105TH CONGRESS
2D SESSION

H. R. 6

AN ACT

To extend the authorization of programs under the Higher Education Act of 1965, and for other purposes.

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
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AN ACT

To extend the authorization of programs under the Higher Education Act of 1965, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Higher Education Amendments of 1998''.

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.
Sec. 3. References.
Sec. 4. General effective date.

TITLE I—GENERAL PROVISIONS

PART A—EXTENSION AND REVISION OF GENERAL PROVISIONS

Sec. 101. Redesignation and transfer of provisions.
Sec. 102. Definitions.
Sec. 103. Regulatory reform.

PART B—PERFORMANCE-BASED ORGANIZATION FOR THE DELIVERY OF FEDERAL STUDENT FINANCIAL ASSISTANCE.

Sec. 111. Performance-based organization for the delivery of Federal student financial assistance.

TITLE II—POSTSECONDARY EDUCATION IMPROVEMENT PROGRAMS

Sec. 201. Urban community service.
Sec. 202. Fund for the Improvement of Postsecondary Education.
Sec. 203. Grants to States for workplace and community transition training for incarcerated youth offenders.
Sec. 204. Advanced placement fee payment program.
Sec. 205. Teacher quality enhancement grants.
Sec. 206. Campus safety.
Sec. 207. Accountability for institutions of higher education that prepare teachers.
Sec. 208. Additional repeal.

TITLE III—INSTITUTIONAL AID

Sec. 301. Strengthening institutions.
Sec. 302. Historically black colleges and universities.
Sec. 303. Minority science and engineering improvement program.
Sec. 304. General provisions.

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS

Sec. 401. Pell grants.
Sec. 402. Federal TRIO programs.
Sec. 403. National early intervention and partnership program.

Sec. 404. Repeals.
Sec. 405. Establishment of new programs.
Sec. 406. Federal supplemental educational opportunity grants.
Sec. 407. Grants to States for State student incentives.
Sec. 408. Special programs for students whose families are engaged in migrant and seasonal farmwork.
Sec. 409. Byrd scholarships.

PART B—FEDERAL FAMILY EDUCATION LOAN PROGRAM

Sec. 411. Limitation repealed.
Sec. 412. Advances to reserve funds.
Sec. 412A. Guaranty agency reforms.
Sec. 413. Guaranty agency reforms.
Sec. 414. Scope and duration of program.
Sec. 415. Limitations on individual federally insured loans and Federal loan insurance.
Sec. 416. Applicable interest rates.
Sec. 417. Federally guaranteed student loans.
Sec. 418. Voluntary agreements with guaranty agencies.
Sec. 419. Federal consolidation loans.
Sec. 420. Disbursement.
Sec. 421. Unsubsidized Stafford loans.
Sec. 422. Repeal of loan forgiveness.
Sec. 423. Legal powers and responsibilities.
Sec. 424. Student loan information.
Sec. 425. Definitions.
Sec. 426. Discharge.
Sec. 427. Cancellation of loans for certain public service.
Sec. 428. Debt management options.
Sec. 429. Special allowances.
Sec. 430. Loan forgiveness for child care providers.

PART C—FEDERAL WORK-STUDY PROGRAMS

Sec. 435. Amendments to part C.

PART D—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

Sec. 436. Selection of institutions.
Sec. 437. Terms and conditions.
Sec. 438. Contracts.
Sec. 439. Funds for administrative expenses.
Sec. 440. Authority to sell loans.
Sec. 441. Cancellation of loans for certain public service.

PART E—FEDERAL PERKINS LOANS

Sec. 445. Amendments to part E.

PART F—NEED ANALYSIS

Sec. 446. Cost of attendance.
Sec. 447. Data elements.
Sec. 448. Family contribution for dependent students.
Sec. 449. Family contribution for independent students without dependents other than a spouse.

Sec. 450. Family contribution for independent students with dependents other than a spouse.
Sec. 451. Regulations; updated tables and amounts.
Sec. 452. Simplified needs test; zero expected family contribution.
Sec. 453. Discretion of student financial aid administrators.
Sec. 454. Treatment of other financial assistance.

PART G—GENERAL PROVISIONS

Sec. 461. Definitions.
Sec. 462. Master calendar.
Sec. 463. Forms and regulations.
Sec. 464. Student eligibility.
Sec. 465. State court judgments.
Sec. 466. Information for students.
Sec. 467. National student loan data system.
Sec. 468. Program participation agreements.
Sec. 469. Quality assurance and regulatory simplification.
Sec. 470. Distance education demonstration programs.
Sec. 471. Garnishment requirements.
Sec. 472. Administrative subpoena authority.
Sec. 473. Advisory committee on student financial assistance.
Sec. 474. Meetings and negotiated rulemaking.

PART H—PROGRAM INTEGRITY

Sec. 476. State postsecondary review program.
Sec. 477. Accrediting agency recognition.
Sec. 478. Eligibility and certification procedures.
Sec. 479. Program review and data.

TITLE V—DEVELOPING INSTITUTIONS

Sec. 501. Establishment of new title V.

TITLE VI—INTERNATIONAL AND GRADUATE EDUCATION PROGRAMS

Sec. 601. International and foreign language studies.
Sec. 602. Business and international education programs.
Sec. 603. Institute for international public policy.
Sec. 604. General provisions.
Sec. 605. Transfer and reauthorization of graduate assistance in areas of national need program.

TITLE VII—CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

Sec. 701. Extension of prior rights and obligations.
Sec. 702. Repeal of part A.
Sec. 703. Extension of authorization of part B.
Sec. 704. Extension of authorization of part C.

TITLE VIII—ADDITIONAL PROVISIONS

Sec. 801. Study of transfer of credits.
Sec. 802. Study of market mechanisms in Federal student loan programs.

Sec. 803. Improvements in market information and public accountability in higher education.
Sec. 804. Differential regulation.
Sec. 805. Annual report on cost of higher education.
Sec. 806. Study of consolidation options.
Sec. 807. Educational merchandise licensing codes of conduct.
Sec. 808. Repeals and extensions of previous higher education amendments provisions.
Sec. 809. Limitation.
Sec. 810. Procedures for cancellations and deferments for eligible disabled veterans.

TITLE IX—AMENDMENTS TO OTHER LAWS

PART A—EDUCATION OF THE DEAF ACT

SUBPART 1—GALLAUDET UNIVERSITY

Sec. 901. Board of Trustees membership.
Sec. 902. Elementary and secondary education programs.
Sec. 903. Agreement with Gallaudet University.

SUBPART 2—NATIONAL INSTITUTE FOR THE DEAF

Sec. 911. Agreement for the National Technical Institute for the Deaf.

SUBPART 3—GENERAL PROVISIONS

Sec. 921. Definitions.
Sec. 922. Audits.
Sec. 923. Reports.
Sec. 924. Monitoring, evaluation, and reporting.
Sec. 925. Responsibility of the liaison.
Sec. 926. Federal endowment programs.
Sec. 927. Scholarship program.
Sec. 928. Oversight and effect of agreements.
Sec. 929. International students.
Sec. 930. Authorization of appropriations.

PART B—EXTENSION AND REVISION OF INDIAN HIGHER EDUCATION PROGRAMS

Sec. 951. Tribally controlled colleges and universities.
Sec. 952. Reauthorization of provisions from Higher Education Amendments of 1992.
Sec. 953. Reauthorization of Navajo Community College Act.

PART C—GENERAL EDUCATION PROVISIONS ACT

Sec. 961. Access to records concerning crimes of violence.

TITLE X—FACULTY RETIREMENT PROVISIONS

Sec. 1001. Voluntary retirement incentive plans.

TITLE XI—OFFESTS REQUIRED

Sec. 1101. Assurance of offsets.

TITLE XII—ALCOHOL CONSUMPTION

Sec. 1201. Sense of the House of Representatives.

TITLE XIII—PROTECTION OF STUDENT SPEECH AND ASSOCIATION RIGHTS

Sec. 1301. Protection of student speech and association rights.

TITLE XIV—DRUG AND ALCOHOL PREVENTION

Sec. 1401. Drug and alcohol abuse prevention.

TITLE XV—EQUAL OPPORTUNITY FOR INDIVIDUALS WITH LEARNING DISABILITIES

Sec. 1501. Demonstration projects ensuring equal opportunity for individuals with learning disabilities.

TITLE XVI—SENSE OF THE HOUSE OF REPRESENTATIVES REGARDING DETECTION OF LEARNING DISABILITIES, PARTICULARLY DYSLEXIA, IN POSTSECONDARY EDUCATION

Sec. 1601. Sense of the House of Representatives.

TITLE XVII—SPECIAL PROVISION

Sec. 1701. Ternmination of effectiveness.

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.).

SEC. 4. GENERAL EFFECTIVE DATE.

Except as otherwise provided in this Act or the amendments made by this Act, the amendments made by this Act shall take effect on October 1, 1998.

TITLE I—GENERAL PROVISIONS

PART A—EXTENSION AND REVISION OF GENERAL PROVISIONS

SEC. 101. REDESIGNATION AND TRANSFER OF PROVISIONS.

(a) IN GENERAL.—

(1) REPEAL OF TITLE I.—Title I (20 U.S.C. 1001 et seq.) is repealed.

(2) REPEAL OF TITLE XII PROVISIONS.—The following sections of title XII are repealed: sections 1206, 1211, and 1212 (20 U.S.C. 1145a, 1145e, and 1145f).

(3) REDESIGNATIONS.—

(A) Title XII is redesignated as title I.

(B) Sections 1201, 1202, and 1203 (20 U.S.C. 1141, 1142, and 1143) are redesignated as sections 101, 102, and 103, respectively.

(C) Section 1204(b), as redesignated by section 251 of the Higher Education Amendments of 1968 (20 U.S.C. 1144(b); 82 Stat. 1042), is redesignated as section 104.

(D) Section 1204, as added by section 1201 of the Education Amendments of 1980 (20 U.S.C. 1144a; 94 Stat. 1495), is amended by striking subsection (a), and by redesignating subsection (b) as section 105.

(E) Sections 1205, 1207, 1208, 1209, 1210, and 1213 (20 U.S.C. 1145, 1145b, 1145c, 1145d, 1145d-1, and 1145g) are redesignated as sections 106 through 111, respectively.

(4) TRANSFER.—Title I (including sections 101 through 111), as redesignated by paragraph (3), is transferred to immediately follow the short title of the Higher Education Act of 1965 (20 U.S.C. 1001 note).

(b) INTERNAL CROSS-REFERENCES.—The Higher Education Act of 1965 is amended—

(1) in section 106 (as redesignated by subsection (a)(3)), by striking ''481(a)'' and inserting ''101(a)'';

(2) in section 485(f)(1)(I), by striking ''section 1213'' and inserting ''section 111'';

(3) in section 498(j)(2), by striking ''section 1201(a)(2)'' and inserting ''section 101(a)(2)'';

(4) in section 591(d)(2), by striking ''section 1201(a)'' and inserting ''section 101(a)(1)''; and

(5) in section 631(a)(8), by striking ''section 1201(a)'' each place it appears and inserting ''section 101(a)(1)''.

(c) CONFORMING AMENDMENTS.—

(1) TITLE 10, UNITED STATES CODE.—Sections 2193(c)(1) and 2199(2) of title 10, United States Code, are each amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(2) TITLE 18, UNITED STATES CODE.—Section 207(j)(2)(B) of title 18, United States Code, is amended by striking ''1201(a)'' and inserting ''101(a)(1)''.

(3) TITLE 39, UNITED STATES CODE.—Section 3626(b)(3) of title 39, United States Code, is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(4) ANTI-DRUG ABUSE ACT OF 1988.—Section 3601(7) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11851(7)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(5) CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT.—Section 457(9) of the Cranston-Gonzalez National Affordable Housing Act (42

U.S.C. 12899f(9)) is amended by striking "1201(a)" and inserting "101(a)(1)".

(6) DEPARTMENT OF STATE AUTHORIZATION ACT, FISCAL YEARS 1984 AND 1985.—Section 803(1) of the Department of State Authorization Act, Fiscal Years 1984 and 1985 (22 U.S.C. 4502(1)) is amended by striking "1201(a)" and inserting "101(a)(1)".

(7) EDUCATION FOR ECONOMIC SECURITY ACT.—Section 3(6) of the Education for Economic Security Act (20 U.S.C. 3902(6)) is amended by striking "1201(a)" and inserting "101(a)(1)".

(8) ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965.—The Elementary and Secondary Education Act of 1965 is amended—

(A) in section 7501(4) (20 U.S.C. 7601(4)) by striking "1201(a)" and inserting "101(a)(1)"; and

(B) in section 14101(17) (20 U.S.C. 8801(17)), by striking "1201(a)" and inserting "101(a)(1)".

(9) FEDERAL AGRICULTURE IMPROVEMENT AND REFORM ACT OF 1996.—Section 922 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 2279c) is amended in subsections

(a)(1)(B) and (b)(1) by striking ''1201 of the Higher Education Act of 1965 (20 U.S.C. 1141)'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(10) FOLLOW THROUGH ACT.—Section 670G(5) of the Follow Through Act (42 U.S.C. 9877(5)) is amended by striking ''1201 of the Higher Education Act of 1965'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(11) FOOD AND AGRICULTURE ACT OF 1977.—Section 1417(h)(1)(A) of the Food and Agriculture Act of 1977 (7 U.S.C. 3152(h)(1)(A)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(12) FOREIGN RELATIONS AUTHORIZATION ACT, FISCAL YEARS 1986 AND 1987.—Section 603(d) of the Foreign Relations Authorization Act, Fiscal Years 1986 and 1987 (20 U.S.C. 4703(d)) is amended by striking ''1201(a)'' and inserting ''101(a)(1)''.

(13) GENERAL EDUCATION PROVISIONS ACT.—Section 429(d)(2)(B)(ii) of the General Education Provisions Act (20 U.S.C. 1228c(d)(2)(B)(ii)) is

amended by striking "1201(a)" and inserting "101(a)(1)".

(14) HARRY S TRUMAN MEMORIAL SCHOLARSHIP ACT.—Section 3(4) of the Harry S Truman Memorial Scholarship Act (20 U.S.C. 2002(4)) is amended by striking "1201(a)" and inserting "101(a)(1)".

(15) HEAD START ACT.—Section 649(c)(3) of the Head Start Act (42 U.S.C. 9844(c)(3)) is amended by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(16) HIGHER EDUCATION AMENDMENTS OF 1992.—Section 1371(a)(1)(B) of the Higher Education Amendments of 1992 (25 U.S.C. 3371(a)(1)(B)) is amended by striking "1201(a)" and inserting "101(a)(1)".

(17) INTELLIGENCE AUTHORIZATION ACT, FISCAL YEAR 1992.—Section 808(3) of the Intelligence Authorization Act, Fiscal Year 1992 (20 U.S.C. 1908(3)) is amended by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(18) JOB TRAINING PARTNERSHIP ACT.—The Job Training Partnership Act is amended—

(A) in section 4(12) (29 U.S.C. 1503(12)), by striking ''1201(a)'' and inserting ''101(a)(1)''; and

(B) in section 141(d)(3)(B) (29 U.S.C. 1551(d)(3)(B)), by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(19) JUSTICE SYSTEM IMPROVEMENT ACT OF 1979.—Section 901(a)(17) of the Justice System Improvement Act of 1979 (42 U.S.C. 3791(a)(17)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(20) MUTUAL EDUCATIONAL AND CULTURAL EXCHANGE ACT OF 1961.—Section 112(a)(8) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2460(a)(8)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(21) NATIONAL AND COMMUNITY SERVICE ACT OF 1990.—Sections 101(13) and 166(6) of the National and Community Service Act of 1990 (42 U.S.C. 12511(13); 12626(6)) are each amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101 of the Higher Education Act of 1965''.

(22) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1987.—Section 1403(4) of the National Defense Authorization Act for Fiscal Year 1987 (20 U.S.C. 4702(4)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(23) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1993.—The National Defense Authorization Act for Fiscal Year 1993 is amended in section 4451(b)(1) (10 U.S.C. 2701 note) by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(24) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEARS 1992 AND 1993.—Section 3132(b)(1) of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (42 U.S.C.

7274e(b)(1)) is amended by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(25) NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1994.—The National Defense Authorization Act for Fiscal Year 1994 is amended—

(A) in section 841(c)(2) (10 U.S.C. 2324(2) note), by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965";

(B) in section 1333(i)(3) (10 U.S.C. 2701 note), by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965"; and

(C) in section 1334(k)(3) (10 U.S.C. 2701 note), by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(26) NATIONAL EDUCATION STATISTICS ACT OF 1994.—Section 402(c)(3) of the National Education Statistics Act of 1994 (20 U.S.C. 9001(c)(3)) is

amended by striking ''1201(a)'' and inserting ''101(a)(1)''.

(27) OLDER AMERICANS ACT OF 1965.—Section 102(32) of the Older Americans Act of 1965 (42 U.S.C. 3002(32)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(28) OMNIBUS PARKS AND PUBLIC LANDS MANAGEMENT ACT OF 1996.—Section 1007(c)(5) of the Omnibus Parks and Public Lands Management Act of 1996 (16 U.S.C. 698u–5) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(29) PUBLIC LAW 85 OF THE 67TH CONGRESS.—Public Law 85 of the 67th Congress (42 Stat. 208; 25 U.S.C. 13), popularly referred to as the Snyder Act, is amended by striking ''1201'' and inserting ''101(a)(1)''.

(30) COMMUNICATION ACT OF 1934.—Section 223(h)(4) of the Communication Act of 1934 (47 U.S.C. 223(h)(4)) is amended by striking ''1201 of the Higher Education Act of 1965 (20 U.S.C.

1141)'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(31) FEDERAL WATER POLLUTION CONTROL ACT.—Section 112(a)(1) of the Federal Water Pollution Control Act (33 U.S.C. 1262(a)(1)) is amended by striking ''1201'' and inserting ''101(a)(1)''.

(32) CARL D. PERKINS VOCATIONAL AND APPLIED TECHNOLOGY EDUCATION ACT.—Section 347(2)(A) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2394(2)(A)) is amended by striking ''1201(a)'' and inserting ''101(a)(1)''.

(33) ENERGY POLICY AND CONSERVATION ACT.—Section 362(f)(5)(A) of the Energy Policy and Conservation Act (42 U.S.C. 6322(f)(5)(A)) is amended by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(34) JAMES MADISON MEMORIAL FELLOWSHIP ACT.—Section 815 of the James Madison Memorial Fellowship Act (20 U.S.C. 4514) is amended—

(A) in paragraph (3), by striking ''1201(a)'' and inserting ''101(a)(1)''; and

(B) in paragraph (4), by striking "1201(d)" and inserting "101(a)(1)".

(35) REHABILITATION ACT OF 1973.—Sections 7(32) and 101(a)(7)(A)(iv)(II) of the Rehabilitation Act of 1973 (29 U.S.C. 706(32); 29 U.S.C. 721(a)(7)(A)(iv)(II)) are each amended by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(36) TECHNOLOGY RELATED ASSISTANCE FOR INDIVIDUALS WITH DISABILITIES ACT OF 1988.—Section 3(8) of the Technology Related Assistance for Individuals with Disabilities Act of 1988 (29 U.S.C. 2202(8)) is amended by striking "1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))" and inserting "101(a)(1) of the Higher Education Act of 1965".

(37) TRIBALLY CONTROLLED COMMUNITY COLLEGE ASSISTANCE ACT OF 1978.—The Tribally Controlled Community College Assistance Act of 1978 is amended—

(A) in section 2(a)(5) (25 U.S.C. 1801(a)(5)), by striking "1201(a)" and inserting "101(a)(1)"; and

(B) in section 113(b)(2) (25 U.S.C. 1813(b)(2)), by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''.

(38) VIOLENT CRIME CONTROL AND LAW ENFORCEMENT ACT OF 1994.—The Violent Crime Control and Law Enforcement Act of 1994 is amended—

(A) in sections 200103 and 200202 (42 U.S.C. 14092; 14111), by striking ''1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))'' and inserting ''101(a)(1) of the Higher Education Act of 1965''; and

(B) in section 30401(b) (42 U.S.C. 13791(b)), by striking ''a public'' through ''that Act'' and inserting ''an elementary school as defined in section 14101(14) of the Elementary and Secondary Education Act of 1965, and a secondary school as defined by section 14101(25) of such Act, which are public institutions''.

(39) SCHOOL-TO-WORK OPPORTUNITIES ACT OF 1994.—Section 4 of the School-to-Work Opportunities Act of 1994 (20 U.S.C. 6103) is amended—

(A) in paragraph (11)(B)(viii), by striking "section 481(b)" and inserting "section 101(a)(3)"; and

(B) in paragraph (12), by striking "section 481" and inserting "section 101(a)(2)".

(40) NATIONAL AND COMMUNITY SERVICE ACT OF 1990.—Section 148(g) of the National and Community Service Act of 1990 (42 U.S.C. 12604(g)) is amended by striking "section 481(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a))" and inserting "section 101(a)(2) of the Higher Education Act of 1965".

SEC. 102. DEFINITIONS.

(a) INSTITUTION OF HIGHER EDUCATION.—Section 101 (as redesignated by section 101(a)(3) of this Act) is amended by striking subsections (a) and (b) and inserting the following:

"(a) INSTITUTION OF HIGHER EDUCATION.—

"(1) IN GENERAL.—Subject to paragraphs (2) through (4) of this subsection:

"(A) PRINCIPAL CRITERIA.—The term 'institution of higher education' means an educational institution in any State that—

"(i) admits as regular students only persons having a certificate of graduation

from a school providing secondary education, or the recognized equivalent of such a certificate;

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

''(iii) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program that is acceptable for full credit toward such a degree;

''(iv) is a public or other nonprofit institution; and

''(v) is accredited by a nationally recognized accrediting agency or association, or if not so accredited, is an institution that has been granted preaccreditation status by such an agency or association that has been recognized by the Secretary for the granting of preaccreditation status, and the Secretary has determined that there is satisfactory assurance that the institution will meet the accreditation standards of such an agency or association within a reasonable time.

"(B) ADDITIONAL INSTITUTIONS INCLUDED.—The term 'institution of higher education' also includes—

"(i) any school that provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and that meets the provision of clauses (i), (ii), (iv), and (v) of subparagraph (A); and

"(ii) a public or nonprofit private educational institution in any State that, in lieu of the requirement in subparagraph (A)(i), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"(C) LIST OF ACCREDITING AGENCIES.—For purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations that he determines, pursuant to subpart 2 of part H of title IV of this Act, to be reliable authority as to the quality of the education or training offered.

"(2) DEFINITION FOR PURPOSES OF TITLE IV PROGRAMS.—

"(A) INCLUSION OF ADDITIONAL INSTITUTIONS.—Subject to subparagraphs (B) through (D) of this paragraph, the term 'institution of higher education' for purposes of title IV of this Act includes, in addition to the institutions covered by the definition in paragraph (1) of this subsection—

"(i) a proprietary institution of higher education;

"(ii) a postsecondary vocational institution; and

"(iii) only for the purposes of part B of title IV, an institution outside the United States that is comparable to an institution of higher education as defined in paragraph (1) of this subsection and that has been approved by the Secretary for the purpose of part B of title IV.

"(B) INSTITUTIONS OUTSIDE THE UNITED STATES.—

"(i) For the purpose of qualifying as an institution under subparagraph (A)(iii) of this paragraph, 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 paragraph (1) of this subsection. In the case of a graduate medical or veterinary school outside the United States, such criteria shall include a requirement that a student attending such school outside the United States is ineligible for loans made, insured, or guaranteed under part B of this title unless—

"(I)(aa) at least 60 percent of those enrolled 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 of title IV; and

"(bb) at least 60 percent of the individuals who were students or graduates of the graduate medical school outside the United States (both nationals of the United States and others) taking the examinations ad-

ministered 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 of title IV; or

"(II) the institution has a clinical training program that was approved by a State as of January 1, 1992, or the institution's students complete their clinical training at an approved veterinary school located in the United States.

"(ii) For the purpose of qualifying as an institution under subparagraph (A)(iii) of this paragraph, the Secretary shall establish an advisory panel of medical experts that shall—

"(I) evaluate the standards of accreditation applied to applicant foreign medical schools; and

"(II) determine the comparability of those standards to standards for accreditation applied to United States medical schools.

If such accreditation standards are determined not to be comparable, the foreign medical school shall be required to meet the requirements of paragraph (1) of this subsection.

''(iii) 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 clause (i) of this subparagraph shall render such institution ineligible for the purpose of part B of title IV.

''(iv) If, pursuant to this subparagraph, 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 while attending such institution for the academic year succeeding the academic year in which such loss of eligibility occurred.

''(C) LIMITATIONS BASED ON COURSE OF STUDY OR ENROLLMENT.—An institution shall not be considered to meet the definition of an

institution of higher education in subparagraph (A) of this paragraph if such institution—

"(i) offers more than 50 percent of such institution's courses by correspondence, unless the institution is an institution that meets the definition in section 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act;

"(ii) enrolls 50 percent or more of its students in correspondence courses, unless the institution is an institution that meets the definition in such section, except that the Secretary, at the request of such institution, may waive the applicability of this clause to such institution for good cause, as determined by the Secretary in the case of an institution of higher education that provides a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree;

"(iii) has a student enrollment in which more than 25 percent of the students are incarcerated, except that the Secretary may waive the prohibition of this

clause for a nonprofit institution that provides a 4-year or a 2-year program of instruction (or both) for which it awards a bachelor's or associate's degree or diploma, respectively; or

"(iv) has a student enrollment in which more than 50 percent of the students do not have a high school diploma or its recognized equivalent and does not provide a 4-year or a 2-year program of instruction (or both) for which it awards a bachelor's or associate's degree, respectively, except that the Secretary may waive the limitation contained in this clause if a nonprofit institution demonstrates to the satisfaction of the Secretary that it exceeds such limitation because it serves, through contracts with Federal, State, or local government agencies, significant numbers of students who do not have a high school diploma or its recognized equivalent.

"(D) LIMITATIONS BASED ON MANAGEMENT.—An institution shall not be considered to meet the definition of an institution of higher

education in subparagraph (A) of this paragraph if—

"(i) the institution, or an affiliate of the institution that has the power, by contract or ownership interest, to direct or cause the direction of the management or policies of the institution, has filed for bankruptcy; or

"(ii) the institution, its owner, or its chief executive officer has been convicted of, or has pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of funds under title IV, or has been judicially determined to have committed fraud involving funds under title IV.

"(E) CERTIFICATION.—The Secretary shall certify an institution's qualification as an institution of higher education in accordance with the requirements of subpart 2 of part H.

"(F) LOSS OF ELIGIBILITY.—An institution of higher education shall not be considered to meet the definition of an institution of higher education in subparagraph (A) of this paragraph if such institution is removed from eligi-

bility for funds under title IV as a result of an action pursuant to part H of title IV.

"(3) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.—

"(A) PRINCIPAL CRITERIA.—For the purpose of this subsection, the term 'proprietary institution of higher education' means a school that—

"(i) provides an eligible program of training to prepare students for gainful employment in a recognized occupation;

"(ii) meets the requirements of clauses (i) and (ii) of paragraph (1)(A) of this subsection;

"(iii) does not meet the requirement of clause (iv) of paragraph (1)(A) of this subsection;

"(iv) is accredited by a nationally recognized accrediting agency or association approved by the Secretary pursuant to part H of title IV;

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

"(vi) has at least 15 percent of its revenues from sources that are not derived

from funds provided under title IV, as determined in accordance with regulations prescribed by the Secretary.

In determining such 15 percent of revenues for purposes of clause (vi), funds from programs of education and training that do not meet the definition of an eligible program in section 481(b), but are provided on a contractual basis under Federal, State, or local training programs, or under specialized business and industry training requests, shall be counted.

"(B) ADDITIONAL INSTITUTIONS.—The term 'proprietary institution of higher education' also includes a proprietary educational institution in any State that, in lieu of the requirement in clause (i) of paragraph (1)(A) of this subsection, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"(4) POSTSECONDARY VOCATIONAL INSTITUTION.—

"(A) PRINCIPAL CRITERIA.—For the purpose of this subsection, the term 'postsecondary vocational institution' means a school that—

"(i) provides an eligible program of training to prepare students for gainful employment in a recognized occupation;

"(ii) meets the requirements of clauses (i), (ii), (iv), and (v) of paragraph (1)(A) of this subsection; and

"(iii) has been in existence for at least 2 years.

"(B) ADDITIONAL INSTITUTIONS.—The term 'postsecondary vocational institution' also includes an educational institution in any State that, in lieu of the requirement in clause (i) of paragraph (1)(A) of this subsection, admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"(b) STATE; FREELY ASSOCIATED STATES.—

"(1) STATE.—The term 'State' includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States.

"(2) FREELY ASSOCIATED STATES.—The term 'Freely Associated States' means the Republic of the

Marshall Islands, the Republic of Palau, and the Federated States of Micronesia.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 481 (20 U.S.C. 1088) is amended—

(A) by striking subsections (a), (b), and (c); and

(B) by redesignating subsections (d) through (f) as subsections (a) through (c), respectively.

(2) Each of the following provisions are amended by striking ''section 481'' and inserting ''section 101(a)(2)'': sections 435(a)(1), 487(d), and 496(j) and (k).

(3) Section 498(i) (20 U.S.C. 1099c) is amended by striking ''section 481 (other than the requirements in subsections (b)(5) and (c)(3))'' and inserting ''section 101(a) (other than the requirements in paragraphs (3)(A)(v) and (4)(A)(iii))''.

(4) Section 498(j) is amended by striking ''sections 481(b)(5) and 481(c)(3)'' and inserting ''paragraphs (3)(A)(v) and (4)(A)(iii) of section 101(a)''.

(5) Section 105 (as redesignated by section 101(a)(3)(D)) is amended by adding at the end the following new sentence: ''This subsection shall cease to be effective on October 1, 2001.''.

SEC. 103. REGULATORY REFORM.

Title I is amended by adding at the end the following new section:

"SEC. 112. REGULATORY REFORM.

"(a) BIENNIAL REVIEW OF REGULATIONS.—In every even-numbered year (beginning with 1998), the Secretary—

"(1) shall review all regulations issued under title IV of the Higher Education Act of 1965 in effect at the time of the review that apply to the operations or activities of any participant in those programs; and

"(2) shall determine whether any such regulation is no longer necessary in the public interest.

"(b) EFFECT OF DETERMINATION.—The Secretary shall repeal, consolidate, simplify, or otherwise modify any regulation the Secretary determines to be no longer necessary in the public interest.

"(c) REPORT TO CONGRESS.—The Secretary shall report to the Congress any legislative changes necessary to permit regulatory simplification under this section.".

PART B—PERFORMANCE-BASED ORGANIZATION FOR THE DELIVERY OF FEDERAL STUDENT FINANCIAL ASSISTANCE.

SEC. 111. PERFORMANCE-BASED ORGANIZATION FOR THE DELIVERY OF FEDERAL STUDENT FINANCIAL ASSISTANCE.

Title I (as amended by part A of this title) is amended—

(1) by striking the heading of such title and inserting the following:

"TITLE I—GENERAL AND ADMINISTRATIVE PROVISIONS

"PART A—GENERAL PROVISIONS";

and

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

"PART B—ADMINISTRATIVE PROVISIONS FOR DELIVERY OF STUDENT FINANCIAL ASSISTANCE

"SEC. 131. PERFORMANCE-BASED ORGANIZATION FOR THE DELIVERY OF FEDERAL STUDENT FINANCIAL ASSISTANCE.

''(a) ESTABLISHMENT AND PURPOSE.—

''(1) ESTABLISHMENT.—There is established in the Department a Performance-Based Organization (hereafter referred to as the 'PBO') which shall be a discrete management unit responsible for managing the information systems supporting the pro-

grams authorized under title IV of this Act, as specified in subsection (b).

"(2) PURPOSES.—The purposes of the PBO are—

"(A) to improve the level of service to students and participants in the programs;

"(B) to reduce the costs of administering the Federal student financial assistance programs authorized under title IV;

"(C) to increase the accountability of the officials responsible for administering the operational aspects of these programs;

"(D) to provide greater flexibility in the management of the operational functions of the Federal student financial assistance programs;

"(E) to integrate the information systems supporting the Federal student financial assistance programs; and

"(F) to implement an open, common, integrated system for the delivery of student financial assistance under title IV.

"(b) AUTHORITY.—

"(1) AUTHORITY OF SECRETARY.— Notwithstanding any other provision of this Act, the Secretary shall maintain responsibility for the develop-

ment and promulgation of policy relating to the programs of student financial assistance under title IV. In the exercise of its functions, the PBO shall be subject to the direction of the Secretary. The Secretary shall—

"(A) request the advice of, and work in cooperation with, the Chief Operating Officer in developing regulations, policies, administrative guidance, or procedures affecting the information systems administered by the PBO, and other functions performed by the PBO;

"(B) request cost estimates from the Chief Operating Officer for system changes required by specific policies proposed by the Secretary;

"(C) consider the Chief Operating Officer's comments and estimates prior to finalizing such regulations, policies, administrative guidance, or procedures;

"(D) assist the Chief Operating Officer in identifying goals for the administration and modernization of the delivery system for student financial assistance under title IV; and

"(E) if necessary, arrange for additional funding to ensure that the PBO can efficiently perform its functions.

"(2) FUNCTIONS.—The PBO shall carry out the following functions:

"(A) All aspects of contracting for the data and information systems supporting student financial assistance under title IV, including the operational administration of the William D. Ford Federal Direct Loan Program, but not including the development of policy relating to such programs.

"(B) The administrative, accounting, and financial management functions of the delivery system for Federal student assistance, including—

"(i) the collection, processing and transmission of applicant data to students, institutions and authorized third parties, as provided for in section 483;

"(ii) technical specifications for software development and systems supporting the delivery of student financial assistance under title IV;

"(iii) information technology and systems infrastructure related to the delivery and management of student financial assistance under title IV;

"(iv) all software and hardware acquisitions and all information technology contracts related to the delivery and management of student financial assistance under title IV; and

"(v) all customer service, training and user support related to the functions described in clauses (i) through (iv).

"(C) Annual development of a budget for the operations and services of the PBO, in consultation with the Secretary, and for consideration and inclusion in the Department's annual budget submission.

"(D) Annual development of goals, in consultation with the Secretary, for the administration and modernization of the system for delivery of student financial assistance under title IV.

"(E) Other functions proposed by the Secretary, and agreed to by the Chief Operating Officer as are not inconsistent with the functions of the PBO.

"(3) INDEPENDENCE.—In carrying out its functions, the PBO shall exercise independent control of its budget allocations and expenditures, per-

sonnel decisions and processes, procurements, and other administrative and management functions.

"(4) REVIEW OF PBO.—The PBO shall be subject to the usual and customary Federal audit procedures, and be subject to review by the Inspector General of the Department.

"(c) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of funding the administrative costs incurred by the PBO in administering systems supporting programs under this part, there are authorized to be appropriated such sums as may be necessary for fiscal year 1999 and each of the 4 succeeding fiscal years, except that funds authorized under section 458 shall be made available to the PBO by the Secretary for administrative costs authorized to be funded under that section.

"(d) ORGANIZATIONAL REPORTS.—

"(1) PERFORMANCE PLAN.—Within 6 months of the hiring of the Chief Operating Officer, and every 12 months thereafter, the Secretary and the Chief Operating Officer of the Department shall develop a performance plan for the PBO that establishes measurable goals and objectives for the organization. In developing this performance plan, the Secretary and the Chief Operating Officer shall consult with the Committee on Education and the

Workforce of the House of Representatives, the Committee on Labor and Human Resources of the Senate, and the Advisory Committee on Student Financial Assistance. The performance plan shall include a concise statement of goals for a modernized system for the delivery of student financial assistance under title IV and identify action steps necessary to achieve such goals. Such goals shall be used in evaluating the performance of the Chief Operating Officer and the PBO pursuant to paragraph (2).

"(2) ANNUAL ACCOUNTABILITY REPORT.—The Chief Operating Officer shall prepare and submit an annual accountability report to the Secretary and the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate. The accountability report shall include—

"(A) an independent financial audit of the expenditures of both the PBO and programs administered by it;

"(B) financial and performance requirements applicable to the PBO under the Chief Financial Officer Act of 1990 and the Government Performance and Results Act of 1993;

"(C) the results achieved by the PBO during the year relative to the goals established in the organization's performance plan;

"(D) the results of the evaluations of performance of the Chief Operating Officer and senior managers under subsections (e)(2) and (f)(2), including the amounts of bonus compensation awarded to these individuals;

"(E) a discussion of the effectiveness of coordination between the PBO and the Secretary;

"(F) recommendations for legislative and regulatory changes to improve service to students and their families, and to improve program efficiency and integrity; and

"(G) other such information as the Director of the Office of Management and Budget shall prescribe for performance based organizations.

"(e) CHIEF OPERATING OFFICER.—

"(1) IN GENERAL.—The management of the PBO shall be vested in a Chief Operating Officer who shall be appointed by the Secretary to a 5-year term and compensated without regard to chapters 33, 51, and 53 of title 5, United States Code. The Secretary shall appoint the Chief Operating Officer

within 6 months of the date of enactment of this part. The Secretary shall consult with the Chairmen of the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate prior to making an appointment. The appointment shall be made on the basis of demonstrated management ability and expertise in information technology, including extensive experience in the financial services industry, and without regard to political affiliation or activity. The Secretary may reappoint the Chief Operating Officer to subsequent terms so long as the performance of the Chief Operating Officer, as set forth in the performance agreement, is satisfactory or better. The Chief Operating Officer may be removed by—

"(A) the President; or

"(B) the Secretary, for misconduct or failure to meet performance goals set forth in the performance agreement in paragraph (2).

The President or Secretary shall communicate the reasons for any such removal to the appropriate committees of Congress.

"(2) PERFORMANCE AGREEMENT.—The Secretary and the Chief Operating Officer shall enter

into an annual performance agreement which shall set forth measurable organization and individual goals for the Chief Operating Officer in key operational areas. The agreement shall be subject to review and renegotiation at the end of each term. The final agreement shall be transmitted to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate, and made publicly available.

"(3) COMPENSATION.—The Chief Operating Officer is authorized to be paid at an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(B) of such title 5. In addition, the Chief Operating Officer may receive a bonus in an amount up to, but not in excess of, 50 percent of such annual rate of basic pay, based upon the Secretary's evaluation of the Chief Operating Officer's performance in relation to the performance goals set forth in the performance agreement described in paragraph (2). Payment of a bonus under this paragraph may be made to the

Chief Operating Officer only to the extent that such payment does not cause the Chief Operating Officer's total aggregate compensation in a calendar year to equal or exceed the amount of the President's salary under section 102 of title 3, United States Code.

"(f) SENIOR MANAGEMENT.—

"(1) IN GENERAL.—The Chief Operating Officer may appoint up to 5 senior managers as may be necessary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(2) PERFORMANCE AGREEMENT.—The Chief Operating Officer shall enter into an annual performance agreement with each senior manager appointed under this subsection which shall set forth measurable organization and individual goals in key operational areas. The agreement shall be subject to review and renegotiation at the end of each term.

"(3) COMPENSATION.—The Chief Operating Officer is authorized to pay senior managers at an annual rate of basic pay not to exceed 75 percent of

the maximum rate of basic pay for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of such title 5. In addition, a senior manager may receive a bonus in an amount up to, but not in excess of, 50 percent of such annual rate of basic pay, based upon the Chief Operating Officer's evaluation of the manager's performance in relation to the performance goals set forth in the performance agreement described in paragraph (2).

''(g) PERSONNEL FLEXIBILITY.—

''(1) PERSONNEL CEILINGS.—The PBO shall not be subject to any ceiling relating to the number or grade of employees.

''(2) ADMINISTRATIVE FLEXIBILITY.—The Chief Operating Officer shall work with the Office of Personnel Management to develop and implement personnel flexibilities in staffing, classification, and pay that meet the needs of the PBO, subject to compliance with title 5, United States Code.

''(h) ESTABLISHMENT OF A FAIR AND EQUITABLE SYSTEM FOR MEASURING STAFF PERFORMANCE.—The PBO shall establish an annual performance management

system, subject to compliance with title 5, United States Code and consistent with applicable provisions of law and regulations, which strengthens the organizational effectiveness of the PBO by providing for establishing goals or objectives for individual, group, or organizational performance (or any combination thereof), consistent with the performance plan of the PBO and its performance planning procedures, including those established under the Government Performance and Results Act of 1993, and communicating such goals or objectives to employees.

"(i) PROCUREMENT FLEXIBILITY.—

"(1) IN GENERAL.—Except as provided in this subsection, the PBO shall abide by all applicable Federal procurement laws and regulations when procuring property and services. The PBO shall—

"(A) enter into contracts for information systems supporting the programs authorized under title IV to carry out the functions set forth in subsection (b)(2); and

"(B) obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and set pay in accordance with such section.

"(2) PERFORMANCE BASED SERVICING CONTRACTS.—The Chief Operating Officer shall, to the

extent practicable, maximize the use of performance based servicing contracts, consistent with guidelines for such contracts published by the Office of Federal Procurement Policy, to achieve cost savings and improve service.

"(3) FEE FOR SERVICE ARRANGEMENTS.—The Chief Operating Officer shall, to the extent practicable and consistent with the purpose of the PBO, utilize services available outside of the Federal Government in the delivery of Federal student financial assistance. To achieve this purpose, the PBO is authorized to pay fees to an organization that are equivalent to those paid by other entities for such services, if the Chief Operating Officer determines that such organization currently provides an information system or service that meets the requirements of the PBO.

"(j) FOCUS GROUPS.—To facilitate information sharing and customer involvement, the Chief Operating Officer may establish focus groups composed of students, institutions, and other participants in the programs authorized by title IV to provide advice on student aid delivery matters.

"SEC. 132. ADMINISTRATIVE SIMPLIFICATION OF STUDENT AID DELIVERY.

"(a) IN GENERAL.—The Secretary, and the Chief Operating Officer shall improve the efficiency and effectiveness of the student aid delivery system by encouraging and participating in the establishment of voluntary consensus standards and requirements for the electronic transmission of information necessary for the administration of programs under title IV.

"(b) ADOPTION OF VOLUNTARY CONSENSUS STANDARDS.—Except with respect to the common financial reporting form under section 483(a), the Secretary shall adopt voluntary consensus standards for transactions required under title IV, and common data elements for such transactions, to enable information to be exchanged electronically between systems administered by the Department and among participants in the Federal student aid delivery system.

"(c) REQUIREMENTS FOR ADOPTION OF VOLUNTARY CONSENSUS STANDARDS.—Any voluntary consensus standard adopted under this section shall—

"(1) be a standard that has been developed, adopted, or modified by a standard setting organization that is open to the participation of the various entities engaged in the delivery of Federal student financial assistance; and

"(2) be consistent with the objective of reducing the administrative costs of delivering student financial assistance under title IV.

"(d) PARTICIPATION IN STANDARD SETTING ORGANIZATIONS.—

"(1) The Chief Operating Officer shall participate in the activities of standard setting organizations in carrying out the provisions of this section.

"(2) The Chief Operating Officer shall encourage higher education groups seeking to develop common forms, standards, and procedures in support of the delivery of Federal student financial assistance to conduct these activities within a standard setting organization.

"(3) The Chief Operating Officer may pay necessary dues and fees associated with participating in standard setting organizations pursuant to this subsection from funds available under subsection (j).

"(e) PROCEDURES FOR ADOPTION AND IMPLEMENTATION OF VOLUNTARY CONSENSUS STANDARDS.—In adopting voluntary consensus standards and implementation timetables under this section, including modifications of existing standards, the Secretary shall follow the procedures for negotiated rulemaking in section 492.

"(f) INITIAL VOLUNTARY CONSENSUS STANDARDS TO BE ADOPTED.—Through coordinated participation between the Chief Operating Officer and standard setting organizations, the initial standards adopted by the Secretary shall include the following:

"(1) ELECTRONIC PERSONAL IDENTIFIER NUMBER.—The Secretary shall adopt standards for a single electronic personal identifier number for students receiving assistance under title IV.

"(2) ELECTRONIC SIGNATURE.—The Secretary, in coordination with the Secretary of Commerce, shall adopt standards specifying procedures for the electronic transmission and authentication of signatures with respect to transactions requiring a signature under title IV.

