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111TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
111–232

STUDENT AID AND FISCAL RESPONSIBILITY ACT OF 2009

JULY 27, 2009.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. GEORGE MILLER of California, from the Committee on Education and Labor, submitted the following

R E P O R T

together with

SUPPLEMENTAL AND MINORITY VIEWS

[To accompany H.R. 3221]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Labor, to whom was referred the bill (H.R. 3221) to amend the Higher Education Act of 1965, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Student Aid and Fiscal Responsibility Act of 2009".

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

Sec. 1. Short title.
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TITLE I—INVESTING IN STUDENTS AND FAMILIES

Subtitle A—Increasing College Access and Completion

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Sec. 102. College Access and Completion Innovation Fund.
Sec. 103. Investment in historically Black colleges and universities and other minority-serving institutions.
Sec. 104. Investment in cooperative education.
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Subtitle B—Student Financial Aid Form Simplification

Sec. 121. General effective date.

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TITLE II—STUDENT LOAN REFORM

Subtitle A—Stafford Loan Reform

Sec. 201. Federal Family Education Loan appropriations.
Sec. 202. Scope and duration of Federal loan insurance program.
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Sec. 204. Federal payments to reduce student interest costs.
Sec. 205. Federal PLUS Loans.
Sec. 206. Federal Consolidation Loan.
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Sec. 208. Loan repayment for civil legal assistance attorneys.
Sec. 209. Special allowances.
Sec. 210. Revised special allowance calculation.
Sec. 211. Origination of Direct Loans at institutions located outside the United States.
Sec. 212. Agreements with institutions.
Sec. 213. Terms and conditions of loans.
Sec. 214. Contracts.
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Subtitle B—Perkins Loan Reform

Sec. 221. Federal Direct Perkins Loans terms and conditions.
Sec. 222. Authorization of appropriations.
Sec. 223. Allocation of funds.
Sec. 224. Federal Direct Perkins Loan allocation.
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Sec. 226. Student loan information by eligible institutions.
Sec. 227. Terms of loans.
Sec. 228. Distribution of assets from student loan funds.
Sec. 229. Implementation of non-title IV revenue requirement.
Sec. 230. Administrative expenses.

TITLE III—MODERNIZATION, RENOVATION, AND REPAIR

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Sec. 311. Purpose.
Sec. 312. Allocation of funds.
Sec. 313. Allowable uses of funds.
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CHAPTER 3—GENERAL PROVISIONS

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Sec. 332. Supplement, not supplant.
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Sec. 335. Special rule on contracting.
Sec. 336. Use of American iron, steel, and manufactured goods.
Sec. 337. Labor standards.
Sec. 338. Charter schools.
Sec. 339. Green schools.
Sec. 340. Reporting.
Sec. 341. Special rules.
Sec. 342. Promotion of employment experiences.
Sec. 343. Advisory Council on Green, High-Performing Public School Facilities.
Sec. 344. Education regarding projects.
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Subtitle B—Higher Education

Sec. 351. Federal assistance for community college modernization and construction.

TITLE IV—EARLY LEARNING CHALLENGE FUND

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Sec. 402. Programs authorized.
Sec. 403. Quality pathways grants.
Sec. 404. Development grants.
Sec. 405. Research and evaluation.
Sec. 406. Reporting requirements.
Sec. 407. Construction.
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TITLE V—AMERICAN GRADUATION INITIATIVE

Sec. 501. Authorization and appropriation.
Sec. 502. Definitions; grant priority.
Sec. 503. Grants to eligible entities for community college reform.
Sec. 504. Grants to eligible States for community college programs.
Sec. 505. National activities.

SEC. 3. REFERENCES.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

TITLE I—INVESTING IN STUDENTS AND FAMILIES

Subtitle A—Increasing College Access and Completion

SEC. 101. FEDERAL PELL GRANTS.

(a) AMOUNT OF GRANTS.—Section 401(b) (20 U.S.C. 1070a(b)) is amended—

(1) by amending paragraph (2)(A) to read as follows:

"(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

"(i) the maximum Federal Pell Grant, as specified in the last enacted appropriation Act applicable to that award year, plus

"(ii) the amount of the increase calculated under paragraph (8)(B) for that year, less

"(iii) an amount equal to the amount determined to be the expected family contribution with respect to that student for that year."; and

(2) by amending paragraph (8), as amended by the Higher Education Opportunity Act (Public Law 110–315), to read as follows:

"(8) ADDITIONAL FUNDS.—

"(A) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out subparagraph (B) of this paragraph (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated) the following amounts—

"(i) $2,030,000,000 for fiscal year 2008;

"(ii) $2,733,000,000 for fiscal year 2009; and

"(iii) such sums as may be necessary for fiscal year 2010 and each subsequent fiscal year to provide the amount of increase of the maximum Federal Pell Grant required by clauses (ii) and (iii) of subparagraph (B).

"(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts made available pursuant to subparagraph (A) shall be used to increase the amount of the maximum Federal Pell Grant for which a student shall be eligible during an award year, as specified in the last enacted appropriation Act applicable to that award year, by—

"(i) $490 for each of the award years 2008–2009 and 2009–2010;

"(ii) $690 for the award year 2010–2011; and

"(iii) the amount determined under subparagraph (C) for each succeeding award year.

"(C) INFLATION-ADJUSTED AMOUNTS.—

"(i) AWARD YEAR 2011–2012.—For award year 2011–2012, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

"(I) $5,550 or the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), whichever is greater, increased by a percentage equal to the annual adjustment percentage for award year 2011–2012; reduced by

"(II) $4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted appropriation Act applicable to that year, whichever is greater; and

"(III) rounded to the nearest $5.

"(ii) SUBSEQUENT AWARD YEARS.—For award year 2012–2013 and each of the subsequent award years, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

"(I) the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), increased by a percentage equal to the annual adjustment percentage for the award year for which the amount under this subparagraph is being determined; reduced by

"(II) $4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted appropriation Act applicable to that year, whichever is greater; and

"(III) rounded to the nearest $5.

"(iii) LIMITATION ON DECREASES.—Notwithstanding clauses (i) and (ii), if the amount determined under clause (i) or (ii) for an award year is less than the amount determined under this paragraph for the preceding award year, the amount determined under such clause for such award year shall be the amount determined under this paragraph for the preceding award year.

"(iv) DEFINITIONS.—For purposes of this subparagraph—

"(I) the term 'annual adjustment percentage' as it applies to an award year is equal to the sum of—

"(aa) the estimated percentage change in the Consumer Price Index (as determined by the Secretary, using the definition in section 478(f)) for the most recent calendar year ending prior to the beginning of that award year; and

"(bb) one percentage point; and

"(II) the term 'total maximum Federal Pell Grant' as it applies to a preceding award year is equal to the sum of—

"(aa) the maximum Federal Pell Grant for which a student is eligible during an award year, as specified in the last enacted appropriation Act applicable to that preceding award year; and

"(bb) the amount of the increase in the maximum Federal Pell Grant required by this paragraph for that preceding award year.

"(D) PROGRAM REQUIREMENTS AND OPERATIONS OTHERWISE UNAFFECTED.—Except as provided in subparagraphs (B) and (C), nothing in this paragraph shall be construed to alter the requirements and operations of the Federal Pell Grant Program as authorized under this section, or to authorize the imposition of additional requirements or operations for the determination and allocation of Federal Pell Grants under this section.

"(E) AVAILABILITY OF FUNDS.—The amounts made available by subparagraph (A) for any fiscal year shall be available beginning on October 1 of that fiscal year, and shall remain available through September 30 of the succeeding fiscal year.".

(b) CONFORMING AMENDMENTS.—Title IV (20 U.S.C. 1070 et seq.) is further amended—

(1) in section 401(b)(6), as amended by the Higher Education Opportunity Act (Public Law 110–315), by striking "the grant level specified in the appropriate Appropriation Act for this subpart for such year" and inserting "the Federal Pell Grant amount, determined under paragraph (2)(A), for which a student is eligible during such award year";

(2) in section 402D(d)(1), by striking "exceed the maximum appropriated Pell Grant" and inserting "exceed the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student is eligible";

(3) in section 435(a)(5)(A)(i)(I), by striking "one-half the maximum Federal Pell Grant award for which a student would be eligible" and inserting "one-half the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student would be eligible";

(4) in section 483(e)(3)(ii), by striking "based on the maximum Federal Pell Grant award at the time of application" and inserting "based on the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student is eligible at the time of application";

(5) in section 485E(b)(1)(A), by striking "of such students' potential eligibility for a maximum Federal Pell Grant under subpart 1 of part A" and inserting "of such students' potential eligibility for the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which the student would be eligible"; and

(6) in section 894(f)(2)(C)(ii)(I), by striking "the maximum Federal Pell Grant for each award year" and inserting "the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student may be eligible for each award year".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) of this section shall take effect on July 1, 2010.

SEC. 102. COLLEGE ACCESS AND COMPLETION INNOVATION FUND.

(a) HEADER.—Part E of title VII (20 U.S.C. 1141 et seq.) is amended by striking the header of such part and inserting the following:

"PART E—COLLEGE ACCESS AND COMPLETION INNOVATION FUND".

(b) PURPOSE.—Part E of title VII (20 U.S.C. 1141 et seq.) is further amended by inserting before section 781 the following:

"SEC. 780. PURPOSES.

"The purposes of this part are—

"(1) to promote innovation in postsecondary education practices and policies by institutions of higher education, States, and nonprofit organizations to improve student success, completion, and post-completion employment, particularly for students from groups that are underrepresented in postsecondary education; and

"(2) to assist States in developing longitudinal data systems, common metrics, and reporting systems to enhance the quality and availability of information about student success, completion, and post-completion employment.".

(c) AUTHORIZATION AND APPROPRIATION.—Section 781(a) (20 U.S.C. 1141(a)) is amended to read as follows:

"(a) AUTHORIZATION AND APPROPRIATION.—

"(1) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out this part (in addition to any other amounts appropriated to carry out this part and out of any money in the Treasury not otherwise appropriated), $600,000,000 for each of the fiscal years 2010 through 2014.

"(2) ALLOCATIONS.—Of the amount appropriated for any fiscal year under paragraph (1)—

"(A) 25 percent shall be made available to carry out section 781;

"(B) 50 percent shall be made available to carry out section 782;

"(C) 23 percent shall be made available to carry out section 783; and

"(D) 2 percent shall be made available to carry out section 784.".

(d) STATE GRANTS AND GRANTS TO ELIGIBLE ENTITIES.—Part E of title VII (20 U.S.C. 1141 et seq.) is further amended by adding at the end the following:

"SEC. 782. STATE INNOVATION COMPLETION GRANTS.

"(a) PROGRAM AUTHORIZATION.—From the amount appropriated under section 781(a)(2)(B) to carry out this section, the Secretary shall award grants to States on a competitive basis to promote student persistence in, and completion of, postsecondary education.

"(b) FEDERAL SHARE; NON-FEDERAL SHARE.—

"(1) FEDERAL SHARE.—The amount of the Federal share under this section for a fiscal year shall be equal to ⅔ of the costs of the activities and services described in subsection (d)(1) that are carried out under the grant.

"(2) NON-FEDERAL SHARE.—The amount of the non-Federal share under this section shall be equal to ⅓ of the costs of the activities and services described in subsection (d)(1). The non-Federal share may be in cash or in kind, and may be provided from State resources, contributions from private organizations, or both.

"(3) SUPPLEMENT, NOT SUPPLANT.—The Federal and non-Federal shares required by this paragraph shall be used to supplement, and not supplant, State and private resources that would otherwise be expended to carry out activities and services to promote student persistence in and completion of postsecondary education.

"(c) APPLICATION AND SELECTION.—

"(1) APPLICATION REQUIREMENTS.—For each fiscal year for which a State desires to receive a grant under this section, the State agency with jurisdiction over higher education, or another agency designated by the Governor or chief executive of the State to administer the grant program under this section, shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require. Such application shall include—

"(A) a description of the State's capacity to administer the grant under this section;

"(B) a description of the State's plans for using the grant funds for activities described in subsection (d)(1), including plans for how the State will make special efforts to provide benefits to students in the State who are from groups that are underrepresented in postsecondary education;

"(C) a description of how the State will provide for the non-Federal share from State resources, private contributions, or both;

"(D) a description of—

"(i) the administrative system that the State has in place to administer the activities and services described in subsection (d)(1); or

"(ii) the plan to develop such administrative system;

"(E) a description of the data system the State has or will have in place to measure the performance and progress toward the State's goals included in the Access and Completion Plan submitted, or that will be submitted, under paragraph (2)(A); and

"(F) the assurances under paragraph (2).

"(2) STATE ASSURANCES.—The assurances required in paragraph (1)(F) shall include an assurance of each of the following:

"(A) That the State will submit, not later than July 1, 2011, an Access and Completion Plan to increase the State's rate of persistence in and completion of postsecondary education. Such plan shall include—

"(i) the State's annual and long-term quantifiable goals with respect to—

"(I) the rates of postsecondary enrollment, persistence, and completion, disaggregated by income, race, ethnicity, sex, disability, and age of students;

"(II) closing gaps in enrollment, persistence, and completion rates for students from groups that are underrepresented in postsecondary education;

"(III) targeting education and training programs to address labor market needs in the State, as such needs are determined by the State, or the State in coordination with the State public employment service, the State workforce investment board, or industry or sector partnerships in the State; and

"(IV) improving coordination between two-year and four-year institutions of higher education in the State, including supporting comprehensive articulation agreements between such institutions; and

"(ii) the State's plan to develop an interoperable statewide longitudinal data system that—

"(I) can be linked to other data systems, as applicable, including elementary and secondary education and workforce data systems;

"(II) will collect, maintain, disaggregate (by institution, income, race, ethnicity, sex, disability, and age of students), and analyze postsecondary education and workforce information, including—

"(aa) postsecondary education enrollment, persistence, and completion information;

"(bb) post-completion employment outcomes of students who enrolled in postsecondary programs and training programs offered by eligible training providers under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.);

"(cc) postsecondary education and employment outcomes of students who move out of the State; and

"(dd) postsecondary instructional workforce information; and

"(III) makes the information described in subclause (I) available to the general public in a manner that is transparent and user-friendly.

"(B) That the State has a comprehensive planning or policy formulation process with respect to increasing postsecondary enrollment, persistence, and completion that—

"(i) encourages coordination between the State administration of grants under this section and similar State programs;

"(ii) encourages State policies that are designed to improve rates of enrollment and persistence in, and completion of, postsecondary education for all categories of institutions of higher education described in section 132(d) in the State;

"(iii) considers the postsecondary education needs of students from groups that are underrepresented in postsecondary education;

"(iv) considers the resources of public and private institutions of higher education, organizations, and agencies within the State that are capable of providing access to postsecondary education opportunities within the State; and

"(v) provides for direct, equitable, and active participation in the comprehensive planning or policy formulation process or processes, through

membership on State planning commissions, State advisory councils, or other State entities established by the State and consistent with State law, by representatives of—

"(I) institutions of higher education, including at least one member from a junior or community college (as defined in section 312(f));

"(II) students;

"(III) other providers of postsecondary education services (including organizations providing access to such services);

"(IV) the general public in the State; and

"(V) postsecondary education faculty members, including at least one faculty member whose primary responsibilities are teaching and scholarship.

"(C) That the State will incorporate policies and practices that, through the activities funded under this section, are determined to be effective in improving rates of postsecondary education enrollment, persistence, and completion into the future postsecondary education policies and practices of the State to ensure that the benefits achieved through the activities funded under this section continue beyond the period of the grant.

"(D) That the State will participate in the evaluation required under section 784.

"(3) SUBGRANTS TO NONPROFIT ORGANIZATIONS.—A State receiving a payment under this section may elect to make a subgrant to one or more nonprofit organizations in the State, including agencies with agreements with the Secretary under subsections (b) and (c) of section 428 on the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, or a partnership of such organizations, to carry out activities and services described in subsection (d)(1), if the nonprofit organization or partnership—

"(A) was in existence on the day before the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009; and

"(B) as of such day, was participating in activities and services related to promoting persistence in, and completion of, postsecondary education, such as the activities and services described in subsection (d)(1).

"(4) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to States that enter into a partnership with one of the following entities to carry out the activities and services described in subsection (d)(1):

"(A) A philanthropic organization, as such term is defined in section 781(i)(1).

"(B) An agency with an agreement with the Secretary under subsections (b) and (c) of section 428 on the date of the enactment of Student Aid and Fiscal Responsibility Act of 2009.

"(d) USES OF FUNDS.—

"(1) AUTHORIZED USES.—A State receiving a grant under this section shall use the grant funds to—

"(A) provide programs in such State that increase persistence in, and completion of, postsecondary education, which may include—

"(i) assisting institutions of higher education in providing financial literacy, education, and counseling to enrolled students;

"(ii) assisting students enrolled in an institution of higher education to reduce the amount of loan debt incurred by such students;

"(iii) providing grants to students described in section 415A(a)(1), in accordance with the terms of that section; and

"(iv) carrying out the activities described in section 415E(a); and

"(B) support the development and implementation of a statewide longitudinal data system, as described in subsection (c)(2)(A)(ii).

"(2) PROHIBITED USES.—Funds made available under this section shall not be used to promote any lender's loans.

"(3) RESTRICTIONS ON USE OF FUNDS.—A State—

"(A) shall use not less than ⅓ of the sum of the Federal and non-Federal share used for paragraph (1)(A) on activities that benefit students enrolled in junior or community colleges (as defined in section 312(f)), two-year public institutions, or two-year programs of instruction at four-year public institutions;

"(B) may use not more than 10 percent of the sum of the Federal and non-Federal share under this section for activities described in paragraph (1)(B); and

"(C) may use not more than 6 percent of the sum of the Federal and non-Federal share under this section for administrative purposes relating to the grant under this section.

"(e) ANNUAL REPORT.—Each State receiving a grant under this section shall submit to the Secretary an annual report on—

"(1) the activities and services described in subsection (d)(1) that are carried out with such grant;

"(2) the effectiveness of such activities and services in increasing postsecondary persistence and completion, as determined by measurable progress in achieving the State's goals for persistence and completion described in the Access and Completion Plan submitted by the State under subsection (c)(2)(A), if such plan has been submitted; and

"(3) any other information or assessments the Secretary may require.

"(f) DEFINITIONS.—In this section:

"(1) INDUSTRY OR SECTOR PARTNERSHIP.—The term 'industry or sector partnership' means a workforce collaborative that organizes key stakeholders in a targeted industry cluster into a working group that focuses on the human capital needs of a targeted industry cluster and that includes, at the appropriate stage of development of the partnership—

"(A) representatives of multiple firms or employers (including workers) in a targeted industry cluster, including small- and medium-sized employers when practicable;

"(B) 1 or more representatives of State labor organizations, central labor coalitions, or other labor organizations;

"(C) 1 or more representatives of local workforce investment boards;

"(D) 1 or more representatives of postsecondary educational institutions or other training providers; and

"(E) 1 or more representatives of State workforce agencies or other entities providing employment services.

"(2) STATE PUBLIC EMPLOYMENT SERVICE.—The term 'State public employment service' has the meaning given such term in section 502(a)(9) of the Student Aid and Fiscal Responsibility Act of 2009.

"(3) STATE WORKFORCE INVESTMENT BOARD; LOCAL WORKFORCE INVESTMENT BOARD.—The terms 'State workforce investment board' and 'local workforce investment board' have the meanings given such terms in section 502(a)(10) of the Student Aid and Fiscal Responsibility Act of 2009.

"SEC. 783. INNOVATION IN COLLEGE ACCESS AND COMPLETION NATIONAL ACTIVITIES.

"(a) PROGRAMS AUTHORIZED.—From the amount appropriated under section 781(a)(2)(C) to carry out this section, the Secretary shall award grants, on a competitive basis, to eligible entities in accordance with this section to conduct innovative programs that advance knowledge about, and adoption of, policies and practices that increase the number of individuals with postsecondary degrees or certificates.

"(b) ELIGIBLE ENTITIES.—The Secretary is authorized to award grants under subsection (a) to—

"(1) institutions of higher education;

"(2) States;

"(3) nonprofit organizations with demonstrated experience in the operation of programs to increase postsecondary completion;

"(4) philanthropic organizations (as such term is defined in section 781(i)(1));

"(5) entities receiving a grant under chapter 1 of subpart 2 of part A of title IV; and

"(6) consortia of any of the entities described in paragraphs (1) through (5).

"(c) INNOVATION GRANTS.—

"(1) MINIMUM AWARD.—A grant awarded under subsection (a) shall be not less than $1,000,000.

"(2) GRANTS USES.—The Secretary's authority to award grants under subsection (a) includes—

"(A) the authority to award to an eligible entity a grant in an amount equal to all or part of the amount of funds received by such entity from philanthropic organizations (as such term is defined in section 781(i)(1)) to conduct innovative programs that advance knowledge about, and adoption of, policies and practices that increase the number of individuals with postsecondary degrees or certificates; and

"(B) the authority to award an eligible entity a grant to develop 2-year programs that provide supplemental grant or loan benefits to students that—

"(i) are designed to improve student outcomes, including degree completion, graduation without student loan debt, and post-completion employment;

"(ii) are in addition to the student financial aid available under title IV of this Act; and

"(iii) do not result in the reduction of the amount of that aid or any other student financial aid for which a student is otherwise eligible under Federal law.

"(3) APPLICATION.—To be eligible to receive a grant under subsection (a), an eligible entity shall submit an application at such time, in such manner, and containing such information as the Secretary shall require.

"(4) PRIORITIES.—In awarding grants under subsection (a), the Secretary shall give priority to applications that—

"(A) are from an eligible entity with demonstrated experience in serving students from groups that are underrepresented in postsecondary education, including institutions of higher education that are eligible for assistance under title III or V, or are from a consortium that includes an eligible entity with such experience;

"(B) are from an eligible entity that is a public institution of higher education that does not predominantly provide an educational program for which it awards a bachelor's degree (or an equivalent degree), or from a consortium that includes at least one such institution;

"(C) include activities to increase degree or certificate completion in the fields of science, technology, engineering, and mathematics, including preparation for, or entry into, postbaccaluareate study, especially for women and other groups of students who are underrepresented in such fields;

"(D) are from an eligible entity that is a philanthropic organization with the primary purpose of providing scholarships and support services to students from groups that are underrepresented in postsecondary education, or are from a consortium that includes such an organization; or

"(E) are from an eligible entity that encourages partnerships between institutions of higher education with high degree-completion rates and institutions of higher education with low degree-completion rates from the same category of institutions described in section 132(d) to facilitate the sharing of information relating to, and the implementation of, best practices for increasing postsecondary completion.

"(5) TECHNICAL ASSISTANCE.—The Secretary may reserve up to $5,000,000 per year to award grants and contracts to provide technical assistance to eligible entities receiving a grant under subsection (a), including technical assistance on the evaluation conducted in accordance with section 784 and establishing networks of eligible entities receiving grants under such subsection.

"(d) REPORTS.—

"(1) ANNUAL REPORTS BY ENTITIES.—Each eligible entity receiving a grant under subsection (a) shall submit to the Secretary an annual report on—

"(A) the effectiveness of the program carried out with such grant in increasing postsecondary completion, as determined by measurable progress in achieving the goals of the program, as described in the application for such grant; and

"(B) any other information or assessments the Secretary may require.

"(2) ANNUAL REPORT TO CONGRESS.—The Secretary shall submit to the authorizing committees an annual report on grants awarded under subsection (a), including—

"(A) the amount awarded to each eligible entity receiving a grant under such subsection; and

"(B) a description of the activities conducted by each such eligible entity.

"SEC. 784. EVALUATION.

"From the amount appropriated under section 781(a)(2)(D), the Director of the Institute of Education Sciences shall evaluate the programs funded under this part. Not later than January 30, 2016, the Director shall issue a final report on such evaluation to the authorizing committees and the Secretary, and shall make such report available to the public.

"SEC. 785. VETERANS RESOURCE OFFICER GRANTS.

"(a) PROGRAM AUTHORIZED.—The Secretary shall award grants, on a competitive basis, to eligible institutions of higher education to hire a Veterans Resource Officer to increase the college completion rates for veterans enrolled at such institutions.

"(b) DEFINITIONS.—In this section:

"(1) ELIGIBLE INSTITUTION OF HIGHER EDUCATION.—The term 'eligible institution of higher education' means an institution of higher education that has an enrollment of at least 100 full-time equivalent students who are veterans.

"(2) FULL-TIME EQUIVALENT STUDENTS.—The term 'full-time equivalent students' has the meaning given such term in section 312(e).

"(3) VETERAN.—The term 'veteran' has the meaning give such term in section 480(c).

"(c) APPLICATION.—To be eligible to receive a grant under this section, an eligible institution of higher education shall submit an application at such time, in such manner, and containing such information as the Secretary shall require.

"(d) USES OF FUNDS.—

"(1) IN GENERAL.—An eligible institution of higher education receiving a grant under this section shall use such grant to hire 1 or 2 Veterans Resource Officers (in the case of an institution that has an enrollment of at least 200 full-time equivalent students who are veterans) to serve in the office of campus programs, or a similar office, at such institution and carry out the activities described in paragraph (2).

"(2) ACTIVITIES.—A Veterans Resource Officer shall carry out activities at an eligible institution of higher education to help increase the completion rates for veterans enrolled at such institution, which shall include the following activities:

"(A) Serving as a link between student veterans and the staff of the institution.

"(B) Serving as a link between student veterans and local facilities of the Department of Veterans Affairs.

"(C) Organizing and advising student veterans organization.

"(D) Organizing veterans oriented group functions and events.

"(E) Maintaining newsletters and listserves to distribute news and information to all student veterans.

"(F) Organizing new student veterans campus orientation.

"(G) Ensuring that the Department of Veterans Affairs certifying official at such institution is properly trained.

"(3) PRIORITY.—To the extent practicable, each institution described in paragraph (1) shall give priority to hiring a veteran to serve as a Veterans Resource Officer.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section such sums as may be necessary for fiscal year 2010 and each succeeding fiscal year.".

SEC. 103. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS.

Section 371 (20 U.S.C. 1067q) is amended—

(1) in subsection (a)—

(A) in paragraph (2), by striking "section 502" and inserting "section 502(a)";;

(B) in paragraph (3), by striking "section 316" and inserting "section 316(b)";

(C) in paragraph (5), by striking "in subsection (c)" and inserting "in section 318(b)";

(D) in paragraph (6), by striking "in subsection (c)" and inserting "in section 320(b)"; and

(E) in paragraph (7), by striking "in subsection (c)" and inserting "in section 319(b)";

(2) in subsection (b)—

(A) in paragraph (1)(A), by striking "$255,000,000" and all that follows and inserting "$255,000,000 for each of the fiscal years 2008 through 2019."; and

(B) by amending paragraph (2)(B) to read as follows:

"(B) STEM AND ARTICULATION PROGRAMS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(i) for any fiscal year—

"(i) 90 percent shall be available for Hispanic-serving institutions for activities described in sections 503 and 513, with a priority given to applications that propose—

"(I) to increase the number of Hispanic and other low-income students attaining degrees in the fields of science, technology, engineering, or mathematics; and

"(II) to develop model transfer and articulation agreements between 2-year Hispanic-serving institutions and 4-year institutions in such fields; and

"(ii) 10 percent shall be available for grants under section 355.";

(C) in paragraph (2)(C)(ii), by striking "and shall be available for a competitive" and all that follows and inserting "and shall be made available as grants under section 318 and allotted among such institutions under section 318(e), treating such amount, plus the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out sec-

tion 318, as the amount appropriated to carry out section 318 for purposes of allotments under section 318(e)"; and

(D) in paragraph (2)(D)—

(i) in clause (iii), by striking "for activities described in section 311(c)" and inserting "and shall be made available as grants under section 320, treating such $5,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such $5,000,000 for purposes described in subsection (c) of such section"; and

(ii) in clause (iv), by striking "described in subsection (a)(7)—" and all that follows and inserting "and shall be made available as grants under section 319, treating such $5,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such $5,000,000 for purposes described in subsection (c) of such section"; and

(3) by striking subsection (c).

SEC. 104. INVESTMENT IN COOPERATIVE EDUCATION.

There are authorized to be appropriated, and there are appropriated, to carry out part N of title VIII of the Higher Education Act of 1965 (20 U.S.C. 1161n) (in addition to any other amounts appropriated to carry out such part and out of any money in the Treasury not otherwise appropriated), $10,000,000 for fiscal year 2010.

SEC. 105. LOAN FORGIVENESS FOR SERVICEMEMBERS ACTIVATED FOR DUTY.

(a) IN GENERAL.—Section 484B(b)(2) (20 U.S.C. 1091b(b)(2)) is amended by adding at the end the following:

"(F) TUITION RELIEF FOR STUDENTS CALLED TO MILITARY SERVICE.—

"(i) WAIVER OF REPAYMENT BY STUDENTS CALLED TO MILITARY SERVICE.—In addition to the waivers authorized by subparagraphs (D) and (E), the Secretary shall waive the amounts that students are required to return under this section if the withdrawals on which the returns are based are withdrawals necessitated by reason of service in the uniformed services.

"(ii) LOAN FORGIVENESS AUTHORIZED.—Whenever a student's withdrawal from an institution of higher education is necessitated by reason of service in the uniformed services, the Secretary shall, with respect to the payment period or period of enrollment for which such student did not receive academic credit as a result of such withdrawal, carry out a program—

"(I) through the holder of the loan, to assume the obligation to repay—

"(aa) the outstanding principle and accrued interest on any loan assistance awarded to the student under part B (including to a parent on behalf of the student under section 428B) for such payment period or period of enrollment; minus

"(bb) any amount of such loan assistance returned by the institution in accordance with paragraph (1) of this subsection for such payment period or period of enrollment; and

"(II) to cancel—

"(aa) the outstanding principle and accrued interest on the loan assistance awarded to the student under part D or E (including a Federal Direct PLUS loan awarded to a parent on behalf of the student) for such payment period or period of enrollment; minus

"(bb) any amount of such loan assistance returned by the institution in accordance with paragraph (1) of this subsection for such payment period or period of enrollment.

"(iii) REIMBURSEMENT FOR CANCELLATION OF PERKINS LOANS.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of Federal Perkins loans in such institutions's student loan fund which are cancelled pursuant to clause (iii)(II) for such fiscal year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this paragraph. To the extent feasible, the Secretary shall pay the amounts for which any institution qualifies under this paragraph not later than 3 months after the institution files an institutional application for campus-based funds.

"(iv) LOAN ELIGIBILITY AND LIMITS FOR STUDENTS.—Any amounts that are returned by an institution in accordance with paragraph (1), or forgiven or waived by the Secretary under this subparagraph, with respect to a payment period or period of enrollment for which a student did not receive academic credit as a result of withdrawal necessitated by reason of service in the uniformed services, shall not be included in the calculation of the student's annual or aggregate loan limits for assistance under this title, or otherwise affect the student's eligibility for grants or loans under this title.

"(v) DEFINITION.—In this subparagraph, the term 'service in the uniformed services' has the meaning given such term in section 484C(a).".

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall take effect for periods of service in the uniformed services beginning after the date of the enactment of this Act.

(2) DEFINITION.—In this paragraph, the term "period of service in the uniformed services" means the period beginning 30 days prior to the date a student is required to report to service in the uniformed services (as defined in section 484C(a) of the Higher Education Act of 1965 (20 U.S.C. 1091c(a)) and ending when such student returns from such service.

SEC. 106. VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANT PROGRAM.

(a) VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANT PROGRAM.—Subpart 1 of part A of title IV (20 U.S.C. 1070a et seq.) is amended by adding at the end the following:

"SEC. 401B. VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANT PROGRAM.

"(a) VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANTS AUTHORIZED.—The Secretary shall award a grant to each eligible student, in an amount determined in accordance with subsection (c), to assist such student with paying the cost of tuition incurred by the student for a program of education at an institution of higher education.

"(b) DEFINITIONS.—In this section—

"(1) ELIGIBLE STUDENT.—The term 'eligible student' means a student who—

"(A) is a covered individual, as such term is defined in section 3311(b) of title 38, United States Code;

"(B) is enrolled at an institution of higher education that—

"(i) is not a public institution of higher education; and

"(ii) is located in a State with a zero, or very low, maximum tuition charge per credit hour compared to the maximum tuition charge per credit hour in all other States, as determined by the Secretary of Veterans Affairs (based on the determinations of maximum tuition charged per credit hour in each State for the purposes of chapter 33 of title 38, United States Code); and

"(C) is eligible for educational assistance for an academic year, and will receive an amount of such assistance for such year for fees charged the individual that is less than the maximum amount of such assistance available for fees charged for such year in such State.

"(2) EDUCATIONAL ASSISTANCE.—The term 'educational assistance' means the amount of educational assistance from the Secretary of Veterans Affairs an eligible student receives or will receive under section 3313(c)(1)(A) of title 38, United States Code, or a similar amount of such assistance under paragraphs (2) through (7) of such section 3313(c).

"(c) GRANT AMOUNT.—A grant to an eligible student under this section be equal to an amount that is—

"(1) the maximum amount of educational assistance for fees charged that the eligible student would receive, in accordance with section 3313(c) of title 38, United States Code, if such student attended the public institution of higher education in the State in which the eligible student is enrolled that has the highest fees charged to an individual for a year in such State (as determined by the Secretary of Veterans Affairs for the purposes of chapter 33 of such title 38), less

"(2) the educational assistance the eligible student will receive, in accordance with such section, for fees charged to the student for such year at the institution of higher education at which the student is enrolled.

"(d) USES OF FUNDS.—An eligible student who receives a grant under this section shall use such grant to pay tuition incurred by the student for a program of education at an institution of higher education.

"(e) NOTIFICATION.—The Secretary, in coordination with Secretary of Veterans Affairs, shall establish a system of notification to ensure the timely delivery to each eligible student of—

"(1) educational assistance received by the student; and

"(2) grants awarded to the student under this section.

"(f) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, such sums as may be necessary to carry out this section (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated).".

(b) CONFORMING AMENDMENT.—The header for subpart 1 of part A of title IV (20 U.S.C. 1070a et seq.) is amended by inserting "**; Veterans Educational Equity Supplemental Grants**" after "**Pell Grants**".

Subtitle B—Student Financial Aid Form Simplification

SEC. 121. GENERAL EFFECTIVE DATE.

Except as otherwise provided in this subtitle, amendments made by this subtitle shall be effective with respect to determinations of need for assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) for award years beginning on or after July 1, 2011.

SEC. 122. TREATMENT OF ASSETS IN NEED ANALYSIS.

(a) AMOUNT OF NEED.—Section 471 (20 U.S.C. 1087kk) is amended—

(1) by striking "Except" and inserting the following:

"(a) IN GENERAL.—Except";

(2) by inserting "and subject to subsection (b)" after "therein"; and

(3) by adding at the end the following:

"(b) ASSET CAP FOR NEED-BASED AID.—Notwithstanding any other provision of this title, a student shall not be eligible to receive a Federal Pell Grant, a Federal Direct Stafford Loan, or work assistance under this title if—

"(1) in the case of a dependent student, the combined net assets of the student and the student's parents are equal to an amount greater than $150,000 (or a successor amount prescribed by the Secretary under section 478(c)); or

"(2) in the case of an independent student, the net assets of the student (and the student's spouse, if applicable) are equal to an amount greater than $150,000 (or a successor amount prescribed by the Secretary under section 478(c)).".

(b) DATA ELEMENTS.—Section 474(b) (20 U.S.C. 1087nn(b)) is amended—

(1) by striking paragraph (4); and

(2) by redesignating paragraphs (5), (6), and (7) as paragraphs (4), (5), and (6), respectively.

(c) DEPENDENT STUDENTS.—Section 475 (20 U.S.C. 1087oo) is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) by striking "adjusted"; and

(ii) by inserting "and" after the semicolon;

(B) in paragraph (2), by striking "; and" and inserting a period; and

(C) by striking paragraph (3);

(2) in subsection (b)—

(A) in the header, by striking "ADJUSTED";

(B) in the matter preceding paragraph (1), by striking "adjusted";

(C) by striking paragraph (1);

(D) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively;

(E) in paragraph (1) (as redesignated by subparagraph (D) of this paragraph), by striking "adjusted"; and

(F) in paragraph (2) (as redesignated by subparagraph (D) of this paragraph), by striking "paragraph (2)" and inserting "paragraph (1)";

(3) by repealing subsection (d);

(4) in subsection (e)—

(A) by striking "The adjusted available" and inserting "The available";

(B) by striking "to as 'AAI')" and inserting "to as 'AI')";

(C) by striking "From Adjusted Available Income (AAI)" and inserting "From Available Income (AI)"; and

(D) in the table—

(i) by striking "*If AAI*" and inserting "*If AI*"; and

(ii) by striking "of AAI" each place it appears and inserting "of AI";

(5) in subsection (f)—

(A) by striking "and assets" each place it appears;

(B) in paragraph (2)(B), by striking "or assets"; and

(C) in paragraph (3)—

(i) by striking "are taken into" and inserting "is taken into"; and

(ii) by striking "adjusted";

(6) in subsection (g)(6), by striking "exceeds the sum of" and all that follows and inserting "exceeds the parents' total income (as defined in section 480)";

(7) by repealing subsection (h); and

(8) in subsection (i), by striking "adjusted" each place it appears.

(d) FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.—Section 476 (20 U.S.C. 1087pp) is amended—

(1) in subsection (a)—

(A) by striking paragraph (1);

(B) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively;

(C) in paragraph (1) (as redesignated by subparagraph (B)), by striking "the sum resulting under paragraph (1)" and inserting "the family's contribution from available income (determined in accordance with subsection (b))"; and

(D) in paragraph (2)(A) (as redesignated by subparagraph (B)), by striking "paragraph (2)" and inserting "paragraph (1)";

(2) by repealing subsection (c); and

(3) in subsection (d)—

(A) by striking "and assets"; and

(B) by striking "or assets".

(e) FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.—Section 477 (20 U.S.C. 1087qq) is amended—

(1) in subsection (a)—

(A) by striking paragraph (1);

(B) by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively;

(C) in paragraph (1) (as redesignated by subparagraph (B)), by striking "such adjusted available income" and inserting "the family's available income (determined in accordance with subsection (b))";

(D) in paragraph (2) (as redesignated by subparagraph (B)), by striking "paragraph (2)" and inserting "paragraph (1)"; and

(E) in paragraph (3)(A) (as redesignated by subparagraph (B)), by striking "paragraph (3)" and inserting "paragraph (2)";

(2) by repealing subsection (c); and

(3) in subsection (d)—

(A) by striking "The adjusted available" and inserting "The available";

(B) by striking "to as 'AAI')" and inserting "to as 'AI')";

(C) by striking "From Adjusted Available Income (AAI)" and inserting "From Available Income (AI)"; and

(D) in the table—

(i) by striking "*If AAI*" and inserting "*If AI*"; and

(ii) by striking "of AAI" each place it appears and inserting "of AI"; and

(E) in subsection (e)—

(i) by striking "and assets"; and

(ii) by striking "or assets".

(f) REGULATIONS; UPDATED TABLES.—Section 478 (20 U.S.C. 1087rr) is amended—

(1) in subsection (a), by inserting "or amounts, as the case may be," after "tables" each place the term appears;

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

"(c) ASSET CAP FOR NEED-BASED AID.—For each award year after award year 2011–2012, the Secretary shall publish in the Federal Register a revised net asset cap for the purposes of section 471(b). Such revised cap shall be determined by increasing the dollar amount in such section by a percentage equal to the estimated percentage change in the Consumer Price Index (as determined by the Secretary) between December 2010 and the December preceding the beginning of such award year, and rounding the result to the nearest $5.";

(3) by repealing subsection (d); and

(4) in subsection (e), by striking "adjusted" both places it appears.

SEC. 123. CHANGES TO TOTAL INCOME; AID ELIGIBILITY.

(a) DEFINITION OF UNTAXED INCOME AND BENEFITS.—Section 480(b)(1) (20 U.S.C. 1087vv(b)(1)), as amended by the Higher Education Opportunity Act (Public Law 110–315), is amended—

(1) by striking subparagraphs (A), (B), (C), (E), (F), and (I);

(2) by redesignating subparagraphs (D), (G), and (H) as subparagraphs (A), (B), and (C), respectively;

(3) in subparagraph (B) (as redesignated by paragraph (2)), by inserting "and" after the semicolon; and

(4) in subparagraph (C) (as redesignated by paragraph (2)), by striking "; and" and inserting a period.

(b) DEFINITION OF ASSETS.—Section 480(f)(2) (20 U.S.C. 1087vv(f)(2)) is amended—

(1) by striking "or" at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting "; or"; and

(3) by adding at the end the following:

"(D) an employee pension benefit plan (as defined in section 3(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(2))).".

(c) FINANCIAL ADMINISTRATOR DISCRETION.—Section 479A(b) (20 U.S.C. 1087tt) is amended in the subsection heading, by striking "TO ASSETS".

(d) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—Section 484(r)(1) (20 U.S.C. 1091(r)(1)) is amended to read as follows:

"(1) IN GENERAL.—A student who is convicted of any offense under any Federal or State law involving the sale of a controlled substance for conduct that occurred during a period of enrollment for which the student was receiving any grant, loan, or work assistance under this title shall not be eligible to receive any grant, loan, or work assistance under this title from the date of that conviction for the period of time specified in the following subparagraphs:

"(A) For a first offense, the period of ineligibility shall be 2 years.

"(B) For a second offense, the period of ineligibility shall be indefinite.".

TITLE II—STUDENT LOAN REFORM

Subtitle A—Stafford Loan Reform

SEC. 201. FEDERAL FAMILY EDUCATION LOAN APPROPRIATIONS.

Section 421 (20 U.S.C. 1071) is amended—

(1) in subsection (b), in the matter following paragraph (6), by inserting ", except that no sums may be expended after June 30, 2010, with respect to loans under this part for which the first disbursement would be made after such date" after "expended"; and

(2) by adding at the end the following new subsection:

"(d) TERMINATION OF AUTHORITY TO MAKE OR INSURE NEW LOANS.—Notwithstanding paragraphs (1) through (6) of subsection (b) or any other provision of law—

"(1) no new loans (including consolidation loans) may be made or insured under this part after June 30, 2010; and

"(2) no funds are authorized to be appropriated, or may be expended, under this Act or any other Act to make or insure loans under this part (including consolidation loans) for which the first disbursement would be made after June 30, 2010,

except as expressly authorized by an Act of Congress enacted after the date of enactment of Student Aid and Fiscal Responsibility Act of 2009.".

SEC. 202. SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM.

Section 424(a) (20 U.S.C. 1074(a)) is amended by striking "September 30, 1976," and all that follows and inserting "September 30, 1976, for each of the succeeding fiscal years ending prior to October 1, 2009, and for the period from October 1, 2009, to June 30, 2010, for loans first disbursed on or before June 30, 2010.".

SEC. 203. APPLICABLE INTEREST RATES.

Section 427A(l) (20 U.S.C. 1077a(l)) is amended—

(1) in paragraph (1), by inserting "and before July 1, 2010," after "July 1, 2006,";

(2) in paragraph (2), by inserting "and before July 1, 2010," after "July 1, 2006,";

(3) in paragraph (3), by inserting "and that was disbursed before July 1, 2010," after "July 1, 2006,"; and

(4) in paragraph (4)—

(A) in the matter preceding subparagraph (A), by striking "July 1, 2012" and inserting "July 1, 2010"; and

(B) by repealing subparagraphs (D) and (E).

SEC. 204. FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS.

(a) HIGHER EDUCATION ACT OF 1965.—Section 428 (20 U.S.C. 1078) is amended—

(1) in subsection (a)—

(A) in paragraph (1), in the matter preceding subparagraph (A), by inserting "for which the first disbursement is made before July 1, 2010, and" after "eligible institution"; and

(B) in paragraph (5), by striking "September 30, 2014," and all that follows through the period and inserting "June 30, 2010.";

(2) in subsection (b)(1)—

(A) in subparagraph (G)(ii), by inserting "and before July 1, 2010," after "July 1, 2006,"; and

(B) in subparagraph (H)(ii), by inserting "and that are first disbursed before July 1, 2010," after "July 1, 2006,";

(3) in subsection (f)(1)(A)(ii)—

(A) by striking "during fiscal years beginning"; and

(B) by inserting "and first disbursed before July 1, 2010," after "October 1, 2003,"; and

(4) in subsection (j)(1), by inserting ", before July 1, 2010," after "section 435(d)(1)(D) of this Act shall".

(b) COLLEGE COST REDUCTION AND ACCESS ACT.—Section 303 of the College Cost Reduction and Access Act (Public Law 110–84) is repealed.

SEC. 205. FEDERAL PLUS LOANS.

Section 428B(a)(1) (20 U.S.C. 1078–2(a)(1)) is amended by striking "A graduate" and inserting "Prior to July 1, 2010, a graduate".

SEC. 206. FEDERAL CONSOLIDATION LOAN.

(a) AMENDMENTS.—Section 428C (20 U.S.C. 1078–3) is amended—

(1) in subsection (a)—

(A) by amending paragraph (3)(B)(i)(V) to read as follows:

"(V) an individual who has a consolidation loan under this section and does not have a consolidation loan under section 455(g) may obtain a subsequent consolidation loan under section 455(g).."; and

(B) in paragraph (4)(A), by inserting ", and first disbursed before July 1, 2010" after "under this part";

(2) in subsection (b)—

(A) in paragraph (1)(E), by inserting before the semicolon ", and before July 1, 2010" and

(B) in paragraph (5), by striking "In the event that" and inserting "If, before July 1, 2010,";

(3) in subsection (c)(1)—

(A) in subparagraph (A)(ii), by inserting "and that is disbursed before July 1, 2010," after "2006,"; and

(B) in subparagraph (C), by inserting "and first disbursed before July 1, 2010," after "1994,"; and

(4) in subsection (e), by striking "September 30, 2014." and inserting "June 30, 2010. No loan may be made under this section for which the first disbursement would be on or after July 1, 2010.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a)(1)(A) shall be effective at the close of June 30, 2010.

SEC. 207. UNSUBSIDIZED STAFFORD LOANS FOR MIDDLE-INCOME BORROWERS.

Section 428H (20 U.S.C. 1078–8) is amended—

(1) in subsection (a), by inserting "that are first disbursed before July 1, 2010," after "under this part";

(2) in subsection (b)—

(A) by striking "Any student" and inserting "Prior to July 1, 2010, any student"; and

(B) by inserting "for which the first disbursement is made before such date" after "unsubsidized Federal Stafford Loan"; and

(3) in subsection (h), by inserting "and that are first disbursed before July 1, 2010," after "July 1, 2006,".

SEC. 208. LOAN REPAYMENT FOR CIVIL LEGAL ASSISTANCE ATTORNEYS.

Section 428L(b)(2)(A) (20 U.S.C. 1078–12(b)(2)(A)) is amended—

(1) by amending clause (i) to read as follows:

"(i) subject to clause (ii)—

"(I) a loan made, insured, or guaranteed under this part, and that is first disbursed before July 1, 2010; or

"(II) a loan made under part D or part E; and"; and

(2) in clause (ii)—

(A) by striking "428C or 455(g)" and inserting "428C, that is disbursed before July 1, 2010, or section 455(g)"; and

(B) in subclause (II), by inserting "for which the first disbursement is made before July 1, 2010," after "or 428H".

SEC. 209. SPECIAL ALLOWANCES.

Section 438 (20 U.S.C. 1087–1) is amended—

(1) in subsection (b)(2)(I)—

(A) in the header, by inserting ", AND BEFORE JULY 1, 2010" after "2000";

(B) in clause (i), by inserting "and before July 1, 2010," after "2000,";

(C) in clause (ii)(II), by inserting "and before July 1, 2010," after "2006,";

(D) in clause (iii), by inserting "and before July 1, 2010," after "2000,";

(E) in clause (iv), by inserting "and that is disbursed before July 1, 2010," after "2000,";

(F) in clause (v)(I), by inserting "and before July 1, 2010," after "2006,"; and

(G) in clause (vi)—

(i) in the header, by inserting ", AND BEFORE JULY 1, 2010" after "2007"; and

(ii) in the matter preceding subclause (I), by inserting "and before July 1, 2010," after "2007,";

(2) in subsection (c)—

(A) in paragraph (2)(B)—

(i) in clause (iii), by inserting "and" after the semicolon;

(ii) in clause (iv), by striking "; and" and inserting a period; and

(iii) by striking clause (v); and

(B) in paragraph (6), by inserting "and first disbursed before July 1, 2010," after "1992,"; and

(3) in subsection (d)(2)(B), by inserting ", and before July 1, 2010" after "2007".

SEC. 210. REVISED SPECIAL ALLOWANCE CALCULATION.

(a) REVISED CALCULATION RULE.—Section 438(b)(2)(I) of the Higher Education Act of 1965 (20 U.S.C. 1087–1(b)(2)(I)) is amended by adding at the end the following new clause:

"(vii) REVISED CALCULATION RULE TO REFLECT FINANCIAL MARKET CONDITIONS.—

"(I) CALCULATION BASED ON LIBOR.—For the calendar quarter beginning on October 1, 2009, and each subsequent calendar quarter, in computing the special allowance paid pursuant to this subsection with respect to loans described in subclause (II), clause (i)(I) of this subparagraph shall be applied by substituting 'of the 1-month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association' for 'of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H–15 (or its successor) for such 3-month period'.

"(II) LOANS ELIGIBLE FOR LIBOR-BASED CALCULATION.—The special allowance paid pursuant to this subsection shall be calculated as described in subclause (I) with respect to special allowance payments for the 3-month period ending December 31, 2009, and each succeeding 3-month period, on loans for which the first disbursement is made—

"(aa) on or after the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, and before July 1, 2010; and

"(bb) on or after January 1, 2000, and before the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, if, not later than the last day of the second full fiscal quarter after the date of enactment of such Act, the holder of the loan affirmatively and permanently waives all contractual, statutory or other legal rights to a special allowance paid pur-

suant to this subsection that is calculated using the formula in effect at the time the loans were first disbursed.

"(III) TERMS OF WAIVER.—A waiver pursuant to subclause (II)(bb) shall—

"(aa) be applicable to all loans described in such subclause that are held under any lender identification number associated with the holder (pursuant to section 487B); and

"(bb) apply with respect to all future calculations of the special allowance on loans described in such subclause that are held on the date of such waiver or that are acquired by the holder after such date.

"(IV) PARTICIPANT'S YIELD.—For the calendar quarter beginning on October 1, 2009, and each subsequent calendar quarter, the Secretary's participant yield in any loan for which the first disbursement is made on or after January 1, 2000, and before October 1, 2009, and that is held by a lender that has sold any participation interest in such loan to the Secretary shall be determined by using the LIBOR-based rate described in subclause (I) as the substitute rate (for the commercial paper rate) referred to in the participation agreement between the Secretary and such lender.";

(b) CONFORMING AMENDMENT.—Section 438(b)(2)(I) (20 U.S.C. 1087–1(b)(2)(I)) is further amended—

(1) in clause (i)(II), by striking "such average bond equivalent rate" and inserting "the rate determined under subclause (I)"; and

(2) in clause (v)(III) by striking "(iv), and (vi)" and inserting "(iv), (vi), and (vii)".

SEC. 211. ORIGINATION OF DIRECT LOANS AT INSTITUTIONS LOCATED OUTSIDE THE UNITED STATES.

(a) LOANS FOR STUDENTS ATTENDING INSTITUTIONS LOCATED OUTSIDE THE UNITED STATES.—Section 452 (20 U.S.C. 1087b) is amended by adding at the end the following:

"(d) INSTITUTIONS LOCATED OUTSIDE THE UNITED STATES.—Loan funds for students (and parents of students) attending institutions located outside the United States shall be disbursed through a financial institution located in the United States and designated by the Secretary to serve as the agent of such institutions with respect to the receipt of the disbursements of such loan funds and the transfer of such funds to such institutions. To be eligible to receive funds under this part, an otherwise eligible institution located outside the United States shall make arrangements, subject to regulations by the Secretary, with the agent designated by the Secretary under this subsection to receive funds under this part.".

(b) CONFORMING AMENDMENTS.—

(1) AMENDMENTS.—Section 102 (20 U.S.C. 1002), as amended by section 102 of the Higher Education Opportunity Act (Public Law 110–315) and section 101 of Public Law 111–39, is amended—

(A) by striking "part B" each place it appears and inserting "part D";

(B) in subsection (a)(1)(C), by inserting ", consistent with the requirements of section 452(d)" before the period at the end; and

(C) in subsection (a)(2)(A)—

(i) in the matter preceding clause (i), by striking "made, insured, or guaranteed" and inserting "made"; and

(ii) in clause (iii)—

(I) in subclause (III), by striking "only Federal Stafford" and all that follows through "section 428B" and inserting "only Federal Direct Stafford Loans under section 455(a)(2)(A), Federal Direct Unsubsidized Stafford Loans under section 455(a)(2)(D), or Federal Direct PLUS Loans under section 455(a)(2)(B)"; and

(II) in subclause (V), by striking "a Federal Stafford" and all that follows through "section 428B" and inserting "a Federal Direct Stafford Loan under section 455(a)(2)(A), a Federal Direct Unsubsidized Stafford Loan under section 455(a)(2)(D), or a Federal Direct PLUS Loan under section 455(a)(2)(B)".

(2) EFFECTIVE DATE.—The amendments made by subparagraph (C) of paragraph (1) shall be effective on July 1, 2010, as if enacted as part of section 102(a)(1) of the Higher Education Opportunity Act (Public Law 110–315).

SEC. 212. AGREEMENTS WITH INSTITUTIONS.

Section 454 (20 U.S.C. 1087d) is amended—

(1) in subsection (a), by striking paragraph (4) and redesignating the succeeding paragraphs accordingly; and

(2) in subsection (b)(2), by striking "(5), (6), and (7)" and inserting "(5), and (6)".

SEC. 213. TERMS AND CONDITIONS OF LOANS.

(a) AMENDMENTS.—Section 455 (20 U.S.C. 1087e) is amended—

(1) in subsection (a)(1), by inserting ", and first disbursed on June 30, 2010," before "under sections 428"; and

(2) in subsection (g)—

(A) by inserting ", including any loan made under part B and first disbursed before July 1, 2010" after "section 428C(a)(4)"; and

(B) by striking the third sentence.

(b) EFFECTIVE DATE.—The amendment made by subsection (a)(1) shall apply with respect to loans first disbursed under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) on or after July 1, 2010.

SEC. 214. CONTRACTS.

Section 456 (20 U.S.C. 1087f) is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) in the header, by striking "IN GENERAL" and inserting "AWARDING OF CONTRACTS";

(ii) by striking "The Secretary" and inserting the following:

"(A) IN GENERAL.—The Secretary"; and

(iii) by adding at the end the following:

"(B) AWARDING CONTRACTS FOR SERVICING LOANS.—The Secretary shall, if practicable, award multiple contracts, through a competitive bidding process, to entities, including eligible not-for-profit servicers, to service loans originated under this part. The competitive bidding process shall take into account price, servicing capacity, and capability, and may take into account the capacity and capability to provide default aversion activities and outreach services.

"(C) JOB RETENTION INCENTIVE PAYMENT.—(i) In a contract with an entity under subparagraph (B) for the servicing of loans, the Secretary shall provide a job retention incentive payment, in an amount and manner determined by the Secretary, if such entity agrees to give priority for hiring for positions created as a result of such a contract to those geographical locations at which the entity performed student loan origination or servicing activities under the Federal Family Education Loan Program as of the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009.

"(ii) In determining the allocation of loans to be serviced by an entity awarded such a contract, the Secretary shall consider the retention of highly qualified employees of such entity a positive factor in determining such allocation.";

(B) in paragraph (2)—

(i) in the first sentence, by inserting ", including eligible not-for-profit servicers," after "The entities";

(ii) by amending the third sentence to read as follows: "The entities with which the Secretary may enter into such contracts shall include, where practicable, agencies with agreements with the Secretary under sections 428(b) and (c) on the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, and eligible not-for-profit servicers, if such agencies or servicers meet the qualifications as determined by the Secretary under this subsection and if those agencies or servicers have such experience and demonstrated effectiveness."; and

(iii) by striking the last sentence and inserting the following: "In awarding contracts to such State agencies, and such eligible not-for-profit servicers, the Secretary shall, to the extent practicable and consistent with the purposes of this part, give special consideration to State agencies and such servicers with a history of high quality performance and demonstrated integrity in conducting operations with institutions of higher education and the Secretary.";

(C) by redesignating paragraph (3) as paragraph (4), and by inserting in such paragraph ", or of any eligible not-for-profit servicer to enter into an agreement for the purposes of this section as a member of a consortium of such entities" before the period at the end; and

(D) by inserting after paragraph (2) the following new paragraph:

"(3) SERVICING BY ELIGIBLE NOT-FOR-PROFIT SERVICERS.—

"(A) IN GENERAL.—Notwithstanding any other provision of this section, in each State where one or more eligible not-for-profit servicer has its principal place of business, the Secretary shall contract with each such servicer

to service loans originated under this part on behalf of borrowers attending institutions located within such State, provided that the servicer demonstrates that it meets the standards for servicing Federal assets and providing quality service and agrees to service the loans at a competitive market rate, as determined by the Secretary. In determining such a competitive market rate, the Secretary may take into account the volume of loans serviced by the servicer. Contracts awarded under this paragraph shall be subject to the same requirements for quality, performance, and accountability as contracts awarded under paragraph (2) for similar activities.

"(B) ALLOCATIONS.—(i) ONE SERVICER.—In the case of a State with only one eligible not-for-profit servicer with a contract described in subparagraph (A), the Secretary shall, at a minimum, allocate to such servicer, on an annual basis and subject to such contract, the servicing rights for the lesser of—

"(I) the loans of 100,000 borrowers (including borrowers who borrowed loans in a prior year that were serviced by the servicer) attending institutions located within the State; or

"(II) the loans of all the borrowers attending institutions located within the State.

"(ii) MULTIPLE SERVICERS.—In the case of a State with more than one eligible not-for-profit servicer with a contract described in subparagraph (A), the Secretary shall, at a minimum, allocate to each such servicer, on an annual basis and subject to such contract, the servicing rights for the lesser of—

"(I) the loans of 100,000 borrowers (including borrowers who borrowed loans in a prior year that were serviced by the servicer) attending institutions located within the State; or

"(II) an equal share of the loans of all borrowers attending institutions located within the State, except the Secretary shall adjust such shares as necessary to ensure that the loans of any single borrower remain with a single servicer.

"(iii) ADDITIONAL ALLOCATION.—The Secretary may allocate additional servicing rights to an eligible not-for-profit servicer based on the performance of such servicer, as determined by the Secretary, including performance in the areas of customer service and default aversion.

"(C) MULTIPLE LOANS.—Notwithstanding the allocations required by subparagraph (B), the Secretary may transfer loans among servicers who are awarded contracts to service loans pursuant to this section to ensure that the loans of any single borrower remain with a single servicer."; and

(2) by adding at the end the following:

"(c) REPORT TO CONGRESS.—Not later than 3 years after the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, the Secretary shall prepare and submit to the authorizing committees, a report evaluating the performance of all eligible not-for-profit servicers awarded a contract under this section to service loans originated under this part. Such report shall give consideration to—

"(1) customer satisfaction of borrowers and institutions with respect to the loan servicing provided by the servicers;

"(2) compliance with applicable regulations by the servicers; and

"(3) the effectiveness of default aversion activities, and outreach services (if any), provided by the servicers.

