

# CRS Issue Brief for Congress

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## **The Higher Education Act: Reauthorization Status and Issues**

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## The Higher Education Act: Reauthorization Status and Issues

### SUMMARY

The funding authorizations in the Higher Education Act (HEA) have expired. This legislation, administered by the U.S. Department of Education (ED), authorized the federal government's major student aid programs, as well as other significant initiatives. Provisions temporarily extending the programs and activities of the HEA were signed into law as part of a continuing resolution (P.L. 108-309) funding federal programs through November 20, 2004. On October 6, 2004, the House passed H.R. 5185 to extend the HEA authorities through FY2005. The Senate passed the same legislation on October 9, 2004. In the 108<sup>th</sup> Congress, legislative action to reauthorize the HEA has included House passage of a series of bills amending and extending several individual titles of the HEA.

Postsecondary education is a complex, decentralized enterprise, made up of a wide array of institutions enrolling a large and diverse student body. In academic year 2000-2001, approximately 6,600 degree- and non-degree-granting postsecondary education institutions were eligible to participate in the HEA's student aid programs. These institutions enrolled an estimated 15.9 million students in the fall of 2000.

HEA programs and activities fall primarily into four main categories:

- student financial aid,
- services to help students complete high school and enter and succeed in college,
- aid to institutions, and
- aid to improve K-12 teacher training at postsecondary institutions.

ED's FY2004 appropriation legislation included over \$16 billion for HEA discretionary authorities. A majority of these discretionary funds are expected to be awarded to students in the form of Pell Grants — over \$12 billion is appropriated for these grants. The discretionary total *excludes* mandatory federal expenditures for the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs through which students and parents will borrow an estimated \$52 billion in FY2004.

During the reauthorization process, the Congress has considered a wide variety of issues. Among these are the following:

- college prices and the appropriate federal role in addressing increases
- effectiveness of the HEA programs in increasing postsecondary access;
- measures to hold institutions accountable for educational outcomes;
- the process of determining students' need for financial aid; and
- impact of the growth in postsecondary distance education.

The Congress also has considered issues specific to individual HEA programs, including the HEA's major sources of postsecondary education support (Pell Grants and FFELs/DLs). Among Pell issues is the shortfall in Pell funding. Issues for FFELs/DLs include whether current loan limits should be raised, and whether the current framework of FFELs and DLs should be modified.



## **MOST RECENT DEVELOPMENTS**

On September 30, 2004, the President signed into law a continuing resolution (P.L. 108-309) funding federal programs through November 20, 2004. Included in this legislation is language specifying that the programs, activities, eligibility requirements, and advisory committees in the Higher Education Act (HEA) authorized through FY2004 continue through the duration of the continuing resolution. On October 6, 2004, the House passed H.R. 5185 (Higher Education Extension Act of 2004) to extend the programs and activities of the HEA through FY2005. On October 9, 2004, the Senate passed the same legislation without amendment.

## **BACKGROUND AND ANALYSIS**

### **Introduction**

The funding authorizations in the HEA have expired. A continuing resolution has extended the programs, activities, eligibility requirements, and advisory committees of the HEA through November 20, 2004. An extension through FY2005 has been approved by the House (H.R. 5185). The HEA legislation, whose programs are administered by the U.S. Department of Education (ED), includes the federal government's major student aid programs, as well as other significant programs such as those providing aid to special groups of higher education institutions and support services to enable disadvantaged students to complete secondary school and enter and complete college. Although important support from outside of the HEA flows to postsecondary education institutions through multiple federal agencies for activities such as research and development, the federal presence in postsecondary education is shaped to a significant degree by the HEA. For example, HEA student aid programs constituted some 63% of all federal (excluding education tax credits), state, and institutional aid awarded to postsecondary education students in 2002-2003. (The College Board, *Trends in Student Aid*, 2003.) The HEA was last reauthorized by the Higher Education Amendments of 1998 (P.L. 105-244).

This issue brief provides the following: an overview of postsecondary education (institutions and students), an overview of the HEA with a focus on its most significant programs and provisions, and a discussion of major issues that have been, or may be, of interest to the Congress during the HEA reauthorization process.

### **Postsecondary Education Overview**

Postsecondary education is a complex, decentralized enterprise, made up of a wide array of different kinds of institutions enrolling a large and diverse student body.