"(3) SINGLE INSTITUTIONAL IDENTIFIER.—The Secretary shall adopt standards for a single identifier for eligible institutions under title IV.

"(g) USE OF CLEARINGHOUSES.—Nothing in this section shall restrict the ability of participating institutions and lenders from using a clearinghouse to comply with the standards for the exchange of information established under this section.

"(h) APPLICABILITY TO CURRENT SYSTEMS.—

"(1) GENERAL RULE.—Except as provided in paragraph (2) and (3), this section shall apply to all Department of Education information systems supporting the delivery of programs under title IV no later than 12 months from the date of enactment of this part.

"(2) NATIONAL STUDENT LOAN DATA SYSTEM.—This section shall apply to sections 485B(e) and (f) no later than 18 months after the date of enactment of this part.

"(3) INTEGRATED POSTSECONDARY EDUCATION DATA SYSTEM.—The Secretary shall coordinate the adoption of voluntary consensus standards under this section to ensure that standards are compatible with the integrated postsecondary education data system (IPEDS).

"(i) DATA SECURITY.—Any entity that maintains or transmits information under a transaction covered by this section shall maintain reasonable and appropriate administrative, technical, and physical safeguards—

"(1) to ensure the integrity and confidentiality of the information; and

"(2) to protect against any reasonably anticipated security threats, or unauthorized uses or disclosures of the information.

"(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated in any fiscal year or made available from funds appropriated to carry out activities in this section in any fiscal year such sums as may be necessary to carry out the provisions of this section, except that if no funds are appropriated pursuant to this subsection, the Secretary shall make funds available to carry out this section from amounts appropriated for the operations and expenses of the Department of Education.

"(k) DEFINITIONS.—For purposes of this section:

"(1) The term 'voluntary consensus standard' means a standard developed or used by a standard setting organization accredited by the American National Standards Institute.

"(2) The term 'standard setting organization' means a standard setting organization accredited by the American National Standards Institute that develops standards for information transactions, data elements, or any other standard that is necessary to, or will facilitate, the implementation of this section.

"(3) For purposes of this section, the term 'clearinghouse' means a public or private entity that processes or facilitates the processing of nonstandard data elements into data elements conforming to standards adopted under this section.".

TITLE II—POSTSECONDARY EDUCATION IMPROVEMENT PROGRAMS

SEC. 201. URBAN COMMUNITY SERVICE.

(a) DESIGNATION OF TITLE.—The Higher Education Act of 1965 is amended by inserting at the end of title I (20 U.S.C. 1001 et seq.) the following:

"TITLE II—POSTSECONDARY EDUCATION IMPROVEMENT PROGRAMS".

(b) REDESIGNATION AND TRANSFER OF URBAN COMMUNITY SERVICE PROGRAM.—

(1) INTERNAL CROSS-REFERENCES.—Part A of title XI is amended—

(A) in section 1102(b), by striking ''section 1104'' and inserting ''section 204'';

(B) in section 1104(12), by striking ''section 1103(a)(2)(B)'' and inserting ''section 203(a)(2)(B)''; and

(C) in section 1108(1), by striking ''section 1103'' and inserting ''section 203''.

(2) REDESIGNATION.—Part A of title XI (20 U.S.C. 1136 et seq.) is redesignated as part A of title II, and sections 1101 through 1109 are redesignated as sections 201 through 209.

(3) TRANSFER.—Part A of title II (including sections 201 through 209), as redesignated by paragraph (2), is transferred to immediately follow the heading inserted by subsection (a) of this section.

(4) REPEAL.—Part B of title XI (20 U.S.C. 1137 et seq.) and the heading of title XI are repealed.

(c) ALLOWABLE ACTIVITIES.—Section 204 (as redesignated by subsection (b)(2)) is amended by adding at the end the following new paragraph:

''(14) Improving access to technology in local communities.''.

(d) DESIGNATION OF URBAN GRANT INSTITUTIONS.—Section 207 (as redesignated by subsection (b)(2)) is amended by adding at the end the following new sentence: ''The information developed as a result of this section shall be made available to Urban Grant Institutions and to any other interested institution of higher education by any appropriate means, including the Internet.''.

(e) AUTHORIZATION OF APPROPRIATIONS.—Section 209 (as redesignated by subsection (b)(2)) is amended by striking ''1993'' and inserting ''1999''.

SEC. 202. FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION.

(a) REDESIGNATION AND TRANSFER OF PROGRAMS.—

(1) REDESIGNATION.—Part A of title X (20 U.S.C. 1135 et seq.) is redesignated as part B of title II (as amended by section 201) and—

(A) sections 1001 through 1003 (20 U.S.C. 1135 et seq.) are redesignated as sections 221 through 223; and

(B) section 1011 (20 U.S.C. 1135a–11) is redesignated as section 224.

(2) TRANSFER.—Part B of title II (including sections 221 through 224), as redesignated by paragraph (1), is transferred to follow part A of title II.

(3) REPEAL.—Section 1004 and parts B, C, and D of title X (20 U.S.C. 1135a–3, 1135e et seq.) and the heading of title X are repealed.

(b) ENDOWMENT GRANTS.—Section 221(a) (as redesignated by subsection (a)(2)) is amended—

(1) by striking ''and'' at the end of paragraph (7);

(2) by striking the period at the end of paragraph (8) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

"(9) awarding an endowment grant, on a competitive basis, to a national organization to enable such organization to support the establishment or ongoing work of area program centers that foster the development of local affiliated chapters in high-poverty areas to improve graduation rates and post-secondary attendance through the provision of academic support services and scholarship assistance for the pursuit of postsecondary education.".

(c) SPECIAL PROJECTS.—Section 224 (as redesignated by subsection (a)(2)(B)) is amended—

(1) by striking paragraphs (1), (2), and (3) of subsection (c) and inserting the following:

"(1) institutional restructuring to improve learning and promote productivity, efficiency, quality improvement, and cost and price control;

"(2) articulation agreements between two-year and four-year institutions;

"(3) cooperation between institutions to encourage cost saving initiatives through joint purchase of goods and services, and shared use of facilities and faculty resources.

"(4) evaluation and dissemination of model programs; and

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

(2) by striking subsection (d).

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) COMBINATION OF SUBPARTS.—Part B of title II (as redesignated by subsection (a)) is amended by striking the subpart designations and headings.

(2) AUTHORIZATION.—Part B of title II (as so redesignated) is amended by adding at the end the following:

"SEC. 225. AUTHORIZATION OF APPROPRIATIONS.

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

SEC. 203. GRANTS TO STATES FOR WORKPLACE AND COMMUNITY TRANSITION TRAINING FOR INCARCERATED YOUTH OFFENDERS.

(a) REDESIGNATION AND TRANSFER OF PROGRAMS.—

(1) REDESIGNATION.—Part E of title X (20 U.S.C. 1135g) is redesignated as part C of title II and section 1091 is redesignated as section 231.

(2) TRANSFER.—Part C of title II (including section 231), as redesignated by paragraph (1), is transferred to follow part B of title II (as amended by section 202 of this Act).

(b) REAUTHORIZATION.—Section 231(j) (as so redesignated) is amended to read as follows:

''(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the four succeeding fiscal years.''.

SEC. 204. ADVANCED PLACEMENT FEE PAYMENT PROGRAM.

(a) REDESIGNATION AND TRANSFER OF PROGRAMS.—

(1) REDESIGNATION.—Part G of title XV of the Higher Education Amendments of 1992 (20 U.S.C. 1170) is redesignated as part D of title II and section 1545 of such Act is redesignated as section 241.

(2) TRANSFER.—Part D of title II (including section 241), as redesignated by paragraph (1), is transferred to follow part C of title II (as amended by section 203 of this Act).

(b) REAUTHORIZATION.—Section 241(f) (as so redesignated) is amended by striking ''1993'' and inserting ''1999''.

SEC. 205. TEACHER QUALITY ENHANCEMENT GRANTS.

Title II is further amended by adding at the end the following new part:

"PART E—TEACHER QUALITY ENHANCEMENT GRANTS

"SEC. 271. PURPOSE.

''The purposes of this part are—

''(1) to provide competitive grants to States for assistance in strengthening the quality of the teaching force by improving the academic knowledge of teachers in the subject areas in which they teach, such as math, science, English, foreign languages, history, economics, art, civics, Government, and geography;

''(2) to hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content areas in which they plan to teach, including training in the effective uses of technologies in the classroom; and

"(3) to recruit high quality individuals, including individuals from other occupations, into the teaching force.

"SEC. 272. ELIGIBILITY.

"(a) DEFINITIONS.—For purposes of this part:

"(1) ELIGIBLE GRANT RECIPIENT.—The term 'eligible grant recipient' means—

"(A) other than for the purpose of section 273(b), a Governor of a State, except that if, pursuant to the law or constitution of such State, another individual, entity, or agency in a State that is responsible for the teacher certification and preparation activities contained in the application, such term means that individual, entity, or agency; and

"(B) for the purpose of section 273(b), an eligible partnership.

"(2) ELIGIBLE PARTNERSHIP.—The term 'eligible partnership' means an entity consisting of an exemplary private independent or State-supported public institution of higher education which prepares teachers, and a local educational agency, and which may also consist of the eligible grant recipient, other institutions of higher education, public charter schools, public and private nonprofit elementary and

secondary schools, or other public and private nonprofit agencies or organizations.

''(b) APPLICATIONS.—To be eligible to receive a grant under this part, an eligible grant recipient shall, at the time of the initial grant application, submit an application to the Secretary that meets the requirements of this part.

''(c) CONTENTS OF APPLICATION.—Such application shall include a description of how the eligible grant recipient intends to use funds provided under this part and such other information and assurances as the Secretary may require.

''SEC. 273. USE OF FUNDS.

''(a) GENERAL ACTIVITIES.—The eligible grant recipient of a State that receives a grant under this subpart shall use a portion of such grant to carry out 1 or more of the following activities:

''(1) Reforming State teacher certification requirements to ensure that current and future teachers possess the necessary academic content knowledge in the subject areas in which they are certified and assigned to teach.

''(2) Providing prospective teachers alternatives to schools of education through programs at colleges of arts and sciences or at nonprofit organizations.

"(3) Funding programs which establish or expand alternative routes to State certification for highly qualified individuals, including mid-career professionals from other occupations, paraprofessionals, and former military personnel.

"(4) Implementing reforms which hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content areas in which they plan to teach.

"(5) Developing and implementing effective mechanisms to expeditiously remove incompetent or unqualified teachers.

"(6) Recruiting minorities, and others, into the teaching and counseling professions, including education paraprofessionals, former military personnel, and mid-career professionals, by providing financial and other assistance related to instruction, induction, mentoring, and support services that include pre-service and in-service components, to serve within schools which have—

"(A) a high percentage of children in poverty;

"(B) low retention rates for teachers; or

"(C) a high percentage of teachers teaching subjects for which they are not qualified to teach.

"(7) Developing and implementing effective mechanisms to provide principals and superintendents with advanced managerial skills.

"(8) Creating opportunities for school principals and superintendents to further their professional development by providing advanced managerial skills training.

"(b) PARTNERSHIP ACTIVITIES.—An eligible partnership that receives a grant under this subpart shall use such funds to carry out 1 or more of the following activities:

"(1) Implementing reforms which hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content areas in which they plan to teach.

"(2) Creating opportunities for enhanced and ongoing professional development which improves the academic content knowledge of teachers in the subject areas in which they are certified to teach or in which they are working toward certification to teach.

"(3) Providing programs designed to implement the successful integration of technology into teaching and learning.

"(4) Recruiting minorities, and others, into the teaching and counseling professions, including education paraprofessionals, former military personnel, and mid-career professionals, by providing financial and other assistance related to instruction, induction, mentoring, and support services that include pre-service and in-service components, to serve within schools which have—

"(A) a high percentage of children in poverty;

"(B) low retention rates for teachers; or

"(C) a high percentage of teachers teaching subjects for which they are not qualified to teach.

"SEC. 274. COMPETITIVE AWARDS.

"(a) COMPETITIVE GRANTS.—

"(1) APPLICABILITY.—The Secretary shall make grants in accordance with the requirements of this subsection for any fiscal year for which the amount appropriated under section 276 does not equal or exceed $250,000,000.

"(2) COMPETITIVE BASIS FOR AWARDS.—The Secretary shall make annual grants under this subsection on a competitive basis.

"(3) PEER REVIEW PANEL.—The Secretary shall provide the applications submitted by eligible grant recipients under section 272 to a peer review panel for evaluation. With respect to each application, the peer review panel shall initially recommend the application for funding or for disapproval.

"(4) PRIORITY.—In recommending applications to the Secretary, the panel shall give priority to—

"(A) applications from States with proposals which promise initiatives to reform State teacher certification requirements which are designed to ensure that current and future teachers possess the necessary academic content knowledge in the subject areas in which they are certified to teach or which include innovative reforms to hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content areas in which they plan to teach; and

"(B) eligible partnership applications which—

"(i) include the eligible grant recipient and demonstrate a high degree of collaboration with the State agency responsible for teacher certification and preparation; and

"(ii) include a local educational agency which includes a school with—

"(I) a high percentage of children in poverty;

"(II) low retention rates for teachers; or

"(III) a high percentage of teachers teaching subjects for which they are not qualified to teach.

"(5) RANKING OF APPLICATIONS.—With respect to each application recommended for funding, the panel shall assign the application a rank, relative to other recommended applications, based on the priority described in subsection (c), the extent to which the application furthers the purposes of this part, and the overall quality of the application, based on the quality and scope of State-supported strategies to improve quality of teacher preparation and their teaching force.

"(6) RECOMMENDATION OF AMOUNT.—With respect to each application recommended for funding, the panel shall make a recommendation to the Secretary with respect to the amount of the grant that should be made. The Secretary shall use ⅓ of the funds made available under this part to fund applications submitted by eligible partnerships.

"(7) SECRETARIAL SELECTION.—

"(A) IN GENERAL.—Subject to subparagraph (B), the Secretary shall determine, based on the peer review panel's recommendations, which applications shall receive funding and the amounts of such grants. In determining grant amounts, the Secretary shall take into account the total amount of funds available for all grants under this part and the types of activities proposed to be carried out.

"(B) EFFECT OF RANKING BY PANEL.—In making grants under this part, the Secretary shall select applications according to the ranking of the applications by the peer review panel, except in cases where the Secretary determines, for good cause, that a variation from that order is appropriate.

"(b) FORMULA GRANTS.—

"(1) ALLOTMENT.—For any fiscal year for which the amount appropriated to carry out this part exceeds $250,000,000, the Secretary shall make allotments to the eligible grant recipient of each State, pursuant to the formula described in paragraph (2), to enable the eligible grant recipient to carry out the activities under this part, including the funding of eligible partnerships to carry out activities described in section 273(b).

"(2) ALLOTMENT FORMULA.—For any such fiscal year, an eligible grant recipient from each State that submits an application under section 272(a) shall receive an allotment under this part in an amount that bears the same ratio to the amount appropriated as the school age population ages 5 through 17 of the State bears to the school age population ages 5 through 17 of all the States, except that no State shall receive less than an amount equal to ¼ of 1 percent of the total amount.

"(c) ADDITIONAL REQUIREMENTS.—

"(1) MATCHING REQUIREMENT.—Each State receiving funds under this part shall provide, from non-Federal sources, an amount equal to ½ of the amount of the grant in cash or in kind to carry out the activities supported by the grant.

"(2) LIMITATION ON ADMINISTRATIVE EXPENSES.—An eligible recipient that receives a grant under this part may use not more than 2 percent of the grant funds for administrative costs.

"(3) REPORTING.—

"(A) IN GENERAL.—An eligible grant recipient that receives a grant under this section shall submit an accountability report to the Secretary and the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate. Such reports shall include a description of the degree to which substantial progress has been made in meeting the following goals:

"(i) Raising the State academic standards required to enter the teaching profession.

"(ii) Increasing the percentage of classes taught in core academic subject areas by teachers fully certified by the State to teach in those subject areas.

"(iii) Decreasing shortages of qualified teachers in poor urban and rural areas.

"(iv) Increasing opportunities for enhanced and ongoing professional development which improves the academic content knowledge of teachers in the subject areas in which they are certified to teach or in which they are working toward certification to teach.

"(B) ACCOUNTABILITY OF STATE INSTITUTION OF HIGHER EDUCATION.—Prior to receiving funds under this part, an eligible grant recipient shall demonstrate that at least 80 percent of graduates of each of the exemplary institutions of higher education in any eligible partnership described in section 273(a)(2) who enter the field of teaching pass all applicable State qualification assessments of new teachers, which must include assessments of each prospective teacher's subject matter knowledge in the content area or areas in which the teacher provides instruction. Prior to each subsequent receipt of funds under this part, such State shall demonstrate that 70 percent of the graduates of each institution of higher education in the State have met such goal and continue to progress to exceed such goal. Such assessment

shall be at least as rigorous as those in place on the date of enactment of this Act and shall have qualifying scores no lower than those in place on the date of enactment of this Act.

"(C) PROVISION TO PEER REVIEW PANEL.—The Secretary shall provide the reports submitted under subparagraph (A) to the peer review panel convened under subsection (a)(3). The panel shall use such accountability report in recommending applications for subsequent funding under this section.

"(4) TEACHERS QUALIFICATIONS PROVIDED TO PARENT UPON REQUEST.—Any local educational agency that participates as an eligible recipient or partner under this part shall make available, upon request and in an understandable and uniform format, to any parent of a student attending any school in the local educational agency, information regarding the qualifications of the student's classroom teacher, both generally and with regard to the subject matter in which the teacher provides instruction.

"SEC. 275. LIMITATIONS.

"(a) FEDERAL CONTROL PROHIBITED.—Nothing in this part shall be construed to permit, allow, encourage, or authorize any Federal control over any aspect of any

private, religious, or home school, whether or not a home school is treated as a private school or home school under State law. This section shall not be construed to bar private, religious, or home schools from participation in programs or services under this part.

''(b) NO CHANGE IN STATE CONTROL ENCOURAGED OR REQUIRED.—Nothing in this part shall be construed to encourage or require any change in a State's treatment of any private, religious, or home school, whether or not a home school is treated as a private school or home school under State law.

''(c) NATIONAL SYSTEM OF TEACHER CERTIFICATION PROHIBITED.—Nothing in this part shall be construed to permit, allow, encourage, or authorize any national system of teacher certification.

''SEC. 276. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this part such sums as may be necessary for each of the fiscal years 1999 through 2003.''.

SEC. 206. CAMPUS SAFETY.

(a) GRANTS TO COMBAT VIOLENT CRIMES AGAINST WOMEN ON CAMPUSES.—Title II is further amended by adding at the end the following new part:

"Part F—Grants to Combat Violent Crimes Against Women on Campuses

"SEC. 281. GRANTS TO COMBAT VIOLENT CRIMES AGAINST WOMEN ON CAMPUSES.

''(a) GRANTS AUTHORIZED.—

''(1) IN GENERAL.—The Secretary is authorized to make grants to institutions of higher education for use to provide training to administrators, security personnel, and campus personnel and student organizations for the purpose of developing and strengthening effective security and investigation strategies to combat violent crimes against women on campuses, and to develop and strengthen victim services in cases involving violent crimes against women on campuses, which may include partnerships with local criminal justice authorities and community-based victims services agencies.

''(2) AWARD BASIS.—The Secretary shall award grants and contracts under this section on a competitive basis.

''(3) EQUITABLE PARTICIPATION.—The Secretary shall make every effort to ensure the equitable participation of private and public institutions of higher education and to ensure the equitable geographic participation of such institutions in the activities assisted under this part.

"(4) PRIORITY.—In the award of grants and contracts under this section, the Secretary shall give priority to institutions of higher education or consortia of such institutions that show the greatest need for the sums requested.

"(b) USE OF GRANT FUNDS.—Funds provided under this part may be used for the following purposes:

"(1) To provide training for campus security and college personnel, including campus disciplinary or judicial boards, that address the issues of sexual assaults, stalking, and domestic violence.

"(2) To implement and operate education programs for the prevention of violent crimes against women.

"(3) To develop, enlarge, or strengthen support services programs including medical or psychological counseling for victims of sexual offense crimes.

"(4) To create, disseminate, or otherwise provide assistance and information about victims' options on and off campus to bring disciplinary or other legal action.

"(5) To train campus administrators and campus security personnel to more effectively identify and respond to violent crimes against women on

campus, including the crimes of sexual assault, stalking, and domestic violence.

"(6) To develop and implement more effective campus policies, protocols, orders, and services specifically devoted to prevent, identify, and respond to violent crimes against women on campus, including the crimes of sexual assault, stalking, and domestic violence.

"(7) To develop, enlarge, or strengthen victim services programs for local campuses and to improve delivery of victim services on campuses.

"(8) To provide capital improvements (including improved lighting and communications facilities but not including the construction of buildings) on campuses to address violent crimes against women on campus, including the crimes of sexual assault, stalking, and domestic violence.

"(9) To support improved coordination between campus administrators, campus security personnel, and local law enforcement to reduce violent crimes against women on campus.

"(c) APPLICATIONS.—

"(1) IN GENERAL.—In order to be eligible to be awarded a grant under this section for any fiscal year, an institution of higher education shall submit

an application to the Secretary at such time and in such manner as the Secretary shall prescribe.

"(2) CONTENTS.—Each application submitted under paragraph (1) shall—

"(A) describe the need for grant funds and the plan for implementation for any of the purposes described in subsection (b);

"(B) describe how the campus authorities shall consult and coordinate with nonprofit and other victim services programs, including sexual assault and domestic violence victim services programs;

"(C) provide measurable goals and expected results from the use of the grants funds;

"(D) provide assurances that the Federal funds made available under this section shall be used to supplement and, to the extent practical, increase the level of funds that would, in the absence of Federal funds, be made available by the applicant for the purpose described in this part; and

"(E) include such other information and assurances as the Secretary reasonably determines to be necessary.

"(3) COMPLIANCE WITH CAMPUS CRIME REPORTING REQUIRED.—No institution of higher education shall be eligible for a grant under this section unless such institution is in compliance with the requirements of section 485(f) of this Act.

"(d) REPORTING.—Not later than 180 days after the end of the fiscal year for which grants are made under this part, the Secretary shall submit to the committees of the House of Representatives and the Senate responsible for issues relating to higher education and crime, a report that includes—

"(1) the number of grants and funds distributed under this part;

"(2) a summary of the purposes for which these grants were provided and an evaluation of their progress;

"(3) a statistical summary of the persons served, detailing the nature of victimization, and providing data on age, sex, race, ethnicity, disability, relationship to offender, geographic distribution, and type of campus; and

"(4) an evaluation of the effectiveness of programs funded under this part, including an evaluation based on the reduction observed in crimes reported pursuant to section 485(f).

"(f) GRANTEE REPORTING.—Upon completion of the grant or contract period under this section, the grantee institution or consortium of such institutions shall file a performance report with the Secretary explaining the activities carried out together with an assessment of the effectiveness of those activities in achieving the purposes of this section. The Secretary shall suspend funding for an approved application if an applicant fails to submit an annual performance report.

"(g) DEFINITIONS.—In this part—

"(1) the term 'domestic violence' includes acts or threats of violence, not including acts of self-defense, committed by a current or former spouse of the victim, by a person with whom the victim shares a child in common, by a person who is cohabitating with or has cohabitated with the victim, by a person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction, or by any other person against a victim who is protected from that person's acts under the domestic or family violence laws of the jurisdiction;

"(2) the term 'sexual assault' means any conduct proscribed by chapter 109A of title 18, United States Code, whether or not the conduct occurs in the special maritime and territorial jurisdiction of

the United States or in a Federal prison and includes both assaults committed by offenders who are strangers to the victim and assaults committed by offenders who are known or related by blood or marriage to the victim; and

''(3) the term 'victim services' means a nonprofit, nongovernmental organization that assists domestic violence or sexual assault victims, including campus women's centers, rape crisis centers, battered women's shelters, and other sexual assault or domestic violence programs including campus counseling support and victim advocate organizations with domestic violence, stalking, and sexual assault programs, whether or not organized and staffed by students.

''(h) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this part, there are authorized to be appropriated $10,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

SEC. 207. ACCOUNTABILITY FOR INSTITUTIONS OF HIGHER EDUCATION THAT PREPARE TEACHERS.

Title II is further amended by adding at the end the following new part:

"PART F—ACCOUNTABILITY FOR INSTITUTIONS OF HIGHER EDUCATION THAT PREPARE TEACHERS

"SEC. 281. DATA COLLECTION.

''(a) DATA REQUIRED.—Within one year after the date of enactment of the Higher Education Amendments of 1998, and annually thereafter, the Secretary shall collect from each State receiving funds under this Act and publish the following information:

''(1) A description of the teacher licensing and credentialing assessments used by each State, including any and all assessments required in the subject matter area or areas in which a teacher provides instruction.

''(2) The standards and criteria established by each State that teachers or prospective teachers must meet in order to receive a passing score on such assessments, including information on the extent to which passing such examinations is required in order for an individual to be a classroom teacher.

''(3) Information on the extent to which teachers or prospective teachers in each State are required to take examinations or other assessments of their subject matter knowledge in the area or areas in which they provide instruction, the standards established for passing any such assessments, and the

extent to which teachers or prospective teachers are required to receive a passing score on such assessments in order to teach in specific subject areas or grade levels.

"(4) Information on the extent to which each State waives teacher credentialing and licensing requirements, including the proportion of all teachers or prospective teachers in the State for whom such licensing and credentialing requirements have been waived and the distribution of such individuals across high- and low-poverty schools and across grade levels and subject areas.

"(5) The pass rate, for the preceding year, on all teacher licensing and credentialing assessments for all individuals in the State who took such assessments, disaggregated by the institution of higher education from which the teacher received his or her most recent degree.

"(b) COORDINATION.—The Secretary, to the extent practicable, shall coordinate the information collected and published under this part among States for individuals who took State teacher licensing or credentialing assessments in a State other than the State in which the individual received his or her most recent degree.

"(c) USE OF LOCAL AGENCIES.—For each State in which there are no State licensing or credentialing assessments, the Secretary shall, to the extent practicable, collect data comparable to the data described in paragraphs (1) through (5) of subsection (a) from local educational agencies, colleges and universities, or other entities that administer such assessments to teachers or prospective teachers.

"SEC. 282. DATA DISSEMINATION.

"(a) EFFECTIVE DATE OF REQUIREMENTS.—The data required to be distributed under this section shall be distributed beginning within 3 years after the date of enactment of the Higher Education Amendments of 1998 and annually thereafter.

"(b) PASSING RATES.—Each institution of higher education that has a course of study that prepares elementary and secondary school teachers and receives Federal funds will report and distribute widely, including through prominent publications such as catalogs and promotional materials sent to potential applicants, high school guidance counselors, and the employers of graduates of such institutions, their pass rate for graduates of the institution on each of the State's initial teacher certification and licensing assessments for the most recent year for which

data are available at the time of publication of such materials.

"(c) IDENTIFICATION OF INSTITUTIONS WITH PASSING RATES BELOW 70 PERCENT.—Each State shall submit to the Secretary a list of institutions of higher education that prepare teachers and receive Federal funds under this Act for which, for the preceding year, less than 70 percent of graduates who took any of the State's initial teacher licensing and credentialing assessments failed to receive a passing score on any such assessment. For each assessment, data shall be disaggregated by the institution of higher education from which the student received his or her most recent degree, unless such degree was granted more than 3 years prior to the date such assessment was administered.

"SEC. 283. STATE FUNCTIONS.

"(a) STATE ASSESSMENT.—In order to receive funds under this Act, a State shall, no later than one year after the date of enactment of the Higher Education Amendments of 1998, have in place a procedure to identify low performing programs of teacher preparation within institutions of higher education. Such levels of performance shall be determined solely by the State and may include criteria based upon information collected pursuant to this

part. Such assessment shall be described in the report under section 281.

"(b) TERMINATION OF ELIGIBILITY.—Any institution of higher education that offers a program of teacher preparation in which the State has withdrawn its approval or terminated its financial support due to the low performance of its teacher preparation program based upon the State assessment described in section (a)—

"(1) shall be ineligible for any funding for professional development activities awarded by the Department of Education; and

"(2) shall not be permitted to accept or enroll any student that receives aid under title IV of this Act in its teacher preparation program.

"SEC. 284. NEGOTIATED RULEMAKING.

"If the Secretary develops any regulations implementing section 283(b)(2), the Secretary shall submit such proposed regulations to a negotiated rulemaking process which shall include representatives of States and institutions of higher education for their review and comment.

SEC. 208. ADDITIONAL REPEAL.

Title VIII (20 U.S.C. 1133 et seq.), relating to cooperative education, is repealed.

TITLE III—INSTITUTIONAL AID

SEC. 301. STRENGTHENING INSTITUTIONS.

(a) PROGRAM PURPOSE; USE OF FUNDS.—Section 311 (20 U.S.C. 1057) is amended—

(1) in subsection (b)(2), by striking ''or'' at the end of subparagraph (A) and inserting ''and'';

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

''(3) Special consideration shall be given to applications which propose, pursuant to the institution's plan, the use of funds for integrating computer technology into institutional facilities to create smart buildings.''; and

(3) by adding at the end the following new subsections:

''(c) AUTHORIZED ACTIVITIES.—Grants awarded under this section shall be used for one or more of the following activities:

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

''(2) construction, maintenance, renovation, and improvement in classrooms, libraries, laboratories, and other instructional facilities;

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

"(4) purchase of library books, periodicals, and other educational materials, including telecommunications program material;

"(5) tutoring, counseling, and student service programs designed to improve academic success;

"(6) funds management, administrative management, and acquisition of equipment for use in strengthening funds management;

"(7) joint use of facilities, such as laboratories and libraries;

"(8) establishing or improving a development office to strengthen or improve contributions from alumni and the private sector;

"(9) establishing or improving an endowment fund;

"(10) creating or improving facilities for Internet or other distance learning academic instruction capabilities, including purchase or rental of telecommunications technology equipment or services; and

"(11) other activities proposed in the application submitted pursuant to subsection (c) that—

"(A) contribute to carrying out the purposes of this section; and

"(B) are approved by the Secretary as part of the review and acceptance of such application.

"(d) ENDOWMENT FUND LIMITATIONS.—

"(1) PORTION OF GRANT.—An institution may not use more than 20 percent of its grant under this part for any fiscal year for establishing or improving an endowment fund.

"(2) MATCHING REQUIRED.—An institution that uses any portion of its grant under this part for any fiscal year for establishing or improving an endowment fund shall provide an equal or greater amount for such purposes from non-Federal funds.

"(3) REGULATIONS.—The Secretary shall publish rules and regulations specifically governing the use of funds for establishing or improving an endowment fund.".

(b) ENDOWMENT FUND DEFINITION.—Section 312 (20 U.S.C. 1058) is amended by adding at the end the following new subsection:

"(g) ENDOWMENT FUND.—For the purpose of this part, the term 'endowment fund' means a fund that—

"(1) is established by State law, by an institution of higher education, or by a foundation that is exempt from Federal income taxation;

"(2) is maintained for the purpose of generating income for the support of the institution; and

"(3) does not include real estate.".

(c) DURATION OF GRANT.—Section 313 (20 U.S.C. 1059) is amended—

(1) in subsection (a), by inserting before the period at the end the following: ", except that no institution shall be eligible to secure a subsequent 5-year grant award under this part until two calendar years have elapsed since the expiration of its most recent 5-year grant award"; and

(2) in subsection (b), by inserting "subsection (c) and a grant under" before "section 354(a)(1)".

(d) APPLICATIONS.—Title III is amended by striking section 314 (20 U.S.C. 1059a) and inserting the following:

"SEC. 314. APPLICATIONS.

"Each eligible institution desiring to receive assistance under this part shall submit an application in accordance with the requirements of section 351.".

(e) PROGRAM FOR TRIBALLY CONTROLLED COLLEGES AND UNIVERSITIES.—Section 316 (20 U.S.C. 1059c) is amended to read as follows:

"SEC. 316. AMERICAN INDIAN TRIBALLY CONTROLLED COLLEGES AND UNIVERSITIES.

"(a) PROGRAM AUTHORIZED.—The Secretary shall provide grants and related assistance to American Indian Tribal Colleges and Universities to enable such institutions to improve and expand their capacity to serve Indian students.

"(b) DEFINITIONS.—For the purposes of this section:

"(1) The term 'Indian' has the same meaning as in section 2 of the Tribally Controlled Community Colleges Act of 1978.

"(2) The term 'Indian tribe' has the same meaning as in section 2 of such Act.

"(3) The term 'Tribal College or University' has the meaning given the term 'tribally controlled college or university' in section 2 of such Act, and includes an institution listed in the Equity in Educational Land Grant Status Act of 1994.

"(4) The term 'institution of higher education' means an institution of higher education as defined by section 101(a)(1) of this Act, except that subparagraph (A)(ii) of such section shall not be applicable.

"(c) AUTHORIZED ACTIVITIES.—Grants awarded under this section shall be used by Tribal Colleges or Universities to assist such institutions to plan, develop, under-

take, and carry out authorized activities. Such authorized activities may include—

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

"(2) construction, maintenance, renovation, and improvement in classrooms, libraries, laboratories, and other instructional facilities, including purchase or rental of telecommunications technology equipment or services;

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

"(4) academic instruction in disciplines in which American Indians are underrepresented;

"(5) purchase of library books, periodicals, and other educational materials, including telecommunications program material;

"(6) tutoring, counseling, and student service programs designed to improve academic success;

"(7) funds management, administrative management, and acquisition of equipment for use in strengthening funds management;

"(8) joint use of facilities, such as laboratories and libraries;

"(9) establishing or improving a development office to strengthen or improve contributions from alumni and the private sector;

"(10) establishing or enhancing a program of teacher education designed to qualify students to teach in elementary or secondary schools, with a particular emphasis on teaching American Indian children and youth, that shall include, as part of such program, preparation for teacher certification;

"(11) establishing community outreach programs which will encourage American Indian elementary and secondary students to develop the academic skills and the interest to pursue postsecondary education;

"(12) establishing or improving an endowment fund; and

"(13) other activities proposed in the application submitted pursuant to this subsection that—

"(A) contribute to carrying out the purposes of this section; and

"(B) are approved by the Secretary as part of the review and acceptance of such application.

"(d) APPLICATION PROCESS.—

"(1) INSTITUTIONAL ELIGIBILITY.—To be eligible to receive assistance under this section, an institution shall be an institution which—

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

"(B) is eligible to receive assistance under the Tribally Controlled Community College Assistance Act of 1978 (Public Law 95–471); or

"(C) is eligible to receive funds under the Equity in Educational Land Grant Status Act of 1994.

"(2) APPLICATION.—Any institution desiring to receive assistance under this section shall submit an application to the Secretary at such time, and in such manner, as the Secretary may by regulation reasonably require. Each such application shall include—

"(A) a 5-year plan for improving the assistance provided by the Tribal College or university to Indian students, increasing the rates at which Indian high school students enroll in higher education, and increasing overall post-secondary retention rates for Indian students; and

"(B) such enrollment data and other information and assurances as the Secretary may require to demonstrate compliance with subparagraphs (A) and (B) of paragraph (1).

"(3) SPECIAL RULE.—For the purposes of this part, no Tribal College or University which is eligible for and receives funds under this section may concurrently receive other funds under this part or part B.".

SEC. 302. HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.

(a) USES OF FUNDS.—Section 323(a) (20 U.S.C. 1062(a)) is amended—

(1) by redesignating paragraph (12) as paragraph (13); and

(2) by inserting after paragraph (11) the following new paragraph:

"(12) Establishing or improving an endowment fund.".

(b) LIMITATIONS.—Section 323(b) is amended by striking paragraph (3) and inserting the following:

"(3)(A) An institution may not use more than 20 percent of its grant under this part for any fiscal year for establishing or improving an endowment fund.

"(B) An institution that uses any portion of its grant under this part for any fiscal year for establishing or improving an endowment fund shall provide an equal or greater amount for such purposes from non-Federal funds.

"(C) The Secretary shall publish rules and regulations specifically governing the use of funds for establishing or improving an endowment fund.".

(c) PROFESSIONAL OR GRADUATE INSTITUTIONS.—

(1) GENERAL AUTHORIZATION.—Section 326(a) (20 U.S.C. 1063b(a)) is amended—

(A) in paragraph (1), by inserting "in mathematics or the physical or natural sciences" after "graduate education opportunities"; and

(B) in paragraph (2), by striking "except that" and all that follows and inserting the following: ", except that no institution shall be required to match any portion of the first $500,000 of its award from the Secretary. After allocations are made to each eligible institution under the funding rules provided in subsection (f), the Secretary shall reallocate, on a pro rata basis, any amounts which remain unallocated (by reason of the failure of an institution to

comply with the matching requirements of this paragraph) among the institutions that have complied with such matching requirement.''.

(2) USE OF FUNDS.—Section 326(c) (20 U.S.C. 1063b(c)) is amended by striking paragraphs (1) through (3) and inserting the following:

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

''(2) construction, maintenance, renovation, and improvement in classroom, library, laboratory, and other instructional facilities used exclusively for the purposes of this section, including purchase or rental of telecommunications technology equipment or services;

''(3) purchase of library books, periodicals, technical and other scientific journals, microfilm, microfiche, and other educational materials, including telecommunications program materials;

''(4) scholarships, fellowships, and other financial assistance for needy graduate and professional students to permit their enrollment in and completion of the doctoral degree in medicine, dentistry, pharmacy, veterinary medicine, law, and the doctorate degree in the physical or natural sciences, engi-

neering, mathematics, or other scientific disciplines in which African Americans are underrepresented;

''(5) establish or improve a development office to strengthen and increase contributions from alumni and the private sector;

''(6) assist in the establishment or maintenance of an institutional endowment to facilitate financial independence pursuant to section 331 of this title; and

''(7) funds and administrative management, and the acquisition of equipment, including software, for use in strengthening funds management and management information systems.''.

(3) ELIGIBILITY.—Section 326(e) (20 U.S.C. 1063b(e)) is amended—

(A) in paragraph (1)

(i) by striking ''include—'' and inserting ''are the following:'';

(ii) by inserting ''and other qualified graduate programs'' before the semicolon at the end of subparagraphs (F) through (J);

(iii) by striking ''and'' at the end of subparagraph (O);

(iv) by inserting ''University'' after ''Jackson State'' in subparagraph (P);

(v) by striking the period at the end of such subparagraph and inserting a semicolon; and

(vi) by inserting after such subparagraph the following new subparagraphs:

''(Q) Norfolk State University qualified graduate program; and

''(R) Tennessee State University qualified graduate program.''; and

(B) by striking paragraphs (2) and (3) and inserting the following:

''(2) QUALIFIED GRADUATE PROGRAM.—For the purposes of this section, the term 'qualified graduate program' means a graduate or professional program that provides an accredited program of instruction in the physical or natural sciences, engineering, mathematics, or other scientific discipline in which African Americans are underrepresented and has students enrolled in such program at the time of application for a grant under this section.

''(3) SPECIAL RULE.—Institutions that were awarded grants under this section prior to October 1, 1998, shall continue to receive such grants, sub-

ject to the availability of appropriated funds, regardless of the eligibility of the institutions described in subparagraphs (Q) and (R) of paragraph (1).''; and

(C) in paragraph (4), by inserting before the period at the end the following: '', except that the president or chancellor of the institution may decide which graduate or professional school or qualified graduate program will receive funds under the grant in any one fiscal year''.

(4) FUNDING RULE.—Section 326(f) (20 U.S.C. 1063b(f)) is amended—

(A) by striking ''Of the amount appropriated'' and inserting ''Subject to subsection (g), of the amount appropriated'';

(B) in paragraph (1)—

(i) by striking ''$12,000,000'' and inserting ''$26,000,000''; and

(ii) by striking ''(A) through (E)'' and inserting ''(A) through (P)''.

(C) by striking paragraph (2) and inserting the following:

''(2) the next $1,000,000 in excess of $26,000,000 shall be available for the purpose of making grants to institutions or programs identified

in subparagraphs (Q) and (R) of subsection (e)(1); and

"(3) if the amount appropriated exceeds $27,000,000, the Secretary shall develop a formula for making allotments of such excess to each of the institutions or programs identified in subparagraphs (A) through (R) using the following elements:

"(A) the number of students enrolled in the eligible institution's professional or graduate school, or qualified graduate program which received funding under this section in the previous year;

"(B) the average cost of education per student for all full-time graduate or professional students (or the equivalent) enrolled in the eligible professional school, graduate school or doctoral students in the qualified graduate program; and

"(C) the number of students who received their first professional or doctoral degree at the professional or graduate school or the qualified graduate program in the preceding year for which the institution received funding under this section.".

(5) HOLD HARMLESS RULE.—Section 326 is further amended by adding at the end the following new subsection:

''(g) HOLD HARMLESS RULE.—Notwithstanding paragraphs (2) and (3) of subsection (f), no institution or qualified program identified in subsection (e)(1) that received a grant for fiscal year 1998 and that is eligible to receive a grant in a subsequent fiscal year shall receive a grant amount in any such subsequent fiscal year that is less than the grant amount received for fiscal year 1998, unless the amount appropriated is not sufficient to provide such grant amounts to all such institutions and programs.''.

SEC. 303. MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM.

(a) AMENDMENT.—Title III (20 U.S.C. 1051) is amended—

(1) by redesignating part D as part E; and

(2) by inserting after part C the following new part:

''PART D—MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM

''SEC. 341. PROGRAM AUTHORIZED.

''The Secretary shall, in accordance with the provisions of this part, carry out a program of making grants

to institutions of higher education that are designed to effect long-range improvements in science and engineering education, and improve support programs for minority students enrolled in science and engineering programs at predominantly minority institutions.

"SEC. 342. USE OF FUNDS.

''Funds appropriated for the purpose of this subpart may be made available for—

''(1) providing needed services to groups of minority institutions or providing training for scientists and engineers from eligible minority institutions;

''(2) providing needed services to groups of institutions serving significant numbers of minority students or providing training for scientists and engineers from such institutions to improve their ability to train minority students in science or engineering;

''(3) assisting minority institutions to improve the quality of preparation of their students for graduate work or careers in science, mathematics, and technology;

''(4) improving access of undergraduate students at minority institutions to careers in the sciences, mathematics, and engineering;

"(5) improving access of minority students, particularly minority women, to careers in the sciences, mathematics, and engineering;

"(6) improving access for pre-college minority students to careers in science, mathematics, and engineering through community outreach programs conducted through colleges and universities eligible for support through the Minority Science and Engineering Improvement Programs;

"(7) disseminating activities, information, and educational materials designed to address specific barriers to the entry of minorities into science and technology, and conducting activities and studies concerning the flow of underrepresented ethnic minorities into scientific careers;

"(8) supporting curriculum models to encourage minority student participation in research careers in science, mathematics, and technology; and

"(9) improving the capability of minority institutions for self-assessment, management, and evaluation of their science, mathematics, and engineering programs and dissemination of their results.

"SEC. 343. ELIGIBILITY FOR GRANTS.

"The Secretary may make grants under this part to minority institutions (as defined in section 347), organiza-

tions, and entities to enable them to carry out programs and activities authorized by this part:

"(1)(A) institutions of higher education granting baccalaureate degrees; and

"(B) institutions of higher education granting associate degrees which—

"(i) have a curriculum including science or engineering subjects;

"(ii) apply jointly with institutions described in subparagraph (A); and

"(iii) have an articulation agreement with institutions described in subparagraph (A) for its science or engineering students; and

"(2) consortia of—

"(A) institutions which have a curriculum in science or engineering;

"(B) graduate institutions which have a curriculum in science or engineering;

"(C) Federal Education Research Centers;

"(D) research laboratories of, or under contract with, the Department of Energy;

"(E) private organizations which have science or engineering facilities; or

"(F) quasi-governmental entities which have a significant scientific or engineering mission;

to enable such institutions and consortia to carry programs and activities authorized by this part.

"SEC. 344. GRANT APPLICATION.

"(a) SUBMISSION AND CONTENTS OF APPLICATIONS.—An eligible applicant (as determined under section 343) that desires to receive a grant under this part shall submit to the Secretary an application therefore at such time or times, in such manner, and containing such information as the Secretary may prescribe by regulation. Such application shall set forth—

"(1) a program of activities for carrying out one or more of the purposes described in section 342 in such detail as will enable the Secretary to determine the degree to which such program will accomplish such purpose or purposes; and

"(2) such other policies, procedures, and assurances as the Secretary may require by regulation.