"(d) DEFINITIONS.—In this section:

"(1) DEFAULT AVERSION ACTIVITIES.—The term 'default aversion activities' means activities that are directly related to providing collection assistance to the Secretary on a delinquent loan, prior to the loan being legally in a default status, including due diligence activities required pursuant to regulations.

"(2) ELIGIBLE NOT-FOR-PROFIT SERVICER.—

"(A) IN GENERAL.—The term 'eligible not-for-profit servicer' means an entity that, on the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009—

"(i) meets the definition of an eligible not-for-profit holder under section 435(p), except that such term does not include eligible lenders described in paragraph (1)(D) of such section;

"(ii) notwithstanding clause (i), is the sole beneficial owner of a loan for which the special allowance rate is calculated under section 438(b)(2)(I)(vi)(II) because the loan is held by an eligible lender trustee that is an eligible not-for-profit holder as defined under section 435(p)(1)(D); or

"(iii) is an affiliated entity of an eligible not-for-profit servicer described in clause (i) or (ii) that—

"(I) directly employs, or will directly employ (on or before the date the entity begins servicing loans under a contract awarded by the Secretary pursuant to subsection (a)(3)(A)), the majority of individuals who perform student loan servicing functions; and

"(II) on such date of enactment, was performing, or had entered into a contract with a third party servicer (as such term is defined in section 481(c)) who was performing, student loan servicing functions for loans made under part B of this title.

"(B) AFFILIATED ENTITY.—For the purposes of subparagraph (A), the term 'affiliated entity' means an entity contracted to perform services for an eligible not-for-profit servicer that—

"(i) is a nonprofit entity or is wholly owned by a nonprofit entity; and

"(ii) is not owned or controlled, in whole or in part, by—

"(I) a for-profit entity; or

"(II) an entity having its principal place of business in another State.

"(3) OUTREACH SERVICES.—The term 'outreach services' means programs offered to students and families, including programs delivered in coordination with institutions of higher education that—

"(A) encourage—

"(i) students to attend and complete a degree or certification program at an institution of higher education; and

"(ii) students and families to obtain financial aid, but minimize the borrowing of education loans; and

"(B) deliver financial literacy and counseling tools.".

SEC. 215. INTEREST RATES.

Section 455(b)(7) (20 U.S.C. 1087e(b)(7)) is amended by adding at the end the following new subparagraph:

"(E) REDUCED RATES FOR UNDERGRADUATE FDSL ON AND AFTER JULY 1, 2012.—Notwithstanding the preceding paragraphs of this subsection and subparagraph (A) of this paragraph, for Federal Direct Stafford Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2012, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 2.5 percent,

except that such rate shall not exceed 6.8 percent.".

Subtitle B—Perkins Loan Reform

SEC. 221. FEDERAL DIRECT PERKINS LOANS TERMS AND CONDITIONS.

Part D of title IV (20 U.S.C. 1087a et seq.) is amended by inserting after section 455 the following new section:

"SEC. 455A. FEDERAL DIRECT PERKINS LOANS.

"(a) DESIGNATION OF LOANS.—Loans made to borrowers under this section shall be known as 'Federal Direct Perkins Loans'.

"(b) IN GENERAL.—It is the purpose of this section to authorize loans to be awarded by institutions of higher education through agreements established under section 463(f). Unless otherwise specified in this section, all terms and conditions and other requirements applicable to Federal Direct Unsubsidized Stafford loans established under section 455(a)(2)(D) shall apply to loans made pursuant to this section.

"(c) ELIGIBLE BORROWERS.—Any student meeting the requirements for student eligibility under section 464(b) (including graduate and professional students as defined in regulations promulgated by the Secretary) shall be eligible to borrow a Federal Direct Perkins Loan, provided the student attends an eligible institution with an agreement with the Secretary under section 463(f), and the institution uses its authority under that agreement to award the student a loan.

"(d) LOAN LIMITS.—The annual and aggregate limits for loans under this section shall be the same as those established under section 464, and aggregate limits shall include loans made by institutions under agreements under section 463(a).

"(e) APPLICABLE RATES OF INTEREST.—Loans made pursuant to this section shall bear interest, on the unpaid balance of the loan, at the rate of 5 percent per year.".

SEC. 222. AUTHORIZATION OF APPROPRIATIONS.

Section 461 (20 U.S.C. 1087aa) is amended—

(1) in subsection (a), by inserting ", before July 1, 2010," after "The Secretary shall";

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by striking "(1) For the purpose" and inserting "For the purpose"; and

(ii) by striking "and for each of the five succeeding fiscal years"; and

(B) by striking paragraph (2); and

(3) by striking subsection (c).

SEC. 223. ALLOCATION OF FUNDS.

Section 462 (20 U.S.C. 1087bb) is amended—

(1) in subsection (a)(1), by striking "From" and inserting "For any fiscal year before fiscal year 2010, from"; and

(2) in subsection (i)(1), by striking "for any fiscal year," and inserting "for any fiscal year before fiscal year 2010,".

SEC. 224. FEDERAL DIRECT PERKINS LOAN ALLOCATION.

Part E of title IV is further amended by inserting after section 462 (20 U.S.C. 1087bb) the following:

"SEC. 462A. FEDERAL DIRECT PERKINS LOAN ALLOCATION.

"(a) PURPOSES.—The purposes of this section are—

"(1) to allocate, among eligible and participating institutions (as such terms are defined in this section), the authority to make Federal Direct Perkins Loans under section 455A with a portion of the annual loan authority described in subsection (b); and

"(2) to make funds available, in accordance with section 452, to each participating institution from a portion of the annual loan authority described in subsection (b), in an amount not to exceed the sum of an institution's allocation of funds under subparagraphs (A), (B), and (C) of subsection (b)(1) to enable each such institution to make Federal Direct Perkins Loans to eligible students at the institution.

"(b) AVAILABLE DIRECT PERKINS ANNUAL LOAN AUTHORITY.—

"(1) AVAILABILITY AND ALLOCATIONS.—There are hereby made available, from funds made available for loans made under part D, not to exceed $6,000,000,000 of annual loan authority for award year 2010–2011 and each succeeding award year, to be allocated as follows:

"(A) The Secretary shall allocate not more than ½ of such funds for each award year by allocating to each participating institution an amount equal to the adjusted self-help need amount of the institution, as determined in accordance with subsection (c) for such award year.

"(B) The Secretary shall allocate not more than ¼ of such funds for each award year by allocating to each participating institution an amount equal to the low tuition incentive amount of the institution, as determined in accordance with subsection (d).

"(C) The Secretary shall allocate not more than ¼ of such funds for each award year by allocating to each participating institution an amount which bears the same ratio to the funds allocated under this subparagraph as the ratio determined in accordance with subsection (e) for the calculation of the Federal Pell Grant and degree recipient amount of the institution.

"(2) NO FUNDS TO NON-PARTICIPATING INSTITUTIONS.—The Secretary shall not make funds available under this subsection to any eligible institution that is not a participating institution. The adjusted self-help need amount (determined in accordance with subsection (c)) of an eligible institution that is not a participating institution shall not be made available to any other institution.

"(c) ADJUSTED SELF-HELP NEED AMOUNT.—For the purposes of subsection (b)(1)(A), the Secretary shall calculate the adjusted self-help need amount of each eligible institution for an award year as follows:

"(1) USE OF BASE SELF-HELP NEED AMOUNTS.—

"(A) IN GENERAL.—Except as provided in paragraphs (2), (3), and (4), the adjusted self-help need amount of each eligible institution shall be the institution's base self-help need amount, which is the sum of—

"(i) the self-help need of the institution's eligible undergraduate students for such award year; and

"(ii) the self-help need of the institution's eligible graduate and professional students for such award year.

"(B) UNDERGRADUATE STUDENT SELF-HELP NEED.—To determine the self-help need of an institution's eligible undergraduate students, the Secretary shall determine the sum of each eligible undergraduate student's average

cost of attendance for the second preceding award year less each such student's expected family contribution (computed in accordance with part F) for the second preceding award year, except that, for each such eligible undergraduate student, the amount computed by such subtraction shall not be less than zero or more than the lesser of—

"(i) 25 percent of the average cost of attendance with respect to such eligible student; or

"(ii) $5,500.

"(C) GRADUATE AND PROFESSIONAL STUDENT SELF-HELP NEED.—To determine the self-help need of an institution's eligible graduate and professional students, the Secretary shall determine the sum of each eligible graduate and professional student's average cost of attendance for the second preceding award year less each such student's expected family contribution (computed in accordance with part F) for such second preceding award year, except that, for each such eligible graduate and professional student, the amount computed by such subtraction shall not be less than zero or more than $8,000.

"(2) RATABLE REDUCTION ADJUSTMENTS.—If the sum of the base self-help need amounts of all eligible institutions for an award year as determined under paragraph (1) exceeds ½ of the annual loan authority under subsection (b) for such award year, the Secretary shall ratably reduce the base self-help need amounts of all eligible institutions until the sum of such amounts is equal to the amount that is ½ of the annual loan authority under subsection (b).

"(3) REQUIRED MINIMUM AMOUNT.—Notwithstanding paragraph (2), the adjusted self-help need amount of each eligible institution shall not be less than the average of the institution's total principal amount of loans made under this part for each of the 5 most recent award years.

"(4) ADDITIONAL ADJUSTMENTS.—If the Secretary determines that a ratable reduction under paragraph (2) results in the adjusted self-help need amount of any eligible institution being reduced below the minimum amount required under paragraph (3), the Secretary shall—

"(A) for each institution for which the minimum amount under paragraph (3) is not satisfied, increase the adjusted self-help need amount to the amount of the required minimum under such subparagraph; and

"(B) ratably reduce the adjusted self-help need amounts of all eligible institutions not described in subparagraph (A) until the sum of the adjusted self-help need amounts of all eligible institutions is equal to the amount that is ½ of the annual loan authority under subsection (b).

"(d) LOW TUITION INCENTIVE AMOUNT.—

"(1) IN GENERAL.—For purposes of subsection (b)(1)(B), the Secretary shall determine the low tuition incentive amount for each participating institution for each award year, by calculating for each such institution the sum of—

"(A) the total amount, if any (but not less than zero), by which—

"(i) the average tuition and required fees for the institution's sector for the second preceding award year; exceeds

"(ii) the tuition and required fees for the second preceding award year for each undergraduate and graduate student attending the institution who had financial need (as determined under part F); plus

"(B) the total amount, if any (but not less than zero), by which—

"(i) the total amount for the second preceding award year of non-Federal grant aid provided to meet the financial need of all undergraduate students attending the institution (as determined without regard to financial aid not received under this title); exceeds

"(ii) the total amount for the second preceding award year, if any, by which—

"(I) the tuition and required fees of each such student with such financial need; exceeds

"(II) the average tuition and required fees for the institution's sector.

"(2) RATABLE REDUCTION.—If the sum of the low tuition incentive amounts of all participating institutions for an award year as determined under paragraph (1) exceeds ¼ of the annual loan authority under subsection (b) for such award year, the Secretary shall ratably reduce the low tuition incentive amounts of all participating institutions until the sum of such amounts is equal to the amount that is ¼ of the annual loan authority under subsection (b).

"(e) FEDERAL PELL GRANT AND DEGREE RECIPIENT AMOUNT.—For purposes of subsection (b)(1)(C), the Secretary shall determine the Federal Pell Grant and degree recipient amount for each participating institution for each award year, by calculating for each such institution the ratio of—

"(1) the number of students who, during the most recent year for which data are available, obtained an associate's degree or other postsecondary degree from such participating institution and, prior to obtaining such degree, received a Federal Pell Grant for attendance at any institution of higher education; to

"(2) the sum of the number of students who, during the most recent year for which data are available, obtained an associate's degree or other postsecondary degree from each participating institution and, prior to obtaining such degree, received a Federal Pell Grant for attendance at any institution of higher education.

"(f) DEFINITIONS.—As used in this section:

"(1) ANNUAL LOAN AUTHORITY.—The term 'annual loan authority' means the total original principal amount of loans that may be allocated and made available for an award year to make Federal Direct Perkins Loans under section 455A.

"(2) AVERAGE COST OF ATTENDANCE.—

"(A) IN GENERAL.—The term 'average cost of attendance' means the average of the attendance costs for undergraduate students and for graduate and professional students, respectively, for the second preceding award year which shall include—

"(i) tuition and required fees determined in accordance with subparagraph (B);

"(ii) standard living expenses determined in accordance with subparagraph (C); and

"(iii) books and supplies determined in accordance with subparagraph (D).

"(B) TUITION AND REQUIRED FEES.—The average undergraduate and graduate and professional tuition and required fees described in subparagraph (A)(i) shall be computed on the basis of information reported by the institution to the Secretary, which shall include—

"(i) total revenue received by the institution from undergraduate and graduate and professional students, respectively, for tuition and required fees for the second preceding award year; and

"(ii) the institution's full-time equivalent enrollment of undergraduate and graduate and professional students, respectively, for such second preceding award year.

"(C) STANDARD LIVING EXPENSES.—The standard living expense described in subparagraph (A)(ii) is equal to the allowance, determined by an institution, for room and board costs incurred by a student, as computed in accordance with part F for the second preceding award year.

"(D) BOOKS AND SUPPLIES.—The allowance for books and supplies described in subparagraph (A)(iii) is equal to the allowance, determined by an institution, for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, as computed in accordance with part F for the second preceding award year.

"(3) AVERAGE TUITION AND REQUIRED FEES FOR THE INSTITUTION'S SECTOR.—The term 'average tuition and required fees for the institution's sector' shall be determined by the Secretary for each of the categories described in section 132(d).

"(4) ELIGIBLE INSTITUTION.—The term 'eligible institution' means an institution of higher education that participates in the Federal Direct Stafford Loan Program.

"(5) PARTICIPATING INSTITUTION.—The term 'participating institution' means an institution of higher education that has an agreement under section 463(f).

"(6) SECTOR.—The term 'sector' means each of the categories described in section 132(d).".

SEC. 225. AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION.

(a) AMENDMENTS.—Section 463 (20 U.S.C. 1087cc) is amended—

(1) in subsection (a)—

(A) in the heading, by inserting "FOR LOANS MADE BEFORE JULY 1, 2010" after "AGREEMENTS";

(B) in paragraph (3)(A), by inserting "before July 1, 2010" after "students";

(C) in paragraph (4), by striking "thereon—" and all that follows and inserting "thereon, if the institution has failed to maintain an acceptable collection record with respect to such loan, as determined by the Secretary in accordance with criteria established by regulation, the Secretary may re-

quire the institution to assign such note or agreement to the Secretary, without recompense;"; and

(D) in paragraph (5), by striking "and the Secretary shall apportion" and all that follows through "in accordance with section 462" and inserting "and the Secretary shall return a portion of funds from loan repayments to the institution as specified in section 466(b)";

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

"(b) ADMINISTRATIVE EXPENSES.—An institution that has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it services student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in servicing student loans made before July 1, 2010. Such payment shall be equal to 0.50 percent of the outstanding principal and interest balance of such loans being serviced by the institution as of September 30 of each fiscal year."; and

(3) by adding at the end the following:

"(f) CONTENTS OF AGREEMENTS FOR LOANS MADE ON OR AFTER JULY 1, 2010.—An agreement with any institution of higher education that elects to participate in the Federal Direct Perkins Loan program under section 455A shall provide—

"(1) for the establishment and maintenance of a Direct Perkins Loan program at the institution under which the institution shall use loan authority allocated under section 462A to make loans to eligible students attending the institution;

"(2) that the institution, unless otherwise specified in this subsection, shall operate the program consistent with the requirements of agreements established under section 454;

"(3) that the institution will pay matching funds, quarterly, in an amount agreed to by the institution and the Secretary, to an escrow account approved by the Secretary, for the purpose of providing loan benefits to borrowers;

"(4) that if the institution fails to meet the requirements of paragraph (3), the Secretary shall suspend or terminate the institution's eligibility to make Federal Direct Perkins Loans under section 455A until such time as the Secretary determines, in accordance with section 498, that the institution has met the requirements of such paragraph; and

"(5) that if the institution ceases to be an eligible institution within the meaning of section 435(a) by reason of having a cohort default rate that exceeds the threshold percentage specified paragraph (2) of such section, the Secretary shall suspend or terminate the institution's eligibility to make Federal Direct Perkins Loans under section 455A unless and until the institution would qualify for a resumption of eligible institution status under such section.".

(b) EFFECTIVE DATE.—The amendments made by paragraph (2) of subsection (a) shall take effect on October 1, 2010.

SEC. 226. STUDENT LOAN INFORMATION BY ELIGIBLE INSTITUTIONS.

Section 463A (20 U.S.C. 1087cc–1) is amended—

(1) in subsection (a), by striking "Each institution" and inserting "For loans made before July 1, 2010, each institution"; and

(2) in subsection (b), by striking "Each institution" and inserting "For loans made before July 1, 2010, each institution".

SEC. 227. TERMS OF LOANS.

(a) Section 464 (20 U.S.C. 1087dd) is amended—

(1) in subsection (a)(1), by striking "section 463" and inserting "section 463(a)";

(2) in subsection (b)(1), by inserting "made before July 1, 2010," after "A loan";

(3) in subsection (c)—

(A) in paragraph (1), by inserting "made before July 1, 2010," after "a loan";

(B) in paragraph (2)—

(i) in subparagraph (A), by inserting "made before July 1, 2010," after "any loan"; and

(ii) in subparagraph (B), by inserting "made before July 1, 2010," after "any loan";

(C) in paragraph (3)(B), by inserting "for a loan made before July 1, 2010," after "during the repayment period";

(D) in paragraph (4), by inserting "before July 1, 2010," after "for a loan made";

(E) in paragraph (5), by striking "The institution" and inserting "For loans made before July 1, 2010, the institution"; and

(F) in paragraph (6), by inserting "made before July 1, 2010," after "of loans";

(4) in subsection (d), by inserting "made before July 1, 2010," before "from the student loan fund";

(5) in subsection (e), by inserting "with respect to loans made before July 1, 2010, and" before "as documented in accordance with paragraph (2),";

(6) by repealing subsection (f);

(7) in subsection (g)(1), by inserting "and before July 1, 2010," after "January 1, 1986,";

(8) in subsection (h)—

(A) in paragraph (1)(A) by inserting "before July 1, 2010," after "made under this part"; and

(B) in paragraph (2), by inserting "before July 1, 2010," after "under this part"; and

(9) in subsection (j)(1), by inserting "before July 1, 2010," after "under this part".

SEC. 228. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

(a) Section 465 (20 U.S.C. 1087ee) is amended—

(1) in subsection (a), by inserting "and before July 1, 2010," after "June 30, 1972,"; and

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

"(b) REIMBURSEMENT FOR CANCELLATIONS.—

"(1) ASSIGNED LOANS.—In the case of loans made under this part before July 1, 2010, and that are assigned to the Secretary, the Secretary shall, from amounts repaid each quarter on assigned Perkins Loans made before July 1, 2010, pay to each institution for each quarter an amount equal to—

"(A) the aggregate of the amounts of loans from its student loan fund that are canceled pursuant to this section for such quarter, minus

"(B) an amount equal to the aggregate of the amounts of any such loans so canceled that were made from Federal capital contributions to its student loan fund.

"(2) RETAINED LOANS.—In the case of loans made under this part before July 1, 2010, and that are retained by the institution for servicing, the institution shall deduct from loan repayments owed to the Secretary under section 466, an amount equal to—

"(A) the aggregate of the amounts of loans from its student loan fund that are canceled pursuant to this section for such quarter, minus

"(B) an amount equal to the aggregate of the amounts of any such loans so canceled that were made from Federal capital contributions to its student loan fund.".

(b) Section 466 (20 U.S.C. 1087ff) is amended to read as follows:

"SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

"(a) CAPITAL DISTRIBUTION.—Beginning July 1, 2010, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

"(1) For the quarter beginning July 1, 2010, the Secretary shall first be paid, no later than September 30, 2010, an amount that bears the same ratio to the cash balance in such fund at the close of June 30, 2010, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to—

"(A) the sum of such Federal contributions and the institution's capital contributions to such fund, less

"(B) an amount equal to—

"(i) the institution's outstanding administrative costs as calculated under section 463(b),

"(ii) outstanding charges assessed under section 464(c)(1)(H), and

"(iii) outstanding loan cancellation costs incurred under section 465.

"(2) At the end of each quarter subsequent to the quarter ending September 30, 2010, the Secretary shall first be paid an amount that bears the same ratio to the cash balance in such fund at the close of the preceding quarter, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to—

"(A) the sum of such Federal contributions and the institution's capital contributions to such fund, less

"(B) an amount equal to—

"(i) the institution's administrative costs incurred for that quarter as calculated under section 463(b),

"(ii) charges assessed for that quarter under section 464(c)(1)(H), and

"(iii) loan cancellation costs incurred for that quarter under section 465.

"(3)(A) The Secretary shall calculate the amounts due to the Secretary under paragraph (1) (adjusted in accordance with subparagraph (B), as appropriate) and paragraph (2) and shall promptly inform the institution of such calculated amounts.

"(B) In the event that, prior to the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, an institution made a short-term, interest-free loan to the institution's student loan fund established under this part in anticipation of collections or receipt of Federal capital contributions, and the institution demonstrates to the Secretary, on or before June 30, 2010, that such loan will still be outstanding after June 30, 2010, the Secretary shall subtract the amount of such outstanding loan from the cash balance of the institution's student loan fund that is used to calculate the amount due to the Secretary under paragraph (1). An adjustment of an amount due to the Secretary under this subparagraph shall be made by the Secretary on a case-by-case basis.

"(4) Any remaining balance at the end of a quarter after a payment under paragraph (1) or (2) shall be retained by the institution for use at its discretion. Any balance so retained shall be withdrawn from the student loan fund and shall not be counted in calculating amounts owed to the Secretary for subsequent quarters.

"(5) Each institution shall make the quarterly payments to the Secretary described in paragraph (2) until all outstanding Federal Perkins Loans at that institution have been assigned to the Secretary and there are no funds remaining in the institution's student loan fund.

"(6) In the event that the institution's administrative costs, charges, and cancellation costs described in paragraph (2) for a quarter exceed the amount owed to the Secretary under paragraphs (1) and (2) for that quarter, no payment shall be due to the Secretary from the institution for that quarter and the Secretary shall pay the institution, from funds realized from the collection of assigned Federal Perkins Loans made before July 1, 2010, an amount that, when combined with the amount retained by the institution under paragraphs (1) and (2), equals the full amount of such administrative costs, charges, and cancellation costs.

"(b) ASSIGNMENT OF OUTSTANDING LOANS.—Beginning July 1, 2010, an institution of higher education may assign all outstanding loans made under this part before July 1, 2010, to the Secretary, consistent with the requirements of section 463(a)(5). In collecting loans so assigned, the Secretary shall pay an institution an amount that constitutes the same fraction of such collections as the fraction of the cash balance that the institution retains under subsection (a)(2), but determining such fraction without regard to subparagraph (B)(i) of such subsection.".

SEC. 229. IMPLEMENTATION OF NON-TITLE IV REVENUE REQUIREMENT.

(a) AMENDMENTS.—Section 487(d) (20 U.S.C. 1094(d)) is amended—

(1) in paragraph (1)(E), by striking "July 1, 2011" and inserting "July 1, 2012";

(2) in paragraph (1)(F)—

(A) by redesignating clauses (iii), (iv), and (v) as clauses (iv), (v), and (vi), respectively; and

(B) by inserting after clause (ii) the following new clause:

"(iii) for the period beginning July 1, 2010, and ending July 1, 2012, the amount of funds the institution received from loans disbursed under section 455A;";.

(3) in paragraph (2)(A), by striking "two consecutive" and inserting "three consecutive"; and

(4) in paragraph (2)(B)—

(A) by striking "any institutional fiscal year" and inserting "two consecutive institutional fiscal years";

(B) by striking "the two institutional fiscal years after the institutional fiscal year" and inserting "the institutional fiscal year after the second consecutive institutional fiscal year"; and

(C) by striking "two consecutive" in clause (ii) of such paragraph and inserting "three consecutive".

(b) TEMPORARY EFFECT.—The amendments made by paragraphs (3) and (4) of subsection (a)—

(1) shall take effect on the date of enactment of this Act; and

(2) shall cease to be effective on July 1, 2012.

SEC. 230. ADMINISTRATIVE EXPENSES.

Section 489(a) (20 U.S.C. 1096(a)) is amended—

(1) in the second sentence, by striking "or under part E of this title"; and

(2) in the third sentence—

(A) by inserting "and" after "subpart 3 of part A,"; and

(B) by striking "compensation of students," and all that follows through the period and inserting "compensation of students.".

TITLE III—MODERNIZATION, RENOVATION, AND REPAIR

Subtitle A—Elementary and Secondary Education

SEC. 301. DEFINITIONS.

In this subtitle:

(1) The term "Bureau-funded school" has the meaning given such term in section 1141 of the Education Amendments of 1978 (25 U.S.C. 2021).

(2) The term "charter school" has the meaning given such term in section 5210 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7221i).

(3) The term "CHPS Criteria" means the green building rating program developed by the Collaborative for High Performance Schools.

(4) The term "Energy Star" means the Energy Star program of the United States Department of Energy and the United States Environmental Protection Agency.

(5) The term "Green Globes" means the Green Building Initiative environmental design and rating system referred to as Green Globes.

(6) The term "LEED Green Building Rating System" means the United States Green Building Council Leadership in Energy and Environmental Design green building rating standard referred to as LEED Green Building Rating System.

(7) The term "local educational agency"—

(A) has the meaning given such term in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801);

(B) includes any public charter school that constitutes a local educational agency under State law; and

(C) includes the Recovery School District of Louisiana.

(8) The term "outlying area"—

(A) means the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands; and

(B) includes the Republic of Palau.

(9) The term "public school facilities" means existing public elementary or secondary school facilities, including public charter school facilities and other existing facilities planned for adaptive reuse as public charter school facilities.

(10) The term "Secretary" means the Secretary of Education.

(11) The term "State" means each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

CHAPTER 1—GRANTS FOR MODERNIZATION, RENOVATION, OR REPAIR OF PUBLIC SCHOOL FACILITIES

SEC. 311. PURPOSE.

Grants under this chapter shall be for the purpose of modernizing, renovating, or repairing public school facilities (including early learning facilities, as appropriate), based on the need of the facilities for such improvements, to ensure that public school facilities are safe, healthy, high-performing, and technologically up-to-date.

SEC. 312. ALLOCATION OF FUNDS.

(a) RESERVATION.—

(1) IN GENERAL.—From the amount appropriated to carry out this chapter for each fiscal year pursuant to section 345(a), the Secretary shall reserve 2 percent of such amount, consistent with the purpose described in section 311—

(A) to provide assistance to the outlying areas; and

(B) for payments to the Secretary of the Interior to provide assistance to Bureau-funded schools.

(2) USE OF RESERVED FUNDS.—In each fiscal year, the amount reserved under paragraph (1) shall be divided between the uses described in subparagraphs (A) and (B) of such paragraph in the same proportion as the amount reserved under section 1121(a) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331(a)) is divided between the uses described in paragraphs (1) and (2) of such section 1121(a) in such fiscal year.

(3) DISTRESSED AREAS AND NATURAL DISASTERS.—From the amount appropriated to carry out this chapter for each fiscal year pursuant to section 345(a), the Secretary shall reserve 5 percent of such amount for grants to—

(A) local educational agencies serving geographic areas with significant economic distress, to be used consistent with the purpose described in section 311 and the allowable uses of funds described in section 313; and

(B) local educational agencies serving geographic areas recovering from a natural disaster, to be used consistent with the purpose described in section 321 and the allowable uses of funds described in section 323.

(b) ALLOCATION TO STATES.—

(1) STATE-BY-STATE ALLOCATION.—Of the amount appropriated to carry out this chapter for each fiscal year pursuant to section 345(a), and not reserved under subsection (a), each State shall be allocated an amount in proportion to the amount received by all local educational agencies in the State under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.) for the previous fiscal year relative to the total amount received by all local educational agencies in every State under such part for such fiscal year.

(2) STATE ADMINISTRATION.—A State may reserve up to 1 percent of its allocation under paragraph (1) to carry out its responsibilities under this chapter, which include—

(A) providing technical assistance to local educational agencies;

(B) developing an online, publicly searchable database that includes an inventory of public school facilities in the State, including for each such facility, its design, condition, modernization, renovation and repair needs, utilization, energy use, and carbon footprint; and

(C) creating voluntary guidelines for high-performing school buildings, including guidelines concerning the following:

(i) Site location, storm water management, outdoor surfaces, outdoor lighting, and transportation, including public transit and pedestrian and bicycle accessability.

(ii) Outdoor water systems, landscaping to minimize water use, including elimination of irrigation systems for landscaping, and indoor water use reduction.

(iii) Energy efficiency (including minimum and superior standards, such as for heating, ventilation, and air conditioning systems), use of alternative energy sources, commissioning, and training.

(iv) Use of durable, sustainable materials and waste reduction.

(v) Indoor environmental quality, such as day lighting in classrooms, lighting quality, indoor air quality (including with reference to reducing the incidence and effects of asthma and other respiratory illnesses), acoustics, and thermal comfort.

(vi) Operations and management, such as use of energy-efficient equipment, indoor environmental management plan, maintenance plan, and pest management.

(3) GRANTS TO LOCAL EDUCATIONAL AGENCIES.—From the amount allocated to a State under paragraph (1), each eligible local educational agency in the State shall receive an amount in proportion to the amount received by such local educational agency under part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6311 et seq.) for the previous fiscal year relative to the total amount received by all local educational agencies in the State under such part for such fiscal year, except that no local educational agency that received funds under such part for such fiscal year shall receive a grant of less than $5,000 in any fiscal year under this chapter.

(4) SPECIAL RULE.—Section 1122(c)(3) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6332(c)(3)) shall not apply to paragraph (1) or (3).

(c) SPECIAL RULES.—

(1) DISTRIBUTIONS BY SECRETARY.—The Secretary shall make and distribute the reservations and allocations described in subsections (a) and (b) not later than 120 days after an appropriation of funds for this chapter is made.

(2) DISTRIBUTIONS BY STATES.—A State shall make and distribute the allocations described in subsection (b)(3) within 90 days of receiving such funds from the Secretary.

SEC. 313. ALLOWABLE USES OF FUNDS.

A local educational agency receiving a grant under this chapter shall use the grant for modernization, renovation, or repair of public school facilities (including early learning facilities, as appropriate), including—

(1) repair, replacement, or installation of roofs, including extensive, intensive or semi-intensive green roofs, electrical wiring, water supply and plumbing systems, sewage systems, storm water runoff systems, lighting systems, building envelope, windows, ceilings, flooring, or doors, including security doors;

(2) repair, replacement, or installation of heating, ventilation, or air conditioning systems, including insulation, and conducting indoor air quality assessments;

(3) compliance with fire, health, seismic, and safety codes, including professional installation of fire and life safety alarms, and modernizations, renovations, and repairs that ensure that schools are prepared for emergencies, such as improving building infrastructure to accommodate security measures and installing or upgrading technology to ensure that schools are able to respond to emergencies such as acts of terrorism, campus violence, and natural disasters;

(4) retrofitting necessary to increase the energy efficiency and water efficiency of public school facilities;

(5) modifications necessary to make facilities accessible in compliance with the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794);

(6) abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, mildew, lead-based hazards, including lead-based paint hazards, or a proven carcinogen;

(7) measures designed to reduce or eliminate human exposure to classroom noise and environmental noise pollution;

(8) modernization, renovation, or repair necessary to reduce the consumption of coal, electricity, land, natural gas, oil, or water;

(9) installation or upgrading of educational technology infrastructure;

(10) modernization, renovation, or repair of science and engineering laboratories, libraries, and career and technical education facilities, and improvements to building infrastructure to accommodate bicycle and pedestrian access;

(11) installation or upgrading of renewable energy generation and heating systems, including solar, photovoltaic, wind, biomass (including wood pellet and woody biomass), waste-to-energy, and solar-thermal and geothermal systems, and for energy audits;

(12) measures designed to reduce or eliminate human exposure to airborne particles such as dust, sand, and pollens;

(13) creating greenhouses, gardens (including trees), and other facilities for environmental, scientific, or other educational purposes, or to produce energy savings;

(14) modernizing, renovating, or repairing physical education facilities for students, including upgrading or installing recreational structures made from post-consumer recovered materials in accordance with the comprehensive procurement guidelines prepared by the Administrator of the Environmental Protection Agency under section 6002(e) of the Solid Waste Disposal Act (42 U.S.C. 6962(e));

(15) other modernization, renovation, or repair of public school facilities to—

(A) improve teachers' ability to teach and students' ability to learn;

(B) ensure the health and safety of students and staff;

(C) make them more energy efficient; or

(D) reduce class size; and

(16) required environmental remediation related to modernization, renovation, or repair described in paragraphs (1) through (15).

SEC. 314. PRIORITY PROJECTS.

In selecting a project under section 313, a local educational agency may give priority to projects involving the abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, mildew, lead-based hazards, including lead-based paint hazards, or a proven carcinogen.

CHAPTER 2—SUPPLEMENTAL GRANTS FOR LOUISIANA, MISSISSIPPI, AND ALABAMA

SEC. 321. PURPOSE.

Grants under this chapter shall be for the purpose of modernizing, renovating, repairing, or constructing public school facilities, including, where applicable, early learning facilities, based on the need for such improvements or construction, to ensure that public school facilities are safe, healthy, high-performing, and technologically up-to-date.

SEC. 322. ALLOCATION TO LOCAL EDUCATIONAL AGENCIES.

(a) IN GENERAL.—Of the amount appropriated to carry out this chapter for each fiscal year pursuant to section 345(b), the Secretary shall allocate to local educational agencies in Louisiana, Mississippi, and Alabama an amount equal to the infrastructure damage inflicted on public school facilities in each such district by Hurricane Katrina or Hurricane Rita in 2005 relative to the total of such infrastructure damage so inflicted in all such districts, combined.

(b) DISTRIBUTION BY SECRETARY.—The Secretary shall determine and distribute the allocations described in subsection (a) not later than 120 days after an appropriation of funds for this chapter is made.

SEC. 323. ALLOWABLE USES OF FUNDS.

A local educational agency receiving a grant under this chapter shall use the grant for one or more of the activities described in section 313, except that an agency receiving a grant under this chapter also may use the grant for the construction of new public school facilities.

CHAPTER 3—GENERAL PROVISIONS

SEC. 331. IMPERMISSIBLE USES OF FUNDS.

No funds received under this subtitle may be used for—

(1) payment of maintenance costs, including routine repairs classified as current expenditures under State or local law;

(2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;

(3) improvement or construction of facilities the purpose of which is not the education of children, including central office administration or operations or logistical support facilities; or

(4) purchasing carbon offsets.

SEC. 332. SUPPLEMENT, NOT SUPPLANT.

A local educational agency receiving a grant under this subtitle shall use such Federal funds only to supplement and not supplant the amount of funds that would, in the absence of such Federal funds, be available for modernization, renovation, repair, and construction of public school facilities.

SEC. 333. PROHIBITION REGARDING STATE AID.

A State shall not take into consideration payments under this subtitle in determining the eligibility of any local educational agency in that State for State aid, or the amount of State aid, with respect to free public education of children.

SEC. 334. MAINTENANCE OF EFFORT.

(a) IN GENERAL.—A local educational agency may receive a grant under this subtitle for any fiscal year only if either the combined fiscal effort per student or the aggregate expenditures of the agency and the State involved with respect to the provision of free public education by the agency for the preceding fiscal year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year.

(b) REDUCTION IN CASE OF FAILURE TO MEET MAINTENANCE OF EFFORT REQUIREMENT.—

(1) IN GENERAL.—The State educational agency shall reduce the amount of a local educational agency's grant in any fiscal year in the exact proportion by which a local educational agency fails to meet the requirement of subsection (a) by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the local agency).

(2) SPECIAL RULE.—No such lesser amount shall be used for computing the effort required under subsection (a) for subsequent years.

(c) WAIVER.—The Secretary shall waive the requirements of this section if the Secretary determines that a waiver would be equitable due to—

(1) exceptional or uncontrollable circumstances, such as a natural disaster; or

(2) a precipitous decline in the financial resources of the local educational agency.

SEC. 335. SPECIAL RULE ON CONTRACTING.

Each local educational agency receiving a grant under this subtitle shall ensure that, if the agency carries out modernization, renovation, repair, or construction through a contract, the process for any such contract ensures the maximum number of qualified bidders, including local, small, minority, and women- and veteran-owned businesses, through full and open competition.

SEC. 336. USE OF AMERICAN IRON, STEEL, AND MANUFACTURED GOODS.

(a) IN GENERAL.—None of the funds appropriated or otherwise made available by this subtitle may be used for a project for the modernization, renovation, repair, or construction of a public school facility unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

(b) EXCEPTIONS.—Subsection (a) shall not apply in any case or category of cases in which the Secretary finds that—

(1) applying subsection (a) would be inconsistent with the public interest;

(2) iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or

(3) inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.

(c) PUBLICATION OF JUSTIFICATION.—If the Secretary determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the Secretary shall publish in the Federal Register a detailed written justification of the determination.

(d) CONSTRUCTION.—This section shall be applied in a manner consistent with United States obligations under international agreements.

SEC. 337. LABOR STANDARDS.

The grant programs under this subtitle are applicable programs (as that term is defined in section 400 of the General Education Provisions Act (20 U.S.C. 1221)) subject to section 439 of such Act (20 U.S.C. 1232b).

SEC. 338. CHARTER SCHOOLS.

(a) IN GENERAL.—A local educational agency receiving an allocation under this subtitle shall reserve an amount of that allocation for charter schools within its jurisdiction for modernization, renovation, repair, and construction of charter school facilities.

(b) DETERMINATION OF RESERVED AMOUNT.—The amount to be reserved by a local educational agency under subsection (a) shall be determined based on the combined percentage of students counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5)) in the schools of the agency who—

(1) are enrolled in charter schools; and

(2) the local educational agency, in consultation with the authorized public chartering agency, expects to be enrolled, during the year with respect to which the reservation is made, in charter schools that are scheduled to commence operation during such year.

(c) SCHOOL SHARE.—Individual charter schools shall receive a share of the amount reserved under subsection (a) based on the need of each school for modernization, renovation, repair, or construction, as determined by the local educational agency in consultation with charter school administrators.

(d) EXCESS FUNDS.—After the consultation described in subsection (c), if the local educational agency determines that the amount of funds reserved under subsection (a) exceeds the modernization, renovation, repair, and construction needs of charter schools within the local educational agency's jurisdiction, the agency may use the excess funds for other public school facility modernization, renovation, repair, or construction consistent with this subtitle and is not required to carry over such funds to the following fiscal year for use for charter schools.

SEC. 339. GREEN SCHOOLS.

(a) IN GENERAL.—Of the funds appropriated for a given fiscal year and made available to a local educational agency to carry out this subtitle, the local educational agency shall use not less than the applicable percentage (described in subsection (b)) of such funds for public school modernization, renovation, repair, or construction that are certified, verified, or consistent with any applicable provisions of—

(1) the LEED Green Building Rating System;

(2) Energy Star;

(3) the CHPS Criteria;

(4) Green Globes; or

(5) an equivalent program adopted by the State, or another jurisdiction with authority over the local educational agency, that includes a verifiable method to demonstrate compliance with such program.

(b) APPLICABLE PERCENTAGES.—The applicable percentage described in subsection (a) is—

(1) for funds appropriated in fiscal year 2010, 50 percent; and

(2) for funds appropriated in fiscal year 2011, 75 percent.

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to prohibit a local educational agency from using sustainable, domestic hardwood lumber as ascertained through the forest inventory and analysis program of the Forest Service of the Department of Agriculture under the Forest and Rangeland Renewable Resources Research Act of 1978 (16 U.S.C. 1641 et seq.) for public school modernization, renovation, repairs, or construction.

(d) TECHNICAL ASSISTANCE.—The Secretary, in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency, shall provide outreach and technical assistance to States and local educational agencies concerning the best practices in school modernization, renovation, repair, and construction, including those related to student academic achievement, student and staff health, energy efficiency, and environmental protection.

SEC. 340. REPORTING.

(a) REPORTS BY LOCAL EDUCATIONAL AGENCIES.—Local educational agencies receiving a grant under this subtitle shall annually compile a report describing the projects for which such funds were used, including—

(1) the number and identity of public schools in the agency, including the number of charter schools, and for each school, the total number of students, and the number of students counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5));

(2) the total amount of funds received by the local educational agency under this subtitle, and for each public school in the agency, including each charter school, the amount of such funds expended, and the types of modernization, renovation, repair, or construction projects for which such funds were used;

(3) the number of students impacted by such projects, including the number of students so impacted who are counted under section 1113(a)(5) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6313(a)(5));

(4) the number of public schools in the agency with a metro-centric locale code of 41, 42, or 43 as determined by the National Center for Education Statistics and the percentage of funds received by the agency under chapter 1 or chapter 2 of this subtitle that were used for projects at such schools;

(5) the number of public schools in the agency that are eligible for schoolwide programs under section 1114 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6314) and the percentage of funds received by the agency under chapter 1 or chapter 2 of this subtitle that were used for projects at such schools;

(6) for each project—

(A) the cost;

(B) the standard described in section 339(a) with which the use of the funds complied or, if the use of funds did not comply with a standard described in section 339(a), the reason such funds were not able to be used in compliance with such standards and the agency's efforts to use such funds in an environmentally sound manner; and

(C) any demonstrable or expected benefits as a result of the project (such as energy savings, improved indoor environmental quality, student and staff health, including the reduction of the incidence and effects of asthma and other respiratory illnesses, and improved climate for teaching and learning); and

(7) the total number and amount of contracts awarded, and the number and amount of contracts awarded to local, small, minority, women, and veteran-owned businesses.

(b) AVAILABILITY OF REPORTS.—A local educational agency shall—

(1) submit the report described in subsection (a) to the State educational agency, which shall compile such information and report it annually to the Secretary; and

(2) make the report described in subsection (a) publicly available, including on the agency's website.

(c) REPORTS BY SECRETARY.—Not later than March 31 of each fiscal year, the Secretary shall submit to the Committee on Education and Labor of the House of Representatives and the Committee on Health, Education, Labor and Pensions of the Senate, and make available on the Department of Education's website, a report on grants made under this subtitle, including the information from the reports described in subsection (b)(1).

SEC. 341. SPECIAL RULES.

Notwithstanding any other provision of this subtitle, none of the funds authorized by this subtitle may be—

(1) used to employ workers in violation of section 274A of the Immigration and Nationality Act (8 U.S.C. 1324a); or

(2) distributed to a local educational agency that does not have a policy that requires a criminal background check on all employees of the agency.

SEC. 342. PROMOTION OF EMPLOYMENT EXPERIENCES.

The Secretary of Education, in consultation with the Secretary of Labor, shall work with recipients of funds under this subtitle to promote appropriate opportunities to gain employment experience working on modernization, renovation, repair, and construction projects funded under this subtitle for—

(1) participants in a YouthBuild program (as defined in section 173A of the Workforce Investment Act of 1998 (29 U.S.C. 2918a));

(2) individuals enrolled in the Job Corps program carried out under subtitle C of title I of the Workforce Investment Act of 1998 (29 U.S.C. 2881 et seq.);

(3) individuals enrolled in a junior or community college (as defined in section 312(f) of the Higher Education Act of 1965 (20 U.S.C. 1088(f))) certificate or degree program relating to projects described in section 339(a); and

(4) participants in preapprenticeship programs that have direct linkages with apprenticeship programs that are registered with the Department of Labor or a State Apprenticeship Agency under the National Apprenticeship Act of 1937 (29 U.S.C. 50 et seq.).

SEC. 343. ADVISORY COUNCIL ON GREEN, HIGH-PERFORMING PUBLIC SCHOOL FACILITIES.

(a) ESTABLISHMENT OF ADVISORY COUNCIL.—The Secretary shall establish an advisory council to be known as the "Advisory Council on Green, High-Performing Public School Facilities" (in this section referred to as the "Advisory Council") which shall be composed of—

(1) appropriate officials from the Department of Education;

(2) representatives of the academic, architectural, business, education, engineering, environmental, labor, and scientific communities; and

(3) such other representatives as the Secretary deems appropriate.

(b) DUTIES OF ADVISORY COUNCIL.—

(1) ADVISORY DUTIES.—The Advisory Council shall advise the Secretary on the impact of green, high-performing schools, on—

(A) teaching and learning;

(B) health;

(C) energy costs;

(D) environmental impact; and

(E) other areas that the Secretary and the Advisory Council deem appropriate.

(2) OTHER DUTIES.—The Advisory Council shall assist the Secretary in—

(A) making recommendations on Federal policies to increase the number of green, high-performing schools;

(B) identifying Federal policies that are barriers to helping States and local educational agencies make green, high-performing schools;

(C) providing technical assistance and outreach to States and local educational agencies under section 339(d); and

(D) providing the Secretary such other assistance as the Secretary deems appropriate.

(c) CONSULTATION.—In carrying out its duties under subsection (b), the Advisory Council shall consult with the Chair of the Council on Environmental Quality and the heads of appropriate Federal agencies, including the Secretary of Commerce, the Secretary of Energy, the Secretary of Health and Human Services, the Secretary of Labor, the Administrator of the Environmental Protection Agency, and the Administrator of the General Services Administration (through the Office of Federal High-Performance Green Buildings).

SEC. 344. EDUCATION REGARDING PROJECTS.

A local educational agency receiving funds under this subtitle may encourage schools at which projects are undertaken with such funds to educate students about the project, including, as appropriate, the functioning of the project and its environmental, energy, sustainability, and other benefits.

SEC. 345. AVAILABILITY OF FUNDS.

(a) CHAPTER 1.—There are authorized to be appropriated, and there are appropriated, to carry out chapter 1 of this subtitle (in addition to any other amounts appropriated to carry out such chapter and out of any money in the Treasury not otherwise appropriated), $2,020,000,000 for each of fiscal years 2010 and 2011.

(b) CHAPTER 2.—There are authorized to be appropriated, and there are appropriated, to carry out chapter 2 of this subtitle (in addition to any other amounts appropriated to carry out such chapter and out of any money in the Treasury not otherwise appropriated), $30,000,000 for each of fiscal years 2010 and 2011.

(c) PROHIBITION ON EARMARKS.—None of the funds appropriated under this section may be used for a Congressional earmark as defined in clause 9(d) of rule XXI of the Rules of the House of Representatives.

Subtitle B—Higher Education

SEC. 351. FEDERAL ASSISTANCE FOR COMMUNITY COLLEGE MODERNIZATION AND CONSTRUCTION.

(a) IN GENERAL.—

(1) GRANT PROGRAM.—From the amounts made available under subsection (i), the Secretary shall award grants to States for the purposes of constructing new community college facilities and modernizing, renovating, and repairing existing community college facilities. Grants awarded under this section shall be used by a State for one or more of the following:

(A) To reduce financing costs of loans for new construction, modernization, renovation, or repair projects at community colleges (such as paying interest or points on such loans).

(B) To provide matching funds for a community college capital campaign to attract private donations of funds for new construction, modernization, renovation, or repair projects at the community college.

(C) To capitalize a revolving loan fund to finance new construction, modernization, renovation, and repair projects at community colleges.

(2) ALLOCATION.—

(A) DETERMINATION OF AVAILABLE AMOUNT.—The Secretary shall determine the amount available for allocation to each State by determining the amount equal to the total number of students in the State who are enrolled in community colleges and who are pursuing a degree or certificate that is not a bachelor's, master's, professional, or other advanced degree, relative to the total number of such students in all States, combined.

(B) ALLOCATION.—The Secretary shall allocate to each State selected by the Secretary to receive a grant under this section an amount equal to the amount determined to be available for allocation to such State under subparagraph (A), less any portion of that amount that is subject to a limitation under paragraph (3).

(C) REALLOCATION.—Amounts not allocated under this section to a State because—

(i) the State did not submit an application under subsection (b);

(ii) the State submitted an application that the Secretary determined did not meet the requirements of such subsection; or

(iii) the State is subject to a limitation under paragraph (3) that prevents the State from using a portion of the allocation,

shall be proportionately reallocated under this paragraph to the States that are not described in clause (i), (ii), or (iii) of this subparagraph.

(3) GRANT AMOUNT LIMITATIONS.—A grant awarded to a State under this section—

(A) to reduce financing costs of loans for new construction, modernization, renovation, or repair projects at community colleges under paragraph (1)(A) shall be for an amount that is not more than 25 percent of the total principal amount of the loans for which financing costs are being reduced; and

(B) to provide matching funds for a community college capital campaign under paragraph (1)(B) shall be for an amount that is not more than 25 percent of the total amount of the private donations of funds raised through such campaign over the duration of such campaign, as such duration is determined by the State in the application submitted under subsection (b).

(4) SUPPLEMENT, NOT SUPPLANT.—Funds made available under this section shall be used to supplement, and not supplant, other Federal, State, and local funds that would otherwise be expended to construct new community college facilities or modernize, renovate, or repair existing community college facilities.

(b) APPLICATION.—A State that desires to receive a grant under this section shall submit an application to the Secretary at such time, in such manner, and containing such information and assurances as the Secretary may require. Such application shall include a certification by the State that the funds provided under this section for the construction of new community college facilities and the modernization, renovation, and repair of existing community college facilities will improve instruction at such colleges and will improve the ability of such colleges to educate and train students to meet the workforce needs of employers in the State.

(c) USE OF FUNDS BY COMMUNITY COLLEGES.—

(1) PERMISSIBLE USES OF FUNDS.—Funds made available to community colleges through a loan described in subsection (a)(1)(A), a capital campaign described in subsection (a)(1)(B), or a loan from a revolving loan fund described in subsection (a)(1)(C) shall be used only for the construction, modernization, renovation, or repair of community college facilities that are primarily used for instruction, research, or student housing, which may include any of the following:

(A) Repair, replacement, or installation of roofs, including extensive, intensive, or semi-intensive green roofs, electrical wiring, water supply and plumbing systems, sewage systems, storm water runoff systems, lighting systems, building envelope, windows, ceilings, flooring, or doors, including security doors.

(B) Repair, replacement, or installation of heating, ventilation, or air conditioning systems, including insulation, and conducting indoor air quality assessments.

(C) Compliance with fire, health, seismic, and safety codes, including professional installation of fire and life safety alarms, and modernizations, renovations, and repairs that ensure that the community college's facilities are prepared for emergencies, such as improving building infrastructure to accommodate security measures and installing or upgrading technology to ensure that the community college is able to respond to emergencies such as acts of terrorism, campus violence, and natural disasters.

(D) Retrofitting necessary to increase the energy efficiency of the community college's facilities.

(E) Modifications necessary to make facilities accessible in compliance with the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

(F) Abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, mildew, or lead-based hazards, including lead-based paint hazards from the community college's facilities.

(G) Modernization, renovation, or repair necessary to reduce the consumption of coal, electricity, land, natural gas, oil, or water.

(H) Modernization, renovation, and repair relating to improving science and engineering laboratories, libraries, or instructional facilities.

(I) Installation or upgrading of educational technology infrastructure.

(J) Installation or upgrading of renewable energy generation and heating systems, including solar, photovoltaic, wind, biomass (including wood pellet and woody biomass), waste-to-energy, solar-thermal and geothermal systems, and energy audits.

(K) Other modernization, renovation, or repair projects that are primarily for instruction, research, or student housing.

(L) Required environmental remediation related to modernization, renovation, or repair described in subparagraphs (A) through (K).

(2) GREEN SCHOOL REQUIREMENT.—A community college receiving assistance through a loan described in subsection (a)(1)(A), a capital campaign described in subsection (a)(1)(B), or a loan from a revolving loan fund described in subsection (a)(1)(C) shall use not less than 50 percent of such assistance to carry out projects for construction, modernization, renovation, or repair that are certified, verified, or consistent with the applicable provisions of—

(A) the LEED Green Building Rating System;

(B) Energy Star;

(C) the CHPS Criteria, as applicable;

(D) Green Globes; or

(E) an equivalent program adopted by the State or the State higher education agency that includes a verifiable method to demonstrate compliance with such program.

(3) PROHIBITED USES OF FUNDS.—

(A) IN GENERAL.—No funds awarded under this section may be used for—

(i) payment of maintenance costs;

(ii) construction, modernization, renovation, or repair of stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public; or

(iii) construction, modernization, renovation, or repair of facilities—

(I) used for sectarian instruction, religious worship, or a school or department of divinity; or

(II) in which a substantial portion of the functions of the facilities are subsumed in a religious mission.

(B) FOUR-YEAR INSTITUTIONS.—No funds awarded to a four-year public institution of higher education under this section may be used for any facility,

service, or program of the institution that is not available to students who are pursuing a degree or certificate that is not a bachelor's, master's, professional, or other advanced degree.

(d) APPLICATION OF GEPA.—The grant program authorized in this section is an applicable program (as that term is defined in section 400 of the General Education Provisions Act (20 U.S.C. 1221)) subject to section 439 of such Act (20 U.S.C. 1232b). The Secretary shall, notwithstanding section 437 of such Act (20 U.S.C. 1232) and section 553 of title 5, United States Code, establish such program rules as may be necessary to implement such grant program by notice in the Federal Register.

(e) CONCURRENT FUNDING.—Funds made available under this section shall not be used to assist any community college that receives funding for the construction, modernization, renovation, and repair of facilities under any other program under this Act, the Higher Education Act of 1965, or the American Recovery and Reinvestment Act of 2009.

(f) REPORTS BY THE STATES.—Each State that receives a grant under this section shall, not later than September 30, 2012, and annually thereafter for each fiscal year in which the State expends funds received under this section, submit to the Secretary a report that includes—

(1) a description the projects for which the grant funding was, or will be, used;

(2) a list of the community colleges that have received, or will receive, assistance from the grant through a loan described in subsection (a)(1)(A), a capital campaign described in subsection (a)(1)(B), or a loan from a revolving loan fund described in subsection (a)(1)(C); and

(3) a description of the amount and nature of the assistance provided to each such college.

(g) REPORT BY THE SECRETARY.—The Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965) an annual report on the grants made under this section, including the information described in subsection (f).

(h) DEFINITIONS.—

(1) COMMUNITY COLLEGE.—As used in this section, the term "community college" means—

(A) a junior or community college, as such term is defined in section 312(f) of the Higher Education Act of 1965 (20 U.S.C. 1085(f)); or

(B) a four-year public institution of higher education (as defined in section 101 of the Higher Education Act of 1965) that awards a significant number of degrees and certificates that are not—

(i) bachelor's degrees (or an equivalent); or

(ii) master's, professional, or other advanced degrees.

(2) CHPS CRITERIA.—The term "CHPS Criteria" means the green building rating program developed by the Collaborative for High Performance Schools.

(3) ENERGY STAR.—The term "Energy Star" means the Energy Star program of the United States Department of Energy and the United States Environmental Protection Agency.

(4) GREEN GLOBES.—The term "Green Globes" means the Green Building Initiative environmental design and rating system referred to as Green Globes.

(5) LEED GREEN BUILDING RATING SYSTEM.—The term "LEED Green Building Rating System" means the United States Green Building Council Leadership in Energy and Environmental Design green building rating standard referred to as the LEED Green Building Rating System.

(6) SECRETARY.—The term "Secretary" means the Secretary of Education.

(7) STATE.—The term "State" has the meaning given such term in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003).

(i) AVAILABILITY OF FUNDS.—There are authorized to be appropriated, and there are appropriated, to carry out this section (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated), $2,500,000,000 for fiscal year 2011, which shall remain available until expended.

TITLE IV—EARLY LEARNING CHALLENGE FUND

SEC. 401. PURPOSE.

The purpose of this title is to provide grants on a competitive basis to States for the following:

(1) To promote standards reform of State early learning programs serving children from birth through age 5 in order to support the healthy development and improve the school readiness outcomes of young children.

(2) To establish a high standard of quality in early learning programs that integrates appropriate early learning and development standards across early learning settings.

(3) To fund and implement quality initiatives that improve the skills and effectiveness of early learning providers, and improve the quality of existing early learning programs, in order to increase the number of disadvantaged children who participate in comprehensive and high-quality early learning programs.

(4) To ensure that a greater number of disadvantaged children enter kindergarten with the cognitive, social, emotional, and physical skills and abilities needed to be successful in school.

(5) To increase parents' abilities to access comprehensive and high quality early learning programs across settings for their children.

SEC. 402. PROGRAMS AUTHORIZED.

(a) QUALITY PATHWAYS GRANTS.—The Secretary shall use funds made available to carry out this title for a fiscal year to award grants on a competitive basis to States in accordance with section 403.

(b) DEVELOPMENT GRANTS.—The Secretary shall use funds made available to carry out this title for a fiscal year to award grants in accordance with section 404 on a competitive basis to States that demonstrate a commitment to establishing a system of early learning that will include the components described in section 403(c)(3) but are not—

(1) eligible to be awarded a grant under subsection (a); or

(2) are not awarded such a grant after application.

(c) RESERVATIONS OF FEDERAL FUNDS.—

(1) RESEARCH, EVALUATION, AND ADMINISTRATION.—From the amount made available to carry out this title for a fiscal year, the Secretary—

(A) shall reserve up to 2 percent jointly to administer this title with the Secretary of Health and Human Services; and

(B) shall reserve up to 3 percent to carry out activities under section 405.

(2) TRIBAL SCHOOL READINESS PLANNING DEMONSTRATION.—After making the reservations under paragraph (1), the Secretary shall reserve 0.25 percent for a competitive grant program for Indian tribes to develop and implement school readiness plans that—

(A) are coordinated with local educational agencies serving children who are members of the tribe; and

(B) include American Indian and Alaska Native Head Start and Early Head Start programs, tribal child care programs, Indian Health Service programs, and other tribal programs serving children.

(3) QUALITY PATHWAYS GRANTS.—

(A) IN GENERAL.—From the amount made available to carry out this title for a fiscal year and not reserved under paragraph (1) or (2), the Secretary shall reserve a percent (which shall be not greater than 65 percent for fiscal years 2010 through 2012 and not greater than 85 percent for fiscal year 2013 and each succeeding fiscal year) determined under subparagraph (B) to carry out subsection (a).

(B) DETERMINATION OF AMOUNT.—In determining the amount to reserve under subparagraph (A), the Secretary, consistent with section 403(e), shall take into account the following:

(i) The total number of States determined by the Secretary to qualify for receipt of a grant under this title for the year.

(ii) The number of children under age 5 from low-income families in each State with an approved application under section 403 for the year.

(C) REALLOCATION.—For fiscal year 2013 and subsequent fiscal years, the Secretary may reallocate funds allocated for development grants under subsection (b) for the purpose of providing additional grants under subsection (a), if the Secretary determines that there is an insufficient number of applications that meet the requirements for a grant under subsection (b).

(d) STATE APPLICATIONS.—In applying for a grant under this title, a State—

(1) shall designate a State-level entity for administration of the grant;

(2) shall coordinate proposed activities with the State Advisory Council on Early Childhood Education and Care (established pursuant to section 642B(b)(1)(A) of the Head Start Act (42 U.S.C. 9837b(b)(1)(A))) and shall incorporate plans and recommendations from such Council in the application, where applicable; and

(3) otherwise shall submit the application to the Secretary at such time, in such manner, and containing such information as the Secretary may reasonably require.

