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 (Original Signature of Member)

110TH CONGRESS
 1ST SESSION

H. R.

To provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008.

IN THE HOUSE OF REPRESENTATIVES

Mr. GEORGE MILLER of California (for himself and Mr. HINOJOSA) introduced the following bill; which was referred to the Committee on

A BILL

To provide for reconciliation pursuant to section 601 of the concurrent resolution on the budget for fiscal year 2008.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be referred to as
 5 the “College Cost Reduction Act of 2007”.

6 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents.

Sec. 2. References; effective date.

TITLE I—INVESTING IN STUDENT AID

PART A—INCREASING THE PURCHASING POWER OF PELL GRANTS

- Sec. 101. Mandatory Pell Grant Increases.
- Sec. 102. Support for working students.
- Sec. 103. Simplified needs test and automatic zero improvements.
- Sec. 104. Definitions.

PART B—MAKING STUDENT LOANS MORE AFFORDABLE

- Sec. 111. Interest rate reductions.
- Sec. 112. Increases in loan limits.
- Sec. 113. Reduction of lender special allowance payments.
- Sec. 114. Elimination of exceptional performer status for lenders.
- Sec. 115. Reduction of lender insurance percentage.
- Sec. 116. Guaranty agency collection retention.
- Sec. 117. Unit costs for account maintenance fees.
- Sec. 118. Increased loan fees from lenders.
- Sec. 119. Student loan information.

PART C—REWARDING SERVICE IN REPAYMENT

- Sec. 141. Loan forgiveness for service in areas of national need.
 - “Sec. 428K. Loan forgiveness for service in areas of national need.
- Sec. 142. Income contingent repayment for public sector employees.
- Sec. 143. Income-based repayment.
 - “Sec. 493C. Income-based repayment.
- Sec. 144. Definition of economic hardship.
- Sec. 145. Deferrals.
- Sec. 146. Maximum repayment period.

TITLE II—REDUCING THE COST OF COLLEGE

- Sec. 201. State commitment to affordable college education.
 - “Sec. 132. State commitment to affordable college education.
- Sec. 202. Consumer information and public accountability in higher education.
 - “Sec. 131. Consumer information and public accountability in higher education.
- Sec. 203. Incentives and rewards for low tuition.
 - “Sec. 401B. Incentives and rewards for low tuition.
- Sec. 204. Cooperative education rewards for institutions that restrain tuition increases.

“TITLE VIII—COOPERATIVE EDUCATION REWARDS FOR INSTITUTIONS THAT RESTRAIN TUITION INCREASES

- “Sec. 801. Eligible institutions.
- “Sec. 802. Authorization of appropriations; reservations.
- “Sec. 803. Grants for cooperative education.
- “Sec. 804. Demonstration and innovation projects; training and resource centers; and research.

TITLE III—ENSURING A HIGHLY QUALIFIED TEACHER IN EVERY CLASSROOM

PART A—TEACH GRANTS

- Sec. 301. TEACH Grants.

“SUBPART 9—TEACH GRANTS

- “Sec. 420L. Program established.
- “Sec. 420M. Eligibility; applications; selection.
- “Sec. 420N. Definitions.
- “Sec. 420O. Program period and funding.

PART B—CENTERS OF EXCELLENCE

Sec. 311. Centers of excellence.

“PART C—CENTERS OF EXCELLENCE

- “Sec. 231. Definitions.
- “Sec. 232. Centers of excellence.
- “Sec. 233. Appropriations.

TITLE IV—COLLEGE ACCESS CHALLENGE GRANT PROGRAM

Sec. 401. College Access Challenge grants.

1 SEC. 2. REFERENCES; EFFECTIVE DATE.

2 (a) REFERENCES.—Except as otherwise expressly
3 provided, whenever in this Act an amendment or repeal
4 is expressed in terms of an amendment to, or repeal of,
5 a section or other provision, the reference shall be consid-
6 ered to be made to a section or other provision of the
7 Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

8 (b) EFFECTIVE DATE.—Except as otherwise ex-
9 pressly provided therein, the amendments made by this
10 Act shall be effective on October 1, 2007.