"(b) APPROVAL BASED ON LIKELIHOOD OF PROGRESS.—The Secretary shall approve an application only if the Secretary determines that the application sets forth a program of activities which are likely to make sub-

stantial progress toward achieving the purposes of this part.

"SEC. 345. CROSS PROGRAM AND CROSS AGENCY COOPERATION.

"The Minority Science and Engineering Improvement Programs shall cooperate and consult with other programs within the Department and within Federal, State, and private agencies which carry out programs to improve the quality of science, mathematics, and engineering education.

"SEC. 346. ADMINISTRATIVE PROVISIONS.

"(a) TECHNICAL STAFF.—The Secretary shall appoint, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, not less than one technical employees with appropriate scientific and educational background to administer the programs under this part who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(b) PROCEDURES FOR GRANT REVIEW.—The Secretary shall establish procedures for reviewing and evaluating grants and contracts made or entered into under such programs. Procedures for reviewing grant applications, based on the peer review system, or contracts for

financial assistance under this title may not be subject to any review outside of officials responsible for the administration of the Minority Science and Engineering Improvement Program.

"SEC. 347. DEFINITIONS.

''For the purpose of this part—

''(1) The term 'minority institution' means an institution of higher education whose enrollment of a single minority or a combination of minorities (as defined in paragraph (2)) exceeds 50 percent of the total enrollment. The Secretary shall verify this information from the data on enrollments in the higher education general information surveys (HEGIS) furnished by the institution to the Office for Civil Rights, Department of Education.

''(2) The term 'minority' means American Indian, Alaskan Native, Black (not of Hispanic origin), Hispanic (including persons of Mexican, Puerto Rican, Cuban, and Central or South American origin), Pacific Islander or other ethnic group underrepresented in science and engineering.

''(3) The term 'science' means, for the purpose of this program, the biological, engineering, mathematical, physical, behavioral, and social sciences, and history and philosophy of science; also included are

interdisciplinary fields which are comprised of overlapping areas among two or more sciences.''.

SEC. 304. GENERAL PROVISIONS.

(a) APPLICATIONS FOR ASSISTANCE.—Section 351(a) (20 U.S.C. 1066(a)) is amended to read as follows:

''(a) APPLICATIONS.—

''(1) APPLICATIONS REQUIRED.—Any institution which is eligible for assistance under this title shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate its need for assistance. Subject to the availability of appropriations to carry out this title, the Secretary may approve an application for a grant under this title only if the Secretary determines that—

''(A) the application meets the requirements of subsection (b);

''(B) the applicant is eligible for assistance in accordance with the part of this title under which the assistance is sought; and

''(C) the applicant's performance goals are sufficiently rigorous as to meet the purposes of this title and the performance objectives and indicators for this title established by the Sec-

retary pursuant to the Government Performance and Results Act.

"(2) PRELIMINARY APPLICATIONS.—In carrying out paragraph (1), the Secretary shall develop a preliminary application for use by eligible institutions applying under part A prior to the submission of the principal application.".

(b) CONTENTS OF APPLICATIONS.—Section 351(b) is amended—

(1) in paragraph (5)(A), by inserting "and the Government Performance and Results Act" after "under this title"; and

(2) in paragraph (6), by inserting before the semicolon the following: ", except that for purposes of section 316, paragraphs (2) and (3) shall not apply".

(c) WAIVERS.—Section 352(a) (20 U.S.C. 1067(a)) is amended—

(1) by striking "or" at the end of paragraph (5);

(2) by redesignating paragraph (6) as paragraph (7); and

(3) by inserting after paragraph (5) the following new paragraph:

"(6) that is a tribally controlled community college as defined in the Tribally Controlled Community College Act of 1978; or".

(d) APPLICATION REVIEW PROCESS.—Section 353(a) (20 U.S.C. 1068(a)) is amended—

(1) in paragraph (2), by striking "Native American colleges and universities" and inserting "Tribal Colleges and Universities"; and

(2) in paragraph (3)—

(A) by striking subparagraph (A); and

(B) by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(e) CONTINUATION AWARDS.—Part D of title III is amended by inserting after section 354 (20 U.S.C. 1069) the following new section:

"SEC. 355. CONTINUATION AWARDS.

"The Secretary shall make continuation awards under this title for the second and succeeding years of a grant only after determining that the recipient is making satisfactory progress in carrying out the grant.".

(f) AUTHORIZATION OF APPROPRIATIONS.—Section 360 (20 U.S.C. 1069f) is amended—

(1) by striking subsection (a) and inserting the following:

"(a) AUTHORIZATIONS.—

"(1) PART A.—(A) There are authorized to be appropriated to carry out part A (other that sections 316), $135,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(B) There are authorized to be appropriated to carry out section 316, $10,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(2) PART B.—(A) There are authorized to be appropriated to carry out part B (other than section 326), $135,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(B) There are authorized to be appropriated to carry out section 326, $35,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(3) PART C.—There are authorized to be appropriated to carry out part C, $10,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(4) PART D.—There are authorized to be appropriated to carry out Part D, $10,000,000 for fis-

cal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.''; and

(2) by striking subsections (c), (d), and (e).

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS

SEC. 401. PELL GRANTS.

(a) EXTENSION OF AUTHORITY.—Section 401(a) (20 U.S.C. 1070a(a)) is amended—

(1) in paragraph (1)—

(A) by striking ''September 30, 1998'' and inserting ''September 30, 2004''; and

(B) by striking the second sentence; and

(2) in paragraph (2), by striking ''the disbursement system required by paragraph (1)'' and inserting ''the disbursement of Federal Pell Grants''.

(b) AMOUNT OF GRANT.—Section 401(b)(2)(A) is amended to read as follows:

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

''(i) $4,500 for academic year 1999–2000;

''(ii) $4,700 for academic year 2000–2001;

''(iii) $4,900 for academic year 2001–2002;

''(iv) $5,100 for academic year 2002–2003; and

''(v) $5,300 for academic year 2003–2004,

less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.''.

(c) RELATION OF MAXIMUM GRANT TO TUITION AND EXPENSES.—Section 401(b)(3) is amended—

(1) by striking ''$2,400'' each place it appears and inserting ''$3,000''; and

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

''(C) An institution that charged only fees in lieu of tuition as of January 31, 1997, may include in its determination of tuition charged, fees that would normally constitute tuition.''.

(d) DEPENDENT CARE AND DISABILITY RELATED EXPENSES.—Section 401(b)(3)(B) is amended by striking ''$750'' and inserting ''$1,500''.

(e) INSTITUTIONAL INELIGIBILITY BASED ON DEFAULT RATES.—Section 401 is amended by adding at the end the following new subsection:

''(j) INSTITUTIONAL INELIGIBILITY BASED ON DEFAULT RATES.—

''(1) IN GENERAL.—No institution of higher education shall be an eligible institution for purposes of this section if such institution of higher education is ineligible to participate in a loan program under

this title as a result of a final default rate determination made by the Secretary under part B or D of this title, or both, after the final publication of fiscal year 1996 cohort default rates.

"(2) SANCTIONS SUBJECT TO APPEAL OPPORTUNITY.—No institution may be subject to the terms of this subsection unless it has had the opportunity to appeal its default rate determination under regulations issued by the Secretary for the Federal Family Education Loan or Federal Direct Loan Program, as applicable. This subsection shall not apply to an institution that was not participating in the loan programs authorized under part B or D of this title on the date of enactment of the Higher Education Amendments of 1998, unless the institution subsequently participates in the loan programs.".

(f) PELL GRANT INCENTIVES.—Subpart 1 of part A of title IV of the Higher Education Act of 1965 is amended by inserting after section 401 (20 U.S.C. 1070a) the following new section:

"SEC. 401A. PELL GRANT INCENTIVES.

"(a) PROGRAM AUTHORITY.—From the amounts appropriated pursuant to subsection (d), the Secretary shall establish a program to increase the Pell grant awards

under section 401 during their first two academic years of undergraduate education to students who graduate after May 1, 1998, in the top 10 percent of their high school graduating class.

"(b) AMOUNT OF INCREASE.—The additional amount of Pell grant that shall be awarded under this section to any student who qualifies under this section shall be an amount equal to the amount for which the student is eligible under section 401 (determined without regard to the provisions of this section), except that if the amount appropriated pursuant to subsection (d) is less than the amount required to award such additional amounts to all such students, the additional amount awarded to each such student under this section shall be ratably reduced.

"(c) DETERMINATIONS OF ELIGIBILITY.—

"(1) PROCEDURES ESTABLISHED BY REGULATION.—The Secretary shall establish by regulation procedures for the determination of eligibility of students for increased Pell grant awards under this section. Such procedures shall include measures to prevent any secondary school from certifying more than 10 percent of it's students for eligibility under this section.

"(2) COORDINATION WITH NEED ANALYSIS.—In prescribing procedures under paragraph (1), the

Secretary shall ensure that the determination of eligibility and the amount of the increase in the Pell grant award is determined in a timely manner consistent with the requirements of section 482 and the submission of the financial aid form required by section 483. For such purposes, the Secretary may provide that, for the first of a student's two academic years of eligibility under this section, class rank may be determined prior to graduation, at such time and in such manner as the Secretary may specify in the regulations prescribed under this subsection.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to award increased Pell grants under this section $240,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.''.

(g) CONFORMING AMENDMENTS.—

(1) Section 400(a)(1) (20 U.S.C. 1070(a)(1)) is amended by striking ''basic educational opportunity grants'' and inserting ''Federal Pell Grants''.

(2) The heading of subpart 1 of part A of title IV is amended to read as follows:

''Subpart 1—Federal Pell Grants''.

(3) Section 401 is amended—

(A) in the heading of the section, by striking "**BASIC EDUCATIONAL OPPORTUNITY**" and inserting "**FEDERAL PELL**";

(B) in subsection (a)(3), by striking "Basic grants" and inserting "Grants";

(C) by striking "basic grant" each place it appears and inserting "Federal Pell Grant"; and

(D) by striking "basic grants" each place it appears and inserting "Federal Pell Grants".

(4) Section 401(f)(3) is amended by striking "Education and Labor" and inserting "Education and the Workforce".

(5) Section 452(c) (20 U.S.C. 1087b(c)) is amended by striking "basic grants" and inserting "Federal Pell Grants".

(6) Subsections (j)(2) and (k)(3) of section 455 (20 U.S.C. 1087e) are each amended by striking "basic grants" and inserting "Federal Pell Grants".

SEC. 402. FEDERAL TRIO PROGRAMS.

(a) PROGRAM AUTHORITY; AUTHORIZATION OF APPROPRIATIONS.—

(1) DURATION OF GRANTS.—Section 402A(b)(2) (20 U.S.C. 1070a–11(b)(2)) is amended—

(A) by striking subparagraph (A);

(B) by striking the period at the end of subparagraph (B) and inserting "; and";

(C) by redesignating subparagraph (B) as subparagraph (A); and

(D) by adding at the end the following new subparagraph:

"(B) grants under section 402H shall be awarded for a period determined by the Secretary.".

(2) MINIMUM GRANTS.—Section 402A(b)(3) is amended to read as follows:

"(3) MINIMUM GRANTS.—Unless the institution or agency requests a smaller amount, individual grants under this chapter shall be no less than—

"(A) $170,000 for programs authorized by sections 402D and 402G;

"(B) $180,000 for programs authorized by sections 402B and 402F; and

"(C) $190,000 for programs authorized by sections 402C and 402E.".

(3) PROCEDURES FOR AWARDING GRANTS AND CONTRACTS.—Subsection (c) of section 402A is amended to read as follows:

"(c) PROCEDURES FOR AWARDING GRANTS AND CONTRACTS.—

"(1) APPLICATION REQUIREMENTS.—An eligible entity that desires to receive a grant or contract under this chapter shall submit an application to the Secretary in such manner and form, and containing such information and assurances, as the Secretary may reasonably require.

"(2) PRIOR EXPERIENCE.—In making grants under this chapter, the Secretary shall consider each applicant's prior experience of service delivery under the particular program for which funds are sought. The level of consideration given the factor of prior experience shall not vary from the level of consideration given such factor during fiscal years 1994 through 1997, except that grants made under section 402H shall not be given prior experience consideration.

"(3) ORDER OF AWARDS; PROGRAM FRAUD.—(A) Except with respect to grants made under sections 402G and 402H and as provided in subparagraph (B), the Secretary shall award grants and contracts under this chapter in the order of the scores received by the application for such grant or contract in the peer review process required under

section 110 and adjusted for prior experience in accordance with paragraph (2) of this subsection.

"(B) The Secretary is not required to provide assistance to a program otherwise eligible for assistance under this chapter, if the Secretary has determined that such program has involved the fraudulent use of funds under this chapter.

"(4) PEER REVIEW PROCESS.—(A) The Secretary shall assure that, to the extent practicable, members of groups underrepresented in higher education, including African Americans, Hispanics, Native Americans, Alaska Natives, Asian Americans, Native American Pacific Islanders (including Native Hawaiians), are represented as readers of applications submitted under this chapter. The Secretary shall also assure that persons from urban and rural backgrounds are represented as readers.

"(B) The Secretary shall ensure that each application submitted under this chapter is read by at least 3 readers who are not employees of the Federal Government (other than as readers of applications).

"(5) NUMBER OF APPLICATIONS FOR GRANTS AND CONTRACTS.—The Secretary shall not limit the number of applications submitted by an entity under any program authorized under this chapter if the

additional applications describe programs serving different populations or campuses.

"(6) COORDINATION WITH OTHER PROGRAMS FOR DISADVANTAGED STUDENTS.—The Secretary shall encourage coordination of programs assisted under this chapter with other programs for disadvantaged students operated by the sponsoring institution or agency, regardless of the funding source of such programs. The Secretary shall not limit an entity's eligibility to receive funds under this chapter because such entity sponsors a program similar to the program to be assisted under this chapter, regardless of the funding source of such program. The Secretary shall permit the Director of a program receiving funds under this chapter to administer one or more additional programs for disadvantaged students operated by the sponsoring institution or agency, regardless of the funding sources of such programs.

"(7) APPLICATION STATUS.—The Secretary shall inform each entity operating programs under this chapter regarding the status of their application for continued funding at least 8 months prior to the expiration of the grant or contract. The Secretary, in the case of an entity that is continuing to operate

a successful program under this chapter, shall ensure that the start-up date for a new grant or contract for such program immediately follows the termination of preceding grant or contract so that no interruption of funding occurs for such successful reapplicants. The Secretary shall inform each entity requesting assistance under this chapter for a new program regarding the status of their application at least 8 months prior to the proposed startup date of such program.''.

(4) AUTHORIZATION OF APPROPRIATIONS.—Section 402A(f) is amended—

(A) by striking ''$650,000,000 for fiscal year 1993'' and inserting ''$800,000,000 for fiscal year 1999''; and

(B) by striking everything after the first sentence.

(b) TALENT SEARCH.—Section 402B(b) (20 U.S.C. 1070a–12(b)) is amended—

(1) by striking paragraph (4) and inserting the following:

''(4) guidance on and assistance in secondary school reentry, entry to general educational development (GED) programs, other alternative education

programs for secondary school dropouts, or post-secondary education;''; and

(2) in paragraph (8), by striking ''parents'' and inserting ''families''.

(c) UPWARD BOUND.—Section 402C (20 U.S.C. 1070a–13) is amended—

(1) in subsection (b)—

(A) in paragraph (2), by striking ''personal counseling'' and inserting ''counseling and workshops'';

(B) in paragraph (6)—

(i) by inserting ''work-study and other'' before ''activities''; and

(ii) by inserting before the semicolon at the end the following: '', including careers requiring a postsecondary degree'';

(C) in paragraph (9), by striking ''and'' at the end;

(D) in paragraph (10), by striking ''through (9)'' and inserting ''through (10)''; and

(E) by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following new paragraph:

"(10) special services to enable veterans to make the transition to postsecondary education; and"; and

(2) in subsection (c), by inserting ", other than a project a majority of the participants in which are veterans," after "this chapter".

(d) STUDENT SUPPORT SERVICES.—Section 402D(c)(6) (20 U.S.C. 1070a–14(c)(6)) is amended by inserting before the period at the end the following: "and minimize the student's loan burden".

(e) POSTBACCALAUREATE ACHIEVEMENT PROGRAM.—Section 402E (20 U.S.C. 1070a–15) is amended—

(1) in subsection (c)(3), by inserting "or accepted in a graduate program" after "degree program"; and

(2) in subsection (e)(1), by striking "$2,400" and inserting "$3,200".

(f) STAFF DEVELOPMENT ACTIVITIES.—Section 402G(b) (20 U.S.C. 1070a–17(b)) is amended by inserting after paragraph (3) the following new paragraph:

"(4) The use of appropriate educational technology in the operation of projects assisted under this chapter.".

(g) EVALUATION FOR PROJECT IMPROVEMENT.—Section 402H(b) (20 U.S.C. 1070a–18(b)) is amended by adding at the end the following new sentence: ''Such evaluations shall also investigate the effectiveness of alternative and innovative methods within Federal TRIO programs of increasing access to, and retention of, students in postsecondary education.''.

SEC. 403. NATIONAL EARLY INTERVENTION AND PARTNERSHIP PROGRAM.

Section 404G (20 U.S.C. 1070a–27) is amended by striking ''1993'' and inserting ''1999''.

SEC. 404. REPEALS.

(a) REPEALS OF SUBPART 2 PROVISIONS.—The following provisions of subpart 2 of part A of title IV are repealed:

(1) Chapter 3 (20 U.S.C. 1070a–31 et seq.).

(2) Chapter 4 (20 U.S.C. 1070a–41 et seq.).

(3) Chapter 5 (20 U.S.C. 1070a–51 et seq.).

(4) Chapter 6 (20 U.S.C. 1070a–61 et seq.).

(5) Chapter 7 (20 U.S.C. 1070a–71 et seq.).

(6) Chapter 8 (20 U.S.C. 1070a–81 et seq.).

(b) SUBPART 8.—Subpart 8 of part A of title IV (20 U.S.C. 1070f) is repealed.

(c) CONFORMING AMENDMENT.—Section 400(b) (20 U.S.C. 1070(b)) is amended by striking ''subparts 1 through 8'' and inserting ''subparts 1 through 6''.

SEC. 405. ESTABLISHMENT OF NEW PROGRAMS.

Subpart 2 of part A of title IV is amended by inserting after chapter 2 (20 U.S.C. 1070a–81) the following new chapters:

''CHAPTER 3—HIGH HOPES FOR COLLEGE

''Subchapter A—21st Century Scholar Certificates

''SEC. 406A. 21ST CENTURY SCHOLAR CERTIFICATES.

''(a) FINDINGS.—The Congress makes the following findings:

''(1) Among low-income students who, despite high test scores, are not planning on attending college, nearly 60 percent cite an inability to afford school as the reason.

''(2) About 80 percent of our 12th graders who are interested in continuing their education after high school go on to college if their parents read materials about financial aid, compared to only 55 percent of such students if their parents do not read this material.

''(3) In 1996, the American Council on Education found that the public overestimated the tuition of public 2-year colleges by about 3 times the

actual average tuition, of public 4-year colleges by over twice the actual average tuition, and of private 4-year universities by almost one-third more than the actual average tuition.

"(4) There is a need for, and a significant benefit from, providing students, and through them their parents, with information about the variety of Federal student financial assistance programs, such as Pell grants, Federal work-study and loans, and the AmeriCorps Education Awards that make college more affordable than ever before.

"(b) AUTHORITY.—

"(1) The Secretary, using funds appropriated under section 407H(a) of this Act—

"(A) shall ensure that certificates, to be known as 21st Century Scholar Certificates, are provided to all students participating in projects under chapter 2; and

"(B) may, as practicable, ensure that such certificates are provided to all students in grades 6 through 12 who attend schools at which at least 50 percent of the students enrolled are eligible for free or reduced-price lunch.

"(2) A 21st Century Scholar Certificate shall be personalized for each student and indicate the amount of Federal financial aid for college for which a student may be eligible.

"Subchapter B—High Hopes Partnerships

"SEC. 407A. PURPOSE.

"It is the purpose of this chapter to encourage and prepare students in low-income communities, beginning not later than the 7th grade, to prepare for, enter, and successfully complete college by assisting college-school-community partnerships to—

"(1) provide in-school and on-campus early college awareness activities to these students and their parents;

"(2) ensure ongoing adult guidance and other support to these students;

"(3) provide useful, early information to these students and their parents on the need for, options related to, and financing (including the availability of financial assistance) of a college education; and

"(4) help ensure that these students have access to rigorous core courses, such as algebra and geometry, that prepare them for college.

"SEC. 407B. GRANTS.

"(a) GRANTS AUTHORIZED.—From funds appropriated under section 407H(a), the Secretary shall make grants to college-school-community partnerships for activities under section 407D.

"(b) ELIGIBLE PARTNERSHIP.—For purposes of this chapter, an eligible partnership shall include—

"(1) one or more local educational agencies acting on behalf of—

"(A) one or more participating schools; and

"(B) the public secondary schools that students from these schools would normally attend;

"(2) one or more degree granting institutions of higher education; and

"(3) at least two community organizations or entities, such as State agencies, businesses, professional associations, community-based organizations, or other public or private agencies or organizations.

"(c) DEFINITIONS.—For the purpose of this chapter—

"(1) 'participating school' means a public school in which—

"(A) there is a 7th grade;

"(B) one or more cohorts of students receive services under this chapter; and

"(C) at least 50 percent of the students enrolled are eligible for free or reduced-price lunch; and

"(2) 'cohort of students' means—

"(A) an entire grade level of students in a participating school; or

"(B) if the partnership determines that it would promote the effectiveness of a project, an entire grade level of students, beginning not later than the 7th grade, who reside in public housing as defined in section 3(b)(1) of the United States Housing Act of 1937.

"(d) DURATION.—Each grant awarded under this chapter shall be for a 6-year period.

"(e) COST SHARING.—

"(1) Federal funds shall provide no more than 80 percent of the cost of the project in the first year, 70 percent of the cost in the second year, 60 percent of the cost in the third year, 50 percent of the cost in the fourth year, 40 percent of the cost in the fifth year, and 30 percent of the cost in the sixth year.

"(2) The non-Federal share of grants awarded under this chapter may—

"(A) be in cash or in kind, fairly evaluated, including services, supplies, or equipment; and

"(B) include the non-Federal share of work-study grants under part C of title IV of this Act awarded to students who serve as tutors or mentors in projects under this chapter.

"(3) The Secretary may waive the cost sharing requirement described in paragraph (1) for any eligible partnership that demonstrates to the satisfaction of the Secretary an extraordinary hardship that prevents compliance with that requirement.

"(f) EQUITABLE GEOGRAPHIC DISTRIBUTION.—To the extent possible, the Secretary shall award grants under this chapter in a manner that achieves an equitable geographic distribution of those grants.

"(g) PRIORITY AWARDS UNDER CHAPTER 2.—Before making grants under this chapter for fiscal year 1999, the Secretary shall, as appropriate, make awards to recipients eligible for continuation awards under chapter 2 of subpart 2 of this title as it was in effect prior to the enactment of the Higher Education Amendments of 1998.

"SEC. 407C. GRANT APPLICATION; PREFERENCES.

"(a) APPLICATION REQUIRED.—An eligible partnership desiring to receive a grant under this chapter shall submit an application to the Secretary, in such form and containing such information, as the Secretary may require.

"(b) APPLICATION CONTENTS.—Each application shall include—

"(1) the name of each partner and a description of its responsibilities, including the designation of either an institution of higher education or a local educational agency as the fiscal agent for the partnership;

"(2) a description of the need for the project, including a description of how the project will build on existing services and activities, if any;

"(3) a listing of the human, financial (other than funds under this chapter), and other resources that each member of the partnership will contribute to the partnership, and a description of the efforts each member of the partnership will make in seeking additional resources;

"(4) a description of how the project will operate, including how grant funds will be used to meet the purpose of this chapter;

"(5) a description of how services will be coordinated with, and will complement and enhance, services received by participating schools and students under other related Federal and non-Federal programs, including programs under title I, part A of title VII, and part 1 of title X of the Elementary and Secondary Education Act of 1965, the School-to-Work Opportunities Act of 1994, section 402 of this Act, and the Individuals with Disabilities Education Act;

"(6) a description of how the partnership will support and continue the services under this chapter after the grant has expired;

"(7) an assurance from each local educational agency using funds under this chapter that—

"(A) at least 50 percent of the students enrolled in each participating school are eligible for free or reduced-price lunch;

"(B) its aggregate expenditures per student for activities described in this chapter will not be reduced from the level of such expenditures in the year prior to the grant; and

"(C) someone at each participating school will be designated as the primary point of contact for the partnership;

"(8) an assurance that participating students will have access to rigorous core academic courses that reflect challenging State or local academic standards; and

"(9) an assurance that members will provide the performance information required by the Secretary, which would be used to base continuation of the grant.

"(c) PREFERENCES.—In reviewing applications under this chapter, the Secretary shall give preference to projects that—

"(1) will serve participating schools in which at least 75 percent of the students enrolled are eligible for free or reduced-price lunch;

"(2) provide a commitment from non-Federal sources to pay all or part of the cost of college, through tuition assistance or guarantees (not already available), such as 'last-dollar grants', for participating students; and

"(3) hold participating students responsible for school or community service and high academic performance.

"SEC. 407D. PROGRAM REQUIREMENTS; USES OF FUNDS.

"(a) PROGRAM REQUIREMENTS.—Projects under this chapter shall—

"(1) have a program coordinator who is either full-time or whose primary responsibility is the project under this chapter;

"(2) provide services to at least one cohort of students, beginning not later than the 7th grade;

"(3) ensure that the services authorized under this chapter are provided through the 12th grade to students in the cohort, including students who attend another participating school or a secondary school identified under section 407B(b)(1)(B);

"(4) include activities and information that foster and improve parent involvement in promoting postsecondary education for their children, including the provision of useful early information on the advantages of a college education, academic admissions requirements, and the need to take core courses, admissions and achievement tests, application procedures, college costs and options, and the availability of student financial aid;

"(5) include academic counseling, career awareness, and tutoring or mentoring from trained personnel, as well as other student support services that enable students to succeed academically and apply for, enter, and complete college;

"(6) include training in promoting early college awareness for classroom teachers, guidance counselors, and staff of the schools involved in the project; faculty and program personnel in participating institutions of higher education; and participating mentors and tutors;

"(7) include activities on college campuses and enrichment activities associated with postsecondary education; and

"(8) include arrangements that ensure that all participating students have access to rigorous core courses that reflect challenging State or local academic standards and that prepare them for college.

"(b) USE OF FUNDS.—In addition to the activities described in subsection (a), recipient of funds under this chapter may use them—

"(1) where necessary and appropriate to ensure active participation, to pay stipends to participating students and their mentors;

"(2) where necessary and appropriate to ensure active participation, to pay transportation costs for participants to attend project-sponsored activities;

"(3) to provide out-of-school and summer activities related to the project;

"(4) for project evaluation; and

"(5) to recognize the responsibility and achievement of participating students through ceremonies, awards, and other means.

"SEC. 407E. SERVICES FOR STUDENTS ATTENDING PRIVATE SCHOOLS.

"A local educational agency that participates in an eligible partnership shall provide services supported with Federal funds under this chapter on an equitable basis, consistent with section 14503 of Elementary and Secondary Education Act of 1965, to students in private schools that—

"(1) have a 7th grade;

"(2) have students at least 50 percent of whom are eligible for free or reduced-price lunch; and

"(3) are located in the normal attendance area of a participating school.

"SEC. 407F. EVALUATION.

"In order to improve the operation of the program assisted under this chapter, the Secretary shall, with funds appropriated under section 407H(a), make grants to, and enter into contracts and cooperative agreements with, institutions of higher education and other public and private institutions and organizations to evaluate the effectiveness of the program assisted under this chapter and, as appropriate, disseminate such results.

"SEC. 407G. PEER REVIEW.

''The Secretary shall use a peer review process to review applications under this chapter and make recommendations for funding to the Secretary.

"SEC. 407H. AUTHORIZATION OF APPROPRIATIONS.

''(a) AUTHORIZATION OF APPROPRIATION.—There are authorized to be appropriated $140,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 5 succeeding fiscal years to carry out this chapter.

''(b) RESERVATION FOR TECHNICAL ASSISTANCE AND PEER REVIEW.—From the amount appropriated under subsection (a) for any fiscal year, the Secretary may reserve up 0.5 percent of that amount to obtain additional qualified readers and additional staff to review applications, to increase the level of oversight monitoring, to support impact studies, program assessments and reviews, and to provide technical assistance to potential applicants and current grantees.

"CHAPTER 4—FRANK TEJEDA SCHOLARSHIP PROGRAM

"SEC. 408A. STATEMENT OF PURPOSE.

''It is the purpose of this chapter to establish a Frank Tejeda Scholarship Program to recruit and train teachers who are proficient in both Spanish and English and who show promise of academic achievement.

"SEC. 408B. SCHOLARSHIPS AUTHORIZED.

"(a) PROGRAM AUTHORITY.—The Secretary is authorized, in accordance with the provisions of this chapter, to award scholarships to individuals consistent with the purposes of this chapter.

"(b) TEJEDA SCHOLARS.—Individuals awarded scholarships under this chapter shall be known as 'Tejeda Scholars'.

"SEC. 408C. ALLOCATION AMONG STATES.

"(a) ALLOCATION FORMULA.—From the sums appropriated pursuant to the authority of section 408H for any fiscal year, the Secretary shall allocate to each State an amount equal to $5,000 multiplied by the number of scholarships determined by the Secretary to be available to such State in accordance with subsection (b).

"(b) NUMBER OF SCHOLARSHIPS AVAILABLE.—The number of scholarships to be made available in a State for any fiscal year shall bear the same ratio to the number of scholarships made available to all States as the State's population ages 5 through 17 bears to the population ages 5 through 17 in all the States, except that not less than 10 scholarships shall be made available to any State.

"(c) USE OF CENSUS DATA.—For the purpose of this section, the population ages 5 through 17 in a State and in all the States shall be determined by the most recently available data, satisfactory to the Secretary, from the Bu-

reau of the Census. The Bureau of the Census shall produce and publish intercensal data for Puerto Rico and the other territories.

"SEC. 408D. ELIGIBILITY OF SCHOLARS.

"(a) HIGH SCHOOL GRADUATION OR EQUIVALENT AND ADMISSION TO INSTITUTION REQUIRED.—Each student awarded a scholarship under this chapter shall—

"(1) be—

"(A) a low-income individual, as that term is defined in section 402A(g)(2) of this title; or

"(B) an individual who is eligible for a Pell Grant under subpart 1 of this part;

"(2) be a citizen of the United States;

"(3) be a resident of the State in which he or she applies;

"(4) be enrolled or accepted for enrollment on a full- or part-time basis, at a graduate or undergraduate level, in an institution of higher education that has an accredited teacher preparation program;

"(5) have demonstrated proficiency in the English and Spanish languages, as certified by the applicant's academic institution; and

"(6) have agreed, upon graduation from such program—

"(A) to serve no less than one year for each year of scholarship assistance, but no fewer than two years of service in total, as a teacher in a public elementary or secondary school in which there is a demonstrated need for Spanish-speaking teachers and professionals, as determined by the Secretary;

"(B) to complete such service within 6 years of graduation; and

"(C) that if the student is unable to complete such service, the student will, except as provided in subsection (c), repay the Secretary the total amount, or a pro rata amount of the scholarship received under this chapter in proportion to the amount of service completed, plus interest and collection costs in the same manner as repayment of a student loan made under part D of this title.

"(b) SELECTION BASED ON PROMISE OF ACADEMIC ACHIEVEMENT.—Each student awarded a scholarship under this chapter must demonstrate outstanding academic achievement and show promise of continued academic achievement, as certified by the student's academic institution.

"(c) EXCEPTION TO REPAYMENT OBLIGATION.—

"(1) DEFERRAL DURING CERTAIN PERIODS.—A recipient shall not be considered in violation of the agreement entered into pursuant to subsection (a)(4)(C) during any period in which the recipient—

"(A) is pursuing a full-time course of study related to the field of teaching at an eligible institution;

"(B) is serving, not in excess of 3 years, as a member of the armed services of the United States;

"(C) is temporarily totally disabled for a period of time not to exceed 3 years as established by sworn affidavit of a qualified physician;

"(D) is unable to secure employment for a period not to exceed 12 months by reason of having to care for a spouse, child, parent, or immediate family member who is disabled;

"(E) is seeking and unable to find full-time employment for a single period not to exceed 12 months;

"(F) is seeking and unable to find full-time employment as a teacher in a public or private nonprofit preschool, elementary or secondary

school, or education program for a single period not to exceed 27 months; or

"(G) satisfies the provisions of additional repayment exceptions that may be prescribed by the Secretary in regulations issued pursuant to this subpart.

"(2) FORGIVENESS IF PERMANENTLY TOTALLY DISABLED.—A recipient shall be excused from repayment of any scholarship assistance received under this chapter if the recipient becomes permanently totally disabled as established by sworn affidavit of a qualified physician.

"SEC. 408E. SELECTION OF SCHOLARS.

"(a) ESTABLISHMENT OF CRITERIA.—The Secretary shall establish criteria for the selection of scholars under this chapter that meet the requirements of section 408D.

"(b) TIMING OF SELECTION.—The selection process shall be completed, and the awards made, no later than May 1 of the academic year preceding the academic year for which the award will be used.

"SEC. 408F. STIPENDS AND SCHOLARSHIP CONDITIONS.

"(a) AMOUNT OF AWARD.—Each student awarded a scholarship under this chapter shall receive a stipend of $5,000 for the academic year of study for which the scholarship is awarded, except that in no case shall the total

amount of financial aid awarded to such student exceed such student's total cost-of-attendance.

"(b) USE OF AWARD.—The State educational agency shall establish procedures to assure that a scholar awarded a scholarship under this chapter pursues a course of study at an institution of higher education.

"SEC. 408G. CONSTRUCTION OF NEEDS PROVISIONS.

"Notwithstanding section 471, nothing in this chapter, or any other Act, shall be construed to permit the receipt of a scholarship under this chapter to be counted for any needs test in connection with the awarding of any grant or the making of any loan under this Act or any other provision of Federal law relating to educational assistance.

"SEC. 408H. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated for this chapter $5,000,000 for fiscal year 1998 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"CHAPTER 5—CAMPUS-BASED CHILD CARE

"SEC. 410A. CAMPUS-BASED CHILD CARE.

"(a) PROGRAM AUTHORIZED.—

"(1) AUTHORITY.—The Secretary may award grants to institutions of higher education to assist

the institutions in providing campus-based child care services to low-income students.

"(2) AMOUNT OF GRANTS.—

"(A) IN GENERAL.—The amount of a grant awarded to an institution of higher education under this section for a fiscal year shall not exceed 1 percent of the total amount of all Federal Pell Grant funds awarded to students enrolled at the institution of higher education for the preceding fiscal year.

"(B) MINIMUM.—A grant under this section shall be awarded in an amount that is not less than $10,000.

"(3) DURATION AND PAYMENTS.—

"(A) DURATION.—The Secretary shall award a grant under this section for a period of 3 years.

"(B) PAYMENTS.—Subject to paragraph (2), the Secretary shall make annual grant payments under this section.

"(4) ELIGIBLE INSTITUTIONS.—An institution of higher education shall be eligible to receive a grant under this section for a fiscal year if the total amount of all Federal Pell Grant funds awarded to students enrolled at the institution of higher edu-

cation for the preceding fiscal year equals or exceeds $350,000.

"(5) USE OF FUNDS.—Grant funds under this section shall be used by an institution of higher education to support or establish a campus-based child care program serving the needs of low-income students enrolled at the institution of higher education.

"(6) DEFINITION OF LOW-INCOME STUDENT.—For the purpose of this section, the term 'low-income student' means a student who is eligible to receive a Federal Pell Grant for the fiscal year for which the determination is made.

"(b) APPLICATIONS.—An institution of higher education desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each application shall—

"(1) demonstrate that the institution is an eligible institution described in subsection (a)(4);

"(2) specify the amount of funds requested;

"(3) demonstrate the need of low-income students at the institution for campus-based child care services by including in the application student demographics and other relevant data;

"(4) identify the resources the institution will draw upon to support the child care program and the participation of low-income students in the program, such as accessing social services funding, using student activity fees to help pay the costs of child care, using resources obtained by meeting the needs of parents who are not low-income students, accessing foundation, corporate, or other institutional support, and demonstrating that the use of the resources will not result in increases in student tuition;

"(5) contain an assurance that the institution will meet the child care needs of low-income students through the provision of services, or through a contract for the provision of services;

"(6) provide a timeline, covering the period from receipt of the grant through the provision of the child care services, delineating the specific steps the institution will take to achieve the goal of providing low-income students with child care services;

"(7) specify any measures the institution will take to assist low-income students with child care during the period before the institution provides child care services;

"(8) include a plan for identifying resources needed for the child care services, including space in which to provide child care services, and technical assistance if necessary;

"(9) contain an assurance that any child care facility assisted under this section will meet the applicable State or local government licensing, certification, approval, or registration requirements; and

"(10) contain a plan for any child care facility assisted under this section to become accredited within 3 years of the date the institution first receives assistance under this section.

"(c) REPORTING REQUIREMENTS; CONTINUING ELIGIBILITY.—

"(1) REPORTING REQUIREMENTS.—

"(A) REPORTS.—Each institution of higher education receiving a grant under this section shall report to the Secretary 18 months and 36 months after receiving the first grant payment under this section.

"(B) CONTENTS.—The report shall include—

"(i) data on the population served under this section;

"(ii) information on campus and community resources and funding used to help low-income students access child care services;

"(iii) information on progress made toward accreditation of any child care facility; and

"(iv) information on the impact of the grant on the quality, availability, and affordability of campus-based child care services.

"(2) CONTINUING ELIGIBILITY.—The Secretary shall make the third annual grant payment under this section to an institution of higher education only if the Secretary determines, on the basis of the 18-month report submitted under paragraph (1), that the institution is making a good faith effort to ensure that low-income students at the institution have access to affordable, quality child care services.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $30,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"CHAPTER 6—PUBLIC SAFETY OFFICER MEMORIAL SCHOLARSHIPS

"SEC. 411A. SCHOLARSHIPS AUTHORIZED.

"(a) IN GENERAL.—

"(1) SCHOLARSHIP AWARDS.—The Secretary is authorized to award a scholarship to any eligible applicant who is enrolled, or has been accepted for enrollment, in an eligible institution as a full-time or part-time postsecondary level student.

"(2) APPLICATION.—To receive a scholarship award under this chapter, each eligible applicant shall submit an application to the Secretary in such time and manner as may be determined appropriate by the Secretary—

"(A) accompanied by a certification from the head of the agency that employed the public safety officer to whom the applicant was married (in the case of a surviving spouse), or with whom the applicant was living or from whom the applicant was receiving support contributions (in the case of a dependent child), stating that such officer died as a result of the performance of the officer's official duties; and

"(B) demonstrating the applicant's need for financial aid under part F of this title, de-

termined without regard to any assets derived from death benefits for such officer, to pursue a program of postsecondary education.

''(b) MAXIMUM AWARD.—For any academic year, the maximum amount of a scholarship award under this section for a postsecondary student may equal, but not exceed, the lesser of the following:

''(1) The average cost of attendance (as defined in section 472), at a State university in the State in which the student resides, for a State resident carrying the same academic workload as the student, with the same number of dependents as the student, and residing in the same type of housing as the student.

''(2) The actual cost of attendance (as defined in section 472) of such student.

''(c) AWARD PERIOD.—The duration of each award under this chapter for a postsecondary student, shall be the lesser of—

''(1) the time actually required by the student to complete a course of study and obtain a diploma; and

''(2) 6 years in the case of a student engaged in undergraduate studies and 3 years in the case of a student engaged in postgraduate studies.

"(d) NOTIFICATION.—The Secretary shall notify the recipient and the eligible institution of the applicant's selection for receipt of an award under this chapter, the conditions pertaining to award eligibility and continuance.

"(e) FISCAL AGENT.—The Secretary shall, if practicable, use the eligible institution as fiscal agent for payment of an award.

"SEC. 411B. ADDITIONAL AWARD REQUIREMENTS.

"A student awarded a scholarship grant under this chapter, as a condition for initial receipt of such award and periodically thereafter as a condition for its continuation, shall demonstrate to the satisfaction of the Secretary that the student is—

"(1) maintaining satisfactory progress in the course of study the student is pursuing consistent with section 484(c);

"(2) committed to remaining drug-free; and

"(3) attending class on a regular basis as to not interfere with normal course of studies except for excused absence for vacation, illness, military service and such other periods deemed good cause by the eligible institution or the Secretary.

"SEC. 411C. AGREEMENTS WITH ELIGIBLE INSTITUTIONS.

"For the purposes of this chapter, the Secretary is authorized to enter into agreements with eligible institu-

tions in which any student receiving a scholarship award under this chapter has enrolled or has been accepted for enrollment. Each such agreement shall—

"(1) provide that an eligible institution will cooperate with the Secretary in carrying out the provisions of this chapter, including the provision of information necessary for a student to satisfy the requirements in section 411B;

"(2) provide that the institution will conduct a periodic review to determine whether students enrolled and receiving scholarship awards continue to be entitled to payments under this chapter and will notify the Secretary of the results of such reviews; and

"(3) provide for control and accounting procedures as may be necessary to assure proper disbursements and accounting of funds paid under to the institution under section 411A(e).

"SEC. 411D. DEFINITIONS.

"In this chapter:

"(1) DEPENDENT CHILD.—The term 'dependent child' means a child who is either living with or receiving regular support contributions from a public safety officer at the time of the officer's death, including a stepchild or an adopted child.

"(2) ELIGIBLE APPLICANT.—The term 'eligible applicant' means a person residing in a State who is—

"(A) a surviving spouse; or

"(B) a dependent child.

"(3) ELIGIBLE INSTITUTION.—The term 'eligible institution' means an eligible institution as defined in section 435(a) that—

"(A) is located in a State; and

"(B) complies with the antidiscrimination provisions of section 601 of the Civil Rights Act of 1964 and does not discriminate on the basis of race.

"(4) PUBLIC SAFETY OFFICER.—The term 'public safety officer' means a person serving a public agency of a State or of a unit of general local government, with or without compensation, as—

"(A) a law enforcement officer, including a corrections or a court officer engaged in—

"(i) apprehending or attempting to apprehend of any person—

"(I) for the commission of a criminal act; or

"(II) who at the time was sought as a material witness in a criminal proceeding; or

"(ii) protecting or guarding a person held for the commission of a criminal act, or held as a material witness in connection with a criminal act; or

"(iii) lawfully preventing of, or lawfully attempting to prevent the commission of, a criminal act or an apparent criminal act in the performance of his official duty; or

"(B) a firefighter.

"(5) SURVIVING SPOUSE.—The term 'surviving spouse' means the legally married husband or wife of a public safety officer at the time of the officer's death.

"(6) UNIT OF GENERAL LOCAL GOVERNMENT.—The term 'unit of general local government' means any city, county, township, town, borough, parish, village, or any other general purpose subdivision of a State, or any Indian tribe which the Secretary of the Interior determines performs law enforcement functions.".

SEC. 406. FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS.

(a) EXTENSION OF AUTHORITY.—Section 413A(b)(1) (20 U.S.C. 1070b(b)(1)) is amended by striking ''1993'' and inserting ''1999''.

(b) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.—Subsection (d) of section 413C (20 U.S.C. 1070b–2(d)) is amended by striking ''and if the total financial need'' and all that follows and inserting the following: '', then grant funds shall be made available to such independent and less-than-full-time students.''.

(c) ALLOCATION OF FUNDS.—Section 413D (20 U.S.C. 1070b-3) is amended—

(1) by striking subsection (b);

(2) in subsection (c)(1), by striking ''three-quarters of the remainder'' and inserting ''the remainder'';

(3) in subsection (c)(2)(A)(i), by striking ''subsection (d)'' and inserting ''subsection (c)'';

(4) by redesignating subsections (c), (d), (e), and (f) as subsections (b), (c), (d), and (e), respectively; and

(5) by inserting after subsection (e) (as so redesignated) the following new subsection:

''(f) CARRY-OVER/CARRY-BACK AUTHORITY.—

''(1) CARRY-OVER AUTHORITY.—

"(A) CARRY-OVER UP TO 10 PERCENT.—Of the sums granted to an eligible institution under this subpart for any fiscal year, 10 percent may, at the discretion of the institution, remain available for expenditure during the succeeding fiscal year to carry out the program under this subpart.

