would encourage

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abuse in reporting withdrawals and recouping appropriate funds. It would reward institutions for unofficial withdrawals by students by giving those students the same amount of student aid as is given to students who complete the term. We also have some drafting concerns regarding this provision. We hope to work with you to adopt the Senate approach with some changes.

Program integrity

The Administration opposes a variety of provisions in the House version that would weaken program integrity. The House provision to allow proprietary institutions to include revenues from job training contracts as part of the requisite 15% of revenues from non-Title IV sources would seriously undermine the intent of the 85-15 rule, which was to ensure that eligible institutions are not primarily dependent on public monies to exist.

The House version also would vitiate the anti-injunction provision in current law. This provision prohibits injunctions against the Secretary that interfere with the Secretary's responsibilities in the loan programs. This provision has prevented institutions whose loan eligibility has been terminated on the basis of high cohort default rates from receiving loan funds while they sue the Secretary over the termination. These schools received loan funds while the Secretary processed their administrative appeals, and the anti-injunction provision has prevented millions of dollars of loan funds from going to high default schools that were properly terminated from the loan programs when those administrative appeals were resolved. It would undermine program integrity to undo this well-established precedent.

~~The House version would exempt institutions with default rates of less than 20 percent and fewer than 100 students who have loans from the requirement that the institutions establish default management plans. We oppose this exemption. The Senate version provides that schools with default rates of over 50 percent for three consecutive years would not be eligible to participate in the Perkins program. We believe this provision would be too lenient, and prefer a provision that would end participation for an institution with default rates of 35% or higher for three consecutive years. This change would standardize the cohort default rate cap across Federal student loan programs.~~

Finally, we oppose the provision in the Senate version of the bill that requires the Department to calculate a program participation rate index for each institution subject to loan eligibility termination on the basis of high cohort default rates. The participation rate index is currently used in the mitigating circumstances appeals process, where the calculation is performed by the institution. The Department does not have data on the number of loan-eligible students at each institution, and therefore cannot calculate the participation rate index for all institutions without imposing significant new reporting requirements on institutions for no substantial benefit.

Electronic exit counseling

The Senate version of the bill would allow institutions to provide personalized electronic

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exit counseling for borrowers. We support this change, which would give institutions the flexibility to utilize communications technology to counsel students, thereby reducing costs while improving service to borrowers.

Campus security

The Administration generally supports most of the changes made by the House and Senate versions of the bill. Both versions would require institutions to maintain open crime logs and expand the number of crimes that must be reported; we support these changes. They also contain language permitting disclosure of campus disciplinary records. Both versions have drafting flaws that would undermine their effectiveness and compromise legitimate privacy interests. We look forward to working with the conferees to develop more acceptable language.

The Senate version of the bill clarifies and expands the definition of campus, so that institutions have to report crimes that take place on public property contiguous to the campus, e.g. sidewalks, and in any building owned by the institution or a student organization. This information is critical for students to know and will help provide a more accurate picture of crime on campus.

Quality assurance (QA) and experimental sites programs

The House version of the bill effectively would end, these two programs, replacing them with a "Regulatory Simplification Program," that would not allow for waiver of statutory requirements, or provide for alternatives for administering the programs. The Senate version of the bill does attempt to expand the areas included in the QA program, but then undermines that expansion by specifically limiting waivers to verification, as is now the case in the current QA program. The Administration supports the inclusion of the waivers necessary to give effect to the expanded scope of the QA program included in the Senate version.

The Senate version of the bill would make less drastic changes to the experimental sites program than the House version, including requirements that the Secretary review all projects and report to Congress his recommendations to streamline and improve student aid programs based on the projects (these reporting requirements would also be applicable to the QA program). It is important that the experimental sites program be continued, as it has provided administrative relief to institutions with strong performance managing the student financial assistance programs and has supported important research into alternatives to current law and regulation. The provisions in the Senate bill for both programs are preferable to those in the House version of the bill.