1 **TITLE I—INVESTING IN**
2 **STUDENT AID**
3 **PART A—INCREASING THE PURCHASING POWER**
4 **OF PELL GRANTS**
5 **SEC. 101. MANDATORY PELL GRANT INCREASES.**

6 (a) **EXTENSION OF AUTHORITY.**—Section 401(a) (20
7 U.S.C. 1070a(a)) is amended by striking “fiscal year
8 2004” and inserting “fiscal year 2013”.

9 (b) **FUNDING FOR INCREASES.**—Section 401(b) (20
10 U.S.C. 1070a(b)) is amended by adding at the end the
11 following new paragraph:

12 “(9) **ADDITIONAL FUNDS.**—

13 “(A) **IN GENERAL.**—There are authorized
14 to be appropriated, and there are appropriated,
15 to carry out subparagraph (B) of this para-
16 graph (in addition to any other amounts appro-
17 priated to carry out this section and out of any
18 money in the Treasury not otherwise appro-
19 priated) the following amounts:

20 “(i) \$420,000,000 for fiscal year
21 2008;

22 “(ii) \$870,000,000 for fiscal year
23 2009;

24 “(iii) \$1,330,000,000 for fiscal year
25 2010;

1 “(iv) \$1,820,000,000 for fiscal year
2 2011;

3 “(v) \$2,340,000,000 for fiscal year
4 2012;

5 “(vi) \$2,390,000,000 for fiscal year
6 2013;

7 “(vii) \$2,430,000,000 for fiscal year
8 2014;

9 “(viii) \$2,470,000,000 for fiscal year
10 2015;

11 “(ix) \$2,500,000,000 for fiscal year
12 2016; and

13 “(x) \$2,520,000,000 for fiscal year
14 2017.

15 “(B) INCREASE IN FEDERAL PELL
16 GRANTS.—The amounts made available pursu-
17 ant to subparagraph (A) of this paragraph shall
18 be used to increase the amount of the maximum
19 Pell Grant for which a student shall be eligible
20 during an award year, as specified in the last
21 enacted appropriation Act applicable to that
22 award year, by—

23 “(i) \$100 for award year 2008–2009;

24 “(ii) \$200 for award year 2009–2010;

1 “(iii) \$300 for award year 2010–
2 2011;

3 “(iv) \$400 for award year 2011–2012;
4 and

5 “(v) \$500 for award year 2012–2013
6 and each subsequent award year.

7 “(C) USE OF FISCAL YEAR FUNDS FOR
8 AWARD YEARS.—The amounts made available
9 by subparagraph (A) for any fiscal year shall be
10 available and remain available for use under
11 subparagraph (B) for the award year that be-
12 gins in such fiscal year.”.

13 (c) AUTHORIZED MAXIMUMS.—Section 401(b)(2)(A)
14 (20 U.S.C. 1070a(b)(2)(A)) is amended to read as follows:

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

17 “(i) \$7,600 for academic year 2008–2009;

18 “(ii) \$8,600 for academic year 2009–2010;

19 “(iii) \$9,600 for academic year 2010–
20 2011;

21 “(iv) \$10,600 for academic year 2011–
22 2012;

23 “(v) \$11,600 for academic year 2012–
24 2013,

1 less an amount equal to the amount determined
2 to be the expected family contribution with re-
3 spect to that student for that year.”.

4 (d) TUITION SENSITIVITY.—

5 (1) AMENDMENT.—Section 401(b) (20 U.S.C.
6 1070a(b)) is further amended—

7 (A) by striking paragraph (3); and

8 (B) by redesignating paragraphs (4)
9 through (9) as paragraphs (3) through (8), re-
10 spectively.