"(B) REALLOCATION OF EXCESS.—Any of the sums so granted to an institution for a fiscal year which are not needed by that institution to operate programs under this subpart during that fiscal year, and which it does not wish to use during the next fiscal year as authorized in the preceding sentence, shall remain available to the Secretary for making grants under section 413B to other institutions in the same State until the close of the second fiscal year next succeeding the fiscal year for which such funds were appropriated.

"(2) CARRY-BACK AUTHORITY.—

"(A) CARRY-BACK UP TO 10 PERCENT.—Up to 10 percent of the sums the Secretary determines an eligible institution may receive from funds which have been appropriated for a fiscal year may be used by the institution for

expenditure during the fiscal year preceding the fiscal year for which the sums were appropriated.

"(B) USE OF CARRIED-BACK FUNDS.—An eligible institution may make grants to students after the end of the academic year, but prior to the beginning of the succeeding fiscal year, from such succeeding fiscal year's appropriations.".

SEC. 407. GRANTS TO STATES FOR STATE STUDENT INCENTIVES.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 415A(b) of the Higher Education Act of 1965 (20 U.S.C. 1070c(b)) is amended—

(1) in paragraph (1), by striking "1993" and inserting "1999";

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following:

"(2) RESERVATION.—For any fiscal year for which the amount appropriated under paragraph (1) exceeds $25,000,000, the excess shall be available to carry out section 415E.".

(b) SPECIAL LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM.—Subpart 4 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070c et seq.) is amended—

(1) by redesignating section 415E as section 415F; and

(2) by inserting after section 415D the following:

"SEC. 415E. SPECIAL LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM.

"(a) IN GENERAL.—From amounts reserved under section 415A(b)(2) for each fiscal year, the Secretary shall—

"(1) make allotments among States in the same manner as the Secretary makes allotments among States under section 415B; and

"(2) award grants to States, from allotments under paragraph (1), to enable the States to pay the Federal share of the cost of the authorized activities described in subsection (c).

"(b) AUTHORIZED ACTIVITIES.—Each State receiving a grant under this section may use the grant funds for—

"(1) increasing the dollar amount of grants awarded under section 415B to eligible students who demonstrate financial need;

"(2) carrying out transition programs from secondary school to postsecondary education for eligible students who demonstrate financial need;

"(3) carrying out a financial aid program for eligible students who demonstrate financial need and wish to enter teaching or careers in information technology, or other fields of study determined by the State to be critical to the State's workforce needs;

"(4) carrying out early intervention programs, mentoring programs, and career education programs for eligible students who demonstrate financial need; and

"(5) awarding merit or academic scholarships to eligible students who demonstrate financial need.

"(c) MAINTENANCE OF EFFORT REQUIREMENT.—Each State receiving a grant under this section for a fiscal year shall provide the Secretary an assurance that the aggregate amount expended per student or the aggregate expenditures by the State, from funds derived from non-Federal sources, for the authorized activities described in subsection (b) for the preceding fiscal year were not less than

the amount expended per student or the aggregate expenditures by the State for the activities for the second preceding fiscal year. The Secretary may waive this subsection for good cause, as determined by the Secretary.

"(d) FEDERAL SHARE.—The Federal share of the cost of the authorized activities described in subsection (b) for any fiscal year shall be 25 percent.".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) PURPOSE.—Subsection (a) of section 415A of the Higher Education Act of 1965 (20 U.S.C. 1070c(a)) is amended to read as follows:

"(a) PURPOSE OF SUBPART.—It is the purpose of this subpart to make incentive grants available to States to assist States in—

"(1) providing grants to—

"(A) eligible students attending institutions of higher education or participating in programs of study abroad that are approved for credit by institutions of higher education at which such students are enrolled; and

"(B) eligible students for campus-based community service work-study; and

"(2) carrying out the activities described in section 415F.".

(2) ALLOTMENT.—Section 415B(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1070c–1(a)(1)) is amended by inserting ''and not reserved under section 415A(b)(2)'' after ''415A(b)(1)''.

SEC. 408. SPECIAL PROGRAMS FOR STUDENTS WHOSE FAMILIES ARE ENGAGED IN MIGRANT AND SEASONAL FARMWORK.

(a) COORDINATION.—Section 418A(d) (20 U.S.C. 1070d–2(d)) is amended by inserting after ''contains assurances'' the following: ''that the grant recipient will coordinate its project, to the extent feasible, with other local, State, and Federal programs to maximize the resources available for migrant students, and''.

(b) EXTENSION OF AUTHORITY.—Section 418A(g) is amended by striking ''1993'' each place it appears and inserting ''1999''.

(c) DATA COLLECTION.—Section 418A is amended by adding at the end the following new subsection:

''(h) DATA COLLECTION.—The National Center for Education Statistics shall collect postsecondary education data on migrant students.''.

(d) TECHNICAL AMENDMENTS.—Section 418A(e) is amended by striking ''authorized by subpart 4 of this part in accordance with section 417A(b)(2)'' and inserting ''in accordance with section 402A(c)(1)''.

SEC. 409. BYRD SCHOLARSHIPS.

(a) ELIGIBILITY.—Section 419G (20 U.S.C. 1070d–37) is amended by adding at the end the following new subsection:

''(e) TERMINATION OF ELIGIBILITY.—The eligibility of students from the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau shall expire on the earlier of the date of enactment of the Higher Education Amendments of 1998 or October 1, 1998.''.

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 419K (20 U.S.C. 1070d–41) is amended by striking ''$10,000,000 for fiscal year 1993'' and inserting ''$40,000,000 for fiscal year 1999''.

PART B—FEDERAL FAMILY EDUCATION LOAN PROGRAM

SEC. 411. LIMITATION REPEALED.

Section 421 (20 U.S.C. 1071) is amended by striking subsection (d).

SEC. 412. ADVANCES TO RESERVE FUNDS.

Section 422 (20 U.S.C. 1072) is amended—

(1) in subsection (a)(2), by striking ''428(c)(10)(E)'' and inserting ''428(c)(9)(E)'';

(2) in subsection (c)(6)(B)(i), by striking ''handle written'' and inserting ''handle written, electronic,'';

(3) in subsection (c)(7)

(A) by striking ''to a guaranty agency—'' and everything that follows through ''(B) if the Secretary'' and inserting ''to a guaranty agency, if the Secretary'';

(B) by striking ''428(c)(10)(F)(v)'' and inserting ''428(c)(9)(F)(v)'';

(C) by inserting ''and'' after ''cash needs,''; and

(D) by striking ''or ensure'' and everything that follows and inserting a period; and

(4) in the first and second sentences of subsection (g)(1), by striking ''or the program authorized by part D of this title'' each place it appears.

SEC. 412A. GUARANTY AGENCY REFORMS.

The Secretary shall conduct a study to investigate to what extent the actions of the lenders and the guarantors impact upon the default rates of student borrowers as it relates to the servicing of the loans or the due diligence of the loan.

SEC. 413. GUARANTY AGENCY REFORMS.

(a) FEDERAL STUDENT LOAN RESERVE FUND.—Part B of title IV is amended by inserting after section 422 (20 U.S.C. 1072) the following new section:

"SEC. 422A. FEDERAL STUDENT LOAN RESERVE FUND.

"(a) ESTABLISHMENT.—Each guaranty agency shall, not later than 60 days after the date of enactment of this section, deposit all funds, securities, and other liquid assets contained in the reserve fund established pursuant to section 422 of this part into a Federal Student Loan Reserve Fund (in this section and section 422B referred to as the 'Federal Fund') which shall be an account of a type selected by the agency, with the approval of the Secretary.

"(b) INVESTMENT OF FUNDS.—Funds maintained in the Federal Fund shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities selected by the guaranty agency.

"(c) ADDITIONAL DEPOSITS.—After the establishment of the Federal Fund, a guaranty agency shall deposit into the Federal Fund—

"(1) all amounts received from the Secretary as payment of reinsurance on loans pursuant to section 428(c)(1);

"(2) from amounts collected on behalf of the obligation of a defaulted borrower, a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the de-

faulted loan pursuant to sections 428(c)(6)(A) and 428F(a)(1)(B); and

"(3) insurance premiums collected from borrowers pursuant to sections 428(b)(1)(H) and 428H(h).

"(d) USES OF FUNDS.—Subject to subsection (f), the Federal Fund may only be used by a guaranty agency—

"(1) to pay lender claims pursuant to section 428(b)(1)(G), section 428(j), section 437, and section 439(q); and

"(2) to pay into the Agency Operating Fund established pursuant to section 422B a default prevention fee in accordance with section 428(l).

"(e) OWNERSHIP OF FEDERAL FUND.—

"(1) IN GENERAL.—The Federal Fund of the guaranty agency, and any assets purchased or developed with funds from the Federal Fund or any other funds considered reserve funds on the date of enactment of this section, regardless of who holds or controls the reserves or assets, shall be considered to be the property of the United States to be used in the operation of the program authorized by this part, as provided in subsection (d) of this section.

"(2) NONLIQUID RESERVE FUND AND OTHER ASSETS.—Notwithstanding any other provision of

law, nonliquid reserve fund assets, such as buildings and equipment purchased or developed by the guaranty agency with funds from the Federal Fund, or any other funds considered reserve funds on the date of enactment of this section shall—

"(A) remain the property of the United States;

"(B) be used only for such purposes as the Secretary determines are appropriate; and

"(C) be subject to such restrictions on the disposition of such assets (which may include a requirement that any sale of such assets be at not less than fair market value) as the Secretary determines are appropriate.

"(f) TRANSITION.—

"(1) IN GENERAL.—In order to establish the Agency Operating Fund authorized by section 422B, each guaranty agency may transfer up to 180 days cash expenses for normal operating expenses, as a working capital reserve as defined in Office of Management and budget circular A–87 (Cost Accounting Standards) from the Federal Fund for deposit into the Agency Operating Fund for use in the performance of its duties under this part. Such transfers may occur during the first three years following the

establishment of the Operating Fund. However, no agency may transfer in excess of 50 percent of the Federal Fund balance to its Operating Fund during any fiscal year. In determining the transfer amount, the agency shall insure that sufficient funds remain in the Federal Fund to pay lender claims within the required time periods and to meet the reserve recall requirements of the Balanced Budget Act of 1997.

"(2) REPAYMENT PROVISIONS.—Each guaranty agency shall begin repayment of sums transferred pursuant to this subsection no later than the start of the fourth year after the establishment of the Agency Operating Fund, and shall repay all amounts transferred no later than 5 years from the date of the establishment of the Agency Operating Fund. Each guaranty agency shall provide to the Secretary, on an annual basis, a financial analysis demonstrating its ability to repay all outstanding amounts while any transferred amounts are owned to the Federal Fund.

"(3) SPECIAL RULE.—In applying the minimum reserve level required by section 428(c)(9)(A), the Secretary shall include all amounts owed to the Federal Fund by the agency due to transfers allowed under paragraph (1) in the calculation.".

(b) AGENCY OPERATING FUND ESTABLISHED.—Part B of title IV is further amended by inserting after section 422A (as added by subsection (a)) the following new section:

"SEC. 422B. AGENCY OPERATING FUND.

''(a) ESTABLISHMENT.—Each guaranty agency shall, not later than 60 days after the date of enactment of this section, establish a fund designated as the Agency Operating Fund (hereinafter referred to as the 'Operating Fund').

''(b) INVESTMENT OF FUNDS.—Funds deposited into the Operating Fund shall be invested at the discretion of the guaranty agency in accordance with prudent investor standards.

''(c) ADDITIONAL DEPOSITS.—After the establishment of the Operating Fund, the guaranty agency shall deposit into the Operating Fund—

''(1) the loan processing and issuance fee paid by the Secretary pursuant to section 428(f);

''(2) the portfolio maintenance fee paid by the Secretary pursuant to section 458;

''(3) the default prevention fee paid in accordance with section 428(l);

''(4) amounts retained by the guaranty agency pursuant to section 428(c)(6)(B) from collection on

defaulted loans held by the agency, after payment of the Secretary's equitable share, excluding amounts deposited in the Federal Fund pursuant to section 422A(c)(2); and

"(5) interest earned on the Federal Fund during the first 3 years after the date of enactment of this section by a limited number of guaranty agencies (not to exceed 10) that demonstrate to the Secretary the potential for a negative cash flow in the Operating Fund during the restructuring of their operations in accordance with the requirements of this section and section 422A.

"(d) USES OF FUNDS.—

"(1) IN GENERAL.—Funds in the Operating Fund shall be used for activities related to student financial aid, including application processing, loan disbursement, enrollment and repayment status management, default prevention activities, default collection activities, school and lender training, financial awareness and outreach activities, compliance monitoring, other loan program related activities in support of postsecondary education and other student financial aid related activities as determined by the guaranty agency.

"(2) SPECIAL RULE.—The guaranty agency may, in its discretion, transfer funds from the Operating Fund to the Federal Student Loan Reserve Fund for use in accordance with section 422A. Such transfer shall be irrevocable, and any funds so transferred shall become the property of the United States.

"(3) DEFINITIONS.—For purposes of this subsection:

"(A) The term 'default collection activities' means activities of a guaranty agency which are directly related to the collection of the loan on which a default claim has been paid to the participating lender, including the due diligence activities required pursuant to regulations of the Secretary.

"(B) The term 'default prevention activities' means activities of a guaranty agency which are directly related to providing collection assistance to the lender on a delinquent loan, prior to the loan's being legally in a default status, including due diligence activities required pursuant to regulations of the Secretary.

"(C) The term 'enrollment and repayment status management' means activities of a guar-

anty agency which are directly related to ascertaining the student's enrollment status, including prompt notification to the lender of such status, an audit of the note or written agreement to determine if the provisions of that note or agreement are consistent with the records of the guaranty agency as to the principal amount of the loan guaranteed, and an examination of the note or agreement to assure that the repayment provisions are consistent with the provisions of this part.

''(e) OWNERSHIP OF OPERATING FUND.—The Operating Fund of the guaranty agency shall be considered to be the property of the guaranty agency. The Secretary may regulate the uses or expenditure of moneys in the Operating Fund with respect to activities required under guaranty agency agreements under subsections (b) and (c) of section 428 until such time as a guaranty agency has repaid to the Federal Fund all reserve funds transferred under section 422A(f). During any period in which funds are owed to the Federal Fund as a result of a transfer under 422A(f), moneys in the Operating Fund may only be used for expenses related to the student loan programs authorized under this part. The Secretary may require

such necessary reports and audits as provided in section 428(b)(2).''.

(c) ADDITIONAL RECALL OF RESERVES.—Section 422 (as amended by section 412) is further amended by adding at the end the following new subsection:

''(i) ADDITIONAL RECALL OF RESERVES.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall recall $43,000,000 for each of the fiscal years 1999, 2000, 2001, 2002, and 2003 from the reserve funds held by guaranty agencies.

''(2) DEPOSIT.—Funds recalled by the Secretary under this subsection shall be deposited in the Treasury.

''(3) REQUIRED SHARE.—The Secretary shall require each guaranty agency to return annually reserve funds under paragraph (1) based on one-fifth of the agency's required share. For purposes of this paragraph, a guaranty agency's required share shall be determined as follows:

''(A) The Secretary shall impose on each guaranty agency an equal percentage reduction in the amount of the agency's reserve funds held as of September 30, 1996.

"(B) The equal percentage reduction shall be the percentage obtained by dividing—

"(i) $215,000,000 by

"(ii) the total amount of all such agencies' reserve funds held as of September 30, 1996.

"(4) OFFSET OF REQUIRED SHARES.—If any guaranty agency returns to the Secretary any reserves in excess of the amount required under this subsection or subsection (h), the total amount required to be returned under paragraph (1) shall be reduced by the amount of such additional reserve return.

"(5) DEFINITION OF RESERVE FUNDS.—The term 'reserve funds' when used with respect to a guaranty agency—

"(A) includes any reserve funds in cash or liquid assets held by the guaranty agency, or held by, or under the control of, any other entity; and

"(B) does not include building, equipment, or other nonliquid assets.".

(d) CONFORMING AMENDMENTS.—

(1) REINSURANCE PAYMENTS.—

(A) AMENDMENTS.—Section 428(c)(1) (20 U.S.C. 1078(c)(1)) is amended—

(i) in subparagraph (A), by striking ''98 percent'' and inserting ''95 percent'';

(ii) in subparagraph (B)(i), by striking ''88 percent'' and inserting ''85 percent''; and

(iii) in subparagraph (B)(ii), by striking ''78 percent'' and inserting ''75 percent'';

(iv) in subparagraph (E)—

(I) by striking ''for '98 percent';'' and inserting ''for '95 percent';'';

(II) by striking ''for '88 percent';'' and inserting ''for '85 percent';''; and

(III) by striking ''for '78 percent'.'' and inserting ''for '75 percent'.'';

(v) in subparagraph (F)—

(I) by striking ''for '98 percent';'' and inserting ''for '95 percent';'';

(II) by striking ''for '88 percent';'' and inserting ''for '85 percent';''; and

(III) by striking ''for '78 percent'.'' and inserting ''for '75 percent'.'';

(vi) by striking subparagraph (D) and redesignating subparagraphs (E) and (F) as subparagraphs (D) and (E), respectively.

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) of this paragraph apply to loans for which the first disbursement is made on or after October 1, 1998.

(2) EQUITABLE SHARE.—Section 428(c)(6) is amended—

(A) in subparagraph (A)—

(i) by striking ''(A) For the purpose'' and inserting ''For the purpose''; and

(ii) by striking clause (ii) and inserting the following:

''(ii) an amount equal to 24 percent of such payments for use in accordance with section 422B.'';

(B) by striking subparagraphs (B) and (C); and

(C) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B).

(3) GUARANTY AGENCY RESERVE LEVEL.—Section 428(c)(9) is amended—

(A) in subparagraph (A), by striking ''.5 percent'' and inserting ''0.25 percent''; and

(B) in subparagraph (C)—

(i) by striking ''80 percent pursuant to section 428(c)(1)(B)(ii)'' and inserting ''85 percent pursuant to paragraph (1)(B)(i) of this subsection''; and

(ii) by striking ''30 working days'' and inserting ''45 working days''.

(4) PAYMENT OF CERTAIN COSTS.—Section 428(f) is amended—

(A) by striking paragraph (1)(A) and inserting the following:

''(1) PAYMENT FOR CERTAIN ACTIVITIES.—(A) The Secretary shall, in accordance with the provisions of this paragraph, pay to each guaranty agency for each fiscal year a loan processing and issuance fee equal to 0.65 percent of the total principal amount of the loans on which insurance was issued under this part during such fiscal year by such agency.''; and

(B) in paragraph (1)(B), by striking the first sentence and inserting the following: ''The

payment required by subparagraph (A) shall be paid on a quarterly basis.''.

(5) DEFAULT AVERSION ASSISTANCE.—Section 428(l) is amended to read as follows:

''(l) DEFAULT AVERSION ASSISTANCE.—

''(1) ASSISTANCE REQUIRED.—Upon receipt of a proper request from a lender received not earlier than the 60th day of delinquency, a guaranty agency having an agreement with the Secretary under subsection (c) of this section shall engage in default aversion activities designed to prevent the default by a borrower on a loan covered by such agreement.

''(2) REIMBURSEMENT.—(A) guaranty agency may, in accordance with the provisions of this paragraph, transfer from the Federal Student Loan Reserve Account to the Operating Account a default aversion fee. Such fee shall be paid for any loan on which a claim for default has not been paid as a result of the loan being brought into current repayment status on or before the 210th day after the loan becomes 60 days delinquent.

''(B) The default aversion fee shall be equal to 1 percent of the total unpaid principal and accrued interest on the loan at the time the request is submitted by the lender. Such fee shall not be paid

more than once on any loan for which the guaranty agency averts the default unless at least 12 months has elapsed between the date the borrower became current in his or her payments and the date the lender filed a subsequent default aversion assistance request. A guaranty agency may transfer such fees earned under this subsection no more frequently than monthly.

''(C) For the purpose of earning the default aversion fee, the term 'current repayment status' means that the borrower is not delinquent in the payment of any principal or interest on the loan.''.

SEC. 414. SCOPE AND DURATION OF PROGRAM.

Section 424(a) (20 U.S.C. 1074(a)) is amended—

(1) by striking ''October 1, 2002'' and inserting ''October 1, 2004''; and

(2) by striking ''September 30, 2006'' and inserting ''September 30, 2008''.

SEC. 415. LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND FEDERAL LOAN INSURANCE.

Section 425(a)(1)(A) (20 U.S.C. 1075(a)(1)(A)) is amended—

(1) in clause (i)—

(A) by inserting ''and'' after the semicolon at the end of subclause (I); and

(B) by striking subclauses (II) and (III) and inserting the following:

''(II) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;''; and

(2) by inserting ''and'' after the semicolon at the end of clause (iii).

SEC. 416. APPLICABLE INTEREST RATES.

(a) APPLICABLE INTEREST RATES.—

(1) AMENDMENT.—Section 427A (20 U.S.C. 1077a) is amended to read as follows:

''SEC. 427A. APPLICABLE INTEREST RATES.

''(a) INTEREST RATES FOR NEW LOANS ON OR AFTER JULY 1, 1998.—

''(1) IN GENERAL.—Subject to paragraph (2), with respect to any loan made, insured, or guaran-

teed 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, 1998, 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—

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

"(B) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

"(2) IN SCHOOL AND GRACE PERIOD RULES.—With respect to any loan 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, 1998, the applicable rate of interest for interest which accrues—

"(A) prior to the beginning of the repayment period of the loan; or

"(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 428(b)(1)(M) or 427(a)(2)(C),

shall be determined under paragraph (1) by substituting '1.7 percent' for '2.3 percent'.

"(3) PLUS LOANS.—With respect to any loan under section 428B for which the first disbursement is made on or after July 1, 1998, 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 the lesser of—

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

"(ii) 3.1 percent; or

"(B) 9.0 percent.

"(4) CONSOLIDATION LOANS.—With respect to any consolidation loan under section 428C for which the application is received by an eligible lender on or after October 1, 1998, 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) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent; or

"(B) 8.25 percent.

"(b) LESSER RATES PERMITTED.—Nothing in this section or section 428C shall be construed to prohibit a lender from charging a borrower interest at a rate less than the rate which is applicable under this part.

"(c) CONSULTATION.—The Secretary shall determine the applicable rate of interest under this section after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.".

(2) CONFORMING AMENDMENT.—Section 428B(d)(4) (20 U.S.C. 1078–2(d)(4)) is amended by striking "section 427A(c)" and inserting "section 427A(a)(3)".

(b) SPECIAL ALLOWANCES.—

(1) AMENDMENT.—Section 438(b)(2)(F) (20 U.S.C. 1087–1(b)(2)(F)) is amended to read as follows:

"(F) LOANS DISBURSED AFTER JULY 1, 1998.—

"(i) IN GENERAL.—Subject to paragraph (4) and clauses (ii), (iii), and (iv) 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 July 1, 1998, shall be computed—

"(I) by determining the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 3-month period;

"(II) by subtracting the applicable interest rates on such loans from such average bond equivalent rate;

"(III) by adding 2.8 percent to the resultant percent; and

"(IV) by dividing the resultant percent by 4.

"(ii) IN SCHOOL AND GRACE PERIOD.—In the case of any loan for which the first disbursement is made on or after July 1, 1998, and for which the applicable rate of interest is described in section 427A(a)(2), clause (i)(III) of this subparagraph shall be applied by substituting '2.2 percent' for '2.8 percent'.

"(iii) PLUS LOANS.—In the case of any loan for which the first disbursement is made on or after July 1, 1998, and for which the applicable rate of interest is described in section 427A(a)(3), clause (i)(III) of this subparagraph shall be applied by substituting '3.1 percent' for

'2.8 percent', subject to clause (v) of this subparagraph.

"(iv) CONSOLIDATION LOANS.—In the case of any consolidation loan for which the application is received by an eligible lender on or after October 1, 1998, and for which the applicable interest rate is determined under section 427A(a)(4), clause (i)(III) of this subparagraph shall be applied by substituting '3.1 percent' for '2.8 percent', subject to clause (v) of this subparagraph.

"(v) LIMITATION ON SPECIAL ALLOWANCES FOR PLUS AND CONSOLIDATION LOANS.—In the case of PLUS loans made under section 428B and disbursed on or after July 1, 1998, for which the interest rate is determined under 427A(a)(3), a special allowance shall not be paid for such loan unless the rate determined under subparagraph (A) of such section (without regard to subparagraph (B) of such section) exceeds 9.0 percent. In the case of consolidation loans made under section 428C for which the application is received by an eligible lender on or after October 1, 1998, and for which the applicable interest rate is determined

under section 427A(a)(4), a special allowance shall not be paid for such loan unless the rate determined under subparagraph (A) of such section (without regard to subparagraph (B) of such section) exceeds 8.25 percent.''.

(2) CONSOLIDATION LOANS.—Section 428C(c)(1) (20 U.S.C. 1078-3) is amended—

(A) by striking everything preceding subparagraph (D) and inserting the following:

''(1) INTEREST RATE.—(A) Except as provided in subparagraph (B), with respect to any loan made under this section for which the application is received by an eligible lender on or after October 1, 1998, the applicable interest rate shall be determined under section 427A(a)(4).''; and

(B) by redesignating subparagraph (D) as subparagraph (B).

(3) CONFORMING AMENDMENT.—Section 438(b)(2)(C)(ii) is amended by striking ''In the case'' and inserting ''Subject to subparagraph (F), in the case''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to any loan made, insured, or guaranteed under part B of title IV of the High-

er Education Act of 1965 for which the first disbursement is made on or after July 1, 1998.

SEC. 417. FEDERALLY GUARANTEED STUDENT LOANS.

(a) REQUIREMENTS FOR FEDERAL INTEREST SUBSIDIES.—Section 428(a)(2) (20 U.S.C. 1078(a)(2)) is amended by striking everything preceding subparagraph (D) and inserting the following:

"(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.—(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall provide to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which certifies the eligibility of the student to receive a loan under this part and the amount of the loan for which such student is eligible.

"(B) A student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement that sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G.

"(C) For the purpose of subparagraph (B), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution

has provided the lender with a statement evidencing a determination of need for a loan (as determined under part F of this title) and the amount of such need, subject to the provisions of subparagraph (D).''.

(b) DURATION OF AUTHORITY.—Section 428(a)(5) is amended—

(1) by striking ''September 30, 2002'' and inserting ''September 30, 2004''; and

(2) by striking ''September 30, 2006'' and inserting ''September 30, 2008''.

(c) ANNUAL LOAN LIMITS.—Section 428(b)(1)(A) is amended—

(1) in clause (i)—

(A) by inserting ''and'' after the semicolon at the end of subclause (I); and

(B) by striking subclauses (II) and (III) and inserting the following:

''(II) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified

in subclause (I) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;''; and

(2) by inserting ''and'' after the semicolon at the end of clause (iii).

(d) SELECTION OF REPAYMENT PLANS.—Section 428(b)(1)(D) is amended by striking ''and (iii)'' and inserting the following: ''(iii) the student borrower may annually change the selection of a repayment plan under this part, and (iv)''.

(e) COINSURANCE.—Section 428(b)(1)(G) is amended by striking ''not less than''.

(f) DEFERMENTS.—Section 428(b)(1)(M) is amended—

(1) in clause (i)(I), by inserting before the semicolon the following: '', except that no borrower, notwithstanding the provisions of the promissory note, shall be required to borrow an additional loan under this title in order to be eligible to receive a deferment under this clause''; and

(2) in clause (ii), by inserting before the semicolon the following: '', except that no borrower who qualifies for unemployment benefits shall be required

to provide any additional paperwork for a deferment under this clause''.

(g) LIMITATION, SUSPENSION, AND TERMINATION.—Section 428(b)(1)(U) is amended—

(1) by striking ''emergency action,,'' each place it appears and inserting ''emergency action,''; and

(2) by striking ''a compliance audit of each lender'' and inserting the following: ''in the case of any lender that originates or holds more than $5,000,000 in loans made under this title during an annual audit period, a compliance audit of such lender''.

(h) ADDITIONAL INSURANCE PROGRAM REQUIREMENTS.—Section 428(b)(1) is further amended—

(1) by striking ''and'' at the end of subparagraph (W);

(2) in subparagraph (X)—

(A) by striking ''428(c)(10)'' and inserting ''428(c)(9)''; and

(B) by striking the period at the end and inserting ''; and'';

(3) by adding at the end the following new subparagraph:

''(Y) provides that the lender shall determine the eligibility of a borrower for a

deferment described in subparagraph (M)(i) based on receipt of (i) a request for deferment from the borrower, (ii) a newly completed loan application that documents the borrower's eligibility for a deferment, or (iii) student status information received by the lender that the borrower is enrolled on at least a half-time basis.''.

(i) RESTRICTIONS ON INDUCEMENTS.—Section 428(b)(3) is amended—

(1) by striking subparagraph (C) and inserting the following:

''(C) conduct unsolicited mailings of student loan application forms to students enrolled in secondary school or a postsecondary institution, or to parents of such students, except that applications may be mailed to students who have previously received loans guaranteed under this part by the guaranty agency; or''; and

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

''It shall not be a violation of this paragraph for a guaranty agency to provide assistance to institutions of higher education comparable to the kinds of assistance provided to institutions of higher education by the Department of Education.''.

(j) DELAY IN COMMENCEMENT OF REPAYMENT PERIOD.—Section 428(b)(7) is amended by inserting after subparagraph (C) the following new subparagraph:

"(D) There shall be excluded from the 6 months determined under subparagraph (A)(i) any period during which the student was called or ordered to active duty in a reserve component of the Armed Forces of the United States.".

(k) GUARANTY AGENCY INFORMATION TO ELIGIBLE INSTITUTIONS.—Section 428(c)(2)(H)(ii) is amended to read as follows:

"(ii) the guaranty agency shall not require the payment from the institution of any fee for such information; and".

(l) FORBEARANCE.—Section 428(c)(3) is amended—

(1) in subparagraph (A)(i), by striking "written";

(2) in subparagraph (B), by inserting before the semicolon the following: ", including forbearance granted after consideration of a borrower's total debt burden"; and

(3) in the last sentence—

(A) by striking "and (ii)" and inserting "(ii)"; and

(B) by inserting before the period at the end the following: ‘‘, and (iii) forbearance for periods not to exceed 60 days if the lender reasonably determines that such suspensions are necessary to research or process information relative to such loan or to collect appropriate documentation relating to the borrower’s request for a deferment or forbearance’’.

(m) ASSIGNMENT.—Section 428(c)(8) is amended—

(1) by striking ‘‘(A)’’; and

(2) by striking subparagraph (B).

(n) AGENCY TERMINATION.—Section 428(c)(9) is amended—

(1) in subparagraph (E)—

(A) by inserting ‘‘or’’ at the end of clause (iv);

(B) by striking ‘‘; or’’ at the end of clause (v) and inserting a period; and

(C) by striking clause (vi);

(2) in subparagraph (F)(vii), by striking ‘‘to avoid disruption’’ and everything that follows and inserting ‘‘and to avoid disruption of the student loan program.’’;

(3) in subparagraph (I), by inserting ‘‘on the record’’ after ‘‘for a hearing’’; and

(4) in subparagraph (K)—

(A) by striking ''and Labor'' and inserting ''and the Workforce''; and

(B) by striking everything after ''guaranty agency system'' and inserting a period.

(o) LENDER REFERRAL.—Section 428(e) is amended—

(1) in paragraph (1)(B)(ii), by striking ''during the transition'' and everything that follows through ''part D of this title''; and

(2) in paragraph (3), by striking ''for costs of transition''.

(p) ACTION ON AGREEMENTS.—Section 428(g) is amended by striking ''and Labor'' and inserting ''and the Workforce''.

(q) LENDERS-OF-LAST-RESORT.—Section 428(j)(3) is amended—

(1) in subparagraph (A)—

(A) in the heading thereof, by striking **''DURING TRANSITION TO DIRECT LENDING'';**

(B) by striking out ''during the transition from the Federal Family Education Loan Program under this part ot the Federal Direct Stu-

dent Loan Program under part D of this title,'' and inserting a comma;

(C) by inserting ''designated for a State'' immediately after ''a guaranty agency''; and

(D) by inserting ''subparagraph (C) and'' immediately before ''section 422(c)(7),''; and

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

''(C) The Secretary shall exercise the authority described in subparagraph (A) only if the Secretary determines that eligible borrowers are seeking and are unable to obtain loans under this part, and that the guaranty agency designated for that State has the capability to provide lender-of-last-resort loans in a timely manner, in accordance with its obligations under paragraph (1), but cannot do so without advances provided by the Secretary under this paragraph. If the Secretary makes the determinations described in the preceding sentence and determines that it would be cost-effective to do so, the Secretary may provide advances under this paragraph to that guaranty agency. If the Secretary determines that guaranty agency does not have such capability, or will not provide such loans in a timely fashion, the Secretary may provide such advances to enable an-

other guaranty agency, that the Secretary determines to have such capability, to make lender-of-last-resort loans to eligible borrowers in that State who are experiencing loan access problems.''.

(r) INCOME CONTINGENT REPAYMENT.—Section 428(m) is amended by striking ''shall require at least 10 percent of the borrowers'' and inserting ''may require borrowers''.

(s) STATE SHARE OF DEFAULT COSTS.—Subsection (n) of section 428 is repealed.

(t) BLANKET CERTIFICATE OF GUARANTY.—Section 428 of the Act is amended by adding at the end the following new subsection:

''(n) BLANKET CERTIFICATE OF LOAN GUARANTY.—

''(1) IN GENERAL.—Any guaranty agency that has or enters into any insurance program agreement with the Secretary under this part may—

''(A) offer eligible lenders participating in the agency's guaranty program blanket certificates of loan guaranty that permit the lender to make loans without receiving prior approval from the guaranty agency of individual loans for eligible borrowers enrolled in eligible programs at eligible institutions; and

"(B) provide eligible lenders with the ability to transmit electronically data to the agency concerning loans the lender has elected to make under the agency's insurance program via standard reporting formats, such reporting to occur at reasonable, mutually acceptable intervals.

"(2) LIMITATIONS ON BLANKET CERTIFICATE OF GUARANTY.—(A) An eligible lender may not make a loan to a borrower under this section after such lender receives a notification from the guaranty agency that the borrower is not an eligible borrower.

"(B) A guaranty agency and eligible lender may establish by mutual agreement limitations or restrictions on the number or volume of loans issued by a lender under the blanket certificate of guaranty.".

(u) NOTICE OF AVAILABILITY OF INCOME-SENSITIVE REPAYMENT OPTION.—

(1) AMENDMENT.—Section 428 is further amended by adding at the end the following new subsection:

"(o) NOTICE OF AVAILABILITY OF INCOME-SENSITIVE REPAYMENT OPTION.—At the time of offering a borrower a loan under this part, and at the time of offering the borrower the option of repaying a loan in accord-

ance with this subsection, the lender shall provided the borrower with a notice that informs the borrower, in a form prescribed by the Secretary by regulation—

"(1) that all borrowers are eligible for income-sensitive repayment through loan consolidation under section 428C;

"(2) the procedures by which the borrower may elect income-sensitive repayment; and

"(3) where and how the borrower may obtain additional information concerning income-sensitive repayment.".

(2) CONFORMING AMENDMENTS.—

(A) Section 428(b)(1)(E)(i) is amended by inserting before the semicolon the following: "or of repaying the loan in accordance with an income-sensitive repayment schedule offered pursuant to section 428C".

(B) Section 485(b)(1)(A) is amended—

(i) by striking "and" at the end of clause (i);

(ii) by striking the period at the end of clause (ii) and inserting "; and"; and

(iii) by adding at the end the following new clause:

"(iii) the information required to be disclosed by lenders pursuant to section 428(o).".

(v) NOTICE TO INSTITUTIONS OF DEFAULTS.—

(1) ADMINISTRATIVE AND FISCAL PROCEDURES.—Section 428(c)(2)(A) is amended by striking "proof that reasonable attempts were made" and inserting "proof that the institution was contacted and other reasonable attempts were made".

(2) REIMBURSEMENT.—Section 428(c)(2)(G) (20 U.S.C. 1078(c)(2)(G)) is amended by striking "certifies to the Secretary that diligent attempts have been made" and inserting "demonstrates to the Secretary that diligent attempts, including direct contact with the institution, have been made.".

(3) NOTICE TO SECRETARY AND PAYMENT OF LOSS.—The third sentence of section 430(a) (20 U.S.C. 1080(a)) is amended by inserting "the institution was contacted and other" after "submit proof that".

SEC. 418. VOLUNTARY AGREEMENTS WITH GUARANTY AGENCIES.

Part B of title IV is amended by inserting after section 428 (20 U.S.C. 1078) the following new section:

"SEC. 428A. VOLUNTARY FLEXIBLE AGREEMENTS WITH GUARANTY AGENCIES.

"(a) VOLUNTARY AGREEMENTS.—

"(1) AUTHORITY.—Notwithstanding any other provision of law, the Secretary may enter into a voluntary, flexible agreement with not more than 6 guaranty agencies under this section, in lieu of agreements with a guaranty agency under subsections (b) and (c) of section 428, under which the Secretary may waive or modify any requirement under this title applicable to the responsibilities of the Secretary and a guaranty agency.

"(2) ELIGIBILITY.—Any guaranty agency that had one or more agreements with the Secretary under subsections (b) and (c) of section 428 as of the day before the date of enactment of this section may enter into an agreement with the Secretary under this subsection.

"(b) TERMS OF AGREEMENT.—An agreement between the Secretary and a guaranty agency under this section—

"(1) shall be developed by the Secretary, in consultation with the guaranty agency;

"(2) shall be for a period not to exceed five years, and may be renewed upon the agreement of the parties;

"(3) may include provisions—

"(A) specifying the responsibilities of the guaranty agency under the agreement, such as—

"(i) administering the issuance of insurance on loans made under this part on behalf of the Secretary;

"(ii) monitoring insurance commitments made under this part;

"(iii) default prevention activities;

"(iv) review of default claims made by lenders;

"(v) payment of default claims;

"(vi) collection of defaulted loans;

"(vii) adoption of internal systems of accounting and auditing that are acceptable to the Secretary, and reporting the result thereof to the Secretary on a timely, accurate, and auditable basis;

"(viii) timely and accurate collection and reporting of such other data as the Secretary may require to carry out the purposes of the programs under this title;

"(ix) monitoring of institutions and lenders participating in the program under this part; and

"(x) the performance of other program functions by the guaranty agency.

"(B) regarding the fees the Secretary shall pay, in lieu of revenues that the guaranty agency may otherwise receive under this part, to the guaranty agency under the agreement, and other funds that the guaranty agency may receive or retain under the agreement, except that in no case may the cost to the Secretary of the agreement, as reasonably projected by the Secretary, exceed the cost to the Secretary, as similarly projected, in the absence of the agreement;

"(C) regarding the use of net revenues, as described in the agreement under this section, for such other activities in support of postsecondary education as may be agreed to by the Secretary and the guaranty agency;

"(D) regarding the standards by which the guaranty agency's performance of its responsibilities under the agreement will be assessed, and the consequences for a guaranty agency's

failure to achieve a specified level of performance on 1 or more performance standards;

"(E) regarding the circumstances in which a guaranty agency's agreement under this section may be ended in advance of its expiration date;

"(F) regarding such other businesses, previously purchased or developed with reserve funds, that relate to the program under this part and in which the Secretary permits the guaranty agency to engage; and

"(G) such other provisions as the Secretary may determine to be necessary to protect the United States from the risk of unreasonable loss and to promote the purposes of this part; and

"(4) shall provide for uniform lender participation with the guaranty agency under the terms of the agreement.

"(c) TERMINATION.—At the expiration or early termination of an agreement under this section, the Secretary shall reinstate the guaranty agency's prior agreements under subsections (b) and (c) of section 428, subject only to such additional requirements as the Secretary determines to be necessary in order to ensure the efficient

transfer of responsibilities between the agreement under this section and the agreements under subsections (b) and (c) of section 428, including the guaranty agency's compliance with reserve requirements under sections 422 and 428.''.

SEC. 419. FEDERAL CONSOLIDATION LOANS.

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

(1) by striking subclause (II) of paragraph (3)(B)(i) and inserting the following:

''(II) that loans received during the 180-day period following the making of the consolidation loan may be added to the consolidation loan.''; and

(2) by striking subparagraph (C) of paragraph (4) and inserting the following:

''(C) made under part D of this title;''.

(b) CONTENTS OF AGREEMENTS.—Section 428C(b) is amended—

(1) in paragraph (1)(A), by striking ''under this section and (i)'' and everything that follows and inserting ''under this section;'';

(2) in paragraph (4)(C)(ii)—

(A) by redesignating subclause (III) as subclause (IV);

(B) by inserting after subclause (II) the following new clause:

"(III) by the Secretary, in the case of a consolidation loan for which the application is received by an eligible lender on or after October 1, 1998, except that the Secretary shall pay such interest only on that portion of the loan that repays Federal Stafford Loans for which the student borrower received an interest subsidy under section 428 or Federal Direct Stafford Loans for which the borrower received an interest subsidy under section 455; or"; and

(C) in subclause (IV) (as redesignated), by striking "subclause (I) or (II)" and inserting "subclause (I), (II), or (III)"; and

(3) in paragraph (6)(A), by inserting before the semicolon at the end the following: "except that (i) a lender is not required to consolidate loans described in subparagraph (D) or (E) of subsection (a)(4); and (ii) a lender is not prohibited from establishing a minimum loan balance for which it will process a consolidation loan application".

(c) EXTENSION OF AUTHORITY.—Section 428C(e) is amended by striking ''September 30, 2002'' and inserting ''September 30, 2004''.

SEC. 420. DISBURSEMENT.

(a) REQUIREMENTS.—Section 428G(a)(1) (20 U.S.C. 1078–7(a)(1)) is amended by inserting ''greater than one semester, one trimester, one quarter, or four months'' after ''period of enrollment''.

(b) DISBURSEMENT.—Section 428G(b)(1) is amended by adding at the end the following new sentence: ''An institution whose cohort default rate (as determined under section 435(a)) for each of the three most recent fiscal years for which data are available is less than 10 percent shall be exempt from the requirements of this paragraph.''.

(c) WITHHOLDING OF SECOND DISBURSEMENT.—Section 428G(d)(2) is amended by inserting ''by more than $300'' after ''under this title''.

SEC. 421. UNSUBSIDIZED STAFFORD LOANS.

(a) ELIGIBLE BORROWERS.—Section 428H(b) (20 U.S.C. 1078–8(b)) is amended by striking ''which—'' and everything that follows and inserting the following:

''which certifies the eligibility of the student to receive a loan under this part and the amount of the loan for which such student is eligible. A student shall qualify for a loan

if the eligible institution has provided the lender with a statement that sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G.''.

(b) LOAN LIMITS.—Section 428H(d)(2)(A) is amended—

(1) by inserting ''and'' after the semicolon at the end of clause (i); and

(2) by striking clauses (ii) and (iii) and inserting the following:

''(ii) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in clause (i) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;''.

(c) CAPITALIZATION OF INTEREST.—Section 428H(e)(2) is amended to read as follows:

''(2) CAPITALIZATION OF INTEREST.—Interest on loans made under this section for which payments of principal are not required during the in-

school and grace periods or for which payments are deferred under sections 427(a)(2)(C) and 428(b)(1)(M) shall, if agreed upon by the borrower and the lender—

"(A) be paid monthly or quarterly; or

"(B) be added to the principal amount of the loan by the lender only—

"(i) when the loan enters repayment;

"(ii) at the expiration of a grace period, in the case of a loan that qualifies for a grace period;

"(iii) at the expiration of a period of deferment; and

"(iv) when the borrower defaults.

Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.".