(e) PRIORITY IN AWARDING GRANTS.—In awarding grants under this title, the Secretary shall give priority to States—

(1) whose applications contain assurances that the State will use, in part, funds reserved under section 658G of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858e) for activities described in section 403(f);

(2) that will commit to dedicating a significant increase, in comparison to recent fiscal years, in State expenditures on early learning programs and services; and

(3) that demonstrate efforts to build public-private partnerships designed to accomplish the purposes of this title.

(f) MAINTENANCE OF EFFORT.—

(1) IN GENERAL.—With respect to each period for which a State is awarded a grant under this title, the aggregate expenditures by the State and its political subdivisions on early learning programs and services shall be not less than the level of the expenditures for such programs and services by the State and its political subdivisions for fiscal year 2006.

(2) STATE EXPENDITURES.—For purposes of paragraph (1), expenditures by the State on early learning programs and services shall include, at a minimum, the following:

(A) State matching and maintenance of effort funds for the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.).

(B) State matching funds for the State Advisory Council on Early Childhood Education and Care (established pursuant to section 642B(b)(1)(A) of the Head Start Act (42 U.S.C. 9837b(b)(1)(A))).

(C) State expenditures on public pre-kindergarten, Head Start (including Early Head Start), and other State early learning programs and services dedicated to children (including State expenditures under part C of the Individuals with Disabilities Education Act (20 U.S.C. 1431 et seq.)).

(g) PROHIBITIONS ON USE OF FUNDS.—Funds under this title may not be used for any of the following:

(1) Assessments that provide rewards or sanctions for individual children or teachers.

(2) A single assessment used as the primary or sole method for assessing program effectiveness.

(3) Evaluating children other than for—

(A) improving instruction or classroom environment;

(B) targeting professional development;

(C) determining the need for health, mental health, disability, or family support services;

(D) informing the quality improvement process at the State level;

(E) program evaluation for the purposes of program improvement and parent information; or

(F) research conducted as part of the national evaluation required by section 405(2).

(h) FEDERAL ADMINISTRATION.—

(1) IN GENERAL.—With respect to this title, the Secretary shall bear responsibility for obligating and disbursing funds and ensuring compliance with applicable laws and administrative requirements, subject to paragraph (2).

(2) INTERAGENCY AGREEMENT.—The Secretary of Education and the Secretary of Health and Human Services shall jointly administer this title on such terms as such secretaries shall set forth in an interagency agreement.

SEC. 403. QUALITY PATHWAYS GRANTS.

(a) GRANT PERIOD.—Grants under section 402(a)—

(1) may be awarded for a period not to exceed 5 years; and

(2) may be renewed, subject to approval by the Secretary, and based on the State's progress in—

(A) increasing the percentage of disadvantaged children in each age group (infants, toddlers, and preschoolers) who participate in high-quality early learning programs;

(B) increasing the number of high-quality early learning programs in low-income communities;

(C) implementing an early learning system that includes the components described in subsection (c)(3); and

(D) incorporating the findings and recommendations reported by the commission established under section 405(1) into the State system of early learning.

(b) MATCHING REQUIREMENT.—

(1) IN GENERAL.—Subject to subsection (g), to be eligible to receive a grant under section 402(a), a State shall contribute to the activities assisted under the grant non-Federal matching funds in an amount equal to not less than the applicable percent of the amount of the grant.

(2) APPLICABLE PERCENT.—For purposes of paragraph (1), the applicable percent means—

(A) 10 percent in the first fiscal year of the grant;

(B) 10 percent in the second fiscal year of the grant;

(C) 15 percent in the third fiscal year of the grant; and

(D) 20 percent in the fourth fiscal year of the grant and subsequent fiscal years.

(3) NON-FEDERAL FUNDS.—A State may use the following to satisfy the requirement of paragraph (1):

(A) Cash.

(B) In-kind contributions for the acquisition, construction, or improvement of early learning program facilities serving disadvantaged children.

(C) Technical assistance related to subparagraph (B).

(4) PRIVATE CONTRIBUTIONS.—Private contributions made as part of public-private partnerships to increase the number of low-income children in high-quality early learning programs in a State may be used by the State to satisfy the requirement of paragraph (1).

(5) FINANCIAL HARDSHIP WAIVER.—The Secretary may waive or reduce the non-Federal share of a State that has submitted an application for a grant under section 402(a) if the State demonstrates a need for such waiver or reduction due to extreme financial hardship, as defined by the Secretary by regulation.

(c) STATE APPLICATIONS.—In order to be considered for a grant under section 402(a), a State's application under section 402(d) shall include the following:

(1) A description of how the State will use the grant to implement quality initiatives to improve early learning programs serving disadvantaged children from birth to age 5 to lead to a greater percentage of such children participating in higher quality early learning programs.

(2) A description of the goals and benchmarks the State will establish to lead to a greater percentage of disadvantaged children participating in higher quality early learning programs to improve school readiness outcomes, including an established baseline of the number of disadvantaged children in high-quality early learning programs.

(3) A description of how the State will implement a governance structure and a system of early learning programs and services that includes the following components:

(A) Not later than 12 months after receiving notice of an award of the grant, complete State early learning and development standards that include social and emotional, cognitive, and physical development domains, and approaches to learning that are developmentally appropriate (including culturally and linguistically appropriate) for all children.

(B) A process to ensure that State early learning and development standards are integrated into the instructional and programmatic practices of early learning programs and services, including services provided to children under section 619 and part C of the Individuals with Disabilities Education Act (20 U.S.C. 1419, 1431 et seq.).

(C) A program rating system that builds on licensing requirements, as appropriate, and other State regulatory standards and that—

(i) is designed to improve quality and effectiveness across different types of early learning settings;

(ii) integrates evidence-based program quality standards that reflect standard levels of quality and has progressively higher levels of program quality;

(iii) integrates the State's early learning and development standards for the purpose of improving instructional and programmatic practices;

(iv) addresses quality and effective inclusion of children with disabilities or developmental delays across different types of early learning settings;

(v) addresses staff qualifications and professional development;

(vi) provides financial incentives and other supports to help programs meet and sustain higher levels of quality;

(vii) includes mechanisms for evaluating how programs are meeting those standards and progressively higher levels of quality; and

(viii) includes a mechanism for public awareness and understanding of the program rating system, including rating levels of individual programs.

(D) A system of program review and monitoring that is designed to rate providers using the system described in subparagraph (C) and to assess and improve programmatic practices, instructional practices, and classroom environment.

(E) A process to support early learning programs integrating instructional and programmatic practices that—

(i) include developmentally appropriate (including culturally and linguistically appropriate), ongoing, classroom-based instructional assessments for each domain of child development and learning (including social and emotional, cognitive, and physical development domains and approaches to learning) to guide and improve instructional practice, professional development of staff, and services; and

(ii) are aligned with the curricula used in the early learning program and with the State early learning and development standards or the Head Start Child Outcomes Framework (as described in the Head Start Act), as applicable.

(F) Minimum preservice early childhood development and education training requirements for providers in early learning programs.

(G) A comprehensive plan for supporting the professional preparation and the ongoing professional development of an effective, well-compensated early learning workforce, which plan includes training and education that is sustained, intensive, and classroom-focused and leads toward a credential or degree and is tied to improved compensation.

(H) An outreach strategy to promote understanding by parents and families of—

(i) how to support their child's early development and learning;

(ii) the State's program rating system, as described in subparagraph (C); and

(iii) the rating of the program in which their child is enrolled.

(I) A coordinated system to facilitate screening, referral, and provision of services related to health, mental health, disability, and family support for children participating in early learning programs.

(J) A process for evaluating school readiness in children that reflects all of the major domains of development, and that is used to guide practice and improve early learning programs.

(K) A coordinated data infrastructure that facilitates—

(i) uniform data collection about the quality of early learning programs, essential information about the children and families that participate in such programs, and the qualifications and compensation of the early learning workforce in such programs; and

(ii) alignment and interoperability between the data system for early learning programs for children and data systems for elementary and secondary education.

(4) A description of how the funds provided under the grant will be targeted to prioritize increasing the number and percentage of low-income children in high-quality early learning programs, including children—

(A) in each age group (infants, toddlers, and preschoolers);

(B) with developmental delays and disabilities;

(C) with limited English proficiency; and

(D) living in rural areas.

(5) An assurance that the grant will be used to improve the quality of early learning programs across a range of types of settings and providers of such programs.

(6) A description of the steps the State will take to make progress toward including all center-based child care programs, family child care programs, State-funded prekindergarten, Head Start programs, and other early learning programs, such as those funded under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) or receiving funds under section 619 or part C of the Individuals with Disabilities Education Act (20 U.S.C. 1419, 1431 et seq.) in the State program rating system described in paragraph (3)(C).

(7) An assurance that the State, not later than 18 months after receiving notice of an award of the grant, will conduct an analysis of the alignment of the State's early learning and development standards with—

(A) appropriate academic content standards for grades kindergarten through 3; and

(B) elements of program quality standards for early learning programs.

(8) An assurance that the grant will be used only to supplement, and not to supplant, Federal, State, and local funds otherwise available to support existing early learning programs and services.

(9) A description of any disparity by age group (infants, toddlers, and preschoolers) of available high-quality early learning programs in low-income communities and the steps the State will take to decrease such disparity, if applicable.

(10) A description of how the State early learning and development standards will address the needs of children with limited English proficiency, including by incorporating benchmarks related to English language development.

(11) A description of how the State's professional development plan will prepare the early learning workforce to support the early learning needs of children with limited English proficiency.

(12) A description of how the State will improve interagency collaboration and coordinate the purposes of this title with the activities funded under—

(A) section 658G of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858e);

(B) section 619 and part C of the Individuals with Disabilities Education Act (20 U.S.C. 1419, 1431 et seq.);

(C) title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.);

(D) State-funded pre-kindergarten programs (where applicable);

(E) Head Start programs; and

(F) other early childhood programs and services.

(13) A description of how the State's early learning policies, including child care policies, facilitate access to high-quality early learning programs for children from low-income families.

(14) An assurance that the State will continue to participate in part C of the Individuals with Disabilities Education Act (20 U.S.C. 1431 et seq.) for the duration of the grant.

(d) CRITERIA USED IN AWARDING GRANTS.—In awarding grants under section 402(a), the Secretary shall evaluate the applications, and award grants under such section on a competitive basis, based on—

(1) the quality of the application submitted pursuant to section 402(d);

(2) the priority factors described in section 402(e);

(3) evidence of significant progress in establishing a system of early learning for children that includes the components described in subsection (c)(3); and

(4) the State's capacity to fully complete implementation of such a system.

(e) CRITERION USED IN DETERMINING AMOUNT OF AWARD.—In determining the amount to award a State under section 402(a), the Secretary shall take into account—

(1) the proportion of children under age 5 from low-income families in the State relative to such proportion in other States; and

(2) the State plan and capacity to implement the criteria described in paragraphs (3) and (4) of subsection (d).

(f) STATE USES OF FUNDS.—

(1) IN GENERAL.—A State receiving a grant under section 402(a) shall use the grant as follows:

(A) Not less than 65 percent of the grant amount shall be used for two or more of the following activities to improve the quality of early learning programs serving disadvantaged children:

(i) Initiatives that improve the credentials of early learning providers and are tied to increased compensation.

(ii) Initiatives that help early learning programs meet and sustain higher program quality standards, such as—

(I) improving the ratio of early learning provider to children in early learning settings;

(II) reducing group size;

(III) improving the qualifications of early learning providers; and

(IV) supporting effective education and training for early learning providers.

(iii) Implementing classroom observation assessments and data-driven decisions (which may include implementation of a research-based prevention and intervention framework designed to build social competence and prevent challenging behaviors) tied to activities that im-

prove instructional practices, programmatic practices, or classroom environment and promote school readiness.

(iv) Providing financial incentives to early learning programs—

(I) for undertaking quality improvements that promote healthy development and school readiness; and

(II) maintaining quality improvements that promote healthy development and school readiness.

(v) Integrating State early learning and development standards into instructional and programmatic practices in early learning programs.

(vi) Providing high-quality, sustained, intensive, and classroom-focused professional development that improves the knowledge and skills of early learning providers, including professional development related to meeting the needs of diverse populations.

(vii) Building the capacity of early learning programs and communities to promote the understanding of parents and families of the State's early learning system and the rating of the program in which their child is enrolled and to encourage the active involvement and engagement of parents and families in the learning and development of their children.

(viii) Building the capacity of early learning programs and communities to facilitate screening, referral, and provision of services related to health, mental health, disability, and family support for children participating in early learning programs.

(ix) Other innovative activities, proposed by the State and approved in advance by the Secretary that are—

(I) based on successful practices;

(II) designed to improve the quality of early learning programs and services; and

(III) advance the system components described in subsection (c)(3).

(B) The remainder of the grant amount may be used for one or more of the following:

(i) Implementation or enhancement of the State's data system described in subsection (c)(3)(K), including interoperability across agencies serving children, and unique child and program identifiers.

(ii) Enhancement of the State's oversight system for early learning programs, including the implementation of a program rating system.

(iii) The development and implementation of measures of school readiness of children that reflect all of the major domains of child development and that inform the quality improvement process.

(2) PRIORITY.—A State receiving a grant under section 402(a) shall use the grant so as to prioritize improving the quality of early learning programs serving children from low-income families.

(g) SPECIAL RULE.—

(1) IN GENERAL.—Beginning with the second fiscal year of a grant under section 402(a), a State with respect to which the Secretary certifies that the State has made sufficient progress in implementing the requirements of the grant may apply to the Secretary to reserve up to 25 percent of the amount of the grant to expand access for children from low-income families to the highest quality early learning programs that offer full-day services, except that the State must agree to contribute for such purpose non-Federal matching funds in an amount equal to not less than 20 percent of the amount reserved under this subsection. One-half of such non-Federal matching funds may be provided by a private entity.

(2) NON-FEDERAL FUNDS.—A State may use the following to satisfy the matching requirement of paragraph (1):

(A) Cash.

(B) In-kind contributions for the acquisition, construction, or improvement of early learning program facilities serving disadvantaged children.

(C) Technical assistance related to subparagraph (B).

(3) FINANCIAL HARDSHIP WAIVER.—The Secretary may waive or reduce the non-Federal share of a State under paragraph (1) if the State demonstrates a need for such waiver or reduction due to extreme financial hardship, as defined by the Secretary by regulation.

(h) IMPROVEMENT PLAN.—If the Secretary determines that a State receiving a grant under section 402(a) is encountering barriers to reaching goals described in subsection (c)(2), the State shall develop a plan for improvement in consultation with, and subject to approval by, the Secretary.

SEC. 404. DEVELOPMENT GRANTS.

(a) GRANT PERIOD.—Grants under section 402(b) may be awarded for a period not to exceed 3 years, and may not be renewed.

(b) STATE USES OF FUNDS.—

(1) IN GENERAL.—A State receiving a grant under section 402(b) shall use the grant to undertake activities to develop the early learning system components described in section 403(c)(3) and that will allow a State to become eligible and competitive for a grant described in section 402(a).

(2) PRIORITY.—A State receiving a grant under section 402(b) shall use the grant so as to prioritize improving the quality of early learning programs serving low-income children.

(c) MATCHING REQUIREMENT.—

(1) IN GENERAL.—To be eligible to receive a grant under section 402(b), a State shall contribute to the activities assisted under the grant non-Federal matching funds in an amount equal to not less than the applicable percent of the amount of the grant.

(2) APPLICABLE PERCENT.—For purposes of paragraph (1), the applicable percent means—

(A) 20 percent in the first fiscal year of the grant;

(B) 25 percent in the second fiscal year of the grant; and

(C) 30 percent in the third fiscal year of the grant.

(3) NON-FEDERAL FUNDS.—A State may use the following to satisfy the requirement of paragraph (1):

(A) Cash.

(B) In-kind contributions for the acquisition, construction, or improvement of early learning program facilities serving disadvantaged children.

(C) Technical assistance related to subparagraph (B).

(4) PRIVATE CONTRIBUTIONS.—Private contributions made as part of public-private partnerships to increase the number of low-income children in high-quality early learning programs in a State may be used by the State to satisfy the requirement of paragraph (1).

(5) FINANCIAL HARDSHIP WAIVER.—The Secretary may waive or reduce the non-Federal share of a State that has submitted an application for a grant under section 402(b) if the State demonstrates a need for such waiver or reduction due to extreme financial hardship, as defined by the Secretary by regulation.

SEC. 405. RESEARCH AND EVALUATION.

From funds reserved under section 402(c)(1), the Secretary of Education and the Secretary of Health and Human Services, acting jointly, shall carry out the following activities:

(1) Establishing a national commission whose duties shall include—

(A) reviewing the status of State and Federal early learning program quality standards and early learning and development standards;

(B) recommending benchmarks for program quality standards and early learning and development standards, including taking into consideration the school readiness needs of children with limited English proficiency; and

(C) reporting to the Secretaries of Education and Health and Human Services not later than 2 years after the date of the enactment of this Act on the commission's findings and recommendations.

(2) Conducting a national evaluation of the grants made under this title through the Institute of Education Science in collaboration with the appropriate research divisions within the Department of Health and Human Services.

(3) Supporting a research collaborative among the Institute of Education Sciences, the National Institute of Child Health and Human Development, the Office of Planning, Research, and Evaluation within the Administration for Children and Families in the Department of Health and Human Services, and, as appropriate, other Federal entities to support research on early learning that can inform improved State and other standards and licensing requirements and improved child outcomes, which collaborative shall—

(A) biennially prepare and publish for public comment a detailed research plan;

(B) support early learning research activities that could include determining—

(i) the characteristics of early learning programs that produce positive developmental outcomes for children;

(ii) the effects of program quality standards on child outcomes;

(iii) the relationships between specific interventions and types of child and family outcomes;

(iv) the effectiveness of early learning provider training in raising program quality and improving child outcomes;

(v) the effectiveness of professional development strategies in raising program quality and improving child outcomes; and

(vi) how to improve the school readiness outcomes of children with limited English proficiency, special needs, and homeless children, including evaluation of professional development programs for working with such children; and

(C) disseminate relevant research findings and best practices.

(4) Evaluating barriers to improving the quality of early learning programs serving low-income children, including evaluating barriers to successful interagency collaboration and coordination, by conducting a review of the statewide strategic reports developed by the State Advisory Councils on Early Care and Education and other relevant reports, reporting the findings of such review to Congress, and disseminating relevant research findings and best practices.

SEC. 406. REPORTING REQUIREMENTS.

(a) REPORTS TO CONGRESS.—For each year in which funding is provided under this title, the Secretary shall submit an annual report to the Committee on Education and Labor of the House of Representatives and the Committee on Health, Education, Labor and Pensions of the Senate on the activities carried out under this title, including, at a minimum, information on the following:

(1) The activities undertaken by States to increase the availability of high-quality early learning programs.

(2) The number of children in high-quality early learning programs, and the change from the prior year, disaggregated by State, age, and race.

(3) The number of early learning providers enrolled, with assistance from funds under this title, in a program to obtain a credential or degree in early childhood education and the settings in which such providers work.

(4) A summary of State progress in implementing a system of early learning with the components described in section 403(c)(3).

(5) A summary of the research activities being conducted under section 405 and the findings of such research.

(b) REPORTS TO SECRETARY.—Each State that receives a grant under this title shall submit to the Secretary an annual report that includes, at a minimum, information on the activities carried out by the State under this title, including the following:

(1) The progress on fully implementing and integrating into a system of early learning each of the components described in section 403(c)(3).

(2) The State's progress in meeting its goals for increasing the number of disadvantaged children participating in high-quality early learning programs, disaggregated by child age.

(3) The number and percentage of disadvantaged children participating in early learning programs at each level of quality, disaggregated by race, family income, child age, disability, and limited English proficiency status.

(4) The number of providers participating in the State quality rating system, disaggregated by setting, rating, and the number of high-quality providers available in low-income communities.

(5) Information on how the funds provided under this title were used to increase the availability of high-quality early learning programs for each age group, disaggregated by race and limited English proficient status, to the maximum extent practicable.

(6) Information on professional development and training expenditures, including—

(A) the number of early learning providers engaged in such activities; and

(B) the number of early learning providers enrolled in programs to obtain a credential or degree in early childhood education, disaggregated by the type of credential and degree.

(7) The change in the number and percentage of early learning providers with appropriate credentials or degrees in early childhood education, including the change in compensation given to such providers, in comparison to the prior fiscal year, disaggregated by early learning setting and the type of credential or degree.

(8) In the case of a State receiving a grant under section 402(a), the percentage of children receiving assistance under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) who participate in the highest quality early learning programs, disaggregated by program setting and child age.

(9) Barriers to expanding access to high-quality early learning programs for disadvantaged children.

SEC. 407. CONSTRUCTION.

Nothing in this title—

(1) shall be construed to require a child to participate in an early learning program; or

(2) shall be used to deny entry to kindergarten for any individual if the individual is legally eligible, as defined by State or local law.

SEC. 408. DEFINITIONS.

For purposes of this title:

(1) CHILD.—The term "child" refers to an individual from birth through the day the individual enters kindergarten.

(2) DISADVANTAGED.—The term "disadvantaged", when used with respect to a child, means a child whose family income is described in section 658P(4)(B) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n(4)(B)).

(3) INDIAN TRIBE.—The term "Indian tribe" has the meaning given such term in section 637 of the Head Start Act (42 U.S.C. 9832).

(4) LIMITED ENGLISH PROFICIENT.—The term "limited English proficient" has the meaning given such term in section 637 of the Head Start Act (42 U.S.C. 9832).

(5) SECRETARY.—The term "Secretary" means the Secretary of Education.

(6) STATE.—The term "State" has the meaning given such term in section 9101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801).

SEC. 409. AVAILABILITY OF FUNDS.

There are authorized to be appropriated, and there are appropriated, to carry out this title (in addition to any other amounts appropriated to carry out this title and out of any money in the Treasury not otherwise appropriated) $1,000,000,000 for each of fiscal years 2010 through 2017.

TITLE V—AMERICAN GRADUATION INITIATIVE

SEC. 501. AUTHORIZATION AND APPROPRIATION.

(a) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, to carry out this title (in addition to any other amounts appropriated to carry out this title and out of any money in the Treasury not otherwise appropriated), $730,000,000 for each of the fiscal years 2010 through 2013, and $680,000,000 for each of the fiscal years 2014 through 2019.

(b) ALLOCATIONS.—Of the amount appropriated under subsection (a)—

(1) $630,000,000 shall be made available for each of the fiscal years 2010 through 2013 to carry out section 503;

(2) $630,000,000 shall be made available for each of the fiscal years 2014 through 2019 to carry out section 504;

(3) $50,000,000 shall be made available for each of the fiscal years 2010 through 2019 to carry out subsection (a) of section 505; and

(4) $50,000,000 shall be made available for each of the fiscal years 2010 through 2013 to carry out subsections (b) and (c) of section 505.

(c) RESPONSIBILITY.—

(1) IN GENERAL.—With respect to sections 503 and 504, the Secretary of Education shall bear the responsibility for obligating and disbursing funds under such sections and ensuring compliance with applicable law and administrative requirements, subject to paragraph (2).

(2) INTERAGENCY AGREEMENT.—The Secretary of Education and the Secretary of Labor shall jointly administer sections 503 and 504 on such terms as such Secretaries shall set forth in an interagency agreement.

SEC. 502. DEFINITIONS; GRANT PRIORITY.

(a) DEFINITIONS.—In this title:

(1) AREA CAREER AND TECHNICAL EDUCATION SCHOOL.—The term "area career and technical education school" has the meaning given such term in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302).

(2) COMMUNITY COLLEGE.—The term "community college" means a public institution of higher education at which the highest degree that is predominantly awarded to students is an associate's degree.

(3) ELIGIBLE ENTITY.—The term "eligible entity" means—

(A) a community college or community college district;
(B) an area career and technical education school;
(C) a public four-year institution of higher education that—
(i) offers two-year degrees;
(ii) will use funds provided under this section for activities at the certificate and associate degree levels; and
(iii) is not reasonably close, as determined by the Secretary, to a community college;
(D) a public four-year institution of higher education that is in partnership with an eligible entity described in subparagraph (A), (B), or (C);
(E) a State that—
(i) is in compliance with section 137 of the Higher Education Act of 1965 (20 U.S.C. 1015f);
(ii) has an articulation agreement pursuant to section 486A of such Act (20 U.S.C. 1093a); and
(iii) is in partnership with an eligible entity described in subparagraph (A), (B), (C), or (D); or
(F) a consortium of at least 2 entities described in subparagraphs (A) through (E).

(4) INDUSTRY OR SECTOR PARTNERSHIP.—The term "industry or sector partnership" has the meaning given such term in section 782(f) of the Higher Education Act of 1965.

(5) INSTITUTION OF HIGHER EDUCATION.—The term "institution of higher education" has the meaning given such term in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001).

(6) PHILANTHROPIC ORGANIZATION.—The term "philanthropic organization" has the meaning given such term in section 781(i) of the Higher Education Act of 1965 (20 U.S.C. 1141(i)).

(7) SECRETARY.—The term "Secretary" means the Secretary of Education.

(8) STATE.—The term "State" has the meaning given such term in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003).

(9) STATE PUBLIC EMPLOYMENT SERVICE.—The term "State public employment service" refers to a State public employment service established under the Wagner-Peyser Act (29 U.S.C. 49 et seq.).

(10) STATE WORKFORCE INVESTMENT BOARD; LOCAL WORKFORCE INVESTMENT BOARD.—The terms "State workforce investment board" and "local workforce investment board" refer to a State workforce investment board established under section 111 of the Workforce Investment Act (29 U.S.C. 2821) and a local workforce investment board established under section 117 of such Act (29 U.S.C. 2832), respectively.

(11) SUPPORTIVE SERVICES.—The term "supportive services" has the meaning given such term in section 101(46) of the Workforce Investment Act of 1998 (29 U.S.C. 2801(46)).

(b) GRANT PRIORITY.—In addition to any grant priorities established under any other provision of this title, the Secretary, in awarding grants under this title, shall give priority to applications focused on serving low-income, nontraditional students who do not have a bachelor's degree, and who have one or more of the following characteristics:

(1) Are the first generation in their family to attend college.
(2) Have delayed enrollment in college.
(3) Have dependents.
(4) Are independent students.
(5) Work at least 25 hours per week.
(6) Are out-of-school youth without a high school diploma.

SEC. 503. GRANTS TO ELIGIBLE ENTITIES FOR COMMUNITY COLLEGE REFORM.

(a) PROGRAM AUTHORIZATION.—

(1) GRANTS AUTHORIZED.—

(A) IN GENERAL.—Subject to paragraph (2), from the amount appropriated to carry out this section, the Secretary, in coordination with the Secretary of Labor, shall award grants to eligible entities, on a competitive basis, to establish and support programs described in subparagraph (B) at eligible entities described in subparagraphs (A) through (D) of section 502(a)(3).

(B) PROGRAMS.—The programs to be established and supported with grants under subparagraph (A) (and carried out through activities described in subsection (f)) shall be programs—

(i) that are—
(I) innovative programs; or

(II) programs of demonstrated effectiveness, based on the evaluations of similar programs funded by the Department of Education or the Department of Labor, or other research of similar programs; and

(ii) that lead to the completion of a postsecondary degree, certificate, or industry-recognized credential leading to a skilled occupation in a high-demand industry.

(2) LIMITATION.—For each fiscal year for which funds are appropriated to carry out this section, the aggregate amount of the grants awarded to eligible entities that are States, or consortia that include a State, shall be not more than 50 percent of the total amount appropriated under section 501(b)(1) for such fiscal year.

(3) PROHIBITION.—The Secretary shall not award a grant to an eligible entity for the same activities that are being supported by other Federal funds.

(b) GRANT DURATION AND AMOUNT.—

(1) DURATION.—A grant under this section shall be awarded to an eligible entity for a 4-year period, except that if the Secretary determines that the eligible entity has not made demonstrable progress in achieving the benchmarks developed pursuant to subsection (g) by the end of the third year of such grant period, no further grant funds shall be made available to the entity after the date of such determination.

(2) AMOUNT.—The minimum amount of a total grant award under this section over the 4-year period of the award shall be $750,000.

(c) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to eligible entities that—

(1) enter into partnerships with—

(A) philanthropic or research organizations with expertise in meeting the goals of this section;

(B) businesses or industry or sector partnerships that—

(i) design and implement programs described in subsection (a)(1)(B);

(ii) pay a portion of the costs of such programs; and

(iii) agree to collaborate with one or more eligible entities to hire individuals who have completed a particular postsecondary degree, certificate, or credential program; or

(C) labor organizations that provide technical expertise for occupationally specific education necessary for an industry-recognized credential leading to a skilled occupation in a high-demand industry; or

(2) are institutions of higher education eligible for assistance under title III or V of the Higher Education Act of 1965, or consortia that include such an institution.

(d) FEDERAL AND NON-FEDERAL SHARE; SUPPLEMENT, NOT SUPPLANT.—

(1) FEDERAL SHARE.—The amount of the Federal share under this section for a fiscal year shall be not greater than ½ of the costs of the programs, services, and policies described in subsection (f) that are carried out under the grant.

(2) NON-FEDERAL SHARE.—

(A) IN GENERAL.—The amount of the non-Federal share under this section for a fiscal year shall be not less than ½ of the costs of the programs, services, and policies described in subsection (f) that are carried out under the grant. The non-Federal share may be in cash or in kind, and may be provided from State resources, local resources, contributions from private organizations, or a combination thereof.

(B) FINANCIAL HARDSHIP WAIVER.—The Secretary may waive or reduce the non-Federal share of an eligible entity that has submitted an application under this section if the entity demonstrates a need for such waiver or reduction due to extreme financial hardship, as defined by the Secretary by regulation.

(3) SUPPLEMENT, NOT SUPPLANT.—The Federal and non-Federal shares required by this section shall be used to supplement, and not supplant, State and private resources that would otherwise be expended to establish and support programs described in subsection (a)(1)(B) at eligible entities.

(e) APPLICATION.—An eligible entity seeking to receive a grant under this section shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require. Such application shall describe the programs under subsection (a)(1)(B) that the eligible entity will carry out using the grant funds, (including the programs, services, and policies under subsection (f)), including—

(1) the goals of such programs, services, and policies;

(2) how the eligible entity will allocate grant funds for such programs, services, and policies;

(3) how such programs, services, and policies, and the resources of the eligible entity, will enable the eligible entity to meet the benchmarks developed pursuant to subsection (g), and how the eligible entity will track and report the entity's progress in reaching such benchmarks;

(4) how the eligible entity will use such programs, services, and policies to establish quantifiable targets for improving graduation rates and employment-related outcomes;

(5) how the eligible entity will serve high-need populations through such programs, services, and policies;

(6) how the eligible entity will partner with industry or sector partnerships in the State, the State public employment service, and State or local workforce investment boards in carrying out such programs, services, and policies;

(7) an assurance that the eligible entity will share information with the Learning and Earning Research Center established under section 505(b), once such Center is established;

(8) an assurance that the eligible entity will participate in the evaluation of such programs, services, and policies under subsection (i); and

(9) the potential for such programs, services, and policies to be replicated at other institutions of higher education.

(f) USES OF FUNDS.—An eligible entity receiving a grant under this section shall use the grant funds to carry out the programs described in subsection (a)(1)(B), which shall include at least 2 of the following activities:

(1) Developing and implementing policies and programs to expand opportunities for students at eligible entities described in subparagraphs (A) through (D) of section 502(a)(3) to earn bachelor's degrees by—

(A) facilitating the transfer of academic credits between institutions of higher education, including the transfer of academic credits for courses in the same field of study; and

(B) expanding articulation agreements and guaranteed transfer agreements between such institutions, including through common course numbering and general core curriculum.

(2) Expanding, enhancing, or creating academic programs or training programs, which shall be carried out with industry or sector partnerships or in partnership with employers and may include other relevant partners, that provide relevant job-skill training (including apprenticeships and worksite learning and training opportunities) for skilled occupations in high-demand industries.

(3) Providing student support services, including—

(A) intensive career and academic advising;

(B) labor market information and job counseling; and

(C) transitional job support, supportive services, or assistance in connecting students with community resources.

(4) Creating workforce programs that provide a sequence of education and occupational training that leads to industry-recognized credentials, including programs that—

(A) blend basic skills and occupational training that lead to industry-recognized credentials;

(B) integrate developmental education curricula and instruction with for-credit coursework toward degree or certificate pathways; or

(C) advance individuals on a career path toward high-wage occupations in high-demand industries.

(5) Building or enhancing linkages, including the development of dual enrollment programs and early college high schools, between—

(A) secondary education or adult education programs (including programs established under the Carl D. Perkins Career and Technical Education Act of 2006 and title II of the Workforce Investment Act of 1998 (29 U.S.C. 9201 et seq.)); and

(B) eligible entities described in subparagraphs (A) through (D) of section 502(a)(3).

(6) Implementing other innovative programs, services, and policies designed to—

(A) increase postsecondary degree, certificate, and industry-recognized credential completion rates, particularly with respect to groups underrepresented in higher education, at eligible entities described in subparagraphs (A) through (D) of section 502(a)(3); and

(B) increase the provision of training for students to enter skilled occupations in high-demand industries.

(7) Improving the timeliness of the process for creating degree, certificate, and industry-recognized credential programs at eligible entities described in subparagraphs (A) through (D) of section 502(a)(3) that—

(A) reflect and respond to regional labor market developments and trends;

(B) effectively address the workforce needs of employers in the State; and

(C) are designed in consultation with such employers.

(g) BENCHMARKS.—

(1) IN GENERAL.—Each eligible entity receiving a grant under this section shall develop quantifiable benchmarks on the following indicators (where applicable), to be approved by the Secretary:

(A) Closing gaps in enrollment and completion rates for—

(i) groups underrepresented in higher education; and

(ii) groups of students enrolled at the eligible entity (or at an institution of higher education under the jurisdiction of the eligible entity, in the case of an entity that is not an institution) who have the lowest enrollment and completion rates.

(B) Addressing local and regional workforce needs.

(C) Establishing articulation agreements between two-year and four-year public institutions of higher education within a State.

(D) Improving comprehensive employment and educational outcomes for postsecondary education and training programs, including—

(i) student persistence from one academic year to the following academic year;

(ii) the number of credits students earn toward a certificate or an associate's degree;

(iii) the number of students in developmental education courses who subsequently enroll in credit bearing coursework;

(iv) transfer of general education credits between institutions of higher education, as applicable;

(v) completion of industry-recognized credentials or associate's degrees to work in skilled occupations in high-demand industries;

(vi) transfers to four-year institutions of higher education; and

(vii) job placement related to skills training or associate's degree completion.

(2) REPORT.—The eligible entity receiving such a grant shall annually measure and report to the Secretary the progress of the entity in achieving the benchmarks developed pursuant to paragraph (1).

(h) PROVISION OF TRANSFER OF CREDIT INFORMATION IN COMMUNITY COLLEGE COURSE SCHEDULES.—To the maximum extent practicable, each community college receiving a grant under this section shall include in each electronic and printed publication of the college's course schedule, in a manner of the college's choosing, for each course listed in the college's course schedule, whether such course is transferable for credit toward the completion of a 4-year baccalaureate degree at a public institution of higher education in the State in which the college is located.

(i) EVALUATION.—The Secretary shall allocate not more than two percent of the funds appropriated under section 501(b)(1) to the Institute of Education Sciences to conduct evaluations, ending not later than January 30, 2014, that—

(1) assess the effectiveness of the grant programs carried out by each eligible entity receiving such a grant in—

(A) improving postsecondary education completion rates (disaggregated by age, race, ethnicity, sex, income, and disability);

(B) improving employment-related outcomes for students served by such programs;

(C) serving high-need populations; and

(D) building or enhancing working partnerships with the State public employment service or State or local workforce investment boards; and

(2) include any other information or assessments the Secretary may require.

(j) REPORT.—The Secretary shall submit to the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Education and Labor of the House of Representatives an annual report on grants awarded under this section, including—

(1) the amount awarded to each eligible entity under this section;

(2) a description of the activities conducted by each eligible entity receiving a grant under this section; and

(3) a summary of the results of the evaluations submitted to the Secretary under subsection (i) and the progress each eligible entity made toward achieving the benchmarks developed under subsection (g).

SEC. 504. GRANTS TO ELIGIBLE STATES FOR COMMUNITY COLLEGE PROGRAMS.

(a) PROGRAM AUTHORIZATION.—From the amount appropriated to carry out this section, the Secretary, in coordination with the Secretary of Labor, shall award

grants to eligible States, on a competitive basis, to implement the systematic reform of community colleges located in the State by carrying out programs, services, and policies that demonstrated effectiveness under the evaluation described in section 503(i).

(b) ELIGIBLE STATE.—In this section, the term "eligible State" means a State that demonstrates to the Secretary in the application submitted pursuant to subsection (e) that the State—

(1) has a plan under section 782 of the Higher Education Act of 1965 to increase the State's rate of persistence in and completion of postsecondary education that takes into consideration and involves community colleges located in such State;

(2) has a statewide longitudinal data system that includes data with respect to community colleges;

(3) has an articulation agreement pursuant to section 486A of the Higher Education Act of 1965 (20 U.S.C. 1093a);

(4) is in compliance with section 137 of such Act (20 U.S.C. 1015f); and

(5) meets any other requirements the Secretary may require.

(c) GRANT DURATION; RENEWAL.—A grant awarded under this section shall be awarded to an eligible State for a 6-year period, except that if the Secretary determines that the eligible State has not made demonstrable progress in achieving the benchmarks developed pursuant to subsection (g) by the end of the third year of the grant period, no further grant funds shall be made available to the entity after the date of such determination.

(d) FEDERAL AND NON-FEDERAL SHARE; SUPPLEMENT, NOT SUPPLANT.—

(1) FEDERAL SHARE.—The amount of the Federal share under this section for a fiscal year shall be not greater than ½ of the costs of the reform described in subsection (f) that is carried out with the grant.

(2) NON-FEDERAL SHARE.—

(A) IN GENERAL.—The amount of the Non-Federal share under this section for a fiscal year shall be not less than ½ of the costs of the reform described in subsection (f) that is carried out with the grant. The non-Federal share may be in cash or in kind, and may be provided from State resources, local resources, contributions from private organizations, or a combination thereof.

(B) FINANCIAL HARDSHIP WAIVER.—The Secretary may waive or reduce the non-Federal share of an eligible State that has submitted an application under this section if the State demonstrates a need for such waiver or reduction due to extreme financial hardship, as defined by the Secretary by regulation.

(3) SUPPLEMENT, NOT SUPPLANT.—The Federal and non-Federal share required by this section shall be used to supplement, and not supplant, State and private resources that would otherwise be expended to carry out the systematic reform of community colleges in a State.

(e) APPLICATION.—An eligible State desiring to receive a grant under this section shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require. Such application shall describe the programs, service, and policies to be used by the State to achieve the systematic reform described in subsection (f), including—

(1) the goals of such programs, services, and policies;

(2) how the State will allocate grant funds to carry out such programs, services, and policies, including identifying any State or private entity that will administer such programs, services, and policies;

(3) how such programs, services, and policies will enable the State to—

(A) meet the benchmarks developed pursuant to subsection (g), and how the State will track and report the State's progress in reaching such benchmarks; and

(B) benefit students attending all community colleges within the State;

(4) how the State will use such programs, services, and policies to establish quantifiable targets for improving graduation rates and employment-related outcomes;

(5) how the State will serve high-need populations through such programs, services, and policies;

(6) how the State will partner with the State public employment service and State or local workforce investment boards in carrying out such programs, services, and policies;

(7) how the State will evaluate such programs, services, and policies, which may include participation in national evaluations; and

(8) how the State will involve community colleges and community college faculty in the planning, implementation, and evaluation of such programs, services, and policies.

(f) USES OF FUNDS.—An eligible State receiving a grant under this section shall use the grant funds to implement the systematic reform of community colleges located in the State by carrying out programs, services, and policies that the Secretary has determined to have demonstrated effectiveness based on the results of the evaluation described in section 503(i). States shall allocate not less than 90 percent of such grant funds to community colleges within the State.

(g) BENCHMARKS.—

(1) IN GENERAL.—Each eligible State receiving a grant under this section shall, in consultation with the Secretary, develop quantifiable benchmarks on the indicators identified in section 503(f)(1).

(2) PROGRESS.—An eligible State receiving such a grant shall annually measure and report to the Secretary progress in achieving the benchmarks developed pursuant to paragraph (1).

(h) REPORT.—

(1) REPORTS TO THE SECRETARY.—Each eligible State receiving a grant under this section shall annually submit to the Secretary and the Secretary of Labor a report on such grant, including—

(A) a description of the systematic reform carried out by the State using such grant; and

(B) the outcome of such reform, including the State's progress in achieving the benchmarks developed under subsection (g).

(2) REPORTS TO CONGRESS.—Not later than 6 months after the end of the grant period, the Secretary shall submit to the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Education and Labor of the House of Representatives a summary of the reports submitted under paragraph (1) with respect to such grant period.

(i) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) community colleges play an important role in preparing and training students seeking to enter the workforce;

(2) it is vital that all States have access to the resources and assistance needed to compete for grants authorized under this section; and

(3) in executing the grant program authorized under this section, the Secretary will make available any and all assistance, guidance, and support to States seeking to compete for grants authorized under this section and will work to ensure that such grants are distributed in a fair and equitable manner.

SEC. 505. NATIONAL ACTIVITIES.

(a) OPEN ONLINE EDUCATION.—From the amount appropriated to carry out this section, the Secretary is authorized to make competitive grants to, or enter into contracts with, institutions of higher education, philanthropic organizations, and other appropriate entities to develop, evaluate, and disseminate freely-available high-quality online training, high school courses, and postsecondary education courses. Entities receiving funds under this subsection shall ensure that electronic and information technology activities meet the access standards established under section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d).

(b) LEARNING AND EARNING RESEARCH CENTER.—

(1) IN GENERAL.—From the amount appropriated to carry out this section, the Director of the Institute of Education Sciences is authorized to award a grant to, or enter into a contract with, an organization with demonstrated expertise in the research and evaluation of community colleges to establish and operate the Learning and Earning Research Center (in this section referred to as the "Center").

(2) GRANT TERM.—The grant or contract awarded under this section shall be awarded for a period of not more than 4 years.

(3) BOARD.—The Center shall have an independent advisory board of 9 individuals who—

(A) are appointed by the Secretary, based on recommendations from the organization receiving the grant or contract under this section; and

(B) who have demonstrated expertise in—

(i) data collection;

(ii) data analysis; and

(iii) econometrics, postsecondary education, and workforce development research.

(4) CENTER ACTIVITIES.—The Center shall—

(A) develop—

(i) peer-reviewed metrics to help consumers make sound education and training choices, and to help students, workers, schools, businesses, researchers, and policymakers assess the effectiveness of community colleges, and courses of study at such colleges, in meeting education and employment objectives and serving groups that are underrepresented in postsecondary education;

(ii) common metrics and data elements to measure the education and employment outcomes of students attending community colleges;

(B) coordinate with the Institute of Education Sciences and States receiving a grant under subsection (c) to develop—

(i) standardized data elements, definitions, and data-sharing protocols to make it possible for data systems related to postsecondary education to be linked and interoperable, and for best practices to be shared among States;

(ii) standards and processes for facilitating sharing of data in a manner that safeguards student privacy; and

(C) develop and make widely available materials analyzing best practices and research on successful postsecondary education and training efforts;

(D) make the data and metrics developed pursuant to subparagraph (A) available to the public in a transparent, user-friendly format that is accessible to individuals with disabilities; and

(E) consult with representatives from States with respect to the activities of the Center.

(c) STATE SYSTEMS.—

(1) IN GENERAL.—From the amount appropriated to carry out this section, the Secretary is authorized to award grants to States or consortia of States to establish cooperative agreements to develop, implement, and expand interoperable statewide longitudinal data systems that—

(A) collect, maintain, disaggregate (by institution, income, race, ethnicity, sex, disability, and age), and analyze student data from community colleges, including data on the programs of study and education and employment outcomes for particular students, tracked over time; and

(B) can be linked to other data systems, as applicable, including elementary and secondary education and workforce data systems.

(2) SUPPLEMENT, NOT SUPPLANT.—Funds appropriated to carry out this subsection shall be used to supplement, and not supplant, other Federal and State resources that would otherwise be expended to carry out statewide longitudinal data systems, including funding appropriated for State Longitudinal Data Systems in the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 115).

(3) PRIVACY AND ACCESS TO DATA.—

(A) IN GENERAL.—Each State or consortia that receives a grant under this subsection or any other provision of this Act shall implement measures to—

(i) ensure that the statewide longitudinal data system under this subsection and any other data system the State or consortia is operating for the purposes of this Act meet the requirements of section 444 of the General Education Provisions Act (20 U.S.C. 1232g) (commonly known as the "Family Educational Rights and Privacy Act of 1974");

(ii) limit the use of information in any such data system by governmental agencies in the State, including State agencies, State educational authorities, local educational agencies, community colleges, and institutions of higher education, to education and workforce related activities under this Act or education and workforce related activities otherwise permitted by Federal or State law;

(iii) prohibit the disclosure of personally identifiable information except as permitted under section 444 of the General Education Provisions Act and any additional limitations set forth in State law;

(iv) keep an accurate accounting of the date, nature, and purpose of each disclosure of personally identifiable information in any such data system, a description of the information disclosed, and the name and address of the person, agency, institution, or entity to whom the disclosure is made, which accounting shall be made available on request to parents of any student whose information has been disclosed;

(v) notwithstanding section 444 of the General Education Provisions Act, require any non-governmental party obtaining personally identifiable information to sign a data use agreement prior to disclosure that—

(I) prohibits the party from further disclosing the information;

(II) prohibits the party from using the information for any purpose other than the purpose specified in the agreement; and

(III) requires the party to destroy the information when the purpose for which the disclosure was made is accomplished;

(vi) maintain adequate security measures to ensure the confidentiality and integrity of any such data system, such as protecting a student record from identification by a unique identifier;

(vii) where rights are provided to parents under this clause, provide those rights to the student instead of the parent if the student has reached the age of 18 or is enrolled in a postsecondary educational institution; and

(viii) ensure adequate enforcement of the requirements of this paragraph.

(B) USE OF UNIQUE IDENTIFIERS.—It shall be unlawful for any Federal, State, or local governmental agency to—

(i) use the unique identifiers employed in such data systems for any purpose other than as authorized by Federal or State law; or

(ii) deny any individual any right, benefit, or privilege provided by law because of such individual's refusal to disclose the individual's unique identifier.

(d) REPORT.—The Secretary shall submit to the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Education and Labor of the House of Representatives an annual report on the amounts awarded to entities receiving grants or contracts under this section, and the activities carried out by such entities under such grants and contracts.

I. PURPOSE

The purpose of H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009 is to reform the federal student loan program, provide for modernization, renovation and repair of public school facilities, enhance early learning, and strengthen community colleges.

II. COMMITTEE ACTION

110TH CONGRESS

Committee on Education and Labor Hearing: "Investing in Early Education: Paths To Improving Children's Success"

On January 23, 2008, the Committee on Education and Labor held a hearing in Washington, D.C., entitled "Investing in Early Education: Paths to Improving Children's Success." The hearing examined the need for expanding access to affordable high-quality early education opportunities through federal investments as part of improving student success in elementary school and beyond. Panelists testified to the science of early brain development and the experiences in the first five years of life that foster healthy development and academic success, the research on high quality prekindergarten, the state and local challenges to building a high quality early learning system, and the business community's interest in investing in early childhood education. The following witnesses testified before the Committee: Deborah Phillips, Ph.D., Professor of Psychology Georgetown University, Washington, D.C.; Kathleen Priestley, Early Education Coordinator for the City of Orange School District, Orange, NJ; Elisabeth Chun, Executive Director, Good Beginnings Alliance, Honolulu, Hawaii; Charles Kolb, President, Committee on Economic Development, Washington, D.C., Eric Karolak, Ph.D., Executive Director, Early Care and Education Consortium, Washington, D.C.; Ron Haskins, Ph.D., Senior Fellow, Economic Studies, Brookings Institution, Washington, D.C.

Full Committee hearing on "Modern Public School Facilities: Investing in the Future"

On Wednesday, February 13, 2008, the Committee on Education and Labor held a hearing in Washington, D.C., on "Modern Public School Facilities: Investing in the Future." The purpose of the hearing was to highlight the poor quality of public school buildings frequently found throughout the United States, particularly in low-income areas, and the importance of federal investment in public school buildings.

Introduction of the "21st Century High-Performing Public School Facilities Act"

On Thursday, July 12, 2007, Representatives Ben Chandler (D–KY), George Miller (D–CA), and Dale Kildee (D–MI) introduced H.R. 3021, the 21st Century High-Performing Public School Facilities Act, a bill to direct the Secretary of Education to make grants and low-interest loans to local educational agencies for the construction, modernization, or repair of public kindergarten, elementary, and secondary educational facilities, and for other purposes. The House of Representatives passed H.R. 3021 by a vote of 250–164 with all Democrats present and 27 Republicans voting in favor. The bill was referred to the Senate Committee on Health, Education, Labor and Pensions.

Related legislative action

On September 26, 2008, the House passed H.R. 7110, the Job Creation and Unemployment Relief Act of 2008, introduced by Representative David Obey (D-WI), Chairman of the Appropriations Committee. H.R. 7110 appropriated $3 billion for public school modernization, renovation and repair, essentially as described in Title I of H.R. 3021.

On January 28, 2009, at the beginning of the 111th Congress, the House passed H.R. 1, the American Recovery and Reinvestment Act, also introduced by Chairman Obey. H.R. 1 appropriated $14 billion for public school modernization, renovation and repair, again, essentially as described in Title I of H.R. 3021. On February 12, 2009, the House passed the Conference Report on H.R. 1, which did not include dedicated funds for public school modernization, renovation and repair. However, Title XIV of the Conference Report, the State Fiscal Stabilization Fund, included $48.6 billion for states and local educational agencies, of which public school modernization, renovation and repair (including modernization, renovation and repair that complies with a recognized green building standards) is an authorized use.

111TH CONGRESS

Committee on Education and Labor Hearing: "The Importance of Early Childhood Development."

On March 17, 2009, the Committee on Education and Labor held a hearing in Washington, D.C., entitled "The Importance of Early Childhood Development." The hearing examined the well-being of young children, the needs of children and families, and state efforts to undertake comprehensive birth to age five approaches to support early learning and development. Panelists testified regarding the

high-cost of quality early education and that often the children who would benefit from these high-quality early childhood opportunities are the least likely to access such services. Panelists underscored state and local resources challenges to building high quality early learning systems, emphasizing the proven success seen in some localities when such infrastructures have been established and the important role private organizations and community interests play in the continued struggle to provide high-quality early childhood opportunities. The following witnesses testified before the Committee: Harriet Meyer, President, Ounce of Prevention Fund, Chicago, IL; Jessie Rasmussen, Vice President, Buffett Early Childhood Fund, Omaha, NE; James Redmon, Executive Director, Kansas Children's Cabinet and Trust Fund, Topeka, KS; Holly Robinson, Ph.D, Commissioner, Georgia Department of Early Care and Learning, Atlanta, GA; Don Soifer, Executive Vice President, Lexington Institute, Arlington, VA; Helene Stebbins, Project Coordinator, National Center on Children in Poverty, New York, NY.

Subcommittee on Early Childhood, Elementary, and Secondary Education hearing: "Improving Early Childhood Development Policies and Practices"

On March 19, 2009, the Subcommittee on Early Childhood, Elementary and Secondary Education held a hearing in Washington, D.C. entitled, "Improving Early Childhood Development Policies and Practices." The hearing discussed barriers families face in accessing quality early education and development programs, and state and other efforts to address such issues. The panelists discussed state and local efforts to improve birth to age five learning opportunities, such as state efforts to maintain quality control standards, efforts to reach the most at risk families and children, as well as programs to provide scholarship supports and wage supplements to improve the workforce of educators. Witnesses underscored the barriers states, local communities, and disadvantaged children and families face in developing and accessing such programs. The following witnesses testified before the Subcommittee: Harriet Dichter, Deputy Secretary, Office of Child Development and Early Learning, Harrisburg, PA; Sue Russell, President, Child Care Services Association, Chapel Hill, NC; Gina Adams, Senior Fellow, Urban Institute, Center on Labor, Human Services and Population, Washington, D.C.; Lillian Lowery, Ph.D., Secretary, Delaware Department of Education, Dover, DE.

The "21st Century Green High-Performing Public School Facilities Act"

On Thursday, April 30, 2009, Representatives Ben Chandler (D–KY), George Miller (D–CA), Dale Kildee (D–MI), and Dave Loebsack (D–IA) introduced H.R. 2187, the 21st Century Green High-Performing Public School Facilities Act. This bill, which is very similar to H.R. 3021, directs the Secretary of Education to make grants to local educational agencies for the modernization, renovation, or repair of public early learning, kindergarten, elementary, and secondary educational facilities, and for other pur-

poses.[1] On Wednesday, May 6, 2009, the Committee considered H.R. 2187 in legislative session, and reported the bill favorably, as amended, to the House of Representatives by a vote of 31–14. The House of Representatives passed H.R. 2187 by a vote of 275–155 with 24 Republicans voting in favor. The bill was referred to the Senate Committee on Health, Education, Labor and Pensions.

Full committee hearing on "The Obama Administration's Education Agenda"

On Wednesday, May 20, 2009, the Committee on Education and Labor held a hearing in Washington, D.C. on the Obama Administration's Education Agenda. Education Secretary, Arne Duncan, testified before the House Education and Labor Committee about President Obama's agenda for transforming American education. The purpose of the hearing was to highlight the President's budget proposal for early education, K–12 education, and higher education.

Full committee hearing on "Increasing Student Aid through Loan Reform"

On Thursday, May 21, 2009, the Committee on Education and Labor held a hearing entitled "Increasing Student Aid through Loan Reform." The purpose of the hearing was to discuss proposals to reform the student aid system to ensure that Federal student aid is efficient, reliable, and meaningful for our nation's students and families and to identify ways to use reform efforts to increase benefits to students, especially through increased grant aid. The following witnesses testified before the Committee: Robert Shireman, Deputy Under Secretary, U.S. Department of Education; Anna M. Griswold, Assistant Vice President for Undergraduate Education and Executive Director for Student Aid, The Pennsylvania State University; John (Jack) F. Remondi, Vice Chairman and Chief Financial Officer, Sallie Mae; Dr. Charles Reed, Chancellor, The California State University; and Rene Drouin, President and CEO, New Hampshire Higher Education Assistance Foundation (NHHEAF); Dr. Richard Vetter, Professor of Economics, Ohio University; and Christopher Chapman, President and Chief Executive Officer, Access Group.

Introduction of the Student Aid and Fiscal Responsibility Act

On Wednesday, July 15, 2009, Chairman George Miller, along with Representatives Robert E. Andrews (D–NJ), Bishop (D–NY), Courtney (D–CT), Davis (D–CA), Eshoo (D–CA), Fudge (D–OH), Grijalva (D–AZ), Hare (D–IL), Hinojosa (D–TX), Hirono (D–HI), Holt (D–NJ), Kildee (D–MI), Kucinich (D–OH), Loebsack (D–IA), Payne (D–NJ), Sablan (D–MP), Scott (D–VA), Sestak (D–PA), Shea-Porter (D–NH), Tierney (D–MA), Woolsey (D–CA), Wu (D–OR) introduced H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009, a bill to amend the Higher Education Act of 1965, and for other purposes.

[1] Other original cosponsors of the bill include: Representatives Robert E. Andrews, Joe Courtney, Raúl M. Grijalva, Phil Hare, Mazie K. Hirono, Rush Holt, Pedro R. Pierluisi, Jared Polis, Gregorio Sablan, John F. Tierney, Paul D. Tonko, Lynn C. Woolsey, and David Wu.

Full committee markup of H.R. 3221

On Tuesday, July 21, 2009, the Committee on Education and Labor considered H.R. 3221 in legislative session, and reported the bill favorably, as amended, to the House of Representatives, by a vote of 30–17. Chairman Miller offered an amendment in the nature of a substitute.

The amendment in the nature of a substitute contained minor technical changes and the following changes to H.R. 3221:

- Strikes language in section 215, from the introduced bill that would have eliminated graduate student eligibility for the Subsidized Stafford loan program;
- Strikes section 123, which amended the Social Security Allowances in the federal needs analysis formula;
- Reduces funding for K–12 modernization, renovation, and repair from $5 billion over two years to $4.1 billion over two years (for chapter 1 of subtitle III there are authorized $2,020,000,000 for each of fiscal years 2010 and 2011 and for chapter 2 of subtitle III $30,000,000 for each of fiscal years 2010 and 2011);
- Changes the variable rate for Subsidized Stafford loans from the introduced bill level of the 91-day T-bill +2.3 percent to the 91-day T-bill plus 2.5 percent;
- Encourages the Secretary of Education, in consultation with the Secretary of Labor to work with recipients of K–12 modernization, renovation, and repair funds to promote appropriate pre-apprenticeship opportunities;
- In Title IV (Early Learning Challenge Fund)
  - Changes funding from $1 billion per year for 10 years to $1 billion per year for 8 years.
  - Changes the 2% set-aside for Federal administration to a cap.
  - Changes the 3% set-aside for Federal research activities to a cap.
  - Changes Maintenance of Effort requirements from FY 2009 to FY 2006.
  - Changes state match related to expanding access from 50% to 20%.
  - Includes provisions to ensure state plans adequately address the needs of children with limited English proficiency.
  - Allows in-kind contributions for facilities development, including technical assistance, to be counted toward state match.
- In Title V (American Graduation Initiative):
  - Directs the Secretary of Education, in consultation with the Secretary of Labor, to promote opportunities for participants in pre-apprenticeship programs to gain employment experience
  - Modifies the definition of eligible institutions to only include 4-year public institutions that offer two-year degrees, use funds for associate degree and certificate level activities, and that are not located near a community college, allowing for the participation of all public 4-year institutions to participate in partnership with community colleges;

- Allows in-kind contributions for facilities development (including technical assistance) to be counted toward state match; and
- Adds a privacy provision that covers the bill, limiting the use of information in the state-wide data systems to use by governmental agencies in the state and for those education and workforce activities authorized by the bill, or otherwise permitted by federal or state law.

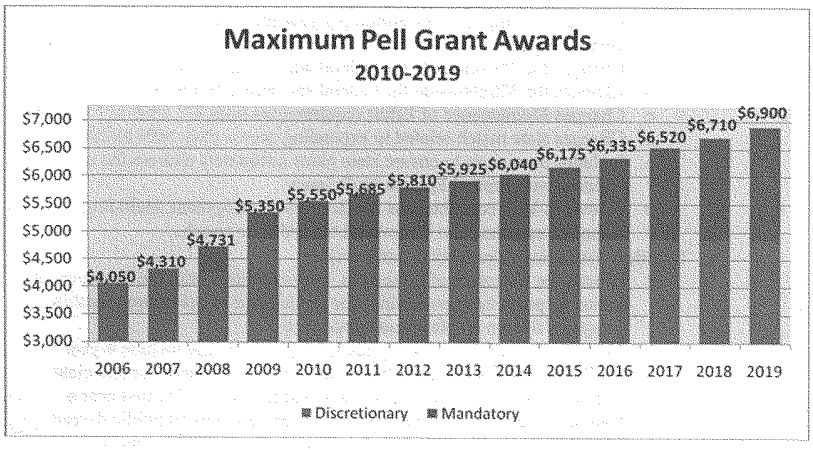
III. Summary of the Bill

PURPOSE

The purpose of H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009, is to provide for reconciliation pursuant to S. Con. Res. 13, the concurrent resolution on the budget for fiscal year 2010, to invest in students and families; increase college access and completion rates; invest in elementary and secondary school and community college modernization, renovation and repair projects; and invest early learning.