In academic year 2000-2001, there were about 6,600 degree- and non-degree-granting postsecondary education institutions that participated in the HEA's student aid programs. These institutions were divided roughly evenly among the public sector (33%), private nonprofit sector (30%), and private for-profit (proprietary) sector (37%). An estimated 15.9

million students were enrolled overall in undergraduate and graduate programs in those institutions in the fall of 2000. In contrast to the roughly even split in *institutions* by sector, a substantial majority of all *students* were enrolled in public institutions (75%), a fifth (20%) attended private nonprofit institutions, and a small percentage (5%) were enrolled in proprietary institutions. The differences between the distributions of institutions and students are the result of substantially smaller average enrollments in private nonprofit and private proprietary institutions (estimated 1,600 and 285, respectively) compared to public institutions (estimated 5,500). (These data are derived from the U.S. Department of Education's Integrated Postsecondary Education Data System. These enrollment figures differ from those derived from other sources including the Bureau of the Census' Current Population Survey and the Department of Education's National Postsecondary Student Aid Study. In particular, data from the latter source will be higher because they measure enrollment throughout the academic year, not just at a point in time.)

Since the enactment of the HEA in 1965, important characteristics of postsecondary students have changed substantially. There is greater racial and ethnic diversity in the student population. In 1965, 94% of students were white; by 2000, that percentage had fallen to 78%. Gender distribution has shifted markedly as well. In 1965, 38% of all students were women; by 2000, that share had risen to 55%. (These data are from the Current Population Survey. For further analysis of these data, see CRS Report RL31441, *The Postsecondary Education Student Population*.)

## Summary of the HEA

The programs and activities of the HEA fall primarily into one of four main categories: student financial aid, support services to help students complete high school and enter and succeed in postsecondary education, aid to strengthen institutions, and aid to improve K-12 teacher training at postsecondary institutions. ED's FY2004 appropriation legislation included over \$16 billion for HEA discretionary authorities. This total *excludes* mandatory federal expenditures for the Federal Family Education Loans (FFELs) and Direct Loans (DLs) through which students and their parents are estimated to secure over \$52 billion in new loans in FY2004 (these new loans exclude consolidation loans issued to consolidate existing loans).

There are seven titles in the HEA:

- Title I — General Provisions
- Title II — Teacher Quality Enhancement Grants
- Title III — Institutional Aid
- Title IV — Student Assistance
- Title V — Developing Institutions
- Title VI — International Education Programs
- Title VII — Graduate and Postsecondary Improvement Programs

## Student Aid

At the heart of the HEA are the student aid programs included in Title IV that provide grant aid (which does not have to be repaid), loans, and work-study assistance. These programs seek to expand educational opportunity and for FY2004 are estimated to support nearly \$69 billion in student assistance. This cumulative total amount of student aid includes directly appropriated federal funds, student loan volume in the FFEL/DL programs, and institutional matching funds required under several of the federal student aid programs. This cumulative total excludes Stafford Loan consolidations. Data presented here and below on total spending and numbers of students aided under HEA Title IV student aid programs are primarily drawn from the U.S. Department of Education's *FY2005 Budget Summary* (available at [<http://www.ed.gov/about/overview/budget/budget05/summary/index.html>]).

The largest Title IV student aid programs are the Pell Grant program, and the FFEL and DL programs. Under each, students receive funds to attend the postsecondary education institutions of their choice. Pell Grants are need-based aid for undergraduate students. These grants are currently estimated to be assisting 5.1 million students with \$12.7 billion for FY2003 and will assist an estimated 5.3 million students with \$13.1 billion for FY2004. FFELs are made by private lenders and are available to undergraduate and graduate students, and their parents. Some kinds of FFELs are need-based, others are not. For FY2003, the estimated amount borrowed was \$33.8 billion in 8.4 million new loans (consolidation loans are excluded from these totals). For FY2004, the volume that will be lent is estimated to be \$39 billion (9.6 million new loans). The DL program provides the same kinds of loans as the FFEL program, but the loan capital is provided directly by the federal government; participating postsecondary institutions or contractors act as loan originators on behalf of the federal government. For FY2003, an estimated \$12 billion in 2.9 million new DLs were borrowed (consolidation loans are excluded). For FY2004, the estimated new volume is \$13.2 billion (3.1 million new loans).

Three smaller Title IV student aid programs — Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, and Federal Perkins Loans — are collectively known as the **campus-based programs** because their funds are allocated to postsecondary institutions for award to students. Institutions must match a portion of their allocation under each of these programs. Undergraduates can participate in each of these programs, while graduate students are eligible for Work-Study and Perkins Loans. The FY2004 appropriations levels for these programs are: \$770.5 million for SEOGs, \$998.5 million for Federal Work-Study, and \$165.4 million for Perkins Loans. Total aid available to students under these programs for FY2004 is estimated at \$975 million in SEOG assistance (1.3 million students), \$1.2 billion in Federal Work-Study earnings (858,000 students), and \$1.3 billion in Perkins Loans (673,000 students). It should be noted that for the Perkins program, in addition to institutional matching funds, repayments on loans generate additional resources that are lent under the program.