(d) QUALIFICATION.—Section 428H(e) is amended by adding at the end the following new paragraph:

"(7) QUALIFICATION FOR FORBEARANCE, DEFERMENT, AND INCOME-SENSITIVE REPAYMENT.—A borrower of a loan made under this section may qualify for a forbearance or deferment, or an income-sensitive repayment plan for which the borrower is eligible, immediately upon receipt by the

lender or holder of a request from the borrower. Any necessary supporting documentation shall be secured by the lender or holder within 30 days of the request in order to continue the forbearance, deferment, or income-sensitive repayment plan.''.

(e) REPEAL.—Section 428H(f) is repealed.

SEC. 422. REPEAL OF LOAN FORGIVENESS.

Section 428J (20 U.S.C. 1078–10) is repealed.

SEC. 423. LEGAL POWERS AND RESPONSIBILITIES.

(a) GENERAL POWERS.—Section 432(a)(2) (20 U.S.C. 1082(a)(2)) is amended by inserting ''except that this section shall not be deemed to limit court review under chapter 7 of title 5, United States Code'' after ''Secretary's control''.

(b) AUDIT OF FINANCIAL TRANSACTIONS.—Section 432(f)(1) is amended—

(1) in subparagraph (B), by striking ''section 435(d)(1) (D), (F), or (H);'' and inserting ''section 435(d)(1); and'';

(2) in subparagraph (C)—

(A) by striking ''and Labor'' and inserting ''and the Workforce''; and

(B) by striking ''; and'' inserting a period; and

(3) by striking subparagraph (D).

(c) PROGRAM OF ASSISTANCE.—Section 432(k)(3) is amended by striking ''Within 1 year'' and everything that follows through ''1992, the'' and inserting ''The''.

(d) COMMON FORMS AND FORMATS.—Section 432(m) is amended—

(1) in paragraph (1)(A), by striking ''The Secretary'' and inserting ''Subject to paragraph (2), the Secretary'';

(2) by striking subparagraph (C) of paragraph (1);

(3) in subparagraph (D), by striking ''Nothing'' and inserting ''Subject to paragraph (2), nothing'';

(4) by redesignating subparagraph (D) of such paragraph as subparagraph (C);

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

(6) by inserting after paragraph (1) the following new paragraph:

''(2) FREE APPLICATION FOR FEDERAL STUDENT AID.—For academic year 1999–2000 and thereafter, the Secretary shall prescribe the Free Application for Federal Student Aid as the application form under this part (other than sections 428B and 428C).''; and

(7) by adding at the end the following new paragraph:

"(5) MASTER PROMISSORY NOTE.—

"(A) DEVELOPMENT AND APPROVAL.—Within 180 days of enactment of this Act, the Secretary, in cooperation with representatives of guaranty agencies, eligible lenders, institutions, students, and organizations involved in student financial assistance, shall develop and approve a master promissory note that will allow for a multiyear line of credit. Such note shall address the needs of participants in the programs under this part. The Secretary shall also develop and approve a corresponding master promissory note for use under part D of this title that addresses the needs of participants in the programs under such part.

"(B) SALE AND ASSIGNMENT; ENFORCEMENT.—Notwithstanding the preceding provisions of this section, each loan made under a master promissory note providing for a line of credit may be sold and assigned independently of any other loan made under the same promissory note, and each such loan shall be separately enforceable in all State and Federal

courts on the basis of an original or copy of the master promissory note in accordance with its terms.''.

(e) DEFAULT REDUCTION MANAGEMENT.—Section 432(n) is amended—

(1) in paragraph (1), by striking ''1993'' and inserting ''1999''; and

(2) in paragraph (3), by striking ''and Labor'' and inserting ''and the Workforce''.

(f) REPORTING REQUIREMENT.—Section 432(p) is amended by striking ''State postsecondary reviewing entities designated under subpart 1 of part H,''.

SEC. 424. STUDENT LOAN INFORMATION.

Section 433 (20 U.S.C. 1083) is amended—

(1) in the first sentence of subsection (a), by inserting ''in simple and understandable terms'' after ''to the borrower''; and

(2) in the first sentence of subsection (b), by inserting ''in simple and understandable terms'' after ''under this subsection''.

SEC. 425. DEFINITIONS.

(a) COHORT DEFAULT RATE.—Section 435(a) (20 U.S.C. 1085(a)) is amended—

(1) in subparagraph (A) of paragraph (2)—

(A) by striking ''or'' at the end of clause (i); and

(B) by striking clause (ii) and inserting the following:

''(ii) there are exceptional mitigating circumstances within the meaning of paragraph (4); or

''(iii) there are, in the judgment of the Secretary, other exceptional mitigating circumstances that would make the application of this paragraph inequitable.'';

(2) in subparagraph (C) of paragraph (2), by striking ''July 1, 1998,'' and inserting ''July 1, 1999,'';

(3) in paragraph (3), by inserting ''or, at the request of the institution, a complete copy of the records for loans made under this part or of the direct loan servicer for loans made under part D'' after ''and loan servicers''; and

(4) by adding at the end the following new paragraphs:

''(4) DEFINITION OF MITIGATING CIRCUMSTANCES.—For purposes of paragraph (2), an institution shall be treated as having exceptional mitigating circumstances that make application of

that paragraph inequitable if such institution is certified by a certified public accountant to meet each of the following criteria:

"(A) 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 the student would be eligible based on his or her enrollment status; or

"(ii) have an adjusted gross income of the student, and his or her parents (unless the student is an independent student), of less than the poverty level, as determined under criteria established by the Department of Health and Human Services;

"(B) at least two-thirds of the students enrolled on a full-time basis at the institution in any 12-month period ending not more than six months prior to the date the institution submits its appeal, and who remain enrolled beyond the point at which the student would be entitled to a tuition refund of 100 percent—

"(i) complete the educational program in which they are enrolled within the time normally required to complete that program, as specified in the institution's enrollment contract, catalog, or other materials; or

"(ii) continue to be enrolled and are making satisfactory academic progress toward completion of their program; or

"(iii) have entered active duty in the armed forces of the United States; and

"(C) at least two-thirds of the students enrolled on a full-time basis at the institution who complete the educational program in which they are enrolled within any 12-month period ending not more than six months prior to the date the institution submits its appeal are placed for at least 13 weeks in an employment position for which they have been trained, or are enrolled for at least 13 weeks in higher level education program for which the educational program of the institution provided substantial preparation, or have entered active duty in the armed forces of the United States.

"(5) REDUCTION OF DEFAULT RATES AT CERTAIN MINORITY INSTITUTIONS.—

"(A) BENEFICIARIES OF EXCEPTION REQUIRED TO ESTABLISH MANAGEMENT PLAN.—After July 1, 1998, any institution that has a cohort default rate that equals or exceeds 25 percent for each of the three most recent fiscal years for which data are available and that relies on the exception in paragraph (2)(C) of this subsection to continue to be an eligible institution shall—

"(i) submit to the Secretary a default management plan which the Secretary, in his discretion, after consideration of the institution's history, resources, dollars in default, and targets for default reduction, determines is acceptable and provides reasonable assurance that the institution will, by July 1, 2001, have a cohort default rate that is less than 25 percent;

"(ii) engage an independent third party (which may be paid with funds received under part B of title III) to provide technical assistance in implementing such default management plan; and

"(iii) provide to the Secretary, on an annual basis or at such other intervals as the Secretary may require, evidence of cohort default rate improvement and successful implementation of such default management plan.

"(B) DISCRETIONARY ELIGIBILITY CONDITIONED ON IMPROVEMENT.—Notwithstanding the expiration of the exception in paragraph (2)(C), the Secretary may, in his discretion, continue to treat an institution described in subparagraph (A) of this paragraph as an eligible institution for each of the one-year periods beginning on July 1, 1999, and July 1, 2000, only if the institution submits by the beginning of such period evidence satisfactory to the Secretary that—

"(i) such institution has complied and is continuing to comply with the requirements of subparagraph (A); and

"(ii) such institution has made substantial improvement, during each of the preceding one-year periods, in its cohort default rate.

"(6) SPECIAL RULE BASED ON PARTICIPATION RATE INDICES.—(A) An institution that demonstrates to the Secretary that its participation rate index (as defined in regulations in effect on July 1, 1996) is equal to or less than .0375 for any of the three most recent fiscal years for which data are available shall not be subject to paragraph (2).

"(B) An institution shall provide the Secretary with sufficient data to determine its participation rate index within 30 days after receiving an initial notification of its draft cohort default rate.

"(C) Prior to publication of a final cohort default rate for an institution that provides the data under subparagraph (B), the Secretary shall notify the institution of its compliance or noncompliance with subparagraph (A).

"(7) AUTHORITY OF THE SECRETARY TO ASSIST DISTRESSED INSTITUTIONS.—The Secretary is authorized pursuant to section 326(c)(7) to provide administrative, fiscal, management, strategic planning, and technical assistance through a qualified third-party consultant identified by the institution or an organization representing such institutions. Institutions eligible for such assistance include those institutions which qualify for the exemption in para-

graph (2)(C)(i), (ii), and (iii) of this subsection, or which have submitted a default management plan under paragraph (5) which has been accepted by the Secretary.''.

(b) ELIGIBLE LENDER.—Section 435(d) is amended—

(1) in paragraph (1)(A)(ii)—

(A) by striking ''or'' at the end of subclause (I); and

(B) by inserting before the semicolon at the end of subclause (II) the following: '', or (III) it is a bank that is a wholly owned subsidiary of a nonprofit foundation, the foundation is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code and has been participating in the program authorized by this part for three years as of the date of enactment of the Higher Education Amendments of 1998 and only makes loans to undergraduate students who are 22 years of age or younger and has a portfolio of not more than $10,000,000; and in determining whether the making or holding of loans to students and parents under this part is the primary consumer

credit function of the eligible lender, all loans (including student loans and other consumer loans) made or held as trustee or in a trust capacity for the benefit of a third party shall be considered'';

(2) in paragraph (1)—

(A) by striking ''and'' at the end of subparagraph (I);

(B) by striking the period at the end of subparagraph (J) and inserting ''; and''; and

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

''(K) a wholly owned subsidiary of a publicly held holding company which, for the three years preceding the date of enactment of this subparagraph, through one or more subsidiaries (i) acts as a finance company, and (ii) participates in the program authorized by this part pursuant to subparagraph (C).''; and

(3) in paragraph (5), by adding at the end the following new sentence:

''It shall not be a violation of this paragraph for a lender to provide assistance to institutions of higher education comparable to the kinds of assistance pro-

vided to institutions of higher education by the Department of Education.''.

(c) LINE OF CREDIT.—Section 435(e) is amended to read as follows:

''(e) LINE OF CREDIT.—The term 'line of credit' means an agreement between the lender and the borrower pursuant to a master promissory note under which the lender may make and disburse, in addition to the initial loan, additional loans in subsequent years.''.

(d) DEFINITION OF DEFAULT.—

(1) AMENDMENT.—Section 435(*l*) is amended—

(A) by striking ''180 days'' and inserting ''270 days''; and

(B) by striking ''240 days'' and inserting ''330 days''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to loans for which the first day of delinquency occurs on or after the date of enactment of this Act.

(e) COHORT DEFAULT RATE: REHABILITATION.—Section 435(m)(2)(C) is amended by adding at the end the following new sentences: ''Within 2 years after the date of enactment of the Higher Education Amendments of 1998, the Secretary shall, by regulation, require guar-

anty agencies to collect data with respect to defaulted loans in a manner that will permit the identification of any defaulted loan for which (i) the borrower is currently making payments and has made not less than 6 consecutive on-time payments by the end of such following fiscal year, and (ii) a guaranty agency has renewed the borrower's title IV eligibility as provided in section 428F(b). Upon a determination by the Secretary that such data is available, the Secretary shall, by regulation, prescribe the extent to which any such defaulted loan may be excluded from the calculation of the cohort default rate under this subsection.''.

SEC. 426. DISCHARGE.

Section 437(c)(1) is amended—

(1) by inserting after ''falsely certified by the eligible institution,'' the following: ''or if the institution failed to make a refund of loan proceeds which it owed to such student's lender,''; and

(2) by adding at the end the following new sentences: ''In the case of a discharge based upon a failure to refund, the amount of the discharge shall not exceed that portion of the loan which should have been refunded. The Secretary shall report to the Committee on Education and the Workforce of the House of Representatives and the Committee on

Labor and Human Resources of the Senate annually as to the dollar amount of loan discharges attributable to failures to make refunds.''.

SEC. 427. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.

Section 437 is further amended—

(1) in the section heading, by striking out the period at the end thereof and inserting in lieu thereof a semicolon and ''**LOAN FORGIVENESS FOR TEACHING.**'';

(2) by amending the heading for subsection (c) to read as follows: ''DISCHARGE RELATED TO SCHOOL CLOSURE OR FALSE CERTIFICATION.—''; and

(3) by adding at the end thereof the following new subsection:

''(e) CANCELLATION OF LOANS FOR TEACHING.—

''(1) FUNCTIONS OF SECRETARY.—The Secretary shall discharge the liability of a borrower of a qualifying loan by repaying the amount owed on the loan, to the extent specified in paragraph (4), for service described in paragraph (3).

''(2) QUALIFYING LOANS.—

''(A) IN GENERAL.—For purposes of this subsection, a loan is a qualifying loan if—

"(i) the loan was made under section 428 on or after the date of enactment of the Higher Education Amendments of 1998 to a borrower who, on the date of entering into the note or other written evidence of the loan, had no outstanding balance of principal or interest on any loan made before such date; and

"(ii) the loan was obtained to cover the cost of instruction for an academic year after the first and second year of undergraduate education.

"(B) LIMITATION.—The Secretary may not repay loans described in subparagraph (A) to cover the costs of instruction for more than two academic years, or three academic years in the case of a program of instruction normally requiring five years.

"(C) TREATMENT OF CONSOLIDATION LOANS.—A loan made under section 428C may be a qualifying loan for the purposes of this subsection only to the extent that such loan was used to repay a loan or loans that meet the requirements of subparagraphs (A) and (B), as

determined in accordance with regulations prescribed by the Secretary.

"(3) QUALIFYING SERVICE.—A loan shall be discharged under paragraph (1) for service by the borrower as a full-time teacher for each complete academic year of service, after completion of the second academic year of service, in a public or other nonprofit private elementary or secondary school—

"(A) which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965; and

"(B) which for the purpose of this paragraph and for that year has been determined by 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 section 1124(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school.

"(4) RATE OF DISCHARGE.—(A) Loans shall be discharged under this subsection at the rate of—

"(i) 30 percent for the first or second complete academic year of qualifying service as de-

scribed in paragraph (3) (after completion of two years of service); and

"(ii) 40 percent for the third complete year of such qualifying service.

"(B) The total amount that may be discharged under this subsection for any borrower shall not exceed $17,750.

"(C) If a portion of a loan is discharged under subparagraph (A) for any year, the entire amount of interest on that loan that accrues for that year shall also be discharged by the Secretary.

"(D) Nothing in this section shall be construed to authorize refunding of any repayment of a loan.

"(5) LIMITATION ON TEACHER ELIGIBILITY.—

"(A) SECONDARY SCHOOL TEACHERS.—A borrower may not receive assistance under this subsection by virtue of teaching in a secondary school unless such borrower majored in the subject area in which they are teaching.

"(B) ELEMENTARY SCHOOL TEACHERS.—A borrower may not receive assistance under this subsection by virtue of teaching in a elementary school unless such borrower demonstrates, in accordance with State teacher certification or licensing requirements, subject

matter knowledge and teaching skills in reading, writing, mathematics, and other subjects taught in elementary schools.

"(6) PREVENTION OF DOUBLE BENEFITS.—No borrower may, for the same service, receive a benefit under both this subsection and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

"(7) METHOD OF PAYMENT.—The Secretary shall specify in regulations the manner in which lenders shall be reimbursed for loans made under this part, or portions thereof, that are discharged under this subsection.

"(8) LIST.—If the list of schools in which a teacher may perform service pursuant to paragraph (3) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

"(9) CONTINUING ELIGIBILITY.—Any teacher who performs service in a school which—

"(A) meets the requirements of paragraph (3) in any year during such service; and

"(B) in a subsequent year fails to meet the requirements of such subsection,

may continue to teach in such school and shall be eligible for loan cancellation pursuant to this subsection with respect to such subsequent years.''.

SEC. 428. DEBT MANAGEMENT OPTIONS.

Section 437A (20 U.S.C. 1087–O) is repealed.

SEC. 429. SPECIAL ALLOWANCES.

(a) COMPUTATION.—Section 438(b)(2) (20 U.S.C. 1087–1(b)(2)) is amended—

(1) in subparagraph (A), by striking ''(E), and (F)'' and inserting ''and (E)''; and

(2) in subparagraph (B)(iv), by striking '', (E), or (F)'' and inserting ''or (E)''.

(b) ORIGINATION FEES.—Section 438(c) is amended—

(1) in paragraph (2)—

(A) by striking ''(other than'' and inserting ''(including loans made under section 428H, but excluding''; and

(B) by adding at the end the following new sentence: ''Except as provided in paragraph (8), a lender is not authorized to assess an origination fee under this paragraph unless the lender assesses the same fee to all student borrowers.''; and

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

"(8) EXCEPTION.—Notwithstanding paragraph (2), a lender may assess a lesser origination fee for a borrower demonstrating greater financial need as determined by such borrower's adjusted gross family income.".

(c) LENDING FROM PROCEEDS OF TAX EXEMPT OBLIGATIONS.—Section 438 is amended—

(1) by striking subsection (e); and

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

(d) STUDY.—Section 438 is amended by adding at the end the following new subsection:

"(f) STUDY.—The Comptroller General shall conduct a statistical analysis of the subsidized and unsubsidized student loan programs under part B to gather data on lenders' policies on charging origination fees and to determine if there are any anomalies that would indicate any institutional, programmatic, or socioeconomic discrimination in the assessing or waiving of such fees. The Comptroller General shall report to the appropriate committees of Congress within two years after the date of enactment of the Higher Education Amendments of 1998.".

SEC. 430. LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.

(a) PURPOSE.—It is the purpose of this section—

(1) to bring more highly trained individuals into the early child care profession; and

(2) to keep more highly trained child care providers in the early child care field for longer periods of time.

(b) LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.—Part B (20 U.S.C. 1071 et seq.) is amended by inserting after section 428J (as added by section 432) (20 U.S.C. 1078–10) the following:

"SEC. 428K. LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.

"(a) DEFINITIONS.—In this section:

"(1) CHILD CARE FACILITY.—The term 'child care facility' means a facility, including a home, that—

"(A) provides child care services; and

"(B) meets applicable State or local government licensing, certification, approval, or registration requirements, if any.

"(2) CHILD CARE SERVICES.—The term 'child care services' means activities and services provided for the education and care of children from birth

through age 5 by an individual who has a degree in early childhood education.

"(3) DEGREE.—The term 'degree' means an associate's or bachelor's degree awarded by an institution of higher education.

"(4) EARLY CHILDHOOD EDUCATION.—The term 'early childhood education' means education in the areas of early child education, child care, or any other educational area related to child care that the Secretary determines appropriate.

"(b) DEMONSTRATION PROGRAM.—

"(1) IN GENERAL.—The Secretary may carry out a demonstration program of assuming the obligation to repay, pursuant to subsection (c), a loan made, insured or guaranteed under this part or part D (excluding loans made under sections 428B and 428C) for any new borrower after the date of enactment of the Higher Education Amendments of 1998, who—

"(A) completes a degree in early childhood education; and

"(B) obtains employment in a child care facility.

"(2) AWARD BASIS; PRIORITY.—

"(A) AWARD BASIS.—Subject to subparagraph (B), loan repayment under this section shall be on a first-come, first-served basis and subject to the availability of appropriations.

"(B) PRIORITY.—The Secretary shall give priority in providing loan repayment under this section for a fiscal year to student borrowers who received loan repayment under this section for the preceding fiscal year.

"(3) REGULATIONS.—The Secretary is authorized to prescribe such regulations as may be necessary to carry out the provisions of this section.

"(c) LOAN REPAYMENT.—

"(1) IN GENERAL.—The Secretary shall assume the obligation to repay—

"(A) after the second year of employment described in subparagraphs (B) and (C) of subsection (b)(1), 20 percent of the total amount of all loans made after date of enactment of the Higher Education Amendments of 1998, to a student under this part or part D;

"(B) after the third year of such employment, 20 percent of the total amount of all such loans; and

"(C) after each of the fourth and fifth years of such employment, 30 percent of the total amount of all such loans.

"(2) CONSTRUCTION.—Nothing in this section shall be construed to authorize the refunding of any repayment of a loan made under this part or part D.

"(3) INTEREST.—If a portion of a loan is repaid by the Secretary under this section for any year, the proportionate amount of interest on such loan which accrues for such year shall be repaid by the Secretary.

"(4) SPECIAL RULE.—In the case where a student borrower who is not participating in loan repayment pursuant to this section returns to an institution of higher education after graduation from an institution of higher education for the purpose of obtaining a degree in early childhood education, the Secretary is authorized to assume the obligation to repay the total amount of loans made under this part or part D incurred for a maximum of two academic years in returning to an institution of higher education for the purpose of obtaining a degree in early childhood education. Such loans shall only be repaid for borrowers who qualify for loan repayment

pursuant to the provisions of this section, and shall be repaid in accordance with the provisions of paragraph (1).

"(5) INELIGIBILITY OF NATIONAL SERVICE AWARD RECIPIENTS.—No student borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.).

"(d) REPAYMENT TO ELIGIBLE LENDERS.—The Secretary shall pay to each eligible lender or holder for each fiscal year an amount equal to the aggregate amount of loans which are subject to repayment pursuant to this section for such year.

"(e) APPLICATION FOR REPAYMENT.—

"(1) IN GENERAL.—Each eligible individual desiring loan repayment under this section shall submit a complete and accurate application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

"(2) CONDITIONS.—An eligible individual may apply for loan repayment under this section after completing each year of qualifying employment. The borrower shall receive forbearance while engaged in

qualifying employment unless the borrower is in deferment while so engaged.

"(f) EVALUATION.—

"(1) IN GENERAL.—The Secretary shall conduct, by grant or contract, an independent national evaluation of the impact of the demonstration program assisted under this section on the field of early childhood education.

"(2) COMPETITIVE BASIS.—The grant or contract described in subsection (a) shall be awarded on a competitive basis.

"(3) CONTENTS.—The evaluation described in this subsection shall—

"(A) determine the number of individuals who were encouraged by the demonstration program assisted under this section to pursue early childhood education;

"(B) determine the number of individuals who remain employed in a child care facility as a result of participation in the program;

"(C) identify the barriers to the effectiveness of the program;

"(D) assess the cost-effectiveness of the program in improving the quality of—

"(i) early childhood education; and

"(ii) child care services;

"(E) identify the reasons why participants in the program have chosen to take part in the program;

"(F) identify the number of individuals participating in the program who received an associate's degree and the number of such individuals who received a bachelor's degree; and

"(G) identify the number of years each individual participates in the program.

"(4) INTERIM AND FINAL EVALUATION REPORTS.—The Secretary shall prepare and submit to the President and the Congress such interim reports regarding the evaluation described in this subsection as the Secretary deems appropriate, and shall prepare and so submit a final report regarding the evaluation by January 1, 2002.

"(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $10,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.".

PART C—FEDERAL WORK-STUDY PROGRAMS

SEC. 435. AMENDMENTS TO PART C.

(a) EXTENSION OF AUTHORITY; DEFINITION.—

(1) ELIGIBLE STUDENTS.—Section 441(a) (20 U.S.C. 2751(a)) is amended by inserting after ''professional students'' the following: '', including students participating in an internship or practicum, or as a research assistant, as determined by the Secretary,''.

(2) EXTENSION OF AUTHORITY.—Section 441(b) is amended by striking ''$800,000,000 for fiscal year 1993'' and inserting ''$1,000,000,000 for fiscal year 1999''.

(3) DEFINITION OF COMMUNITY SERVICE.—Section 441(c) is amended by striking ''which are'' and inserting ''that are performed off-campus or on-campus and that are''.

(b) ALLOCATION OF FUNDS.—Section 442 (42 U.S.C. 2752) is amended—

(1) by striking subsection (b);

(2) in subsection (c)(1), by striking ''three-quarters of the remainder'' and inserting ''the remainder'';

(3) in subsection (c)(2)(A)(i), by striking ''subsection (d)'' and inserting ''subsection (c)'';

(4) in subsection (e)(1), by striking ''subsection (c)'' and inserting ''subsection (b)''; and

(5) by redesignating subsections (c), (d), (e), and (f) as subsections (b), (c), (d), and (e), respectively.

(c) TUTORING AND LITERACY ACTIVITIES.—

Section 443 of the Higher Education Act of 1965 (42 U.S.C. 2753) is amended—

(1) in subsection (b)(2)—

(A) by striking ''and'' at the end of subparagraph (A);

(B) by redesignating subparagraph (B) as subparagraph (C); and

(C) by inserting after subparagraph (A) the following new subparagraph:

''(B) in academic year 1999 and succeeding academic years, an institution shall use at least 2 percent of the total amount of funds granted to such institution under this section for such academic year in accordance with subsection (d); and'';

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

''(d) TUTORING AND LITERACY ACTIVITIES.—

''(1) USE OF FUNDS.—In any academic year to which subsection (b)(2)(B) applies, an institution shall use the amount required to be used in accord-

ance with this subsection to compensate (including compensation for time spent in directly related training and travel) students—

"(A) employed as a reading tutor for children who are in preschool through elementary school; or

"(B) employed in family literacy projects.

"(2) PRIORITY FOR SCHOOLS.—An institution shall—

"(A) give priority, in using such funds, to the employment of students in the provision of tutoring services in schools that—

"(i) are identified for school improvement under section 1116(c) of the Elementary and Secondary Education Act of 1965; or

"(ii) are selected by a local educational agency under section 15104(a)(2) of such Act; and

"(B) ensure that any student compensated with such funds who is employed in a school selected under section 15104(a)(2) of the Elementary and Secondary Education Act of 1965 is trained in the instructional practices based

on reliable, replicable research on reading used by the school pursuant to such section 15104.

"(3) FEDERAL SHARE.—The Federal share of the compensation of work study students compensated under this subsection may exceed 75 percent.

"(4) WAIVER.—The Secretary may waive the requirements of this subsection if the Secretary determines that enforcing such requirements would cause a hardship for students at the institution.

"(5) RETURN OF FUNDS.—Any institution that does not use the amount required under this subsection, and that does not request and receive a waiver from the Secretary under paragraph (4), shall return to the Secretary, at such time as the Secretary may require for reallocation under paragraph (6), any balance of such amount that is not used as so required.

"(6) REALLOCATION.—The Secretary shall reallot any amounts returned pursuant to paragraph (5) among institutions that used at least 4 percent of the total amount of funds granted to such institution under this section to compensate students employed in tutoring and literacy activities in the preceding academic year. Such funds shall be reallotted

among such institutions on the same basis as excess eligible amounts are allocated to institutions pursuant to section 442(c). Funds received by institutions pursuant to this paragraph shall be used in the same manner as amounts required to be used in accordance with this subsection.''.

(d) GRANT REQUIREMENTS.—

(1) COMMUNITY SERVICE.—Section 443(b)(2)(A) (42 U.S.C. 2753(b)(2)(A)) is amended—

(A) by striking ''in fiscal year 1994 and succeeding fiscal years,''; and

(B) by inserting ''(including time spent in travel or training, or both, directly related to such community service)'' after ''community service''.

(2) USE OF FUNDS FOR INDEPENDENT AND LESS-THAN-FULL-TIME STUDENTS.—Section 443(b)(3) (42 U.S.C. 2753(b)(3)) is amended to read as follows:

''(3) provide that in the selection of students for employment under such work-study program, only students, who demonstrate financial need in accordance with part F of this title, and who meet the requirements of section 484 will be assisted, except

that if the institution's grant under this part is directly or indirectly based in part on the financial need demonstrated by students who are (A) attending the institution less than full time, or (B) independent students, then grant funds shall be made available to such less than full-time and independent students;''.

(3) AVAILABILITY OF EMPLOYMENT.—Section 443(b)(6) is amended by striking everything after ''in need thereof'' and inserting a semicolon.

(4) ACADEMIC RELEVANCE.—Section 443(c)(4) is amended by inserting before the semicolon at the end the following: '', to the maximum extent practicable''.

(e) FLEXIBLE USE OF FUNDS.—Section 445(b) (42 U.S.C. 2755(b)) is amended by adding at the end the following new paragraph:

''(3) An eligible institution may, with the permission of a student, make payments to the student under this part by crediting the student's account at the institution or by making a direct deposit to the student's account at a depository institution. An eligible institution may only credit the student's account at the institution for (A) tuition and fees, (B) in the case of institutionally owned

housing, room and board, and (C) other institutionally provided goods and services.''.

(f) JOB LOCATION AND DEVELOPMENT PROGRAMS.—Section 446 (42 U.S.C. 2756) is amended—

(1) in subsection (a)(1)—

(A) by striking ''$50,000'' and inserting ''$60,000''; and

(B) by striking ''community service jobs, for currently enrolled students'' and inserting ''community service jobs and cooperative education jobs, for currently enrolled students, including students participating in work-study programs under this part''; and

(2) in subsection (b)—

(A) by redesignating paragraphs (4) through (6) as paragraphs (5) through (7); and

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

''(4) provide that the institution will notify the Secretary if the institution will use funds under this section to develop cooperative education jobs and will provide assurances that—

''(A) the funds provided under this paragraph will supplement and not supplant any co-

operative education funds available to the institution;

"(B) in the case of 2-year programs, funds will be used to develop and expand cooperative education, jobs for associate degree or certificate students only;

"(C) the work portion of a cooperative education job developed or expanded under this paragraph will be related to a student's academic program; and

"(D) the institution will furnish the Secretary a report on cooperative education jobs expanded and developed under this paragraph, including—

"(i) how the funds were used;

"(ii) a list of employers and whether the employer is a for-profit or not-for-profit entity; and

"(iii) the employers' role in the cooperative education job.".

(g) WORK COLLEGES EXTENSION OF AUTHORITY.—Section 448(f) (42 U.S.C. 2756b(f)) is amended by striking "1993" and inserting "1999".

PART D—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

SEC. 436. SELECTION OF INSTITUTIONS.

(a) GENERAL AUTHORITY.—Section 453(a) (20 U.S.C. 1087c(a)) is amended—

(1) by striking ''PHASE-IN'' and everything that follows through ''GENERAL AUTHORITY.—'' and inserting ''GENERAL AUTHORITY.—''; and

(2) by striking paragraphs (2), (3), and (4).

(b) SELECTION CRITERIA.—Section 453(b)(2) is amended by striking ''prescribe,'' and everything that follows through the end of subparagraph (B) and inserting ''prescribe.''.

(c) ORIGINATION.—Section 453(c) is amended—

(1) in paragraph (2)—

(A) in the heading, by striking ''TRANSITION SELECTION CRITERIA'' and inserting ''SELECTION CRITERIA'';

(B) by striking ''For academic year 1994–1995, the Secretary'' and inserting ''The Secretary'';

(C) by striking subparagraph (A); and

(D) in subparagraph (E), by striking everything after ''deficiencies'' and inserting a semicolon; and

(E) by redesignating subparagraphs (B) through (H) as subparagraphs (A) through (G); and

(2) in paragraph (3)—

(A) in the heading, by striking ''AFTER TRANSITION''; and

(B) by striking ''For academic year 1995–1996 and subsequent academic years, the Secretary'' and inserting ''The Secretary''.

SEC. 437. TERMS AND CONDITIONS.

(a) INTEREST RATES.—

(1) AMENDMENT.—Section 455(b) (20 U.S.C. 1087e(b)) is amended to read as follows:

''(b) INTEREST RATE.—

''(1) RATES FOR FDSL AND FDUSL.—For Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans for which the first disbursement is made on or after July 1, 1998, 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—

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

"(B) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

"(2) IN SCHOOL AND GRACE PERIOD RULES.—With respect to any Federal Direct Stafford Loan or Federal Direct Unsubsidized Stafford Loan for which the first disbursement is made on or after July 1, 1995, the applicable rate of interest for interest which accrues—

"(A) prior to the beginning of the repayment period of the loan; or

"(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 428(b)(1)(M) or 427(a)(2)(C),

shall be determined under paragraph (1) by substituting '1.7 percent' for '2.3 percent'.

"(3) PLUS LOANS.—With respect to Federal Direct PLUS Loan for which the first disbursement is made on or after July 1, 1998, the applicable rate of interest shall be determined under paragraph (1)—

"(A) by substituting '3.1 percent' for '2.3 percent'; and

"(B) by substituting '9.0 percent' for '8.25 percent'.

"(4) CONSOLIDATION LOANS.—Any Federal Direct Consolidation loan for which the application is received on or after October 1, 1998, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

"(i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent; or

"(ii) 8.25 percent.

"(5) REPAYMENT INCENTIVES.—Notwithstanding any other provision of this part, the Secretary is authorized to prescribe in regulation such reductions in the interest rate paid by a borrower of a loan made under this part as the Secretary determines appropriate to encourage on-time repayment. Such reductions may be offered only if the Secretary determines they are both cost neutral and in the best financial interest of the Federal Government. Any increase in subsidy costs resulting from such reductions must be completely offset by corresponding savings in funds available for the Direct Loan Program in that fiscal year from section 458 and other administrative accounts.

"(6) PUBLICATION.—The Secretary shall determine the applicable rates of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.".

(2) EFFECTIVE DATE.—Except as otherwise provided therein, the amendments made by this section shall apply with respect to any loan made under part D of title IV of the Higher Education Act of 1965 for which the first disbursement is made on or after July 1, 1998.

(b) CONSOLIDATION LOANS.—The first sentence of section 455(g) is amended by striking everything after "section 428C(a)(4)" and inserting a period.

SEC. 438. CONTRACTS.

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

(1) by inserting "and" after the semicolon at the end of paragraph (3);

(2) by striking paragraph (4); and

(3) by redesignating paragraph (5) as paragraph (4).

SEC. 439. FUNDS FOR ADMINISTRATIVE EXPENSES.

Section 458 (20 U.S.C. 1087h) is amended—

(1) in subsection (a)(1), by striking subparagraph (B) and everything that follows and inserting the following:

"(B) account maintenance fees payable to guaranty agencies under part B and calculated in accordance with paragraph (2),

not to exceed (from such funds not otherwise appropriated) $626,000,000 in fiscal year 1999, $726,000,000 in fiscal year 2000, $770,000,000 in fiscal year 2001, $780,000,000 in fiscal year 2002, and $795,000,000 in fiscal year 2003. Account maintenance fees under subparagraph (B) of this paragraph shall be paid quarterly and deposited in the Operating Fund established under 422B. The Secretary may carry over funds available under this section to a subsequent fiscal year.";

(2) by striking paragraph (2) of subsection (a) and inserting the following:

"(2) CALCULATION BASIS.—Account maintenance fees payable to guaranty agencies under paragraph (1)(B) shall be calculated for fiscal year 1999 and fiscal year 2000, on the basis of 0.12 percent of the original principal amount of outstanding loans on which insurance was issued under part B, and for fiscal years 2001 and succeeding fiscal years, shall

be calculated on the basis of 0.10 percent of the original principal amount of outstanding loans on which insurance was issued under part B.''; and

(3) by striking subsection (d).

SEC. 440. AUTHORITY TO SELL LOANS.

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

''SEC. 459. AUTHORITY TO SELL LOANS.

''The Secretary, in consultation with the Secretary of the Treasury, is authorized to sell loans made under this part on such terms as the Secretary determines are in the best interest of the United States, except that any such sale shall not result in any cost to the Federal Government. Notwithstanding any other provision of law, the proceeds of any such sale may be used by the Secretary to offer reductions in the interest rate paid by a borrower of a loan made under this part as the Secretary determines appropriate to encourage on-time repayment. Such reductions may be offered only if the Secretary determines they are in the best financial interests of the Federal Government.''.

SEC. 441. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.

Part D of title IV is amended by inserting after section 459, as added by section 440, the following new section:

"SEC. 459A. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.

"(a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—

"(1) FUNCTIONS OF SECRETARY.—The percent specified in paragraph (4) of the total amount of any qualifying loan shall be canceled for each complete year of service by the borrower described in paragraph (3).

"(2) QUALIFYING LOANS.—

"(A) IN GENERAL.—For purposes of this subsection, a loan is a qualifying loan if—

"(i) the loan was a Federal Direct Stafford Loan made on or after the date of enactment of the Higher Education Amendments of 1998 to a borrower who, on the date of entering into the note or other written evidence of the loan, had no outstanding balance of principal or interest on any loan made before such date; and

"(ii) the loan was obtained to cover the cost of instruction for an academic year after the first and second year of undergraduate education.

"(B) LIMITATION.—The Secretary may not repay loans described in subparagraph (A) to cover the costs of instruction for more than two academic years, or three academic years in the case of a program of instruction normally requiring five years.

"(C) TREATMENT OF CONSOLIDATION LOANS.—A Federal Direct Consolidation Loan may be a qualifying loan for the purposes of this subsection only to the extent that such loan was used to repay a loan or loans that meet the requirements of subparagraphs (A) and (B), as determined in accordance with regulations prescribed by the Secretary.

"(3) QUALIFYING SERVICE.—A loan shall be cancelled under paragraph (1) for service by the borrower as a full-time teacher for each complete academic year of service, after completion of the second academic year of service, in a public or other nonprofit private elementary or secondary school—

"(A) which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965; and

"(B) which for the purpose of this paragraph and for that year has been determined by 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 section 1124(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school.

"(4) PERCENTAGE OF CANCELLATION.—(A) The percent of a loan which shall be canceled under paragraph (1) of this subsection is at the rate of—

"(i) 30 percent for the first or second complete academic year of qualifying service as described in paragraph (3) (after completion of two years of service); and

"(ii) 40 percent for the third complete year of such qualifying service.

"(B) The total amount that may be canceled under this subsection for any borrower shall not exceed $17,750.

"(C) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

"(D) Nothing in this section shall be construed to authorize refunding of any repayment of a loan.

"(5) LIMITATION ON TEACHER ELIGIBILITY.—

"(A) SECONDARY SCHOOL TEACHERS.—A borrower may not receive assistance under this subsection by virtue of teaching in a secondary school unless such borrower majored in the subject area in which they are teaching.

"(B) ELEMENTARY SCHOOL TEACHERS.—A borrower may not receive assistance under this subsection by virtue of teaching in a elementary school unless such borrower demonstrates, in accordance with State teacher certification or licensing requirements, subject matter knowledge and teaching skills in reading, writing, mathematics, and other subjects taught in elementary schools.

"(6) DEFINITION.—For the purpose of this section, the term 'year' where applied to service as a teacher means an academic year as defined by the Secretary.

"(7) PREVENTION OF DOUBLE BENEFITS.—No borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

"(b) SPECIAL RULES.—

"(1) LIST.—If the list of schools in which a teacher may perform service pursuant to subsection (a)(3) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

"(2) CONTINUING ELIGIBILITY.—Any teacher who performs service in a school which—

"(A) meets the requirements of subsection (a)(3) in any year during such service; and

"(B) in a subsequent year fails to meet the requirements of such subsection,

may continue to teach in such school and shall be eligible for loan cancellation pursuant to subsection (a)(1) with respect to such subsequent years.".

PART E—FEDERAL PERKINS LOANS

SEC. 445. AMENDMENTS TO PART E.

(a) EXTENSION OF AUTHORITY.—Section 461(b) (20 U.S.C. 1087aa(b)) is amended—

(1) in paragraph (1), by striking ''1993'' and inserting ''1999''; and

(2) in paragraph (2), by striking ''1997'' each place it appears and inserting ''2003''.

(b) ALLOCATION OF FUNDS.—Section 462 (20 U.S.C. 1087bb) is amended—

(1) by striking subsection (b);

(2) in subsection (c)(1), by striking ''three-quarters of the remainder'' and inserting ''the remainder'';

(3) in subsection (c)(2), by striking ''subsection (g)'' and inserting ''subsection (f)'';

(4) in subsection (c)(3)—

(A) by striking ''subsection (d)'' and inserting ''subsection (c)'';

(B) by striking ''subsection (f)'' and inserting ''subsection (e)''; and

(C) by striking ''subsection (g)'' and inserting ''subsection (f)'';

(5) in subsection (f)(1), by striking ''subsection (g)'' and inserting ''subsection (f)'';

(6) in subsection (j)(2)—

(A) by striking ''subsection (c)'' and inserting ''subsection (b)''; and

(B) by striking ''subsection (c) of section 462'' and inserting ''subsection (b)''; and

(7) by redesignating subsections (c) through (j) as subsections (b) through (i), respectively.

(c) DEFAULT REDUCTION PENALTIES.—Section 462(e)(2)(A) (as redesignated by subsection (b)(7) of this section) is amended by inserting before the semicolon at the end the following: '', except that a plan shall not be required with respect to any such institution that has a default rate of less than 20 percent and has less than 100 students who have loans under this part in any academic year''.

(d) DEFINITIONS FOR DEFAULT RATE CALCULATIONS.—Section 462(g) (as redesignated by subsection (b)(7) of this section) is amended by adding at the end the following new paragraph:

''(5) For the purpose of this subsection, the term 'satisfactory arrangements to resume payment' includes—

''(A) receipt of voluntary monthly payments for three consecutive months after the time periods specified in paragraph (4);

''(B) receipt of voluntary payments sufficient to bring the loan current prior to the calculation being made for any award year under paragraph (3);

"(C) obtaining any deferment, postponement, rehabilitation, forbearance, or cancellation of the loan after the time periods specified in paragraph (4), but prior to the calculation being made for any award year under paragraph (3);

"(D) receipt of the full amount due on the loan after the time periods specified in paragraph (4), but prior to the calculation being made for any award year under paragraph (3); or

"(E) any other arrangements to resume payment which the Secretary determines to be satisfactory.".

(e) REPORTS TO CREDIT BUREAUS OF PAYMENT RESUMPTIONS.—Section 463(c) (20 U.S.C. 1087cc(c)) is amended by adding at the end the following new paragraph:

"(5) Each institution of higher education shall notify the appropriate credit bureau organizations whenever a borrower of a loan that is made and held by the institution and that is in default makes 12 consecutive monthly payments on such loan, for the purpose of encouraging such organizations to update the status of information maintained with respect to that borrower.".

(f) INCENTIVE REPAYMENT PROGRAMS.—Section 463 is amended by adding at the end the following new subsection:

"(f) INCENTIVE REPAYMENT PROGRAMS.—

"(1) PROGRAM AUTHORIZED.—Any institution of higher education participating in the program under this part may establish, with the approval of the Secretary, an incentive repayment program designed to reduce defaults on loans under this part and to assist in replenishing the student loan fund established under this part.

"(2) CONTENTS OF PROGRAM.—An incentive repayment program under this part may contain provisions that—

"(A) offer a reduction in the interest rate on a loan on which the borrower has made 48 consecutive monthly payments, but in no event may the interest rate be reduced by more than one percent;

"(B) provide for a discount on the balance owed on a loan on which the borrower pays the principal and interest in full prior to the end of the applicable repayment period, but in no event shall such discount exceed 5 percent of

the unpaid principal balance due on the loan at the time the early repayment is made; and

"(C) include such other incentive repayment options as the institution determines, with the approval of the Secretary, will carry out the objectives of this subsection.

"(3) NO NET COST TO THE GOVERNMENT.—No incentive option contained in a program authorized by this subsection may be charged to the Federal Government.".

(g) TERMS OF LOANS.—

(1) AGGREGATE AMOUNT.—Section 464(a)(2)(B) (20 U.S.C. 1087dd(a)(2)(B)) is amended by striking "the aggregate of the loans for all years" and inserting "the aggregate unpaid principal amount for all loans".

(2) ALLOCATION TO LESS-THAN-FULL-TIME STUDENTS.—Section 464(b) is amended—

(A) by striking "(1)"; and

(B) by striking paragraph (2).

(3) QUALIFICATION FOR DEFERMENTS.—Section 464(c)(2) is amended by adding at the end the following new subparagraph:

"(C) An individual with an outstanding loan balance who meets the eligibility criteria for a deferment described

in subparagraph (A) as in effect on the date of enactment of this subparagraph shall be eligible for deferment under this paragraph notwithstanding any contrary provision of the promissory note under which the loan or loans were made, and notwithstanding any amendment (or effective date provision relating to any amendment) to this section made prior to the date of such deferment.''.