Increased funding for Pell grant scholarships

The Student Aid and Fiscal Responsibility Act of 2009 will provide mandatory funds to reach the President's goal of a maximum Pell Grant award of $5,550 in 2010. In future years, the maximum award would automatically increase by an amount equivalent to the Consumer Price Index (CPI) plus 1%. At this rate, the Pell maximum is estimated to increase to $6,900 by 2019. This legislation will build on the mandatory investment in Pell enacted as in the College Cost Reduction and Access Act of 2007 and set the maximum awards on an increasing trajectory.



Increasing College Access and Completion

In addition to increasing funding for Pell Grant scholarships, this legislation establishes the College Access & Completion Innovation Fund. The purpose of this fund is to: (a) continue college access activities that are currently funded through College Access Challenge

Grant (or Section 781 of the Higher Education Act of 1965) and from student loan proceeds to state agencies and nonprofit organizations; (b) promote state higher education planning, innovation, and systems of data and accountability; (c) support innovation through national activities to expand college access and increase degrees and certificate completion rates; and (d) conduct rigorous evaluation of the funded programs.

Additionally, the Fund will provide competitive grants to States to establish programs that increase financial literacy and encourage college completion. Funding under this program can be used to develop state-wide access and completion plans and statewide data systems. Priority will be given to States partnering with philanthropic organizations or state and non-profit guaranty agencies to carry out grant activities. Additionally, 1/3 of the state funds must be used for activities that benefit students enrolled at junior or community colleges, two-year public institutions, or two-year programs of instruction at four-year public institutions.

The Access and Completion Innovation Fund would also provide funding directly from the Secretary to institutions and organizations working toward closing gaps in attainment and completion, as well as provide the opportunity to develop two-year programs providing supplemental financial aid in a way that would improve student outcomes while not reducing other available aid. Priorities for these grants will go towards entities or consortia with proven experience in serving populations traditionally underrepresented in higher education or those that have this goal as a primary purpose, to those public institutions that do not predominantly award bachelor's degrees, and to those that include activities aimed at increasing STEM degree or certificate production. Also, the Secretary shall give priority to partnerships between institutions with high-degree production rates and those with low-degree production rates, in order to facilitate the transfer of best practices for increasing completion.

Each entity receiving a grant under this section will be required to provide an annual report assessing their measurable progress in reaching the completion goals outlined in their initial grant plan submitted to the Secretary. The Secretary may also require additional evaluation standards as he determines are necessary. Furthermore, the Director of the Institute for Education Sciences will conduct a rigorous evaluation of all projects funded under this section in order to learn from these innovation projects in a tangible way that is useful for all entities engaged in this work.

Investing in Historically Black Colleges and Universities and Minority-Serving Institutions

H.R. 3221 invests in Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), Predominately Black Institutions (PBIs), Tribal Colleges and Universities (TCUs), Alaska Native and Native Hawaiian Institutions, institutions serving Asian American and Pacific Islanders and Native American non tribal serving institutions to ensure that students attending these institutions will not only enter college, but remain and graduate.

Student financial aid form simplification

This legislation further simplifies the Free Application for Federal Student Aid (FAFSA) by reducing the number of questions that a family must answer to determine a student's financial aid eligibility. H.R. 3221 builds on the important work of the Congress in the Higher Education Opportunity Act, Pub.L. No. 110–315, by taking FAFSA simplification to the next important step: eliminating from the needs analysis the financial data not available from the applicant's tax form. The goal of FAFSA simplification is to make it possible to complete the financial aid application with nothing more than a copy of IRS Form 1040 or through importing data from the IRS. Under this legislation, the only applicants who would need to provide additional financial information are those who choose to do so to reduce their reported income in certain circumstances.

H.R. 3221 would allow the Department to replace the six current asset questions with a single "yes/no" question that most applicants will be able to answer easily. Additionally, H.R. 3221 eliminates several items that applicants are asked to add to their income, such as child support payments received, military and clergy living allowances, and untaxed disability support. The only items remaining that are not on the tax form are items that applicants are allowed to subtract from their incomes. These include combat pay, child support payments made, and scholarship aid that had been included as income on the tax form.

Stafford loan reform

This legislation will move all institutions of higher education in the country to the Direct Lending program by 2010, saving the federal government and taxpayers $87 billion dollars over the next 10 years. These savings will be used to reinvest in expanding educational opportunities for students and families and paying down the federal deficit. While the legislation directs the government to originate all student loans, it also ensures that there is a role for private industry in providing loan servicing. Moreover, it will ensure that State and local non-profit agencies, that meet quality and pricing standards, will participate in servicing through a minimum volume allocation of the loans of 100,000 borrowers. These reforms mean that student borrowers will have a reliable stream of funding to finance their college education, and can rely on quality loan servicing during repayment.

Student loan interest rates

This legislation will make interest rates on subsidized student loans for undergraduate borrowers variable with a cap of 6.8 percent, beginning in 2012. The variable interest rate will be based on the 91-day T-bill plus 2.5 percent. This change will continue Congress's investment in keeping interest rates low for needy students and families by ensuring that students and families benefit from low market interest rates and protecting them during periods of high market interest rates. At current CBO estimates for interest rates on the 91-day T-bill, the interest rate for federal subsidized Stafford loans would be 6.3 percent through 2015.

Revised special allowance calculation on existing federal loans

Under current law, the government pays private sector lenders a subsidy known as the Special Allowance Payment (SAP), which is calculated based on a lender's cost of borrowing money. The index used as a proxy for the lender's cost of money is the 90-Day Commercial Paper rate (CP), which Congress intended to serve as a market-based measure. Credit market dislocations and the Federal Reserve's intervention in the capital markets has had a significant and unintended effect on CP rates. This title provides lenders the option of having their SAP payments calculated based on the 1-Month LIBOR rate, rather than the 90-Day Commercial Paper rate. Such a change will provide lenders with greater predictability in the underlying index, as well as ensure that the index reflects a market-based rate as Congress had intended.

Perkins reform

H.R. 3221 reforms the Perkins loan program by providing participating schools an allotment of lending authority to make Perkins loans to students on their campuses. The funding for loans will be provided through the Direct Loan program, rather than through revolving loan funds at each school. This legislation maintains key features of the current Perkins program, including the discretion afforded financial aid officers in targeting Perkins loans to financially-needy students. It will greatly increase the number of campuses participating in the program and ensure that students' loans will retain the current interest rate of 5 percent. Six billion dollars in lending authority will be allocated to schools that wish to participate in the new Perkins Program: half of the funds will be allocated to institutions based on the unmet financial need among an institution's students, while the other half will be allocated to institutions based on the extent to which institutions provide low tuition or high levels of non-Federal aid, as well as on the number of Pell grant recipients that graduate from the institution. As current Perkins Loan borrowers repay their loans, schools would remit the Federal share of those payments to the Department of Education. Schools would retain their own share of the revolving funds, as well as amounts sufficient to cover the costs of the various Perkins Loan forgiveness provisions.

Modernization, renovation, and repair of elementary and secondary education public school facilities

This legislation provides $4.1 billion to elementary and secondary schools over the next two fiscal years for modernization, renovation, and repair projects that create healthier, safer, and more energy-efficient teaching and learning climates. Title III, chapter 1 of H.R. 3221 appropriates $2.02 billion for fiscal years 2010 and 2011 for school facilities. The bill ensures that school districts around the country will receive funds for much needed public school modernization, renovation, and repair projects to improve the teaching and learning climate, student and staff health, and safety, energy efficiency, and the environment. The bill directs the Secretary to reserve two percent of funds appropriated for chapter 1 for each fiscal year for assistance to the outlying areas and for payments to the Secretary of the Interior for assistance to Bureau-funded schools. The bill further directs the Secretary to reserve five per-

cent of funds appropriated for chapter 1 for each fiscal year for assistance to local educational agencies serving geographic areas with significant economic distress and those recovering from a natural disaster.

H.R. 3221 allocates to each State the same percentage of funds that the State receives under Title I, Part A of the Elementary and Secondary Education Act and allocates within States the same percentage to each school district that the school district receives under such part (except that no such school district will receive less than $5,000).

The bill allows States to reserve one percent of their chapter 1 allocation for technical assistance and to develop a plan to create an online, publicly searchable statewide database of public school facility design, condition, modernization, renovation and repair needs, usage, utilization, energy use, and carbon footprint, and create voluntary guidelines for high-performing public school buildings.

Funds under chapter 1 may be used for public school modernization, renovation, and repair, including repair to roofs, electrical, plumbing, sewage, stormwater runoff and lighting systems, heating, ventilation, and air-conditioning systems, windows, floors, ceilings, doors, including insulation and indoor air quality assessments. Funds may also be used to bring schools into compliance with fire, health, seismic and safety codes, including modernizations, renovations, and repairs that ensure that schools are prepared for emergencies. Funds may be used to comply with the Americans with Disabilities Act of 1990 and section 504 of the Rehabilitation Act of 1973. Additional uses include abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, or mildew; reduction of human exposure to lead-based hazards; reduction of classroom noise and environmental noise pollution; modernization, renovation, or repair to reduce the consumption of coal, electricity, land, natural gas, oil, or water; upgrading or installing educational technology infrastructure; modernization, renovation, or repairs of laboratory facilities, libraries, and career and technical education facilities; renewable energy generation and energy audits; other modernizations, renovations, or repairs that improve the teaching and learning climate, ensure the health and safety of students and staff, or make schools more energy efficient; or reduce class size; and required environmental remediation related to modernizations, renovations, or repairs described above.

H.R. 3221 requires that funds be used for projects that meet one of four widely recognized green standards (Leadership in Energy and Environmental Design (LEED) Green Building Rating System, Energy Star, Collaborative for High Performance Schools, or Green Globes) or an equivalent State or local standard, which must include a verifiable method to demonstrate compliance. School districts must use the green requirement for a percentage of the funds (fifty percent in 2010 and seventy-five percent in 2011) for projects that meet one of the green standards described above.

In chapter 2, the bill provides $30 million for each of fiscal years 2010 and 2011 for public schools in the Gulf region in response to damages from Hurricane Katrina or Hurricane Rita. These funds are to be used for the same purposes as chapter 1 funds, but also may be used for new construction.

The bill includes provisions to require local educational agencies to ensure that the bid process for any projects carried out through a contract ensures the maximum number of qualified bidders, including local, small, minority, women- and veteran-owned businesses, through full and open competition. Also, Davis-Bacon labor law protections apply to all funds received under this subtitle.

The bill requires school districts to report publicly on educational, energy, and environmental benefits of projects, compliance with the green requirement, and the percentage of funds used for projects at low-income, charter and rural schools. States must compile these reports and submit them to the Secretary who shall, in turn, report to the House Committee on Education and Labor and the Senate Committee on Health, Education, Labor, and Pensions.

The legislation requires the Secretary of Education, in consultation with the Secretary of Energy and Administrator of the Environmental Protection Agency, to disseminate best practices in school modernization, renovation, repair and construction of school facilities and to provide technical assistance to States and school districts concerning such best practices.

The bill encourages the Secretary of Education, in consultation with the Secretary of Labor, to promote appropriate opportunities for participants in YouthBuild, Job Corps, junior or community college degree, or pre-apprenticeship programs.

H.R. 3221 establishes the Advisory Council on Green, High-Performing Public School Facilities to advise the Secretary on the impact of green, high-performing schools on teaching and learning, health, energy costs, environmental impact, and other areas. Finally, the bill allows local educational agencies to encourage schools where modernization, renovation, or repair projects are undertaken to educate students about the project, including, as appropriate, the functioning of the project and its environmental, energy, sustainability, and other benefits.

Community college modernization and construction

This legislation will authorize the Secretary to award grants to States to leverage and provide funds for the construction of new community college facilities, and the modernization, renovation, and repair of existing community college facilities necessary to improve instruction and better meet employer needs. Federal funds may be used to reduce the financing costs of construction projects (such as through the purchase of bond insurance or buying down interest rates on loans), providing matching funds to attract private donations of funds as part of a capital fundraising campaign, or capitalizing a revolving loan fund that a state could use, in turn, to make loans to community colleges to finance new construction or modernization projects. The legislation ensures that funding is used for facilities that are primarily used for instruction, research, or student housing and requires half of the funds be used for projects that meet green building standards.

Early Learning Challenge Fund

The purpose of Title IV of H.R. 3221 is to fund competitive grants to states that will leverage standards reform and fund quality initiatives that will increase the number of disadvantaged children in high quality early learning programs and ensure more chil-

dren reach kindergarten with the skills they need to succeed in school and in life.

Funds are reserved for the joint administration of this title by the Secretary of Education and the Secretary of Health and Human Services. The Secretary of Education shall bear responsibility for obligating and disbursing funds and ensuring compliance with applicable law and administrative requirements, subject to an interagency agreement set forth by the secretaries that shall make clear the specific nature of this joint administration.

This legislation provides $1 billion in each fiscal year from 2010 through 2017 for the Early Learning Challenge Fund. Up to 2 percent is reserved for Federal administration of the Fund and up to 3 percent is reserved for the national research activities described in section 405. One-quarter of one percent is reserved for a competitive grant program for Indian tribes to develop and implement school readiness plans. Of the remainder, the Secretary shall reserve up to 65% for Quality Pathway Grants in fiscal years 2010 through 2012, and the Secretary shall reserve up to 85 percent for Quality Pathway Grants in subsequent fiscal years. The remainder shall be allocated for Development Grants. For fiscal year 2013 and subsequent fiscal years, the Secretary has discretion to reallocate funds allocated for Development Grants to Quality Pathway Grants if needed based on the number and quality of applicants. Aggregate expenditures by the State and its political subdivisions on early learning programs and services may not be less than the level of expenditures for such programs and services for fiscal year 2006.

Quality Pathways Grants

In awarding grants, the Secretary shall give priority to States that will use some or all of the funds allocated to them under the quality set-aside of the Child Care and Development Block Grant for the activities described in this Title. Priority is also provided for States that will commit to dedicating significant increases in coming years in State expenditures on early learning programs and services and to states that demonstrate efforts to build public-private partnerships that are designed to accomplish the purposes of this title.

To be considered for a Quality Pathways Grant a State must submit an application to the Secretary that includes specific criteria. Among these criteria includes a description of the goals and benchmarks, including a baseline, the State will establish to lead to a greater percentage of disadvantaged children participating in higher quality early learning programs. In addition, States must include a description of how their system of early learning programs and services will include the following key components: not later than 12 months after receiving notice of an award of a grant, early learning and development standards that are developmentally appropriate for children birth through age 5, and include social, emotional, cognitive, and psychical development, and approaches to learning; a process to ensure State early learning and development standards are integrated into the instructional and programmatic practices of early learning programs and services; a program rating system; an oversight system for the program rating system; a process to support early learning programs integrating instructional and programmatic practices that include ongoing classroom based

instructional assessments and are aligned with the curricula and early learning and development standards; a comprehensive plan for professional development of an effective and well-compensated early learning workforce; outreach strategy to parents and families; a coordinated system to facilitate screening, referral, and provision of services related to health, mental health, disability, and family support; a process for evaluating school readiness in children used to guide practice and improve programs, and a coordinated data infrastructure.

The Secretary shall evaluate applications for Quality Pathways Grants based on the quality of the application, the priority factors, evidence of significant progress in establishing a system of early learning that includes the described key components, and the State's capacity to fully implement such a system.

States awarded a Quality Pathways Grant must use at least 65 percent of the grant for two or more of the following activities in order to improve the quality of early learning programs serving disadvantaged children: initiatives that improve the credentials and compensation of early learning providers; initiatives that help early learning programs meet and sustain higher program quality standards; implementing classroom observation assessments and data-driven decisions tied to activities that improve programmatic practices; financial incentives to early learning programs for undertaking and maintaining quality improvements; integrating State early learning and development standards into instructional and programmatic practices; providing high quality, sustained, intensive, and classroom-focused professional development; building the capacity of early learning programs and communities to promote the understanding by parents and families of their children's learning and development and of the State's early learning system; building the capacity of early learning programs and communities to facilitate screening, referral, and provision of services related to health, mental health, disability, and family support; and other innovative activities approved in advance by the Secretary. The remainder of the grant may be used for one or more of the following: implementation or enhancement of the state's data system; enhancement of the state's oversight system; and development and implementation of measures of school readiness that inform the quality improvement process. States must use the grant such that they prioritize improving the quality of early learning programs serving children from low-income families.

A State awarded a Quality Pathways Grants that has made sufficient progress implementing the requirements of the grant, may apply to the Secretary to reserve up to 25 percent of the grant to directly expand access for children from low-income families to the highest quality early learning programs that offer full-day services. States must contribute a 20 percent match for these funds, one half of which may be provided by a private entity. The Secretary may waive or reduce the State match if the State demonstrates a need due to extreme financial hardship.

States awarded a Quality Pathways Grant must contribute matching funds in the amount of 10 percent in each of the first two fiscal years, 15 percent in the third fiscal year, and 20 percent in subsequent fiscal years. Private contributions made as part of a public-private partnership designed to increase the number of low-

income children in high-quality programs may be considered in meeting the state match. In addition, in-kind contributions for the acquisition, construction, or improvement of early learning program facilities serving disadvantaged children may be used to satisfy the State match. The Secretary may waive or reduce the State match if the State demonstrates a need due to extreme financial hardship.

Development Grants

To be considered for a Development Grant, a State must submit an application that designates a State-level entity for administration of the grant, coordinate proposed activities with the State Advisory Council on Early Childhood Education and Care (created under the Head Start Act), and provide other information as required by the Secretary. Grants shall be awarded on a competitive basis to States that demonstrate a commitment to establishing a system of early learning that will include the key component described in the legislation. A State may receive a Development Grant for 3 years but the grant is not renewable.

The Secretary shall give priority to States who will use some or all of the funds allocated to them under the quality set-aside of the Child Care and Development Block Grant for the activities described in this Title. Priority is also given to states that will commit to dedicating significant increases in coming years in State expenditures on early learning programs and services and to states that demonstrate efforts to build public-private partnerships that are designed to accomplish the purposes of this title. States receiving a Development Grant shall use the award to undertake activities to develop the early learning system components described in the legislation and that will allow a State to become eligible and competitive for a Quality Pathways Grant. States must use the grant such that they prioritize improving the quality of early learning programs serving children from low-income families.

States awarded a Development Grant must contribute matching funds in the amount of 20 percent in the first fiscal year, 25 percent in the second fiscal year, and 30 percent in the third. Private contributions made as part of a public-private partnership designed to increase the number of low-income children in high-quality programs may be considered in meeting the state match. In addition, in-kind contributions for the acquisition, construction, or improvement of early learning program facilities serving disadvantaged children may be used to satisfy the State match. The Secretary may waive or reduce the State match if the State demonstrates a need due to extreme financial hardship.

Research and evaluation

The Secretary of Education and the Secretary of Health and Human Services are required to carry out four research and evaluation activities: (1) establish a national commission to review early learning program quality standards and early learning and development standards and recommend benchmarks within 2 years; (2) conduct a national evaluation of the grants made under this title; (3) support a research collaborative that supports research on early learning and informs improved child outcomes; and (4) review the strategic reports of the State Advisory Councils on

Early Care and Education and report and disseminate on barriers to improving access to high quality early learning programs.

Reporting requirements

The legislation requires the Secretary to provide annual reports to the Committee on Education and Labor of the U.S. House of Representatives and the Health, Education, Labor, and Pensions Committee of the Senate regarding the activities carried out under this title. The legislation also requires States receiving grants under this Title to submit annual reports to the Secretary on the activities carried out by the State and includes a list of information that must be included in the reports.

Prohibitions and special rules

This legislation clarifies that all references to early learning programs in the Title reflect voluntary participation by a child in an early learning program. No provision may be construed to be requiring mandatory participation by a child in an early learning program. It additionally clarifies that no provision in this Title should be construed to deny entry to kindergarten for a child who is legally eligible as defined by State or local law. The legislation also includes rules regarding how funds provided under this Title may be used for assessment and evaluation.

Leading the world in graduation by 2020 through investing in community college education and workforce training

This legislation establishes the Community College Challenge Grant Program, which was recently proposed by President Obama. The legislation authorizes grants to support innovative pilot programs and policies that will increase the number of associate degree, certificate, and industry-recognized credentials, including activities that promote the transfer of credits from 2-year to 4-year institutions.

The first phase of the program will provide competitive grants to institutions and states proposing to implement comprehensive reforms within the community college system to promote job readiness, academic success and degree completion, and strengthen ties to employers. This will facilitate access to and enable success in community colleges, especially for adult learners seeking to build the skills needed to secure a good job in a high-growth sector of the economy.

The second phase of the program will look to states to draw on lessons learned from the first phase and to systematize and sustain the reforms in the community colleges in their states. In order to compete for these reform dollars, states must have an education plan to increase persistence and completion of postsecondary education as well as a statewide longitudinal data system that includes all segments of education, including community colleges.

Online courses provide flexibility important to students and workers who may juggle multiple commitments, including family and work or those who live in rural areas without access to traditional systems of higher education. This legislation provides competitive grants to develop high quality, rigorously evaluated, open web-based high school and college-level courses, which would be available for free, on an open-source basis, to students, teachers,

schools, and companies to help students gain knowledge, skills, and credentials.

H.R. 3221 provides grants to States for the development of common data systems to help students, institutions, and states make well-informed decisions to achieve their educational and employment goals.

Privacy provision

This legislation includes a privacy provision that limits the use of information in the statewide data systems to use by governmental agencies in the state and for those education and workforce activities authorized by this bill or otherwise permitted by federal or state law.

IV. COMMITTEE VIEWS

The Committee believes that H.R. 3221, The Student Aid and Fiscal Responsibility Act represents a historic investment in higher education and expands high-quality educational opportunities to all Americans. This legislation will give the Congress the opportunity to create the kind of country and the kind of future that we all envision for our children.

In his first address to Congress on February 24, 2009, President Obama set a laudable goal for this nation, by saying:

> *. . . And so tonight, I ask every American to commit to at least one year or more of higher education or career training. This can be community college or a four-year school; vocational training or an apprenticeship. But whatever the training may be, every American will need to get more than a high school diploma. And dropping out of high school is no longer an option. It's not just quitting on yourself, it's quitting on your country—and this country needs and values the talents of every American. That is why we will provide the support necessary for you to complete college and meet a new goal: by 2020, America will once again have the highest proportion of college graduates in the world.* [2]

The Committee agrees, and H.R. 3221 will help us reach this goal by making college more affordable and accessible.

The Committee believes that this legislation makes critical investments in our nation's postsecondary education students. It will invest in the Pell Grant scholarship award, simplify the FAFSA form to make it easier to apply for federal student aid, and build on the Congress' efforts to make interest rates on loans affordable. Further, the legislation will provide more students with access to low-cost Perkins loans by expanding the program to many more campuses and strengthen minority-serving institutions and programs that will help retain and graduate students.

Further, the legislation makes an unprecedented $10 billion investment in our community colleges. The Committee believes that our nation's community colleges are essential to driving economic recovery and that they provide an important low-cost option for

[2] http://www.whitehouse.gov/the__press__office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/

postsecondary education for many individuals. This legislation will address our nation's economic crisis by ensuring that there is adequate support and training to build a 21st century workforce by strengthening partnerships among community colleges, businesses and job training programs that will align community college curricula with the needs of high-wage, high-demand industries.

H.R. 3221 will also ensure that every student can learn in a safe, energy-efficient and modern environment by renovating and repairing our nation's schools—a measure that this Committee and the House have already supported.

The legislation provides important investments in our children by providing $1 billion per year to help ensure that the next generation of children can enter kindergarten with the skills they need to succeed in school. It will transform early learning programs and improve the school readiness outcomes of children by insisting upon real change in state standards and practices. And, it will support states that are ready to expect more from their early learning programs than just basic health and safety and are looking to undertake major reform and demand results. It will build an effective and well-compensated early childhood workforce, integrate key quality standards, improve instructional practices, and better support parents in the early education of their children.

The Committee believes that these important reforms should be paid for without increasing our nation's deficit. This legislation is completely paid for by making necessary changes to the federal student loan programs. The Committee strongly believes that the reforms in this legislation will result in a stronger, more reliable, and more efficient student loan system. H.R. 3221 proposes to convert all new federal student loans to the Direct Loan program starting in July 2010. Students will have access to the low-cost loans they need, in any economy. H.R. 3221 will also upgrade the customer service borrowers receive when repaying their loans. Rather than force private industry out of the system, the legislation will maintain jobs and a role for lenders and non-profits by allowing them to compete for contracts to service these loans. This simple change will save $87 billion over the next ten years.

Finally, as part of the Committee's efforts to secure a stronger future for our children and the country they will inherit, this legislation will direct $10 billion of these savings to pay down the country's deficit.

INVESTING IN STUDENTS AND FAMILIES

Significantly increasing the pell grant award

The Committee believes boosting the nation's investment in the Pell Grant program is essential to ensuring access and making college more affordable for students and families. Since its inception in 1972, the Pell Grant scholarship has opened the door to postsecondary education for millions of low- and moderate-income students. However, over the last several years, the purchasing power of the Pell Grant has declined. Today, the maximum Pell Grant covers only one third of the average price of attendance at a public four-year institution compared to more than two-thirds in 1980.

In the last three years, the Congress has renewed its commitment to the purchasing power of the Pell Grant award. Both this

Committee and the Committee on Appropriations have made significant investments in increasing the maximum award; increasing the award by 32 percent since 2006.

The Committee believes that a continued investment in the Pell program is paramount to ensuring that all students who choose to attend postsecondary education, regardless of income, are able to pursue their academic goals. This legislation builds on the recent investments by ensuring that the maximum Pell grant award continues to increase with the cost of living and setting increases in the maximum award to the Consumer Price Index plus 1 percentage point. Under this bill, the maximum award is estimated to rise from $5,350 in the 2010–2011 academic year to $6,900 in the 2019–2020 academic year.

This change will not only dramatically increase the maximum Pell award, but will put the Pell grant on a trajectory that students and families can count on. The Committee believes that Federal programs should ensure that students and families can begin to plan for college, including how to pay for college costs, years before entering into college. By indexing the maximum award to the cost of living, students and families will be able to project an estimated Pell grant award years prior to entering college- and important planning tool.

Finally, this investment will not only ensure that eligible students receive a higher grant award, but that more students will be eligible for the grant. Coupled with recent changes in the needs analysis formula passed by the Congress in the College Cost Reduction and Access Act and the Higher Education Opportunity Act, the increased award provided for in this legislation will ensure that more students will have access to postsecondary education.

Increasing postsecondary access and completion

The United States has long been a global leader in postsecondary education, but recently our advantage has slipped. According to the OECD, while the U.S. ranks 7th in terms of the percentage of 18-24 year olds enrolled in college, we rank 15th in terms of the number of certificates and degrees awarded. Further, only about half of all college students graduate within six years; for low-income students, the completion rate is closer to 25 percent. These facts are especially troubling considering the economic returns of having a college education have increased dramatically over the last 30 years. In 1973, a college graduate with no further schooling earned 46 percent more per hour than a high school graduate. In 2007, the differential was 77 percent. According to a recent report by the Council of Economic Advisors, the jobs of tomorrow will require at least some postsecondary training. The Committee believes that there is a great need to prepare, encourage, and support our nation's students in their pursuit of a higher education to ensure that they not only have the access to postsecondary education, but that they enroll in and complete their programs of study.

The Committee believes that states, institutions of higher education, non-profit philanthropic organizations, and other organizations with experience in college access and completion are critical partners in ensuring that students have access to high-quality and affordable higher education and that they succeed and complete their education. This legislation actively engages these partners by

encouraging innovative efforts at the state and local levels to ensure that President Obama's goal of greatly increasing our nation's college graduates is realized.

This legislation seeks to increase postsecondary access and success for all students, but especially for underserved populations. The Committee encourages States to focus efforts on students from groups that are underrepresented in higher education to address the inequities between groups of students and ensure that all Americans, regardless of race or income, have the opportunity to succeed. References in the legislation to "students from groups that are under-represented in postsecondary education" and "high-need populations" includes, but is not limited to, nontraditional students (as defined in the Higher Education Opportunity Act of 2008), students from groups defined as special populations under the Carl D. Perkins Career and Technical Education Act of 2006, and groups underrepresented both in postsecondary education overall and in certain degree, certificate or credential programs. All outcome reporting should be disaggregated by gender, race, ethnicity, age and special population category.

It is the intent of the Committee that the states receiving grants under the State Innovation and Completion Fund may distribute those funds to entities that work with borrowers to avoid delinquency and default, provide assistance with entrance and exit student loan counseling to borrowers and assistance to borrowers in selecting a loan repayment plan and in applying for any loan cancellation, forgiveness, deferment or forbearance to which the borrower may be eligible.

A number of states have already begun initiatives to implement new practices aimed at increasing degree and certificate production; this funding would further support such innovation, allowing states to capitalize on other funding in collaboration with federal funds. It is the intent of the Committee that states may not, however, use this funding to decrease or otherwise supplant other funding dedicated to postsecondary education.

The Committee encourages the Secretary of Education to prioritize under the Innovation in College Access and Completion National Activities program, program approaches that advance knowledge about, and adoption of, policies and practices that increase the number of students prepared to successfully pursue, enter and successfully complete postsecondary degrees or certificates as described in sections 801 and 403 of the Higher Education Act.

Continuing historic investments in Historically Black Colleges and Universities, and Hispanic-Serving Institutions, Tribal Colleges, Alaska Native and Native-Hawaiian serving institutions, Predominately Black Institutions, and Asian American and Pacific Islander serving intuitions, and Native American serving institutions

Historically Black Colleges and Universities, Hispanic-Serving Institutions, Tribal Colleges, Alaska and Hawaiian Native, Predominately Black Institutions, institutions serving Asian American and Pacific Islanders, and institutions serving Native Americans are critical to the nation's economic and social well-being. As the growth in the nation's population increasingly reflects the diversity

of the students at these institutions, the Committee believes that this mandatory funding is an investment in our future. By educating the nation's emerging majority populations, these institutions represent the vanguard of the country's potential and promise and should be appropriately supported.

This Committee first recognized the need for significant investment in these institutions with the passage of the College Cost Reduction and Access Act two years ago. This legislation continues this important investment for the next ten years; recognizing the continued critical role that these institutions have to serve.

The importance of these unique institutions is underscored by the fact that they provide postsecondary educational opportunities specifically tailored to students who traditionally have been denied access to adequately funded elementary and secondary schools, especially low-income, educationally disadvantaged students. Additionally, a high proportion of students attending these institutions are the first in their family to attend college.

FAFSA simplification

The Committee believes the current application for federal student aid is complicated and burdensome, asking students and their families to answer as many as 153 questions, many of which have little or no impact on the amount of financial aid that students receive. The length and difficulty of the application process can undermine efforts to increase college enrollment with student aid. The implications of this lengthy and difficult application process on current and potential students can be profound. One analysis by the American Council on Education found that there are 1.5 million enrolled students who are likely eligible for Pell grants (and other federal student aid) but fail to apply, due in part to the complicated aid application.

The Committee recognizes recent work by the Department of Education, the Internal Revenue Service, and others in the Administration. With the authority provided by Congress in the Higher Education and Opportunity Act, the Secretary Duncan has already announced some significant steps to improve the web-based application process for many students through improved use of skip-logic. In addition, the Education and Treasury Departments have announced that they will give those who apply during the relevant academic year to import data from their income tax filings from the IRS, further simplifying the process.

With these changes, every applicant will find the process substantially easier to navigate and complete, a small number will find their financial aid awards increased, and no one will see aid reductions The Committee encourages the Department of Education to make use of its authority to start the FAFSA process earlier, so that students can apply at the beginning of their senior year in high school. Having early, real information about financial aid can affect low income students' college plans. As it stands, students receive financial aid information after they apply to and are accepted to college, too late for many students and families to make changes to their enrollment plans. Earlier, more accurate information will help students and families plan for affordable college options, helping to reduce student debt in the long term. This strategy is only

effective if it starts no later than the fall of the senior year of high school.

STUDENT LOAN REFORM

Students and families have become increasingly reliant on the federal student loan programs to help finance their postsecondary education. As a result, the Committee is committed to ensuring that every eligible student and family can access these loans so critical toward helping pay today's college costs. The turmoil in the U.S. credit markets has shown, however, that the federally guaranteed student loan program is an unreliable source of funds for students and families. Over the past year, this program has become dependent not only on the Federal guarantee of borrower repayment and taxpayer subsidies paid to financial institutions, but also dependent on the Federal Government for the very loan capital provided to borrowers. On the other hand, despite the stresses in the credit markets, students and families continued to access Federal student loans under the Direct Loan Program with no interruptions. Moreover, costs to the taxpayers of the Direct Loan Program are significantly less than those of the federally guaranteed program. The Committee believes that prudence dictates the time has come to end the entitlements for financial institutions that lend to students and instead take full advantage of the Direct Loan Program's low-cost and stable source of capital so students are ensured access to loans. By relying on competitive, private-sector entities to service loans, students and families can be provided with high-quality services. This new approach, consistent with the President's vision, will save $87 billion over the next 10 years. In addition to this reform, the Committee believes it is also time to modernize and expand the Perkins Loan Program so that more colleges can participate and more students can receive access to greater aid.

Instability of the Federal Family Education Loan Program

The federally guaranteed loan program, known as the Federal Family Education Loan Program (FFELP), has become unstable and unreliable and can no longer be depended upon to ensure students' and families' access to Federal student loans. Over the past year, turmoil in the U.S. credit markets has made it impossible for many lenders, and difficult for others, to secure private capital with which to make student loans. As a result, many lenders that once participated in the FFELP have pulled out of the program and are no longer making loans.

In April 2008, the Committee passed the Ensuring Continued Access to Student Loans Act of 2008, which was enacted into law the following month (Public Law No: 110–227). The Act provided the Secretary of Education with the authority to help fund the Federal student loans made by financial institutions to students and families, or to buy Federal student loans from financial institutions, upon a determination that there was an inadequate availability of loan capital to meet the demand for loans. The Act further required that any purchase by the Secretary be revenue-neutral or beneficial to the Federal Government.

Throughout 2008 and 2009, the Department of Education established several support programs to provide FFELP lenders with capital, who in turn used the capital to make loans to students and

families. The reliance by FFELP lenders on the Department's support programs has been startling. As of July 22, 2009, the Department has purchased over $14.6 billion in Federal student loans put up for sale by FFELP lenders. Moreover, the Department has funded an additional $31.2 billion of the loans made by FFELP lenders during the 2008–2009 school year.

Clearly, the FFELP has become dependent on taxpayer funds to make loans to students and families. Overall, the Department of Education has financed over 60 percent of the 2008–2009 FFELP loan volume to date. When combined with Direct Loans, Education has financed over 70 percent of all Federal student loans made during the 2008–2009 school year.

William D. Ford Direct Loan Program

Established in 1993, the Direct Loan Program provides loans directly to students, through the student's school, with loan capital secured from the U.S. Treasury. As a result, the Direct Loan Program has been insulated from the turmoil in the credit markets, and loans to students and families have flowed without interruptions or the need for any back-stop measures similar to what was required for the FFELP.

Over the course of the last year, the growth in the Direct Loan Program has increased significantly. The number of schools that have moved to the Direct Loan Program has increased by over 45 percent, from 1,186 in school year 2007–2008 to over 1,700 in 2008–2009. Over the same time period, the number of loans disbursed under the Direct Loan Program increased by 66 percent, from 3.2 million to 5.3 million; and the overall amount of loans made under the program increased by 60 percent, from $13.8 billion to over $22 billion.

To participate in the Direct Loan Program, all schools must first be eligible and certified by the Department of Education. Once eligible and certified for the Direct Loan Program, the school must send an e-mail request to the Department to actively participate in the Direct Loan Program. Once approved and in order to begin processing Direct Loans and transmit and receive Direct Loan data electronically, the school must set up an electronic email account to exchange information with the Department as well as a bank account with the Department to receive the federal funding that is used to provide Direct Loan proceeds to borrowers. To a large degree, many schools, in particular those that disburse Pell Grants to students, are already familiar with the Department's information technology systems that are used to provide Direct Loans to students. The Department's "Common Origination and Disbursement (COD)" system is used to deliver both Pell Grant funds and Direct Loan funds to schools.

Schools that have recently transitioned to the Direct Loan Program have reported high levels of satisfaction with the program. In a June 2009 survey of schools that recently transitioned, the National Association of Student Financial Aid Administrators found that 80 percent of the schools surveyed found making the switch to the Direct Loan Program was easy. In addition, 84 percent of the schools reported that the Department of Education was helpful in providing assistance for the conversion. Moreover, 80 percent of the

schools reported that they were able to convert to the Direct Loan Program within four months.

Providing for a stable, reliable, and efficient student loan program

Now more than ever, Americans need affordable, quality education opportunities to help make our economy strong and competitive again. The Committee believes this can be accomplished, in part, by implementing the President's proposal to move all schools in the country to the Direct Loan program by 2010, thereby saving the federal government and taxpayers $87 billion dollars over the next 10 years. While the legislation directs the Government to originate all student loans, it also ensures that there is a role for private industry in providing loan servicing. Moreover, it will ensure that state and local non-profit agencies, that meet quality and pricing standards, will participate in servicing student loans through a minimum volume allocation of the loans of 100,000 borrowers. These reforms mean that student borrowers will have a reliable stream of funding to finance their college education, and can rely on quality loan servicing during repayment. The legislation does not force private industry out of the system. Rather, the legislation will maintain the jobs of, and a role for, lenders and nonprofits by allowing them to compete for contracts that service student loans on an expanded basis. For example, the Department of Education has already let major contracts to four large FFELP industry participants to help service those loans that FFELP lenders found necessary to sell to the government as a result of the problems in the credit markets.

Reforming and reinvigorating the Perkins Loan Program

The Committee believes the Perkins Loan Program should be reformed so that more loans can be made available to students on more campuses across the country. Currently, Perkins loans are awarded to students by schools from institutional revolving funds, which are comprised of Federal capital contributions, institutional matching funds, and student repayments on outstanding loans. However, no new Federal capital contributions have been appropriated since 2004, leaving many schools and their students without access to low-interest loans. The legislation will modernize and expand the Perkins Loan program so more colleges can participate and more students can receive access to low-cost loans to help pay postsecondary expenses.

MODERNIZATION, RENOVATION, AND REPAIR

The Committee believes that Title III of H.R. 3221 addresses a number of important issues—the quality of our nation's public school facilities, student achievement, the state of the economy, and the state of the environment. The Committee believes that these issues are interrelated and that each represents a critical national concern.

President Obama and Congress have already endorsed these principles by making green school modernization, renovation and repair part of an allowable use of funds under the state fiscal stabilization fund in H.R. 1, the American Recovery and Reinvestment Act. The Committee believes H.R. 3221 is a critical next step in this effort because it is important to provide funds specifically dedi-

cated to this purpose. Prior to ARRA, and with the exception of funding through the Impact Aid program and through the Department of the Interior for Indian schools, direct federal support for school construction has been virtually non-existent since fiscal year 2001 when Congress appropriated $1.2 billion primarily for emergency school repair and renovation.

The demand for new and renovated public school facilities is unprecedented in our nation's history.[3] A briefing paper delivered at an Economic Policy Institute forum, Investing in U.S. Infrastructure, in April 2009, called for $140 billion in federal funds for capital outlays for low-income school districts and an ongoing federal role in such funding comparable to the current federal share of education operations funding (approximately 10 percent) in order to bring these districts up to parity with the highest income districts. The paper argued that such funding is necessary to ensure that "the nation's public schools are healthy, safe, environmentally sound, and built . . . to support a high-quality education."[4]

Need and disparity

The most recent comprehensive estimates of the national need for school construction and renovation were made in 1995 ($112 billion, U.S. General Accounting Office[5] (GAO)[6]), 2000 ($127 billion, National Center for Education Statistics[7] (NCES)), 2001 ($322 billion, National Education Association[8] (NEA)), and 2008 ($254.6 billion, American Federation of Teachers (AFT))[9].

Several studies highlight the inadequacy of school facilities. In 2009, the American Society of Civil Engineers, on its national infrastructure report card, gave America's public schools a D.[10] A 2005 survey of school principals by NCES found that fifty-two percent of schools had no science laboratories, thirty percent had no art rooms, nineteen percent had no music rooms, and seventeen percent had no gymnasium.[11] A 2004 NCES report found that one school in three had temporary buildings as the primary learning space for at least 160 students, and that in one in five schools, teachers routinely had to use a building's common areas for instructional purposes.[12]

Disparities in the condition of our schools are also well-documented. In 1996, GAO reported, in a follow-up to an earlier study, that on every measure—inadequate buildings or building features, unsatisfactory environmental conditions, etc.—the same subgroups—schools in central cities, western states, and schools serv-

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[3] Testimony of Kathleen J. Moore, Director, School Facilities Planning Division, California Department of Education, Hearing, U.S. House of Representatives, Committee on Education and Labor, Modern Public School Facilities: Investing in the Future, February 13, 2008 (http://edlabor.house.gov/testimony/2008-02-13-KathleenMoore.pdf).

[4] Good Buildings, Better Schools, Filardo, M., Economic Policy Institute Briefing Paper, April 29, 2008.

[5] Condition of America's Schools, Government Accounting Office, 1995 (GAO/HEHS–95–61).

[6] In 2004, the General Accounting Office was renamed the Government Accountability Office. The Committee will use "GAO" to refer to both.

[7] Condition of America's Public School Facilities: 1999, National Center for Education Statistics.

[8] Modernizing Our Schools: What Will It Cost?, National Education Association, 2000.

[9] Building Minds, Minding Buildings: School Infrastructure Funding Need, A state-by-state assessment and an analysis of recent court cases: 2008, American Federation of Teachers.

[10] *http://www.infrastructurereportcard.org/fact-sheet/schools*.

[11] Public School Principals Report on Their School Facilities: Fall 2005, Institute of Education Sciences, National Center for Education Statistics.

[12] Characteristics of Schools, Districts, Teachers, Principals, and School Libraries in the United States 2003–2004, Schools and Staffing Survey, National Center for Education Statistics.

ing higher percentages of minority or low-income students—reported having more significant problems.[13]

In 2006, a report by Building Educational Success Together (BEST) concluded that the GAO and NEA estimates "grossly underestimated" the need for school improvements, and concurred with the 1996 GAO finding that facilities in low-income and minority-serving areas tended to be in significantly worse condition. The report also concluded that despite significant State and local expenditures on school construction and renovation from 1996–2004, "there continue to be millions of students in substandard and crowded school conditions."[14]

It is the Committee's intent that funds authorized by this bill be used to ensure that all children have access to a high-quality public school facility. The Committee recognizes that facility quality disparity is most likely to occur in low-income areas. Accordingly, the Committee encourages local educational agencies to take care to ensure that the needs of low-income and rural schools are addressed by giving priority to schools where modernization, renovation, and repair will most benefit students, teachers, and other staff and ensuring that the schools are safe, healthy, conducive to teaching and learning, energy efficient, and environmentally sound.

Green Schools

A 2006 report concludes that a green school (1) uses one-third percent less energy than a conventional school; (2) reduces harmful carbon dioxide emissions by forty percent, which helps reduce global climate change; (3) uses thirty percent less water; (4) has better lighting and temperature controls, which promotes higher student achievement; and (5) has a more comfortable indoor environment, improved ventilation and indoor air quality, which result in short-term ($96,760 per year) and long-term savings as a result of green building.[15] The average national school construction cost is $150 per square foot; building green adds only $3 per square foot. According to the study, the long-term savings from green buildings are $70 per square foot.[16]

The Committee believes that green building can serve a number of purposes. Such building will directly benefit both the larger environment and the indoor environment. The Committee further believes that green building will improve the ability of teachers to teach and students to learn as well as the health of students, teachers, and other school staff.

The Committee believes that a critical component of the success of this bill will be local educational agencies' knowledge of best practices in school construction, modernization, renovation, and repair as they relate to green building.

The bill directs States to develop state-level voluntary guidelines for high-performing school buildings. The Committee encourages States, in developing the energy efficiency components of such guidelines, to look for direction to the definition of such plans in H.R. 579, the School Building Enhancement Act, introduced by

[13] America's Schools Report Differing Conditions, Government Accounting Office, 1996 (GAO/HEHS–96–103).

[14] Growth and Disparity: A Decade of U.S. Public School Construction, Building Educational Success Together, 2006.

[15] Greening America's Schools, Kats, G., 2006

[16] *Ibid.*

Representative Rush Holt. That bill defines such plans as including standards for school building design, construction, and renovation; and proposals for the systematic improvement (including benchmarks and timelines) of environmental conditions in and around schools throughout the State. H.R. 579 also encourages purchasing environmentally preferable products for instruction and maintenance, increasing the use of alternative energy fuels in school buses, and maximizing transportation choices for students, staff, and other members of the community.

In addition to the voluntary state guidelines for high-performing school buildings required in the bill, the Committee encourages states to establish voluntary guidelines concerning performance monitoring, use of Energy Star equipment, alternative fuels buses, anti-idling measures, and other measures the state believes will contribute to high-performing schools.

The Committee encourages the Secretary, in carrying out the Department's technical assistance responsibilities under H.R. 3221, as amended, to examine the *Illinois Resource Guide for Healthy, High-Performing School Buildings*. The recommendations and information in the guide are intended to provide school administrators, school boards and other community members with guidance to make informed decisions about health and energy efficiency issues important to schools. The guide's objective is to promote long-term thinking and to ensure that school buildings are compatible with the goals of improving learning environments, reducing operating costs, supporting health and safety, and protecting our natural environment.[17]

Impact on teaching and learning

The Committee believes that while equity alone justifies federal support for local educational agencies to ensure that every child has access to a high-quality public school facility, such support also is essential to closing the achievement gap. The Committee believes that the relationship between the quality of school facilities and student achievement and teacher performance and retention are positively intertwined.[18] Research demonstrates that better school facilities result in improved student achievement and teacher recruitment and retention. The physical condition of schools also affects student and teacher health.

According to a 2004 report by the 21st Century School Fund, inadequate school facilities can result in alienated students, low staff morale, high teacher attrition, the inability to provide specialized curricula, reduced learning time, distractions from learning, reduced ability to meet special needs, lack of technological proficiency, health problems for students and staff, safety hazards, and less supervision of student behavior.[19]

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[17] For a discussion of a case study in building a modern, green school, *see*, Testimony of Mary Cullinane, Director, Innovation and Business Development Team, Microsoft Corporation, Hearing, U.S. House of Representatives, Committee on Education and Labor, Modern Public School Facilities: Investing in the Future, February 13, 2008 (http://edlabor.house.gov/testimony/2008-02-13-MaryCullinane.pdf).

[18] *See, e.g.*, Testimony of Judi Caddick, Teacher, Memorial Junior High School, Illinois Education Association, Lansing, Illinois, Hearing, U.S. House of Representatives, Committee on Education and Labor, Modern Public School Facilities: Investing in the Future, February 13, 2008 (http://edlabor.house.gov/testimony/2008-02-13-JudiCaddick.pdf).

[19] For Generations to Come, 21st Century School Fund, 2004.

It is the Committee's intent that local educational agencies use funds provided under this subtitle for the installation or upgrading of educational technology infrastructure such as wiring and other projects, including energy efficient improvements, to bring school facilities technologically up-to-date.

In its 2005 survey, NCES noted that a key reason for school construction and renovation is student and teacher safety, but that building quality also affects the context for learning, such that lighting, noise reduction, air quality and other factors can affect student achievement and behavior. NCES further noted that building quality affects teacher retention—forty percent of teachers who transferred schools and thirty-nine percent who left teaching cited the need for significant school repairs as a source of their dissatisfaction.[20] NCES found that one-third of school principals cited at least one environmental factor[21] as interfering with their ability to deliver instruction.

The Committee encourages school districts that undertake projects to reduce or eliminate human exposure to classroom noise and environmental noise pollution, and the Secretary, in providing technical assistance concerning reducing background noise and reverberation in classrooms, to consider the American National Standards Institute (ANSI) approved Standard S12.60–2002, [Acoustical Performance Criteria, Design Requirements, and Guidelines for School].

Impact on health

A 2004 study mandated by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act, and funded by the Department of Education found that "overall evidence suggests that poor environments in schools, due primarily to the effects of indoor pollutants, adversely affect the health, performance, and attendance of students." Specifically, the study found that indoor environmental quality can influence health outcomes, which may, in turn, influence student and teacher performance directly and indirectly.[22] The study cites the 1995 GAO finding that thirty percent of schools reported unsatisfactory ventilation.

The Centers for Disease Control advises that asthma accounts for more than fourteen million missed school days per year.[23] A 2006 report by the American Federation of Teachers concludes that "[p]oor air quality in schools contributes to students' asthma, absences due to illness, difficulty concentrating, and lower achievement."[24]

The Committee further recognizes that although lead solder with more than 0.2 percent lead and plumbing fixtures with more than eight percent lead were banned in 1987, such products remain in

[20] Another study finding a relationship between facility quality and teacher retention is The Effects of School Facility Quality on Teacher Retention in Urban School Districts, Buckley, J., Schneider, M., and Shang, Y., 2004.

[21] Those factors include: air conditioning, size/configuration of rooms, acoustics or noise control, ventilation, heating, physical condition, indoor air quality, natural lighting, artificial lighting.

[22] A Summary of Scientific Findings on Adverse Effects of Indoor Environments on Students' Health, Academic Performance and Attendance, U.S. Department of Education, Policy and Program Studies Service, 2004.

[23] http://www.cdc.gov/asthma/children.htm.

[24] Building Minds, Minding Buildings, American Federation of Teachers, 2006.

schools across the country. The Environmental Protection Agency and the Centers for Disease Control both have concluded that there is no safe level of exposure to lead. Exposure to lead early in life has been linked to cognitive deficits, attention deficits, and extremely aggressive behavior.

Impact on community

According to the 2006 BEST study, the difference between good and poor quality facilities also affects the communities in which they are located. School quality has a direct, positive impact on residential property values and can improve a community's ability to attract businesses and workers.[25] This point also is supported by Representative Bob Etheridge's testimony at the February 13, 2008, Committee hearing on this issue.[26]

The BEST study also concluded that investments in school facilities bring money into local economies through job creation and supply purchases and can help revitalize distressed neighborhoods. The Committee is persuaded by these findings and expects that this bill will produce positive results in our communities.

Impact on economy

Direct federal investment in school construction and renovation could provide an immediate boost to our economy and generate jobs. Federal funding for the modernization, renovation, or repair of school facilities could be spent quickly and efficiently to address the loss of 1.3 million jobs in the construction industry over the last year and a half.[27]

Hurricanes Katrina and Rita

H.R. 3221 provides additional support for Gulf Coast schools still recovering from damage caused by Hurricanes Katrina and Rita. The Gulf region, primarily New Orleans, has hundreds of millions of dollars in unmet school modernization, renovation, repair and construction need, including as a result of Hurricanes Katrina and Rita. Prior to Hurricanes Katrina and Rita, the Recovery School District of Louisiana (RSD) already had a deferred maintenance infrastructure deficit of approximately $1 billion. The hurricanes caused an additional $800 million in damage to the district's schools. The funding from this bill will help the district, and others in the Gulf region, meet these important and timely needs as they continue to recover from the hurricanes.[28]

Davis-Bacon

Under the bill, the construction, modernization, repair, and renovation projects paid for, in whole or in part, with the grants made available by this legislation are subject to Davis-Bacon prevailing wage requirements. Davis-Bacon prevailing wage rules ensure that

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[25] Growth and Disparity: A Decade of U.S. Public School Construction, Building Educational Success Together, 2006.

[26] Testimony of Representative Bob Etheridge, Hearing, U.S. House of Representatives, Committee on Education and Labor, Modern Public School Facilities: Investing in the Future, February 13, 2008 (http://edlabor.house.gov/testimony/2008-02-13-BobEtheridge.pdf.

[27] *See http://www.bls.gov/news.release/empsit.nr0.htm.*

[28] *See also* Testimony of Paul Vallas, Superintendent, Louisiana Recovery School District, Hearing, U.S. House of Representatives, Committee on Education and Labor, Modern Public School Facilities: Investing in the Future, February 13, 2008 (http://edlabor.house.gov/testimony/2008-02-13-PaulVallas.pdf).

taxpayer dollars are not used to undercut local wage rates. These rules require contractors to pay the local prevailing wage to their employees.

Davis-Bacon requirements will help control costs, ensure higher quality work, and improve safety. Studies have shown that, where prevailing wages are not required, contractors compete on the basis of labor costs, frequently resulting in poor construction quality as well as substantial cost and time overruns due to cheaper workers' lower levels of skill, productivity, and training.[29] Where prevailing wages are paid, higher rates of productivity, safety, and building quality more than offset the cost of higher wages. For example, one study by the Mechanical Electrical Sheet Metal Alliance, focusing on highway and bridge construction, found that workers who were paid more than double the wage of low-wage workers were able to build 74.4 more miles of highway and 32.8 more miles of bridges for $557 million less.

Davis-Bacon requirements help save federal, State, and local revenue. By creating family supporting jobs in local communities that do not drive workers' wages down, these requirements ease the burden on public programs and provide support for more economic activity. Studies have found that repeal of local prevailing wage laws results in lower incomes, loss of sales tax revenues, and a general loss of economic activity.[30] These are precisely the types of effects the Committee intends to avoid by providing federal assistance to local communities consistent with Davis-Bacon.

For the reasons stated above, the Committee believes passage of this bill will provide significant educational benefits for our nation's students, health benefits for students, teachers, and others who work in our schools, financial benefits for schools resulting from energy savings, economic benefits for hundreds of thousands of American workers and their families, and environmental benefits.

EARLY LEARNING CHALLENGE FUND (TITLE IV)

Over the past several decades, research on the brain and on child development has established that learning begins at birth and that the first five years of life have a lasting effect on children's learning, health, and behavior. During the first three years of life alone, the brain goes through its most dramatic development: children learn to walk, speak, reason, talk, learn, trust, and to interact with others.[31] This developmental period is enormously consequential, laying the foundation for a child's cognitive, social, emotional, and physical development.[32] It can be a time when a child experiences supportive and consistent relationships with parents and other caregivers that fosters healthy development and teaches children to

[29] *See generally*, Peter Philips, "Square Foot Construction Costs for Newly Constructed State and Local Schools, Offices and Warehouses in Nine Southwestern and Intermountain States 1992–1994" Prepared for the Legislative Education Study Committee of the New Mexico State Legislature, September 6, 1996.

[30] Michael P. Kelsay *et al.*, "The Adverse Economic Impact from Repeal of the Prevailing Wage Law in Missouri," Council for Promoting American Business, January 2004.

[31] Submitted Testimony, Matthew Melmed, Submitted to the Committee on Education and Labor, U.S. House of Representatives Hearing "Investing in Early Education: Paths to Improving Children's Success," January 23, 2008.

[32] National Research Council and Institute of Medicine (2000). From Neurons to Neighborhoods: The Science of Early Child Development. Jack P. Shonkoff and Deborah A. Phillips, Eds. Washington, D.C.: National Academy Press.

trust others and their own abilities, or it can be a time when children fail to receive the supportive relationships and early learning opportunities their growing brains need, setting a course that can take years to remediate.

As a result, the early years present an important opportunity for policymakers. By investing in programs that support families in their efforts to get their children off to a good start, we can prevent problems from developing that are more difficult and costly to address later in life. The Committee strongly believes that improving access to high-quality early learning programs is an integral component of comprehensive school reform and is essential to ensuring America can compete in the global economy in the decades to come. The Early Learning Challenge Fund capitalizes on the importance of these early years by creating an investment that will leverage standards reform and fund initiatives that together will increase the availability of high-quality early learning programs for disadvantaged children from birth through age 5 so that all children can fulfill their potential. The Committee appreciates President Obama's recognition of the importance of early childhood to lifelong success and looks forward to working with the President to ensure that all children receive the early learning opportunities they need to thrive.

Nearly 12 million children under age 5, including 6 million children under age 3 are regularly cared for by someone other than their parents.[33] Child care is usually a family's highest or second highest budget item. Many families struggle to find and afford high quality early learning programs for young children. Unfortunately, the quality of early learning settings varies greatly, and despite some progress, early learning programs are held to inconsistent standards among and within states. Large national evaluations of child care find the average quality to be mediocre.[34] and child care costs are frequently a family's highest expense or second highest family expense after housing.[35] Center-based child care for one child costs between $3,000 and $13,000 per year, putting it out of reach for many working families.[36] Therefore, it can be very difficult for families to find the kind of high quality early learning programs that appropriately support their child's development or that have the standards needed to help close the achievement gap.[37] The Committee believes that without significant new public investment in the quality of early learning programs, many children will be unable to attain the benefit from early learning pro-

[33] Iruka, I. U., and Carver, P. R. (2006). *Initial Results From the 2005 NHES Early Childhood Program Participation Survey* (NCES 2006–075). U.S. Department of Education. Washington, DC: National Center for Education Statistics.

[34] Cost, Quality, and Outcomes Study Team. (1995). Cost, quality, and child outcomes in child care centers: Key findings and recommendations. Young Children, 50, 40–44; Peisner-Feinberg, E. S., Burchinal, M. R., Clifford, R. M., Culkin, M.L., Howes, C., Kagan, S. L., Yazejian, N., Byler, P., Rustici, J., & Zelazo, J. (1999). *The children of the cost, quality, and outcomes study go to school: Executive summary.* Chapel Hill: University of North Carolina at Chapel Hill, Frank Porter Graham Child Development Center.

[35] Parents and the High Price of Care (2009). National Association of Child Care Resource and Referral Agencies. http://www.naccrra.org/docs/reports/price__report/Price__Report__2009__execsumm.pdf.

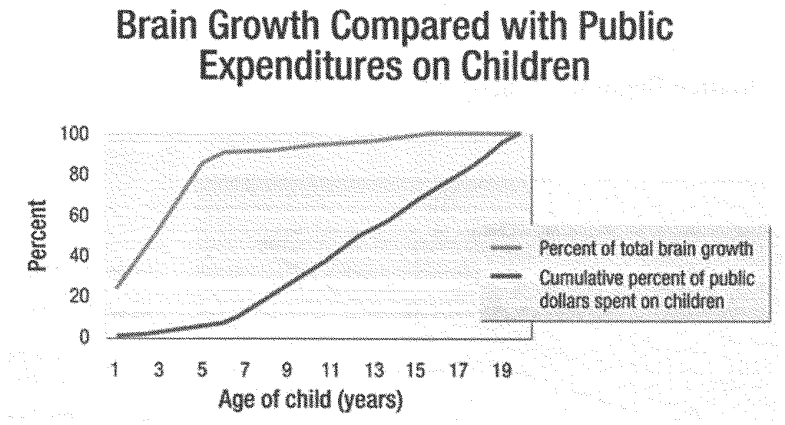
[36] Ibid.