11 (2) EFFECTIVE DATE.—The amendments made
12 by paragraph (1) of this subsection are effective on
13 the date of enactment of this Act.

14 (e) MULTIPLE GRANTS.—Paragraph (5) of section
15 401(b) (as redesignated by subsection (d)(2)) is amended
16 to read as follows:

17 “(5) YEAR-ROUND PELL GRANTS.—The Sec-
18 retary is authorized, for students enrolled full time
19 in a baccalaureate or associate’s degree program of
20 study at an eligible institution, to award such stu-
21 dents not more than two Pell grants during an
22 award year to permit such students to accelerate
23 progress toward their degree objectives by enrolling
24 in academic programs for 12 months rather than 9
25 months.”.

1 (f) ACADEMIC COMPETITIVENESS GRANTS.—Section
2 401A (as amended by section 8003 of Public Law 109–
3 171) is amended—

4 (1) in subsection (c)(3)(A)(ii), by inserting “,
5 except as part of a secondary school program of
6 study” before the semicolon;

7 (2) by redesignating subsection (g) as sub-
8 section (h); and

9 (3) by inserting after subsection (f) the fol-
10 lowing new subsection:

11 “(g) DETERMINATION OF ACADEMIC YEAR.—Not-
12 withstanding section 481(a)(2), for the purpose of deter-
13 mining eligibility for a grant under this section, a student
14 shall be considered to be enrolled or accepted for enroll-
15 ment in the first, second, third, or fourth academic year
16 of a program of undergraduate education based on the
17 student’s class standing, as determined by the institution
18 of higher education at which the student is enrolled or ac-
19 cepted for enrollment.”.

20 **SEC. 102. SUPPORT FOR WORKING STUDENTS.**

21 (a) DEPENDENT STUDENTS.—Subparagraph (D) of
22 section 475(g)(2) (20 U.S.C. 1087oo)(g)(2)(D)) is amend-
23 ed to read as follows:

1 “(D) an income protection allowance of the
2 following amount (or a successor amount pre-
3 scribed by the Secretary under section 478)—

4 “(i) for the 2009–2010 academic year,
5 \$3,750;

6 “(ii) for the 2010–2011 academic
7 year, \$4,500;

8 “(iii) for the 2011–2012 academic
9 year, \$5,250; and

10 “(iv) for the 2012–2013 academic
11 year, \$6,000;”.

12 (b) INDEPENDENT STUDENTS WITHOUT DEPEND-
13 ENTS OTHER THAN A SPOUSE.—Clause (iv) of section
14 476(b)(1)(A) (20 U.S.C. 1087pp(b)(1)(A)(iv)) is amended
15 to read as follows:

16 “(iv) an income protection allowance
17 of the following amount (or a successor
18 amount prescribed by the Secretary under
19 section 478)—

20 “(I) for single or separated stu-
21 dents, or married students where both
22 are enrolled pursuant to subsection
23 (a)(2)—

24 “(aa) for the 2009–2010
25 academic year, \$6,690;

1 “(bb) for the 2010–2011
2 academic year, \$7,160;

3 “(cc) for the 2011–2012
4 academic year, \$7,630; and

5 “(dd) for the 2012–2013
6 academic year, \$8,090; and

7 “(II) for married students where
8 1 is enrolled pursuant to subsection
9 (a)(2)—

10 “(aa) for the 2009–2010
11 academic year, \$10,720;

12 “(bb) for the 2010–2011
13 academic year, \$11,470;

14 “(cc) for the 2011–2012
15 academic year, \$12,220; and

16 “(dd) for the 2012–2013
17 academic year, \$12,960;”.