Among other Title IV student aid programs is the Leveraging Educational Assistance Partnership (LEAP) program which provides matching funds to states to encourage them to provide need-based state grant programs. An FY2004 appropriation of \$66.2 million for this program is estimated to support \$169 million in total aid (169,000 recipients). This total reflects just the amounts supported through state matching requirements.

The relative balance among the various kinds of federal student aid has shifted over time. According to estimates from The College Board, the aggregate annual amount borrowed under the FFEL, DL, and Perkins programs (DLs were first made in the 1994-1995 academic year) rose by some 210% during the decade from academic year 1992-1993 to academic year 2002-2003, while the combined grant aid from the Pell Grant, SEOG, and LEAP programs grew by about 83% and Work-Study earnings by 56%. In 1992-1993, of the aggregate aid available from these grant, loan, and work programs, 68% came in the form of loans, 29% as grants, and 3% as earnings. By 2002-2003, the relative balance was 78% loans, 20% grants, and 2% earnings. (See The College Board, *Trends in Student Aid 2003*.)

## **Student Support Services**

The HEA's primary programs for student services are the federal TRIO programs and the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), both included in HEA Title IV. In general, these programs provide disadvantaged students with support services to help them complete high school, and enter and persist in college. The TRIO programs (so called because there were once just three of them) include Talent Search, Upward Bound, Student Support Services, Educational Opportunity Centers, McNair Postbaccalaureate, and Staff Training. The FY2004 appropriation is \$832.6 million. For FY2002 an estimated 872,000 individuals participated in the various TRIO programs which received \$802.5 million in that year. For GEAR UP, the FY2004 appropriation is \$298.2 million. The program is estimated to have served about 1.2 million students with its FY2002 funding of \$285 million.

## **Institutional Aid**

The primary institutional assistance programs are those in Title III and V. Both titles award grants to higher education institutions to strengthen their academic, administrative, and financial capacities. Title III includes provisions for financial assistance to select groups of institutions, including tribal colleges, Alaska Native- and Native Hawaiian-Serving institutions, and historically black colleges and universities (HBCUs). It also directs support for capital financing of HBCUs, and improvement of science and engineering programs at predominantly minority institutions. The total FY2004 appropriation for Title III is \$400 million. Title V authorizes financial support for Hispanic-Serving institutions; its FY2004 funding is \$94 million.

## **Preservice Teacher Training**

HEA Title II is the source of grants for improving teacher education programs, strengthening teacher recruitment efforts, and training prospective teachers to utilize technology (this last activity is no longer being funded). This title also establishes reporting requirements for states and higher education institutions regarding the quality of teacher education programs. The FY2004 appropriation for the Teacher Quality Enhancement grants is \$88.9 million.

## Possible Issues for Reauthorization

Legislative action on reauthorizing the HEA began in the 108<sup>th</sup> Congress. The bills on which there has been legislative action (at least committee markup) are described in the separate Legislation section below. This present section briefly discusses some of the major topics and issues within those topics that are being, or may be, debated in the reauthorization process in general. These include:

- access to postsecondary education,
- college costs and prices,
- federal tax benefits,
- standards and accountability,
- need analysis,
- distance education,
- teacher quality and quantity,
- student loans, and
- Pell Grants.

Interwoven through many of these subjects are issues relating to the enrollment in substantial numbers of *non-traditional* students, i.e., older students and those not enrolled on a full-time basis, as well as the relative balance in available HEA student aid among loans, grants, and work.

### Access to Postsecondary Education

At issue is whether the HEA's array of student aid programs, student support service programs, and institutional aid programs are effective at increasing access to postsecondary education, particularly for low-income and minority students. Increasing access to postsecondary education is a primary objective of the HEA.

Despite substantial gains in overall participation in postsecondary education over the past three decades, individuals from low-income families (bottom 20% of all family incomes) and several minority groups remain significantly less likely to participate in postsecondary education than other individuals. In 2000, the rate at which high school graduates from high-income families (top 20% of all family incomes) enrolled in college in the fall following their graduation was about 27 percentage points greater than that for low-income individuals (77% compared to 50%). In that same year, the participation rate of whites was 11 percentage points higher than that for blacks (66% compared to 55%) and 13 percentage points higher than that for Hispanics (66% compared to 53%). (These are ED estimates based on census data — *Condition of Education 2002*. The Hispanic data should be used with caution given small sample sizes in the census data.)