[37] Cost, Quality, and Outcomes Study Team. (1995). Cost, quality, and child outcomes in child care centers: Key findings and recommendations. Young Children, 50, 40–44; Peisner-Feinberg, E. S., Burchinal, M. R., Clifford, R. M., Culkin, M.L., Howes, C., Kagan, S. L., Yazejian, N., Byler, P., Rustici, J., & Zelazo, J. (1999). *The children of the cost, quality, and outcomes study go to school: Executive summary.* Chapel Hill: University of North Carolina at Chapel Hill, Frank Porter Graham Child Development Center.

grams that would otherwise help them arrive at kindergarten ready to succeed.

The long-lasting benefits of high quality early learning programs are well documented, and these programs are of particular benefit to disadvantaged children. High quality programs improve academic achievement, reduce the need for special education, increase employment and earnings, lower rates of teen pregnancy, reduce crime and delinquency, and ultimately increase our global competitiveness.[38] Yet despite our understanding of the importance of quality early learning environments and the benefits that accrue when we provide children with high quality early learning opportunities, far too many of our children spend their time in settings that do not adequately support their development. The early childhood system has inconsistent standards among and within States, which often lack adequate resources to ensure that programs are of high quality and that children enter kindergarten ready to succeed. Fewer than half of States require centers to encourage parent involvement and thirteen State pre-kindergarten programs do not require any site visits to monitor compliance with standards. Additionally, twenty States do not require child care providers to have even a high school degree. Currently, no single State implements all the quality components of a model early learning system, though States and programs have made significant progress over the last twenty years in improving their early childhood systems.

The Committee contends that given the importance of the first five years of life, substantially more investment in early childhood is necessary for all of America's children to have the opportunity to succeed and if America is to compete in the global economy. The graph below reflects the striking mismatch between the importance of investing early and the level of public investment in early childhood.[39]



[38] E.g., Currie, J., & Thomas, D. (1995). Does Head Start Make a Difference? The American Economic Review, Vol. 85(3), 341–364. U.S. Department of Health & Human Services, Administration for Children & Families (2001). *Head Start FACES: Longitudinal Findings on Program Performance, Third Progress Report.* Washington, D.C.

[39] Bruner, C., Goldberg, J., & Kot, V. (1999). *The ABC's of early childhood: Trends, information, and evidence for use in developing an early childhood system of care and education.*

The Early Learning Challenge Fund is a bold and wise investment that recognizes the importance of quality and will support and advance State reforms that improve the quality of early learning programs across all settings for all children from birth through age 5, and particularly for low-income children. This landmark initiative will challenge States to develop effective, innovative models that promote high standards of quality. The Fund will also increase the transparency of what early learning programs are providing and how children are doing so that parents can hold states accountable for their choices and so parents can expect more for their children. High quality comprehensive early learning systems, starting at birth, will go a long way toward eliminating achievement gaps and providing children with the resources, skills, and tools they need to arrive at school ready for success. The years prior to kindergarten are about the most significant in shaping a child's foundation for learning and school success—and the Early Learning Challenge Fund will ensure that our investments reflect the importance of those early years.

The achievement gap

The achievement gap that exists in elementary school and beyond begins before children enter kindergarten.[40] [41] For example, the Early Childhood Longitudinal Study (ECLS) conducted by the National Center for Education Statistics found 4 year olds from families living below the poverty line are already 18 months behind their peers.[42] Moreover, of 4 year old children from families in the lowest 20 percent of socioeconomic status, 40.1 percent were proficient in numbers and shapes, of children from families in the middle 60 percent of socioeconomic status, 65.3 percent were proficient in numbers and shapes, and of children from families in the highest 20 percent socioeconomic status group, 87.1 percent were proficient in numbers and shapes.[43] The achievement gap at kindergarten entry between students from more affluent families and those from middle and lower income families is also abundantly clear in this graph using additional data from the ECLS study.[44]

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[40] Lee, J., Grigg, W., and Dion, G. (2007). *The Nation's Report Card: Mathematics 2007.* National Assessment for Educational Progress. Can be accessed at: *http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2007494*; Lee, J., Grigg, W., and Donahue, P. (2007). *The Nation's Report Card: Reading 2007.* National Assessment for Educational Progress. Can be accessed at: *http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2007496*

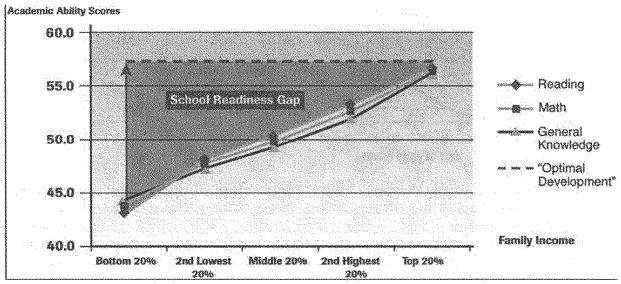
[41] Lee, V.E., and Burkam, D.T. (2002). Inequality at the Starting Gate: Social Background Differences in Achievement as Children Begin School. Economic Policy Institute: Washington DC.

[42] Klein, L.G., & Knitzer, J. (2007). *Promoting Effective Early Learning: What Every Policymaker and Educator Should Know. National Center on Children and Poverty. Columbia University.*

[43] Jacobson Chernoff, J., Flanagan, K. D., McPhee, C., and Park, J. (2007). *Preschool: First Findings From the Preschool Follow-up of the Early Childhood Longitudinal Study, Birth Cohort (ECLS–B)* (NCES 2008–025). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC.

[44] Source: U.S. Department of Education, National Center for Education Statistics, Early Childhood Longitudinal Study, Kindergarten Class of 1998-99, Fall 1998.

Achievement Gap as Children Begin Kindergarten



Unfortunately, children who enter kindergarten behind their peers have a difficult time catching up.[45] The Committee strongly believes that effective investments to minimize the achievement gap prior to school entry benefits children, schools, and our nation, and that high quality state-funded preschool has significant potential to help accomplish this goal.

Cost effectiveness of high quality early learning programs

The Committee believes that the cost-benefits of Title IV of H.R. 3221 make it a sound public investment. Acclaimed economists like Art Rolnick of the Minneapolis Federal Reserve and Nobel Laureate and University of Chicago professor James Heckman, conclude that early childhood interventions are among the best investments we can make for ensuring that all children become productive citizens and securing our long-term economic prosperity. "Ability gaps between disadvantaged and other children open up early and children who start ahead keep accelerating past their peers, widening the gap," wrote James Heckman and Dimitriy Masterov in *The Productivity Argument for Investing in Young Children.* "[Early learning] programs are likely to generate substantial savings to society and to promote higher economic growth by improving the skills of the workforce." Nobel Laureate James Heckman points out that "skill begets skill" and concludes the longer we wait to intervene in a child's life, the more difficult it is to be effective and the more costly it is for society.[46] By reducing the need for grade retention, reducing the need for special education services, increasing academic success, reducing juvenile crime, and creating a more qualified and competitive workforce, high quality early learning programs will ultimately save more in public funding than they cost to support.

The Early Learning Challenge Fund

The Early Learning Challenge Funds challenges Governors to develop new approaches to raising the bar across State early learning settings. It will promote standards reform of State early learning programs serving children from birth through age 5 in order to support healthy development and improve the school readiness outcomes of young children. By leveraging standards reform and fund-

[45] Entwisle, D. R. (1995). The role of schools in sustaining benefits of early childhood programs. *The Future of Children*, 5, 133–144.

[46] Heckman, J. (May 2006). Keynote speech at the National Summit on America's Children. U.S. House of Representatives, Washington, DC.

ing quality initiatives, it will ensure more disadvantaged children participate in high-quality early learning programs that meet their developmental needs and help them arrive at kindergarten ready to succeed.

The Early Learning Challenge Fund creates an incentive for States to develop an early learning system that integrate 8 key components:

• Early Learning and Development Standards that lead to school readiness and are integrated with programmatic and instructional practices.

• Quality Rating System that is evidence-based and structured with progressive levels of quality that target funds and provide transparent goals for program improvement.

• Program review and oversight that is applied across all programs and settings and is focused on components of quality related to school readiness.

• Comprehensive professional development system that can prepare an effective and well-qualified workforce of early educators, including supporting appropriate levels of training, education, credentials, and compensation.

• Support to parents and families so they are engaged and supported in their child's early learning.

• Coordinated systems to facilitate screening and referrals for health, mental health, disability and family support.

• A coordinated data infrastructure to collect essential information on where young children spend their time and the quality of the programs that serve them.

• An age- and developmentally-appropriate curriculum and assessment system for early learning programs that is used to support best practices, improve school readiness.

Quality Pathways grants will be awarded to high-capacity States pursuing models of reform and excellence in early learning settings for children from birth through age 5. Innovative plans that already reflect significant progress toward establishing the core eight elements needed to improve quality and learning outcomes for children will be rewarded. States must develop data systems that will provide transparency on the number of children in high quality settings and require States to make progress increasing the number of children, in each age group, in The Committee emphasizes that state applications must demonstrate that improvements to the early learning system must address settings for infants, toddlers, and preschoolers. A state whose primary or sole focus is on improving the quality of early learning settings for 4-year-olds would not be meeting the expectations of this grant. Moreover, in reviewing applications, the Committee intends the Secretary to recognize that states need to strive to support high quality full-day early learning programs because of their importance in meeting the needs of working families as well as meeting the needs of children. In addition, though the allowable use of funds in the legislation

Development grants will be awarded to States that show promise for strengthening and expanding their early learning system but who need additional assistance to launch a comprehensive standards-based system. Development grants are not renewable because the Committee believes that if States implement them effectively,

States will have positioned themselves to be competitive for a Quality Pathways Grant after three years.

The Committee believes the Early Learning Challenge Grants will transform early learning programs and practices and become an integral part of a larger effort to reform education in this country.

Early Learning and Development Standards

The Committee believes Early Learning and Development Standards reform is essential to the effort to improve early learning program quality and child outcomes. Accordingly, States receiving a Quality Pathway grant have 12 months to complete early learning and development standards that are developmentally, culturally, and linguistically appropriate for all children from until kindergarten entry. To adequately support child development and school readiness, these standards must address all domains of children's development and learning, including social, emotional, cognitive, and physical development and approaches to learning. States with standards that do not cover all these domains appropriate for infants, toddlers, and preschoolers must revise their standards accordingly. In addition, States receiving Quality Pathways grants have 18 months to conduct an analysis of alignment between their early learning and development standards with their program quality standards and with their kindergarten-grade 3 academic content standards. It is critical that this alignment reflect the development progression of how children learn and develop the requisite skills as they move forward through the early grades. It is important this analysis ensure the breadth (language, literacy, math, social, emotional, approaches to learning, science, creative arts, and physical development) and depth (emphasis within each standard). The Committee believes it is then critical for states to support the integration of these standards into early learning program practices.

Children with disabilities

Over the past decade, the number of identified children with disabilities and developmental delays under the age of five has grown substantially, represented by a 70 percent increase in infants and toddlers with disabilities and a 45 percent increase in preschool children with disabilities. Under the Individuals with Disabilities Education Act, young children with disabilities are to be supported in natural settings (the least restrictive environment), including provision of specialized services in childcare programs, Head Start Centers, preschools, pre-K classrooms and other early learning settings. The Department of Education reports that a majority of states are making progress in serving children with disabilities in inclusive programs, with 36 states and territories serving 50 percent or more of their preschoolers with disabilities in these general early learning programs.

The Early Learning Challenge Fund requires states to address the needs of young children with disabilities as part of their broader early learning system and quality improvement activities. The Committee intends for States to develop early learning and development standards appropriate for all children, including children with disabilities. The Committee encourages states to consider the

principles of Universal Design for Learning in developing such standards in order to meet this requirement. States should also address, as part of their plans to improve the capacity of the early learning workforce, how professional development activities will prepare all teachers to work with young children with disabilities. The Committee notes the legislation intends to hold states accountable for including the needs of young children with disabilities in their comprehensive plans as well as in improving the school readiness outcomes of these children.

Children with limited English proficiency

Children with limited English proficiency account for a growing and significant share of children enrolled in schools and early learning programs. In some parts of the county, more than 50 percent of the preschool population comes from non-English speaking homes.[47] As a group, these students lag behind their peers in educational attainment and achievement. It is estimated that children with limited English proficiency entering kindergarten know 5,000 fewer words than their English speaking peers.[48] As these students progress through the elementary grades, challenges with English proficiency and these vocabulary gaps will impact their ability to master higher order literacy skills, such as reading comprehension and writing, and challenging academic content. Therefore, there is an urgent need to design and implement early learning programs that provide these children with experiences that prepare them to achieve at high levels and become fluent in English. The Committee contends these efforts must be driven by empirical findings rather than ideology and language politics. In the last decade, advances in research regarding how young children with limited English proficiency acquire a second language provide useful guidance for policy development and the implementation of effective classroom practices for these children.[49]

The Early Learning Challenge Fund requires states to address the needs of young children with limited English proficiency as part of their broader quality improvement activities. States should address, as part of their plans to improve the capacity of the early learning teacher workforce, how professional development activities will prepare all teachers to work with young children with limited English proficiency. The Committee urges the research activities carried out under this Title to adequately examine how the school readiness outcomes of this population can be adequately addressed and improved. The Committee notes the legislation intends to hold states accountable for including the needs of young children with limited English proficiency in their comprehensive plans as well as in improving the school readiness outcomes of these children.

Voluntary participation in early learning programs

The Committee notes that nothing in this legislation requires a child to participate in an early learning program.

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[47] Espinsoa, Linda, "Challenging Common Myths About Young English Language Learners," Foundation for Child Development, January 2008.

[48] Betty Hart and Todd R. Risley, *Meaningful Differences in the Everyday Experience of Young American Children* (Baltimore: Paul H. Brookes Co., Inc., 1995).

[49] "Challenging Common Myths About Young English Language Learners," Foundation for Child Development, op.cit.

Facilities

The Committee notes that the supply of suitable spaces to house early childhood programs has not kept pace with the growth of the sector, and the shortage is especially severe in low-income communities—both urban and rural. For example, according to a 2007 report by the Advancement Project, California's Preschool Space Challenge, California currently lacks preschool-suitable spaces for approximately 117,000 or 21 percent of its four year olds, with most of the deficit occurring in low-income communities. Because the Committee acknowledges the need for high-quality early learning program facilities to support the ultimate goal of preparing children to be ready to learn when they enter kindergarten. The bill provides that in-kind contributions for facilities development, including technical assistance, may be counted toward the State match. In-kind contributions that could be used for this purpose include the provision of lien-free land, structures or leased space, no-interest loans, revolving lines of credit, construction materials, and labor, in accordance with the Department of Education regulations at 34 CFR 74.23.

Child care licensing

States cannot improve early childhood education for all ages without addressing basic health and safety requirements in child care programs. This should include minimum health and safety standards, pre-requisite training related to these health and safety standards and child development, and regular monitoring and inspections. The Committee expects to address these and other key licensing issues in the reauthorization of the Child Care and Development Block Grant so that states will receive further support and guidance to improve upon these areas and that children can be safe and healthy when out of their parents' care.

AMERICAN GRADUATION INITIATIVE

The Committee believes that community colleges are the backbone of our Nation's educational and workforce systems, providing post-secondary education and job training to millions of Americans and serving as the critical pipeline to postsecondary education, job training, and economic vitality.

Nearly 12 million students are enrolled at the more than 1,000 community colleges across the country. These include students who are taking for-credit classes as well as those pursuing apprenticeships, taking developmental courses or career-prep courses, or taking basic core vocational education or general education courses necessary to further their education and achieve their career goals. Community colleges are essential to strengthening the middle class and providing the skilled workers necessary to meet our nation's economic and social challenges. For future workers, community colleges will be vital—the Bureau of Labor Statistics projects that occupations requiring an associate's degree or postsecondary vocational credentials will experience faster growth than those requiring a bachelor's degree. For dislocated workers, community colleges are similarly critical—research indicates that displaced workers who attend a community college substantially increase their long-term earnings, particularly if the classes are related to high-growth

industries. These successes are in part due to the flexible nature of community colleges. They are able to work with employers and the private sector to address workforce shortages and create tailored training, partnerships, and apprentice programs for specific occupations. Community colleges lead the way in preparing graduates in the fields of green technology, healthcare, teaching, information technology and clean energy technology—some of the fastest growing fields in America—and the world. Yet they are bursting at the seams, heavily under-resourced, and lack incentives to innovate.

The Committee believes that America's ability to remain true to our highest ideals—and to maintain our leadership in the global economy—depends on our ability to transform our higher education system to provide the relevant knowledge and skills necessary to compete in a new and changing world. Economic progress and educational achievement go hand in hand. And in today's economy, access to higher education institutions and success in post-secondary education is no longer just a pathway to opportunity—it is a prerequisite.

To address these and other overarching concerns, H.R. 3221 includes provisions to increase innovation at community colleges, encourage states to be active participants in systematic community college reform, develop and make available free high-quality online education and training courses, and ensure that educational and employment outcomes are measured and shared within and among states and with the public.

Further, it is the intent of the Committee that the states and entities receiving grants under the American Graduation Initiative should be encouraged to find innovative ways to address the needs of students and workers. This can include, but is not limited to the following: adapting college offerings to the schedules and needs of working students, such as creating evening, weekend, modular, compressed, or distance learning formats; augmenting programs and services, including providing specialized assessments and learning tools, streamlined registration processes, and specialized job placement counseling, for vulnerable populations, including disabled veterans and ex-offenders; enrolling students in learning communities; and other relevant innovations. The Committee encourages the design and implementation of innovative ways to improve retention in and completion of developmental education courses, including but not limited to enrolling students in cohorts; accelerating course content; integrating remediation and college-level curricula and instruction; dual enrolling students in remediation and college-level courses; tutoring; providing counseling and other supportive services; and giving small, material incentives for attendance and performance.

Use of grants in this section are intended to prepare students for employment in skilled occupations in high-demand industries, and the Committee encourages entities to create programs that aim to close the gaps in enrollment for groups underrepresented in particular programs and occupations.

In establishing benchmarks and evaluating the use funds, Congress intends the Secretary to consider the employment of underrepresented populations in nontraditional occupations for their gender as defined in the Carl D. Perkins Career and Technical Edu-

cation Act of 2006. The evaluation should consider earnings relative to economic self-sufficiency, a standard of economic independence calculated or commissioned by the state which considers the income needs of families by family size, the number and ages of children in the family and sub-state geographical considerations.

The Committee intends for entities developing, evaluating and disseminating high-quality online training, high school courses, and postsecondary education courses must ensure that these electronic materials are accessible to individuals with disabilities by meeting the access standards established by the U.S. Access Board.

V. SECTION-BY-SECTION ANALYSIS

Title I—Investing in Students and Families

SUBTITLE A—INCREASING COLLEGE ACCESS AND COMPLETION

Section 101. Federal Pell Grants

The Student Aid and Fiscal Responsibility Act of 2009 amends the Higher Education Act to include mandatory funding for the Pell Grant. This provides additional mandatory funding to augment funds appropriated to increase the federal maximum Pell Grant award by the change in the Consumer Price Index plus one percent.

The mandatory component of the funding is determined by inflating the previous year's total and subtracting the maximum award provided for in the appropriations act for the previous year or $4860, whichever is greater.

Section 102. College Access and Completion Innovation Fund

This section of the bill amends Part E of Title VII of the Higher Education Act to include two additional areas of grant activity for States, institutions of higher education, non-profit organizations and guaranty agencies designed to improve post-secondary student success, completion, and post-completion employment, particularly for students from underrepresented backgrounds.

The section authorizes and appropriates $600 million dollars for each fiscal year 2010 through 2014 for the three types of grants in Part E. Of the funds, 25% will be used for the College Access Challenge Grants under section 781, 50% will be used for State Innovation and Completion Grants under section 782, 23% will be used for Innovation in College Access and Completion National Activities Grants, and 2% will be used to evaluate the outcome of grants administered under Part E.

State Innovation and Completion Grants will be awarded annually on a competitive basis to States meeting the application requirements set forth in the bill. States are required to provide assurances that they will develop and submit a statewide Access and Completion Plan, engaging key education stakeholders in the state, to increase the State's rate of persistence in and completion of postsecondary education. The State is authorized to provide subgrants to non-profit organizations and guaranty agencies for assistance in carrying out the State grant. Priority is given to states who partner with philanthropic organizations or guaranty agencies. At least one-third of the State program (including both federal and non-federal shares) must be used for activities benefiting students at two-

year institutions, no more than 10% of funds shall be used for development and implementation of statewide longitudinal data systems, and no more than 6% of funds can be used for administrative purposes relating to the grant.

Under the Innovation in College Access and Completion National Activities grants, higher education institutions, non-profit organizations, philanthropic organizations, guaranty agencies, and States are eligible to apply for grants awarded on a competitive basis for not less than $1,000,000. Grant funds may be used for innovative programs, policies, and services that increase the number of individuals with postsecondary degrees or certificates.

Section 103. Investment in historically black colleges and universities and other minority-serving institutions

This section amends section 371(b) of the higher Education Act by extending funding for programs under this section created under the College Cost Reduction Act for programs at historically black colleges and universities and other minority-serving institutions through 2014, including programs that help low-income students attain degrees in the fields of science, technology, engineering or mathematics by the following annual amounts: $100 million to Hispanic Serving Institutions including $10 million for community partnerships, $85 million to Historically Black Colleges and Universities, $15 million to Predominantly Black Institutions, $30 million to Tribal Colleges and Universities, $15 million to Alaska, Hawaiian Native Institutions, $5 million to Asian American and Pacific Islander Institutions, and $5 million to Native American non-tribal serving institutions.

Section 104. Investment in cooperative education

This section provides $10 million for fiscal year 2010 for cooperative education programs pursuant to Part N of Title VIII of the Higher Education Act.

SUBTITLE B—STUDENT FINANCIAL AID FORM SIMPLIFICATION

Section 121. General effective date

This section specifies that changes to the federal needs analysis pursuant to this subtitle will take effect of the award year beginning on or after July 1, 2011.

Section 122. Treatment of assets in need analysis

This section amends section 471 of the Higher Education Act by excluding the consideration of parental and student assets in the federal needs analysis formula that determines student aid eligibility for families with incomes below $150,000. Creates an asset cap for need-based aid above which a student is ineligible for need-based grants, loans, or work assistance. The asset cap is indexed for inflation. The section also makes conforming changes.

Section 123. Changes to total income; aid eligibility

This section amends the definition of total income to streamline consideration of untaxed income and benefits to exclude: child support, workman's compensation, veteran's benefits, living allowances for military and clergy, non-parental cash support, and other

untaxed income and benefits. The section also amends the suspension of eligibility for drug-related offenses related to exclude students convicted of possession of a controlled substance.

Title II—Student Loan Reform

SUBTITLE A—STAFFORD LOAN REFORM

Section 201. Federal Family Education Loan appropriations

This section terminates the authority to make or insure any additional loans in the Federal Family Education Loan program after June 30, 2010.

Section 202. Scope and duration of Federal loan insurance program

This section is a conforming amendment with regard to the termination of the FFEL program, limiting Federal insurance to those loans in the Federal Family Education Loan program for loans first disbursed prior to July 1, 2010.

Section 203. Applicable interest rates

This section makes a conforming amendment with regard to the termination of the FFEL program limiting interest rate applicability to Stafford, Consolidation, and PLUS loans to those loans made before July 1, 2010.

Section 204. Federal payments to reduce student interest costs

This section makes a conforming amendment with regard to the termination of the FFEL program by limiting subsidy payments to lenders for those loans for which the first disbursement is made before July 1, 2010.

Section 205. Federal PLUS loans

This section makes a conforming change with regard to the termination of the FFEL program for federal PLUS loans by prohibiting further FFEL origination of loans after July 1, 2010.

Section 206. Federal consolidation loans

This section makes conforming changes with regard to the termination of FFEL program for federal consolidation loans by allowing borrowers who have a consolidated FFEL loan to subsequently consolidate into the Direct Lending program.

Section 207. Unsubsidized Stafford loans for middle-income borrowers

This section makes conforming changes with regard to the termination of the FFEL program for Unsubsidized Stafford loans by prohibiting further FFEL origination of loans after July 1, 2010.

Section 208. Loan repayment for civil legal assistance attorneys

This section makes conforming changes with regard to the termination of the FFEL program for loans eligible for repayment for civil legal assistance attorneys, to FFEL loans first disbursed before July 1, 2010 and maintains eligibility for loan repayment in the Direct Lending program.

Section 209. Special allowances

This section makes conforming changes with regard to the termination of the FFEL program by limiting special allowance payments to lenders under the FFEL program to loans first disbursed before July 1, 2010.

Section 210. Revised special allowance calculation

This section changes the underlying index for the calculation of special allowance payments to lenders for loans first disbursed on or after January 1, 2000 and before July 1, 2010 under the FFEL program from commercial paper (CP) to the 1-month London Inter Bank Offered Rate (LIBOR).

Section 211. Origination of Direct Loans at institutions located outside of the United States

This section provides for the origination of federal Direct Loans at institutions located outside of the United States, through a financial institution designated by the Secretary.

Section 212. Agreements with institutions

This section makes conforming technical changes with regard to the termination of the FFEL program for Department of Education agreements with Direct Lending institutions.

Section 213. Terms and conditions of loans

This section makes conforming technical changes with regard to the termination of the FFEL program to clarify the terms and conditions of Direct Loans.

Section 214. Contracts

This section directs the Secretary to award contracts for servicing loans through a competitive bidding process to eligible non-profit servicers for federal Direct Loans. The section provides for a minimum allocation to eligible servicers of the lesser of 100,000 borrowers or the loans of all the borrowers in a State. In the case of multiple servicers, the Secretary shall allocate each servicer the lesser of the loans of 100,000 borrowers or equal shares of the loans of all borrowers in the state. The section also ensures that borrowers with multiple loans remain with a single servicer. Non-profit servicers must meet quality and pricing standards set by the Secretary.

Section 215. Interest rates

This section changes, beginning on July 1, 2012, the interest rate on Subsidized Stafford loans for undergraduates from a fixed rate to a variable rate with a cap of 6.8%. The variable rate is calculated on the basis of the 91-day Treasury bill plus 2.5%.

SUBTITLE B—PERKINS LOAN REFORM

Section 221. Federal Direct Perkins Loans terms and conditions

This section amends Part D of Title IV, adding in a new section 455A creating Federal Direct Perkins Loans. The section authorizes institutions to award Perkins loans to students pursuant to an agreement with the Secretary. The section aligns the Perkins loan

program with the terms, conditions, and requirements of the federal Direct Unsubsidized Stafford loan, with the exception of a lower applicable interest rate of 5%.

Section 222. Authorization of appropriations

This section makes a conforming change to sunset the discretionary allocation of additional Perkins funds through the current Perkins loan program to loans made prior to July 1, 2010.

Section 223. Allocation of funds

This section makes a conforming change to the allocation of funds under section 462 of the current Perkins loan program to sunset the program by fiscal year 2010.

Section 224. Federal Direct Perkins Loan allocation

This section establishes an annual Direct Perkins loan authority for the annual issuance of up to $6 billion from funds under Part D beginning with the 2010–2011 award year. For each award year, 50% of funds are allocated to institutions on the basis of the adjusted self-help need amount of the institution. The adjusted self-help need amount is determined by each eligible undergraduate student's average cost of attendance less each undergraduate student's expected family contribution, plus each eligible graduate or professional student's average cost of attendance less each graduate or professional student's expected family contribution. For undergraduate students the amount of self-help need cannot exceed 25% of the average cost of attendance or $5,500 and for graduate and professional students it cannot exceed $8,000.

Of the remaining 50% of funds: 25% of the funds are awarded on the basis of a low tuition incentive, and 25% of the funds are allocated to institutions based on the number of students that graduate who are federal Pell Grant recipients. The calculation of the low tuition incentive is based on the amount by which the institution's tuition and fees is below the average tuition and fees for its sector, plus the amount by which the non Federal grant aid provided by the institution to needy students drives them below the average tuition and fees for the institution's sector. The calculation of the Pell Grant incentive is determined by the ratio of Pell grant recipients to Pell grant recipients who complete a postsecondary degree.

If the institution's base self-help need amount exceeds 50% of the loan authority under this section, the base amounts of the eligible institutions is ratably reduced. There is also a corresponding ratable reduction that applies to the low tuition incentive and the Pell Grant incentive.

Participants of the current Perkins loan program are guaranteed to receive no less than the average of the institution's total principal amount of loans for each of the five most recent award years.

Section 225. Agreements with institutions of higher education

This section describes the nature of the agreement between the Secretary and the institution with regard to participation in the Federal Direct Perkins Loan program. Specific requirements include that the institution will: establish and maintain the program, operate the program consistent with their requirements under the

Federal Direct Loan program, and pay an institutional match to be determined by the Secretary.

Section 226. Student loan information by eligible institution

This section makes conforming changes to limit the disclosure requirements of institutions participating in the current Perkins loan program to Perkins loans made before July 1, 2010.

Section 227. Terms of loans

This section makes conforming changes to sunset the terms and conditions of Perkins loans made before July 1, 2010.

Section 228. Distribution of assets from student loan funds

This section recalls the federal capital contribution to the Perkins loan revolving funds at participating institutions minus the cost of student loan cancellations pursuant to the terms of the current program and administrative costs. The institution's contribution is also paid back to the institution.

Section 229. Administrative expenses

This section makes conforming changes to sunset the administrative expense payments by the Secretary under Part E for the current Perkins loan program.

Title III—Modernization, Renovation, and Repair

SUBTITLE A—ELEMENTARY AND SECONDARY EDUCATION

Section 301. Definitions

Includes definitions of Bureau-funded school, charter school, CHPS Criteria, Energy Star, Green Globes, LEED Green Building Rating System, local educational agency, outlying area, public school facilities, Secretary, and State.

CHAPTER 1—GRANTS FOR MODERNIZATION, RENOVATION, OR REPAIR OF PUBLIC SCHOOL FACILITIES

Section 311. Purpose

Indicates the purpose of grants under chapter 1 is for modernizing, renovating, or repairing public school facilities to ensure that public school facilities are safe, healthy, high-performing, and technologically up-to-date.

Section 312. Allocation of funds

Directs the Secretary to reserve two percent of funds appropriated for chapter 1 for each fiscal year for assistance to the outlying areas and for payments to the Secretary of the Interior for assistance to Bureau-funded schools and requires that such funds be distributed between the outlying areas and the Department of the Interior for schools in outlying areas and Bureau of Indian Education-funded schools in the same proportion as the amount reserved under section 1121(a) of the Elementary and Secondary Education Act. Directs the Secretary to reserve five percent of funds appropriated for chapter 1 for each fiscal year for assistance to local educational agencies serving geographic areas with significant economic distress and those recovering from a natural dis-

aster. Allows each State to reserve up to one percent of funds appropriated for chapter 1 for each fiscal year to provide technical assistance, to develop a plan to create an online, publicly searchable statewide database of public school facility design, condition, modernization, renovation and repair needs, usage, utilization, energy use, and carbon footprint, and create voluntary guidelines for high-performing public school buildings.

Allocates to each State the same percentage of funds appropriated under Title I of this Act that the State receives under Title I, Part A of the Elementary and Secondary Education Act of 1965. Within each State, allocates to each local educational agency the same percentage of funds appropriated under Title I of this Act that the agency receives under Title I, Part A of the Elementary and Secondary Education Act of 1965.

Requires the Secretary, in determining State and local allocations, to take into account the hold-harmless provisions of Title I, Part A of the Elementary and Secondary Education Act of 1965.

Requires the Secretary to distribute funds to States within one hundred twenty days of the Department's appropriation and requires States to distribute funds to local educational agencies within ninety days of having received them from the Secretary.

Section 313. Allowable use of funds

Describes the types of public school modernizations, renovations, and repairs that are allowable uses of funds under chapter 1, including repair to roofs, electrical, plumbing, sewage, stormwater runoff, lighting systems, building envelope, heating, ventilation, and air-conditioning systems, windows, floors, ceilings, doors, including insulation and indoor air quality assessments. Funds may also be used to bring schools into compliance with fire, health, seismic and safety codes, including modernizations, renovations, and repairs that ensure that schools are prepared for emergencies. Funds may be used for retrofitting that will increase the energy efficiency of public school facilities and for modifications necessary to comply with the Americans with Disabilities Act of 1990 and section 504 of the Rehabilitation Act of 1973. Additional uses contemplated by the bill include, abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, or mildew; reduction of human exposure to lead-based hazards or proven carcinogens; reduction of classroom noise and environmental noise pollution; modernization, renovation, or repair to reduce the consumption of coal, electricity, land, natural gas, oil, or water; upgrading or installing educational technology infrastructure; modernization, renovation, or repairs of laboratory facilities, libraries, career and technical education facilities, and improvements to building infrastructure to accommodate bicycle and pedestrian access; renewable energy generation, heating systems and energy audits; measures designed to reduce or eliminate human exposure to airborne particles; creating greenhouses, gardens, and other facilities for environmental scientific, or other educational purposes, or to produce energy savings; modernizing, renovating, or repairing physical education facilities and recreational structures for students, other modernizations, renovations, or repairs that improve the teaching and learning climate, ensure the health and safety of students and staff, or make schools more energy efficient; or reduce class size;

and required environmental remediation related to modernizations, renovations, or repairs described above.

Section 314. Priority projects

Allows local educational agencies to give priority to projects involving the abatement, removal, or interim controls of asbestos, polychlorinated biphenyls, mold, mildew, lead-based hazards, including lead-based paint hazards, or a proven carcinogen.

CHAPTER 2—SUPPLEMENTAL GRANTS FOR LOUISIANA, MISSISSIPPI, AND ALABAMA

Section 321. Purpose

Indicates the purpose of grants under chapter 2 is for modernizing, renovating, repairing, or constructing public early learning, kindergarten, elementary, and secondary educational facilities to address needs caused by damage resulting from Hurricane Katrina or Hurricane Rita.

Section 322. Allocation to local educational agencies

Directs the Secretary to allocate funds to local educational agencies in Louisiana, Mississippi, and Alabama based on the infrastructure damage caused as a result of Hurricane Katrina or Hurricane Rita.

Requires the Secretary to distribute funds to local educational agencies within one hundred twenty days of an appropriation of funds.

Section 323. Allowable use of funds

Includes the same list of allowable uses of funds as section 313, but also allows local educational agencies to use chapter 2 funds for construction of new facilities.

CHAPTER 3—GENERAL PROVISIONS

Section 331. Impermissible uses of funds

Prohibits funds received under this Act from being used for payment of maintenance costs and stadiums or similar facilities whose primary use is for athletic contests or exhibitions for which admission is charged to the general public. Also prohibits the improvement or construction of facilities whose purpose is not the education of students, such as administrative facilities and the purchase of carbon offsets.

Section 332. Supplement, not supplant

Requires local educational agencies receiving funds under this Act to use such funds to supplement, and not supplant, funds that otherwise would be used for the same purposes.

Section 333. Prohibition regarding State aid

Prohibits a State from taking payments under this Act into consideration when determining the eligibility, or amount of, State aid for any local educational agencies.

Section 334. Maintenance of effort

Allows only local educational agencies with at least a ninety percent maintenance of effort with respect to the provision of a free public education from the previous fiscal year to receive funds under this Act.

Section 335. Special rule on contracting

Requires a local educational agency that receives funds under this Act and that carries out projects through a contract to ensure that the bidding process consist of the maximum number of qualified bidders, including local, small, minority, women- and veteran-owned businesses, through full and open competition.

Section 336. Use of American iron, steel, and manufactured goods

Requires that all of the iron, steel, and manufactured goods used in projects under this Act are produced in the United States unless the Secretary finds that the use of these products is inconsistent with the public interest, the products are not produced in sufficient quantities or of satisfactory quality, or the use of such products will increase the overall cost of the project by more than 25 percent. If the Secretary waives this provision due to a circumstance described above, the Secretary must public a detailed written justification of the determination in the Federal Register. This section must be applied in a manner that is consistent with international agreements.

Section 337. Labor standards

States that the Davis-Bacon labor law provisions apply to any funds received under this Act.

Section 338. Charter schools

Requires that charter schools receive a portion of a local educational agency's funds under this Act, based on the percentage of low income students in the local educational agency served by charter schools and that local educational agencies consult with charter schools to determine individual school's needs for renovation, modernization, and repair. Allows local educational agencies to use excess funds for other public school facility modernization, renovation, repair, or construction if, after consulting with charter school administrators, the local educational agency determines that the amount reserved exceeds the needs of charter schools within the agency.

Section 339. Green schools

Requires local educational agencies receiving funds under this subtitle to use at least half of such funds appropriated in fiscal year 2010 and seventy five percent of funds appropriated in fiscal year 2011 for public school modernizations, renovations, repairs, or construction that meet specified "green" standards, including equivalent standards adopted by the State or local authority with jurisdiction over the agency, which must include a verifiable method to demonstrate compliance.

Clarifies that nothing under Sec. 339 shall be construed to prohibit a local educational agency from using sustainable, domestic hardwood lumber for public school modernization, renovation, repairs, or construction.

Requires the Secretary, in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency, to provide outreach and technical assistance to States and local educational agencies concerning best practices in school modernization, renovation, and repair, including those related to student academic achievement, student and staff health, energy efficiency, and environmental protection.

Section 340. Reporting

Describes the reporting requirements applicable to local educational agencies, States, and the Secretary, and requires local educational agencies to make their reports publicly available, including on their website.

Section 341. Special rules

Prohibits funds under this subtitle from being used to employ workers in violation of section 274A of the Immigration and Nationality Act and from being distributed to a local educational agency that does not have a policy that requires a criminal background check on all employees of the agency.

Section 342. Promotion of employment experiences

Directs the Secretary, in consultation with the Secretary of Labor, to promote appropriate opportunities for participants in the Youthbuild program, individuals enrolled in the Job Corps program, individuals enrolled in a junior or community college certificate or degree program related to sec 339(a), and participants in preapprenticeship programs that have direct linkages with apprenticeship programs that are registered with the Department of Labor or a State Apprenticeship Agency under the National Apprenticeship Act of 1937 to gain employment experience through projects under this subtitle.

Section 343. Advisory Council on Green, High-Performing Public School Facilities

Establishes the Advisory Council on Green, High-Performing Public School Facilities to advise the Secretary on the impact of green, high-performing schools on teaching and learning, health, energy costs, environmental impact, and other areas.

Section 344. Education regarding projects

Allows local educational agencies to encourage schools where modernization, renovation, or repair projects are undertaken to educate students about the project, including, as appropriate, the functioning of the project and its environmental, energy, sustainability, and other benefits.

Section 345. Availability of funds

Authorizes to be appropriated and appropriates for chapter 1 $2,020,000,000 for each of fiscal years 2010 and 2011. Authorizes to be appropriated and appropriates for chapter 2 $30,000,000 for each of fiscal years 2010 and 2011.

SUBTITLE B—HIGHER EDUCATION

Section 351. Federal assistance for community college modernization

This section establishes a federal grant program for community college modernization, repair, and construction. Grants are awarded to states for one of the following uses: to reduce financing costs of loans, to provide matching funds for capital campaigns, or to provide capital to a revolving loan fund, for new construction modernization, renovation, or repair projects at community colleges. Community colleges can use funds for the construction, modernization, renovation, or repair of community college facilities that are primarily used for instruction, research, or student housing including: heating and air conditioning systems, emergency preparedness, increasing energy efficiency, expanding accessibility of facilities for Americans with Disabilities Act compliance, removal or abatement of asbestos or lead-based paint, technology upgrades, or renewable energy generation. Requires local educational agencies receiving funds under this subtitle to use at least half of such funds appropriated for community college modernizations, renovations, repairs, or construction that meet specified "green" standards, including equivalent standards adopted by the State or local authority with jurisdiction over the agency, which must include a verifiable method to demonstrate compliance.

Title IV—Early Learning Challenge Fund

Section 401. Purpose

Sets forth five purposes to the title.

Section 402. Programs authorized

Reserves up to 2 percent of funds for joint administration of the title by the Secretary of Education and up to 3 percent for research activities described in section 405. Authorizes .25 percent for a competitive grant program to Indian tribes to develop and implement school readiness plans. After these reservations, reserves up to 65 percent for fiscal years 2010 through 2012 and up to 85 percent for subsequent fiscal years for Quality Pathways Grants. The remainder is reserved for Development Grants. Lists priority criteria for awarding competitive grants and state maintenance of effort requirements. Describes the federal administration of the grant program and includes a list of a prohibition on the use of funds.

Section 403. Quality pathways grants

Describes the quality pathways grants, including the grant period, the Secretary's criteria for awarding grants and determining amount of the award, as well as criteria for renewal, and the state matching requirement. Explains the required contents of State applications and the allowable uses of funds. Includes special rule allowing 25% of funds from a Quality Pathways grant to be used to expand access under certain conditions. Includes an improvement plan for states encountering barriers to reaching their goals.

Section 404. Development grants

Describes the development grants, including the grant period, the use of funds, and the matching requirement.

Section 405. Research and evaluation

From funds reserved in section 402, requires the Secretary of education and the Secretary of Health and Human Services to act jointly to carry out 4 activities: (1) establish a national commission to review and provide recommendations regarding early learning program standards and early learning and development standards; (2) conduct a national evaluation of the grants made under the title; (3) support a research collaborative to support research that can inform improved child outcomes; (4) review strategic reports by the State Advisory Councils on Early Care and Education and disseminate best practices.

Section 406. Reporting requirements

Requires the Secretary of Education to submit an annual report to the Committee on Education and Labor of the U.S. House of Representatives and the Health, Education, Labor, and Pensions Committee of the U.S. Senate and describes the contents of such report. Requires States receiving grants under this title to submit annual reports to the Secretary of Education and describes the contents of such report.

Section 407. Construction

Includes two rules of construction regarding interpretation of the provisions of the title.

Section 408. Definitions

Includes definitions for the term 'child', 'disadvantaged', 'Indian tribe', 'Limited English Proficient', 'Secretary', and 'State'.

Sec. 409. Availability of Funds

Provides $1 billion for each of fiscal years 2010 through 2017.

Title V—American Graduation Initiative

Section 501. Authorization and appropriation

This section authorizes and appropriates $730 million for each fiscal year 2010 through 2013 and $680 million for each fiscal year 2014 through 2019 for the American Graduation Initiative. For fiscal years 2010 through 2013: $630 million is available for the Community College Challenge grant program, $50 million is available for open online education, and $50 million is available for the Learning and Earning Research Center and grants to states for data systems. For fiscal years 2014 through 2019: $630 million is available for grants to States for community college programs and $50 million is available for open online education.

Sections 503 and 504 will be jointly administered by the Secretary of Education and the Secretary of Labor pursuant to an interagency agreement, with the Secretary of Education having primary responsibility for obligating and disbursing funds and ensuring compliance with applicable law and administrative requirements.

Section 502. Definitions

This section defines eligible entities and the following terms: area career and technical education school, institution of higher education, community college, philanthropic organization, State, State Public Employment Service, State Workforce Investment Board, Local Workforce Investment Board, and supportive services. Eligible entities include: community colleges and community college districts; area and career technical education schools; public four-year institutions that offer two-year degrees, use funds for activities at the associate degree and certificate levels, and is not reasonably close to a community college; States and higher education institutions in partnership with one of the above four eligible entities; and consortia of at least two of the above entities.

Section 503. Grants to eligible entities for community college reform

This section authorizes the Secretary of Education, in coordination with the Secretary of Labor to award competitive grants to community colleges, area career and technical colleges, public four-year institutions offering two-year degrees, States or public four-year institutions partnering with community colleges, or consortia of the above entities.

Grants awarded are for innovative programs, or programs of demonstrated effectiveness, that lead to the completion of a post-secondary degree, certificate, or industry-recognized credential leading to a skilled occupation in a high-demand industry. Grants are awarded for a four-year period. The Secretary is authorized to terminate a grant in the third year if the eligible entity has not made demonstrable progress in achieving agreed upon benchmarks. If such a determination is made, no further grant funds will be awarded. The minimum grant award is $750,000. Priority is given to eligible entities partnering philanthropic organizations, businesses, and labor organizations for defined purposes. Eligible entities seeking a grant must submit a detailed application to the Secretary.

Requires a non-federal match for federal dollars to cover 50% of the cost of the programs, services, and policies under the grant. The non-federal portion of the match can be in cash or in kind, and can be provided from States, local resources, and/or private organizations. A hardship waiver may be granted by the Secretary pursuant to Department regulations.

Eligible entities receiving a grant must use grant funds to carry out two of the following activities: facilitating transfer of credit and articulation agreements; expanding, enhancing, or creating academic or training programs in partnership with employers; providing student and worker support services; creating workforce programs leading to industry-recognized credentials; building or enhancing linkages including the development of dual enrollment programs and early college high schools; and other innovative programs to increase completion and the provision of training for students to enter skilled occupations.

Requires eligible entities receiving a grant to develop and annually measure and report quantifiable benchmarks approved by the Secretary on the following indicators as applicable: closing gaps in enrollment and completion rates; addressing local and regional

workforce needs; and improving educational and employment outcomes for education and training programs.

This section also authorizes the Secretary to allocate up to 2% of funds to direct the Institute of Education Sciences to conduct evaluations to determine the effectiveness of grant programs carried out by eligible entities receiving a grant. Evaluations must conclude prior to January 30, 2014.

The Secretary is required to annually submit a report to the Committee on Health, Education, Labor, and Pensions of the Senate and Labor and the Senate and the Committee on Education and Labor of the House of Representatives.

Section 504. Grants to eligible States for community college programs

This section authorizes the Secretary of Education, in coordination with the Secretary of Labor to award competitive grants to States to implement systematic reform of community colleges located in the State by carrying out programs, policies, and services that have demonstrated effectiveness resulting from the evaluation in section 503.

In order to be eligible for a grant under this section a State must: have an access and completion plan under section 782 of the Higher Education Act of 1965, have an interoperable statewide longitudinal data system including community college data, have an articulation agreement pursuant to section 486A of the Higher Education Act of 1965, and is in compliance with section 137 of the Higher Education Act of 1965. Eligible States seeking a grant must submit a detailed application to the Secretary.

Grants are awarded for a six-year period. The Secretary is authorized to terminate a grant in the third year if the eligible entity has not made demonstrable progress in achieving agreed upon benchmarks. If such a determination is made, no further grant funds will be awarded.

Requires a non-federal match for federal dollars to cover 50% of the cost of the programs, services, and policies under the grant. The non-federal portion of the match can be in cash or in kind, and can be provided from States, local resources, and/or private organizations. A hardship waiver may be granted by the Secretary pursuant to Department regulations.

Requires eligible entities receiving a grant to develop and annually measure and report quantifiable benchmarks approved by the Secretary on the following indicators as applicable: closing gapes in enrollment and completion rates; addressing local and regional workforce needs; and improving educational and employment outcomes for education and training programs.

States must submit an annual report to the Secretary of Education and the Secretary of Labor detailing the description and outcome of the systematic reform carried out under the grant.

The Secretary is required to submit a report not later than six months following the end of the grant period.

Section 505. National activities

This section authorizes the Secretary to make competitive grants or contract with institutions of higher education, philanthropic organizations, or other appropriate entities to develop, evaluate, and

disseminate freely-available high-quality online training, high school courses, and postsecondary education courses.

This section also authorizes the Director of the Institute of Education Sciences to award a grant or contract with an organization with demonstrated expertise in research and evaluation of community colleges to establish and operate a Learning and Earning Center. The grant or contract is authorized for four years. Creates an advisory board appointed by the Secretary. Authorized activities for the center include: the development of common education and training metrics and creating standardized data elements and data-sharing protocol.

Authorizes the Secretary to award grant to States and consortia of States to establish cooperative agreements to develop, implement, and expand interoperable statewide longitudinal data systems.

Requires compliance with defined privacy and access to data provisions made applicable to the entire Act.

The Secretary is required to annually submit a report to the Committee on Health, Education, Labor, and Pensions of the Senate and Labor and the Senate and the Committee on Education and Labor of the House of Representatives detailing the amounts awarded to entities and activities carried out pursuant to such grants or contracts.

VI. Explanation of Amendments

The Committee considered and adopted the following amendments:

- Chairman Miller (D–CA) offered an amendment in the nature of a substitute which is explained in the body of this report.
- Representative Lynn Woolsey (D–CA) offered an amendment that requires the Secretary to give priority to grant applications for the Community College Initiative that focus on serving low-income, non-traditional students. The amendment was adopted by voice vote.
- Representative Susan Davis (D–CA) offered an amendment to provide loan forgiveness for loans incurred during the academic term in which a service member is activated. The amendment was adopted by voice vote.
- Representative Howard "Buck" McKeon (R–CA) offered an amendment that requires the Secretary, in coordination with the Secretary of Veterans Affairs, to provide supplemental grants to eligible veterans whose educational costs are not covered by the G.I. bill. The amendment was adopted by voice vote.
- Representative Rubén Hinojosa (D–TX) offered an amendment to extend mandatory funding to Historically Black Colleges and Universities (HBCUs) and Minority Serving Institutions (MSIs) for programs to provide training in the areas of science, technology, engineering and mathematics through 2019. The amendment was adopted by voice vote.
- Representatives Dennis Kucinich (D–OH) and Phil Hare (D–IL) offered an amendment that requires States to report to the Secretary on barriers to expanding access to early learning programs to disadvantaged children. The amendment was adopted by voice vote.

• Representatives David Loebsack (D–IA) and Marcia Fudge (D–OH) offered an amendment to encourage greater connections among States, community colleges, and industry/sector partnerships to strengthen core industries, create jobs, and train the workforce to fulfill those jobs. The amendment was adopted by voice vote.

• Representative Mazie Hirono (D–HI) offered an amendment to require state applications for Quality Pathway grants to address quality and effective inclusion of children with disabilities in early learning settings in state program rating systems. The amendment was adopted by voice vote.

• Representative Hare offered an amendment to clarify that States may use Early Learning Challenge grants to implement prevention strategies designed to build social competence and prevent challenging behaviors as an allowable use of funds. The amendment was adopted by voice vote.

• Representative Joe Courtney (D–CT) offered an amendment that it is a sense of the Congress that State grantees in the American Graduation Initiative distribute resources for community colleges across the State. The amendment was adopted by voice vote.

• Representative Jared Polis (D–CO) offered an amendment to allow eligible community colleges to use American Graduation Initiative grants to redesign and create new programs that address emerging needs of the workplace. The amendment was adopted by voice vote.

• Representatives Polis and Paul Tonko (D–NY) offered an amendment to add grants designed to increase certificate completion in the STEM fields for women and other disadvantaged group as a priority for the Secretary in issuing Innovation Grants. The amendment was adopted by voice vote.

• Representatives Polis and Hirono offered an amendment to require the research collaborative established under title IV of the bill to evaluate barriers to improving the quality of early learning programs for disadvantaged children. The amendment was adopted by voice vote.

• Representative Tonko offered two amendments:

  • The first amendment adds water efficiency as an allowable use of funds for K–12 modernization, renovation, and repair, and provides that federal funding for community college modernization and construction supplement, and not supplant, other funding for those purposes.

  • The second amendment establishes a competitive grant program for eligible institutions of higher education to hire a Veterans Resource Officer to increase college completion rates for veterans.

Both amendments were adopted by voice vote.

• Representative Robert Andrews offered an amendment to amend the 90–10 rule to provide temporary relief to proprietary institutions by: extending the number of consecutive years an institution may fail to meet the 90–10 requirement from two to three, before becoming ineligible to participate in Title IV programs; extending the period of time during which an institution may count the increase in student loan limits as non-title IV revenue; and exempting Federal Direct Perkins Loans made between July 1, 2010

through July 1, 2010 from the 90–10 revenue calculation. The amendment was adopted by a vote of 42 to 5.

• Representatives Pedro Pierluisi (D–PR) and Gregorio Sablan (D–MP) offered an amendment to ensure that Puerto Rico, the District of Columbia, Guam, American Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana, and the Freely Associated States are eligible, on the same terms as the states, for modernization and construction grants for community colleges under the American Graduation Initiative. The amendment was adopted by voice vote.

VII. Application of Law to the Legislative Branch

Section 102(b)(3) of Public Law 104–1, the Congressional Accountability Act, requires a description of the application of this bill to the legislative branch. H.R. 3221, as amended, will reform the federal student loan program, provide for modernization, renovation and repair of public school facilities, enhance early learning, and strengthen community colleges. The bill does not prevent legislative branch employees' coverage under this legislation.

VIII. Unfunded Mandate Statement

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandates Reform Act, P.L. 104–4) requires a statement of whether the provisions of the reported bill include unfunded mandates. H.R. 3221 contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA).

IX. Earmark Statement

H.R. 3221 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clauses 9(d), 9(e) or 9(f) of rule XXI of the House of Representatives.

X. Roll Call

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 1 **BILL: H.R. 3221** **DATE: July 21, 2009**
AMENDMENT NUMBER: 2 **DEFEATED: 16 AYES / 30 NOES**
SPONSOR/AMENDMENT: GUTHRIE / SUBSTITUTE AMENDMENT

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY				X
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Mr. SESTAK				X
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Ms. FUDGE		X		
Mr. POLIS		X		
Mr. TONKO		X		
Mr. PIERLUISI		X		
Mr. SABLAN		X		
Ms. TITUS		X		
Ms. CHU		X		
Mr. KLINE, Senior Republican Member	X			
Mr. PETRI		X		
Mr. McKEON	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS		X		
Mr. WILSON	X			
Mrs. McMORRIS RODGERS	X			
Mr. PRICE				X
Mr. ROB BISHOP	X			
Mr. GUTHRIE	X			
Mr. CASSIDY	X			
Mr. McCLINTOCK	X			
Mr. HUNTER	X			
Mr. ROE	X			
Mr. THOMPSON	X			
TOTALS	16	30		3

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 2 **BILL: H.R. 3221** **DATE: July 21, 2009**
AMENDMENT NUMBER: 4 **DEFEATED: 18 AYES / 29 NOES**
SPONSOR/AMENDMENT: PRICE / PROVISIONS CONTINGENT ON JOBS

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY				X
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Mr. SESTAK				X
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE		X		
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Ms. FUDGE		X		
Mr. POLIS		X		
Mr. TONKO		X		
Mr. PIERLUISI		X		
Mr. SABLAN		X		
Ms. TITUS		X		
Ms. CHU		X		
Mr. KLINE, Senior Republican Member	X			
Mr. PETRI		X		
Mr. McKEON	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. WILSON	X			
Mrs. McMORRIS RODGERS	X			
Mr. PRICE	X			
Mr. ROB BISHOP	X			
Mr. GUTHRIE	X			
Mr. CASSIDY	X			
Mr. McCLINTOCK	X			
Mr. HUNTER	X			
Mr. ROE	X			
Mr. THOMPSON	X			
TOTALS	18	29		2

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: 3 **BILL: H.R. 3221** **DATE: July 21, 2009**
AMENDMENT NUMBER: 8 **DEFEATED: 20 AYES / 27 NOES**
SPONSOR/AMENDMENT: SOUDER / PROHIBIT CONVICTED DRUG OFFENDERS FROM RECEIVING FEDERAL STUDENT AID

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman		X		
Mr. KILDEE, Vice Chairman		X		
Mr. PAYNE		X		
Mr. ANDREWS		X		
Mr. SCOTT		X		
Ms. WOOLSEY		X		
Mr. HINOJOSA		X		
Mrs. McCARTHY				X
Mr. TIERNEY		X		
Mr. KUCINICH		X		
Mr. WU		X		
Mr. HOLT		X		
Mrs. DAVIS		X		
Mr. GRIJALVA		X		
Mr. TIMOTHY BISHOP		X		
Mr. SESTAK				X
Mr. LOEBSACK		X		
Ms. HIRONO		X		
Mr. ALTMIRE	X			
Mr. HARE		X		
Ms. CLARKE		X		
Mr. COURTNEY		X		
Ms. SHEA-PORTER		X		
Ms. FUDGE		X		
Mr. POLIS		X		
Mr. TONKO		X		
Mr. PIERLUISI		X		
Mr. SABLAN		X		
Ms. TITUS		X		
Ms. CHU		X		
Mr. KLINE, Senior Republican Member	X			
Mr. PETRI	X			
Mr. McKEON	X			
Mr. HOEKSTRA	X			
Mr. CASTLE	X			
Mr. SOUDER	X			
Mr. EHLERS	X			
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. WILSON	X			
Mrs. McMORRIS RODGERS	X			
Mr. PRICE	X			
Mr. ROB BISHOP	X			
Mr. GUTHRIE	X			
Mr. CASSIDY	X			
Mr. McCLINTOCK	X			
Mr. HUNTER	X			
Mr. ROE	X			
Mr. THOMPSON	X			
TOTALS	20	27		2

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: #4 BILL: H.R. 3221 DATE: 7/21/2009
AMENDMENT NUMBER: 24 PASSED: 42 AYES / 5 NOES
SPONSOR/AMENDMENT: ANDREWS / 90-10 CHANGES

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman	X			
Mr. KILDEE, Vice Chairman	X			
Mr. PAYNE	X			
Mr. ANDREWS	X			
Mr. SCOTT	X			
Ms. WOOLSEY	X			
Mr. HINOJOSA	X			
Mrs. McCARTHY				X
Mr. TIERNEY		X		
Mr. KUCINICH	X			
Mr. WU	X			
Mr. HOLT	X			
Mrs. DAVIS	X			
Mr. GRIJALVA	X			
Mr. TIMOTHY BISHOP		X		
Mr. SESTAK				X
Mr. LOEBSACK	X			
Ms. HIRONO	X			
Mr. ALTMIRE	X			
Mr. HARE	X			
Ms. CLARKE	X			
Mr. COURTNEY	X			
Ms. SHEA-PORTER	X			
Ms. FUDGE	X			
Mr. POLIS				X
Mr. TONKO	X			
Mr. PIERLUISI	X			
Mr. SABLAN	X			
Ms. TITUS	X			
Ms. CHU	X			
Mr. KLINE, Senior Republican Member	X			
Mr. PETRI	X			
Mr. McKEON	X			
Mr. HOEKSTRA	X			
Mr. CASTLE		X		
Mr. SOUDER	X			
Mr. EHLERS		X		
Mrs. BIGGERT	X			
Mr. PLATTS	X			
Mr. WILSON	X			
Mrs. McMORRIS RODGERS	X			
Mr. PRICE	X			
Mr. ROB BISHOP	X			
Mr. GUTHRIE	X			
Mr. CASSIDY	X			
Mr. McCLINTOCK	X			
Mr. HUNTER	X			
Mr. ROE	X			
Mr. THOMPSON	X			
TOTALS	**42**	**5**		**2**

COMMITTEE ON EDUCATION AND LABOR

ROLL CALL: #5 BILL: H.R. 3221 DATE: 7/21/2009
AMENDMENT NUMBER: PASSED: 30 AYES / 17 NOES
SPONSOR/AMENDMENT: HINOJOSA / MOTION TO FAVORABLY REPORT THE BILL TO THE HOUSE WITH AN AMENDMENT IN THE NATURE OF A SUBSTITUTE, AND THAT THE COMMITTEE AUTHORIZE THE CHAIRMAN TO TRANSMIT THE BILL, WITH AN AMENDMENT IN THE NATURE OF A SUBSTITUTE, TO THE COMMITTEE ON BUDGET IN COMPLIANCE WITH SECTION 310 OF THE CONGRESSIONAL BUDGET ACT OF 1974 AS THE FIRST PART OF THIS COMMITTEE'S RECOMMENDATIONS, PURSUANT TO THE RECONCILIATION INSTRUCTION IN S. CON. RES. 13

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. MILLER, Chairman	X			
Mr. KILDEE, Vice Chairman	X			
Mr. PAYNE	X			
Mr. ANDREWS	X			
Mr. SCOTT	X			
Ms. WOOLSEY	X			
Mr. HINOJOSA	X			
Mrs. McCARTHY				X
Mr. TIERNEY	X			
Mr. KUCINICH	X			
Mr. WU	X			
Mr. HOLT	X			
Mrs. DAVIS	X			
Mr. GRIJALVA	X			
Mr. TIMOTHY BISHOP	X			
Mr. SESTAK				X
Mr. LOEBSACK	X			
Ms. HIRONO	X			
Mr. ALTMIRE	X			
Mr. HARE	X			
Ms. CLARKE	X			
Mr. COURTNEY	X			
Ms. SHEA-PORTER	X			
Ms. FUDGE	X			
Mr. POLIS	X			
Mr. TONKO	X			
Mr. PIERLUISI	X			
Mr. SABLAN	X			
Ms. TITUS	X			
Ms. CHU	X			
Mr. KLINE, Senior Republican Member		X		
Mr. PETRI	X			
Mr. McKEON		X		
Mr. HOEKSTRA		X		
Mr. CASTLE		X		
Mr. SOUDER		X		
Mr. EHLERS		X		
Mrs. BIGGERT		X		
Mr. PLATTS	X			
Mr. WILSON		X		
Mrs. McMORRIS RODGERS		X		
Mr. PRICE		X		
Mr. ROB BISHOP		X		
Mr. GUTHRIE		X		
Mr. CASSIDY		X		
Mr. McCLINTOCK		X		
Mr. HUNTER		X		
Mr. ROE		X		
Mr. THOMPSON		X		
TOTALS	**30**	**17**		**2**

XI. Statement of Oversight Findings and Recommendations of the Committee

In compliance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

XII. New Budget Authority and CBO Cost Estimate

With respect to the requirements of clause 3(c)(2) of rule XIII of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of 3(c)(3) of rule XIII of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee expects to receive an estimate for H.R. 3221 from the Director of the Congressional Budget Office:

U.S. Congress,
Congressional Budget Office
Washington, DC, January 24, 2009.