18 (c) UPDATED TABLES AND AMOUNTS.—Section
19 478(b) (20 U.S.C. 1087rr(b)) is amended—

20 (1) in paragraph (1)—

21 (A) by striking “REVISED TABLES.—For
22 each” and inserting “REVISED TABLES.—

23 “(A) IN GENERAL.—For each”;

24 (B) in subparagraph (A) (as designated by
25 subparagraph (A)), in the third sentence—

1 (i) by striking “preceding sentence”
2 and inserting “subparagraph (A)”; and

3 (ii) by striking “For the 2007–2008”
4 and inserting the following:

5 “(B) SPECIAL RULE FOR 2007–2008 ACADEMIC YEAR.—For the 2007–2008”; and

7 (C) by adding at the end the following:

8 “(C) SPECIAL RULE FOR 2009–2010
9 THROUGH 2012–2013 ACADEMIC YEARS.—For
10 the 2009–2010 academic year, and for each of
11 the 3 succeeding academic years, the Secretary
12 shall revise the tables in accordance with this
13 paragraph, except that, for the table in section
14 477(b)(4), the Secretary shall revise such table
15 by increasing the amounts contained in such
16 table for the preceding academic year by 10
17 percent.”; and

18 (2) in paragraph (2), by striking “shall be de-
19 veloped” and all that follows through the period at
20 the end and inserting “shall be developed—

21 “(A) for academic year 2008–2009, by in-
22 creasing each of the dollar amounts contained
23 in such section as such section was in effect on
24 the day before the date of enactment of the Col-
25 lege Cost Reduction Act of 2007 by a percent-

1 age equal to the estimated percentage increase
2 in the Consumer Price Index (as determined by
3 the Secretary) between December 2006 and the
4 December next preceding the beginning of such
5 academic year, and rounding the result to the
6 nearest \$10; and

7 “(B) for each academic year after 2012–
8 2013, by increasing each of the dollar amounts
9 contained in such section for academic year
10 2012–2013 by a percentage equal to the esti-
11 mated percentage increase in the Consumer
12 Price Index (as determined by the Secretary)
13 between December 2006 and the December
14 next preceding the beginning of such academic
15 year, and rounding the result to the nearest
16 \$10;”.

17 (d) **EFFECTIVE DATE.**—The amendments made by
18 subsections (a) and (b) shall take effect on October 1,
19 2008, and the amendment made by subsection (c) shall
20 take effect on July 1, 2008.

21 **SEC. 103. SIMPLIFIED NEEDS TEST AND AUTOMATIC ZERO**
22 **IMPROVEMENTS.**

23 (a) **SIMPLIFIED NEEDS TEST.**—Section 479 (20
24 U.S.C. 1087ss) is amended—

25 (1) in subsection (b)—

- 1 (A) in paragraph (1)(A)(i)—
- 2 (i) in subclause (II), by striking “or”
- 3 after the semicolon;
- 4 (ii) by redesignating subclause (III) as
- 5 subclause (IV);
- 6 (iii) by inserting after subclause (II)
- 7 the following:
- 8 “(III) 1 of whom is a dislocated
- 9 worker; or”; and
- 10 (iv) in subclause (IV) (as redesignated
- 11 by clause (ii)), by striking “12-month” and
- 12 inserting “24-month”; and
- 13 (B) in subparagraph (B)(i)—
- 14 (i) in subclause (II), by striking “or”
- 15 after the semicolon;
- 16 (ii) by redesignating subclause (III) as
- 17 subclause (IV);
- 18 (iii) by inserting after subclause (II)
- 19 the following:
- 20 “(III) 1 of whom is a dislocated
- 21 worker; or”; and
- 22 (iv) in subclause (IV) (as redesignated
- 23 by clause (ii)), by striking “12-month” and
- 24 inserting “24-month”;
- 25 (2) in subsection (c)—