Of interest to the Congress is whether the current HEA programs adequately promote the traditional HEA goal of expanding access to postsecondary education for disadvantaged individuals. The Congress has considered, among other questions:



- whether the federal investment in student aid may have had an adverse impact on access by leading to increases in college prices (see separate issue on college costs and prices below);
- whether the predominance of loans in the available HEA student aid has adverse consequences for access, particularly for low-income students who may not wish to incur large levels of debt;
- whether the process of applying for current student aid programs is unreasonably complicated and should be simplified to encourage needy students to pursue aid;
- whether the current student support services programs — TRIO and GEAR UP — are adequate to their task and whether they may be excessively and inefficiently duplicative of each other;
- whether the federal government's growing support of non-need-based aid (such as Hope Scholarships) has come at the expense of need-based resources and what consequences this may have had on access; and
- whether HEA programs are sufficiently attentive to the access issue for the population of non-traditional students that make up a sizeable portion of student enrollment.

## College Costs and Prices

Increases in college prices (what students and their families have to pay) that exceed the growth in inflation and in family income have fueled interest in college affordability for low- and middle-income families. Further, there is increasing concern that state budget constraints are leading to reductions in funding for public higher education and, potentially, increases in tuition and fees. (Background and data on college costs and prices are provided in CRS Report RL32100, *College Costs and Prices: Background and Issues for Reauthorization of the Higher Education Act.*)

The Higher Education Amendments of 1998 sought to improve the quality of information reported by ED regarding postsecondary education prices (what students and their families are charged and what they pay) and costs (the costs incurred by institutions to operate and provide instruction). The Department was also required to undertake a study and issue a final report by September 30, 2002, on expenditures at higher education institutions, including analysis of the relationship between certain expenditures and college prices. The Department has issued a series of reports on college costs and financing, including *Study of College Costs and Prices, 1988-1989 to 1997-1998* (December 2001), and *What Students Pay for College: Changes in Net Price of College Attendance Between 1992-93 and 1999-2000* (September 2002). In addition, the Bureau of Labor Statistics was to develop a higher education “market basket” that identifies the items that make up college costs (the market basket has not been developed).

The Congress has debated what new steps might be appropriate and necessary to address concerns about affordability. It has considered such issues as:

- whether current data are adequate to delineate the actual extent and causes of an affordability problem;

- whether the federal government should take a direct role in limiting institutions' price increases or in rewarding institutions that limit increases; and
- whether the state funding role and its consequences for public tuition levels should be addressed in some fashion.

## **Federal Tax Benefits**

In recent years, new federal income tax benefits have been created to help students and their families meet postsecondary education expenses. These have provided tax credits or deductions for expenses already incurred — the Hope Scholarship tax credits, the Lifetime Learning tax credit, and a tax deduction for postsecondary education expenses. Taxpayers are also able to receive federal income tax benefits for savings for college through Coverdell education savings accounts, qualified tuition programs, and education savings bonds. These tax provisions are a significant source of support for students and their families. Preliminary data from the Internal Revenue Service for 2001 show that in that tax year 7.3 million returns claimed \$5.2 billion in education tax credits. These benefits are not need-based and appear to primarily aid middle- and upper-middle income families.

With the introduction of these tax benefits, substantial amounts of federal financial assistance for postsecondary education are available from two parallel systems — the federal income tax system; and the traditional student aid delivery system which provides aid such as grants, loans, or work opportunities.

The Congress has shown interest in various issues that arise from providing resources through two systems and from the intersection of these resources in the need analysis process. Among these issues are:

- whether the increasing federal investment in tax-based benefits disproportionately assists middle- and upper middle-income students and families at the expense of investment in traditional student aid targeting low-income students and families;
- how the need analysis process should reflect the availability of tax resources in its determination of students' eligibility for traditional student aid and the level of such aid;
- whether providing substantial amounts of assistance through two systems (traditional student aid and tax system) has made the process of financing postsecondary education expenses unduly complicated;
- whether the targeting and levels of HEA student aid should be modified given the expansion of non-need-based aid through the federal income tax system; and
- whether the tax benefits are more or less likely to contribute to increases in college prices than are traditional student aid programs, particularly those that are need-based.

## **Standards and Accountability**

For much of the history of the HEA, standard-setting and accountability efforts have focused primarily on ensuring that participating institutions are acting properly in their

administration of HEA institutional and student aid funds. Among the indicators followed closely have been incidents of fraud and abuse by postsecondary institutions and, more recently, default rates by student loan borrowers. Continued participation in Title IV student aid programs is contingent upon institutions' default rates. Although concern about mismanagement of HEA funds remains substantial, there is increasing interest in the Congress in holding higher education institutions that are benefitting from billions of dollars in federal funding accountable for the educational outcomes of their students.