(4) CLERICAL AMENDMENT.—The matter following clause (iv) of section 464(c)(2)(A) is amended by striking ''subparagraph (B)'' and inserting ''subparagraph (A) of paragraph (1)''.

(h) REHABILITATION AND DISCHARGE OF LOANS.—Section 464 is further amended by adding at the end the following new subsections:

''(g) REHABILITATION OF LOANS.—(1)(A) If the borrower of a loan made under this part who has defaulted on the loan makes 12 on-time, consecutive, monthly payments of amounts owed on the loan, the loan shall be considered rehabilitated, and the institution that made the loan (or the Secretary, in the case of a loan held by the Secretary) shall instruct any credit reporting organization to which the default was reported to remove the default from the borrower's credit history.

''(B) As long as the borrower continues to make scheduled repayments on a loan rehabilitated under this

paragraph, the rehabilitated loan shall be subject to the same terms and conditions, and qualify for the same benefits and privileges, as other loans made under this part.

"(C) The borrower of a rehabilitated loan shall not be precluded by section 484 from receiving additional grant, loan, or work assistance under this title (for which he or she is otherwise eligible) on the basis of defaulting on the loan prior to such rehabilitation.

"(D) A borrower may obtain the benefit of this paragraph with respect to rehabilitating the loan only once.

"(2) If the borrower of loan made under this part who has defaulted on that loan makes 6 on-time, 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. A borrower may obtain the benefit of this paragraph with respect to restored eligibility only once.

"(h) DISCHARGE.—

"(1) IN GENERAL.—If a student borrower who received a loan made under this part on or after January 1, 1986, 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 interest and collection fees) by repaying the amount owed

on the loan and shall subsequently pursue any claim available to such borrower against the institution and its affiliates and principals, or settle the loan obligation.

"(2) ASSIGNMENT.—A borrower whose loan has been discharged pursuant to this subsection shall be deemed to have assigned to the United States the right to a loan refund up to the amount discharged against the institution and its affiliates and principals.

"(3) ELIGIBILITY FOR ADDITIONAL ASSISTANCE.—The period of a student's assistance at an institution at which the student was unable to complete a course of study due to the closing of the institution shall not be considered for purposes of calculating the student's period of eligibility for additional assistance under this title.

"(4) SPECIAL RULE.—A borrower whose loan has been discharged pursuant to this subsection shall not be precluded, because of that discharge, from receiving additional grant, loan, or work assistance under this title for which the borrower would be otherwise eligible (but for the default on the discharged loan). The amount discharged under this

subsection shall be treated the same as loans under section 465(a)(5).

"(5) REPORTING.—The Secretary or institution, as the case may be, shall report to credit bureaus with respect to loans that have been discharged pursuant to this subsection.".

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

(1) in subsection (a)—

(A) in paragraph (2)(C), by striking "section 676(b)(9)" and inserting "section 635(a)(10)";

(B) by striking subparagraph (H) of paragraph (2) and inserting the following:

"(H) as a full-time nurse or medical technician providing health care services;";

(C) by striking the period at the end of subparagraph (I) of such paragraph and inserting a semicolon;

(D) by adding at the end of such paragraph the following new subparagraphs:

"(J) as a member of the Commissioned Corps of the Public Health Service of the United States; or

"(K) as a non-physician mental health professional providing health care services in a health professional shortage area designated under section 332 of the Public Health Service Act.";

(E) in the last sentence of paragraph (2), by striking "section 602(a)(1)" and inserting "section 602(3)";

(F) in paragraph (3)(A)(i), by striking "(H), or (I)" and inserting "(H), (I), (J), or (K)"; and

(G) by adding at the end the following new paragraph:

"(7) An individual with an outstanding loan obligation who performs service of any type that is described in paragraph (2) as in effect on the date of enactment of this paragraph shall be eligible for cancellation under this section for such service notwithstanding any contrary provision of the promissory note under which the loan or loans were made, and notwithstanding any amendment (or effective date provision relating to any amendment) to this section made prior to the date of such service."; and

(2) in subsection (b), by adding at the end the following new sentence: "To the extent feasible, the Secretary shall pay the amounts for which any institution qualifies under this subsection no later than

three months after the institution files an institutional application for campus-based funds.''.

(j) DISTRIBUTION OF ASSETS.—Section 466 (20 U.S.C. 1087ff) is amended—

(1) by striking ''1996'' each place it appears and inserting ''2003''; and

(2) by striking ''1997'' each place it appears and inserting ''2004''.

(k) COLLECTION OF DEFAULTED LOANS.—

(1) REPEAL.—Subsection (c) of section 467 (20 U.S.C. 1087gg(c)) is repealed.

(2) DEPOSIT.—Any funds in the Perkins Revolving Loan Fund on the date of enactment of this Act shall be deposited in the general fund of the Treasury.

(l) STATUS CONFIRMATION REPORTS.—Section 468 (20 U.S.C. 1087hh) is amended—

(1) by inserting ''(a) IN GENERAL.—'' before ''In carrying out''; and

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

''(b) STUDENT STATUS CONFIRMATION REPORTS.—The Secretary shall ensure that borrowers under this part are included in the student status confirmation report re-

quired by the Secretary in the same manner as borrowers under parts B and D of this title.''.

PART F—NEED ANALYSIS

SEC. 446. COST OF ATTENDANCE.

Section 472 (20 U.S.C. 1087ll) is amended—

(1) in paragraph (2), by inserting after ''personal expenses'' the following: '', including a reasonable allowance for the rental or purchase of a personal computer,''; and

(2) in paragraph (10), by striking everything after ''determining costs'' and inserting a semicolon.

SEC. 447. DATA ELEMENTS.

Section 474(b)(3) (20 U.S.C. 1087nn(b)(3)) is amended by inserting '', excluding the student's parents,'' after ''family of the student''.

SEC. 448. FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.

(a) PARENTS' CONTRIBUTION FROM ADJUSTED AVAILABLE INCOME.—Section 475(b)(3) (20 U.S.C. 1087oo(b)(3)) is amended by inserting '', excluding the student's parents,'' after ''number of the family members''.

(b) FAMILY CONTRIBUTION FROM ASSETS.—Section 475 is amended—

(1) in subsection (b)(1)(B), by striking ''parents' contribution'' and inserting ''family contribution'';

(2) in the heading of subsection (d), by striking ''PARENTS' CONTRIBUTION'' and inserting ''FAMILY CONTRIBUTION'';

(3) in subsection (d)(1)—

(A) by striking ''parents' contribution'' and inserting ''family contribution''; and

(B) by striking ''parental net worth'' in subparagraph (A) and inserting ''family net worth'';

(4) in subsection (d)(2)—

(A) by striking ''PARENTAL'' in the heading and inserting ''FAMILY'';

(B) by striking ''parental net worth'' and inserting ''family net worth''; and

(C) by inserting '', for both the parents and the dependent student'' after ''by adding'';

(5) by striking subsection (h); and

(6) by redesignating subsection (i) as subsection (h).

(c) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—Section 475(g) is amended—

(1) in paragraph (2)—

(A) in subparagraph (D), by striking "$1,750; and" and inserting "$3,000, or a successor amount prescribed by the Secretary under section 478;";

(B) by striking the period at the end of subparagraph (E) and inserting "; and"; and

(C) by inserting after subparagraph (E) the following new subparagraph:

"(F) an allowance for parents' negative available income, determined in accordance with paragraph (6)."; and

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

"(6) ALLOWANCE FOR PARENTS' NEGATIVE ADJUSTED AVAILABLE INCOME.—The allowance for parents' negative adjusted available income is the amount, if any, by which the sum of the amounts deducted under subparagraphs (A) through (F) of paragraph (2) exceeds the sum of the parents' total income (as defined in section 480) and the family contribution from assets (as determined in accordance with subsection (c).".

(e) ADJUSTMENTS TO STUDENTS CONTRIBUTION FOR ENROLLMENT PERIODS OTHER THAN NINE

MONTHS.—Section 475 is amended by adding at the end the following new subsection:

"(i) ADJUSTMENTS TO STUDENTS CONTRIBUTION FOR ENROLLMENT PERIODS OF LESS THAN NINE MONTHS.—For periods of enrollment of less than nine months, the student's contribution from adjusted available income (as determined under subsection (g)) is determined, for purposes other than subpart 2 of part A, by dividing amount determined under such subsection by nine, and multiplying the result by the number of months in the period of enrollment.".

SEC. 449. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.

(a) ADJUSTMENTS FOR ENROLLMENT PERIODS OTHER THAN NINE MONTHS.—Section 476(a) (20 U.S.C. 1087pp(a)) is amended—

(1) by striking "and" at the end of paragraph (1)(B);

(2) by inserting "and" after the semicolon at the end of paragraph (2); and

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

"(3) for periods of enrollment of other than 9 months, for purposes other than subpart 2 of part A—

"(A) dividing the quotient resulting under paragraph (2) by nine; and

"(B) multiplying the result by the number of months in the period of enrollment;".

(b) CONTRIBUTION FROM AVAILABLE INCOME.—Section 476(b)(1)(A)(iv) is amended—

(1) by striking "allowance of—" and inserting "allowance of the following amount (or a successor amount prescribed by the Secretary under section 478)—";

(2) by striking "$3,000" each place it appears in subclauses (I) and (II) and inserting "$5,500"; and

(3) by striking "$6,000" in subclause (III) and inserting "$8,500".

SEC. 450. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.

Section 477(a) (20 U.S.C. 1087qq(a)) is amended—

(1) by striking "and" at the end of paragraph (2);

(2) by inserting ''and'' after the semicolon at the end of paragraph (3); and

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

''(4) for periods of enrollment of other than 9 months, for purposes other than subpart 2 of part A—

''(A) dividing the quotient resulting under paragraph (3) by nine; and

''(B) multiplying the result by the number of months in the period of enrollment;''.

SEC. 451. REGULATIONS; UPDATED TABLES AND AMOUNTS.

Section 478(b) (20 U.S.C. 1087rr(b)) is amended—

(1) by striking ''For each academic year'' and inserting the following:

''(1) REVISED TABLES.—For each academic year''; and

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

''(2) REVISED AMOUNTS.—For each academic year after academic year 1999–2000, the Secretary shall publish in the Federal Register revised income protection allowances for the purpose of sections 475(g)(2)(D) and 476(b)(1)(A)(iv). Such revised allowances shall be developed by increasing each of the

dollar amounts contained in such section by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1998 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.''.

SEC. 452. SIMPLIFIED NEEDS TEST; ZERO EXPECTED FAMILY CONTRIBUTION.

Section 479 is amended—

(1) in subsection (b)(3)—

(A) in the matter preceding subparagraph (A), by striking ''this paragraph'' and inserting ''this subsection, or subsection (c), as the case may be,'';

(B) in subparagraph (A), by striking ''or'' at the end thereof;

(C) by redesignating subparagraph (B) as subparagraph (C); and

(D) by inserting after subparagraph (A) the following new subparagraph:

''(B) a form 1040 (including any prepared or electronic version of such form) required pursuant to the Internal Revenue Code of 1986, except that such form shall be considered a qualifying form only if the student or family

files such form in order to take a tax credit under section 25A of the Internal Revenue Code of 1986, and would otherwise be eligible to file a form described in subparagraph(A); or'';

(2) in subsection (c)—

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

''(A) the student's parents file, or are eligible to file, a form described in subsection (b)(3), or certify that they are not required to file an income tax return and the student files, or is eligible to file, such a form, or certifies that the student is not required to file an income tax return; and''; and

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

''(A) the student (and the student's spouse, if any) files, or is eligible to file, a form described in subsection (b)(3), or certifies that the student (and the student's spouse, if any) is not required to file an income tax return; and''.

SEC. 453. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

(a) SPECIAL CIRCUMSTANCES.—Section 479A(a) (20 U.S.C. 1087tt(a)) is amended—

(1) in the first sentence, by inserting after ''(or both)'' the following: ''or, in extraordinary circumstances, the amount of the expected family contribution,''; and

(2) by inserting after the second sentence the following new sentence: ''Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in a family's income or assets or a student's status. Extraordinary circumstances shall be defined by the Secretary by regulation.''.

(b) REFUSAL OR ADJUSTMENT OF LOAN CERTIFICATIONS.—Section 479A is amended by striking subsection (c) and inserting the following:

''(c) REFUSAL OR ADJUSTMENT OF LOAN CERTIFICATIONS.—On a case-by-case basis, an eligible institution may refuse to certify a statement which permits a student to receive a loan under part B, or refuse to make a loan under part D, or may certify a loan amount or make a loan that is less than the student's determination of need

(as determined under this part), if the reason for the action is documented and provided in written form to the student and the student is afforded an opportunity to appeal the action in a timely fashion. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or handicapped status.''.

SEC. 454. TREATMENT OF OTHER FINANCIAL ASSISTANCE.

Section 480(j)(3) (20 U.S.C. 1087vv(j)(3)) is amended by inserting after ''paragraph (1),'' the following: ''a post-service benefit under chapter 30 of title 38, United States Code, or''.

PART G—GENERAL PROVISIONS

SEC. 461. DEFINITIONS.

Section 481 (20 U.S.C. 1088), as amended by section 102(b), is further amended by adding at the end the following new subsection:

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

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

"(2) audio or computer conferencing;

"(3) video cassettes or discs; or

"(4) correspondence.".

SEC. 462. MASTER CALENDAR.

(a) REQUIRED SCHEDULE.—Section 482(a) (20 U.S.C. 1089(a)) is amended by adding at the end the following new paragraphs:

"(3) The Secretary shall, to the extent practicable, notify eligible institutions, guaranty agencies, lenders, interested software providers, and, upon request, other interested parties, by December 1 prior to the start of an award year of minimal hardware and software requirements necessary to administer programs under this title.

"(4) The Secretary shall attempt to conduct training activities for financial aid administrators and others in an expeditious and timely manner prior to the start of such award year in order to ensure that all participants are informed of all administrative requirements.".

(b) DELAY OF EFFECTIVE DATE.—Section 482(c) is amended by striking the second sentence and inserting the

following: ''The Secretary shall provide a period for public comment of not less than 60 days after publication of any notice of proposed rulemaking affecting programs under this title.''.

SEC. 463. FORMS AND REGULATIONS.

(a) COMMON FINANCIAL AID FORM.—Section 483(a) (20 U.S.C. 1090(a)) is amended—

(1) in paragraph (1)—

(A) by striking ''A, C, D, and E'' and inserting ''A through E'';

(B) by striking ''and to determine the need of a student for the purpose of part B of this title'';

(C) by striking the second sentence and inserting the following: ''The Secretary shall include on the form developed under this subsection such data items as the Secretary determines are appropriate for inclusion, selected in consultation with States to assist in the awarding of State financial assistance, except that in no case shall the number of such data items be less than the number included on the form on the date of enactment of the Higher Education Amendments of 1998.''; and

(D) by striking the last sentence and inserting the following: ''The Secretary shall include, on the first page of the form, a prominently displayed notice to students and parents advising them to check with the college financial aid office in the event that they have unusual circumstances which may affect their eligibility for financial aid.'';

(2) in paragraph (2)—

(A) by striking ''A, C, D, and E'' each place it appears and inserting ''A through E'';

(B) by striking ''and the need of a student for the purpose of part B of this title,''; and

(C) by striking ''or have the student's need established for the purpose of part B of this title'';

(3) in the first sentence of paragraph (3), by inserting ''processing loan applications and'' after ''for the purposes of''; and

(4) by adding at the end the following new paragraphs:

''(5) ELECTRONIC FORMS.—(A) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, including private computer software providers,

shall develop an electronic version of the form described in paragraph (1). Such an electronic version shall not require a signature to be collected at the time such version is submitted, as permitted by the Secretary. The Secretary shall prescribe such version no later than 120 days after the date of enactment of the Higher Education Amendments of 1998.

''(B) Nothing in this section shall prohibit the use of the version of the form developed by the Secretary pursuant to subparagraph (A) by an eligible institution, eligible lender, guaranty agency, State grant agency, private computer software providers, a consortium thereof, or such other entities as the Secretary may designate.

''(C) No fee shall be charged to students in connection with the use of the electronic form, or of any other electronic forms used in conjunction with such form in applying for Federal or State student financial assistance.

''(D) The Secretary shall ensure that data collection complies with section 552a of title 5, United States Code, and that any entity using the version of the form developed by the Secretary pursuant to subparagraph (A) shall maintain reasonable and appropriate administrative, technical, and physical

safeguards to ensure the integrity and confidentiality of the information, and to protect against security threats, or unauthorized uses or disclosures of the information provided on the version of the form. Data collected by such version of the form shall be used only for the application, award, and administration of aid awarded under this title, State aid, or aid awarded by eligible institutions or such entities as the Secretary may designate. No data collected by such version of the form shall be used for making final aid awards under this title until such data have been processed by the Secretary or a contractor or designee of the Secretary.

"(6) SUPPORT TO THIRD PARTY SERVICERS AND PRIVATE SOFTWARE PROVIDERS.—The Secretary shall support private organizations and consortia thereof in the development of software used by eligible institutions for the administration of funds under this title. The Secretary shall provide in a timely manner to such organizations and consortia all necessary specifications that data and software developed, produced, and distributed (including any diskette, modem, or network communications) must meet. These specifications shall contain record layouts for required data and test cases that such orga-

nizations or consortia may use to test the accuracy of its software. The Secretary shall develop in advance of each processing cycle an annual schedule for providing such specifications. The Secretary shall, to the extent practicable, use means of providing such support, including conferences and other meetings, outreach, and technical support mechanisms (including telephone support, training and printed reference materials). The Secretary shall, from time to time, solicit from such organizations and consortia means of improving the support provided by the Secretary.''.

(b) STREAMLINED REAPPLICATION PROCESS.—Section 483(b)(1) is amended by striking '', within 240 days'' and everything that follows through ''of 1992,''.

(c) INFORMATION TO COMMITTEES.—Section 483(c) is amended by striking ''and Labor'' and inserting ''and the Workforce''.

(d) TOLL-FREE INFORMATION.—Section 483(d) is amended by striking ''section 633(c)'' and inserting ''section 685(d)(2)(C)''.

(e) REPEAL.—Subsection (f) of section 483 is repealed.

SEC. 464. STUDENT ELIGIBILITY.

(a) IN GENERAL.—Section 484(a) (20 U.S.C. 1091(a))—

(1) in paragraph (4), by striking ''the institution'' and everything that follows through ''lender), a document'' and inserting ''the Federal Government, as part of the original financial aid application process, a certification'';

(2) in paragraph (4)(B), by inserting after ''social security number,'' the following: ''and if a dependent student, the social security number of any parent of such student whose income information is required to be included on the form,''; and

(3) in paragraph (5), by striking ''Trust Territory of the Pacific Islands'' and inserting ''the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau''.

(b) TERMINATION OF ELIGIBILITY.—Section 484(j) is amended to read as follows:

''(j) ASSISTANCE UNDER SUBPARTS 1 AND 3, OF PART A, AND PART C.—Notwithstanding any other provision of law, a student shall be eligible until September 30, 2001, if otherwise qualified, for assistance under subparts 1 and 3 of part A, and part C, of this title, if the student is otherwise qualified and—

"(1) is a citizen of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau, and attends an institution of higher education in Guam or a public or nonprofit private institution of higher education in the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau; or

"(2) meets the requirements of subsection (a)(5) and attends a public or nonprofit private institution of higher education in the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau.".

(c) VERIFICATION OF INCOME DATA.—Section 484 is amended by adding at the end the following new subsection:

"(q) VERIFICATION OF INCOME DATA.—

"(1) CONFIRMATION WITH IRS.—The Secretary of Education, in cooperation with the Secretary of the Treasury, is authorized to confirm with the Internal Revenue Service the adjusted gross income, Federal income taxes paid, filing status, and exemptions reported by applicants (including parents) under this title on their Federal income tax returns for the purpose of verifying the information reported by applicants on student financial aid applications.

"(2) NOTIFICATION.—The Secretary shall establish procedures under which an applicant is notified that the Internal Revenue Service will disclose to the Secretary tax return information as authorized under section 6103(l)(13) of the Internal Revenue Code of 1986.".

(d) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—

(1) AMENDMENT.—Section 484 is further amended by adding at the end thereof the following new subsection:

"(r) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—

"(1) IN GENERAL.—An individual student who has been convicted of any offense under any Federal or State law involving the possession or sale of a controlled substance shall not be eligible to receive any grant, loan, or work assistance under this title during the period beginning on the date of such conviction and ending after the interval 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:	
First offense	2 years
Second offense	indefinite

"(2) REHABILITATION.—A student whose eligibility has been suspended under paragraph (1) may resume eligibility before the end of the period determined under such paragraph if the student satisfactorily completes a drug rehabilitation program that complies with such criteria as the Secretary shall prescribe for purposes of this paragraph and that includes two unannounced drug tests.

"(3) DEFINITIONS.—As used in this subsection, the term 'controlled substance' has the meaning given in section 102(6) of the Controlled Substances Act (21 U.S.C. 802(6)).".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to financial assistance to cover the costs of attendance for periods of enrollment beginning after the date of enactment of this Act.

SEC. 465. STATE COURT JUDGMENTS.

Section 484A (20 U.S.C. 1091a) is amended by adding at the end the following new subsection:

"(c) STATE COURT JUDGMENTS.—A judgment of a State court for the recovery of money provided as grant, loan, or work assistance under this title that has been assigned or transferred to the Secretary under this title may be registered in any district court by filing a certified copy

of the judgment and the assignment or other transfer to the Secretary. A judgment so registered shall have the same force and effect, and may be enforced in the same manner, as a judgment of the district court of the district in which the judgment is registered.''.

SEC. 466. INFORMATION FOR STUDENTS.

(a) INFORMATION DISSEMINATION.—Section 485(a) (20 U.S.C. 1092(a)) is amended—

(1) in paragraph (1), by striking the second sentence and inserting the following: ''The information required by this section shall be produced and be made readily available upon request, through appropriate publications, mailings, and electronic media to all current students and to any prospective student. Each eligible institution shall, on an annual basis, provide to all enrolled students a list of the information that is required to be provided by institutions to students by this Act and section 444 of the General Education Provisions Act (also referred to as the Family Educational Rights and Privacy Act of 1974), together with a statement of the procedures required to obtain such information.'';

(2) in paragraph (3)—

(A) in the first sentence, by striking '', or enrolled in any program of an eligible institu-

tion for which the prior program provides substantial preparation''; and

(B) by striking subparagraph (A) and inserting the following:

''(A) shall be made available by July 1 each year to current and prospective students prior to enrolling or entering into any financial obligation; and''; and

(3) by adding at the end the following new paragraph:

''(6) Each institution may, but is not required to, provide supplemental information to enrolled and prospective students showing the completion or graduation rate for students transferring into the institution or information showing the rate at which students transfer out of the institution.''.

(b) DEPARTMENTAL PUBLICATIONS.—Section 485(d) is amended—

(1) by striking ''(1) assist'' and inserting ''(A) assist'';

(2) by striking ''(2) assist'' and inserting ''(B) assist'';

(3) by inserting ''(1)'' before ''The Secretary'' the first place it appears; and

(4) by adding at the end the following new paragraphs:

''(2) The Secretary shall, to the extent such information is available, compile information describing State prepaid tuition programs and disseminate such information to States, eligible institutions, students, and parents in departmental publications.

''(3) The Secretary shall, to the extent practicable, update the Department's Internet site to include direct links to databases which contain information on public and private financial assistance programs. The Secretary shall only provide direct links to databases which can be accessed without charge and shall verify with appropriate parties that the databases included in the direct link are not in any way providing fraudulent information. The Secretary shall prominently display adjacent to the direct link a disclaimer indicating that a direct link to a database does not constitute an endorsement or recommendation of the database or its provider or any services or products of such provider. The Secretary shall provide additional direct links to information resources from which students may obtain information about fraudulent and deceptive practices in the provision of services related to student financial aid.''.

(c) DISCLOSURES.—Section 485(e) is amended—

(1) in paragraph (2)—

(A) by striking ''his parents, his guidance'' and inserting ''the student's parents, guidance''; and

(B) by adding at the end the following new sentence: ''If the institution is a member of a national collegiate athletic association that compiles graduation rate data on behalf of its member institutions that the Secretary determines is substantially comparable to the information described in paragraph (1), the distribution of the compilation of such data to all secondary schools in the United States shall fulfill the responsibility of the institution to provide information to a prospective student athlete's guidance counselor and coach.'';

(2) in paragraph (4), by striking ''when such completion or graduation rate includes students transferring into and out of such institution'' and inserting ''for students transferring into the institution or information showing the rate at which students transfer out of the institution''; and

(3) by striking paragraph (9) and inserting the following:

"(9) The reports required by this subsection shall be due on each July 1 and shall cover the 1-year period ending August 31 of the preceding year.".

(d) CAMPUS CRIME REPORTING AND DISCLOSURE.—Section 485(f) is amended—

(1) in paragraph (1)—

(A) by striking subparagraph (F) and inserting the following:

"(F) Statistics concerning the occurrence on campus, during the most recent calendar year, and during the 2 preceding calendar years, of the following criminal offenses or arrests reported to campus security authorities, campus officials who have direct administrative responsibility for student or campus activities, disciplinary officers and other officials responsible for resolving student disciplinary matters, athletic department officials, or local police agencies (including offenses handled through the campus disciplinary system):

"(i) murder;

"(ii) sex offenses, forcible or nonforcible;

"(iii) robbery;

"(iv) aggravated assault;

"(v) burglary;

"(vi) motor vehicle theft;

"(vii) manslaughter;

"(viii) larceny;

"(ix) arson; and

"(x) arrests or persons referred for campus disciplinary action for liquor law violations, drug-related violations, and weapons possession.";

(B) by striking subparagraph (H); and

(C) by redesignating subparagraph (I) as subparagraph (H);

(2) in paragraph (4)—

(A) by striking "Upon request of the Secretary, each" and inserting "On an annual basis, each";

(B) by striking "paragraphs (1)(F) and (1)(H)" and inserting "paragraph (1)(F)";

(C) by striking "and Labor" and inserting "and the Workforce";

(D) by striking "1995" and inserting "2000";

(E) by striking "and" at the end of subparagraph (A);

(F) by redesignating subparagraph (B) as subparagraph (C); and

(G) by inserting after subparagraph (A) the following new subparagraph:

''(B) make copies of the statistics submitted to the Secretary available to the public; and'';

(3) in paragraph (6)—

(A) by striking ''paragraphs (1)(F) and (1)(H)'' and inserting ''paragraph (1)(F)''; and

(B) by adding at the end the following new sentence: ''Such statistics shall not identify victims of crimes or persons accused of crimes.''; and

(4) by adding at the end the following new paragraphs:

''(8)(A) Each institution participating in any program under this title that maintains either a police or security department of any kind shall make, keep, and maintain a daily log, written in a form that can be easily understood, recording in chronological order all crimes reported to such police or security department, including the nature, date, time, and general location of each crime and the disposition of the complaint, if known.

''(B) All entries that are required by this paragraph shall be open to public inspection during normal business hours within two business days of the initial report being made to the department, unless—

"(i) disclosure of such information is prohibited by law; or

"(ii) the release of such information is likely to jeopardize an ongoing criminal investigation or the safety of an individual, cause a suspect to flee or evade detection, or result in the destruction of evidence.

Any information withheld under clause (ii) shall be open to public inspection as soon as the damage that is the basis for such withholding is no longer likely to occur.

"(9) The Secretary shall provide technical assistance in complying with the provisions of this section to an institution of higher education who requests such assistance.

"(10) Nothing in this section shall require the reporting or disclosure of privileged information.".

(e) DATA REQUIRED.—Section 485(g) is amended—

(1) in paragraph (1), by adding at the end the following new subparagraphs:

"(I)(i) The total revenues, and the revenues from football, men's basketball, women's basketball, all other men's sports combined and all other women's sports combined, derived by the institution from its intercollegiate athletics activities.

"(ii) For the purpose of clause (i), revenues from intercollegiate athletics activities allocable to a sport shall include (without limitation) gate receipts, broadcast revenues, appearance guarantees and options, concessions, and advertising, but revenues such as student activities fees or alumni contributions not so allocable shall be included in the calculation of total revenues only.

"(J)(i) The total expenses, and the expenses attributable to football, men's basketball, women's basketball, all other men's sports combined, and all other women's sports combined, made by the institution for its intercollegiate athletics activities.

"(ii) For the purpose of clause (i) expenses for intercollegiate athletics activities allocable to a sport shall include (without limitation) grants-in-aid, salaries, travel, equipment, and supplies, but expenses such as general and administrative overhead not so allocable shall be included in the calculation of total expenses only.

"(K) A statement of any reduction that may or is likely to occur during the ensuing 4

academic years in the number of athletes that will be permitted to participate in any collegiate sport, or in the financial resources that the institution will make available to any such sport, and the reasons for any such reduction.''; and

(2) by striking paragraph (5).

SEC. 467. NATIONAL STUDENT LOAN DATA SYSTEM.

Section 485B(a) (20 U.S.C. 1092b(a)) is amended by inserting before the period at the end of the third sentence the following: ''no later than one year after the date of enactment of the Higher Education Amendments of 1997''.

SEC. 468. PROGRAM PARTICIPATION AGREEMENTS.

(a) REQUIRED CONTENT.—Section 487(a) (20 U.S.C. 1094(a)) is amended—

(1) in the first sentence, by striking '', except with respect to a program under subpart 4 of part A,'';

(2) in paragraph (3), by striking subparagraph (B) and inserting the following:

''(B) the appropriate State agency;'';

(3) in paragraph (4), by striking ''subsection (b)'' and inserting ''subsection (c)'';

(4) in paragraph (15), by striking ''State review entities under subpart 1 of part H'' and inserting ''appropriate State agencies'';

(5) by striking paragraph (18) and inserting the following:

''(18) The institution will meet the requirements established pursuant to section 485(g).'';

(6) by striking paragraph (21) and inserting the following:

''(21) The institution will meet the requirements established by the Secretary, appropriate State agencies, and accrediting agencies, pursuant to part H of this title.''; and

(7) by adding at the end the following new paragraph:

''(23) The institution will distribute to each student, during registration for enrollment in its instructional program, the mail voter registration application form described in section 9(a)(2) of the National Voter Registration Act of 1993, unless the student, in writing, declines to receive such form.''.

(b) AUDITS; FINANCIAL RESPONSIBILITY.—Section 487(c) is amended—

(1) in paragraph (1)(A)(i), by striking ''State agencies'' and everything that follows through the

semicolon and inserting ''and appropriate State agencies;'';

(2) in paragraph (2), by striking ''subpart 3'' and inserting ''subpart 2'';

(3) in paragraph (4), by striking '', after consultation'' and everything that follows through ''part H,''; and

(4) in paragraph (5), by striking ''State review'' and everything that follows through ''part H'' and inserting ''appropriate State agencies''.

SEC. 469. QUALITY ASSURANCE AND REGULATORY SIMPLIFICATION.

Section 487A (20 U.S.C. 1094a) is amended to read as follows:

''SEC. 487A. QUALITY ASSURANCE AND REGULATORY SIMPLIFICATION PROGRAM.

''(a) IN GENERAL.—The Secretary is authorized to select institutions for voluntary participation in a Regulatory Simplification Program that provides participating institutions with the opportunity to develop and implement an alternative management program that—

''(1) shall allow alternative methods of complying with regulations issued with respect to parts A through E and G of this title;

"(2) shall not modify or waive the application of any requirement or other provision of this Act; and

"(3) may include a Quality Assurance Program through which individual schools develop and implement their own comprehensive systems to verify student financial aid application data, thereby enhancing program integrity within the student aid delivery system.

"(b) SELECTION CRITERIA.—The criteria for selecting institutions for participation in the Regulatory Simplification Program shall be based on criteria that include demonstrated institutional performance, as determined by the Secretary, and shall take into consideration regulatory simplification goals, as determined by the Secretary. The selection criteria shall ensure the participation of representatives of institutions of higher education according to size, mission, and geographical distribution.

"(c) REMOVAL FROM THE PROGRAM.—The Secretary is authorized to determine—

"(1) when an institution that is unable to administer the Regulatory Simplification Program must be removed from such program; and

"(2) when institutions desiring to cease participation in such Program will be required to complete

the current award year under the requirements of the Program.

"(d) EXPERIMENTAL SITES.—The Secretary is authorized to designate institutions selected for participation in the Regulatory Simplification Program as Experimental Sites.

"(e) DEFINITIONS.—For purposes of this section, the term 'current award year' means the award year during which the participating institution indicates its intention to cease participation.".

SEC. 470. DISTANCE EDUCATION DEMONSTRATION PROGRAMS.

Part G of title IV is amended—

(1) by redesignating section 487B (20 U.S.C. 1094b) as section 487C; and

(2) by inserting after section 487A (as amended by section 469) the following new section:

"SEC. 487B. DISTANCE EDUCATION DEMONSTRATION PROGRAMS.

"(a) PURPOSE.—It is the purpose of this section—

"(1) to allow demonstration programs that are strictly monitored by the Department of Education to test the quality and viability of expanded distance education programs currently restricted under this Act;

"(2) to provide for increased student access to higher education through distance education programs;

"(3) to help determine the most effective means of delivering quality education via distance education course offerings; and

"(4) to help determine the appropriate level of Federal assistance for students enrolled in distance education programs.

"(b) DEMONSTRATION PROGRAMS AUTHORIZED.—

"(1) IN GENERAL.—The Secretary is authorized to select institutions or a consortia of institutions for voluntary participation in a Distance Education Demonstration Program that provides participating institutions with the ability to offer distance education programs without regard to the current restrictions in part F or G of this title or part A of title I.

"(2) EXEMPTIONS.—The Secretary is authorized to exempt any institution or consortia participating in a Distance Education Demonstration Program from any of the requirements of parts F or G of this title, or part A of title I, or the regulations prescribed under such parts.

"(c) APPLICATION.—Each institution or consortia of institutions desiring to participate in a demonstration program under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each application shall include—

"(1) a description of the institution or consortium's consultation with a recognized accrediting agency or association with respect to quality assurances for the distance education programs to be offered;

"(2) a description of the statutory and regulatory requirements described in subsection (b)(2) for which a waiver is sought and the reasons for which the waiver is sought;

"(3) a description of the distance education programs to be offered;

"(4) a description of the students to whom distance education programs will be offered;

"(5) an assurance that the institution or consortium will offer full cooperation with the ongoing evaluations of the demonstration program provided for in this section; and

"(6) such other information as the Secretary may require.

"(d) SELECTION.—To the extent feasible, the Secretary shall select a representative sample of institutions for participation in the demonstration program authorized under this section. In selecting institutions for participation, the Secretary shall take into consideration the institution's financial and administrative capability and the type of program or programs being offered via distance education course offerings. The Secretary shall, in the exercise of his discretion, determine the number of demonstration programs to be allowed based on the number and quality of applications received and the Department's capacity to oversee and monitor each demonstration program.

"(e) EVALUATION AND REPORT.—

"(1) EVALUATION.—The Secretary shall, on an annual basis, evaluate the demonstration programs authorized under this section. Such evaluations shall specifically review—

"(A) the extent to which the institution or consortia of institutions has met the goals set forth in its application to the Secretary, including the measures of program quality assurance;

"(B) issues related to student financial assistance for distance education; and

"(C) effective technologies for delivering distance education course offerings.

"(2) POLICY ANALYSIS.—In addition, the Secretary shall review current policies and identify those policies which present impediments to the development and use of distance learning and other non-traditional methods of expanding access to education.

"(3) REPORT.—The Secretary shall report to the appropriate committees of Congress with respect to—

"(A) the evaluations of the demonstration programs authorized under this section; and

"(B) any proposed legislative changes designed to enhance the use of distance education.".

SEC. 471. GARNISHMENT REQUIREMENTS.

(a) MAXIMUM PERCENTAGE.—Section 488A(a)(1) (20 U.S.C. 1095a(a)(1)) is amended by striking "10 percent" and inserting "15 percent".

(b) NO ATTACHMENT OF STUDENT ASSISTANCE.—Section 488A is further amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following new subsection:

''(d) NO ATTACHMENT OF STUDENT ASSISTANCE.—Except as authorized in this section, notwithstanding any other provision of Federal or State law, no grant, loan, or work assistance awarded under this title, or property traceable to such assistance, shall be subject to garnishment or attachment in order to satisfy any debt owed by the student awarded such assistance, other than a debt owed to the Secretary and arising under this title.''.

SEC. 472. ADMINISTRATIVE SUBPOENA AUTHORITY.

Part G of title IV of the Act is further amended by inserting immediately after section 490 (20 U.S.C. 1097) the following new section:

''SEC. 490A. ADMINISTRATIVE SUBPOENAS.

''(a) AUTHORITY.—To assist the Secretary in the conduct of investigations of possible violations of the provisions of this title, the Secretary is authorized to require by subpoena the production of information, documents, reports, answers, records, accounts, papers, and other documentary evidence pertaining to participation in any program under this title. The production of any such records may be required from any place in a State.

''(b) ENFORCEMENT.—In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Sec-

retary may request the Attorney General to invoke the aid of any court of the United States where such person resides or transacts business for a court order for the enforcement of this section.''.

SEC. 473. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

Section 491 (20 U.S.C. 1098) is amended—

(1) in subsection (b)—

(A) by inserting ''staffing levels,'' after ''allocations and expenditures,'' the first place it appears; and

(B) by striking the fourth and fifth sentences and inserting the following: ''Reports, publications, and other documents, including documents in electronic form, shall not be subject to review by the Secretary.'';

(2) in subsection (c)(1)—

(A) by striking ''11 members'' and inserting ''15 members''; and

(B) by striking ''3 members'' each place it appears in subparagraphs (A) and (B) and inserting ''5 members'';

(3) in subsection (c)(2), by striking ''7 members'' and inserting ''11 members'';

(4) in subsection (e)—

(A) by striking everything after ''except that,'' in paragraph (1) and inserting the following:

''within 90 days after the date of enactment of the Higher Education Amendments of 1998, 2 additional members shall be appointed by the President pro tempore of the Senate (one upon the recommendation of the Majority Leader and one upon the recommendation of the Minority Leader) and 2 additional members shall be appointed by the Speaker of the House (one upon the recommendation of the Majority Leader and one upon the recommendation of the Minority Leader). Of the additional members—

''(A) 2 shall be appointed for a term of 1 year;

''(B) 1 shall be appointed for a term of 2 years; and

''(C) 1 shall be appointed for a term of 3 years.'';

(B) by striking ''Six members'' in paragraph (4) and inserting ''Eight members''; and

(C) by adding at the end the following new paragraph:

''(6) No officer or full-time employee of the United States shall serve as members of the Advisory Committee.'';

(5) by striking subsection (g) and inserting the following:

"(g) COMPENSATION AND EXPENSES.—Members of the Advisory Committee may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.";

(6) in subsection (h)(1), by striking "may be necessary by the Chairman without regard to" and inserting "may be deemed necessary by the Chairman without regard to personnel ceilings or";

(7) in subsection (i), by striking "$750,000" and inserting "$850,000";

(8) by striking subsection (j) and inserting the following:

"(j) SPECIAL ANALYSES AND ACTIVITIES.—The committee shall—

"(1) monitor and evaluate the modernization of student financial aid systems and delivery processes;

"(2) monitor and evaluate the implementation of a performance-based organization within the Department of Education and report to Congress, on

not less than an annual basis, including recommendations for improvements; and

''(3) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year high school students.'';

(9) in subsection (k), by striking ''1998'' and inserting ''2004''; and

(10) by striking subsection (l).

SEC. 474. MEETINGS AND NEGOTIATED RULEMAKING.

Section 492 (20 U.S.C. 1098a) is amended to read as follows:

''SEC. 492. NEGOTIATED RULEMAKING.

''(a) IN GENERAL.—

''(1) REGULATION DEVELOPMENT.—In developing regulations and revisions thereof under this title, the Secretary shall obtain the advice and recommendations of individuals and representatives of the groups involved in student financial assistance programs under this title, such as students, legal assistance organizations that represent students, institutions of higher education, guaranty agencies, lenders, secondary markets, loan servicers, guaranty agency servicers, and collection agencies.

"(2) INPUT.—Such advice and recommendations may be obtained through such mechanisms as national meetings and electronic exchanges of information.

"(b) PROPOSED REGULATIONS.—After obtaining such advice and recommendations, and prior to publishing any proposed regulations and revisions thereof under this title in the Federal Register, the Secretary shall prepare draft regulations and submit such regulations to a negotiated rulemaking process. In establishing the negotiated rulemaking process under this section, the Secretary shall—

"(1) follow the procedural requirements used in implementing section 1601(b) of the Elementary and Secondary Education Act of 1965;

"(2) select participants in the negotiations process from individuals and groups participating in the exchanges described in subsection (a)(1), including both representatives of such groups from the District of Columbia, and industry participants, and to the extent possible, the Secretary shall select individuals reflecting the diversity in the industry, representing both large and small participants, as well as individuals serving local areas and national markets;

"(3) conduct the negotiations process in a timely manner in order that final regulations may be issued by the Secretary within the 240-day period described in section 431(g) of the General Education Provisions Act, and any subsequent revisions to regulations under this title may be issued in accordance with the master calendar provisions of section 482 of this title; and

"(4) prepare a transcript of the negotiated rulemaking proceedings that shall be available to the public prior to the issuance of any final regulations.

"(c) FEDERAL ADVISORY COMMITTEE ACT.—The Federal Advisory Committee Act shall not apply to activities carried out under this section.".

PART H—PROGRAM INTEGRITY

SEC. 476. STATE POSTSECONDARY REVIEW PROGRAM.

(a) AMENDMENTS.—Part H of title IV is amended—

(1) in the heading of the part, by striking "**TRIAD**";

(2) by striking subpart 1 (20 U.S.C. 1099a through 1099a–3); and

(3) by redesignating subparts 2 and 3 as subparts 1 and 2, respectively.

(b) CONFORMING AMENDMENTS.—Section 496 (20 U.S.C. 1099b) is amended by striking "subpart 3" each

place it appears in subsections (j) and (k) and inserting ''subpart 2''.

SEC. 477. ACCREDITING AGENCY RECOGNITION.

(a) RECOGNITION.—

(1) The heading of subpart 1 of part H (as redesignated by section 476(a)(3)) is amended by striking ''**Approval**'' and inserting ''**Recognition**''.

(2) The heading of section 496 is amended by striking ''**APPROVAL**'' and inserting ''**RECOGNITION**''.

(b) STANDARDS.—Section 496(a) is amended—

(1) by striking ''STANDARDS'' and inserting ''CRITERIA'';

(2) by striking ''standards'' each place it appears and inserting ''criteria'';

(3) in paragraph (5)—

(A) by striking ''of accreditation'' and inserting ''for accreditation'';

(B) by inserting ''the quality (including the quality of distance learning programs or courses) of'' before ''the institution's'';

(C) in subparagraph (G), by striking ''program length and tuition and fees in relation to

the subject matters taught'' and inserting ''measures of program length'';

(D) by striking subparagraph (J);

(E) in subparagraph (L), by inserting ''the most recent student loan default rate data provided by the Secretary and'' after ''including'';

(F) by striking ''and'' at the end of subparagraph (K);

(G) by inserting ''and'' after the semicolon at the end of subparagraph (L);

(H) by redesignating subparagraphs (K) and (L) as subparagraphs (J) and (K), respectively; and

(I) by striking ''(J), and (L)'' and inserting ''and (K)'';

(4) in paragraph (7), by striking ''State postsecondary review entity'' and inserting ''State licensing or authorizing agency''; and

(5) in paragraph (8), by striking ''State postsecondary'' and everything that follows through ''is located'' and inserting ''State licensing or authorizing agency''.

(c) OPERATING PROCEDURES.—Section 496(c) is amended—

(1) by striking ''approved by the Secretary'' and inserting ''recognized by the Secretary'';

(2) in paragraph (1), by striking ''(at least'' and everything that follows through ''unannounced),'' and inserting ''(which may include unannounced site visits)''; and

(3) in paragraph (3), by inserting before the semicolon at the end the following: '', except that new sites offered through telecommunications for programs previously included in the scope of accreditation approval need not be subject to such on-site visits''.