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~~programs based on the projects. The provisions in the Senate version of the bill for both programs are preferable to those in the House version of the bill. It is important that the experimental sites program be continued, as it has provided administrative relief to high quality institutions and has supported important research into alternatives to current law and regulation. However, the Senate provision appears to contradict itself by broadening the areas covered by QA but also specifically limiting waivers to verification as is now the case in QA. We recommend the inclusion of the waivers necessary to give effect to the expanded scope of the QA Program included in the Senate version.~~

Negotiated rulemaking

The House and Senate version of the bills are overly broad in scope and include unrealistic time requirements that would actually impede effective negotiated rulemaking. The Administration strongly opposes the requirement that all future Title IV regulations be subject to negotiated rulemaking regardless of their technicality or urgency, skewing resources away from the most important issues and generating unnecessary litigation, delay, and expense. We hope to work with Congress to develop a workable process for fashioning more focused and flexible regulations. That process should include the ability to negotiate with the higher education community to identify the issues to be subject to negotiated rulemaking.

Loan proration

We support the House version's language on loan proration. The House provisions move in the direction of the Administration proposal and would simplify proration by allowing it to be done proportionally for all types of loans affected.

Ability to implement regulations earlier

The Senate version of the bill includes the Administration's proposal to authorize the Secretary to designate regulatory provisions that institutions or other entities may choose to implement before the otherwise applicable effective date which, as required by the Master Calendar, includes a delay of at least seven months. These changes would provide the Secretary and program participants with greater flexibility.

Biennial review of regulations

The House version of the bill would require the Secretary to conduct reviews of regulations every two years. The Senate version also requires the Secretary to review regulations, but does not specify frequency. The Department already reviews its regulations regularly, and feels that either version of this provision ~~this requirement~~ would be an unnecessary and inappropriate intrusion upon the Secretary's authority and responsibility to manage the Department.

Financial responsibility

The House version of the bill contains confusing language that could be read to undermine the well-received financial responsibility regulations that the Department recently developed in close cooperation with the higher education community and to

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establish a dangerously low standard for the financial health of institutions participating in student financial aid programs. We oppose these provisions. ~~For example, the House version of the bill includes a requirement that the Department develop a process for assessing financial responsibility that does not duplicate other requirements. The vague language in this provision may create several significant policy and legal problems. It could be interpreted to constrain the Secretary to have to accept the financial responsibility determinations of accrediting agencies or other third parties, a situation that is contrary to the responsibility given to the Secretary to evaluate directly the financial responsibility of institutions. This requirement may also allow the Secretary to be sued over allegations that the Department did not do enough to determine the cost effectiveness of regulations.~~

Program review criteria

The Administration opposes the provision in both versions of the bill that would require the Department to prioritize program reviews based on criteria in statute, such as high default or withdrawal rates, or large fluctuations in Pell Grant and loan volume. This is unwarranted micro-management. The Department selects its program review sites based on a probabilistic risk analysis model. While this model incorporates many of the criteria listed in the Senate provision, strict adherence to the provision would require the development of a new model and would remove all flexibility for the Department. We are confident that the current program review selection model effectively targets problem institutions while maintaining an element of randomness to promote broad program compliance.

Student loan ombudsman

The Senate version of the bill would establish a Student Loan Ombudsman Office to assist borrowers with problems with their student loans. ~~We are uncertain as to the need for an ombudsman, in light of the functions of the PBO.~~ Furthermore, We understand the desire to provide a place for students to go if they have particularly complex student loan problems or have been frustrated by other attempts to resolve these problems. This is the kind of customer-oriented activity that we would want a PBO to address, and we would prefer for the new Chief Operating Officer (COO) to determine its structure and mission. However, if the conferees intend to include statutory language regarding an Ombudsman, we would seek changes to the Senate provisions. For example, the relationships between the Secretary, the COO, and the ombudsman are very unclear, which would result in a substantial danger of poor coordination in providing services to students. We hope to work with Congress to look at the role and function of an ombudsman and to relate any such office appropriately to the PBO.

Graduate education

The House version would eliminate the Javits, Faculty Development, and Legal Training for the Disadvantaged programs, retaining only a modified Graduate Assistance in Areas of National Need (GAANN) program. The Senate version authorizes all of these programs with some changes: Javits and GAANN eligibility would be limited to students

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who demonstrate financial need; forward-funding of Javits would be permitted; the Faculty Development Fellowship program would be redesigned; and Assistance for Training in the Legal profession would be replaced by the Thurgood Marshall Legal Educational Opportunity Program. The Administration supports the House approach to consolidate all graduate programs into one, which is closer to the approach proposed by the Administration, with the addition of the Administration's provisions for students from underrepresented groups.