One question is whether default rates are a reasonable and effective measure to hold institutions accountable for educational outcomes. It may be argued that default rates will rise at institutions that fail to educate their students because such students will not be able to enter successfully the world of work and repay their student loan obligations. Nevertheless, it may also be asserted that this is at best an indirect measure of the success of institutions in educating their students, and that it may have a particularly negative impact on institutions serving disadvantaged student populations.

In lieu of, or in addition to, default rates, there has been interest in the use of alternative accountability measures more directly tied to educational outcomes. These include the rates at which students complete their programs of study, or the rates at which program graduates secure professional licensing or certification. The HEA already embraces pass rates on professional licensing exams as an accountability measure for teacher education programs at higher education institutions (see discussion below of Teacher Quality and Quantity).

The appropriateness of different accountability measures may be affected by changes in the demographics of postsecondary education students. For example, are the relevant outcomes measures different for non-traditional students than they are for traditional students, given potential differences in such areas as educational objectives between these two groups of students?

In addition, the Congress has debated the roles being played by states, accrediting agencies, and ED in determining eligibility for HEA program funds. The Congress may debate how effective these various entities have been in addressing issues of educational quality and whether changes should be made.

## **Need Analysis**

The federal need analysis system delineated in HEA Title IV is the basis upon which students' eligibility for, and level of, Title IV student aid is determined. The key element in the system is the determination of a student's expected family contribution (EFC), that is, how much the student and his or her family is expected to contribute from income and other resources toward the price of postsecondary education. In past reauthorizations, elements of the need analysis system, particularly the determination of the EFC, have been subject to debate and amendment.

During this reauthorization the Congress has considered whether the need analysis system appropriately and adequately gauges students' ability to contribute toward their education. This may be particularly important given the recent growth in federal tax-based support to meet college expenses. These include tax provisions to reimburse families for college expenditures (e.g., federal Hope and Lifetime Learning tax credits) and to promote

college savings (e.g., federal tax incentives for Qualified Tuition Plans). One of the key questions is how the need analysis system should take these tax-based resources into account in determining what families can be expected to contribute toward college expenses.

As noted earlier, there is concern about the complexity of the financial aid application process. As part of an effort to simplify the process, attention is being paid to changes in how the financial contribution from students and their families toward postsecondary expenses is calculated.

Another issue is how well the premises and process of federal need analysis serve non-traditional students. For example, some of these students may be seeking assistance for sporadic course-taking to bolster their economic opportunities, and may not enroll in degree- or certificate-granting programs, making them ineligible for any Title IV student aid, or they may enroll on less than a half-time basis, making them ineligible for Title IV loans.

Related to the process of determining eligibility and need for federal student aid is the packaging of federal and non-federal aid that is the purview of financial aid officers on postsecondary campuses across the country. Packaging policies have been at issue for several federal programs, including the GEAR UP program, which attempt to provide “last dollar” aid to students. These dollars are intended to be awarded to eligible students in addition to all other federal and non-federal aid for which they are eligible. Institutions have raised concern that federal efforts in this area inappropriately intrude on their discretion to package their institutions’ own aid as well as other aid that may be designated as “last dollar” aid. The packaging interaction of veterans’ education benefits and educational benefits provided for community service through AmeriCorps, for example, with HEA Title IV aid may also be at issue during the reauthorization process.

## **Distance Education**

Postsecondary education institutions are increasingly delivering instruction using telecommunications technology that links learners and teachers in different locations and at different times. In 2000-2001, over half (56%) of two- and four-year postsecondary institutions offered courses using distance education. A significant portion (about 12%) of all postsecondary institutions were planning to begin to do so over the next three years. (U.S. Department of Education, *Distance Education at Postsecondary Education Institutions: 2000-2001*.)

This growing use of distance education has raised substantial issues for HEA Title IV student aid programs. It is bringing into question the application of provisions previously enacted to address abuses of student aid by various correspondence schools. It is also challenging traditional definitions of what constitutes a student, a program, and the measures of student engagement in postsecondary instructions.

The federally established Web-based Education Commission reported in December, 2000, that certain HEA provisions unduly restricted the legitimate growth of distance learning, limiting access to postsecondary education. The Commission recommended that the U.S. Congress consider several relatively technical changes to the HEA intended to remove limits on the extent to which postsecondary institutions can engage in distance learning and remain eligible for Title IV student aid programs. It also proposed regulatory

changes in how a week of instructional time in Title IV-eligible nontraditional terms is defined because this definition is difficult for distance education enrollees to meet. In the 107<sup>th</sup> Congress, legislation to address these issues (H.R. 1992) was passed by the House but not the Senate. (See CRS Congressional Distribution Memorandum, *H.R. 1992/S. 1445, Internet Equity and Education Act*, by Margot A. Schenet, January 29, 2002.) ED has made a regulatory change to address the week of instructional time issue (*Federal Register*, November 1, 2002).