(d) CONFORMING AMENDMENTS.—Section 496 is further amended—

(1) in subsection (d)—

(A) by striking ''APPROVAL'' in the heading of such subsection and inserting ''RECOGNITION''; and

(B) by striking ''approved'' and inserting ''recognized'';

(2) in subsection (f), by striking ''approved'' and inserting ''recognized'';

(3) in subsection (g)—

(A) by striking ''STANDARDS'' and inserting ''CRITERIA''; and

(B) by striking ''standards'' and inserting ''criteria'';

(4) in subsection (k)(2), by striking ''standards'' and inserting ''criteria'';

(5) in subsection (l)—

(A) by striking ''APPROVAL'' in the heading of such subsection and inserting ''RECOGNITION'';

(B) by striking ''the standards'' each place it appears and inserting ''its standards''; and

(C) by striking ''approval'' and inserting ''recognition''; and

(6) in subsection (n)—

(A) by striking ''standards'' each place it appears and inserting ''criteria'';

(B) in paragraph (3)—

(i) by striking ''approval or disapproval'' and inserting ''recognition or denial of recognition''; and

(ii) by striking ''approval process'' and inserting ''recognition process''; and

(C) by striking paragraph (4) and inserting the following:

''(4) The Secretary shall maintain sufficient documentation to support the conclusions reached in the rec-

ognition process, and, if the Secretary does not recognize any accreditation agency or association, shall make publicly available the reason for denying recognition, including reference to the specific criteria under this section which have not been fulfilled.''.

SEC. 478. ELIGIBILITY AND CERTIFICATION PROCEDURES.

(a) SINGLE APPLICATION FORM.—Section 498(b)(1) (20 U.S.C. 1099c(b)(1)) is amended by striking ''accreditation, and capability'' and inserting ''accreditation, financial responsibility, and administrative capacity''.

(b) FINANCIAL RESPONSIBILITY STANDARDS.—Section 498(c) is amended—

(1) in paragraph (1), in the matter preceding subparagraph (A), by striking ''is able'' and inserting ''has sufficient resources to ensure against the precipitous closure of the institution and is able'';

(2) in paragraph (2)—

(A) in the first sentence, by striking ''operating losses, net worth, asset-to-liabilities ratios, or operating fund deficits'' and inserting ''to ratios that demonstrate financial responsibility,'';

(B) in the second sentence, by inserting '', public,'' after ''for profit''; and

(C) by inserting before the period at the end the following: '', and develop an appropriate

and cost effective process under this subpart that does not duplicate other reporting requirements for assessing and reviewing financial responsibility''; and

(3) in paragraph (4)—

(A) in the first sentence, by striking ''ratio of current assets to current liabilities'' and inserting ''criteria''; and

(B) in subparagraph (C), by striking ''current operating ratio requirement'' and inserting ''criteria imposed by the Secretary pursuant to paragraph (2)''.

(c) ADMINISTRATIVE CAPACITY.—Section 498(d)(1) is amended—

(1) in subparagraph (A), by striking ''student aid programs; and'' and inserting ''student financial assistance under this title;'';

(2) by redesignating subparagraph (B) as subparagraph (D); and

(3) by inserting after subparagraph (A) the following new subparagraphs:

''(B) written procedures for, or written information relating to, each office with respect to, the approval, disbursement, and delivery of student financial assistance under this title;

"(C)(i) a division of functions for authorizing payments of student financial assistance under this title and the disbursement or delivery of such assistance, so that no office at the institution has responsibility for both functions; and

"(ii) an adequate system of checks and balances for internal control at the institution with respect to student financial assistance under this title; and".

(d) FINANCIAL RESPONSIBILITY FOR REFUNDS DURING PROVISIONAL CERTIFICATION.—

(1) AMENDMENT.—Section 498(e) is amended by adding at the end the following new paragraph:

"(6) Notwithstanding any other provision of law, any person required to pay, on behalf of a student or borrower, a refund of unearned institutional charges to a lender, or the Secretary, who willfully fails to pay such refund or willfully attempts in any manner to evade payment of such refund, shall, in addition to other penalties provided by law, be liable to the Secretary for the amount of the refund not paid, to the same extent with respect to such refund that such an individual would be liable as a responsible person for a penalty under section 6672(a) of

title 26, United States Code, with respect to the nonpayment of taxes.''.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall be effective with respect to any unpaid refunds that were first required to be paid to a lender or to the Secretary on or after 90 days after the date of enactment of this Act.

(e) ACTIONS ON APPLICATIONS.—Section 498(f) is amended—

(1) by striking ''shall conduct'' and inserting ''may conduct'';

(2) by striking ''may establish'' and inserting ''shall establish'';

(3) by striking ''may coordinate'' and inserting ''shall, to the extent practicable, coordinate''; and

(4) by adding at the end the following new sentence: ''The Secretary may exempt from the site visit requirement any institution that is participating in the Quality Assurance Program established under section 487A at the time such site visit would be required under this subsection.''.

(f) TIME LIMITATIONS.—Section 498(g) is amended to read as follows:

''(g) TIME LIMITATIONS.—(1) After the expiration of the certification of any institution or upon request for ini-

tial certification from an institution not previously certified, the Secretary may certify the eligibility for the purposes of any program authorized under this title of each such institution for a period not to exceed 6 years.

''(2) The Secretary shall notify each institution of the expiration of its eligibility no later than six months prior to such expiration.''.

(g) CONFORMING AMENDMENT.—Section 498(h)(2) is amended by striking ''approval'' and inserting ''recognition''.

(h) PROVISIONAL CERTIFICATION.—Section 498(i) is amended by adding at the end the following new paragraph:

''(4)(A) The Secretary may provisionally certify an institution seeking approval of a change in ownership based on the preliminary review by the Secretary of a materially complete application that is received by the Secretary within 10 business days of the transaction for which the approval is sought.

''(B) A provisional certification under this paragraph shall expire no later than the end of the month following the month in which the transaction occurred, except that if the Secretary has not issued a decision on the application for the change of ownership within that period, the Secretary may continue such provisional certification on

a month-to-month basis until such decision has been issued.''.

SEC. 479. PROGRAM REVIEW AND DATA.

(a) GENERAL AUTHORITY.—Section 498A(a) (20 U.S.C. 1099c–1(a)) is amended—

(1) in paragraph (2)—

(A) by striking ''may give'' and inserting ''shall give'';

(B) by inserting before the semicolon at the end of subparagraph (C) the following: '', that are not accounted for by changes in those programs'';

(C) in subparagraph (D), by striking ''the appropriate'' and everything that follows through ''of this part'' and inserting ''the State licensing or authorizing agency'';

(D) by striking subparagraph (F); and

(E) by redesignating subparagraph (G) as subparagraph (F); and

(2) in paragraph (3)(A), by inserting ''relevant'' after ''all''.

(b) SPECIAL ADMINISTRATIVE RULES.—Section 498A(b) is amended to read as follows:

"(b) SPECIAL ADMINISTRATIVE RULES.—(1) In carrying out paragraphs (1) and (2) of subsection (a), the Secretary shall—

"(A) establish guidelines designed to ensure uniformity of practice in the conduct of program reviews of institutions; and

"(B) inform the appropriate State agency and accrediting agency or association whenever taking action against an institution under this section, section 498, or section 432.

"(2) The Secretary shall review the regulations of the Department and the application of such regulations to ensure the uniformity of interpretation and application of the regulations. In conducting such review, the Secretary shall consult with relevant representatives of institutions participating in the programs authorized by this title.".

TITLE V—DEVELOPING INSTITUTIONS

SEC. 501. ESTABLISHMENT OF NEW TITLE V.

Title V is amended to read as follows:

"TITLE V—DEVELOPING INSTITUTIONS

"PART A—HISPANIC-SERVING INSTITUTIONS

"SEC. 501. PROGRAM AUTHORIZED.

''The Secretary shall provide grants and related assistance to Hispanic-serving institutions to enable such institutions to improve and expand their capacity to serve Hispanic and other low-income students.

"SEC. 502. ELIGIBILITY; DEFINITIONS.

''(a) DEFINITIONS.—For the purpose of this part:

''(1) HISPANIC-SERVING INSTITUTION.—The term 'Hispanic-serving institution' means an institution of higher education which—

''(A)(i) is an eligible institution; or

''(ii) is an institution of higher education (as such term is defined in section 101(a)(2)) that provides a 4-year baccalaureate program, is regionally accredited, and serves at least 1,500 Hispanic students;

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

"(C) provides assurances that not less than 50 percent of its Hispanic students are low-income individuals.

"(2) ELIGIBLE INSTITUTION.—The term 'eligible institution' means—

"(A) an institution of higher education—

"(i) which has an enrollment of needy students as required by subsection (b) of this section;

"(ii) except as provided in section 522(b), the average educational and general expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction;

"(iii) which is—

"(I) legally authorized to provide, and provides within the State, an educational program for which such institution awards a bachelor's degree; or

"(II) a junior or community college;

"(iv) which is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be reliable authority as to the quality of training offered or which is, according to such an agency or association, making reasonable progress toward accreditation;

"(v) which meets such other requirements as the Secretary may prescribe; and

"(vi) which is located in a State; and

"(B) any branch of any institution of higher education described under subparagraph (A) which by itself satisfies the requirements contained in clauses (i) and (ii) of such subparagraph.

For purposes of the determination of whether an institution is an eligible institution under this paragraph, the factor described under subparagraph (A)(i) shall be given twice the weight of the factor described under subparagraph (A)(ii).

"(3) LOW-INCOME INDIVIDUAL.—The term 'low-income individual' means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to

the poverty level determined by using criteria of poverty established by the Bureau of the Census.

"(4) FULL-TIME EQUIVALENT STUDENTS.—The term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by 12) at such institution.

"(5) JUNIOR OR COMMUNITY COLLEGE.—The term 'junior or community college' means an institution of higher education—

"(A) that admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution;

"(B) that does not provide an educational program for which it awards a bachelor's degree (or an equivalent degree); and

"(C) that—

"(i) provides an educational program of not less than 2 years that is acceptable for full credit toward such a degree; or

"(ii) offers a 2-year program in engineering, mathematics, or the physical or biological sciences, designed to prepare a student to work as a technician or at the semiprofessional level in engineering, scientific, or other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"(6) EDUCATIONAL AND GENERAL EXPENDITURES.—For the purpose of this part, the term 'educational and general expenditures' means the total amount expended by an institution of higher education for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation and maintenance expenditures for the physical plant, and any mandatory transfers which the institution is required to pay by law.

"(7) ENDOWMENT FUND.—For the purpose of this part, the term 'endowment fund' means a fund that—

"(A) is established by State law, by an institution of higher education, or by a foundation that is exempt from Federal income taxation;

"(B) is maintained for the purpose of generating income for the support of the institution; and

"(C) does not include real estate.

"(b) ENROLLMENT OF NEEDY STUDENTS.—For the purpose of this part, the term 'enrollment of needy students' means an enrollment at an institution of higher education or a junior or community college which includes—

"(1) at least 50 percent of the degree students so enrolled who are receiving need-based assistance under title IV of this Act in the second fiscal year preceding the fiscal year for which the determination is being made (other than loans for which an interest subsidy is paid pursuant to section 428); or

"(2) a substantial percentage of students receiving Pell Grants in the second fiscal year preceding the fiscal year for which determination is being

made, in comparison with the percentage of students receiving Pell Grants at all such institutions in the second fiscal year preceding the fiscal year for which the determination is made, unless the requirement of this subdivision is waived under section 522(a).

"SEC. 503. AUTHORIZED ACTIVITIES.

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

''(b) AUTHORIZED ACTIVITIES.—Grants awarded under this section shall be used for one or more of the following activities:

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

''(2) construction, maintenance, renovation, and improvement in classrooms, libraries, laboratories, and other instructional facilities;

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

"(4) purchase of library books, periodicals, and other educational materials, including telecommunications program material;

"(5) tutoring, counseling, and student service programs designed to improve academic success;

"(6) funds management, administrative management, and acquisition of equipment for use in strengthening funds management;

"(7) joint use of facilities, such as laboratories and libraries;

"(8) establishing or improving a development office to strengthen or improve contributions from alumni and the private sector;

"(9) establishing or improving an endowment fund;

"(10) creating or improving facilities for Internet or other distance learning academic instruction capabilities, including purchase or rental of telecommunications technology equipment or services;

"(11) establishing or enhancing a program of teacher education designed to qualify students to teach in public elementary and secondary schools;

"(12) establishing community outreach programs which will encourage elementary and second-

ary school students to develop academic skills and the interest to pursue postsecondary education;

"(13) improving and expanding graduate and professional opportunities for Hispanic students; and

"(14) other activities proposed in the application submitted pursuant to section 504 that—

"(A) contribute to carrying out the purposes of this section; and

"(B) are approved by the Secretary as part of the review and acceptance of such application.

"(c) ENDOWMENT FUND LIMITATIONS.—

"(1) PORTION OF GRANT.—An institution may not use more than 20 percent of its grant under this part for any fiscal year for establishing or improving an endowment fund.

"(2) MATCHING REQUIRED.—An institution that uses any portion of its grant under this part for any fiscal year for establishing or improving an endowment fund shall provide an equal or greater amount for such purposes from non-Federal funds.

"(3) REGULATIONS.—The Secretary shall publish rules and regulations specifically governing the use of funds for establishing or improving an endowment fund.

"SEC. 504. APPLICATION PROCESS.

"(a) INSTITUTIONAL ELIGIBILITY.—Each Hispanic-serving institution desiring to receive assistance under this part shall submit to the Secretary such enrollment data as may be necessary to demonstrate that it is a Hispanic-serving institution, along with such other information and data as the Secretary may by regulation require.

"(b) APPLICATIONS.—Any institution which is determined by the Secretary to be a Hispanic-serving institution (on the basis of the information and data submitted under subsection (a)) may submit an application for assistance under this section to the Secretary. Such application shall include—

"(1) a 5-year plan for improving the assistance provided by the Hispanic-serving institution to Hispanic and other low-income students; and

"(2) such other information and assurance as the Secretary may require.

"(c) PRIORITY.—The Secretary shall give priority to applications that contain satisfactory evidence that such institution has entered into or will enter into a collaborative arrangement with at least one local educational agency or community-based organization having demonstrated effectiveness to provide such agency with assistance (from funds other than funds provided under this part) in reducing Hispanic dropout rates, improving His-

panic rates of academic achievement, and increasing the rates at which Hispanic high school graduates enroll in higher education.

"(d) SPECIAL RULE.—For the purposes of this part, no Hispanic-serving college or university which is eligible for and receives funds under this part may concurrently receive other funds under title III.

"SEC. 505. DURATION OF GRANT.

"(a) AWARD PERIOD.—The Secretary may award a grant to an eligible institution under this part for 5 years, except that no institution shall be eligible to secure a subsequent 5-year grant award under this part until two years have elapsed since the expiration of its most recent 5-year grant award.

"(b) LIMITATIONS.—In awarding grants under this part the Secretary shall give priority to applicants who are not already receiving a grant under this part, except that for the purpose of this subsection a grant under section 524(a)(1) shall not be considered a grant under this part.

"(c) PLANNING GRANTS.—Notwithstanding subsection (a), the Secretary may award a grant to an eligible institution under this part for a period of one year for the purpose of preparation of plans and applications for a grant under this part.

"PART B—GENERAL PROVISIONS

"SEC. 521. APPLICATIONS FOR ASSISTANCE.

"(a) APPLICATIONS.—

"(1) APPLICATIONS REQUIRED.—Any institution which is eligible for assistance under this title shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate its need for assistance. Subject to the availability of appropriations to carry out this title, the Secretary may approve an application for a grant under this title only if the Secretary determines that—

"(A) the application meets the requirements of subsection (b);

"(B) the applicant is eligible for assistance in accordance with the part of this title under which the assistance is sought; and

"(C) the applicant's performance goals are sufficiently rigorous as to meet the purposes of this title and the performance objectives and indicators for this title established by the Secretary pursuant to the Government Performance and Results Act.

"(2) PRELIMINARY APPLICATIONS.—In carrying out paragraph (1), the Secretary shall develop a pre-

liminary application for use by eligible institutions applying under part A prior to the submission of the principal application.

"(b) CONTENTS.—An institution, in its application for a grant, shall—

"(1) set forth, or describe how the institution will develop, a comprehensive development plan to strengthen the institution's academic quality and institutional management, and otherwise provide for institutional self-sufficiency and growth (including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title);

"(2) set forth policies and procedures to ensure that Federal funds made available under this title for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of section 503, and in no case supplant those funds;

"(3) set forth policies and procedures for evaluating the effectiveness in accomplishing the purpose of the activities for which a grant is sought under this title;

"(4) provide for such fiscal control and fund accounting procedures as may be necessary to ensure

proper disbursement of and accounting for funds made available to the applicant under this title;

''(5) provide (A) for making such reports, in such form and containing such information, as the Secretary may require to carry out the functions under this title and the Government Performance and Results Act, including not less than one report annually setting forth the institution's progress toward achieving the objectives for which the funds were awarded, and (B) for keeping such records and affording such access thereto, as the Secretary may find necessary to assure the correctness and verification of such reports;

''(6) provide that the institution will comply with the limitations set forth in section 526;

''(7) describe in a comprehensive manner any proposed project for which funds are sought under the application and include—

''(A) a description of the various components of the proposed project, including the estimated time required to complete each such component;

''(B) in the case of any development project which consists of several components (as described by the applicant pursuant to subpara-

graph (A)), a statement identifying those components which, if separately funded, would be sound investments of Federal funds and those components which would be sound investments of Federal funds only if funded under this title in conjunction with other parts of the development project (as specified by the applicant);

''(C) an evaluation by the applicant of the priority given any proposed project for which funds are sought in relation to any other projects for which funds are sought by the applicant under this title, and a similar evaluation regarding priorities among the components of any single proposed project (as described by the applicant pursuant to subparagraph (A));

''(D) a detailed budget showing the manner in which funds for any proposed project would be spent by the applicant; and

''(E) a detailed description of any activity which involves the expenditure of more than $25,000, as identified in the budget referred to in subparagraph (D); and

''(8) include such other information as the Secretary may prescribe.

"(c) PRIORITY CRITERIA PUBLICATION REQUIRED.—The Secretary shall publish in the Federal Register, pursuant to chapter 5 of title 5, United States Code, all policies and procedures required to exercise the authority set forth in subsection (a). No other criteria, policies, or procedures shall apply.

"(d) ELIGIBILITY DATA.—The Secretary shall use the most recent and relevant data concerning the number and percentage of students receiving need-based assistance under title IV of this Act in making eligibility determinations and shall advance the base-year forward following each annual grant cycle.

"SEC. 522. WAIVER AUTHORITY AND REPORTING REQUIREMENT.

"(a) WAIVER REQUIREMENTS; NEED-BASED ASSISTANCE STUDENTS.—The Secretary may waive the requirements set forth in section 502(a)(2)(A)(i) in the case of an institution—

"(1) which is extensively subsidized by the State in which it is located and charges low or no tuition;

"(2) which serves a substantial number of low-income students as a percentage of its total student population;

"(3) which is contributing substantially to increasing higher education opportunities for educationally disadvantaged, underrepresented, or minority students, who are low-income individuals;

"(4) which is substantially increasing higher educational opportunities for individuals in rural or other isolated areas which are unserved by postsecondary institutions; or

"(5) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of Hispanic Americans.

"(b) WAIVER DETERMINATIONS; EXPENDITURES.—(1) The Secretary may waive the requirements set forth in section 502(a)(2)(A)(ii) if the Secretary determines, based on persuasive evidence submitted by the institution, that the institution's failure to meet that criterion is due to factors which, when used in the determination of compliance with such criterion, distort such determination, and that the institution's designation as an eligible institution under part A is otherwise consistent with the purposes of such part.

"(2) The Secretary shall submit to the Congress every other year a report concerning the institutions which, although not satisfying the criterion contained in

section 502(a)(2)(A)(ii), have been determined to be eligible institutions under part A institutions which enroll significant numbers of Black American, Hispanic, Native American, Asian American, or Native Hawaiian students under part A, as the case may be. Such report shall—

"(A) identify the factors referred to in paragraph (1) which were considered by the Secretary as factors that distorted the determination of compliance with section 502(a)(2)(A)(ii); and

"(B) contain a list of each institution determined to be an eligible institution under part A including a statement of the reasons for each such determination.

"SEC. 523. APPLICATION REVIEW PROCESS.

"(a) REVIEW PANEL.—All applications submitted under this title by institutions of higher education shall be read by a panel of readers composed of individuals selected by the Secretary. The Secretary shall assure that no individual assigned under this section to review any application has any conflict of interest with regard to the application which might impair the impartiality with which the individual conducts the review under this section.

"(2) All readers selected by the Secretary shall receive thorough instruction from the Secretary regarding the evaluation process for applications submitted under

this title and consistent with the provisions of this title, including—

"(A) an enumeration of the factors to be used to determine the quality of applications submitted under this title; and

"(B) an enumeration of the factors to be used to determine whether a grant should be awarded for a project under this title, the amount of any such grant, and the duration of any such grant.

"(b) RECOMMENDATIONS OF PANEL.—In awarding grants under this title, the Secretary shall take into consideration the recommendations of the panel made under subsection (a).

"(c) NOTIFICATION.—Not later than June 30 of each year, the Secretary shall notify each institution of higher education making an application under this title of—

"(1) the scores given the applicant by the panel pursuant to this section;

"(2) the recommendations of the panel with respect to such application; and

"(3) the reasons for the decision of the Secretary in awarding or refusing to award a grant under this title, and any modifications, if any, in the recommendations of the panel made by the Secretary.

"SEC. 524. COOPERATIVE ARRANGEMENTS.

"(a) GENERAL AUTHORITY.—The Secretary may make grants to encourage cooperative arrangements with funds available to carry out part A, between institutions eligible for assistance under part A and between such institutions and institutions not receiving assistance under this title for the activities described in section 503 so that the resources of the cooperating institutions might be combined and shared to achieve the purposes of such part and avoid costly duplicative efforts and to enhance the development of part A eligible institutions.

"(b) PRIORITY.—The Secretary shall give priority to grants for the purposes described under subsection (a) whenever the Secretary determines that the cooperative arrangement is geographically and economically sound or will benefit the applicant institution.

"(c) DURATION.—Grants to institutions having a cooperative arrangement may be made under this section for a period as determined under section 505.

"SEC. 525. ASSISTANCE TO INSTITUTIONS UNDER OTHER PROGRAMS.

"(a) ASSISTANCE ELIGIBILITY.—Each institution which the Secretary determines to be an institution eligible under part A may be eligible for waivers in accordance with subsection (b).

"(b) WAIVER APPLICABILITY.—(1) Subject to, and in accordance with, regulations promulgated for the purpose of this section, in the case of any application by an institution referred to in subsection (a) for assistance under any programs specified in paragraph (2), the Secretary is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or, to the extent not inconsistent with other law, to give, or require to be given, priority consideration of the application in relation to applications from other institutions.

"(2) The provisions of this section shall apply to any program authorized by title IV or VII of this Act.

"(c) LIMITATION.—The Secretary shall not waive, under subsection (b), the non-Federal share requirement for any program for applications which, if approved, would require the expenditure of more than 10 percent of the appropriations for the program for any fiscal year.

"SEC. 526. LIMITATIONS.

The funds appropriated under section 528 may not be used—

"(1) for a school or department of divinity or any religious worship or sectarian activity;

"(2) for an activity that is inconsistent with a State plan for desegregation of higher education applicable to such institution;

"(3) for an activity that is inconsistent with a State plan of higher education applicable to such institution; or

"(4) for purposes other than the purposes set forth in the approved application under which the funds were made available to the institution.

"SEC. 527. PENALTIES.

Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any recipient of Federal financial assistance or grant pursuant to this title embezzles, willfully misapplies, steals, or obtains by fraud any of the funds which are the subject of such grant or assistance, shall be fined not more than $10,000 or imprisoned for not more than 2 years, or both.

"SEC. 528. AUTHORIZATIONS OF APPROPRIATIONS.

"(a) AUTHORIZATIONS.—There are authorized to be appropriated to carry out part A, $80,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(b) USE OF MULTIPLE YEAR AWARDS.—In the event of a multiple year award to any institution under this title, the Secretary shall make funds available for such

award from funds appropriated for this title for the fiscal year in which such funds are to be used by the recipient.''.

TITLE VI—INTERNATIONAL AND GRADUATE EDUCATION PROGRAMS

SEC. 601. INTERNATIONAL AND FOREIGN LANGUAGE STUDIES.

(a) STATUTORY STRUCTURE.—Title VI is amended—

(1) by striking

"PART A—INTERNATIONAL AND FOREIGN LANGUAGE STUDIES"

and inserting the following:

"PART A—INTERNATIONAL EDUCATION

"Subpart 1—International and Foreign Language Studies";

(2) by striking

"PART B—BUSINESS AND INTERNATIONAL EDUCATION PROGRAMS"

and inserting the following:

"Subpart 2—Business and International Education Programs";

(3) by striking

"PART C—INSTITUTE FOR INTERNATIONAL PUBLIC POLICY"

and inserting the following:

"Subpart 3—Institute for International Public Policy"; and

(4) by striking

"PART D—GENERAL PROVISIONS"

and inserting the following:

"Subpart 4—General Provisions".

(b) FINDINGS AND PURPOSES.—Section 601 (20 U.S.C. 1121) is amended to read as follows:

"SEC. 601. FINDINGS AND PURPOSES.

''(a) FINDINGS.—The Congress finds as follows:

''(1) The security, stability, and economic vitality of the United States in a complex global era depend upon American experts in and citizens knowledgeable about world regions, foreign languages and international affairs, as well as on a strong research base in these areas.

''(2) Advances in communications technology and the growth of regional and global problems make knowledge of other countries and the ability to communicate in other languages more essential to the promotion of mutual understanding and cooperation among nations and their peoples.

''(3) Dramatic post-Cold War changes in the world's geopolitical and economic landscapes are creating needs for American expertise and knowledge

about a greater diversity of less commonly taught foreign languages and nations of the world.

''(4) Systematic efforts are necessary to enhance the capacity of institutions of higher education in the United States and to encourage a broader cross-section of institutions of higher education to develop and expand programs for producing graduates with international and foreign language expertise and knowledge, and research on such areas, in a variety of disciplines and at all levels of graduate and undergraduate education.

''(5) Cooperative efforts among the Federal Government, institutions of higher education, and the private sector are necessary to promote the generation and dissemination of information about world regions, foreign languages, and international affairs throughout education, government, business, civic, and nonprofit sectors in the United States.

''(b) PURPOSES.—The purposes of this part are—

''(1)(A) to support centers, programs and fellowships in institutions of higher education in the United States for producing increased numbers of trained personnel and research in foreign languages, area and other international studies;

"(B) to develop a pool of international experts to meet national needs;

"(C) to develop and validate specialized materials and techniques for foreign language acquisition and fluency, emphasizing (but not limited to) the less commonly taught languages;

"(D) to promote access to research and training overseas; and

"(E) to advance the internationalization of a variety of disciplines throughout undergraduate and graduate education;

"(2) to support cooperative efforts promoting access to and the dissemination of international and foreign language knowledge, teaching materials and research throughout education, government, business, civic and nonprofit sectors in the United States through the use of advanced technologies; and

"(3) to coordinate the programs of the Federal Government in the areas of foreign language, area and other international studies, including professional international affairs education and research.".

(c) GRADUATE AND UNDERGRADUATE NATIONAL RESOURCE CENTERS.—

(1) NATIONAL RESOURCE CENTERS.—Section 602(a) (20 U.S.C. 1122(a)) is amended—

(A) in the heading, by striking ''NATIONAL LANGUAGE AND AREA CENTERS AUTHORIZED'' and inserting ''NATIONAL RESOURCE CENTERS FOR FOREIGN LANGUAGE AND AREA OR INTERNATIONAL STUDIES AUTHORIZED'';

(B) in paragraph (1)(A), by striking ''comprehensive language and area centers'' and inserting ''comprehensive foreign language and area or international studies centers'';

(C) in paragraph (1)(B), by striking ''language and area centers'' and inserting ''foreign language and area or international studies centers''; and

(D) by striking paragraph (2) and inserting the following:

''(2) AUTHORIZED ACTIVITIES.—

''(A) IN GENERAL.—Any grant made under paragraph (1) may be used to pay all or part of the cost of establishing or operating a center or program, in accordance with this subsection.

''(B) MANDATORY ACTIVITIES.—Activities to be conducted by centers assisted under this subsection shall include—

"(i) support for the instruction of foreign languages and the offering of courses in a variety of nonlanguage disciplines that cover the center's subject area or topic, and the incorporation of such instruction in baccalaureate and graduate programs of study in a variety of disciplinary, interdisciplinary, or professional fields;

"(ii) support for teaching and research materials, including library acquisitions, in the center's subject area or topic;

"(iii) programs of outreach or linkage with State and local educational agencies, postsecondary education institutions at all levels, professional schools, government, business, media, or the general public; and

"(iv) program coordination and development, curriculum planning and development, and student advisement.

"(C) PERMISSIBLE ACTIVITIES.—Activities to be conducted by centers assisted under this subsection may include—

"(i) support for the creation of faculty positions in disciplines that are underrep-

resented in the center's instructional program;

"(ii) establishment and maintenance of linkages with overseas institutions of higher education for the purpose of contributing to the teaching and research of the center;

"(iii) support for bringing visiting scholars and faculty to the center to teach or conduct research;

"(iv) professional development of the center's faculty and staff;

"(v) projects conducted in cooperation with other National Resource Centers addressing themes of world regional, cross-regional, international, or global importance;

"(vi) summer institutes in the United States or abroad designed to provide language and area training in the center's field or topic; and

"(vii) support for faculty, staff, and student travel in foreign areas, regions, or countries, and for the development and support of educational programs abroad for students.".

(2) GRADUATE FELLOWSHIPS; EXPENSE LIMITATIONS.—Section 602 is further amended by striking subsections (b) and (c) and inserting the following:

"(b) GRADUATE FELLOWSHIPS FOR FOREIGN LANGUAGE AND AREA OR INTERNATIONAL STUDIES.—

"(1) AUTHORITY.—The Secretary is authorized to make grants to institutions of higher education or combinations of such institutions for the purpose of paying fellowships to individuals undergoing advanced training in any center or program approved by the Secretary under this part.

"(2) ELIGIBLE STUDENTS.—Students receiving fellowships described in paragraph (1) shall be individuals who are engaged in an instructional program with stated performance goals for functional foreign language use or in a program developing such performance goals, in combination with area studies, international studies, or the international aspects of a professional studies program, including predissertation level studies, preparation for dissertation research, dissertation research abroad, and dissertation writing.

"(c) RULES WITH RESPECT TO EXPENSES.—

"(1) UNDERGRADUATE TRAVEL.—No funds may be expended under this part for undergraduate travel except in accordance with rules prescribed by the Secretary setting forth policies and procedures to assure that Federal funds made available for such travel are expended as part of a formal program of supervised study.

"(2) GRADUATE DEPENDENT AND TRAVEL EXPENSES.—Fellowships awarded to graduate level recipients may include allowances for dependents and for travel for research and study in the United States and abroad.".

(d) LANGUAGE RESOURCE CENTERS.—Section 603(a) (20 U.S.C. 1123(a)) is amended—

(1) by striking paragraph (5) and inserting the following:

"(5) a significant focus on the teaching and learning needs of the less commonly taught languages, including an assessment of the strategic needs, the determination of ways to meet those needs nationally, and the publication and dissemination of instructional materials in the less commonly taught languages;";

(2) by striking the period at the end of paragraph (6) and inserting "; and"; and

(3) by inserting after paragraph (6) the following new paragraph:

''(7) the operation of intensive summer language institutes to train advanced foreign language students, provide professional development, and improve language instruction through preservice and inservice language training for teachers.''.

(e) UNDERGRADUATE INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS.—Section 604 (20 U.S.C. 1124) is amended—

(1) in the heading of subsection (a), by striking ''INCENTIVES'' and all that follows through ''PROGRAMS'' and inserting ''PROGRAM INCENTIVES'';

(2) in subsection (a)(1)—

(A) by striking ''or combinations of such institutions'' in the first sentence and inserting '', combinations of such institutions, or partnerships between nonprofit educational organizations and such institutions,'';

(B) by striking ''a program'' and inserting ''programs''; and

(C) by striking the second sentence and inserting the following: ''Such grants shall be awarded for the purpose of seeking to create new programs or to strengthen existing pro-

grams in undergraduate area studies, foreign languages, and other international fields.'';

(3) by striking paragraphs (2) and (3) and inserting the following:

''(2) USE OF FUNDS.—Grants made under this section may be used for Federal share of the cost of projects and activities which are an integral part of such a program, such as—

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

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

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

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

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

''(F) international education programs designed to develop or enhance linkages between

two- and four-year institutions of higher education, or baccalaureate and postbaccalaureate programs or institutions;

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

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

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

''(J) the development of model programs to enrich or enhance the effectiveness of educational programs abroad, including predeparture and postreturn programs, and the integration of educational programs abroad into the curriculum of the home institution;

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

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

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

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

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

"(P) the use of innovative technology to increase access to international education programs.

"(3) NON-FEDERAL SHARE.—The non-Federal share of the cost of the programs assisted under this subsection may be provided in cash from the private sector corporations or foundations in an amount equal to one-third of the total requested grant amount, or may be provided as in-cash or in-kind contribution from institutional and noninstitutional funds, including State and private sector corporation or foundation contributions, equal to one-half of the total requested grant amount.";

(4) by adding at the end of subsection (a) the following new paragraphs:

"(5) SPECIAL RULE.—The Secretary may waive or reduce the required non-Federal share for title III-eligible institutions which have submitted a grant application under this section.

"(6) EVALUATION CRITERIA AND REPORT.—As a condition for the award of any grant under this subsection, the Secretary may establish criteria for evaluating programs and require an annual report which evaluates the progress and performance of students in such programs.".

(5) by striking subsection (b);

(6) by redesignating subsection (c) as subsection (b); and

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

''(c) FUNDING SUPPORT.—The Secretary may use no more than 10 percent of the total amount appropriated for this part for carrying out the purposes of this section.''.

(f) INTENSIVE SUMMER LANGUAGE INSTITUTES.—Section 605 (20 U.S.C. 1124a) is repealed.

(g) RESEARCH; STUDIES; ANNUAL REPORT.—Section 606(a) (20 U.S.C. 1125(a)) is amended—

(1) in paragraph (4), by inserting before the semicolon at the end the following: '', area studies, or other international fields'';

(2) by striking ''and'' at the end of paragraph (5);

(3) by striking the period at the end of paragraph (6) and inserting ''; and''; and

(4) by inserting after paragraph (6) the following new paragraph:

''(7) studies and surveys of the uses of technology in foreign language, area and international studies programs.''.

(h) PERIODICALS.—Section 607 (20 U.S.C. 1125a) is amended to read as follows:

"SEC. 607. TECHNOLOGICAL INNOVATION AND COOPERATION FOR FOREIGN INFORMATION ACCESS.

''(a) AUTHORITY.—The Secretary is authorized to make grants to institutions of higher education, public or nonprofit private library institutions, or consortia of such institutions, to develop innovative techniques or programs using new electronic technologies to collect, organize, preserve and widely disseminate information on world regions and countries other than the United States that address the nation's teaching and research needs in international education and foreign languages.

''(b) AUTHORIZED ACTIVITIES.—Grants under this section may be used—

''(1) to facilitate access to or preserve foreign information resources in print or electronic forms;

''(2) to develop new means of immediate, full-text document delivery for information and scholarship from abroad;

''(3) to develop new means of shared electronic access to international data;

''(4) to support collaborative projects of indexing, cataloging, and other means of bibliographic ac-

cess for scholars to important research materials published or distributed outside the United States;

''(5) to develop methods for the wide dissemination of resources written in non-Roman language alphabets;

''(6) to assist teachers of less commonly taught languages in acquiring, via electronic and other means, materials suitable for classroom use; and

''(7) to promote collaborative technology based projects in foreign languages, area and international studies among grant recipients under this title.

''(c) APPLICATION.—Each institution or consortium desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information and assurances as the Secretary may reasonably require.

''(d) MATCH REQUIRED.—The Federal share of the total cost of carrying out a program supported by a grant under this section shall not be more than 66⅔ percent. The non-Federal share of such cost may be provided either in-kind or in cash, and may include contributions from private sector corporations or foundations.''.

(i) DEVELOPMENT GRANTS.—Section 610 (20 U.S.C. 1127) is amended by adding at the end the following new subsection:

"(d) DEVELOPMENT GRANTS AUTHORIZED.—The Secretary is encouraged to consider the establishment of new centers, and may use at least 10 percent of the funds available for this section to make grants for the establishment of such new centers.".

(j) AUTHORIZATION OF APPROPRIATIONS.—Section 610A (20 U.S.C. 1128) is amended by striking "1993" and inserting "1999".

(k) CONFORMING AMENDMENT.—Title VI is further amended by redesignating sections 606, 607, 608, 609, 610, and 610A as sections 605 through 610, respectively.

SEC. 602. BUSINESS AND INTERNATIONAL EDUCATION PROGRAMS.

(a) CENTERS FOR INTERNATIONAL BUSINESS EDUCATION.—Section 612 (20 U.S.C. 1130–1) is amended—

(1) in subsection (c)(1)(B), by striking "advanced";

(2) in subsection (c)(1)(C), by striking "evening or summer programs," and inserting "programs";

(3) in subsection (c)(2)—

(A) by striking "and" at the end of subparagraph (E);

(B) by redesignating subparagraph (F) as subparagraph (G); and

(C) by inserting after subparagraph (E) the following new subparagraph:

''(F) professional graduate degrees in translation and interpretation; and''; and

(4) in subsection (d)(2)(G), by inserting before the period at the end the following: '', such as a representative of a community college in the region served by the center''.

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 614 (20 U.S.C. 1130b) is amended by striking ''1993'' each place it appears and inserting ''1999''.

(c) TECHNICAL AMENDMENT.—The heading of section 611 (20 U.S.C. 1130) is amended to read as follows:

''SEC. 611. FINDINGS AND PURPOSES.''.

SEC. 603. INSTITUTE FOR INTERNATIONAL PUBLIC POLICY.

(a) MINORITY FOREIGN SERVICE PROFESSIONAL DEVELOPMENT PROGRAM.—Section 621(e) (20 U.S.C. 1131(e)) is amended by striking ''one-fourth'' and inserting ''one-half''.

(b) JUNIOR YEAR AND SUMMER ABROAD PROGRAM.—Section 622 (20 U.S.C. 1131a) is amended—

(1) in the heading of such section, by inserting ''**AND SUMMER**'' after ''**YEAR**'';

(2) in subsection (a)—

(A) by striking ''shall conduct'' and inserting ''is authorized to conduct'';

(B) by inserting ''and summer'' after ''junior year'' each place it appears in the first and second sentences;

(C) by inserting ''in a junior year abroad program'' after ''Each student'' in the last sentence;

(3) in subsection (b)(2), by inserting ''or summer'' after ''junior year''; and

(4) in subsection (c)—

(A) by inserting ''or summer abroad program'' after ''junior year abroad program'' each place it appears; and

(B) by striking ''abroad or internship'' and inserting ''abroad, summer abroad, or internship''.

(c) INTERNSHIPS.—Section 624 (20 U.S.C. 1132c) is amended—

(1) by striking ''The Institute'' and inserting ''(a) IN GENERAL.—The Institute''; and

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

''(b) POSTBACCALAUREATE INTERNSHIPS.—The Institute shall enter into agreements with institutions of

higher education described in the first sentence of subsection (a) to conduct internships in Washington, D.C., for students who have completed study for the baccalaureate degree. The Internship program authorized by this subsection shall—

"(1) be designated to assist the students to prepare for a master's degree program;

"(2) be carried out with the assistance of the Woodrow Wilson Fellowship program;

"(3) contain work experience for the students designated to contribute to the objectives set forth in paragraph (1); and

"(4) contain such other elements as the Institute determines will carry out the objectives of this subsection.".

(d) NEW PROGRAMS.—Title VI is further amended—

(1) by redesignating sections 625 through 627 (20 U.S.C. 1131d–1131f) as sections 627 through 629; and

(2) by inserting after section 624 the following new sections:

"SEC. 625. INSTITUTIONAL DEVELOPMENT.

"(a) IN GENERAL.—The Institute shall make grants, from amounts available to it in each fiscal year, to Historically Black Colleges and Universities, Hispanic-serving In-

stitutions, Tribally Controlled Indian Community Colleges, and minority institutions, to enable such colleges, universities, and institutions to strengthen international affairs programs.

"(b) APPLICATION.—No grant may be made by the Institute under this section unless an application is made by the college, university, or institution at such time, in such manner, and accompanied by such information as the Institute may require.

"(c) DEFINITIONS.—As used in this section—

"(1) the term 'Historically Black College and University' has the same meaning given the term by section 322(2) of this Act;

"(2) the term 'Hispanic-serving Institution' has the same meaning given the term by section 316(b)(1) of this Act;

"(3) the term 'Tribally controlled Indian community college' has the same meaning given that term by the Tribally Controlled Community College Assistance Act of 1978; and

"(4) the term 'minority institution' has the same meaning given that term in section 347 of this Act.

"SEC. 626. INTERAGENCY COMMITTEE ON MINORITY CAREERS IN INTERNATIONAL AFFAIRS.

"(a) ESTABLISHMENT.—There is established in the executive branch of the Federal Government an Interagency Committee on Minority Careers in International Affairs composed of 7 members. The members of the Committee shall be—

"(1) the Undersecretary for International Affairs and Commodity Programs of the Department of Agriculture, appointed by the Secretary of Agriculture;

"(2) the Assistant Secretary and Director General, the Commercial Service of the Department of Commerce, appointed by the Secretary of Commerce;

"(3) the Undersecretary of Defense for Personnel and Readiness of the Department of Defense, appointed by the Secretary of Defense;

"(4) the Assistant Secretary for Postsecondary Education in the Department of Education, appointed by the Secretary of Education;

"(5) the Director General of the Foreign Service of the Department of State, appointed by the Secretary of State;

"(6) the General Counsel of the Agency for International Development, appointed by the Administrator; and

"(7) the Associate Director for Educational and Cultural Affairs of the United States Information Agency, appointed by the Director.

"(b) FUNCTIONS.—The Interagency Committee established by this section shall—

"(1) advise the Secretary and the Institute with respect to programs authorized by this part; and

"(2) promote policies in each department and agency participating on the Committee that are designed to carry out the objectives of this part.".

(e) AUTHORIZATION.—Section 629 (20 U.S.C. 1131f) (as redesignated by subsection (d)) is amended by striking "1993" and inserting "1999".

SEC. 604. GENERAL PROVISIONS.

(a) DEFINITIONS.—Section 631(a) (20 U.S.C. 1132(a)) is amended—

(1) by striking "and" at the end of paragraph (7);

(2) by striking the period at the end of paragraph (8) and inserting "; and"; and

(3) by inserting after paragraph (8) the following new paragraphs:

"(9) the term 'internationalization of undergraduate education' means the incorporation of foreign languages and area and international studies

perspectives in any undergraduate course or curriculum in order to provide international content for that course of study; and

''(10) the term 'educational programs abroad' means programs of study, internships, or service learning outside the United States which are part of a foreign language or other international curriculum at the undergraduate or graduate education levels.''.

(b) REPEAL.—Section 632 (20 U.S.C. 1132–1) is repealed.

SEC. 605. TRANSFER AND REAUTHORIZATION OF GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED PROGRAM.

(a) AMENDMENT.—Title VI is amended by adding at the end the following new part:

"PART B—GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED

"SEC. 651. PURPOSE.

''In order to sustain and enhance the capacity for graduate education in areas of national need, it is the purpose of this part to provide, through academic departments and programs of institutions of higher education, a fellowship program to assist graduate students of superior ability who demonstrate financial need.

"SEC. 652. GRANTS TO ACADEMIC DEPARTMENTS AND PROGRAMS OF INSTITUTIONS.

"(a) GRANT AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall make grants to academic departments and programs and other academic units of institutions of higher education that provide courses of study leading to a graduate degree in order to enable such institutions to provide assistance to graduate students in accordance with this part. The Secretary shall coordinate the administration and regulation of programs under this part with other Federal programs providing graduate assistance to minimize duplication and improve efficiency.