Teaching students with disabilities

We support the Senate version of the bill's new program to provide competitive grants to colleges to improve teaching for students with disabilities. The grants would support technical assistance and training for faculty and administrators to enable them to effectively teach students with disabilities. Many more students with disabilities are now benefiting from higher education; the grants would help faculty members better reach these students.

Advanced Placement

We are pleased that both versions of the bill would reauthorize the current Advanced Placement Fee Payment Program, the Senate with significant modifications. We prefer the Senate version of the bill; however, we recommend that the final bill clarify that any state in which all low-income individuals are required to pay no more than a nominal fee may use any remaining funds to increase the participation of low-income students in Advanced Placement courses and exams through activities such as information dissemination, teacher training, and curriculum development.

The Senate version of the bill attempts to accommodate this recommendation in part by permitting states to use up to 5 percent of grant funds to disseminate information about the program and by providing an exception to the "supplement, not supplant" rules when funds are used to increase the participation of low-income individuals in advanced placement courses through teacher training and other activities directly related to increasing the availability of Advanced Placement courses. However, the supplanting language is problematic. It provides that funds may be used to supplant and not supplement "if the funds used to supplant are used to..." It is inconsistent with the Senate committee report's description of the program as well as internally inconsistent since states can only supplant if they use the AP funds for activities that are not authorized activities for the funds.

Another problem with the Senate language concerns the provision that notwithstanding an appropriation, the Secretary shall only award grants for this program if the College Board funds its fee assistance program at no less than the level as the previous year. It is inappropriate for the behavior of a private organization to determine whether a nationwide Federal program, for which funds have been appropriated, should be carried out. We recommend that this language be eliminated, and that the conferees instead include report language recommending that members of the appropriations committees should consider whether the College Board and other private efforts are

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~~continuing at least the same level of support. Furthermore, this provision raises significant logistical questions. What does the Secretary do with the appropriation if he may not award it? How does the Secretary know what the College Board spent? Would the Secretary have to wait until the last day of the fiscal year to determine if the College Board maintained its effort?~~

Education of the Deaf Act

The provisions in the House version that would reauthorize the Education of the Deaf Act include a provision to eliminate the 10 percent cap on enrollment of international deaf students. The current tuition charges for these students cover less than one-third of the educational costs related to their attendance, and the Administration is concerned about the high Federal cost of subsidizing these students. Elimination of the cap, without a corresponding increase in the tuition surcharge for international students, would result in resources being diverted from other university level programs to support these students. We support the provisions in the Senate version, which retain current law and add language clarifying that no qualified United States citizen shall be denied admission because of the admission of an international student.

Violence against women on campus

We support the language in both the House and Senate versions of the bill that would authorize a grant program to prevent violence against women on campus. Violence against women is a serious issue, and this program would help female students feel safer on their campuses. The Senate also authorizes a study of campus sexual assault policies, which would shed new light on the controversial issue of how campus authorities handle sexual assaults.

Proprietary school liaison

The Senate version of the bill would establish a Liaison for Proprietary Institutions of Higher Education within the Department. The need for such a liaison has not been demonstrated. The Department works with many different kinds of schools, all with their own specific interests. To single out the proprietary sector for special representation is inappropriate and opens the door to a multitude of liaisons.

Voter registration

The House and Senate versions each contain variations on requirements to provide mail voter registration forms to students by institutions, or by States to institutions. While these provisions have a laudable goal, we believe that this would duplicate other efforts in the area of voter registration (such as providing these forms through departments of motor vehicles), and therefore neither version of this provision is necessary.

New and reauthorized programs

~~The Administration has made a priority of eliminating programs that have not been funded or are no longer needed. The Administration proposed to eliminate a net of 42 programs. The Senate version would repeal a net of only 29 programs, the~~

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~~House version would eliminate a net of 40 programs. Both the Senate and the House versions would authorize a number of new programs as well as reauthorize many currently authorized programs that have not been funded in several years, if ever. These authorizations hold out the expectation of future funding to prospective applicants for these programs. Congress should not authorize programs that it does not intend to support through appropriations.~~