The Higher Education Amendments of 1998 authorized the Secretary of Education to choose a group of institutions at which various student aid statutory and regulatory provisions could be waived to promote the expansion of distance learning at those institutions. Annual evaluation reports are required from the Secretary.

Results from these evaluations and the demonstration sites are likely to be considered by the Congress as it debates what HEA statutory changes may be appropriate to accommodate the delivery of instruction through telecommunications while safeguarding federal student aid dollars.

## **Teacher Quality and Quantity**

As amended in 1998, the HEA authorizes several programs intended to improve the quality of training and preparation that prospective K-12 teachers receive from teacher education programs at the postsecondary level. The Congress acted out of concern that the quality of the K-12 teaching force was a critical element in the successful implementation of federal initiatives to raise the academic performance of K-12 students.

A significant step taken by the 1998 amendments was to require states and higher education institutions to report on various attributes of teacher preparation programs, including the rates at which recent graduates passed initial teacher licensing exams. The amendments also required states to implement a process that identifies teacher education programs as low-performing. If a state's designation of a program as low-performing leads to the withdrawal of state approval or termination of state funding, then the HEA provisions trigger a loss of the institution's federal funds for professional development and the ineligibility of teacher education students for Title IV student aid at that institution.

The Congress is revisiting these provisions during the reauthorization process. Among the issues before it are the following:

- what impact, if any, these provisions may have had;
- whether any assessment of the merits of these provisions is premature;
- whether the emphasis on pass rates is appropriate and likely to prompt institutions and states to strengthen their teacher preparation programs or whether pass rates are an inadequate gauge of quality and potentially a deleterious one raising barriers for programs that prepare minority students for teaching; and
- whether federal requirements should be strengthened to improve the quality of data reported, comparability across institutions and states, and raise the consequences for poor performance.

## Student Loans

As already delineated, the HEA student loan programs are responsible for a substantial portion of the federally supported aid currently available to postsecondary students. Recently, the 107<sup>th</sup> Congress approved legislation to modify the HEA by extending the existing student loan interest rate structure through June 2006, and installing fixed rates for borrowers thereafter.

Issues being considered during the reauthorization process touch on myriad aspects of the loan programs. The Congress is debating whether to continue or to modify the current framework of providing federally subsidized loans whose principal is non-federal capital (FFELs) while concurrently lending federal funds directly (Direct Loans). It has also addressed such issues as:

- whether the levels of debt being incurred by students through the federal programs are having negative effects on access to postsecondary education, persistence, and career choices;
- whether current annual and cumulative limits on what individual students can borrow from these programs should be raised to reflect rising college prices and help students avoid utilizing more expensive non-federal loans, or whether such action will fuel price increases and burden students with too much debt;
- whether federal loans are too expensive and various costs, such as loan origination fees, should be adjusted; and
- whether a desirable balance is being struck between loans and gift aid (grants and tax benefits) for various groups of borrowers.

## Pell Grants

The Pell Grant program is the foundation of the student aid provided by the HEA. During the reauthorization process, the Congress has considered a variety of Pell Grant-related issues. Of immediate interest to the Congress is the issue of shortfalls in the program. The FY2004 appropriation of over \$12 billion for the program is intended to support a \$4,050 maximum grant, but program costs for FY2004 are estimated to be \$13.1 billion. Further, annual appropriations in recent years have fallen short of program costs. The result is an estimated shortfall in FY2004 of \$3.7 billion. The shortfall situation may influence action taken during the upcoming reauthorization. For example, the HEA no longer has statutory provisions allowing the Secretary of Education to reduce awards in order to address shortfalls; such language was deleted from the HEA by the Higher Education Amendments of 1992. Some may propose making these grants into entitlements as a way of addressing the recurrent shortfalls.

Among other issues attracting attention during the reauthorization is whether the program would more successfully promote access if its assistance were targeted to the first two years of enrollment, covering a more substantial portion of college expenses (so-called *front loading* with Pell Grants), thereby reducing reliance on loans in these early years of enrollment. Also, the Congress may debate the relative balance among the various forms of federal student assistance awarded under the HEA and the tax system. As noted earlier, the

share of HEA Title IV aid provided in the form of grants is markedly less than the loan volume and, overall, has declined since the early 1990s.

## **LEGISLATION**

This section identifies and briefly describes legislation proposing reauthorization of the HEA or major components of the HEA *on which there has been legislative action (at least markup at the subcommittee level)*.

### **P.L. 108-309 (H.J.Res. 107 — Young, FL)**

Legislation making continuing appropriations for FY2005 and for other purposes. This legislation funds federal programs through November 20, 2004. It includes language specifying that the programs, activities, eligibility requirements, and advisory committees in the HEA authorized through FY2004 will continue through the duration of this continuing resolution. Passed by the House and Senate on September 29, 2004. Signed into law on September 30, 2004.