14

- 1 (A) in paragraph (1)—
- 2 (i) in subparagraph (A)—
- 3 (I) in clause (ii), by striking “or”
- 4 after the semicolon;
- 5 (II) by redesignating clause (iii)
- 6 as clause (iv);
- 7 (III) by inserting after clause (ii)
- 8 the following:
- 9 “(iii) 1 of whom is a dislocated work-
- 10 er; or”; and
- 11 (IV) in clause (iv) (as redesign-
- 12 nated by subclause (II)), by striking
- 13 “12-month” and inserting “24-
- 14 month”; and
- 15 (ii) in subparagraph (B), by striking
- 16 “\$20,000” and inserting “\$30,000”; and
- 17 (B) in paragraph (2)—
- 18 (i) in subparagraph (A)—
- 19 (I) in clause (ii), by striking “or”
- 20 after the semicolon;
- 21 (II) by redesignating clause (iii)
- 22 as clause (iv);
- 23 (III) by inserting after clause (ii)
- 24 the following:
- 25 “(iii) is a dislocated worker; or”; and

1 (IV) in clause (iv) (as redesignig-
2 nated by subclause (II)), by striking
3 “12-month” and inserting “24-
4 month”; and

5 (ii) in subparagraph (B), by striking
6 “\$20,000” and inserting “\$30,000”; and

7 (C) in the flush matter following para-
8 graph (2)(B), by adding at the end the fol-
9 lowing: “The Secretary shall annually adjust
10 the income level necessary to qualify an appli-
11 cant for the zero expected family contribution.
12 The income level shall be adjusted according to
13 increases in the Consumer Price Index, as de-
14 fined in section 478(f).”; and

15 (3) in subsection (d)—

16 (A) by redesignating paragraphs (1)
17 through (6) as subparagraphs (A) through (F),
18 respectively;

19 (B) by striking “(d) DEFINITION” and all
20 that follows through “the term” and inserting
21 the following:

22 “(d) DEFINITIONS.—In this section:

23 “(1) DISLOCATED WORKER.—The term ‘dis-
24 located worker’ has the meaning given the term in

1 section 101 of the Workforce Investment Act of
2 1998 (29 U.S.C. 2801).

3 “(2) MEANS-TESTED FEDERAL BENEFIT PRO-
4 GRAM.—The term”.

5 (b) DISCRETION OF STUDENT FINANCIAL AID AD-
6 MINISTRATORS.—Section 479A(a) (20 U.S.C. 1087tt(a))
7 is amended in the third sentence by inserting “a family
8 member who is a dislocated worker (as defined in section
9 101 of the Workforce Investment Act of 1998 (29 U.S.C.
10 2801)),” after “recent unemployment of a family mem-
11 ber,”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall be effective on July 1, 2009.

14 **SEC. 104. DEFINITIONS.**

15 (a) TOTAL INCOME.—Section 480(a) (20 U.S.C.
16 1087vv(a)) is amended—

17 (1) in paragraph (1), by inserting before the pe-
18 riod at the end the following: “, except that the Sec-
19 retary may, by regulation, provide for the use of the
20 previous tax year when and to the extent necessary
21 to carry out the sense of Congress in section 133 of
22 the College Cost Reduction Act of 2007”; and

23 (2) in paragraph (2)—

24 (A) by striking “and no portion” and in-
25 serting “no portion”; and

1 (B) by inserting “and no distribution from
2 any qualified education benefit described in sub-
3 section (f)(3) that is not subject to Federal in-
4 come tax,” after “1986,”.

5 (b) UNTAXED INCOME AND BENEFITS.—Section
6 480(b) (20 U.S.C. 1087vv(b)) is amended to read as fol-
7 lows:

8 “(b) UNTAXED INCOME AND BENEFITS.—

9 “(1) The term ‘untaxed income and benefits’
10 means—

11 “(A) child support received;

12 “(B) workman’s compensation;

13 “(C) veteran’s benefits such as death pen-
14 sion, dependency, and indemnity compensation,
15 but excluding veterans’ education benefits as
16 defined in subsection (c);

17 “(D) interest on tax-free bonds;

18 “(E) housing, food, and other allowances
19 (excluding rent subsidies for low-income hous-
20 ing) for military, clergy, and others (including
21 cash payments and cash value of benefits);

22 “(F) cash support or any money paid on
23 the student’s behalf, except, for dependent stu-
24 dents, funds provided by the student’s parents;

25 “(G) untaxed portion of pensions;

1 “(H) payments to individual retirement ac-
2 counts and Keogh accounts excluded from in-
3 come for Federal income tax purposes; and

4 “(I) any other untaxed income and bene-
5 fits, such as Black Lung Benefits, Refugee As-
6 sistance, railroad retirement benefits, or Job
7 Training Partnership Act noneducational bene-
8 fits or benefits received through participation in
9 employment and training activities under title I
10 of the Workforce Investment Act of 1998.