"(2) ADDITIONAL GRANTS.—The Secretary may also make grants to such departments and programs and to other units of institutions of higher education granting graduate degrees which submit joint proposals involving nondegree granting institutions which have formal arrangements for the support of doctoral dissertation research with degree-granting institutions. Nondegree granting institutions eligible for awards as part of such joint proposals include any organization which—

"(A) is described in section 501(c)(3) of the Internal Revenue Code of 1986, and is ex-

empt from tax under section 501(a) of such Code;

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

"(C) is not a private foundation;

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

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

"(b) AWARD AND DURATION OF GRANTS.—

"(1) AWARDS.—The principal criterion for the allocation of awards shall be the relative quality of the graduate programs presented in competing applications. Consistent with an allocation of awards based on quality of competing applications, the Secretary shall, in making such grants, promote an equitable geographic distribution among eligible public and private institutions of higher education.

"(2) DURATION.—The Secretary shall approve a grant recipient under this part for a 3-year period. From the sums appropriated under this part for any

fiscal year, the Secretary shall not make a grant to any academic department or program of an institution of higher education of less than $125,000 or greater than $750,000 per fiscal year.

"(3) REALLOTMENT.—Whenever the Secretary determines that an academic department or program of an institution of higher education is unable to use all of the amounts available to it under this part, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot the amounts not needed to academic departments and programs of institutions which can use the grants authorized by this part.

"SEC. 653. INSTITUTIONAL ELIGIBILITY.

"(a) ELIGIBILITY CRITERIA.—Any academic department or program of an institution of higher education that offers a program of postbaccalaureate study leading to a graduate degree in an area of national need (as designated under subsection (b)) may apply for a grant under this part. No department or program shall be eligible for a grant unless the program of postbaccalaureate study has been in existence for at least 4 years at the time of application for assistance under this part.

"(b) DESIGNATION OF AREAS OF NATIONAL NEED.—After consultation with appropriate Federal and

nonprofit agencies and organizations, the Secretary shall designate areas of national need. In making such designations, the Secretary shall take into account the extent to which the interest is compelling, the extent to which other Federal programs support postbaccalaureate study in the area concerned, and an assessment of how the program could achieve the most significant impact with available resources.

"SEC. 654. CRITERIA FOR APPLICATIONS.

"(a) SELECTION OF APPLICATIONS.—The Secretary shall make grants to academic departments and programs of institutions of higher education on the basis of applications submitted in accordance with subsection (b). Applications shall be ranked on program quality by review panels of nationally recognized scholars and evaluated on the quality and effectiveness of the academic program and the achievement and promise of the students to be served. To the extent possible (consistent with other provisions of this section), the Secretary shall make awards that are consistent with recommendations of the review panels.

"(b) CONTENTS OF APPLICATIONS.—An academic department or program of an institution of higher education, in its application for a grant, shall—

"(1) describe the current academic program of the applicant for which the grant is sought;

"(2) provide assurances that the applicant will provide, from other non-Federal funds, for the purposes of the fellowship program under this part an amount equal to at least 25 percent of the amount of the grant received under this part, which contribution may be in cash or in kind fairly valued;

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

"(4) set forth policies and procedures to assure that, in making fellowship awards under this part, the institution will make awards to individuals who—

"(A) have financial need, as determined under part F of title IV;

"(B) have excellent academic records in their previous programs of study; and

"(C) plan to pursue the highest possible degree available in their course of study;

"(5) set forth policies and procedures to ensure that Federal funds made available under this part for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this part and in no case to supplant those funds;

"(6) provide assurances that, in the event that funds made available to the academic department or program under this part are insufficient to provide the assistance due a student under the commitment entered into between the academic department or program and the student, the academic department or program will, from any funds available to it, fulfill the commitment to the student;

"(7) provide that the applicant will comply with the limitations set forth in section 655;

"(8) provide assurances that the academic department will provide at least 1 year of supervised training in instruction for students; and

"(9) include such other information as the Secretary may prescribe.

"SEC. 655. AWARDS TO GRADUATE STUDENTS.

"(a) COMMITMENTS TO GRADUATE STUDENTS.—

"(1) IN GENERAL.—An academic department or program of an institution of higher education shall make commitments to eligible graduate students as defined in section 484 (including students pursuing a doctoral degree after having completed a master's degree program at an institution of higher education) at any point in their graduate study to provide stipends for the length of time necessary for a

student to complete the course of graduate study, but in no case longer than 3 years.

"(2) SPECIAL RULE.—No such commitments shall be made to students under this part unless the academic department or program has determined adequate funds are available to fulfill the commitment either from funds received or anticipated under this part, or from institutional funds.

"(b) AMOUNT OF STIPENDS.—The Secretary shall make payments to institutions of higher education for the purpose of paying stipends to individuals who are awarded fellowships under this part. The stipends the Secretary establishes shall reflect the purpose of this program to encourage highly talented students to undertake graduate study as described in this part. In the case of an individual who receives such individual's first stipend under this part in academic year 1999–2000 or any succeeding academic year, such stipend shall be set at a level of support equal to that provided by the National Science Foundation graduate fellowships, except such amount shall be adjusted as necessary so as not to exceed the fellow's demonstrated level of need as determined under part F of title IV.

"(c) TREATMENT OF INSTITUTIONAL PAYMENTS.—An institution of higher education that makes institutional payments for tuition and fees on behalf of individuals sup-

ported by fellowships under this part in amounts that exceed the institutional payments made by the Secretary pursuant to section 656(a) may count the excess of such payments toward the amounts the institution is required to provide pursuant to section 654(b)(2).

"(d) ACADEMIC PROGRESS REQUIRED.—Notwithstanding the provisions of subsection (a), no student shall receive an award—

"(1) except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded; or

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

"SEC. 656. ADDITIONAL ASSISTANCE FOR COST OF EDUCATION.

"(a) INSTITUTIONAL PAYMENTS.—(1) The Secretary shall (in addition to stipends paid to individuals under this part) pay to the institution of higher education, for each individual awarded a fellowship under this part at such institution, an institutional allowance. Except as provided in paragraph (2), such allowance shall be—

"(A) $10,000 annually with respect to individuals who first received fellowships under this part prior to academic year 1999–2000; and

"(B) with respect to individuals who first receive fellowships during or after academic year 1999–2000—

"(i) $10,000 for the academic year 1999–2000; and

"(ii) for succeeding academic years, $10,000 adjusted annually thereafter in accordance with inflation as determined by the Department of Labor's Consumer Price Index for the previous calendar year.

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

"(b) USE FOR OVERHEAD PROHIBITED.—Funds made available pursuant to this part may not be used for the general operational overhead of the academic department or program.

"SEC. 657. CONTINUATION AWARDS.

"Before making new awards under this part for any fiscal year, the Secretary shall, as appropriate, making

continuation awards to recipients of awards under parts B, C, and D of title IX as in effect prior to the enactment of the Higher Education Amendments of 1998.

"SEC. 658. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated $40,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this part.".

(b) REPEAL.—Title IX (20 U.S.C. 1134 et seq.) is repealed.

TITLE VII—CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

SEC. 701. EXTENSION OF PRIOR RIGHTS AND OBLIGATIONS.

Section 702(a) (20 U.S.C. 1132a–1(a)) is amended by striking "fiscal year 1993" and inserting "fiscal year 1999".

SEC. 702. REPEAL OF PART A.

(a) REPEAL.—Part A of title VII (20 U.S.C. 1132b et seq.) is repealed.

(b) CONFORMING AMENDMENTS.—

(1) Section 701(b) (20 U.S.C. 1132a(b)) is amended by striking "part A or B" and inserting "part B".

(2) Part B of title VII is amended by striking section 726 (20 U.S.C. 1132c–5).

(3) Section 781 (20 U.S.C. 1132i) is amended by striking ''part A of this title, or'' each place it appears.

SEC. 703. EXTENSION OF AUTHORIZATION OF PART B.

Section 727(c) (20 U.S.C. 1132c–6(c)) is amended by striking ''fiscal year 1993'' and inserting ''fiscal year 1999''.

SEC. 704. EXTENSION OF AUTHORIZATION OF PART C.

Section 735 (20 U.S.C. 1132d–4) is amended by striking ''fiscal year 1993'' and inserting ''fiscal year 1999''.

TITLE VIII—ADDITIONAL PROVISIONS

SEC. 801. STUDY OF TRANSFER OF CREDITS.

(a) STUDY REQUIRED.—The Secretary of Education shall conduct a study to evaluate policies or practices instituted by recognized accrediting agencies or associations regarding the treatment of the transfer of credits from one institution of higher education to another, giving particular attention to—

(1) adopted policies regarding the transfer of credits between institutions of higher education

which are accredited by different agencies or associations and the reasons for such policies;

(2) adopted policies regarding the transfer of credits between institutions of higher education which are accredited by national agencies or associations and institutions of higher education which are accredited by regional agencies and associations and the reasons for such policies;

(3) the effect of the adoption of such policies on students transferring between such institutions of higher education, including time required to matriculate, increases to the student of tuition and fees paid, and increases to the student with regard to student loan burden;

(4) the extent to which Federal financial aid is awarded to such students for the duplication of coursework already completed at another institution; and

(5) the aggregate cost to the Federal Government of the adoption of such policies.

(b) REPORT.—Not later than one year after the date of enactment of this Act, the Secretary shall submit a report to the Chairman and Ranking Minority Member of the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor

and Human Resources of the Senate detailing his findings regarding the study conducted under subsection (a). The Secretary's report shall include such recommendation with respect to the recognition of accrediting agencies or associations as the Secretary deems advisable.

SEC. 802. STUDY OF MARKET MECHANISMS IN FEDERAL STUDENT LOAN PROGRAMS.

(a) STUDY REQUIRED.—The Comptroller General, in consultation with interested parties, shall conduct a study of the potential to use auctions or other market mechanisms in the delivery of Federal student loans in order to reduce costs both to the Federal Government and to borrowers. Such study shall include an examination of—

(1) the feasibility of using an auction of lending authority for Federal student loans, and the appropriate Federal role in the operation of such an auction or other alternative market mechanisms;

(2) methods for operating such a system to ensure loan access for all eligible borrowers, while maximizing the cost-effectiveness (for the Government and borrowers) in the delivery of such loans;

(3) the impact of such mechanisms on student loan availability;

(4) any necessary transition procedures for implementing such mechanisms;

(5) the costs or savings likely to be attained for the Government and borrowers;

(6) the feasibility of incorporating income-contingent repayment options into the student loan system and requiring borrowers to repay through income tax withholding, and the impact of such an option on the willingness of lenders to participate in auctions or other market mechanisms and on the efficiency of Federal management of student loan programs;

(7) the ability of the Department of the Treasury to effectively auction the right to make student loans; and

(8) other relevant issues.

(b) RECOMMENDATIONS.—Within 2 years after the date of enactment of this Act, the Comptroller General shall submit to the Congress a report on the study required by subsection (a) and shall include with such report any legislative recommendations the Comptroller General considers appropriate.

SEC. 803. IMPROVEMENTS IN MARKET INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

(a) IMPROVED DATA COLLECTION.—

(1) DEVELOPMENT OF UNIFORM METHODOLOGY.—The Secretary shall direct the Commissioner of Education Statistics to convene a series of forums to develop nationally consistent methodologies for reporting costs incurred by postsecondary institutions in providing postsecondary education.

(2) SEPARATION OF UNDERGRADUATE AND GRADUATE COSTS.—Such consistent methodologies shall permit the Secretary to collect and disseminate separate data with respect to the costs incurred in providing undergraduate and graduate postsecondary education.

(3) REDESIGN OF DATA SYSTEMS.—On the basis of the methodologies developed pursuant to paragraph (1), the Secretary shall redesign relevant parts of the postsecondary education data systems to improve the usefulness and timeliness of the data collected by such systems.

(b) DATA DISSEMINATION.—The Secretary shall publish, in both printed and electronic form, of the data collected pursuant to subsection (a). Such data shall be available in a form that permits the review and comparison of the data submissions of individual institutions of higher education. Such data shall be presented in a form that is easily understandable and allows parents and stu-

dents to make informed decisions based on the following costs for typical full-time undergraduate or graduate students—

(1) tuition charges published by the institution;

(2) the institution's cost of educating students on a full-time equivalent basis;

(3) the general subsidy on a full-time equivalent basis;

(4) instructional cost by level of instruction;

(5) the total price of attendance; and

(6) the average amount of per student financial aid received, including and excluding assistance in the form of loans.

SEC. 804. DIFFERENTIAL REGULATION.

(a) GAO STUDY.—The Comptroller General shall conduct a study of the extent to which unnecessary costs are imposed on postsecondary education as a consequence of the applicability to postsecondary facilities and equipment of regulations prescribed for purposes of regulating industrial and commercial enterprises.

(b) REPORT REQUIRED.—Within one year after the date of enactment of this Act, the Comptroller General shall submit a report to the Congress on the results of the study required by subsection (a).

SEC. 805. ANNUAL REPORT ON COST OF HIGHER EDUCATION.

(a) GAO REPORT REQUIRED.—The Comptroller General shall conduct an on-going analysis of the following:

(1) The increase in tuition compared with other commodities and services.

(2) Trends in college and university administrative costs, including administrative staffing, ratio of administrative staff to instructors, ratio of administrative staff to students, remuneration of administrative staff, and remuneration of college and university presidents or chancellors.

(3) Trends in: (A) faculty workload and remuneration (including the use of adjunct faculty); (B) faculty-to-student ratios; (C) number of hours spent in the classroom by faculty; and (D) tenure practices, and the impact of such trends on tuition.

(4) Trends in: (A) the construction and renovation of academic and other collegiate facilities; and (B) the modernization of facilities to access and utilize new technologies, and the impact of such trends on tuition.

(5) The extent to which increases in institutional financial aid and tuition discounting have affected tuition increases, including the demographics

of students receiving such aid, the extent to which such aid is provided to students with limited need in order to attract such students to particular institutions or major fields of study, and the extent to which Federal financial aid, including loan aid, has been used to offset such increases.

(6) The extent to which Federal, State, and local laws, regulations, or other mandates contribute to increasing tuition, and recommendations on reducing those mandates.

(7) The establishment of a mechanism for a more timely and widespread distribution of data on tuition trends and other costs of operating colleges and universities.

(8) The extent to which student financial aid programs have contributed to changes in tuition.

(9) Trends in State fiscal policies that have affected college costs.

(10) Other related topics determined to be appropriate by the Comptroller General.

(b) ANNUAL REPORT TO CONGRESS.—The Comptroller General shall submit to the Congress an annual report on the results of the analysis required by subsection (a).

SEC. 806. STUDY OF CONSOLIDATION OPTIONS.

No later than 2 years after the date of enactment of this Act, the Secretary shall report to Congress on the desirability and feasibility of possible new Federal efforts to assist individuals who have substantial alternative student loans (other than direct student loans and federally guaranteed student loans) to repay their student loans. The report shall include an analysis of the extent to which the high monthly payments associated with such loans deter such individuals from jobs (including public-interest and public-service jobs) with lower salaries than the average in relevant professions. The report shall include an analysis of the desirability and feasibility of allowing the consolidation of alternative student loans held by such individuals through the Federal student loan consolidation program or the use of other means to provide income-contingent repayment plans for alternative student loans.

SEC. 807. EDUCATIONAL MERCHANDISE LICENSING CODES OF CONDUCT.

It is the sense of the Congress that all American colleges and universities should adopt rigorous educational merchandise licensing codes of conduct to assure that university and college licensed merchandise is not made by sweatshop and exploited adult or child labor either domestically or abroad and that such codes should include at least the following:

(1) public reporting of the code and the companies adhering to it;

(2) independent monitoring of the companies adhering to the code by entities not limited to major international accounting firms;

(3) an explicit prohibition on the use of child labor;

(4) an explicit requirement that companies pay workers at least the governing minimum wage and applicable overtime;

(5) an explicit requirement that companies allow workers the right to organize without retribution; and

(6) an explicit requirement that companies maintain a safe and healthy workplace.

SEC. 808. REPEALS AND EXTENSIONS OF PREVIOUS HIGHER EDUCATION AMENDMENTS PROVISIONS.

(a) HIGHER EDUCATION AMENDMENTS OF 1986.—Title XIII of the Higher Education Amendments of 1986 (20 U.S.C. 1091 note, 1121 note, 1221e–1 note, 1011 note, 1070a note, 1071 note, 1221–1 note, and 1091 note) is repealed.

(b) HIGHER EDUCATION AMENDMENTS OF 1992.—

(1) TITLE XIV.—Title XIV of the Higher Education Amendments of 1992 (20 U.S.C. 1071 note,

1080 note, 1221e note, 1070 note, 1221e–1 note, 1070a–21 note, 1134 note, 1132a note, 1221–1 note, and 1101 note) is repealed.

(2) TITLE XV.—Parts A, B, C, D, and E of title XV of the Higher Education Amendments of 1992 (29 U.S.C. 2401 et seq., 20 U.S.C. 1452 note, 1101 note, 1145h, and 1070 note) are repealed.

(3) OLYMPIC SCHOLARSHIPS.—Section 1543(d) of the Higher Education Amendments of 1992 is amended by striking ''1993'' and inserting ''1999''.

SEC. 809. LIMITATION.

None of the funds appropriated under the Higher Education Act of 1965 or any other Act shall be made available by any Federal agency to the National Board for Professional Teaching Standards.

SEC. 810. PROCEDURES FOR CANCELLATIONS AND DEFERMENTS FOR ELIGIBLE DISABLED VETERANS.

The Secretary shall, in consultation with the Secretary of Veterans Affairs, develop and implement a procedure under which Department of Veterans Affairs physicians shall provide the certification and affidavits needed to enable eligible disabled veterans to document their eligibility for deferments and cancellations of student loans made, insured, or guaranteed under this title. Not later

than 6 months after the date of the enactment of this Act, the Secretaries of Education and Veterans Affairs shall jointly report to Congress on the progress made in developing and implementing this procedure.

TITLE IX—AMENDMENTS TO OTHER LAWS

PART A—EDUCATION OF THE DEAF ACT

Subpart 1—Gallaudet University

SEC. 901. BOARD OF TRUSTEES MEMBERSHIP.

Section 103(a)(1) of the Education of the Deaf Act of 1986 (20 U.S.C. 4303(a)(1)) is amended—

(1) in the matter preceding subparagraph (A), by striking ''twenty-one'' and inserting ''twenty-two'';

(2) in subparagraph (A), by striking ''and'' at the end;

(3) in subparagraph (B), by striking the period at the end and inserting ''; and''; and

(4) by adding at the end the following:

''(C) the liaison designated under section 206, who shall serve as an ex-officio, nonvoting member.''.

SEC. 902. ELEMENTARY AND SECONDARY EDUCATION PROGRAMS.

(a) COMPLIANCE WITH CERTAIN REQUIREMENTS UNDER THE INDIVIDUALS WITH DISABILITIES EDUCATION ACT.—Section 104(b)(3) of the Education of the Deaf Act of 1986 (20 U.S.C. 4304(b)(3)) is amended by striking ''intermediate educational unit'' and inserting ''educational service agency''.

(b) ADDITIONAL REQUIREMENTS.—Section 104(b)(4)(C) of such Act (20 U.S.C. 4304(b)(4)(C)) is amended by striking clauses (i) through (iv) and inserting the following:

''(i) Paragraph (1) and paragraphs (3) through (6) of subsection (b).

''(ii) Subsections (e) through (g).

''(iii) Subsection (h), except the provision contained in such subsection that requires that findings of fact and decisions be transmitted to the State advisory panel.

''(iv) Paragraphs (1) and (2) of subsection (i).

''(v) Subsection (j), except that such subsection shall not be applicable to a decision by the University to refuse to admit or to dismiss a child, except that, before dismissing any child, the University shall give at least 60 days notice

to the child's parents and to the local educational agency in which the child resides.

"(vi) Subsections (k) through (m).".

SEC. 903. AGREEMENT WITH GALLAUDET UNIVERSITY.

Section 105(a) of the Education of the Deaf Act of 1986 (20 U.S.C. 4305(a)) is amended—

(1) in the first sentence, by striking "within 1 year after enactment of the Education of the Deaf Act Amendments of 1992, a new" and inserting "and periodically update, an"; and

(2) by amending the second sentence to read as follows: "The necessity of the periodic update referred to in the preceding sentence shall be determined by the Secretary or the University.".

Subpart 2—National Institute For The Deaf

SEC. 911. AGREEMENT FOR THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF.

Section 112 of the Education of the Deaf Act of 1986 (20 U.S.C. 4332) is amended—

(1) in subsection (a)(2), by striking "under this section" and all that follows and inserting the following: "under this section—

"(A) shall periodically assess the need for modification of the agreement; and

"(B) shall also periodically update the agreement as determined to be necessary by the Secretary or the institution."; and

(2) in subsection (b)(3), by striking "Committee on Education and Labor" and inserting "Committee on Education and the Workforce".

Subpart 3—General Provisions

SEC. 921. DEFINITIONS.

Section 201 of the Education of the Deaf Act of 1986 (20 U.S.C. 4351) is amended—

(1) in paragraph (1)(C), by striking "Palau (but only until the Compact of Free Association with Palau takes effect),"; and

(2) in paragraph (5)—

(A) by inserting "and" before "the Commonwealth of the Northern Mariana Islands"; and

(B) by striking ", and Palau" and all that follows and inserting a period.

SEC. 922. AUDITS.

Section 203(b) of the Education of the Deaf Act of 1986 (20 U.S.C. 4353(b)) is amended in the first sentence by inserting before the period at the end the following: ", including the national mission and school operations of the elementary and secondary programs".

SEC. 923. REPORTS.

Section 204 of the Education of the Deaf Act of 1986 (20 U.S.C. 4354) is amended in the matter preceding paragraph (1) by striking ''Committee on Education and Labor'' and inserting ''Committee on Education and the Workforce''.

SEC. 924. MONITORING, EVALUATION, AND REPORTING.

Section 205(c) of the Education of the Deaf Act of 1986 (20 U.S.C. 4355(c)) is amended by striking ''1993, 1994, 1995, 1996, and 1997'' and inserting ''1999 through 2003''.

SEC. 925. RESPONSIBILITY OF THE LIAISON.

Section 206 of the Education of the Deaf Act (20 U.S.C. 4356) is amended—

(1) in subsection (a), by striking ''Not later than 30 days after the date of enactment of this Act, the'' and inserting ''The''; and

(2) in subsection (b)—

(A) in paragraph (2), by striking ''and'' at the end;

(B) by redesignating paragraph (3) as paragraph (4); and

(C) by inserting after paragraph (2) the following:

''(3) serve as an ex-officio, nonvoting member of the Board of Trustees under section 103; and''.

SEC. 926. FEDERAL ENDOWMENT PROGRAMS.

(a) FEDERAL PAYMENTS.—Section 207(b) of the Education of the Deaf Act of 1986 (20 U.S.C. 4357(b)) is amended—

(1) in paragraph (2) to read as follows:

''(2) Subject to the availability of appropriations, the Secretary shall make payments to each Federal endowment fund in amounts equal to sums contributed to the fund from non-Federal sources during the fiscal year in which the appropriations are made available (excluding transfers from other endowment funds of the institution involved).''; and

(2) by striking paragraph (3).

(b) WITHDRAWALS AND EXPENDITURES.—Section 207(d)(2)(C) of such Act (20 U.S.C. 4357(d)(2)(C)) is amended by striking ''Beginning on October 1, 1992, the'' and inserting ''The''.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 207(h) of such Act (20 U.S.C. 4357(h)) is amended by striking ''fiscal years 1993 through 1997'' each place it appears and inserting ''fiscal years 1999 through 2003''.

SEC. 927. SCHOLARSHIP PROGRAM.

Section 208 of the Education of the Deaf Act of 1986 (20 U.S.C. 4358) is hereby repealed.

SEC. 928. OVERSIGHT AND EFFECT OF AGREEMENTS.

Section 209 of the Education of the Deaf Act of 1986 (20 U.S.C. 4359) is amended—

(1) in subsection (a), by striking ''Committee on Education and Labor'' and inserting ''Committee on Education and the Workforce''; and

(2) by redesignating such section as section 208.

SEC. 929. INTERNATIONAL STUDENTS.

(a) ENROLLMENT.—Section 210(a) of the Education of the Deaf Act of 1986 (20 U.S.C. 4359a(a)) is amended to read as follows:

''(a) ENROLLMENT.—A qualified United States citizen seeking admission to the University or NTID shall not be denied admission in a given year due to the enrollment of international students.''.

(b) CONFORMING AMENDMENT.—Section 210 of such Act (20 U.S.C. 4359a) is amended by redesignating such section as section 209.

SEC. 930. AUTHORIZATION OF APPROPRIATIONS.

Section 211 of the Education of the Deaf Act of 1986 (20 U.S.C. 4360) is amended—

(1) in subsection (a), by striking ''such sums as may be necessary for each of the fiscal years 1993 through 1997'' and inserting ''$83,480,000 for fiscal year 1999, $84,732,000 for fiscal year 2000,

$86,003,000 for fiscal year 2001, $87,293,000 for fiscal year 2002, and $88,603,000 for fiscal year 2003'';

(2) in subsection (b), by striking ''such sums as may be necessary for each of the fiscal years 1993 through 1997'' and inserting ''$44,791,000 for fiscal year 1999, $46,303,000 for fiscal year 2000, $50,136,000 for fiscal year 2001, $50,818,000 for fiscal year 2002, and $46,850,000 for fiscal year 2003''; and

(3) by redesignating such section as section 210.

PART B—EXTENSION AND REVISION OF INDIAN HIGHER EDUCATION PROGRAMS

SEC. 951. TRIBALLY CONTROLLED COLLEGES AND UNIVERSITIES.

(a) EXTENSION TO COLLEGES AND UNIVERSITIES.—The Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801 et seq.) is amended—

(1) by striking ''community college'' each place it appears and inserting ''college or university'';

(2) by striking ''community colleges'' each place it appears and inserting ''colleges and universities'';

(3) by striking ''COMMUNITY COLLEGES'' in the heading of title I and inserting ''COLLEGES AND UNIVERSITIES'';

(4) by striking ''community college's'' in section 2(b)(5) and inserting ''college's or university's'';

(5) by striking ''the college'' in sections 102(b), 113(c)(2), and 305(a) and inserting ''the college or university'';

(6) by striking ''such colleges'' in sections 104(a)(2) and 111(a)(2) and inserting ''such colleges and universities'';

(7) by striking ''COMMUNITY COLLEGES'' in the heading of section 107 and inserting ''COLLEGES AND UNIVERSITIES'';

(8) by striking ''such college'' each place it appears in sections 108(a), 113(b)(2), 113(c)(2), 302, 303, 304, and 305 and inserting ''such college or university'';

(9) by striking ''such colleges'' in section 109(b) and inserting ''such college or university'';

(10) in section 110(a)(4), by striking ''Tribally Controlled Community Colleges'' and inserting ''tribally controlled colleges and universities'';

(11) by striking ''COMMUNITY COLLEGE'' in the heading of title III and inserting ''COLLEGE AND UNIVERSITY'';

(11) by striking ''that college'' in sections 302(b)(4) and 305(a) and inserting ''such college or university''; and

(12) by striking ''other colleges'' in section 302(b)(4) and insert ''other colleges and universities''.

(b) TITLE I ELIGIBLE GRANT RECIPIENTS.—Section 103 of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1804) is amended—

(1) by striking ''and'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(4) has been accredited by a nationally recognized accrediting agency or association determined by the Secretary of Education 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 such accreditation.''.

(c) AMOUNT OF TITLE I GRANTS.—Section 108(a)(2) of such Act (25 U.S.C. 1808(a)(2)) is amended by striking ''$5,820'' and inserting ''$6,000''.

(d) CLERICAL AMENDMENT.—Section 109 of such Act (25 U.S.C. 1809) is amended by redesignating subsection (d) as subsection (c).

(e) AUTHORIZATION OF APPROPRIATIONS FOR TITLE I.—Section 110 of such Act (25 U.S.C. 1810) is amended—

(1) by striking ''1993'' each place it appears and inserting ''1999''; and

(2) in subsection (a)(2), by striking ''$30,000,000'' and inserting ''$40,000,000''.

(f) AUTHORIZATION OF APPROPRIATIONS FOR TITLES III AND IV.—Sections 306 and 403 of such Act (25 U.S.C. 1836, 1852) are each amended by striking ''1993'' and inserting ''1999''.

SEC. 952. REAUTHORIZATION OF PROVISIONS FROM HIGHER EDUCATION AMENDMENTS OF 1992.

Title XIII of the Higher Education Amendments of 1992 (25 U.S.C. 3301 et seq.) is amended by striking ''1993'' each place it appears in sections 1348, 1365, and 1371(e), and inserting ''1999''.

SEC. 953. REAUTHORIZATION OF NAVAJO COMMUNITY COLLEGE ACT.

Section 5(a)(1) of the Navajo Community College Act (25 U.S.C. 640c–1) is amended by striking ''1993'' and inserting ''1999''.

Part C—GENERAL EDUCATION PROVISIONS ACT

SEC. 961. ACCESS TO RECORDS CONCERNING CRIMES OF VIOLENCE.

Section 444(h) of the General Education Provisions Act (20 U.S.C. 1232g(h)) is amended to read as follows:

''(h) DISCIPLINARY RECORDS.—(1) Nothing in this section shall prohibit an educational agency or institution from—

''(A) including appropriate information in the education record of any student concerning disciplinary action taken against such student for conduct that posed a significant risk to the safety or well-being of that student, other students, or other members of the school community; or

''(B) disclosing such information to teachers and school officials, including teachers and school officials in other schools, who have legitimate educational interests in the behavior of the student.

''(2) Nothing in this section shall prohibit any post-secondary educational agency or institution from disclosing disciplinary records of any kind which contain infor-

mation that personally identifies a student or students who have either admitted to or been found to have committed any act, which is a crime of violence (as that term is defined in section 16 of title 18, United States Code), in violation of institutional policy, either as a violation of the law or a specific institutional policy, where such records are directly related to such misconduct.''.

TITLE X—FACULTY RETIREMENT PROVISIONS

SEC. 1001. VOLUNTARY RETIREMENT INCENTIVE PLANS.

(a) IN GENERAL.—Section 4 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623) is amended by adding at the end the following:

''(m) Notwithstanding subsection (f)(2)(B), it shall not be a violation of subsection (a), (b), (c), or (e) solely because a plan of an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))) offers employees who are serving under a contract of unlimited tenure (or similar arrangement providing for unlimited tenure) supplemental benefits upon voluntary retirement that are reduced or eliminated on the basis of age, if—

''(1) such institution does not implement with respect to such employees any age-based reduction or cessation of benefits that are not such supple-

mental benefits, except as permitted by other provisions of this Act;

''(2) such supplemental benefits are in addition to any retirement or severance benefits which have been offered generally to employees serving under a contract of unlimited tenure (or similar arrangement providing for unlimited tenure), independent of any early retirement or exit-incentive plan, within the preceding 365 days; and

''(3) any employee who attains the minimum age and satisfies all non-age-based conditions for receiving a benefit under the plan has an opportunity lasting not less than 180 days to elect to retire and to receive the maximum benefit that could then be elected by a younger but otherwise similarly situated employee, and the plan does not require retirement to occur sooner than 180 days after such election.''.

(b) PLANS PERMITTED.—Section 4(i)(6) of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623(i)(6)) is amended by adding after the word ''accruals'' the following: ''or it is a plan permitted by subsection (m).''

(c) CONSTRUCTION.—Nothing in the amendment made by subsection (a) shall affect the application of sec-

tion 4 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623) with respect to—

(1) any plan described in subsection (m) of section 4 of such Act (as added by subsection (a)), for any period prior to enactment of such Act;

(2) any plan not described in subsection (m) of section 4 of such Act (as added by subsection (a)); or

(3) any employer other than an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965).

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—This section shall take effect on the date of enactment of this Act.

(2) EFFECT ON CAUSES OF ACTION EXISTING BEFORE DATE OF ENACTMENT.—The amendment made by subsection (a) shall not apply with respect to any cause of action arising under the Age Discrimination in Employment Act of 1967 prior to the date of enactment of this Act.

TITLE XI—OFFESTS REQUIRED

SEC. 1101. ASSURANCE OF OFFSETS.

(a) DECLARATION.—None of the provisions in this Act should take effect unless it contains the mandatory offsets set forth in subsection (b).

(b) ENUMERATION OF OFFSETS.—The offsets referred to in subsection (a) are provisions that—

(1) change the definition of default contained in section 435(1) to extend the period of delinquency prior to default by an additional 90 days;

(2) capitalize the interest accrued on unsubsidized and parent loans at the time that the borrower enters repayment;

(3) recall $65,000,000 in guaranty agency reserves, in addition to the amount required to be recalled pursuant to the amendments in section 422 of the Higher Education Act of 1965 contained in this Act;

(4) eliminate the dischargeability in bankruptcy of student loans made after the date of the enactment of this Act for the cost of attendance for a baccalaureate or advanced degree, and for which the first payment was due more than seven years before the commencement of the bankruptcy action; and

(5) sell sufficient commodities from the National Defense stockpile to generate receipts of $80,000,000 in fiscal year 1999 and $480,000,000 over five years.

TITLE XII—ALCOHOL CONSUMPTION

SEC. 1201. SENSE OF THE HOUSE OF REPRESENTATIVES.

It is the sense of the House of Representatives that, in an effort to change the culture of alcohol consumption on college campuses, all college and university administrators should adopt the following code of principles:

(1) For an institution of higher education, the president of the institution shall appoint a task force consisting of school administrators, faculty, students, Greek system representatives, and others to conduct a full examination of student and academic life at the institution. The task force will make recommendations for a broad range of policy and program changes that would serve to reduce alcohol and other drug-related problems. The institution shall provide resources to assist the task force in promoting the campus policies and proposed environmental changes that have been identified.

(2) The institution shall provide maximum opportunities for students to live in an alcohol-free environment and to engage in stimulating, alcohol-free recreational and leisure activities.

(3) The institution shall enforce a ''zero tolerance'' policy on the illegal consumption and binge

drinking of alcohol by its students and will take steps to reduce the opportunities for students, faculty, staff, and alumni to legally consume alcohol on campus.

(4) The institution shall vigorously enforce its code of disciplinary sanctions for those who violate campus alcohol policies. Students with alcohol or other drug-related problems shall be referred to an on-campus counseling program.

(5) The institution shall adopt a policy to discourage alcoholic beverage-related sponsorship of on-campus activities. It shall adopt policies limiting the advertisement and promotion of alcoholic beverages on campus.

(6) Recognizing that school-centered policies on alcohol will be unsuccessful if local businesses sell alcohol to underage or intoxicated students, the institution shall form a ''Town/Gown'' alliance with community leaders. That alliance shall encourage local commercial establishments that promote or sell alcoholic beverages to curtail illegal student access to alcohol and adopt responsible alcohol marketing and service practices.

TITLE XIII—PROTECTION OF STUDENT SPEECH AND ASSOCIATION RIGHTS

SEC. 1301. PROTECTION OF STUDENT SPEECH AND ASSOCIATION RIGHTS.

(a) PROTECTION OF RIGHTS.—It is the sense of the House of Representatives that no student attending an institution of higher education on a full- or part-time basis should, on the basis of protected speech and association, be excluded from participation in, be denied the benefits of, or be subjected to discrimination or official sanction under any education program, activity, or division directly or indirectly receiving financial assistance under the Higher Education Act of 1965, whether or not such program, activity, or division is sponsored or officially sanctioned by the institution.

(b) SANCTIONS FOR DISRUPTION PERMITTED.—Nothing in this section shall be construed to discourage the imposition of an official sanction on a student that has willfully participated in the disruption or attempted disruption of a lecture, class, speech, presentation, or performance made or scheduled to be made under the auspices of the institution of higher education.

(c) DEFINITIONS.—For the purposes of this section:

(1) PROTECTED SPEECH.—The term ''protected speech'' means speech that is protected under the 1st and 14th amendments to the United States Constitution, or would be so protected if the institution of higher education were subjected to those amendments.

(2) PROTECTED ASSOCIATION.—The term ''protected association'' means the right to join, assemble, and reside with others that is protected under the 1st and 14th amendments to the United States Constitution, or would be protected if the institution of higher education were subject to those amendments.

(3) OFFICIAL SANCTION.—The term ''official sanction''—

(A) means expulsion, suspension, probation, censure, condemnation, reprimand, or any other disciplinary, coercive, or adverse action taken by an institution of higher education or administrative unit of the institution; and

(B) includes an oral or written warning made by an official of an institution of higher education acting in the official capacity of the official.

TITLE XIV—DRUG AND ALCOHOL PREVENTION

SEC. 1401. DRUG AND ALCOHOL ABUSE PREVENTION.

(a) GRANTS AND RECONGNITION AWARDS.—Section 111, as redesignated by section 101(a)(3)(E), is amended by adding at the end the following new subsections:

"(e) ALCOHOL AND DRUG ABUSE PREVENTION GRANTS.—

"(1) PROGRAM AUTHORITY.—The Secretary may make grants to institutions of higher education or consortia of such institutions and contracts with such institutions and other organizations to develop, implement, operate, improve, and disseminate programs of prevention, and education (including treatment-referral) to reduce and eliminate the illegal use of drugs and alcohol and their associated violence. Such contracts may also be used for the support of a higher education center for alcohol and drug abuse prevention which will provide training, technical assistance, evaluation, dissemination and associated services and assistance to the higher education community as defined by the Secretary and the institutions of higher education.

"(2) AWARDS.—Grants and contracts shall be made available under paragraph (1) on a competitive

basis. An institution of higher education, a consortium of such institutions, or other organizations which desire to receive a grant or contract under paragraph (1) shall submit an application to the Secretary at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require by regulation.

"(3) ADDITIONAL REQUIREMENTS.—The Secretary shall make every effort to ensure—

"(A) the equitable participation of private and public institutions of higher education (including community and junior colleges); and

"(B) the equitable geographic participation of such institutions,

in grants and contracts under paragraph (1). In the award of such grants and contracts, the Secretary shall give appropriate consideration to institutions of higher education with limited enrollment.

"(4) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(f) NATIONAL RECOGNITION AWARDS.—

"(1) AWARDS.—For the purpose of providing models of alcohol and drug abuse prevention and education (including treatment-referral) programs in higher education and to focus national attention on exemplary alcohol and drug abuse prevention efforts, the Secretary of Education shall, on an annual basis, make 10 National Recognition Awards to institutions of higher education that have developed and implemented effective alcohol and drug abuse prevention and education programs. Such awards shall be made at a ceremony in Washington, D.C. and a document describing the programs of those who receive the awards shall be distributed nationally.

"(2) APPLICATION.—

"(A) IN GENERAL.—A national recognition award shall be made under paragraph (1) to institutions of higher education which have applied for such award. Such an application shall contain—

"(i) a clear description of the goals and objectives of the alcohol and drug abuse programs of the institution applying;

"(ii) a description of program activities that focus on alcohol and other drug

policy issues, policy development, modification, or refinement, policy dissemination and implementation, and policy enforcement;

"(iii) a description of activities that encourage student and employee participation and involvement in both activity development and implementation;

"(iv) the objective criteria used to determine the effectiveness of the methods used in such programs and the means used to evaluate and improve the program efforts;

"(v) a description of special initiatives used to reduce high-risk behavior or increase low risk behavior, or both; and

"(vi) a description of coordination and networking efforts that exist in the community in which the institution is located for purposes of such programs.

"(B) ELIGIBILITY CRITERIA.—All institutions of higher education which are two- and four-year colleges and universities that have established a drug and alcohol prevention and education program are eligible to apply for a

National Recognition Award. To receive such an Award an institution of higher education must be nominated to receive it. An institution of higher education may nominate itself or be nominated by others such as professional associations or student organizations.

"(C) APPLICATION REVIEW.—The Secretary of Education shall appoint a committee to review applications submitted under subparagraph (A). The committee may include representatives of Federal departments or agencies whose programs include alcohol and drug abuse prevention and education efforts, directors or heads (or their representatives) of professional associations that focus on prevention efforts, and non-Federal scientists who have backgrounds in social science evaluation and research methodology and in education. Decisions of the committee shall be made directly to the Secretary without review by any other entity in the Department of Education.

"(D) REVIEW CRITERIA.—Specific review criteria shall be developed by the Secretary in conjunction with the appropriate experts. In re-

viewing applications under subparagraph (C) the committee shall consider—

"(i) measures of effectiveness of the program of the applicant that should include changes in the campus alcohol and other drug environment or climate and changes in alcohol and other drug use before and after the initiation of the program; and

"(ii) measures of program institutionalization, including an assessment of needs of the institution, the institution's alcohol and drug policies, staff and faculty development activities, drug prevention criteria, student, faculty, and campus community involvement, and a continuation of the program after the cessation of external funding.

"(3) AUTHORIZATION.—For the implementation of the awards program under this subsection, there are authorized to be appropriated $25,000 for fiscal year 1998, $66,000 for each of the fiscal years 1999 and 2000, and $72,000 for each of the fiscal years 2001, 2002, 2003, and 2004.".

(b) REPEAL.—Section 4122 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7132) is repealed.

TITLE XV—EQUAL OPPORTUNITY FOR INDIVIDUALS WITH LEARNING DISABILITIES

SEC. 1501. DEMONSTRATION PROJECTS ENSURING EQUAL OPPORTUNITY FOR INDIVIDUALS WITH LEARNING DISABILITIES.

Subpart 2 of part A of title IV, as amended by section 405, is further amended by adding at the end the following:

"CHAPTER 6—DEMONSTRATION PROJECTS ENSURING EQUAL OPPORTUNITY FOR INDIVIDUALS WITH LEARNING DISABILITIES

"SEC. 412A. PROGRAM AUTHORITY.

''(a) IN GENERAL.—The Secretary may award grants to, and enter into contracts and cooperative agreements with, not more than 5 institutions of higher education that are described in section 412B for demonstration projects to develop, test, and disseminate, in accordance with section 412C, methods, techniques, and procedures for ensuring equal educational opportunity for individuals with learning disabilities in postsecondary education.

"(b) AWARD BASIS.—Grants, contracts, and cooperative agreements shall be awarded on a competitive basis.

"(c) AWARD PERIOD.—Grants, contracts, and cooperative agreements shall be awarded for a period of 3 years.

"SEC. 412B. ELIGIBLE ENTITIES.

"Entities eligible to apply for a grant, contract, or cooperative agreement under this chapter are institutions of higher education with demonstrated prior experience in meeting the postsecondary educational needs of individuals with learning disabilities.

"SEC. 412C. REQUIRED ACTIVITIES.

"A recipient of a grant, contract, or cooperative agreement under this chapter shall use the funds received under this chapter to carry out each of the following activities:

"(1) Developing or identifying innovative, effective, and efficient approaches, strategies, supports, modifications, adaptations, and accommodations that enable individuals with learning disabilities to fully participate in postsecondary education.

"(2) Synthesizing research and other information related to the provision of services to individuals with learning disabilities in postsecondary education.

"(3) Conducting training sessions for personnel from other institutions of higher education to enable them to meet the special needs of postsecondary students with learning disabilities.

"(4) Preparing and disseminating products based upon the activities described in paragraphs (1) through (3).

"(5) Coordinating findings and products from the activities described in paragraphs (1) through (4) with other similar products and findings through participation in conferences, groups, and professional networks involved in the dissemination of technical assistance and information on postsecondary education.

"SEC. 412D. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this chapter $10,000,000 for each of the fiscal years 1999 through 2001.".

TITLE XVI—SENSE OF THE HOUSE OF REPRESENTATIVES REGARDING DETECTION OF LEARNING DISABILITIES, PARTICULARLY DYSLEXIA, IN POSTSECONDARY EDUCATION

SEC. 1601. SENSE OF THE HOUSE OF REPRESENTATIVES.

It is the sense of the House of Representatives that colleges and universities receiving assistance under the Higher Education Act of 1965 shall establish policies for identifying students with learning disabilities, specifically students with dyslexia, early during their postsecondary educational training so they may have the ability to receive higher education opportunities.

TITLE XVII—SPECIAL PROVISION

SEC. 1701. TERMINATION OF EFFECTIVENESS.

Notwithstanding section 4 of the Act, subparagraph (K) of section 485(g)(1) of the Higher Education Act of

1 1965, as amended by this Act, shall cease to be effective
2 on October 1, 1998.

Passed the House of Representatives May 6, 1998.

Attest:

Clerk.