### **H.R. 438 (Wilson, SC)**

Teacher Recruitment and Retention Act. Amends HEA Title IV provisions regarding forgiveness of Stafford Loans for K-12 teachers in low-income schools to expand the amount that can be forgiven to \$17,500 for math, science, special education, and reading teachers, and to accelerate the rate at which loans for these teachers can be forgiven. Passed the House on July 9, 2003.

### **H.R. 2211 (Gingrey)**

Ready to Teach Act of 2003. Amends and reauthorizes Title II of the HEA through FY2008. The bill maintains the basic structure of the Teacher Quality Enhancement Grants (Title II, Part A) and focuses its programs on the preparation and recruitment of *highly qualified* teachers as defined by the No Child Left Behind Act of 2001. Among other amendments to Title II, Part A, the bill permits states to receive grants more than once, redefines a *high need* school district, increases the emphasis on recruiting minorities to K-12 teaching, somewhat expands activities related to preparing teachers to use technology, includes provisions regarding teachers' impact on student achievement, and broadens the pool of students for which teacher preparation programs must calculate the rates at which their students pass initial certification exams. The bill extends the Preparing Tomorrow's Teachers to Use Technology (Title II, Part B) with only minor amendments. The bill adds a Centers of Excellence program (Title II, Part C) for teacher preparation programs at designated minority serving higher education institutions. Passed the House on July 9, 2003.

### **H.R. 3076 (Hoekstra)**

Graduate Opportunities in Higher Education Act of 2003. Amends and extends, through FY2009, various programs under HEA Title VII supporting graduate education as well as projects to improve postsecondary education. The programs reauthorized include the Javits Fellowship program, the Graduate Assistance in Areas of National Need program, the Thurgood Marshall Legal Educational Opportunity program, the Fund for the Improvement of Postsecondary Education, and the Demonstration Projects to Ensure Students with Disabilities Receive a Quality Higher Education. Among changes made to these programs are the addition of a priority under the Graduate Assistance in Areas of National Need

program for preparing faculty who can train students to be highly qualified math, science, and special education K-12 teachers as well as teachers of limited English proficient students. Passed the House under suspension on October 21, 2003.

**H.R. 3077 (Hoekstra)**

International Studies in Higher Education Act of 2003. Amends and extends, through FY2009, various programs under HEA Title VI supporting international education. Among the programs reauthorized are the International and Foreign Language Studies programs, Business and International Education programs, and programs administered by the Institute for International Public Policy. Among amendments to this title, the bill adds an International Higher Education Advisory Board, an independent entity in the Department of Education, to provide advice and make recommendations to the U.S. Congress and the Department on international higher education issues. Among other amendments, the bill adds language requiring any higher education institution receiving funds under this title to provide recruiters from agencies of the federal government reasonable access to its campus for recruiting purposes. Passed the House under suspension on October 21, 2003.

**H.R. 4409 (Gingrey)**

Teacher Training Enhancement Act. Amends and reauthorizes HEA Title II. The legislation is nearly identical to H.R. 2211, see above. Passed the House under suspension on June 2, 2004. Text added to H.R. 444 as passed the House on June 3, 2004.

**H.R. 4411 (Burns)**

Priorities for Graduate Studies Act of 2004. Amends and reauthorizes HEA Title VII. The legislation is nearly identical to H.R. 3076, see above. Passed the House under suspension on June 2, 2004. Text added to H.R. 444 as passed the House on June 3, 2004.

**H.R. 5185 (Boehner)**

Higher Education Extension Act of 2004. Extends the programs in the HEA through FY2005. Among other provisions, also extends required or permitted activities under the HEA, as well as, advisory committees and other entities. Passed the House under suspension on October 6, 2004. Passed Senate without amendment on October 9, 2004.

**H.R. 5186 (Boehner)**

Taxpayer-Teacher Protection Act of 2004. Amends the HEA to reduce temporarily special allowance payments for certain loans under the Stafford Loan program. Amends HEA Title IV provisions regarding forgiveness of Stafford Loans for K-12 teachers in low-income schools to expand the amount that can be forgiven to \$17,500 for math, science, and special education teachers. Expanded amounts are available only for those who were new borrowers between October 1, 1998 and October 1, 2005. Passed the House under suspension on October 7, 2004. Passed Senate without amendment on October 9, 2004.



## **FOR ADDITIONAL READING**

### **Prior Reauthorization**

CRS Report RL30063, *The Higher Education Act: Reauthorization by the 105<sup>th</sup> Congress*, coordinated by James B. Stedman.