Hon. George Miller,
Chairman, Committee on Education and Labor,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Deborah Kalcevic and Justin Humphrey.

Sincerely,

Douglas W. Elmendorf, *Director.*

Enclosure.

H.R. 3221—Student Aid and Fiscal Responsibility Act of 2009

Summary: H.R. 3221 would amend the Higher Education Act of 1965, which authorizes most federal postsecondary education programs. It would prohibit new federally guaranteed loans from being made under the Federal Family Education Loan (FFEL) Program and would increase direct spending for the Federal Pell Grant Program and other programs.

The elimination of guaranteed student loans would lead to a comparable increase in direct lending by the government. The estimated subsidy cost shown in the budget is lower for the direct student loan program than for the FFEL program. Thus, enacting the bill would yield net budgetary savings for shifting new lending from the guaranteed loan program to the direct loan program.

On balance, CBO estimates that enacting H.R. 3221 would reduce direct spending by $13.3 billion over the 2009–2013 period and $7.8 billion over the 2009–2019 period. Assuming appropriation of the necessary amounts, implementing the bill would increase discretionary spending by at least $13.5 billion over the 2009–2019 period. (That estimate reflects the bulk of the likely discretionary costs under H.R. 3221; but CBO has not completed a comprehensive estimate of all effects that would be subject to appropriation action.) Enacting H.R. 3221 would not affect revenues.

H.R. 3221 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated impact of H.R. 3221 on spending is shown in Table 1. The costs of this legislation fall within budget functions 500 (education, training, employment, and social services) and 700 (veterans benefits and services).

TABLE 1.—ESTIMATED BUDGETARY IMPACT OF H.R. 3221, THE STUDENT AID AND FISCAL RESPONSIBILITY ACT OF 2009

	By fiscal year, in billions of dollars—												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2014	2009–2019
CHANGES IN DIRECT SPENDING													
Federal Student Loan Programs:[a]													
Estimated Budget Authority	−0.2	−6.1	−14.1	−12.2	−8.7	−8.4	−8.0	−7.9	−7.6	−7.8	−8.1	−49.8	−89.2
Estimated Outlays	−0.3	−3.8	−9.6	−11.3	−8.2	−7.5	−7.0	−6.8	−6.7	−6.7	−6.9	−40.7	−74.8
Federal Pell Grant Program:													
Estimated Budget Authority	0	0.1	1.9	0.8	6.7	3.6	4.0	5.2	6.4	8.1	9.9	13.0	46.7
Estimated Outlays	0	*	0.6	1.6	2.4	5.8	3.7	4.3	5.5	6.9	8.6	10.4	39.4
Other Programs:													
Estimated Budget Authority	0	4.7	7.3	2.8	2.8	2.7	2.1	2.1	2.2	1.2	1.2	20.3	29.0
Estimated Outlays	0	0.6	3.7	5.0	4.2	3.4	2.6	2.3	2.2	2.1	1.5	16.9	27.6
Total Changes:													
Estimated Budget Authority	−0.2	−1.3	−4.9	−8.7	0.7	−2.2	−1.8	−0.5	1.0	1.5	3.0	−16.5	−13.4
Estimated Outlays	−0.3	−3.1	−5.3	−4.6	−1.7	1.6	−0.7	−0.2	1.0	2.3	3.1	−13.3	−7.8
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[b]													
Estimated Authorization Level	0	0.1	0.8	0.9	1.1	1.3	1.5	1.8	2.1	2.4	2.6	4.3	14.8
Estimated Outlays	0	0.1	0.4	0.9	1.0	1.2	1.5	1.7	2.0	2.2	2.5	3.6	13.5

[a] Including the Federal Perkins Loan Program.

[b] CBO has not completed an estimate of all discretionary spending under H.R. 3221; the estimates shown here represent the bulk of the bill's discretionary costs.

Notes: Components may not add to totals because of rounding; * = less than $50 million.

Basis of estimate: As required under the Federal Credit Reform Act of 1990 (FCRA), most of the costs of the federal student loan programs are estimated on a net-present-value basis. Under credit reform, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on U.S. Treasury borrowing. (For example, the cash flow for a one-year loan is discounted using the Treasury rate for a one-year zero-coupon note.) The costs for the federal administration of student loans are estimated on a cash basis. For this estimate, CBO assumes the bill will be enacted by October 1, 2009, and that the necessary funds will be appropriated for all discretionary programs.

Direct spending

H.R. 3221 would amend the federal student loan programs (including the Federal Perkins Loan Program) and the Federal Pell Grant Program and would amend or create several other programs. Those changes would decrease net direct spending by $13.3 billion over the 2009–2014 period and $7.8 billion over the 2009–2019 period.

Federal Student Loan Programs. H.R. 3221 would make several changes to the federal student loan programs, including the Federal Perkins Loan Program. As shown in Table 2, CBO estimates that, on net, those changes would reduce federal costs by $40.7 billion over five years and $74.8 billion over 10 years. The major changes that affect direct spending include:

- Eliminating new guaranteed student loans under the FFEL program and thus shifting those loans to the William D. Ford Federal Direct Student Loan program—saving an estimated $86.8 billion over the 2010–2019 period;
- Reducing interest rates on subsidized student loans to undergraduate borrowers—at a cost of $3.2 billion over the 2012–2019 period;
- Interactions between the FFEL and direct loan program and various other program changes—resulting in a net cost of $7.5 billion over the 2009–2019 period; and
- Speeding up the phase-out of the current Perkins loan program and establishing a new Perkins loan program in its place—for a net cost of $1.3 billion over the 2010–2019 period.

TABLE 2.—SUMMARY OF CHANGES IN THE FEDERAL STUDENT LOAN PROGRAMS

	By fiscal year, in billions of dollars—												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2014	2009–2019
CHANGES IN DIRECT SPENDING													
Eliminate new lending in the FFEL Program:													
Estimated Budget Authority	0	−4.8	−13.3	−12.2	−11.2	−10.5	−10.2	−10.2	−10.1	−10.3	−10.7	−52.1	−103.5
Estimated Outlays	0	−2.6	−8.9	−11.0	−10.0	−9.4	−9.0	−8.9	−8.9	−9.0	−9.3	−41.8	−86.8
Reduce borrower interest rates:													
Estimated Budget Authority	0	0	0	*	0.5	0.5	0.5	0.5	0.6	0.6	0.6	1.1	3.9
Estimated Outlays	0	0	0	*	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.8	3.2
Interactions and other changes:													
Estimated Budget Authority	−0.2	*	*	0.6	1.2	1.2	1.2	1.2	1.3	1.3	1.4	2.7	9.1
Estimated Outlays	−0.3	*	*	0.4	0.8	1.0	1.0	1.1	1.1	1.1	1.2	2.0	7.5
Subtotal, FFEL and Direct Loans:													
Estimated Budget Authority	−0.2	−4.8	−13.3	−11.6	−9.5	−8.8	−8.5	−8.4	−8.3	−8.4	−8.7	−48.3	−90.6
Estimated Outlays	−0.3	−2.6	−8.9	−10.6	−8.9	−7.9	−7.5	−7.4	−7.3	−7.3	−7.6	−39.0	−76.1
Federal Perkins Loans:													
Estimated Budget Authority	0	−1.3	−0.8	−0.6	0.7	0.4	0.5	0.6	0.6	0.6	0.6	−1.6	1.4
Estimated Outlays	0	−1.2	−0.8	−0.7	0.7	0.3	0.5	0.5	0.6	0.6	0.6	−1.6	1.3
Total, All Federal Student Loans:													
Estimated Budget Authority	−0.2	−6.1	−14.1	−12.2	−8.7	−8.4	−8.0	−7.9	−7.6	−7.8	−8.1	−49.8	−89.2
Estimated Outlays	−0.3	−3.8	−9.6	−11.3	−8.2	−7.5	−7.0	−6.8	−6.7	−6.7	−6.9	−40.7	−74.8

Notes: Components may not add to totals because of rounding; * between −$50 million and $50 million.

Eliminate new lending in the FFEL Program. Under current law, the federal government provides federal loans to borrowers through two separate programs. In the FFEL Program (guaranteed loans), private lenders originate loans to postsecondary students and the federal government makes payments to these lenders, guarantees them against significant loss in the case of default, and provides funds to guaranty agencies to help administer those loans. In the direct loan program, the federal government serves as the lender.

Beginning in July 2010, the bill would prohibit new guaranteed loans under the FFEL Program; which under current law, CBO estimates will account for about $705 billion in loans—70 percent of all loan volume—over the next 10 years. Under the prohibition in the bill, CBO expects that volume would shift to the direct loan program. CBO estimates that the subsidy rates for direct loans are, on average, about 10 to 20 percentage points lower than for guaranteed loans. (The subsidy rate reflects the present value cost for each dollar the government loans or guarantees.) Because of that difference in subsidy rates, CBO estimates that prohibiting new guaranteed loans—with the replacement of those loans by direct student loans—would lower federal budget costs by $41.8 billion over 2010–2014 period and by $86.8 billion over the 2010–2019 period. Consistent with the accounting required under FCRA, most of those estimated savings represent the changes in present-value estimates for the switch from guarantees to direct loans for each year over that period.

About $7 billion of the projected savings over the 2010–2019 period reflect forgone administrative costs in the FFEL Program. The increased loan volume in the direct loan program would require additional funds for administering and servicing those loans, but those costs are classified as discretionary spending and discussed below under the heading "Spending Subject to Appropriation."

Reduce Borrower Interest Rates. The bill would change the interest rate on subsidized loans for undergraduate borrowers beginning in July 2012. Under current law, the borrower rate on those student loans is scheduled to increase from 3.4 percent to 6.8 percent on July 1, 2012. Under the bill, the borrower rate would switch to a variable-rate formula. The rate charged would be equal to the 91-day Treasury bill rate (calculated as if it were equivalent to a bond) plus 2.5 percentage points, and would be adjusted annually each July. Because the rate would be capped at 6.8 percent, borrowers would never pay an interest rate higher than the 6.8 percent they would pay under current law, but would have some probability of paying a lower interest rate, depending on future Treasury rates.

Taking into account the one-sided aspect of the new interest rate calculation and the historical volatility of rates on short-term Treasury borrowing, CBO estimates that changing the interest rate to a capped variable rate would cost $0.8 billion over the 2010–2014 period and $3.2 billion over the 2010–2019 period.

Interactions and Other Changes. Other changes to the student loan programs and interactions between different sections of the bill would reduce net savings by $7.5 billion over the 2009–2019 period. Those changes are detailed below:

- CBO estimated the effects of each section of the bill independently of all other sections and then calculated the interaction between provisions for the bill as a whole. For H.R.

3221, CBO estimates that the interactive effects would reduce net savings by $7.6 billion over the 2009–2019 period.

- Beginning July 1, 2010, borrowers who currently have a guaranteed consolidation loan but do not also have a direct consolidation loan would be able to refinance their guaranteed consolidation loan into a direct loan. Under current law, consolidation loans are not permitted to be refinanced. Because of the difference in subsidy rates, CBO estimates this change would lower direct spending by an estimated $250 million in 2009.
- Beginning in July 2011, the bill would:

  1. Exclude the assets and most untaxed income of both students and parents currently included in calculating eligibility for need-based aid. CBO estimates this would cost $120 million over the 2011–2019 period; and

  2. Allow student who have been convicted of possession of illegal drug while receiving financial aid to receive student aid. CBO estimates this would cost $24 million over the 2011–2019 period. Both of these provisions would also affect the Pell grant program, and those costs are discussed below.
- H.R. 3221 would forgive federal loans for members of the uniformed services who do not receive academic credit because they must withdraw from school for reasons of military service. CBO estimates this provision would increase direct spending by $21 million over the 2010–2019 period.
- In October 2009, for loans first originated in January 2000 and after, the bill would allow lenders to make a one-time, permanent choice to change the underlying rate on which the yields are based for both outstanding and new guaranteed student loans. Under current law, the yield rates are based on the bond equivalency rate of the three-month Commercial Paper rate with various add-ons depending on the type of loan and the loan status. The bill would allow lenders, within a specified period of time, to change that rate to the one-month London Interbank Offered Rate (LIBOR), calculated as if it were equivalent to a bond. CBO estimates that this change would have a negligible impact on spending.

Perkins Loan Program. H.R. 3221 also would amend the current Federal Perkins Loan Program, under which some 1,700 colleges and universities use revolving funds to make student loans. (Schools loan about $1 billion a year to students from those revolving funds.) Over 80 percent of the capital in those revolving funds came from the federal government. Under current law in October 2012, schools must begin returning the government's share of those funds to the Treasury. Under H.R. 3221, schools would begin the return of federal capital in July 2010. The bill would allow schools to retain amounts for administrative expenses and other fees, thus slightly reducing expected receipts.

The bill would establish a new Federal Perkins Loan Program in July 2010; the interest rate would be 5 percent and students would face the same terms and conditions as with unsubsidized direct loans under the direct loan program. (Borrowing limits would be similar to the existing Perkins Loan Program.) The new loans would be disbursed through school financial aid offices to borrowers who met the new financial need requirements. A maximum of $6 billion in new loans could be made each year.

CBO estimates that, on net, these changes to the Perkins Loan Program would reduce direct spending by $1.6 billion over the 2010–2014 and increase direct spending by $1.3 billion over the 2010–2019 period.

Federal Pell Grant Program. H.R. 3221 also would amend the current structure of the Federal Pell Grant Program and formulas for determining eligibility under that program. As shown in Table 3, CBO estimates these changes would increase direct spending by $10.4 billion over the 2010–2014 period and by $39.4 billion over the 2010–2019 period. (Some of these changes also would affect discretionary spending in the Pell grant program. Those changes are discussed below under "Spending Subject to Appropriation.")

TABLE 3. ESTIMATED MANDATORY SPENDING FOR PELL GRANTS

	By fiscal year, in billions of dollars—												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2014	2009–2019
CHANGES IN DIRECT SPENDING													
Amend the Current Mandatory Award:													
Estimated Budget Authority	0	0.1	1.9	0.7	6.7	3.5	3.9	5.1	6.3	7.9	9.7	13.0	45.8
Estimated Outlays	0	*	0.6	1.6	2.4	5.8	3.6	4.2	5.4	6.7	8.4	10.3	38.7
Other Changes:													
Estimated Budget Authority	0	*	*	*	*	*	0.1	0.1	0.2	0.2	0.2	0.1	0.9
Estimated Outlays	0	*	*	*	*	*	0.1	0.1	0.1	0.2	0.2	*	0.7
Total Changes:													
Estimated Budget Authority	0	0.1	1.9	0.8	6.7	3.6	4.0	5.2	6.4	8.1	9.9	13.0	46.7
Estimated Outlays	0	*	0.6	1.6	2.4	5.8	3.7	4.3	5.5	6.9	8.6	10.4	39.4

Notes: Components may not add to totals because of rounding; * = between −$50 million and $50 million.

Mandatory Spending for Pell grants. Under current law, the Pell grant program is funded from both discretionary and mandatory sources. An annual appropriation sets the maximum award level for which students are eligible and a mandatory account provides additional funding to students eligible for the discretionary program. The amount of the additional mandatory award is determined by the amount of budget authority directly appropriated in the Higher Education Act. In 2009, CBO estimates that discretionary costs for the Pell grant program will be $22.8 billion with additional mandatory spending equal to $2.7 billion.

H.R. 3221 would permanently amend the calculation of mandatory funding for Pell grants beginning in fiscal year 2011. For each year, the bill would appropriate such sums as may be necessary to increase the mandatory award from the previous year. The increase in the mandatory award would be determined by inflating the previous year's total award level by the change in the Consumer Price Index plus one percentage point and then subtracting out the previous year's discretionary award level or $4,860 (whichever is greater). The base level of the award would continue to be set in an annual appropriations act. For 2010, the mandatory award level is set at $690.

As shown in Table 4, starting with the most recent appropriations act (for the 2009–2010 academic year) which specifies an award level of $4,860, CBO estimates the mandatory award would grow from $690 in 2010 to $2,040 in 2019. If an appropriations act were to set the discretionary maximum award at a level greater than $4,860, it would raise the amount of the mandatory award in each successive year, and increase overall costs.

TABLE 4. ESTIMATED MAXIMUM AWARD LEVELS FOR PELL GRANTS UNDER H.R. 3221

	By fiscal year, in dollars—										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	MAXIMUM AWARD LEVEL										
Discretionary award level	4,860	4,860	4,860	4,860	4,860	4,860	4,860	4,860	4,860	4,860	4,860
Additional mandatory award level [a]	490	690	825	950	1,065	1,180	1,315	1,475	1,660	1,850	2,040
Total	5,350	5,550	5,865	5,810	5,925	6,040	6,175	6,335	6,520	6,710	6,900

[a] The mandatory add-on of $690 for fiscal year 2010 is stated in current law.

Other Changes to Pell grants. In addition, CBO estimates that changes to the eligibility and needs analysis formulas (described above) and to programs whose funding is tied to Pell grants would, on net, increase direct spending by $0.7 billion over the 2010–2019 period.

Other Federal Programs. H.R. 3221 would amend or create several mandatory grant programs that would provide education-related funding to a wide variety of entities. As shown in Table 5, CBO estimates that these programs would increase direct spending by $16.9 billion over the 2010–2014 period and by $27.6 billion over the 2010–2019 period. In particular:

• H.R. 3221 would appropriate $8.0 billion for the Early Learning Challenge Fund—$1.0 billion a year for 2010 through 2017. Based on the spending patterns of similar programs, CBO estimates this provision would increase direct spending by $7.9 billion over the 2010–2019 period.

• For fiscal years 2010 through 2019, H.R. 3221 would appropriate a total of $7.0 billion for grants to states and institutions of higher education to undertake systemic reform of community colleges. CBO estimates this provision would increase direct spending by $6.1 billion over the next 10 years.

• The bill would appropriate $2.5 billion in 2011 to renovate and modernize facilities for community colleges. Based on the spending patterns of similar programs, CBO estimates this provision would increase direct spending by $2.5 billion over the 2011–2019 period.

• The bill would appropriate $2.1 billion in 2010 and 2011 to renovate and modernize facilities for elementary and secondary schools (K–12). Based on the spending patterns of similar programs, CBO estimates this provision would increase direct spending by $4.1 billion over the 2101–2019 period.

• The bill would appropriate $3.0 billion for the College Access and Completion Innovation Fund. Based on the spending patterns of similar programs, CBO estimates these provisions would increase direct spending by $3.0 billion over the 2010–2019 period.

• H.R. 3221 would extend through 2019 the current direct appropriation of $255 million per year for grants to Historically Black Colleges and Universities and Minority Serving Institutions that expires in 2009 under current law. CBO estimates this provision would increase direct spending by $2.2 billion over the next 10 years.

In addition, the bill would amend an existing program for providing education benefits to veterans (as described below).

TABLE 5. OTHER MANDATORY SPENDING PROGRAMS UNDER H.R. 3221

	By fiscal year, in billions of dollars—												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2014	2009–2019
CHANGES IN DIRECT SPENDING													
Early Childhood Education:													
Budget Authority	0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0	0	5.0	8.0
Estimated Outlays	0	0.1	0.7	0.9	1.0	1.0	1.0	1.0	1.0	1.0	0.3	3.7	7.9
Community College Reform:													
Budget Authority	0	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	3.6	7.0
Estimated Outlays	0	*	0.5	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	2.6	6.1
Community College Grants:													
Budget Authority	0	0	2.5	0	0	0	0	0	0	0	0	2.5	2.5
Estimated Outlays	0	0	0.6	1.0	0.5	0.4	0	0	0	0	0	2.5	2.5
Modernization and Renovation (K–12):													
Budget Authority	0	2.1	2.1	0	0	0	0	0	0	0	0	4.1	4.1
Estimated Outlays	0	0.3	1.1	1.5	0.9	0.2	*	0	0	0	0	4.1	4.1
College Access Completion: Innovation Fund													
Budget Authority	0	0.6	0.6	0.6	0.6	0.6	0	0	0	0	0	3.0	3.0
Estimated Outlays	0	0.1	0.5	0.6	0.6	0.6	0.5	0.1	*	*	0	2.4	3.0
HBCU and MSI Funding:													
Budget Authority	0	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.3	2.6
Estimated Outlays	0	*	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.9	2.2
Supplemental Education Grants for Veterans [a]:													
Estimated Budget Authority	0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8	1.9
Estimated Outlays	0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8	1.9
Cooperative Education:													
Estimated Budget Authority	0	*	0	0	0	0	0	0	0	0	0	*	*
Estimated Outlays	0	*	*	*	*	0	0	0	0	0	0	*	*
Total:													
Estimated Budget Authority	0	4.7	7.3	2.8	2.8	2.7	2.1	2.1	2.2	1.2	1.2	20.3	29.0
Estimated Outlays	0	0.6	3.7	5.0	4.2	3.4	2.6	2.3	2.2	2.1	1.5	16.9	27.6

[a] Funding for Supplemental Education Grants for Veterans affects direct spending at both the Departments of Education and Veterans Affairs. The effects on outlays for each department is as follows:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009–2014	2009–2019
Department of Education	0	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	1.2	2.9
Department of Veterans Affairs	0	*	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.4	−1.1

Notes: Components may not add to totals because of rounding; * = less than $50 million; HBCU = Historically Black Colleges and Universities; MSI = Minority Serving Institutions.

Supplemental Education Grants for Veterans. Section 106 would require the Department of Education to create a supplemental grant program for certain veterans who are eligible for education benefits under the Post–9/11 GI Bill. Under the new GI Bill, the highest amount of in-state tuition charged at a public institution in a given state constitutes the maximum tuition benefit that the Department of Veterans Affairs (VA) can pay in that state. In addition, VA will pay for student fees up to the highest amount charged in that state. Under the proposed grant program, supplemental funding would be available to veterans attending private colleges and universities in states where the benefit amount for tuition is low compared to other states. The dollar amount of each grant would equal the difference between the highest fees charged at a public institution in the state where the individual is attending school and the fees charged at the private institution the individual is attending.

Based on information from VA, CBO estimates that approximately 25,000 veterans would be eligible for those grants each year and that the average value of the grants would grow from about $9,000 in 2010 to $14,000 in 2019. Thus, CBO estimates that the grant program would increase direct spending by the Department of Education by $2.9 billion over the 2010–2019 period.

That increase in spending would be partially offset by reduced spending by VA. Under the Post-9/11 GI Bill, veterans attending schools participating in the Yellow Ribbon Program are eligible to receive an additional contribution from VA (which is matched by the school) to help cover the cost of tuition and fees at more expensive schools. The grant program in the bill would cover much of the cost of high tuition and fees for eligible veterans at private institutions, decreasing the amount that VA would pay as a matching contribution for the Yellow Ribbon Program. Under the bill, CBO estimates that direct spending by VA would decrease by $1.1 billion over the 2010–2019 period. On net, CBO estimates that this proposal would increase direct spending for veterans education benefits by $1.9 billion over the 2010–2019 period.

Spending subject to appropriation

H.R. 3221 also would make several changes to discretionary spending. CBO has not completed an estimate of all the effects on discretionary spending under the bill, but we have estimated the bulk of such costs. The biggest increases in discretionary spending would stem from changes to the direct loan and Pell grant programs.

Administration of Direct Loans. As mentioned above, most of the costs for administering loans in the FFEL Program are mandatory, while administrative costs in the direct loan program are mostly discretionary. Based on information about contracts for administering the FFEL program and consistent with projected loan volume, CBO estimates that eliminating new lending in the FFEL program and shifting the projected volume to the direct loan program would increase discretionary spending for administrative costs by $7.2 billion over the 2010–2019 period.

Federal Pell Grant Program. In 2009, CBO estimates that the discretionary costs for Pell grants will total about $22.8 billion. CBO estimates that implementing H.R. 3221 would increase discre-

tionary spending for the Pell grants by $6.3 billion over the 2010–2019 period, subject to appropriation of the necessary amounts. Those increased costs stem mostly from changes made to the needs analysis formulas and eligibility calculations, which are described in greater detail under the subheading "Federal Student Loan Programs" in the "Direct Spending" section.

Intergovernmental and private-sector impact: H.R. 3221 contains no intergovernmental or private-sector mandates as defined in UMRA. Institutions of higher education and public school systems would benefit from grants authorized under the bill. Any costs or requirements associated with those grant programs would be incurred voluntarily as conditions of federal assistance.

Estimate prepared by: Federal Costs: Federal Student Loan and Grant Programs: Deborah Kalcevic and Justin Humphrey; Veterans Education Programs: Camille Woodland; Impact on State, Local, and Tribal Governments: Burke Doherty; Impact on the Private Sector: Nabeel Alsalam.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

XIII. Statement of General Performance Goals and Objectives

In accordance with clause 3(c) of rule XIII of the House of Representatives, the goal of H.R. 3221 is to reform the federal student loan program, provide for modernization, renovation and repair of public school facilities, enhance early learning, and strengthen community colleges. The Committee expects the Secretary of Education to comply with H.R. 3221 and implement the changes to the law in accordance with these stated goals.

XIV. Constitutional Authority Statement

Under clause 3(d)(1) of rule XIII of the House of Representatives, the Committee must include a statement citing the specific powers granted to Congress in the Constitution to enact the law proposed by H.R. 3221. The Committee believes that the amendments made by this bill are within Congress' authority under Article I, section 8, clause 1 of the U.S. Constitution.

XV. Committee Estimate

Clause 3(d)(2) of rule XIII of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 3221. The Committee expects to file, in the appropriate place, the cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act upon receipt.

XVI. Changes in Existing Law Made by the Bill, as Reproted

In compliance with clause 3(e) of rule XIII of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

HIGHER EDUCATION ACT OF 1965

* * * * * * *

TITLE I—GENERAL PROVISIONS

PART A—DEFINITIONS

* * * * * * *

SEC. 102. DEFINITION OF INSTITUTION OF HIGHER EDUCATION FOR PURPOSES OF TITLE IV PROGRAMS.

(a) DEFINITION OF INSTITUTION OF HIGHER EDUCATION FOR PURPOSES OF TITLE IV PROGRAMS.—

(1) INCLUSION OF ADDITIONAL INSTITUTIONS.—Subject to paragraphs (2) through (4) of this subsection, the term "institution of higher education" for purposes of title IV includes, in addition to the institutions covered by the definition in section 101—

(A) * * *

* * * * * * *

(C) only for the purposes of [part B] *part D* of title IV, an institution outside the United States that is comparable to an institution of higher education as defined in section 101 and that has been approved by the Secretary for the purpose of [part B] *part D* of title IV*, consistent with the requirements of section 452(d)*.

[Note: Paragraph (2) reflects amendments made by this bill to such clause as amended by the Higher Education Opportunity Act, effective on July 1, 2012.]

(2) INSTITUTIONS OUTSIDE THE UNITED STATES.—

(A) IN GENERAL.—For the purpose of qualifying as an institution under paragraph (1)(C), the Secretary shall establish criteria by regulation for the approval of institutions outside the United States and for the determination that such institutions are comparable to an institution of higher education as defined in section 101 (except that a graduate medical school, nursing school, or a veterinary school, located outside the United States shall not be required to meet the requirements of section 101(a)(4)). Such criteria shall include a requirement that a student attending such school outside the United States is ineligible for loans [made, insured, or guaranteed] *made* under [part B] *part D* of title IV unless—

(i) except as provided in subparagraph (B)(iii)(IV), in the case of a graduate medical school located outside the United States—

(I)(aa) at least 60 percent of those enrolled in, and at least 60 percent of the graduates of, the graduate medical school outside the United States were not persons described in section 484(a)(5) in the year preceding the year for which a student is seeking a loan under [part B] *part D* of title IV; and

(bb) at least 75 percent of the individuals who were students or graduates of the graduate medical school outside the United States or Canada (both nationals of the United States and others) taking the examinations administered by the Educational Commission for Foreign Medical Graduates received a passing score in the year preceding the year for which a student is seeking a loan under [part B] *part D* of title IV; or

* * * * * * *

(iii) in the case of a nursing school located outside of the United States—

(I) * * *

* * * * * * *

(III) the nursing school certifies [only Federal Stafford Loans under section 428, unsubsidized Federal Stafford Loans under section 428H, or Federal PLUS loans under section 428B] *only Federal Direct Stafford Loans under section 455(a)(2)(A), Federal Direct Unsubsidized Stafford Loans under section 455(a)(2)(D), or Federal Direct PLUS Loans under section 455(a)(2)(B)* for students attending the institution;

* * * * * * *

(V) not less than 75 percent of the individuals who were students or graduates of the nursing school, and who took the National Council Licensure Examination for Registered Nurses in the year preceding the year for which the institution is certifying [a Federal Stafford Loan under section 428, an unsubsidized Federal Stafford Loan under section 428H, or a Federal PLUS loan under section 428B] *a Federal Direct Stafford Loan under section 455(a)(2)(A), a Federal Direct Unsubsidized Stafford Loan under section 455(a)(2)(D), or a Federal Direct PLUS Loan under section 455(a)(2)(B)*, received a passing score on such examination.

(B) ADVISORY PANEL.—

(i) * * *

* * * * * * *

(iii) REPORT.—

(I) IN GENERAL.—Not later than 1 year after the date of enactment of the Higher Education Opportunity Act, the advisory panel described in clause (i) shall submit a report to the Secretary and to the authorizing committees recommending eligibility criteria for participation in the loan programs under [part B] *part D* of title IV for graduate medical schools that—

(aa) * * *

* * * * * * *

(III) MINIMUM ELIGIBILITY REQUIREMENT.—In the recommendations described in subclause (II), the criteria described in subparagraph (A)(i)(I)(bb), as amended by section 102(b) of the Higher Education Opportunity Act, shall be a minimum eligibility requirement for a graduate medical school described in subclause (I) to participate in the loan programs under [part B] *part D* of title IV.

(IV) AUTHORITY.—The Secretary may—

(aa) not earlier than 180 days after the submission of the report described in subclause (I), issue proposed regulations establishing criteria for the eligibility of graduate medical schools described in such subclause to participate in the loan programs under [part B] *part D* of title IV based on the recommendations of such report; and

* * * * * * *

(C) FAILURE TO RELEASE INFORMATION.—The failure of an institution outside the United States to provide, release, or authorize release to the Secretary of such information as may be required by subparagraph (A) shall render such institution ineligible for the purpose of [part B] *part D* of title IV.

(D) SPECIAL RULE.—If, pursuant to this paragraph, an institution loses eligibility to participate in the programs under title IV, then a student enrolled at such institution may, notwithstanding such loss of eligibility, continue to be eligible to receive a loan under [part B] *part D* of title IV while attending such institution for the academic year succeeding the academic year in which such loss of eligibility occurred.

* * * * * * *

TITLE III—INSTITUTIONAL AID

* * * * * * *

PART F—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS

SEC. 371. INVESTMENT IN HISTORICALLY BLACK COLLEGES AND UNIVERSITIES AND OTHER MINORITY-SERVING INSTITUTIONS.

(a) ELIGIBLE INSTITUTION.—An institution of higher education is eligible to receive funds from the amounts made available under this section if such institution is—

(1) * * *

(2) a Hispanic-serving institution (as defined in [section 502] *section 502(a)* (20 U.S.C. 1101a));

(3) a Tribal College or University (as defined in [section 316] *section 316(b)* (20 U.S.C. 1059c));

* * * * * * *

(5) a Predominantly Black Institution (as defined [in subsection (c)] *in section 318(b)*);

(6) an Asian American and Native American Pacific Islander-serving institution (as defined [in subsection (c)] *in section 320(b)*); or

(7) a Native American-serving nontribal institution (as defined [in subsection (c)] *in section 319(b)*).

(b) NEW INVESTMENT OF FUNDS.—

(1) IN GENERAL.—

(A) PROVISION OF FUNDS.—There shall be available to the Secretary to carry out this section, from funds in the Treasury not otherwise appropriated, [$255,000,000 for each of the fiscal years 2008 and 2009. The authority to award grants under this section shall expire at the end of fiscal year 2009.] *$255,000,000 for each of the fiscal years 2008 through 2019.*

* * * * * * *

(2) ALLOCATION AND ALLOTMENT.—

(A) * * *

[(B) HSI STEM AND ARTICULATION PROGRAMS.—The amount made available for allocation under this subparagraph by subparagraph (A)(i) for any fiscal year shall be available for Hispanic-serving Institutions for activities described in section 503, with a priority given to applications that propose—

[(i) to increase the number of Hispanic and other low income students attaining degrees in the fields of science, technology, engineering, or mathematics; and

[(ii) to develop model transfer and articulation agreements between 2-year Hispanic-serving institutions and 4-year institutions in such fields.]

(B) STEM AND ARTICULATION PROGRAMS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(i) for any fiscal year—

(i) 90 percent shall be available for Hispanic-serving institutions for activities described in sections 503 and 513, with a priority given to applications that propose—

(I) to increase the number of Hispanic and other low-income students attaining degrees in the fields of science, technology, engineering, or mathematics; and

(II) to develop model transfer and articulation agreements between 2-year Hispanic-serving institutions and 4-year institutions in such fields; and

(ii) 10 percent shall be available for grants under section 355.

(C) ALLOCATION AND ALLOTMENT HBCUS AND PBIS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(ii) for any fiscal year—

(i) * * *

(ii) 15 percent shall be available to eligible institutions described in subsection (a)(5) [and shall be available for a competitive grant program to award 25 grants of $600,000 annually for programs in any of the following areas:

[(I) science, technology, engineering, or mathematics (STEM);

[(II) health education;

[(III) internationalization or globalization;

[(IV) teacher preparation; or

[(V) improving educational outcomes of African American males.] *and shall be made available as grants under section 318 and allotted among such institutions under section 318(e), treating such amount, plus the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out section 318, as the amount appropriated to carry out section 318 for purposes of allotments under section 318(e)*

(D) ALLOCATION AND ALLOTMENT TO OTHER MINORITY-SERVING INSTITUTIONS.—From the amount made available for allocation under this subparagraph by subparagraph (A)(iii) for any fiscal year—

(i) * * *

* * * * * * *

(iii) $5,000,000 for such fiscal year shall be available to eligible institutions described in subsection (a)(6) [for activities described in section 311(c)] *and shall be made available as grants under section 320, treating such $5,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such $5,000,000 for purposes described in subsection (c) of such section*; and

(iv) $5,000,000 for such fiscal year shall be available to eligible institutions [described in subsection (a)(7)—

[(I) to plan, develop, undertake, and carry out activities to improve and expand such institutions' capacity to serve Native Americans, which may include—

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

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

[(cc) support of faculty exchanges, faculty development, and faculty fellowships to assist faculty in attaining advanced degrees in the faculty's field of instruction;

[(dd) curriculum development and academic instruction;

[(ee) the purchase of library books, periodicals, microfilm, and other educational materials;

[(ff) funds and administrative management, and acquisition of equipment for use in strengthening funds management;

[(gg) the joint use of facilities such as laboratories and libraries; and

[(hh) academic tutoring and counseling programs and student support services; and

[(II) to which the Secretary, to the extent possible and consistent with a competitive process under which such grants are awarded, allocates funds under this clause to ensure maximum and equitable distribution among all such eligible institutions.] *and shall be made available as grants under section 319, treating such $5,000,000 as part of the amount appropriated for such fiscal year in a regular or supplemental appropriation Act to carry out such section and using such $5,000,000 for purposes described in subsection (c) of such section*

[(c) DEFINITIONS.—

[(1) ASIAN AMERICAN.—The term "Asian American" has the meaning given the term "Asian" in the Office of Management and Budget's Standards for Maintaining, Collecting, and Presenting Federal Data on Race and Ethnicity as published on October 30, 1997 (62 Fed. Reg. 58789).

[(2) ASIAN AMERICAN AND NATIVE AMERICAN PACIFIC ISLANDER-SERVING INSTITUTION.—The term "Asian American and Native American Pacific Islander-serving institution" means an institution of higher education that—

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

[(B) at the time of application, has an enrollment of undergraduate students that is at least 10 percent Asian American and Native American Pacific Islander students.

[(3) ENROLLMENT OF NEEDY STUDENTS.—The term "enrollment of needy students" means the enrollment at an institution of higher education with respect to which not less than 50 percent of the undergraduate students enrolled in an academic program leading to a degree—

[(A) in the second fiscal year preceding the fiscal year for which the determination is made, were Federal Pell Grant recipients for such year;

[(B) come from families that receive benefits under a means-tested Federal benefit program (as defined in paragraph (5));

[(C) attended a public or nonprofit private secondary school—

[(i) that is in the school district of a local educational agency that was eligible for assistance under part A of title I of the Elementary and Secondary Education Act of 1965 for any year during which the student attended such secondary school; and

[(ii) which for the purpose of this paragraph and for that year was determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under a measure of poverty described in section 1113(a)(5) of such Act exceeds 30 percent of the total enrollment of such school; or

[(D) are first-generation college students (as that term is defined in section 402A(h)), and a majority of such first-generation college students are low-income individuals.

[(4) LOW-INCOME INDIVIDUAL.—The term "low-income individual" has the meaning given such term in section 402A(h).

[(5) MEANS-TESTED FEDERAL BENEFIT PROGRAM.—The term "means-tested Federal benefit program" means a program of the Federal Government, other than a program under title IV, in which eligibility for the programs' benefits or the amount of such benefits are determined on the basis of income or resources of the individual or family seeking the benefit.

[(6) NATIVE AMERICAN.—The term "Native American" means an individual who is of a tribe, people, or culture that is indigenous to the United States.

[(7) NATIVE AMERICAN PACIFIC ISLANDER.—The term "Native American Pacific Islander" means any descendant of the aboriginal people of any island in the Pacific Ocean that is a territory or possession of the United States.

[(8) NATIVE AMERICAN-SERVING NONTRIBAL INSTITUTION.—The term "Native American-serving nontribal institution" means an institution of higher education that—

[(A) at the time of application—

[(i) has an enrollment of undergraduate students that is not less than 10 percent Native American students; and

[(ii) is not a Tribal College or University (as defined in section 316); and

[(B) submits to the Secretary such enrollment data as may be necessary to demonstrate that the institution is described in subparagraph (A), along with such other information and data as the Secretary may by regulation require.

[(9) PREDOMINANTLY BLACK INSTITUTION.—The term "Predominantly Black institution" means an institution of higher education that—

[(A) has an enrollment of needy students as defined by paragraph (3);

[(B) has an average educational and general expenditure which is low, per full-time equivalent undergraduate student in comparison with the average educational and general expenditure per full-time equivalent undergraduate student of institutions of higher education that offer similar instruction, except that the Secretary may apply the waiver requirements described in section 392(b) to this subparagraph in the same manner as the Secretary applies the waiver requirements to section 312(b)(1)(B);

[(C) has an enrollment of undergraduate students—

[(i) that is at least 40 percent Black American students;

[(ii) that is at least 1,000 undergraduate students;

[(iii) of which not less than 50 percent of the undergraduate students enrolled at the institution are low-income individuals or first-generation college students (as that term is defined in section 402A(h)); and

[(iv) of which not less than 50 percent of the undergraduate students are enrolled in an educational program leading to a bachelor's or associate's degree that the institution is licensed to award by the State in which the institution is located;

[(D) is legally authorized to provide, and provides within the State, an educational program for which the institution of higher education awards a bachelor's degree, or in the case of a junior or community college, an associate's degree;

[(E) is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority as to the quality of training offered, or is, according to such an agency or association, making reasonable progress toward accreditation; and

[(F) is not receiving assistance under—

[(i) part B;

[(ii) part A of title V; or

[(iii) an annual authorization of appropriations under the Act of March 2, 1867 (14 Stat. 438; 20 U.S.C. 123).]

* * * * * * *

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

* * * * * * *

Subpart 1—Federal Pell Grants*; Veterans Educational Equity Supplemental Grants*

SEC. 401. FEDERAL PELL GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS.

(a) * * *

(b) PURPOSE AND AMOUNT OF GRANTS.—(1) * * *

(2)[(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

[(i) $6,000 for academic year 2009–2010;

[(ii) $6,400 for academic year 2010–2011;

[(iii) $6,800 for academic year 2011–2012;

[(iv) $7,200 for academic year 2012–2013;

[(v) $7,600 for academic year 2013–2014; and

[(vi) $8,000 for academic year 2014–2015,

less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.]

(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

(i) the maximum Federal Pell Grant, as specified in the last enacted appropriation Act applicable to that award year, plus

(ii) the amount of the increase calculated under paragraph (8)(B) for that year, less

(iii) an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.

* * * * * * *

(6) Notwithstanding any other provision of this subpart, the Secretary shall allow the amount of the Federal Pell Grant to be exceeded for students participating in a program of study abroad approved for credit by the institution at which the student is enrolled when the reasonable costs of such program are greater than the cost of attendance at the student's home institution, except that the amount of such Federal Pell Grant in any fiscal year shall not exceed [the grant level specified in the appropriate Appropriation Act for this subpart for such year] *the Federal Pell Grant amount, determined under paragraph (2)(A), for which a student is eligible during such award year*. If the preceding sentence applies, the financial aid administrator at the home institution may use the cost of the study abroad program, rather than the home institution's cost, to determine the cost of attendance of the student.

* * * * * * *

[(8) ADDITIONAL FUNDS.—

[(A) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out subparagraph (B) of this paragraph (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated) the following amounts—

[(i) $2,030,000,000 for fiscal year 2008;

[(ii) $2,090,000,000 for fiscal year 2009;

[(iii) $3,030,000,000 for fiscal year 2010;

[(iv) $3,090,000,000 for fiscal year 2011;

[(v) $5,050,000,000 for fiscal year 2012;

[(vi) $105,000,000 for fiscal year 2013;

[(vii) $4,305,000,000 for fiscal year 2014;

[(viii) $4,400,000,000 for fiscal year 2015;

[(ix) $4,600,000,000 for fiscal year 2016; and

[(x) $4,900,000,000 for fiscal year 2017.

[(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts made available pursuant to subparagraph (A) of this paragraph shall be used to increase the amount of the maximum Federal Pell Grant for which a student shall be eligible during an award year, as specified in the last enacted appropriation Act applicable to that award year, by—

[(i) $490 for each of the award years 2008–2009 and 2009–2010;

[(ii) $690 for each of the award years 2010–2011 and 2011–2012; and

[(iii) $1,090 for award year 2012–2013.

[(C) ELIGIBILITY.—The Secretary shall only award an increased amount of a Federal Pell Grant under this section for any award year pursuant to the provisions of this paragraph to students who qualify for a Federal Pell Grant award under the maximum grant award enacted in the annual appropriation Act for such award year without regard to the provisions of this paragraph.

[(D) PROGRAM REQUIREMENTS AND OPERATIONS OTHERWISE UNAFFECTED.—Except as provided in subparagraphs (B) and (C), nothing in this paragraph shall be construed to alter the requirements and operations of the Federal Pell Grant Program as authorized under this section, or authorize the imposition of additional requirements or operations for the determination and allocation of Federal Pell Grants under this section.

[(E) RATABLE INCREASES AND DECREASES.—The amounts specified in subparagraph (B) shall be ratably increased or decreased to the extent that funds available under subparagraph (A) exceed or are less than (respectively) the amount required to provide the amounts specified in subparagraph (B).

[(F) AVAILABILITY OF FUNDS.—The amounts made available by subparagraph (A) for any fiscal year shall be available beginning on October 1 of that fiscal year, and shall remain available through September 30 of the succeeding fiscal year.]

(8) ADDITIONAL FUNDS.—

(A) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out subparagraph (B) of this paragraph (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated) the following amounts—

(i) $2,030,000,000 for fiscal year 2008;

(ii) $2,733,000,000 for fiscal year 2009; and

(iii) such sums as may be necessary for fiscal year 2010 and each subsequent fiscal year to provide the amount of increase of the maximum Federal Pell Grant required by clauses (ii) and (iii) of subparagraph (B).

(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts made available pursuant to subparagraph (A) shall be used to increase the amount of the maximum Federal Pell Grant for which a student shall be eligible during an award year, as specified in the last enacted appropriation Act applicable to that award year, by—

(i) $490 for each of the award years 2008–2009 and 2009–2010;

(ii) $690 for the award year 2010–2011; and

(iii) the amount determined under subparagraph (C) for each succeeding award year.

(C) INFLATION-ADJUSTED AMOUNTS.—

(i) AWARD YEAR 2011–2012.—For award year 2011–2012, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

(I) $5,550 or the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), whichever is greater, increased by a per-

centage equal to the annual adjustment percentage for award year 2011–2012; reduced by

(II) $4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted appropriation Act applicable to that year, whichever is greater; and

(III) rounded to the nearest $5.

(ii) SUBSEQUENT AWARD YEARS.—For award year 2012–2013 and each of the subsequent award years, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

(I) the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), increased by a percentage equal to the annual adjustment percentage for the award year for which the amount under this subparagraph is being determined; reduced by

(II) $4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted appropriation Act applicable to that year, whichever is greater; and

(III) rounded to the nearest $5.

(iii) LIMITATION ON DECREASES.—Notwithstanding clauses (i) and (ii), if the amount determined under clause (i) or (ii) for an award year is less than the amount determined under this paragraph for the preceding award year, the amount determined under such clause for such award year shall be the amount determined under this paragraph for the preceding award year.

(iv) DEFINITIONS.—For purposes of this subparagraph—

(I) the term "annual adjustment percentage" as it applies to an award year is equal to the sum of—

(aa) the estimated percentage change in the Consumer Price Index (as determined by the Secretary, using the definition in section 478(f)) for the most recent calendar year ending prior to the beginning of that award year; and

(bb) one percentage point; and

(II) the term "total maximum Federal Pell Grant" as it applies to a preceding award year is equal to the sum of—

(aa) the maximum Federal Pell Grant for which a student is eligible during an award year, as specified in the last enacted appropriation Act applicable to that preceding award year; and

(bb) the amount of the increase in the maximum Federal Pell Grant required by this paragraph for that preceding award year.

(D) PROGRAM REQUIREMENTS AND OPERATIONS OTHERWISE UNAFFECTED.—Except as provided in subparagraphs (B) and (C), nothing in this paragraph shall be construed to alter the requirements and operations of the Federal Pell Grant Program as authorized under this section, or to authorize the imposition of additional requirements or operations for the determination and allocation of Federal Pell Grants under this section.

(E) AVAILABILITY OF FUNDS.—The amounts made available by subparagraph (A) for any fiscal year shall be available beginning on October 1 of that fiscal year, and shall remain available through September 30 of the succeeding fiscal year.

* * * * * * *

SEC. 401B. VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANT PROGRAM.

(a) VETERANS EDUCATIONAL EQUITY SUPPLEMENTAL GRANTS AUTHORIZED.—The Secretary shall award a grant to each eligible student, in an amount determined in accordance with subsection (c), to assist such student with paying the cost of tuition incurred by the student for a program of education at an institution of higher education.

(b) DEFINITIONS.—In this section—

(1) ELIGIBLE STUDENT.—The term "eligible student" means a student who—

(A) is a covered individual, as such term is defined in section 3311(b) of title 38, United States Code;

(B) is enrolled at an institution of higher education that—

(i) is not a public institution of higher education; and

(ii) is located in a State with a zero, or very low, maximum tuition charge per credit hour compared to the maximum tuition charge per credit hour in all other States, as determined by the Secretary of Veterans Affairs (based on the determinations of maximum tuition charged per credit hour in each State for the purposes of chapter 33 of title 38, United States Code); and

(C) is eligible for educational assistance for an academic year, and will receive an amount of such assistance for such year for fees charged the individual that is less than the maximum amount of such assistance available for fees charged for such year in such State.

(2) EDUCATIONAL ASSISTANCE.—The term "educational assistance" means the amount of educational assistance from the Secretary of Veterans Affairs an eligible student receives or will receive under section 3313(c)(1)(A) of title 38, United States Code, or a similar amount of such assistance under paragraphs (2) through (7) of such section 3313(c).

(c) GRANT AMOUNT.—A grant to an eligible student under this section be equal to an amount that is—

(1) the maximum amount of educational assistance for fees charged that the eligible student would receive, in accordance with section 3313(c) of title 38, United States Code, if such student attended the public institution of higher education in the State in which the eligible student is enrolled that has the highest fees charged to an individual for a year in such State (as determined by the Secretary of Veterans Affairs for the purposes of chapter 33 of such title 38), less

(2) the educational assistance the eligible student will receive, in accordance with such section, for fees charged to the student

for such year at the institution of higher education at which the student is enrolled.

(d) USES OF FUNDS.—An eligible student who receives a grant under this section shall use such grant to pay tuition incurred by the student for a program of education at an institution of higher education.

(e) NOTIFICATION.—The Secretary, in coordination with Secretary of Veterans Affairs, shall establish a system of notification to ensure the timely delivery to each eligible student of—

(1) educational assistance received by the student; and

(2) grants awarded to the student under this section.

(f) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, such sums as may be necessary to carry out this section (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated).

Subpart 2—Federal Early Outreach and Student Services Programs

CHAPTER 1—FEDERAL TRIO PROGRAMS

* * * * * * *

SEC. 402D. STUDENT SUPPORT SERVICES.

(a) * * *

* * * * * * *

(d) SPECIAL RULE.—

(1) USE FOR STUDENT AID.—A recipient of a grant that undertakes any of the permissible services identified in subsection (c) may, in addition, use such funds to provide grant aid to students. A grant provided under this paragraph shall not [exceed the maximum appropriated Pell Grant] *exceed the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student is eligible* or, be less than the minimum appropriated Pell Grant, for the current academic year. In making grants to students under this subsection, an institution shall ensure that adequate consultation takes place between the student support service program office and the institution's financial aid office.

* * * * * * *

PART B—FEDERAL FAMILY EDUCATION LOAN PROGRAM

SEC. 421. STATEMENT OF PURPOSE; NONDISCRIMINATION; AND APPROPRIATIONS AUTHORIZED.

(a) * * *

(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this part—

(1) * * *

* * * * * * *

Sums appropriated under paragraphs (1), (2), (4), and (5) of this subsection shall remain available until expended*, except that no sums may be expended after June 30, 2010, with respect to loans*

under this part for which the first disbursement would be made after such date. No additional sums are authorized to be appropriated under paragraph (3) or (4) of this subsection by reason of the reenactment of such paragraphs by the Higher Education Amendments of 1986.

* * * * * * *

(d) TERMINATION OF AUTHORITY TO MAKE OR INSURE NEW LOANS.—Notwithstanding paragraphs (1) through (6) of subsection (b) or any other provision of law—

(1) no new loans (including consolidation loans) may be made or insured under this part after June 30, 2010; and

(2) no funds are authorized to be appropriated, or may be expended, under this Act or any other Act to make or insure loans under this part (including consolidation loans) for which the first disbursement would be made after June 30, 2010,

except as expressly authorized by an Act of Congress enacted after the date of enactment of Student Aid and Fiscal Responsibility Act of 2009.

* * * * * * *

SEC. 424. SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM.

(a) LIMITATIONS ON AMOUNTS OF LOANS COVERED BY FEDERAL INSURANCE.—The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $2,000,000,000 for the period from July 1, 1976, to [September 30, 1976, and for each of the succeeding fiscal years ending prior to October 1, 2014. Thereafter, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this part, to continue or complete their educational program; but no insurance may be granted for any loan made or installment paid after September 30, 2018.] *September 30, 1976, for each of the succeeding fiscal years ending prior to October 1, 2009, and for the period from October 1, 2009, to June 30, 2010, for loans first disbursed on or before June 30, 2010.*

* * * * * * *

SEC. 427A. APPLICABLE INTEREST RATES.

(a) * * *

* * * * * * *

(l) INTEREST RATES FOR NEW LOANS ON OR AFTER JULY 1, 2006.—

(1) IN GENERAL.—Notwithstanding subsection (h), with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B or 428C) for which the first disbursement is made on or after July 1, 2006, *and before July 1, 2010,* the applicable rate of interest shall be 6.8 percent on the unpaid principal balance of the loan.

(2) PLUS LOANS.—Notwithstanding subsection (h), with respect to any loan under section 428B for which the first disbursement is made on or after July 1, 2006, *and before July*

1, 2010, the applicable rate of interest shall be 8.5 percent on the unpaid principal balance of the loan.

(3) CONSOLIDATION LOANS.—With respect to any consolidation loan under section 428C for which the application is received by an eligible lender on or after July 1, 2006, *and that was disbursed before July 1, 2010,* the applicable rate of interest shall be at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

(A) * * *

* * * * * * *

(4) REDUCED RATES FOR UNDERGRADUATE SUBSIDIZED LOANS.—Notwithstanding subsection (h) and paragraph (1) of this subsection, with respect to any loan to an undergraduate student made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B, 428C, or 428H) for which the first disbursement is made on or after July 1, 2006, and before July 1, ❚2012❚ *2010*, the applicable rate of interest shall be as follows:

(A) * * *

* * * * * * *

❚(D) For a loan for which the first disbursement is made on or after July 1, 2010, and before July 1, 2011, 4.5 percent on the unpaid principal balance of the loan.

❚(E) For a loan for which the first disbursement is made on or after July 1, 2011, and before July 1, 2012, 3.4 percent on the unpaid principal balance of the loan.❚

* * * * * * *

SEC. 428. FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS.

(a) FEDERAL INTEREST SUBSIDIES.—

(1) TYPES OF LOANS THAT QUALIFY.—Each student who has received a loan for study at an eligible institution *for which the first disbursement is made before July 1, 2010, and*—

(A) * * *

* * * * * * *

(5) DURATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS.—The period referred to in subparagraph (B) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end at the close of ❚September 30, 2014, except that, in the case of a loan made or insured under a student loan or loan insurance program to enable a student who has obtained a prior loan made or insured under such program to continue his or her education program, such period shall end at the close of September 30, 2018.❚ *June 30, 2010.*

* * * * * * *

(b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.—

(1) REQUIREMENTS OF INSURANCE PROGRAM.—Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or

organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program—

(A) * * *

* * * * * * *

(G) insures 98 percent of the unpaid principal of loans insured under the program, except that—

(i) * * *

(ii) for any loan for which the first disbursement of principal is made on or after July 1, 2006, *and before July 1, 2010,* the preceding provisions of this subparagraph shall be applied by substituting "97 percent" for "98 percent"; and

* * * * * * *

(H) provides—

(i) * * *

(ii) for loans for which the date of guarantee of principal is on or after July 1, 2006, *and that are first disbursed before July 1, 2010,* for the collection, and the deposit into the Federal Student Loan Reserve Fund under section 422A of a Federal default fee of an amount equal to 1.0 percent of the principal amount of the loan, which fee shall be collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources, and ensures that the proceeds of the Federal default fee will not be used for incentive payments to lenders;

* * * * * * *

(f) PAYMENTS OF CERTAIN COSTS.—

(1) PAYMENT FOR CERTAIN ACTIVITIES.—

(A) IN GENERAL.—The Secretary—

(i) * * *

(ii) for loans originated ⟦during fiscal years beginning⟧ on or after October 1, 2003, *and first disbursed before July 1, 2010,* and in accordance with the provisions of this paragraph, shall, except as provided in subparagraph (C), pay to each guaranty agency, a loan processing and issuance fee equal to 0.40 percent of the total principal amount of the loans on which insurance was issued under this part during such fiscal year by such agency.

* * * * * * *

(j) LENDERS-OF-LAST-RESORT.—

(1) GENERAL REQUIREMENT.—In each State, the guaranty agency or an eligible lender in the State described in section 435(d)(1)(D) of this Act shall*, before July 1, 2010,* make loans directly, or through an agreement with an eligible lender or lenders, to eligible students and parents who are otherwise unable to obtain loans under this part (except for consolidation loans under section 428C) or who attend an institution of higher education in the State that is designated under paragraph (4). Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under sub-

section (a)(2)(B), nor be less than $200. No loan under section 428, 428B, or 428H that is made pursuant to this subsection shall be made with interest rates, origination or default fees, or other terms and conditions that are more favorable to the borrower than the maximum interest rates, origination or default fees, or other terms and conditions applicable to that type of loan under this part. The guaranty agency shall consider the request of any eligible lender, as defined under section 435(d)(1)(A) of this Act, to serve as the lender-of-last-resort pursuant to this subsection.

* * * * * * *

SEC. 428B. FEDERAL PLUS LOANS.

(a) AUTHORITY TO BORROW.—

(1) AUTHORITY AND ELIGIBILITY.—**[**A graduate**]** *Prior to July 1, 2010, a graduate* or professional student or the parents of a dependent student shall be eligible to borrow funds under this section in amounts specified in subsection (b), if—

(A) * * *

* * * * * * *

SEC. 428C. FEDERAL CONSOLIDATION LOANS.

(a) AGREEMENTS WITH ELIGIBLE LENDERS.—

(1) * * *

* * * * * * *

(3) DEFINITION OF ELIGIBLE BORROWER.—(A) * * *

(B)(i) An individual's status as an eligible borrower under this section or under section 455(g) terminates under both sections upon receipt of a consolidation loan under this section or under section 455(g), except that—

(I) * * *

* * * * * * *

[(V) an individual may obtain a subsequent consolidation loan under section 455(g) only—

[(aa) for the purposes of obtaining income contingent repayment or income-based repayment, and only if the loan has been submitted to the guaranty agency for default aversion or if the loan is already in default;

[(bb) for the purposes of using the public service loan forgiveness program under section 455(m); or

[(cc) for the purpose of using the no accrual of interest for active duty service members benefit offered under section 455(o).**]**

(V) an individual who has a consolidation loan under this section and does not have a consolidation loan under section 455(g) may obtain a subsequent consolidation loan under section 455(g).

(4) DEFINITION OF ELIGIBLE STUDENT LOANS.—For the purpose of paragraph (1), the term "eligible student loans" means loans—

(A) made, insured, or guaranteed under this part*, and first disbursed before July 1, 2010*, including loans on which the borrower has defaulted (but has made arrangements to repay the obligation on the defaulted loans satis-

factory to the Secretary or guaranty agency, whichever insured the loans);

* * * * * * *

(b) CONTENTS OF AGREEMENTS, CERTIFICATES OF INSURANCE, AND LOAN NOTES.—

(1) AGREEMENTS WITH LENDERS.—Any lender described in subparagraph (A), (B), or (C) of subsection (a)(1) who wishes to make consolidation loans under this section shall enter into an agreement with the Secretary or a guaranty agency which provides—

(A) * * *

* * * * * * *

(E) that the lender shall offer an income-sensitive repayment schedule, established by the lender in accordance with the regulations promulgated by the Secretary, to the borrower of any consolidation loan made by the lender on or after July 1, 1994*, and before July 1, 2010*;

* * * * * * *

(5) DIRECT LOANS.—**[**In the event that**]** *If, before July 1, 2010,* a borrower is unable to obtain a consolidation loan from a lender with an agreement under subsection (a)(1), or is unable to obtain a consolidation loan with income-sensitive repayment terms or income-based repayment terms acceptable to the borrower from such a lender, or chooses to obtain a consolidation loan for the purposes of using the public service loan forgiveness program offered under section 455(m), the Secretary shall offer any such borrower who applies for it, a Federal Direct Consolidation loan. In addition, in the event that a borrower chooses to obtain a consolidation loan for the purposes of using the no accrual of interest for active duty service members program offered under section 455(o), the Secretary shall offer a Federal Direct Consolidation loan to any such borrower who applies for participation in such program. A direct consolidation loan offered under this paragraph shall, as requested by the borrower, be repaid either pursuant to income contingent repayment under part D of this title, pursuant to income-based repayment under section 493C, or pursuant to any other repayment provision under this section, except that if a borrower intends to be eligible to use the public service loan forgiveness program under section 455(m), such loan shall be repaid using one of the repayment options described in section 455(m)(1)(A). The Secretary shall not offer such loans if, in the Secretary's judgment, the Department of Education does not have the necessary origination and servicing arrangements in place for such loans.

* * * * * * *

(c) PAYMENT OF PRINCIPAL AND INTEREST.—

(1) INTEREST RATE.—(A) Notwithstanding subparagraphs (B) and (C), with respect to any loan made under this section for which the application is received by an eligible lender—

(i) * * *

(ii) on or after July 1, 2006, *and that is disbursed before July 1, 2010,* the applicable interest rate shall be determined under section 427A(l)(3).

* * * * * * *

(C) A consolidation loan made on or after July 1, 1994, *and first disbursed before July 1, 2010,* shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent.

* * * * * * *

(e) TERMINATION OF AUTHORITY.—The authority to make loans under this section expires at the close of [September 30, 2014.] *June 30, 2010. No loan may be made under this section for which the first disbursement would be on or after July 1, 2010.* Nothing in this section shall be construed to authorize the Secretary to promulgate rules or regulations governing the terms or conditions of the agreements and certificates under subsection (b). Loans made under this section which are insured by the Secretary shall be considered to be new loans made to students for the purpose of section 424(a).

* * * * * * *

SEC. 428H. UNSUBSIDIZED STAFFORD LOANS FOR MIDDLE-INCOME BORROWERS.

(a) IN GENERAL.—It is the purpose of this section to authorize insured loans under this part *that are first disbursed before July 1, 2010,* for borrowers who do not qualify for Federal interest subsidy payments under section 428 of this Act. Except as provided in this section, all terms and conditions for Federal Stafford loans established under section 428 shall apply to loans made pursuant to this section.

(b) ELIGIBLE BORROWERS.—[Any student] *Prior to July 1, 2010, any student* meeting the requirements for student eligibility under section 484 (including graduate and professional students as defined in regulations promulgated by the Secretary) shall be entitled to borrow an unsubsidized Federal Stafford Loan *for which the first disbursement is made before such date* if the eligible institution at which the student has been accepted for enrollment, or at which the student is in attendance, has—

(1) * * *

* * * * * * *

(h) INSURANCE PREMIUM.—Each State or nonprofit private institution or organization having an agreement with the Secretary under section 428(b)(1) may charge a borrower under this section an insurance premium equal to not more than 1.0 percent of the principal amount of the loan, if such premium will not be used for incentive payments to lenders. Effective for loans for which the date of guarantee of principal is on or after July 1, 2006, *and that are first disbursed before July 1, 2010,* in lieu of the insurance premium authorized under the preceding sentence, each State or nonprofit private institution or organization having an agreement with the Secretary under section 428(b)(1) shall collect and deposit into the Federal Student Loan Reserve Fund under section 422A, a Federal default fee of an amount equal to 1.0 percent of the principal

amount of the loan, which fee shall be collected either by deduction from the proceeds of the loan or by payment from other non-Federal sources. The Federal default fee shall not be used for incentive payments to lenders.

* * * * * * *

SEC. 428L. LOAN REPAYMENT FOR CIVIL LEGAL ASSISTANCE ATTORNEYS.

(a) * * *

(b) DEFINITIONS.—In this section:

(1) * * *

(2) STUDENT LOAN.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term "student loan" means—

[(i) subject to clause (ii), a loan made, insured, or guaranteed under this part, part D, or part E; and]

(i) subject to clause (ii)—

(I) a loan made, insured, or guaranteed under this part, and that is first disbursed before July 1, 2010; or

(II) a loan made under part D or part E; and

(ii) a loan made under section [428C or 455(g)] *428C, that is disbursed before July 1, 2010, or section 455(g)*, to the extent that such loan was used to repay—

(I) * * *

(II) a loan made under section 428, 428B, or 428H *for which the first disbursement is made before July 1, 2010,*; or

* * * * * * *

SEC. 435. DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM.

As used in this part:

(a) ELIGIBLE INSTITUTION.—

(1) * * *

* * * * * * *

(5) DEFINITION OF MITIGATING CIRCUMSTANCES.—(A) For purposes of this subsection, an institution of higher education shall be treated as having exceptional mitigating circumstances that make application of paragraph (2) inequitable, and that provide for regulatory relief under paragraph (3), if such institution, in the opinion of an independent auditor, meets the following criteria:

(i) For a 12-month period that ended during the 6 months immediately preceding the fiscal year for which the cohort of borrowers used to calculate the institution's cohort default rate is determined, at least two-thirds of the students enrolled on at least a half-time basis at the institution—

(I) are eligible to receive a Federal Pell Grant award that is at least equal to [one-half the maximum Federal Pell Grant award for which a student would be eligible] *one-half the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student*

would be eligible based on the student's enrollment status; or

* * * * * * *

SEC. 438. SPECIAL ALLOWANCES.

(a) * * *

(b) COMPUTATION AND PAYMENT.—

(1) * * *

(2) RATE OF SPECIAL ALLOWANCE.—(A) * * *

* * * * * * *

(I) LOANS DISBURSED ON OR AFTER JANUARY 1, 2000*, AND BEFORE JULY 1, 2010*.—

(i) IN GENERAL.—Notwithstanding subparagraphs (G) and (H), but subject to paragraph (4) and the following clauses of this subparagraph, and except as provided in subparagraph (B), the special allowance paid pursuant to this subsection on loans for which the first disbursement is made on or after January 1, 2000, *and before July 1, 2010,* shall be computed—

(I) * * *

(II) by subtracting the applicable interest rates on such loans from [such average bond equivalent rate] *the rate determined under subclause (I)*;

* * * * * * *

(ii) IN SCHOOL AND GRACE PERIOD.—In the case of any loan—

(I) * * *

(II) for which the first disbursement is made on or after July 1, 2006, *and before July 1, 2010,* and for which the applicable rate of interest is described in section section 427A(l)(1) or (l)(4), but only with respect to (aa) periods prior to the beginning of the repayment period of the loan; or (bb) during the periods in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 427(a)(2)(C) or 428(b)(1)(M);

clause (i)(III) of this subparagraph shall be applied by substituting "1.74 percent" for "2.34 percent".

(iii) PLUS LOANS.—In the case of any loan for which the first disbursement is made on or after January 1, 2000, *and before July 1, 2010,* and for which the applicable rate of interest is described in section 427A(k)(3) or (l)(2), clause (i)(III) of this subparagraph shall be applied by substituting "2.64 percent" for "2.34 percent".

(iv) CONSOLIDATION LOANS.—In the case of any consolidation loan for which the application is received by an eligible lender on or after January 1, 2000, *and that is disbursed before July 1, 2010,* and for which the applicable interest rate is determined under section 427A(k)(4) or (l)(3), clause (i)(III) of this subparagraph shall be applied by substituting "2.64 percent" for "2.34 percent".

(v) RECAPTURE OF EXCESS INTEREST.—

(I) EXCESS CREDITED.—With respect to a loan on which the applicable interest rate is determined under

subsection (k) or (l) of section 427A and for which the first disbursement of principal is made on or after April 1, 2006, *and before July 1, 2010,* if the applicable interest rate for any 3-month period exceeds the special allowance support level applicable to such loan under this subparagraph for such period, then an adjustment shall be made by calculating the excess interest in the amount computed under subclause (II) of this clause, and by crediting the excess interest to the Government not less often than annually.

* * * * * * *

(III) SPECIAL ALLOWANCE SUPPORT LEVEL.—For purposes of this clause, the term "special allowance support level" means, for any loan, a number expressed as a percentage equal to the sum of the rates determined under subclauses (I) and (III) of clause (i), and applying any substitution rules applicable to such loan under clauses (ii), (iii), ⟦(iv), and (vi)⟧ *(iv), (vi), and (vii)* in determining such sum.

(vi) REDUCTION FOR LOANS DISBURSED ON OR AFTER OCTOBER 1, 2007, *AND BEFORE JULY 1, 2010.*—With respect to a loan on which the applicable interest rate is determined under section 427A(l) and for which the first disbursement of principal is made on or after October 1, 2007, *and before July 1, 2010,* the special allowance payment computed pursuant to this subparagraph shall be computed—

(I) * * *

* * * * * * *

(vii) REVISED CALCULATION RULE TO REFLECT FINANCIAL MARKET CONDITIONS.—

(I) CALCULATION BASED ON LIBOR.—For the calendar quarter beginning on October 1, 2009, and each subsequent calendar quarter, in computing the special allowance paid pursuant to this subsection with respect to loans described in subclause (II), clause (i)(I) of this subparagraph shall be applied by substituting "of the 1-month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association" for "of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H–15 (or its successor) for such 3-month period".

(II) LOANS ELIGIBLE FOR LIBOR-BASED CALCULATION.—The special allowance paid pursuant to this subsection shall be calculated as described in subclause (I) with respect to special allowance payments for the 3-month period ending December 31, 2009, and each succeeding 3-month period, on loans for which the first disbursement is made—

(aa) on or after the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, and before July 1, 2010; and

(bb) on or after January 1, 2000, and before the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, if, not later than the last day of the second full fiscal quarter after the date of enactment of such Act, the holder of the loan affirmatively and permanently waives all contractual, statutory or other legal rights to a special allowance paid pursuant to this subsection that is calculated using the formula in effect at the time the loans were first disbursed.

(III) TERMS OF WAIVER.—A waiver pursuant to subclause (II)(bb) shall—

(aa) be applicable to all loans described in such subclause that are held under any lender identification number associated with the holder (pursuant to section 487B); and

(bb) apply with respect to all future calculations of the special allowance on loans described in such subclause that are held on the date of such waiver or that are acquired by the holder after such date.

(IV) PARTICIPANT'S YIELD.—For the calendar quarter beginning on October 1, 2009, and each subsequent calendar quarter, the Secretary's participant yield in any loan for which the first disbursement is made on or after January 1, 2000, and before October 1, 2009, and that is held by a lender that has sold any participation interest in such loan to the Secretary shall be determined by using the LIBOR-based rate described in subclause (I) as the substitute rate (for the commercial paper rate) referred to in the participation agreement between the Secretary and such lender.

* * * * * * *

(c) ORIGINATION FEES FROM STUDENTS.—

(1) * * *

(2) AMOUNT OF ORIGINATION FEES.—

(A) * * *

(B) SUBSEQUENT REDUCTIONS.—Subparagraph (A) shall be applied to loans made under this part (other than loans made under sections 428C and 439(o))—

(i) * * *

* * * * * * *

(iii) by substituting "1.0 percent" for "3.0 percent" with respect to loans for which the first disbursement of principal is made on or after July 1, 2008, and before July 1, 2009; *and*

(iv) by substituting "0.5 percent" for "3.0 percent" with respect to loans for which the first disbursement of principal is made on or after July 1, 2009, and before July 1, 2010**[**; and**]**.

[(v) by substituting "0.0 percent" for "3.0 percent" with respect to loans for which the first disbursement of principal is made on or after July 1, 2010.**]**

* * * * * * *

(6) SLS AND PLUS LOANS.—With respect to any loans made under section 428A or 428B on or after October 1, 1992, *and first disbursed before July 1, 2010,* each eligible lender under this part shall charge the borrower an origination fee of 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payments to the borrower.

* * * * * * *

(d) LOAN FEES FROM LENDERS.—

(1) * * *

(2) AMOUNT OF LOAN FEES.—The amount of the loan fee which shall be deducted under paragraph (1), but which may not be collected from the borrower, shall be equal to—

(A) * * *

(B) 1.0 percent of the principal amount of the loan with respect to any loan under this part for which the first disbursement was made on or after October 1, 2007*, and before July 1, 2010*.

* * * * * * *

PART D—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

* * * * * * *

SEC. 452. FUNDS FOR ORIGINATION OF DIRECT STUDENT LOANS.

(a) * * *

* * * * * * *

(d) INSTITUTIONS LOCATED OUTSIDE THE UNITED STATES.—Loan funds for students (and parents of students) attending institutions located outside the United States shall be disbursed through a financial institution located in the United States and designated by the Secretary to serve as the agent of such institutions with respect to the receipt of the disbursements of such loan funds and the transfer of such funds to such institutions. To be eligible to receive funds under this part, an otherwise eligible institution located outside the United States shall make arrangements, subject to regulations by the Secretary, with the agent designated by the Secretary under this subsection to receive funds under this part.

* * * * * * *

SEC. 454. AGREEMENTS WITH INSTITUTIONS.

(a) PARTICIPATION AGREEMENTS.—An agreement with any institution of higher education for participation in the direct student loan program under this part shall—

(1) * * *

* * * * * * *

[(4) provide that students at the institution and their parents (with respect to such students) will be eligible to participate in the programs under part B of this title at the discretion of the Secretary for the period during which such institution participates in the direct student loan program under this part,

except that a student or parent may not receive loans under both this part and part B for the same period of enrollment;]

[(5)] *(4)* provide for the implementation of a quality assurance system, as established by the Secretary and developed in consultation with institutions of higher education, to ensure that the institution is complying with program requirements and meeting program objectives;

[(6)] *(5)* provide that the institution will not charge any fees of any kind, however described, to student or parent borrowers for origination activities or the provision of any information necessary for a student or parent to receive a loan under this part, or any benefits associated with such loan; and

[(7)] *(6)* include such other provisions as the Secretary determines are necessary to protect the interests of the United States and to promote the purposes of this part.

(b) ORIGINATION.—An agreement with any institution of higher education, or consortia thereof, for the origination of loans under this part shall—

(1) * * *

(2) include provisions established by the Secretary that are similar to the participation agreement provisions described in paragraphs (1)(E)(ii), (2), (3), (4), [(5), (6), and (7)] *(5), and (6)* of subsection (a), as modified to relate to the origination of loans by the institution or consortium;

* * * * * * *

SEC. 455. TERMS AND CONDITIONS OF LOANS.

(a) IN GENERAL.—

(1) PARALLEL TERMS, CONDITIONS, BENEFITS, AND AMOUNTS.—Unless otherwise specified in this part, loans made to borrowers under this part shall have the same terms, conditions, and benefits, and be available in the same amounts, as loans made to borrowers*, and first disbursed on June 30, 2010,* under sections 428, 428B, 428C, and 428H of this title.

* * * * * * *

(b) INTEREST RATE.—

(1) * * *

* * * * * * *

(7) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER JULY 1, 2006.—

(A) * * *

* * * * * * *

(E) REDUCED RATES FOR UNDERGRADUATE FDSL ON AND AFTER JULY 1, 2012.—Notwithstanding the preceding paragraphs of this subsection and subparagraph (A) of this paragraph, for Federal Direct Stafford Loans made to undergraduate students for which the first disbursement is made on or after July 1, 2012, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

(ii) 2.5 percent,

except that such rate shall not exceed 6.8 percent.

* * * * * * *

(g) FEDERAL DIRECT CONSOLIDATION LOANS.—A borrower of a loan made under this part may consolidate such loan with the loans described in section 428C(a)(4)*, including any loan made under part B and first disbursed before July 1, 2010*. To be eligible for a consolidation loan under this part, a borrower shall meet the eligibility criteria set forth in section 428C(a)(3). ⟦The Secretary, upon application for such a loan, shall comply with the requirements applicable to a lender under section 428C(b)(1)(G).⟧

* * * * * * *

SEC. 455A. FEDERAL DIRECT PERKINS LOANS.

(a) DESIGNATION OF LOANS.—Loans made to borrowers under this section shall be known as "Federal Direct Perkins Loans".

(b) IN GENERAL.—It is the purpose of this section to authorize loans to be awarded by institutions of higher education through agreements established under section 463(f). Unless otherwise specified in this section, all terms and conditions and other requirements applicable to Federal Direct Unsubsidized Stafford loans established under section 455(a)(2)(D) shall apply to loans made pursuant to this section.

(c) ELIGIBLE BORROWERS.—Any student meeting the requirements for student eligibility under section 464(b) (including graduate and professional students as defined in regulations promulgated by the Secretary) shall be eligible to borrow a Federal Direct Perkins Loan, provided the student attends an eligible institution with an agreement with the Secretary under section 463(f), and the institution uses its authority under that agreement to award the student a loan.

(d) LOAN LIMITS.—The annual and aggregate limits for loans under this section shall be the same as those established under section 464, and aggregate limits shall include loans made by institutions under agreements under section 463(a).

(e) APPLICABLE RATES OF INTEREST.—Loans made pursuant to this section shall bear interest, on the unpaid balance of the loan, at the rate of 5 percent per year.

SEC. 456. CONTRACTS.

(a) CONTRACTS FOR SUPPLIES AND SERVICES.—

(1) ⟦IN GENERAL.—The Secretary⟧ *AWARDING OF CONTRACTS.—*

(A) IN GENERAL.—The Secretary shall, to the extent practicable, award contracts for origination, servicing, and collection described in subsection (b). In awarding such contracts, the Secretary shall ensure that such services and supplies are provided at competitive prices.

(B) AWARDING CONTRACTS FOR SERVICING LOANS.—The Secretary shall, if practicable, award multiple contracts, through a competitive bidding process, to entities, including eligible not-for-profit servicers, to service loans originated under this part. The competitive bidding process shall take into account price, servicing capacity, and capability, and

may take into account the capacity and capability to provide default aversion activities and outreach services.

(C) JOB RETENTION INCENTIVE PAYMENT.—(i) In a contract with an entity under subparagraph (B) for the servicing of loans, the Secretary shall provide a job retention incentive payment, in an amount and manner determined by the Secretary, if such entity agrees to give priority for hiring for positions created as a result of such a contract to those geographical locations at which the entity performed student loan origination or servicing activities under the Federal Family Education Loan Program as of the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009.

(ii) In determining the allocation of loans to be serviced by an entity awarded such a contract, the Secretary shall consider the retention of highly qualified employees of such entity a positive factor in determining such allocation.

(2) ENTITIES.—The entities*, including eligible not-for-profit servicers,* with which the Secretary may enter into contracts shall include only entities which the Secretary determines are qualified to provide such services and supplies and will comply with the procedures applicable to the award of such contracts. In the case of awarding contracts for the origination, servicing, and collection of loans under this part, the Secretary shall enter into contracts only with entities that have extensive and relevant experience and demonstrated effectiveness. ❙The entities with which the Secretary may enter into such contracts shall include, where practicable, agencies with agreements with the Secretary under sections 428(b) and (c), if such agencies meet the qualifications as determined by the Secretary under this subsection and if those agencies have such experience and demonstrated effectiveness. In awarding contracts to such State agencies, the Secretary shall, to the extent practicable and consistent with the purposes of this part, give special consideration to State agencies with a history of high quality performance to perform services for institutions of higher education within their State.❙ *The entities with which the Secretary may enter into such contracts shall include, where practicable, agencies with agreements with the Secretary under sections 428(b) and (c) on the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, and eligible not-for-profit servicers, if such agencies or servicers meet the qualifications as determined by the Secretary under this subsection and if those agencies or servicers have such experience and demonstrated effectiveness. In awarding contracts to such State agencies, and such eligible not-for-profit servicers, the Secretary shall, to the extent practicable and consistent with the purposes of this part, give special consideration to State agencies and such servicers with a history of high quality performance and demonstrated integrity in conducting operations with institutions of higher education and the Secretary.*

(3) SERVICING BY ELIGIBLE NOT-FOR-PROFIT SERVICERS.—

(A) IN GENERAL.—Notwithstanding any other provision of this section, in each State where one or more eligible not-for-profit servicer has its principal place of business, the

Secretary shall contract with each such servicer to service loans originated under this part on behalf of borrowers attending institutions located within such State, provided that the servicer demonstrates that it meets the standards for servicing Federal assets and providing quality service and agrees to service the loans at a competitive market rate, as determined by the Secretary. In determining such a competitive market rate, the Secretary may take into account the volume of loans serviced by the servicer. Contracts awarded under this paragraph shall be subject to the same requirements for quality, performance, and accountability as contracts awarded under paragraph (2) for similar activities.

(B) ALLOCATIONS.—(i) ONE SERVICER.—In the case of a State with only one eligible not-for-profit servicer with a contract described in subparagraph (A), the Secretary shall, at a minimum, allocate to such servicer, on an annual basis and subject to such contract, the servicing rights for the lesser of—

(I) the loans of 100,000 borrowers (including borrowers who borrowed loans in a prior year that were serviced by the servicer) attending institutions located within the State; or

(II) the loans of all the borrowers attending institutions located within the State.

(ii) MULTIPLE SERVICERS.—In the case of a State with more than one eligible not-for-profit servicer with a contract described in subparagraph (A), the Secretary shall, at a minimum, allocate to each such servicer, on an annual basis and subject to such contract, the servicing rights for the lesser of—

(I) the loans of 100,000 borrowers (including borrowers who borrowed loans in a prior year that were serviced by the servicer) attending institutions located within the State; or

(II) an equal share of the loans of all borrowers attending institutions located within the State, except the Secretary shall adjust such shares as necessary to ensure that the loans of any single borrower remain with a single servicer.

(iii) ADDITIONAL ALLOCATION.—The Secretary may allocate additional servicing rights to an eligible not-for-profit servicer based on the performance of such servicer, as determined by the Secretary, including performance in the areas of customer service and default aversion.

(C) MULTIPLE LOANS.—Notwithstanding the allocations required by subparagraph (B), the Secretary may transfer loans among servicers who are awarded contracts to service loans pursuant to this section to ensure that the loans of any single borrower remain with a single servicer.

[(3)**]** *(4)* RULE OF CONSTRUCTION.—Nothing in this section shall be construed as a limitation of the authority of any State agency to enter into an agreement for the purposes of this section as a member of a consortium of State agencies*, or of any eligible not-for-profit servicer to enter into an agreement for the*

purposes of this section as a member of a consortium of such entities.

* * * * * * *

(c) REPORT TO CONGRESS.—Not later than 3 years after the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, the Secretary shall prepare and submit to the authorizing committees, a report evaluating the performance of all eligible not-for-profit servicers awarded a contract under this section to service loans originated under this part. Such report shall give consideration to—

(1) customer satisfaction of borrowers and institutions with respect to the loan servicing provided by the servicers;

(2) compliance with applicable regulations by the servicers; and

(3) the effectiveness of default aversion activities, and outreach services (if any), provided by the servicers.

(d) DEFINITIONS.—In this section:

(1) DEFAULT AVERSION ACTIVITIES.—The term "default aversion activities" means activities that are directly related to providing collection assistance to the Secretary on a delinquent loan, prior to the loan being legally in a default status, including due diligence activities required pursuant to regulations.

(2) ELIGIBLE NOT-FOR-PROFIT SERVICER.—

(A) IN GENERAL.—The term "eligible not-for-profit servicer" means an entity that, on the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009—

(i) meets the definition of an eligible not-for-profit holder under section 435(p), except that such term does not include eligible lenders described in paragraph (1)(D) of such section;

(ii) notwithstanding clause (i), is the sole beneficial owner of a loan for which the special allowance rate is calculated under section 438(b)(2)(I)(vi)(II) because the loan is held by an eligible lender trustee that is an eligible not-for-profit holder as defined under section 435(p)(1)(D); or

(iii) is an affiliated entity of an eligible not-for-profit servicer described in clause (i) or (ii) that—

(I) directly employs, or will directly employ (on or before the date the entity begins servicing loans under a contract awarded by the Secretary pursuant to subsection (a)(3)(A)), the majority of individuals who perform student loan servicing functions; and

(II) on such date of enactment, was performing, or had entered into a contract with a third party servicer (as such term is defined in section 481(c)) who was performing, student loan servicing functions for loans made under part B of this title.

(B) AFFILIATED ENTITY.—For the purposes of subparagraph (A), the term "affiliated entity" means an entity contracted to perform services for an eligible not-for-profit servicer that—

(i) is a nonprofit entity or is wholly owned by a nonprofit entity; and

(ii) is not owned or controlled, in whole or in part, by—

(I) a for-profit entity; or

(II) an entity having its principal place of business in another State.

(3) OUTREACH SERVICES.—The term "outreach services" means programs offered to students and families, including programs delivered in coordination with institutions of higher education that—

(A) encourage—

(i) students to attend and complete a degree or certification program at an institution of higher education; and

(ii) students and families to obtain financial aid, but minimize the borrowing of education loans; and

(B) deliver financial literacy and counseling tools.

* * * * * * *

PART E—FEDERAL PERKINS LOANS

SEC. 461. APPROPRIATIONS AUTHORIZED.

(a) PROGRAM AUTHORITY.—The Secretary shall*, before July 1, 2010,* carry out a program of stimulating and assisting in the establishment and maintenance of funds at institutions of higher education for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions or while engaged in programs of study abroad approved for credit by such institutions. Loans made under this part shall be known as "Federal Perkins Loans".

(b) AUTHORIZATION OF APPROPRIATIONS.—**[**(1) For the purpose**]** *For the purpose* of enabling the Secretary to make contributions to student loan funds established under this part, there are authorized to be appropriated $300,000,000 for fiscal year 2009 **[**and for each of the five succeeding fiscal years**]**.

[(2) In addition to the funds authorized under paragraph (1), there are hereby authorized to be appropriated such sums for fiscal year 2015 and each of the 5 succeeding fiscal years as may be necessary to enable students who have received loans for academic years ending prior to October 1, 2015, to continue or complete courses of study.

[(c) USE OF APPROPRIATIONS.—Any sums appropriated pursuant to subsection (b) for any fiscal year shall be available for apportionment pursuant to section 462 and for payments of Federal capital contributions therefrom to institutions of higher education which have agreements with the Secretary under section 463. Such Federal capital contributions and all contributions from such institutions shall be used for the establishment, expansion, and maintenance of student loan funds.**]**

SEC. 462. ALLOCATION OF FUNDS.

(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1) **[**From**]** *For any fiscal year before fiscal year 2010, from* the amount appropriated pursuant to section 461(b) for each fiscal year, the Secretary shall first allocate to each eligible institution an amount equal to—

(A) * * *

* * * * * * *

(i) REALLOCATION OF EXCESS ALLOCATIONS.—

(1) IN GENERAL.—(A) If an institution of higher education returns to the Secretary any portion of the sums allocated to such institution under this section [for any fiscal year,] *for any fiscal year before fiscal year 2010,* the Secretary shall reallocate 80 percent of such returned portions to participating institutions in an amount not to exceed such participating institution's excess eligible amounts as determined under paragraph (2).

* * * * * * *

SEC. 462A. FEDERAL DIRECT PERKINS LOAN ALLOCATION.

(a) PURPOSES.—The purposes of this section are—

(1) to allocate, among eligible and participating institutions (as such terms are defined in this section), the authority to make Federal Direct Perkins Loans under section 455A with a portion of the annual loan authority described in subsection (b); and

(2) to make funds available, in accordance with section 452, to each participating institution from a portion of the annual loan authority described in subsection (b), in an amount not to exceed the sum of an institution's allocation of funds under subparagraphs (A), (B), and (C) of subsection (b)(1) to enable each such institution to make Federal Direct Perkins Loans to eligible students at the institution.

(b) AVAILABLE DIRECT PERKINS ANNUAL LOAN AUTHORITY.—

(1) AVAILABILITY AND ALLOCATIONS.—There are hereby made available, from funds made available for loans made under part D, not to exceed $6,000,000,000 of annual loan authority for award year 2010–2011 and each succeeding award year, to be allocated as follows:

(A) The Secretary shall allocate not more than 1/2 of such funds for each award year by allocating to each participating institution an amount equal to the adjusted self-help need amount of the institution, as determined in accordance with subsection (c) for such award year.

(B) The Secretary shall allocate not more than 1/4 of such funds for each award year by allocating to each participating institution an amount equal to the low tuition incentive amount of the institution, as determined in accordance with subsection (d).

(C) The Secretary shall allocate not more than 1/4 of such funds for each award year by allocating to each participating institution an amount which bears the same ratio to the funds allocated under this subparagraph as the ratio determined in accordance with subsection (e) for the calculation of the Federal Pell Grant and degree recipient amount of the institution.

(2) NO FUNDS TO NON-PARTICIPATING INSTITUTIONS.—The Secretary shall not make funds available under this subsection to any eligible institution that is not a participating institution. The adjusted self-help need amount (determined in accordance with subsection (c)) of an eligible institution that is not a par-

ticipating institution shall not be made available to any other institution.

(c) ADJUSTED SELF-HELP NEED AMOUNT.—For the purposes of subsection (b)(1)(A), the Secretary shall calculate the adjusted self-help need amount of each eligible institution for an award year as follows:

(1) USE OF BASE SELF-HELP NEED AMOUNTS.—

(A) IN GENERAL.—Except as provided in paragraphs (2), (3), and (4), the adjusted self-help need amount of each eligible institution shall be the institution's base self-help need amount, which is the sum of—

(i) the self-help need of the institution's eligible undergraduate students for such award year; and

(ii) the self-help need of the institution's eligible graduate and professional students for such award year.

(B) UNDERGRADUATE STUDENT SELF-HELP NEED.—To determine the self-help need of an institution's eligible undergraduate students, the Secretary shall determine the sum of each eligible undergraduate student's average cost of attendance for the second preceding award year less each such student's expected family contribution (computed in accordance with part F) for the second preceding award year, except that, for each such eligible undergraduate student, the amount computed by such subtraction shall not be less than zero or more than the lesser of—

(i) 25 percent of the average cost of attendance with respect to such eligible student; or

(ii) $5,500.

(C) GRADUATE AND PROFESSIONAL STUDENT SELF-HELP NEED.—To determine the self-help need of an institution's eligible graduate and professional students, the Secretary shall determine the sum of each eligible graduate and professional student's average cost of attendance for the second preceding award year less each such student's expected family contribution (computed in accordance with part F) for such second preceding award year, except that, for each such eligible graduate and professional student, the amount computed by such subtraction shall not be less than zero or more than $8,000.

(2) RATABLE REDUCTION ADJUSTMENTS.—If the sum of the base self-help need amounts of all eligible institutions for an award year as determined under paragraph (1) exceeds ½ of the annual loan authority under subsection (b) for such award year, the Secretary shall ratably reduce the base self-help need amounts of all eligible institutions until the sum of such amounts is equal to the amount that is ½ of the annual loan authority under subsection (b).

(3) REQUIRED MINIMUM AMOUNT.—Notwithstanding paragraph (2), the adjusted self-help need amount of each eligible institution shall not be less than the average of the institution's total principal amount of loans made under this part for each of the 5 most recent award years.

(4) ADDITIONAL ADJUSTMENTS.—If the Secretary determines that a ratable reduction under paragraph (2) results in the ad-

justed self-help need amount of any eligible institution being reduced below the minimum amount required under paragraph (3), the Secretary shall—

(A) for each institution for which the minimum amount under paragraph (3) is not satisfied, increase the adjusted self-help need amount to the amount of the required minimum under such subparagraph; and

(B) ratably reduce the adjusted self-help need amounts of all eligible institutions not described in subparagraph (A) until the sum of the adjusted self-help need amounts of all eligible institutions is equal to the amount that is ½ of the annual loan authority under subsection (b).

(d) LOW TUITION INCENTIVE AMOUNT.—

(1) IN GENERAL.—For purposes of subsection (b)(1)(B), the Secretary shall determine the low tuition incentive amount for each participating institution for each award year, by calculating for each such institution the sum of—

(A) the total amount, if any (but not less than zero), by which—

(i) the average tuition and required fees for the institution's sector for the second preceding award year; exceeds

(ii) the tuition and required fees for the second preceding award year for each undergraduate and graduate student attending the institution who had financial need (as determined under part F); plus

(B) the total amount, if any (but not less than zero), by which—

(i) the total amount for the second preceding award year of non-Federal grant aid provided to meet the financial need of all undergraduate students attending the institution (as determined without regard to financial aid not received under this title); exceeds

(ii) the total amount for the second preceding award year, if any, by which—

(I) the tuition and required fees of each such student with such financial need; exceeds

(II) the average tuition and required fees for the institution's sector.

(2) RATABLE REDUCTION.—If the sum of the low tuition incentive amounts of all participating institutions for an award year as determined under paragraph (1) exceeds ¼ of the annual loan authority under subsection (b) for such award year, the Secretary shall ratably reduce the low tuition incentive amounts of all participating institutions until the sum of such amounts is equal to the amount that is ¼ of the annual loan authority under subsection (b).

(e) FEDERAL PELL GRANT AND DEGREE RECIPIENT AMOUNT.—For purposes of subsection (b)(1)(C), the Secretary shall determine the Federal Pell Grant and degree recipient amount for each participating institution for each award year, by calculating for each such institution the ratio of—

(1) the number of students who, during the most recent year for which data are available, obtained an associate's degree or other postsecondary degree from such participating institution

and, prior to obtaining such degree, received a Federal Pell Grant for attendance at any institution of higher education; to

(2) the sum of the number of students who, during the most recent year for which data are available, obtained an associate's degree or other postsecondary degree from each participating institution and, prior to obtaining such degree, received a Federal Pell Grant for attendance at any institution of higher education.

(f) DEFINITIONS.—As used in this section:

(1) ANNUAL LOAN AUTHORITY.—The term "annual loan authority" means the total original principal amount of loans that may be allocated and made available for an award year to make Federal Direct Perkins Loans under section 455A.

(2) AVERAGE COST OF ATTENDANCE.—

(A) IN GENERAL.—The term "average cost of attendance" means the average of the attendance costs for undergraduate students and for graduate and professional students, respectively, for the second preceding award year which shall include—

(i) tuition and required fees determined in accordance with subparagraph (B);

(ii) standard living expenses determined in accordance with subparagraph (C); and

(iii) books and supplies determined in accordance with subparagraph (D).

(B) TUITION AND REQUIRED FEES.—The average undergraduate and graduate and professional tuition and required fees described in subparagraph (A)(i) shall be computed on the basis of information reported by the institution to the Secretary, which shall include—

(i) total revenue received by the institution from undergraduate and graduate and professional students, respectively, for tuition and required fees for the second preceding award year; and

(ii) the institution's full-time equivalent enrollment of undergraduate and graduate and professional students, respectively, for such second preceding award year.

(C) STANDARD LIVING EXPENSES.—The standard living expense described in subparagraph (A)(ii) is equal to the allowance, determined by an institution, for room and board costs incurred by a student, as computed in accordance with part F for the second preceding award year.

(D) BOOKS AND SUPPLIES.—The allowance for books and supplies described in subparagraph (A)(iii) is equal to the allowance, determined by an institution, for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, as computed in accordance with part F for the second preceding award year.

(3) AVERAGE TUITION AND REQUIRED FEES FOR THE INSTITUTION'S SECTOR.—The term "average tuition and required fees for the institution's sector" shall be determined by the Secretary for each of the categories described in section 132(d).

(4) ELIGIBLE INSTITUTION.—The term "eligible institution" means an institution of higher education that participates in the Federal Direct Stafford Loan Program.

(5) PARTICIPATING INSTITUTION.—The term "participating institution" means an institution of higher education that has an agreement under section 463(f).

(6) SECTOR.—The term "sector" means each of the categories described in section 132(d).

SEC. 463. AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION.

(a) CONTENTS OF AGREEMENTS *FOR LOANS MADE BEFORE JULY 1, 2010*.—An agreement with any institution of higher education for the payment of Federal capital contributions under this part shall—

(1) * * *

* * * * * * *

(3) provide that such student loan fund shall be used only for—

(A) loans to students *before July 1, 2010*, in accordance with the provisions of this part;

* * * * * * *

(4) provide that where a note or written agreement evidencing a loan has been in default despite due diligence on the part of the institution in attempting collection [thereon—

[(A) if the institution has knowingly failed to maintain an acceptable collection record with respect to such loan, as determined by the Secretary in accordance with criteria established by regulation, the Secretary may—

[(i) require the institution to assign such note or agreement to the Secretary, without recompense; and

[(ii) apportion any sums collected on such a loan, less an amount not to exceed 30 percent of any sums collected to cover the Secretary's collection costs, among other institutions in accordance with section 462; or

[(B) if the institution is not one described in subparagraph (A), the Secretary may allow such institution to refer such note or agreement to the Secretary, without recompense, except that, once every six months, any sums collected on such a loan (less an amount not to exceed 30 percent of any such sums collected to cover the Secretary's collection costs) shall be repaid to such institution and treated as an additional capital contribution under section 462;] *thereon, if the institution has failed to maintain an acceptable collection record with respect to such loan, as determined by the Secretary in accordance with criteria established by regulation, the Secretary may require the institution to assign such note or agreement to the Secretary, without recompense;*

(5) provide that, if an institution of higher education determines not to service and collect student loans made available from funds under this part, the institution will assign, at the beginning of the repayment period, notes or evidence of obligations of student loans made from such funds to the Secretary [and the Secretary shall apportion any sums collected on such

notes or obligations (less an amount not to exceed 30 percent of any such sums collected to cover that Secretary's collection costs) among other institutions in accordance with section 462] *and the Secretary shall return a portion of funds from loan repayments to the institution as specified in section 466(b)*;

* * * * * * *

[(b) ADMINISTRATIVE EXPENSES.—An institution which has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it makes student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in administering its student loan program under this part during such year. Such payment shall be made in accordance with section 489.]

(b) ADMINISTRATIVE EXPENSES.—An institution that has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it services student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in servicing student loans made before July 1, 2010. Such payment shall be equal to 0.50 percent of the outstanding principal and interest balance of such loans being serviced by the institution as of September 30 of each fiscal year.

* * * * * * *

(f) CONTENTS OF AGREEMENTS FOR LOANS MADE ON OR AFTER JULY 1, 2010.—An agreement with any institution of higher education that elects to participate in the Federal Direct Perkins Loan program under section 455A shall provide—

(1) for the establishment and maintenance of a Direct Perkins Loan program at the institution under which the institution shall use loan authority allocated under section 462A to make loans to eligible students attending the institution;

(2) that the institution, unless otherwise specified in this subsection, shall operate the program consistent with the requirements of agreements established under section 454;

(3) that the institution will pay matching funds, quarterly, in an amount agreed to by the institution and the Secretary, to an escrow account approved by the Secretary, for the purpose of providing loan benefits to borrowers;

(4) that if the institution fails to meet the requirements of paragraph (3), the Secretary shall suspend or terminate the institution's eligibility to make Federal Direct Perkins Loans under section 455A until such time as the Secretary determines, in accordance with section 498, that the institution has met the requirements of such paragraph; and

(5) that if the institution ceases to be an eligible institution within the meaning of section 435(a) by reason of having a cohort default rate that exceeds the threshold percentage specified paragraph (2) of such section, the Secretary shall suspend or terminate the institution's eligibility to make Federal Direct Perkins Loans under section 455A unless and until the institution would qualify for a resumption of eligible institution status under such section.

SEC. 463A. STUDENT LOAN INFORMATION BY ELIGIBLE INSTITUTIONS.

(a) DISCLOSURE REQUIRED PRIOR TO DISBURSEMENT.—[Each institution] *For loans made before July 1, 2010, each institution* of

higher education, in order to carry out the provisions of section 463(a)(8), shall, at or prior to the time such institution makes a loan to a student borrower which is made under this part, provide thorough and adequate loan information on such loan to the student borrower. Any disclosure required by this subsection may be made by an institution of higher education as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosures shall include—

(1) * * *

* * * * * * *

(b) DISCLOSURE REQUIRED PRIOR TO REPAYMENT.—**[**Each institution**]** *For loans made before July 1, 2010, each institution* of higher education shall enter into an agreement with the Secretary under which the institution will, prior to the start of the repayment period of the student borrower on loans made under this part, disclose to the student borrower the information required under this subsection. Any disclosure required by this subsection may be made by an institution of higher education either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosures shall include—

(1) * * *

* * * * * * *

SEC. 464. TERMS OF LOANS.

(a) TERMS AND CONDITIONS.—(1) Loans from any student loan fund established pursuant to an agreement under section 463*(a)* to any student by any institution shall, subject to such conditions, limitations, and requirements as the Secretary shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

* * * * * * *

(b) DEMONSTRATION OF NEED AND ELIGIBILITY REQUIRED.—(1) A loan *made before July 1, 2010,* from a student loan fund assisted under this part may be made only to a student who demonstrates financial need in accordance with part F of this title, who meets the requirements of section 484, and who provides the institution with the student's drivers license number, if any, at the time of application for the loan. A student who is in default on a loan under this part shall not be eligible for an additional loan under this part unless such loan meets one of the conditions for exclusion under section 462(g)(1)(E).

* * * * * * *

(c) CONTENTS OF LOAN AGREEMENT.—(1) Any agreement between an institution and a student for a loan *made before July 1, 2010,* from a student loan fund assisted under this part—

(A) * * *

* * * * * * *

(2)(A) No repayment of principal of, or interest on, any loan *made before July 1, 2010,* from a student loan fund assisted under this part shall be required during any period—

(i) * * *

* * * * * * *

(B) No repayment of principal of, or interest on, any loan *made before July 1, 2010,* for any period described in subparagraph (A) shall begin until 6 months after the completion of such period.

* * * * * * *

(3)(A) * * *

(B) Pursuant to uniform criteria established by the Secretary, the repayment period for any student borrower who during the repayment period *for a loan made before July 1, 2010,* is a low-income individual may be extended for a period not to exceed 10 years and the repayment schedule may be adjusted to reflect the income of that individual.

(4) The repayment period for a loan made *before July 1, 2010,* under this part shall begin on the day immediately following the expiration of the period, specified in paragraph (1)(A), after the student ceases to carry the required academic workload, unless the borrower requests and is granted a repayment schedule that provides for repayment to commence at an earlier point in time, and shall exclude any period of authorized deferment, forbearance, or cancellation.

(5) ❚The institution❚ *For loans made before July 1, 2010, the institution* may elect—

(A) * * *

* * * * * * *

(6) Requests for deferment of repayment of loans *made before July 1, 2010,* under this part by students engaged in graduate or post-graduate fellowship-supported study (such as pursuant to a Fulbright grant) outside the United States shall be approved until completion of the period of the fellowship.

* * * * * * *

(d) AVAILABILITY OF LOAN FUND TO ALL ELIGIBLE STUDENTS.—An agreement under this part for payment of Federal capital contributions shall include provisions designed to make loans *made before July 1, 2010,* from the student loan fund established pursuant to such agreement reasonably available (to the extent of the available funds in such fund) to all eligible students in such institutions in need thereof.

(e) FORBEARANCE.—(1) The Secretary shall ensure that, *with respect to loans made before July 1, 2010, and* as documented in accordance with paragraph (2), an institution of higher education shall grant a borrower forbearance of principal and interest or principal only, renewable at 12-month intervals for a period not to exceed 3 years, on such terms as are otherwise consistent with the regulations issued by the Secretary and agreed upon in writing by the parties to the loan, if—

(A) * * *

* * * * * * *

❚(f) SPECIAL REPAYMENT RULE AUTHORITY.—(1) Subject to such restrictions as the Secretary may prescribe to protect the interest of the United States, in order to encourage repayment of loans made under this part which are in default, the Secretary may, in

the agreement entered into under this part, authorize an institution of higher education to compromise on the repayment of such defaulted loans in accordance with paragraph (2). The Federal share of the compromise repayment shall bear the same relation to the institution's share of such compromise repayment as the Federal capital contribution to the institution's loan fund under this part bears to the institution's capital contribution to such fund.

[(2) No compromise repayment of a defaulted loan as authorized by paragraph (1) may be made unless the student borrower pays—

[(A) 90 percent of the loan under this part;

[(B) the interest due on such loan; and

[(C) any collection fees due on such loan;

in a lump sum payment.]

(g) DISCHARGE.—

(1) IN GENERAL.—If a student borrower who received a loan made under this part on or after January 1, 1986, *and before July 1, 2010,* is unable to complete the program in which such student is enrolled due to the closure of the institution, then the Secretary shall discharge the borrower's liability on the loan (including the interest and collection fees) and shall subsequently pursue any claim available to such borrower against the institution and the institution's affiliates and principals, or settle the loan obligation pursuant to the financial responsibility standards described in section 498(c).

* * * * * * *

(h) REHABILITATION OF LOANS.—

(1) REHABILITATION.—

(A) IN GENERAL.—If the borrower of a loan made under this part *before July 1, 2010,* who has defaulted on the loan makes 9 on-time, consecutive, monthly payments of amounts owed on the loan, as determined by the institution, or by the Secretary in the case of a loan held by the Secretary, the loan shall be considered rehabilitated, and the institution that made that loan (or the Secretary, in the case of a loan held by the Secretary) shall request that any consumer reporting agency to which the default was reported remove the default from the borrower's credit history.

* * * * * * *

(2) RESTORATION OF ELIGIBILITY.—If the borrower of a loan made under this part *before July 1, 2010,* who has defaulted on that loan makes 6 ontime, consecutive, monthly payments of amounts owed on such loan, the borrower's eligibility for grant, loan, or work assistance under this title shall be restored to the extent that the borrower is otherwise eligible. A borrower only once may obtain the benefit of this paragraph with respect to restored eligibility.

* * * * * * *

(j) ARMED FORCES STUDENT LOAN INTEREST PAYMENT PROGRAM.—

(1) AUTHORITY.—Using funds received by transfer to the Secretary under section 2174 of title 10, United States Code, for the payment of interest on a loan made under this part *before*

July 1, 2010, to a member of the Armed Forces, the Secretary shall pay the interest on the loan as due for a period not in excess of 36 consecutive months. The Secretary may not pay interest on such a loan out of any funds other than funds that have been so transferred.

* * * * * * *

SEC. 465. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.

(a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The percent specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, *and before July 1, 2010,* from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

* * * * * * *

[(b) REIMBURSEMENT FOR CANCELLATION.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection. To the extent feasible, the Secretary shall pay the amounts for which any institution qualifies under this subsection not later than 3 months after the institution files an institutional application for campus-based funds.**]**

(b) REIMBURSEMENT FOR CANCELLATIONS.—

(1) ASSIGNED LOANS.—In the case of loans made under this part before July 1, 2010, and that are assigned to the Secretary, the Secretary shall, from amounts repaid each quarter on assigned Perkins Loans made before July 1, 2010, pay to each institution for each quarter an amount equal to—

(A) the aggregate of the amounts of loans from its student loan fund that are canceled pursuant to this section for such quarter, minus

(B) an amount equal to the aggregate of the amounts of any such loans so canceled that were made from Federal capital contributions to its student loan fund.

(2) RETAINED LOANS.—In the case of loans made under this part before July 1, 2010, and that are retained by the institution for servicing, the institution shall deduct from loan repayments owed to the Secretary under section 466, an amount equal to—

(A) the aggregate of the amounts of loans from its student loan fund that are canceled pursuant to this section for such quarter, minus

(B) an amount equal to the aggregate of the amounts of any such loans so canceled that were made from Federal capital contributions to its student loan fund.

* * * * * * *

[SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

[(a) IN GENERAL.—After September 30, 2003, and not later than March 31, 2004, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

[(1) The Secretary shall first be paid an amount which bears the same ratio to the balance in such fund at the close of September 30, 2003, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

[(2) The remainder of such balance shall be paid to the institution.

[(b) DISTRIBUTION OF LATE COLLECTIONS.—After October 1, 2012, each institution with which the Secretary has made an agreement under this part, shall pay to the Secretary the same proportionate share of amounts received by this institution after September 30, 2003, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Secretary under subsection (a).

[(c) DISTRIBUTION OF EXCESS CAPITAL.—(1) Upon a finding by the institution or the Secretary prior to October 1, 2004, that the liquid assets of a student loan fund established pursuant to an agreement under this part exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Secretary, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Secretary or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows:

[(A) The Secretary shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Secretary to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

[(B) The remainder of the capital distribution shall be paid to the institution.

[(2) No finding that the liquid assets of a student loan fund established under this part exceed the amount required under paragraph (1) may be made prior to a date which is 2 years after the date on which the institution of higher education received the funds from such institution's allocation under section 462.]

SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

(a) CAPITAL DISTRIBUTION.—Beginning July 1, 2010, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

(1) For the quarter beginning July 1, 2010, the Secretary shall first be paid, no later than September 30, 2010, an amount that bears the same ratio to the cash balance in such fund at the close of June 30, 2010, as the total amount of the

Federal capital contributions to such fund by the Secretary under this part bears to—

(A) the sum of such Federal contributions and the institution's capital contributions to such fund, less

(B) an amount equal to—

(i) the institution's outstanding administrative costs as calculated under section 463(b),

(ii) outstanding charges assessed under section 464(c)(1)(H), and

(iii) outstanding loan cancellation costs incurred under section 465.

(2) At the end of each quarter subsequent to the quarter ending September 30, 2010, the Secretary shall first be paid an amount that bears the same ratio to the cash balance in such fund at the close of the preceding quarter, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to—

(A) the sum of such Federal contributions and the institution's capital contributions to such fund, less

(B) an amount equal to—

(i) the institution's administrative costs incurred for that quarter as calculated under section 463(b),

(ii) charges assessed for that quarter under section 464(c)(1)(H), and

(iii) loan cancellation costs incurred for that quarter under section 465.

(3)(A) The Secretary shall calculate the amounts due to the Secretary under paragraph (1) (adjusted in accordance with subparagraph (B), as appropriate) and paragraph (2) and shall promptly inform the institution of such calculated amounts.

(B) In the event that, prior to the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009, an institution made a short-term, interest-free loan to the institution's student loan fund established under this part in anticipation of collections or receipt of Federal capital contributions, and the institution demonstrates to the Secretary, on or before June 30, 2010, that such loan will still be outstanding after June 30, 2010, the Secretary shall subtract the amount of such outstanding loan from the cash balance of the institution's student loan fund that is used to calculate the amount due to the Secretary under paragraph (1). An adjustment of an amount due to the Secretary under this subparagraph shall be made by the Secretary on a case-by-case basis.

(4) Any remaining balance at the end of a quarter after a payment under paragraph (1) or (2) shall be retained by the institution for use at its discretion. Any balance so retained shall be withdrawn from the student loan fund and shall not be counted in calculating amounts owed to the Secretary for subsequent quarters.

(5) Each institution shall make the quarterly payments to the Secretary described in paragraph (2) until all outstanding Federal Perkins Loans at that institution have been assigned to the Secretary and there are no funds remaining in the institution's student loan fund.

(6) In the event that the institution's administrative costs, charges, and cancellation costs described in paragraph (2) for a quarter exceed the amount owed to the Secretary under paragraphs (1) and (2) for that quarter, no payment shall be due to the Secretary from the institution for that quarter and the Secretary shall pay the institution, from funds realized from the collection of assigned Federal Perkins Loans made before July 1, 2010, an amount that, when combined with the amount retained by the institution under paragraphs (1) and (2), equals the full amount of such administrative costs, charges, and cancellation costs.

(b) ASSIGNMENT OF OUTSTANDING LOANS.—Beginning July 1, 2010, an institution of higher education may assign all outstanding loans made under this part before July 1, 2010, to the Secretary, consistent with the requirements of section 463(a)(5). In collecting loans so assigned, the Secretary shall pay an institution an amount that constitutes the same fraction of such collections as the fraction of the cash balance that the institution retains under subsection (a)(2), but determining such fraction without regard to subparagraph (B)(i) of such subsection.

* * * * * * *

PART F—NEED ANALYSIS

SEC. 471. AMOUNT OF NEED.

[Except] *(a) IN GENERAL.—Except* as otherwise provided therein *and subject to subsection (b)*, the amount of need of any student for financial assistance under this title (except subparts 1 or 2 of part A) is equal to—

(1) * * *

* * * * * * *

(b) ASSET CAP FOR NEED-BASED AID.—Notwithstanding any other provision of this title, a student shall not be eligible to receive a Federal Pell Grant, a Federal Direct Stafford Loan, or work assistance under this title if—

(1) in the case of a dependent student, the combined net assets of the student and the student's parents are equal to an amount greater than $150,000 (or a successor amount prescribed by the Secretary under section 478(c)); or

(2) in the case of an independent student, the net assets of the student (and the student's spouse, if applicable) are equal to an amount greater than $150,000 (or a successor amount prescribed by the Secretary under section 478(c)).

* * * * * * *

SEC. 474. DETERMINATION OF EXPECTED FAMILY CONTRIBUTION; DATA ELEMENTS.

(a) * * *

(b) DATA ELEMENTS.—The following data elements are considered in determining the expected family contribution:

(1) * * *

* * * * * * *

[(4) the net assets of (A) the student and the student's spouse, and (B) the student and the student's parents, in the case of a dependent student;]

[(5)] *(4)* the marital status of the student;

[(6)] *(5)* the age of the older parent, in the case of a dependent student, and the student; and

[(7)] *(6)* the additional expenses incurred (A) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (B) in the case of an independent student, when the student is married and the student's spouse is employed, or when the employed student qualifies as a surviving spouse or as a head of a household under section 2 of the Internal Revenue Code of 1986.

SEC. 475. FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.

(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each dependent student, the expected family contribution is equal to the sum of—

(1) the parents' contribution from [adjusted] available income (determined in accordance with subsection (b)); *and*

(2) the student contribution from available income (determined in accordance with subsection (g))[; and].

[(3) the student contribution from assets (determined in accordance with subsection (h)).]

(b) PARENTS' CONTRIBUTION FROM [ADJUSTED] AVAILABLE INCOME.—The parents' contribution from [adjusted] available income is equal to the amount determined by—

[(1) computing adjusted available income by adding—

[(A) the parents' available income (determined in accordance with subsection (c)); and

[(B) the parents' contribution from assets (determined in accordance with subsection (d));]

[(2)] *(1)* assessing such [adjusted] available income in accordance with the assessment schedule set forth in subsection (e); and

[(3)] *(2)* dividing the assessment resulting under paragraph [(2] *(1))* by the number of the family members, excluding the student's parents, who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested;

* * * * * * *

[(d) PARENTS' CONTRIBUTION FROM ASSETS.—

[(1) IN GENERAL.—The parents' contribution from assets is equal to—

[(A) the parental net worth (determined in accordance with paragraph (2)); minus

[(B) the education savings and asset protection allowance (determined in accordance with paragraph (3)); multiplied by

[(C) the asset conversion rate (determined in accordance with paragraph (4)), except that the result shall not be less than zero.

[(2) PARENTAL NET WORTH.—The parental net worth is calculated by adding—

[(A) the current balance of checking and savings accounts and cash on hand;

[(B) the net value of investments and real estate, excluding the net value of the principal place of residence; and

[(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter in this subsection referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478), except as provided under section 480(f):

[Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is:
Less than $1	$0
$1–$75,000	40 percent of NW
$75,001–$225,000	$30,000 plus 50 percent of NW over $75,000
$225,001–$375,000	$105,000 plus 60 percent of NW over $225,000
$375,001 or more	$195,000 plus 100 percent of NW over $375,000

[(3) EDUCATION SAVINGS AND ASSET PROTECTION ALLOWANCE.—The education savings and asset protection allowance is calculated according to the following table (or a successor table prescribed by the Secretary under section 478):

[Education Savings and Asset Protection Allowances for Families and Students

If the age of the oldest parent is—	And there are	
	two parents	one parent
then the allowance is—		
25 or less	$ 0	$0
26	2,200	1,600
27	4,300	3,200
28	6,500	4,700
29	8,600	6,300
30	10,800	7,900
31	13,000	9,500
32	15,100	11,100
33	17,300	12,600
34	19,400	14,200
35	21,600	15,800
36	23,800	17,400
37	25,900	19,000
38	28,100	20,500
39	30,200	22,100
40	32,400	23,700

[Education Savings and Asset Protection Allowances for Families and Students—Continued

If the age of the oldest parent is—	And there are	
	two parents	one parent
41	33,300	24,100
42	34,100	24,700
43	35,000	25,200
44	35,700	25,800
45	36,600	26,300
46	37,600	26,900
47	38,800	27,600
48	39,800	28,200
49	40,800	28,800
50	41,800	29,500
51	43,200	30,200
52	44,300	31,100
53	45,700	31,800
54	47,100	32,600
55	48,300	33,400
56	49,800	34,400
57	51,300	35,200
58	52,900	36,200
59	54,800	37,200
60	56,500	38,100
61	58,500	39,200
62	60,300	40,300
63	62,400	41,500
64	64,600	42,800
65 or more	66,800	44,000

[(4) ASSET CONVERSION RATE.—The asset conversion rate is 12 percent.]

(e) ASSESSMENT SCHEDULE.—The [adjusted] available income (as determined under subsection (b)(1) and hereafter in this subsection referred to as ["AAI"] *"AI"*) is assessed according to the following table (or a successor table prescribed by the Secretary under section 478):

Parents' Assessment [From Adjusted Available Income (AAI)] *From Available Income (AI)*

If [AAI] *AI* is—	Then the assessment is—
Less than −$3,409	−$750
−$3,409 to $9,400	22% of [AAI] *AI*
$9,401 to $11,800	$2,068 + 25% of [AAI] *AI* over $9,400
$11,801 to $14,200	$2,668 + 29% of [AAI] *AI* over $11,800
$14,201 to $16,600	$3,364 + 34% of [AAI] *AI* over $14,200
$16,601 to $19,000	$4,180 + 40% of [AAI] *AI* over $16,600
$19,001 or more	$5,140 + 47% of [AAI] *AI* over $19,000

(f) COMPUTATIONS IN CASE OF SEPARATION, DIVORCE, REMARRIAGE, OR DEATH.—

(1) DIVORCED OR SEPARATED PARENTS.—Parental income [and assets] for a student whose parents are divorced or separated is determined under the following procedures:

(A) Include only the income [and assets] of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application.