### **Postsecondary Student Population**

CRS Report RL31441, *The Postsecondary Education Student Population*, by James B. Stedman and Jeffrey J. Kuenzi.

CRS Report RS21435, *High School Completion and Postsecondary Enrollment Among First Generation and Low-Income Students*, by Jeffrey J. Kuenzi and Charmaine Jackson.

### **Cost of College**

CRS Report RL32100, *College Costs and Prices: Background and Issues for Reauthorization of the Higher Education Act*, by Rebecca R. Skinner.

### **Student Aid**

CRS Report RL32083, *Federal Student Aid Need Analysis: Background and Selected Simplification Issues*, by Adam Stoll and James B. Stedman.

CRS Report RL30048, *Federal Student Loans: Program Data and Default Statistics*, by Adam Stoll.

CRS Report RL30655, *Federal Student Loans: Terms and Conditions for Borrowers*, by Adam Stoll.

CRS Report RL30880, *The Role the Federal Student Loan Programs Play in Supporting Postsecondary Students*, by Adam Stoll.

CRS Report RL30656, *The Administration of Federal Student Loan Programs: Background and Provisions*, by Adam Stoll.

CRS Report RL31575, *Consolidation Loan Provisions in the Federal Family Education Loan and Direct Loan Programs*, by Adam Stoll.

CRS Report RL31668, *Federal Pell Grant Program of the Higher Education Act: Background and Reauthorization*, by James B. Stedman.

CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*, by David P. Smole.

CRS Report RS21824, *Student Eligibility: Drug Convictions and Federal Financial Aid*, by Charmaine Jackson and Laura Monagle.

CRS Report RS21785, *Federal Pell Grants for Prisoners*, by Charmaine Jackson.

### **Student Support Services**

CRS Report RL31622, *TRIO and GEAR UP Programs: Status and Issues*, by Jeffrey J. Kuenzi.

## Minority Institutions

CRS Report RL31647, *Reauthorization of Title III and Title V of the Higher Education Act: Issues for the 108<sup>th</sup> Congress*, by Charmaine Jackson.

CRS Report RS21760, *Student Loan Cohort Default Rates: Exemptions for Certain Minority Serving Institutions*, by Charmaine Jackson.

CRS Report RL32396, *Federal Funding of Programs for Minority-Serving Institutions of Higher Education*, by Charmaine Jackson.

## Teacher Quality and Quantity

CRS Report RL31254, *Pass Rates as an Accountability Measure for Teacher Education Programs*, by James B. Stedman and Bonnie F. Mangan.

CRS Report RL31882, *Teacher Quality Enhancement Grants (Title II, Part A of the Higher Education Act): Overview and Reauthorization Issues*, by James B. Stedman, Jeffrey J. Kuenzi, and Bonnie F. Mangan.

CRS Report RL32050, *Teacher Recruitment and Retention: Current Programs and Legislation in the 108<sup>th</sup> Congress*, by Jeffrey J. Kuenzi.

## Institutional Participation in the HEA

CRS Report RL31926, *Institutional Eligibility for Participation in Title IV Student Aid Programs Under the Higher Education Act: Background and Issues*, by Rebecca R. Skinner.

CRS Congressional Distribution Memorandum, *Reporting Requirements Applicable to Institutions of Higher Education Under the Higher Education Act*, by David P. Smole, et al.

## Other HEA Programs and Provisions

CRS Report RS21436, *Graduate Fellowship Programs Under Title VII of the Higher Education Act (HEA): Background and Reauthorization*, by Bonnie Mangan.

CRS Report RL31625, *Foreign Language and International Studies: Federal Aid Under Title VI of the Higher Education Act*, by Jeffrey J. Kuenzi and Wayne C. Riddle.

CRS Report RL32098, *The Office of Federal Student Aid: The Federal Government's First Performance-Based Organization*, by Charmaine Jackson.

CRS Report RS21653, *Fund for the Improvement of Postsecondary Education: Background and Funding*, by Bonnie F. Mangan.

## Federal Tax Benefits for Postsecondary Education

CRS Report RL31484, *Higher Education Tax Credits: Targeting, Value, and Interaction with Other Federal Student Aid*, by Adam Stoll and James B. Stedman.

CRS Report RL31129, *Higher Education Tax Credits and Deduction: An Overview of the Benefits and Their Relationship to Traditional Student Aid*, by Adam Stoll and James B. Stedman.

CRS Report RL31214, *Saving for College Through Qualified Tuition (Section 529) Programs*, by Linda Levine.

CRS Report RL32155, *Tax-Favored Higher Education Savings Benefits and Their Relationship to Traditional Federal Student Aid*, by Linda Levine and James B. Stedman.