(B) If the preceding criterion does not apply, include only the income [and assets] of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application.

(C) If neither of the preceding criteria apply, include only the income [and assets] of the parent who provided the greater support during the most recent calendar year for which parental support was provided.

(2) DEATH OF A PARENT.—Parental income [and assets] in the case of the death of any parent is determined as follows:

(A) If either of the parents has died, the student shall include only the income [and assets] of the surviving parent.

(B) If both parents have died, the student shall not report any parental income [or assets].

(3) REMARRIED PARENTS.—If a parent whose income [and assets are] *is* taken into account under paragraph (1) of this subsection, or if a parent who is a widow or widower and whose income is taken into account under paragraph (2) of this subsection, has remarried, the income of that parent's spouse shall be included in determining the parent's [adjusted] available income only if—

(A) * * *

* * * * * * *

(g) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—

(1) * * *.—

* * * * * * *

(6) ALLOWANCE FOR PARENTS' NEGATIVE AVAILABLE INCOME.—The allowance for parents' negative available income is the amount, if any, by which the sum of the amounts deducted under subparagraphs (A) through (F) of subsection (c)(1) [exceeds the sum of the parents' total income (as defined in section 480) and the parents' contribution from assets (as determined in accordance with subsection (d)).] *exceeds the parents' total income (as defined in section 480)*

* * * * * * *

[(h) STUDENT CONTRIBUTION FROM ASSETS.—The student contribution from assets is determined by calculating the net assets of the student and multiplying such amount by 20 percent, except that the result shall not be less than zero.]

(i) ADJUSTMENTS TO PARENTS' CONTRIBUTION FOR ENROLLMENT PERIODS OTHER THAN 9 MONTHS FOR PURPOSES OTHER THAN SUBPART 2 OF PART A OF THIS TITLE.—For periods of enrollment other than 9 months, the parents' contribution from [adjusted] available income (as determined under subsection (b)) is determined as follows for purposes other than subpart 2 of part A of this title:

(1) For periods of enrollment less than 9 months, the parents' contribution from [adjusted] available income is divided by 9 and the result multiplied by the number of months enrolled.

(2) For periods of enrollment greater than 9 months—

(A) the parents' [adjusted] available income (determined in accordance with subsection (b)(1)) is increased by the

difference between the income protection allowance (determined in accordance with subsection (c)(4)) for a family of four and a family of five, each with one child in college;

(B) the resulting revised parents' [adjusted] available income is assessed according to subsection (e) and [adjusted] according to subsection (b)(3) to determine a revised parents' contribution from [adjusted] available income;

(C) the original parents' contribution from [adjusted] available income is subtracted from the revised parents' contribution from [adjusted] available income, and the result is divided by 12 to determine the monthly adjustment amount; and

(D) the original parents' contribution from [adjusted] available income is increased by the product of the monthly adjustment amount multiplied by the number of months greater than 9 for which the student will be enrolled.

* * * * * * *

SEC. 476. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.

(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student without dependents other than a spouse, the expected family contribution is determined by—

[(1) adding—

[(A) the family's contribution from available income (determined in accordance with subsection (b)); and

[(B) the family's contribution from assets (determined in accordance with subsection (c));]

[(2)] *(1)* dividing [the sum resulting under paragraph (1)] *the family's contribution from available income (determined in accordance with subsection (b))* by the number of students who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested; and

[(3)] *(2)* for periods of enrollment of less than 9 months, for purposes other than subpart 2 of part A—

(A) dividing the quotient resulting under paragraph [(2)] *(1)* by 9; and

* * * * * * *

[(c) FAMILY CONTRIBUTION FROM ASSETS.—

[(1) IN GENERAL.—The family's contribution from assets is equal to—

[(A) the family's net worth (determined in accordance with paragraph (2)); minus

[(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

[(C) the asset conversion rate (determined in accordance with paragraph (4));

except that the family's contribution from assets shall not be less than zero.

[(2) FAMILY'S NET WORTH.—The family's net worth is calculated by adding—

[(A) the current balance of checking and savings accounts and cash on hand;

[(B) the net value of investments and real estate, excluding the net value in the principal place of residence; and

[(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478), except as provided under section 480(f):

[Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1–$75,000	40 percent of NW
$75,001–$225,000	$30,000 plus 50 percent of NW over $75,000
$225,001–$375,000	$105,000 plus 60 percent of NW over $225,000
$375,001 or more	$195,000 plus 100 percent of NW over $375,000

[(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table (or a successor table prescribed by the Secretary under section 478):

[Asset Protection Allowances for Families and Students

If the age of the student is—	And the student is	
	married	single
then the allowance is—		
25 or less	$ 0	$0
26	2,200	1,600
27	4,300	3,200
28	6,500	4,700
29	8,600	6,300
30	10,800	7,900
31	13,000	9,500
32	15,100	11,100
33	17,300	12,600
34	19,400	14,200
35	21,600	15,800
36	23,800	17,400
37	25,900	19,000
38	28,100	20,500
39	30,200	22,100
40	32,400	23,700
41	33,300	24,100
42	34,100	24,700
43	35,000	25,200
44	35,700	25,800

[Asset Protection Allowances for Families and Students—Continued

If the age of the student is—	And the student is	
	married	single
45	36,600	26,300
46	37,600	26,900
47	38,800	27,600
48	39,800	28,200
49	40,800	28,800
50	41,800	29,500
51	43,200	30,200
52	44,300	31,100
53	45,700	31,800
54	47,100	32,600
55	48,300	33,400
56	49,800	34,400
57	51,300	35,200
58	52,900	36,200
59	54,800	37,200
60	56,500	38,100
61	58,500	39,200
62	60,300	40,300
63	62,400	41,500
64	64,600	42,800
65 or more	66,800	44,000

[(4) ASSET CONVERSION RATE.—The asset conversion rate is 20 percent.]

(d) COMPUTATIONS IN CASE OF SEPARATION, DIVORCE, OR DEATH.—In the case of a student who is divorced or separated, or whose spouse has died, the spouse's income [and assets] shall not be considered in determining the family's contribution from income [or assets].

SEC. 477. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.

(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student with dependents other than a spouse, the expected family contribution is equal to the amount determined by—

[(1) computing adjusted available income by adding—

[(A) the family's available income (determined in accordance with subsection (b)); and

[(B) the family's contribution from assets (determined in accordance with subsection (c));]

[(2)] *(1)* assessing [such adjusted available income] *the family's available income (determined in accordance with subsection (b))* in accordance with an assessment schedule set forth in subsection (d);

[(3)] *(2)* dividing the assessment resulting under paragraph [(2)] *(1)* by the number of family members who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested; and

[(4)] *(3)* for periods of enrollment of less than 9 months, for purposes other than subpart 2 of part A—

(A) dividing the quotient resulting under paragraph [(3)] *(2)* by 9; and

* * * * * * *

[(c) FAMILY'S CONTRIBUTION FROM ASSETS.—

[(1) IN GENERAL.—The family's contribution from assets is equal to—

[(A) the family net worth (determined in accordance with paragraph (2)); minus

[(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

[(C) the asset conversion rate (determined in accordance with paragraph (4)), except that the result shall not be less than zero.

[(2) FAMILY NET WORTH.—The family net worth is calculated by adding—

[(A) the current balance of checking and savings accounts and cash on hand;

[(B) the net value of investments and real estate, excluding the net value in the principal place of residence; and

[(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478), except as provided under section 480(f):

[Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1–$75,000	40 percent of NW
$75,001–$225,000	$30,000 plus 50 percent of NW over $75,000
$225,001–$375,000	$105,000 plus 60 percent of NW over $225,000
$375,001 or more	$195,000 plus 100 percent of NW over $375,000

[(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table (or a successor table prescribed by the Secretary under section 478):

[Asset Protection Allowances for Families and Students

If the age of the student is—	And the student is	
	married	single
then the allowance is—		
25 or less	$ 0	$0
26	2,200	1,600
27	4,300	3,200

[Asset Protection Allowances for Families and Students—Continued

If the age of the student is—	And the student is	
	married	single
28	6,500	4,700
29	8,600	6,300
30	10,800	7,900
31	13,000	9,500
32	15,100	11,100
33	17,300	12,600
34	19,400	14,200
35	21,600	15,800
36	23,800	17,400
37	25,900	19,000
38	28,100	20,500
39	30,200	22,100
40	32,400	23,700
41	33,300	24,100
42	34,100	24,700
43	35,000	25,200
44	35,700	25,800
45	36,600	26,300
46	37,600	26,900
47	38,800	27,600
48	39,800	28,200
49	40,800	28,800
50	41,800	29,500
51	43,200	30,200
52	44,300	31,100
53	45,700	31,800
54	47,100	32,600
55	48,300	33,400
56	49,800	34,400
57	51,300	35,200
58	52,900	36,200
59	54,800	37,200
60	56,500	38,100
61	58,500	39,200
62	60,300	40,300
63	62,400	41,500
64	64,600	42,800
65 or more	66,800	44,000

[(4) ASSET CONVERSION RATE.—The asset conversion rate is 7 percent.]

(d) ASSESSMENT SCHEDULE.—The [adjusted] available income (as determined under subsection (a)(1) and hereafter referred to as ["AAI"] *"AI"*) is assessed according to the following table (or a successor table prescribed by the Secretary under section 478):

Assessment [From Adjusted Available Income (AAI)] *From Available Income (AI)*

If [AAI] *AI* is—	Then the assessment is—
Less than −$3,409	−$750
−$3,409 to $9,400	22% of [AAI] *AI*
$9,401 to $11,800	$2,068 + 25% of [AAI] *AI* over $9,400
$11,801 to $14,200	$2,668 + 29% of [AAI] *AI* over $11,800
$14,201 to $16,600	$3,364 + 34% of [AAI] *AI* over $14,200
$16,601 to $19,000	$4,180 + 40% of [AAI] *AI* over $16,600

Assessment [From Adjusted Available Income (AAI)] *From Available Income (AI)*—Continued

If [AAI] *AI* is—	Then the assessment is—
$19,001 or more	$5,140 + 47% of [AAI] *AI* over $19,000

(e) COMPUTATIONS IN CASE OF SEPARATION, DIVORCE, OR DEATH.—In the case of a student who is divorced or separated, or whose spouse has died, the spouse's income [and assets] shall not be considered in determining the family's available income [or assets].

SEC. 478. REGULATIONS; UPDATED TABLES.

(a) AUTHORITY TO PRESCRIBE REGULATIONS RESTRICTED.—(1) Notwithstanding any other provision of law, the Secretary shall not have the authority to prescribe regulations to carry out this part except—

(A) to prescribe updated tables *or amounts, as the case may be,* in accordance with subsections (b) through (h) of this section; or

(B) to propose modifications in the need analysis methodology required by this part.

(2) Any regulation proposed by the Secretary that (A) updates tables *or amounts, as the case may be,* in a manner that does not comply with subsections (b) through (h) of this section, or (B) that proposes modifications under paragraph (1)(B) of this subsection, shall not be effective unless approved by joint resolution of the Congress by May 1 following the date such regulations are published in the Federal Register in accordance with section 482. If the Congress fails to approve such regulations by such May 1, the Secretary shall publish in the Federal Register in accordance with section 482 updated tables *or amounts, as the case may be,* for the applicable award year that are prescribed in accordance with subsections (b) through (h) of this section.

* * * * * * *

[(c) ADJUSTED NET WORTH OF A FARM OR BUSINESS.—For each award year after award year 1993–1994, the Secretary shall publish in the Federal Register a revised table of adjusted net worth of a farm or business for purposes of sections 475(d)(2)(C), 476(c)(2)(C), and 477(c)(2)(C). Such revised table shall be developed—

[(1) by increasing each dollar amount that refers to net worth of a farm or business by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1992 and the December next preceding the beginning of such award year, and rounding the result to the nearest $5,000; and

[(2) by adjusting the dollar amounts "$30,000", "$105,000", and "$195,000" to reflect the changes made pursuant to paragraph (1).

[(d) EDUCATION SAVINGS AND ASSET PROTECTION ALLOWANCE.—For each award year after award year 1993–1994, the Secretary shall publish in the Federal Register a revised table of allowances for the purpose of sections 475(d)(3), 476(c)(3), and 477(c)(3). Such revised table shall be developed by determining the present value cost, rounded to the nearest $100, of an annuity that would pro-

vide, for each age cohort of 40 and above, a supplemental income at age 65 (adjusted for inflation) equal to the difference between the moderate family income (as most recently determined by the Bureau of Labor Statistics), and the current average social security retirement benefits. For each age cohort below 40, the allowance shall be computed by decreasing the allowance for age 40, as updated, by one-fifteenth for each year of age below age 40 and rounding the result to the nearest $100. In making such determinations—

[(1) inflation shall be presumed to be 6 percent per year;

[(2) the rate of return of an annuity shall be presumed to be 8 percent; and

[(3) the sales commission on an annuity shall be presumed to be 6 percent.]

(c) ASSET CAP FOR NEED-BASED AID.—For each award year after award year 2011–2012, the Secretary shall publish in the Federal Register a revised net asset cap for the purposes of section 471(b). Such revised cap shall be determined by increasing the dollar amount in such section by a percentage equal to the estimated percentage change in the Consumer Price Index (as determined by the Secretary) between December 2010 and the December preceding the beginning of such award year, and rounding the result to the nearest $5.

(e) ASSESSMENT SCHEDULES AND RATES.—For each award year after award year 1993–1994, the Secretary shall publish in the Federal Register a revised table of assessments from [adjusted] available income for the purpose of sections 475(e) and 477(d). Such revised table shall be developed—

(1) by increasing each dollar amount that refers to [adjusted] available income by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1992 and the December next preceding the beginning of such academic year, rounded to the nearest $100; and

(2) by adjusting the other dollar amounts to reflect the changes made pursuant to paragraph (1).

* * * * * * *

SEC. 479A. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

(a) * * *

(b) ADJUSTMENTS [TO ASSETS] TAKEN INTO ACCOUNT.—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if—

(1) * * *

* * * * * * *

SEC. 480. DEFINITIONS.

As used in this part:

(a) * * *

[Note: Paragraph (1) of subsection (b) reflects amendments made by this bill to such paragraph as amended by the Higher Education Opportunity Act, effective on July 1, 2010.]

(b) UNTAXED INCOME AND BENEFITS.—

(1) The term "untaxed income and benefits" means—

[(A) child support received;

[(B) workman's compensation;

[(C) veteran's benefits such as death pension, dependency, and indemnity compensation, but excluding veterans' education benefits as defined in subsection (c);]

[(D)] *(A)* interest on tax-free bonds;

[(E) housing, food, and other allowances (excluding rent subsidies for low-income housing) for military, clergy, and others (including cash payments and cash value of benefits), except that the value of on-base military housing or the value of basic allowance for housing determined under section 403(b) of title 37, United States Code, received by the parents, in the case of a dependent student, or the student or student's spouse, in the case of an independent student, shall be excluded;

[(F) cash support or any money paid on the student's behalf, except, for dependent students, funds provided by the student's parents;]

[(G)] *(B)* untaxed portion of pensions; *and*

[(H)] *(C)* payments to individual retirement accounts and Keogh accounts excluded from income for Federal income tax purposes[; and].

[(I) any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, or railroad retirement benefits, or benefits received through participation in employment and training activities under title I of the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.).]

* * * * * * *

(f) ASSETS.—(1) * * *

(2) With respect to determinations of need under this title, other than for subpart 4 of part A, the term "assets" shall not include the net value of—

(A) * * *

(B) a family farm on which the family resides; [or]

(C) a small business with not more than 100 full-time or full-time equivalent employees (or any part of such a small business) that is owned and controlled by the family[.]*; or*

(D) an employee pension benefit plan (as defined in section 3(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(2))).

* * * * * * *

PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

SEC. 483. FORMS AND REGULATIONS.

(a) * * *.—

* * * * * * *

(e) EARLY APPLICATION AND ESTIMATED AWARD DEMONSTRATION PROGRAM.—

(1) * * *

* * * * * * *

(3) EARLY APPLICATION AND ESTIMATED AWARD.—For all dependent students selected for participation in the demonstration program who submit a completed FAFSA, or, as appropriate, an EZ FAFSA, two years prior to the year such students plan to enroll in an institution of higher education, the Secretary shall, not later than one year prior to the year of such planned enrollment—

(A) provide each student who completes an early application with an estimated determination of such student's—

(i) * * *

(ii) Federal Pell Grant award for the first such year, based on the maximum Federal Pell Grant award at the time of application; and

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SEC. 484. STUDENT ELIGIBILITY. .

(a) * * *

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(r) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—

[(1) IN GENERAL.—A student who is convicted of any offense under any Federal or State law involving the possession or sale of a controlled substance for conduct that occurred during a period of enrollment for which the student was receiving any grant, loan, or work assistance under this title shall not be eligible to receive any grant, loan, or work assistance under this title from the date of that conviction for the period of time specified in the following table:

[If convicted of an offense involving:	
The possession of a controlled substance:	Ineligibility period is:
First offense	1 year
Second offense	2 years
Third offense	Indefinite.
The sale of a controlled substance:	Ineligibility period is:
First offense	2 years
Second offense	Indefinite.]

(1) IN GENERAL.—A student who is convicted of any offense under any Federal or State law involving the sale of a controlled substance for conduct that occurred during a period of enrollment for which the student was receiving any grant, loan, or work assistance under this title shall not be eligible to receive any grant, loan, or work assistance under this title from the date of that conviction for the period of time specified in the following subparagraphs:

(A) For a first offense, the period of ineligibility shall be 2 years.

(B) For a second offense, the period of ineligibility shall be indefinite.

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SEC. 484B. INSTITUTIONAL REFUNDS.

(a) * * *

(b) RETURN OF TITLE IV PROGRAM FUNDS.—

(1) * * *

(2) RESPONSIBILITY OF THE STUDENT.—

(A) * * *

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(F) TUITION RELIEF FOR STUDENTS CALLED TO MILITARY SERVICE.—

(i) WAIVER OF REPAYMENT BY STUDENTS CALLED TO MILITARY SERVICE.—In addition to the waivers authorized by subparagraphs (D) and (E), the Secretary shall waive the amounts that students are required to return under this section if the withdrawals on which the returns are based are withdrawals necessitated by reason of service in the uniformed services.

(ii) LOAN FORGIVENESS AUTHORIZED.—Whenever a student's withdrawal from an institution of higher education is necessitated by reason of service in the uniformed services, the Secretary shall, with respect to the payment period or period of enrollment for which such student did not receive academic credit as a result of such withdrawal, carry out a program—

(I) through the holder of the loan, to assume the obligation to repay—

(aa) the outstanding principle and accrued interest on any loan assistance awarded to the student under part B (including to a parent on behalf of the student under section 428B) for such payment period or period of enrollment; minus

(bb) any amount of such loan assistance returned by the institution in accordance with paragraph (1) of this subsection for such payment period or period of enrollment; and

(II) to cancel—

(aa) the outstanding principle and accrued interest on the loan assistance awarded to the student under part D or E (including a Federal Direct PLUS loan awarded to a parent on behalf of the student) for such payment period or period of enrollment; minus

(bb) any amount of such loan assistance returned by the institution in accordance with paragraph (1) of this subsection for such payment period or period of enrollment.

(iii) REIMBURSEMENT FOR CANCELLATION OF PERKINS LOANS.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of Federal Perkins loans in such institutions's student loan fund which are cancelled pursuant to clause (iii)(II) for such fiscal year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this paragraph. To

the extent feasible, the Secretary shall pay the amounts for which any institution qualifies under this paragraph not later than 3 months after the institution files an institutional application for campus-based funds.

(iv) LOAN ELIGIBILITY AND LIMITS FOR STUDENTS.—Any amounts that are returned by an institution in accordance with paragraph (1), or forgiven or waived by the Secretary under this subparagraph, with respect to a payment period or period of enrollment for which a student did not receive academic credit as a result of withdrawal necessitated by reason of service in the uniformed services, shall not be included in the calculation of the student's annual or aggregate loan limits for assistance under this title, or otherwise affect the student's eligibility for grants or loans under this title.

(v) DEFINITION.—In this subparagraph, the term "service in the uniformed services" has the meaning given such term in section 484C(a).

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SEC. 485E. EARLY AWARENESS OF FINANCIAL AID ELIGIBILITY.

(a) * * *

(b) COMMUNICATION OF AVAILABILITY OF AID AND AID ELIGIBILITY.—

(1) STUDENTS WHO RECEIVE BENEFITS.—The Secretary shall—

(A) make special efforts to notify students who receive or are eligible to receive benefits under a Federal means-tested benefit program (including the supplemental nutrition assistance program under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.)), or another such benefit program as determined by the Secretary, [of such students' potential eligibility for a maximum Federal Pell Grant under subpart 1 of part A] *of such students' potential eligibility for the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which the student would be eligible*; and

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SEC. 487. PROGRAM PARTICIPATION AGREEMENTS.

(a) * * *

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(d) IMPLEMENTATION OF NON-TITLE IV REVENUE REQUIREMENT.—

(1) CALCULATION.—In making calculations under subsection (a)(24), a proprietary institution of higher education shall—

(A) * * *

* * * * * * *

(E) in the case of each student who receives a loan on or after July 1, 2008, and prior to [July 1, 2011] *July 1, 2012*, that is authorized under section 428H or that is a Federal Direct Unsubsidized Stafford Loan, treat as revenue received by the institution from sources other than funds received under this title, the amount by which the disbursement of such loan received by the institution ex-

ceeds the limit on such loan in effect on the day before the date of enactment of the Ensuring Continued Access to Student Loans Act of 2008; and

(F) exclude from revenues—

(i) * * *

* * * * * * *

(iii) for the period beginning July 1, 2010, and ending July 1, 2012, the amount of funds the institution received from loans disbursed under section 455A;

[(iii)**]** *(iv)* the amount of funds provided by the institution as matching funds for a program under this title;

[(iv)**]** *(v)* the amount of funds provided by the institution for a program under this title that are required to be refunded or returned; and

[(v)**]** *(vi)* the amount charged for books, supplies, and equipment, unless the institution includes that amount as tuition, fees, or other institutional charges.

(2) SANCTIONS.—

(A) INELIGIBILITY.—A proprietary institution of higher education that fails to meet a requirement of subsection (a)(24) for **[**two consecutive**]** *three consecutive* institutional fiscal years shall be ineligible to participate in the programs authorized by this title for a period of not less than two institutional fiscal years. To regain eligibility to participate in the programs authorized by this title, a proprietary institution of higher education shall demonstrate compliance with all eligibility and certification requirements under section 498 for a minimum of two institutional fiscal years after the institutional fiscal year in which the institution became ineligible.

(B) ADDITIONAL ENFORCEMENT.—In addition to such other means of enforcing the requirements of this title as may be available to the Secretary, if a proprietary institution of higher education fails to meet a requirement of subsection (a)(24) for **[**any institutional fiscal year**]** *two consecutive institutional fiscal years*, then the institution's eligibility to participate in the programs authorized by this title becomes provisional for **[**the two institutional fiscal years after the institutional fiscal year**]** *the institutional fiscal year after the second consecutive institutional fiscal year* in which the institution failed to meet the requirement of subsection (a)(24), except that such provisional eligibility shall terminate—

(i) * * *

(ii) in the case that the Secretary determines that the institution failed to meet a requirement of subsection (a)(24) for **[**two consecutive**]** *three consecutive* institutional fiscal years, on the date the institution is determined ineligible in accordance with subparagraph (A).

* * * * * * *

SEC. 489. ADMINISTRATIVE EXPENSES.

(a) AMOUNT OF PAYMENTS.—From the sums appropriated for any fiscal year for the purpose of the program authorized under subpart 1 of part A, the Secretary shall reserve such sums as may be necessary to pay to each institution with which he has an agreement under section 487, an amount equal to $5 for each student at that institution who receives assistance under subpart 1 of part A. In addition, an institution which has entered into an agreement with the Secretary under subpart 3 of part A or part C, of this title [or under part E of this title] shall be entitled for each fiscal year which such institution disburses funds to eligible students under any such part to a payment for the purpose set forth in subsection (b). The payment for a fiscal year shall be payable from each such allotment by payment in accordance with regulations of the Secretary and shall be equal to 5 percent of the institution's first $2,750,000 of expenditures plus 4 percent of the institution's expenditures greater than $2,750,000 and less than $5,500,000, plus 3 percent of the institution's expenditures in excess of $5,500,000 during the fiscal year from the sum of its grants to students under subpart 3 of part A, *and* its expenditures during such fiscal year under part C for [compensation of students, and the principal amount of loans made during such fiscal year from its student loan fund established under part E, excluding the principal amount of any such loans which the institution has referred under section 463(a)(4)(B).] *compensation of students.* In addition, the Secretary shall provide for payment to each institution of higher education an amount equal to 100 percent of the costs incurred by the institution in implementing and operating the immigration status verification system under section 484(g).

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TITLE VII—GRADUATE AND POSTSECONDARY IMPROVEMENT PROGRAMS

* * * * * * *

[PART E—COLLEGE ACCESS CHALLENGE GRANT PROGRAM]

PART E—COLLEGE ACCESS AND COMPLETION INNOVATION FUND

SEC. 780. PURPOSES.

The purposes of this part are—

(1) to promote innovation in postsecondary education practices and policies by institutions of higher education, States, and nonprofit organizations to improve student success, completion, and post-completion employment, particularly for students from groups that are underrepresented in postsecondary education; and

(2) to assist States in developing longitudinal data systems, common metrics, and reporting systems to enhance the quality

and availability of information about student success, completion, and post-completion employment.

SEC. 781. COLLEGE ACCESS CHALLENGE GRANT PROGRAM.

[(a) AUTHORIZATION AND APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, to carry out this section $66,000,000 for each of the fiscal years 2008 and 2009. In addition to the amount authorized and appropriated under the preceding sentence, there are authorized to be appropriated to carry out this section such sums as may be necessary for fiscal year 2009 and each of the five succeeding fiscal years.**]**

(a) AUTHORIZATION AND APPROPRIATION.—

(1) IN GENERAL.—There are authorized to be appropriated, and there are appropriated, to carry out this part (in addition to any other amounts appropriated to carry out this part and out of any money in the Treasury not otherwise appropriated), $600,000,000 for each of the fiscal years 2010 through 2014.

(2) ALLOCATIONS.—Of the amount appropriated for any fiscal year under paragraph (1)—

(A) 25 percent shall be made available to carry out section 781;

(B) 50 percent shall be made available to carry out section 782;

(C) 23 percent shall be made available to carry out section 783; and

(D) 2 percent shall be made available to carry out section 784.

* * * * * * *

SEC. 782. STATE INNOVATION COMPLETION GRANTS.

(a) PROGRAM AUTHORIZATION.—From the amount appropriated under section 781(a)(2)(B) to carry out this section, the Secretary shall award grants to States on a competitive basis to promote student persistence in, and completion of, postsecondary education.

(b) FEDERAL SHARE; NON-FEDERAL SHARE.—

(1) FEDERAL SHARE.—The amount of the Federal share under this section for a fiscal year shall be equal to ⅔ of the costs of the activities and services described in subsection (d)(1) that are carried out under the grant.

(2) NON-FEDERAL SHARE.—The amount of the non-Federal share under this section shall be equal to ⅓ of the costs of the activities and services described in subsection (d)(1). The non-Federal share may be in cash or in kind, and may be provided from State resources, contributions from private organizations, or both.

(3) SUPPLEMENT, NOT SUPPLANT.—The Federal and non-Federal shares required by this paragraph shall be used to supplement, and not supplant, State and private resources that would otherwise be expended to carry out activities and services to promote student persistence in and completion of postsecondary education.

(c) APPLICATION AND SELECTION.—

(1) APPLICATION REQUIREMENTS.—For each fiscal year for which a State desires to receive a grant under this section, the State agency with jurisdiction over higher education, or another agency designated by the Governor or chief executive of the

State to administer the grant program under this section, shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require. Such application shall include—

(A) a description of the State's capacity to administer the grant under this section;

(B) a description of the State's plans for using the grant funds for activities described in subsection (d)(1), including plans for how the State will make special efforts to provide benefits to students in the State who are from groups that are underrepresented in postsecondary education;

(C) a description of how the State will provide for the non-Federal share from State resources, private contributions, or both;

(D) a description of—

(i) the administrative system that the State has in place to administer the activities and services described in subsection (d)(1); or

(ii) the plan to develop such administrative system;

(E) a description of the data system the State has or will have in place to measure the performance and progress toward the State's goals included in the Access and Completion Plan submitted, or that will be submitted, under paragraph (2)(A); and

(F) the assurances under paragraph (2).

(2) STATE ASSURANCES.—The assurances required in paragraph (1)(F) shall include an assurance of each of the following:

(A) That the State will submit, not later than July 1, 2011, an Access and Completion Plan to increase the State's rate of persistence in and completion of postsecondary education. Such plan shall include—

(i) the State's annual and long-term quantifiable goals with respect to—

(I) the rates of postsecondary enrollment, persistence, and completion, disaggregated by income, race, ethnicity, sex, disability, and age of students;

(II) closing gaps in enrollment, persistence, and completion rates for students from groups that are underrepresented in postsecondary education;

(III) targeting education and training programs to address labor market needs in the State, as such needs are determined by the State, or the State in coordination with the State public employment service, the State workforce investment board, or industry or sector partnerships in the State; and

(IV) improving coordination between two-year and four-year institutions of higher education in the State, including supporting comprehensive articulation agreements between such institutions; and

(ii) the State's plan to develop an interoperable statewide longitudinal data system that—

(I) can be linked to other data systems, as applicable, including elementary and secondary education and workforce data systems;

(II) will collect, maintain, disaggregate (by institution, income, race, ethnicity, sex, disability, and age of students), and analyze postsecondary education and workforce information, including—

(aa) postsecondary education enrollment, persistence, and completion information;

(bb) post-completion employment outcomes of students who enrolled in postsecondary programs and training programs offered by eligible training providers under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.);

(cc) postsecondary education and employment outcomes of students who move out of the State; and

(dd) postsecondary instructional workforce information; and

(III) makes the information described in subclause (I) available to the general public in a manner that is transparent and user-friendly.

(B) That the State has a comprehensive planning or policy formulation process with respect to increasing postsecondary enrollment, persistence, and completion that—

(i) encourages coordination between the State administration of grants under this section and similar State programs;

(ii) encourages State policies that are designed to improve rates of enrollment and persistence in, and completion of, postsecondary education for all categories of institutions of higher education described in section 132(d) in the State;

(iii) considers the postsecondary education needs of students from groups that are underrepresented in postsecondary education;

(iv) considers the resources of public and private institutions of higher education, organizations, and agencies within the State that are capable of providing access to postsecondary education opportunities within the State; and

(v) provides for direct, equitable, and active participation in the comprehensive planning or policy formulation process or processes, through membership on State planning commissions, State advisory councils, or other State entities established by the State and consistent with State law, by representatives of—

(I) institutions of higher education, including at least one member from a junior or community college (as defined in section 312(f));

(II) students;

(III) other providers of postsecondary education services (including organizations providing access to such services);

(IV) the general public in the State; and

(V) postsecondary education faculty members, including at least one faculty member whose primary responsibilities are teaching and scholarship.

(C) That the State will incorporate policies and practices that, through the activities funded under this section, are determined to be effective in improving rates of postsecondary education enrollment, persistence, and completion into the future postsecondary education policies and practices of the State to ensure that the benefits achieved through the activities funded under this section continue beyond the period of the grant.

(D) That the State will participate in the evaluation required under section 784.

(3) SUBGRANTS TO NONPROFIT ORGANIZATIONS.—A State receiving a payment under this section may elect to make a subgrant to one or more nonprofit organizations in the State, including agencies with agreements with the Secretary under subsections (b) and (c) of section 428 on the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009, or a partnership of such organizations, to carry out activities and services described in subsection (d)(1), if the nonprofit organization or partnership—

(A) was in existence on the day before the date of the enactment of the Student Aid and Fiscal Responsibility Act of 2009; and

(B) as of such day, was participating in activities and services related to promoting persistence in, and completion of, postsecondary education, such as the activities and services described in subsection (d)(1).

(4) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to States that enter into a partnership with one of the following entities to carry out the activities and services described in subsection (d)(1):

(A) A philanthropic organization, as such term is defined in section 781(i)(1).

(B) An agency with an agreement with the Secretary under subsections (b) and (c) of section 428 on the date of the enactment of Student Aid and Fiscal Responsibility Act of 2009.

(d) USES OF FUNDS.—

(1) AUTHORIZED USES.—A State receiving a grant under this section shall use the grant funds to—

(A) provide programs in such State that increase persistence in, and completion of, postsecondary education, which may include—

(i) assisting institutions of higher education in providing financial literacy, education, and counseling to enrolled students;

(ii) assisting students enrolled in an institution of higher education to reduce the amount of loan debt incurred by such students;

(iii) providing grants to students described in section 415A(a)(1), in accordance with the terms of that section; and

(iv) carrying out the activities described in section 415E(a); and

(B) support the development and implementation of a statewide longitudinal data system, as described in subsection (c)(2)(A)(ii).

(2) PROHIBITED USES.—Funds made available under this section shall not be used to promote any lender's loans.

(3) RESTRICTIONS ON USE OF FUNDS.—A State—

(A) shall use not less than 1/3 of the sum of the Federal and non-Federal share used for paragraph (1)(A) on activities that benefit students enrolled in junior or community colleges (as defined in section 312(f)), two-year public institutions, or two-year programs of instruction at four-year public institutions;

(B) may use not more than 10 percent of the sum of the Federal and non-Federal share under this section for activities described in paragraph (1)(B); and

(C) may use not more than 6 percent of the sum of the Federal and non-Federal share under this section for administrative purposes relating to the grant under this section.

(e) ANNUAL REPORT.—Each State receiving a grant under this section shall submit to the Secretary an annual report on—

(1) the activities and services described in subsection (d)(1) that are carried out with such grant;

(2) the effectiveness of such activities and services in increasing postsecondary persistence and completion, as determined by measurable progress in achieving the State's goals for persistence and completion described in the Access and Completion Plan submitted by the State under subsection (c)(2)(A), if such plan has been submitted; and

(3) any other information or assessments the Secretary may require.

(f) DEFINITIONS.—In this section:

(1) INDUSTRY OR SECTOR PARTNERSHIP.—The term "industry or sector partnership" means a workforce collaborative that organizes key stakeholders in a targeted industry cluster into a working group that focuses on the human capital needs of a targeted industry cluster and that includes, at the appropriate stage of development of the partnership—

(A) representatives of multiple firms or employers (including workers) in a targeted industry cluster, including small- and medium-sized employers when practicable;

(B) 1 or more representatives of State labor organizations, central labor coalitions, or other labor organizations;

(C) 1 or more representatives of local workforce investment boards;

(D) 1 or more representatives of postsecondary educational institutions or other training providers; and

(E) 1 or more representatives of State workforce agencies or other entities providing employment services.

(2) STATE PUBLIC EMPLOYMENT SERVICE.—The term "State public employment service" has the meaning given such term in section 502(a)(9) of the Student Aid and Fiscal Responsibility Act of 2009.

(3) STATE WORKFORCE INVESTMENT BOARD; LOCAL WORKFORCE INVESTMENT BOARD.—The terms "State workforce invest-

ment board" and "local workforce investment board" have the meanings given such terms in section 502(a)(10) of the Student Aid and Fiscal Responsibility Act of 2009.

SEC. 783. INNOVATION IN COLLEGE ACCESS AND COMPLETION NATIONAL ACTIVITIES.

(a) PROGRAMS AUTHORIZED.—From the amount appropriated under section 781(a)(2)(C) to carry out this section, the Secretary shall award grants, on a competitive basis, to eligible entities in accordance with this section to conduct innovative programs that advance knowledge about, and adoption of, policies and practices that increase the number of individuals with postsecondary degrees or certificates.

(b) ELIGIBLE ENTITIES.—The Secretary is authorized to award grants under subsection (a) to—

(1) institutions of higher education;

(2) States;

(3) nonprofit organizations with demonstrated experience in the operation of programs to increase postsecondary completion;

(4) philanthropic organizations (as such term is defined in section 781(i)(1));

(5) entities receiving a grant under chapter 1 of subpart 2 of part A of title IV; and

(6) consortia of any of the entities described in paragraphs (1) through (5).

(c) INNOVATION GRANTS.—

(1) MINIMUM AWARD.—A grant awarded under subsection (a) shall be not less than $1,000,000.

(2) GRANTS USES.—The Secretary's authority to award grants under subsection (a) includes—

(A) the authority to award to an eligible entity a grant in an amount equal to all or part of the amount of funds received by such entity from philanthropic organizations (as such term is defined in section 781(i)(1)) to conduct innovative programs that advance knowledge about, and adoption of, policies and practices that increase the number of individuals with postsecondary degrees or certificates; and

(B) the authority to award an eligible entity a grant to develop 2-year programs that provide supplemental grant or loan benefits to students that—

(i) are designed to improve student outcomes, including degree completion, graduation without student loan debt, and post-completion employment;

(ii) are in addition to the student financial aid available under title IV of this Act; and

(iii) do not result in the reduction of the amount of that aid or any other student financial aid for which a student is otherwise eligible under Federal law.

(3) APPLICATION.—To be eligible to receive a grant under subsection (a), an eligible entity shall submit an application at such time, in such manner, and containing such information as the Secretary shall require.

(4) PRIORITIES.—In awarding grants under subsection (a), the Secretary shall give priority to applications that—

(A) are from an eligible entity with demonstrated experience in serving students from groups that are underrepresented in postsecondary education, including institutions of higher education that are eligible for assistance under title III or V, or are from a consortium that includes an eligible entity with such experience;

(B) are from an eligible entity that is a public institution of higher education that does not predominantly provide an educational program for which it awards a bachelor's degree (or an equivalent degree), or from a consortium that includes at least one such institution;

(C) include activities to increase degree or certificate completion in the fields of science, technology, engineering, and mathematics, including preparation for, or entry into, postbaccaluareate study, especially for women and other groups of students who are underrepresented in such fields;

(D) are from an eligible entity that is a philanthropic organization with the primary purpose of providing scholarships and support services to students from groups that are underrepresented in postsecondary education, or are from a consortium that includes such an organization; or

(E) are from an eligible entity that encourages partnerships between institutions of higher education with high degree-completion rates and institutions of higher education with low degree-completion rates from the same category of institutions described in section 132(d) to facilitate the sharing of information relating to, and the implementation of, best practices for increasing postsecondary completion.

(5) TECHNICAL ASSISTANCE.—The Secretary may reserve up to $5,000,000 per year to award grants and contracts to provide technical assistance to eligible entities receiving a grant under subsection (a), including technical assistance on the evaluation conducted in accordance with section 784 and establishing networks of eligible entities receiving grants under such subsection.

(d) REPORTS.—

(1) ANNUAL REPORTS BY ENTITIES.—Each eligible entity receiving a grant under subsection (a) shall submit to the Secretary an annual report on—

(A) the effectiveness of the program carried out with such grant in increasing postsecondary completion, as determined by measurable progress in achieving the goals of the program, as described in the application for such grant; and

(B) any other information or assessments the Secretary may require.

(2) ANNUAL REPORT TO CONGRESS.—The Secretary shall submit to the authorizing committees an annual report on grants awarded under subsection (a), including—

(A) the amount awarded to each eligible entity receiving a grant under such subsection; and

(B) a description of the activities conducted by each such eligible entity.

SEC. 784. EVALUATION.

From the amount appropriated under section 781(a)(2)(D), the Director of the Institute of Education Sciences shall evaluate the pro-

grams funded under this part. Not later than January 30, 2016, the Director shall issue a final report on such evaluation to the authorizing committees and the Secretary, and shall make such report available to the public.

SEC. 785. VETERANS RESOURCE OFFICER GRANTS.

(a) PROGRAM AUTHORIZED.—The Secretary shall award grants, on a competitive basis, to eligible institutions of higher education to hire a Veterans Resource Officer to increase the college completion rates for veterans enrolled at such institutions.

(b) DEFINITIONS.—In this section:

(1) ELIGIBLE INSTITUTION OF HIGHER EDUCATION.—The term "eligible institution of higher education" means an institution of higher education that has an enrollment of at least 100 full-time equivalent students who are veterans.

(2) FULL-TIME EQUIVALENT STUDENTS.—The term "full-time equivalent students" has the meaning given such term in section 312(e).

(3) VETERAN.—The term "veteran" has the meaning give such term in section 480(c).

(c) APPLICATION.—To be eligible to receive a grant under this section, an eligible institution of higher education shall submit an application at such time, in such manner, and containing such information as the Secretary shall require.

(d) USES OF FUNDS.—

(1) IN GENERAL.—An eligible institution of higher education receiving a grant under this section shall use such grant to hire 1 or 2 Veterans Resource Officers (in the case of an institution that has an enrollment of at least 200 full-time equivalent students who are veterans) to serve in the office of campus programs, or a similar office, at such institution and carry out the activities described in paragraph (2).

(2) ACTIVITIES.—A Veterans Resource Officer shall carry out activities at an eligible institution of higher education to help increase the completion rates for veterans enrolled at such institution, which shall include the following activities:

(A) Serving as a link between student veterans and the staff of the institution.

(B) Serving as a link between student veterans and local facilities of the Department of Veterans Affairs.

(C) Organizing and advising student veterans organization.

(D) Organizing veterans oriented group functions and events.

(E) Maintaining newsletters and listserves to distribute news and information to all student veterans.

(F) Organizing new student veterans campus orientation.

(G) Ensuring that the Department of Veterans Affairs certifying official at such institution is properly trained.

(3) PRIORITY.—To the extent practicable, each institution described in paragraph (1) shall give priority to hiring a veteran to serve as a Veterans Resource Officer.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section such sums as may be necessary for fiscal year 2010 and each succeeding fiscal year.

TITLE VIII—ADDITIONAL PROGRAMS

* * * * * * *

PART Y—EARLY FEDERAL PELL GRANT COMMITMENT DEMONSTRATION PROGRAM

SEC. 894. EARLY FEDERAL PELL GRANT COMMITMENT DEMONSTRATION PROGRAM.

(a) * * *

* * * * * * *

(f) TARGETED INFORMATION CAMPAIGN.—

(1) * * *

(2) PLAN.—Each State educational agency receiving a grant under this section shall include in the application submitted under subsection (c) a written plan for the State educational agency proposed targeted information campaign. The plan shall include the following:

(A) * * *

* * * * * * *

(C) INFORMATION.—The annual provision by the State educational agency to all students and families participating in the demonstration project of information regarding—

(i) * * *

(ii) Federal Pell Grants, including—

(I) [the maximum Federal Pell Grant for each award year] *the Federal Pell Grant amount, determined under section 401(b)(2)(A), for which a student may be eligible for each award year*;

* * * * * * *

COLLEGE COST REDUCTION AND ACCESS ACT

* * * * * * *

TITLE III—FEDERAL FAMILY EDUCATION LOAN PROGRAM

* * * * * * *

[SEC. 303. REDUCTION OF LENDER INSURANCE PERCENTAGE.

[(a) AMENDMENT.—Subparagraph (G) of section 428(b)(1) (20 U.S.C. 1078(b)(1)(G)) is amended to read as follows:

[“(G) insures 95 percent of the unpaid principal of loans insured under the program, except that—

[“(i) such program shall insure 100 percent of the unpaid principal of loans made with funds advanced pursuant to section 428(j) or 439(q); and

[“(ii) notwithstanding the preceding provisions of this subparagraph, such program shall insure 100 per-

cent of the unpaid principal amount of exempt claims as defined in subsection (c)(1)(G);'.

[(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective on October 1, 2012, and shall apply with respect to loans made on or after such date.]

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XVII. COMMITTEE CORRESPONDENCE

None.

XVIII. Minority and Supplemental Views

SUPPLEMENTAL VIEWS OF REPRESENTATIVES PHIL HARE AND DAVID LOEBSACK

We support the majority views. In particular, we agree that our nation's community colleges are essential to driving economic recovery. We write separately to ensure this legislation provides the necessary support to all our nation's colleges, especially those located in remote areas of the country, in order to fully address the economic crisis. We believe the focus of the competitive grant programs authorized in Title V for community college reform should be to prepare individuals for skilled occupations that are in high-demand in their local area or region. Therefore, we would like to clarify that the Committee intends for "high-demand industries" to be defined and determined in accordance with the workforce needs of local and regional economies, which may differ within the state or between states. In order to slow down and eventually stop the brain drain prevalent in rural America and many other areas of the country, the objective is to train and educate individuals for skilled professions of need within their communities, rather than provide educational opportunities for individuals to then seek jobs elsewhere.

We also agree that the focus of the grant programs should be on moving individuals into skilled occupations with family-supporting wages. However, the definition of "high-wage" also varies between regions and we do not want to inadvertently restrict the colleges located in areas with low to moderate industry from accessing this grant funding. With one-quarter of all Americans living in rural communities, rural America presents the most promising area of economic growth in the country.

In addition, we recognize that individuals with lower skills may need additional time to achieve skilled or "high-wage" jobs. To address this we believe that when considering high-wage or skilled occupations, the Secretary and the states must also look at occupations that may be reasonably expected to lead to such high-wages or skilled occupations.

Finally, in order to better ensure that the community colleges located in more remote areas of the country have the same access to federal funds as schools in urban centers, it is important that we have the data to understand where the money is being spent. Therefore, it is the Committee's intention for the Institute of Education Sciences (IES) in its evaluation of all the grantees who receive monies for community college reform to indicate whether the grantee is located in either a rural or urban area. The data collected from this evaluation would be invaluable to understanding where the grant money is going, what geographic regions are im-

pacted and how we can better distribute resources or structure programs in the future to ensure that all our nation's students have access to the same educational and workforce opportunities.

PHIL HARE.
DAVE LOEBSACK.

MINORITY VIEWS

Committee Republicans are committed to maintaining the successful and robust public-private partnership that has provided low-cost and easily accessible college loans to students well for over 40 years. We have been, and remain, supportive of efforts to increase the maximum Pell Grant award and simplify the Free Application for Federal Student Aid (FAFSA). However, we believe this bill takes the wrong approach to accomplish these goals. H.R. 3221, the so-called Student Aid and Fiscal Responsibility Act of 2009, turns sharply in the wrong direction by eliminating the Federal Family Education Loan (FFEL) program, spending less than half of the purported "savings" on increases to Pell Grants, and raiding student aid to fund pet projects like school construction, early childhood programs, and new initiatives for community colleges.

ANOTHER TAKEOVER BY THE FEDERAL GOVERNMENT

Committee Republicans believe H.R. 3221 represents another attempt by President Obama and Congressional Democrats to orchestrate a federal government takeover of a private industry. The federal government has already succeeded in taking ownership of the automobile industry and controlling the actions of the financial industry. With this bill, the Department of Education, an agency intended to ensure that every child has the opportunity to learn, will now become one of the country's largest banks—originating more than $100 billion in federal student loans in the next few years.

In justifying this latest government takeover, Democrats claim the FFEL program is on "life support" and therefore must be eliminated. However, it cannot be ignored that Democrats have been trying to eliminate this program since 1993, when President Clinton put into place the Direct Loan program. What Committee Democrats refuse to acknowledge is that the FFEL program has been a stable source of private capital for more than 40 years. Private capital has temporarily dried up in the FFEL program, much like it has in the rest of the financial services sector. Yet student lending is the only sector of the financial services industry being targeted for a permanent government takeover.

Last Congress, the Committee worked in a *bipartisan* manner to pass H.R. 5715, the Ensuring Continued Access to Student Loans Act (ECASLA). This is one of the only economic stabilization bills that is working and *is proven to save the federal government money.* In fact, according to the President's fiscal year 2010 budget, this program will save the federal government $6.7 billion in fiscal year 2010 alone. Under ECASLA, the FFEL program successfully originated approximately $70 billion in loans and every student who needed a loan received one during the 2008–2009 academic year. Congress has passed other bills to provide liquidity to the financial marketplace or help stimulate the economy. Those bills, however,

are not proving to be as successful as ECASLA and, in most cases have simply driven the country deeper into debt.

Committee Democrats also fail to mention that the Direct Loan program was once on "life support." In 1997, the program collapsed and was unable to make consolidation loans to borrowers. At that time, Congress did not seek to end the program. Rather, Committee Republicans led the effort to pass emergency legislation to bail out the Direct Loan program to ensure that borrowers could receive consolidation loans.

Committee Democrats also claim the private sector is dying because most student loans being originated in the FFEL program today are being made with federal capital using the authority provided to the Secretary of Education in ECASLA. At the same time, Committee Democrats claim their plan will maintain the program's public-private partnership by permitting limited participation of certain private sector entities. However, both of these claims are false when the facts are examined. Despite the global credit crunch, there continues to be robust participation by the private sector under the FFEL program. There are still more than 1,500 active lenders willing to make student loans, including local lenders like the Navy Federal Credit Union, University Federal Credit Union, and Banc First, and approximately 40 percent of total FFEL loan volume is still being made using private capital.

There are also another 50 private and nonprofit loan servicers and more than 30 guaranty agencies that provide valuable services in their respective states and employ more than 30,000 private sector workers. By comparison, the U.S. Department of Education currently uses one servicer for the entire nation. While the Department recently announced that it would expand this contract to four servicers—a 400% increase from the monopoly that it was employing until recently—this move is a poor representation of the public-private enterprise that has been effective for both students and institutions. Even the few private sector participants that are able to maintain a limited role in student lending will not be able to use the creative, personalized approaches available today. They will simply be administering a one-size-fits-all approach dictated by the federal government where market competition and effective customer service is all but eliminated.

FFEL IS BETTER FOR STUDENTS AND INSTITUTIONS

Committee Republicans believe H.R. 3221 ignores the voices of the federal student loan consumers—the students who use the loans and the institutions that must administer the programs. Institutions have made their opinions known. When President Clinton first created the Direct Loan program in 1993, the federal government paid institutions a $10 fee for each loan, something that is classified as an "illegal inducement" under the FFEL program, and regularly pressured college presidents to join the DL program. Despite all of this pressure, the Direct Loan program only captured a total of 34 percent of loan volume at its peak in 1998. Since that time, loan volume has been around 20 percent. There has been a slight uptick in volume recently due to the global economic crisis that has affected every financial industry, including the student loan industry. However, even with the crisis and increased pres-

sure from the Administration and Democrats in Congress, 4,400 schools, or 72 percent, remain in the FFEL program.

These schools will be forced out of FFEL under the Democrats' plan, regardless of their wishes or ability to make such a conversion. In fact, the Committee heard from institutions as recently as the day before the mark up when a group of 15 financial aid advisors released their ideas for an alternative proposal which focused on institutional choice of loan delivery system, customized default prevention and financial literacy programs, and uninterrupted loan access for students and parents while still avoiding significant administrative and financial burdens for institutions.[1] When it comes to health care, Democrats like to promise that, ". . . if you like your plan, you can keep it." It's too bad they don't feel the same way about student loan programs.

The demands of students and institutions within the FFEL program have sparked fierce competition among loan providers and servicers. The competition has led to lower prices for students and institutions and innovation in loan delivery, processing, and servicing. The competition and innovation in the current FFEL program has also led to repayment incentives, interest rate reductions, fee reductions, loan forgiveness, and other financial benefits for students. Loan providers also offer broader benefits, such as college planning services, financial literacy education, default aversion, and FAFSA assistance, among other value-added services. The innovations generated by competition cannot be overlooked, even by the Department of Education, which has followed the private sector's lead and put in place many of these innovations to improve the Direct Loan program.

Committee Republicans have heard from colleges and universities that the Direct Loan program puts additional administrative burdens on schools. Switching from the FFEL program to the DL program is *not* as easy as flipping a switch. Schools must ensure that their basic software can work with the DL system. Many schools have "homegrown" software that has been specifically developed to run the schools" programs. These institutions will have to overhaul their software systems since that work will not be done by a software vendor. Institutions will also have to notify parents and students that they will have to sign new loan agreements and will have to answer questions about the new loan products. Some institutions, such as graduate schools, do not have access to the C.O.D. system that is used for loan origination, so that system will need to be added and staff will need to be trained. Finally, websites and all financial aid materials will need to be updated. This does not even take into account the number of staff from different departments that may need to stop their current tasks to help with the implementation or the projects currently underway at the institution that will have to be placed on hold to undergo the systems update necessary for the implementation of the Direct Loan program.

In talking to institutions that have been in and out of the Direct Loan program, Committee Republicans have heard that it could take anywhere between four and nine months for a large institu-

[1] "Reforming Federal Student Aid Programs: Focused on the Students We Serve"

tion, with plenty of staff, to be ready to issue its first loan. In addition, we have heard that the cost to institutions of switching programs was $240,000 at one institution and $400,000 at another institution. Dr. Harris Pastides, the President of University of South Carolina, provided more specific details in a letter he sent. He stated,

> Because of the type of software developed specifically for our current computer system, our transition process is not simply a matter of purchasing and rapidly installing an 'off the shelf' program. *Transition to direct lending would require an investment of well over a million dollars and a timeline for implementation exceeding one year. . . .* To add the cost of converting our system to direct lending without any help would be tantamount to another budget reduction for us at this time. Ironically, this would increase costs and negate much of the positive impact of potential increases to financial aid generated by proposed policy improvements. (Emphasis added).[2]

Gaining eligibility for the Direct Loan program and being ready to operate the program on an institution-wide basis are two very different issues that have been ignored by Congressional Democrats in their zeal to nationalize the student loan industry.

FFEL IS BETTER FOR TAXPAYERS

Not only is the FFEL program the program of choice for students and institutions, it is good for taxpayers, too. Industry participants provide the capital up front and then share some of the risk in case the borrower defaults. Democrats may scoff that FFEL providers shoulder only three percent of the risk, but this figure represents billions of dollars that the taxpayer is not on the hook for this year. It's also a substantial amount when you realize that, under the Direct Loan program, the taxpayer is on the hook for the entire amount if a student does not repay his or her loan. The FFEL program also leverages about $70 billion in private capital each year when the financial markets are working properly. Committee Democrats want to borrow that $70 billion directly from China and our other creditors. Driving up the national debt has long-term consequences, whether it is reducing our nation's credit rating, inadvertently driving up costs, or putting us at the mercy of emerging super-powers on the other side of the globe.

Committee Democrats claim that the FFEL program simply provides profits to banks and that the Direct Loan program saves the government money. However, the facts show that the federal government has been receiving subsidies from lenders for the past several years. Since April 2006, lenders have paid $3.2 billion to the federal government. Additionally, while there are a number of factors that lead to the scoring differences between the two federal student loan programs. One undeniable factor is that a significant percentage of the "savings" in the Direct Loan program are due to the difference between the government's low cost of borrowing funds and the borrower interest rate. Committee Republicans have

[2] Letter to The Honorable Joe Wilson, May 26, 2009.

concerns about the federal government serving as a profit-making bank at the expense of low- and middle-income students.

Committee Democrats also claim they are making good on their promise to lower interest rates for students in H.R. 3221, but the facts show otherwise. At the beginning of the 110th Congress, Democrats rushed H.R. 5, the College Student Relief Act, through the House. That legislation would have reduced interest rates on student loans by half, from 6.8 percent to 3.4 percent, for all students. Immediately after the bill was introduced, Committee Democrats started to dilute their promise by scaling back interest rates from 6.8 percent to 3.4 percent over five years, but then allowing the interest rate to jump back up to 6.8 percent in 2012. At the time, The Chronicle of Higher Education reported that Democrats intended to make the 3.4 percent interest rate permanent in the future.[3] Additionally, Inside Higher Ed reported that, "Democratic staffers explained that budget rules and fiscal realities required that compromise. They also aid that they fully expected to find money in the intervening years to make the cut permanent."[4] The bill was never considered in the Senate.

Through the budget reconciliation process that year, Democrats were able to pass H.R. 2669, the College Cost Reduction and Access Act—legislation to, among other things, reduce student loan interest rates. But it was an even more diluted version of their original plan and only scaled back interest rates from 6.8 percent to 3.4 percent over four years for undergraduate students receiving subsidized loans. The legislation retained the 2012 cliff, resulting in the overall bill representing a negligible benefit for most students.

H.R. 3221 officially breaks any promises that Committee Democrats made to students when they committed to permanently lower interest rates; moreover, it ensures the federal government continues to make a profit off of the unnecessarily high level of interest being paid by students in the Direct Loan program. The bill changes the interest rate in 2012 to a variable interest rate, capped at 6.8 percent. Under this formula, it is projected that students will see an increase in their interest rates in 2012 (5.21 percent) and 2013 (6.26 percent) and will be right back up at the 6.8 percent cap in 2014.

MASSIVE ENTITLEMENT SPENDING

Committee Democrats are not only forcing students to spend more under their bill, but the American taxpayers will also bear the brunt of almost $80 billion in entitlement spending at a time when the national debt is more than $11 trillion and the deficit is estimated to reach $1.8 trillion this year alone. Historically, entitlement programs such as Social Security, Medicare, Medicaid, or programs under the Child Nutrition Act were created to provide income benefits to individual citizens. Instead of recognizing this important policy, this bill spends billions of dollars in mandatory, en-

[3] Burd, Stephen. "Democrats" Plan to Slash the Interest Rate for Student Loans Draws Criticism," *The Chronicle of Higher Education,* January 5, 2007. The article stated, "House Democrats briefly considered making the interest-rate cut for only one year. Then they hoped to make the cut permanent as part of legislation to renew the Higher Education Act, the law governing most federal student-aid programs, which they hope to consider later this year."

[4] Lederman, Doug. "Political Maneuvering on Student Loans," *Inside Higher Education,* January 17, 2007

titlement funding on the Committee Democrats' favored political and policy causes.

While millions of families are struggling to pay their monthly bills and are thinking about which of their expenses to trim, Democrats in Congress are on a huge spending spree that will saddle our children and grandchildren with billions of debt. This bill, which Committee Democrats have portrayed as legislation to improve college access, actually contains: $6.6 billion for school construction—both at the elementary and secondary and higher education levels; $8 billion for an "early learning" initiative from birth to age 5; and $7 billion for community colleges, which may undermine our current job training system. There are major flaws with what the Democrats are proposing on school construction, early childhood education, and community colleges, but the larger issue is *how* they are pushing these proposals. Committee Democrats are putting forward a proposal to raid student aid funds and spend those entitlement dollars to bolster the funding of programs which should be within the control of the House and Senate Appropriations Committees in Congress.

CONCLUSION

Committee Republicans are concerned that Democrats are rushing through a risky scheme to take over the private student loan industry, regardless of the negative consequences for students and institutions. We are also very concerned that the proposed bill takes the "savings" that will result from eliminating the FFEL program and uses those funds to create a number of new programs that are not targeted toward individuals but rather toward favored political constituencies and causes. It is for these many reasons that Committee Republicans strongly oppose H.R. 3221 and urge Members of Congress to defeat this bill.

JOHN KLINE.
BUCK MCKEON.
PETE HOEKSTRA.
MARK SOUDER.
JOE WILSON.
CATHY MCMORRIS RODGERS.
ROB BISHOP.
BRETT GUTHRIE.
BILL CASSIDY.
TOM MCCLINTOCK.
DUNCAN HUNTER.
DAVID P. ROE.
GLENN G.T. THOMPSON.

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