11 “(2) The term ‘untaxed income and benefits’
12 shall not include the amount of additional child tax
13 credit claimed for Federal income tax purposes.”.

14 (c) ASSETS.—Section 480(f) (20 U.S.C. 1087vv(f))
15 is amended—

16 (1) in paragraph (3), by striking “shall not be
17 considered an asset of a student for purposes of sec-
18 tion 475” and inserting “shall be considered an
19 asset of the parent for purposes of section 475”;

20 (2) by redesignating paragraphs (4) and (5) as
21 paragraphs (5) and (6), respectively; and

22 (3) by inserting after paragraph (3) the fol-
23 lowing:

1 “(4) A qualified education benefit shall be con-
2 sidered an asset of the student for purposes of sec-
3 tion 476 and 477.”.

4 (d) OTHER FINANCIAL ASSISTANCE.—Section
5 480(j)(2) (20 U.S.C. 1087vv(j)(2)) is amended by insert-
6 ing “, or a distribution that is not includable in gross in-
7 come under section 529 of such Code, under another pre-
8 paid tuition plan offered by a State, or under a Coverdell
9 education savings account under section 530 of such
10 Code,” after “1986”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall be effective on July 1, 2009.

13 **PART B—MAKING STUDENT LOANS MORE**
14 **AFFORDABLE**

15 **SEC. 111. INTEREST RATE REDUCTIONS.**

16 (a) FFEL INTEREST RATES.—

17 (1) Section 427A(l) (20 U.S.C. 1077a(l)) is
18 amended by adding at the end the following new
19 paragraph:

20 “(4) REDUCED RATES FOR UNDERGRADUATE
21 SUBSIDIZED LOANS.—Notwithstanding subsection
22 (h) and paragraph (1) of this subsection, with re-
23 spect to any loan to an undergraduate student made,
24 insured, or guaranteed under this part (other than
25 a loan made pursuant to section 428B, 428C, or

1 428H) for which the first disbursement is made on
2 or after July 1, 2006, and before July 1, 2013, the
3 applicable rate of interest shall be as follows:

4 “(A) For a loan for which the first dis-
5 bursement is made on or after July 1, 2006,
6 and before July 1, 2008, 6.80 percent on the
7 unpaid principal balance of the loan.

8 “(B) For a loan for which the first dis-
9 bursement is made on or after July 1, 2008,
10 and before July 1, 2009, 6.12 percent on the
11 unpaid principal balance of the loan.

12 “(C) For a loan for which the first dis-
13 bursement is made on or after July 1, 2009,
14 and before July 1, 2010, 5.44 percent on the
15 unpaid principal balance of the loan.

16 “(D) For a loan for which the first dis-
17 bursement is made on or after July 1, 2010,
18 and before July 1, 2011, 4.76 percent on the
19 unpaid principal balance of the loan.

20 “(E) For a loan for which the first dis-
21 bursement is made on or after July 1, 2011,
22 and before July 1, 2012, 4.08 percent on the
23 unpaid principal balance of the loan.

24 “(F) For a loan for which the first dis-
25 bursement is made on or after July 1, 2012

1 and before July 1, 2013, 3.40 percent on the
2 unpaid principal balance of the loan.”.

3 (2) SPECIAL ALLOWANCE CROSS REFERENCE.—

4 Section 438(b)(2)(I)(ii)(II) (20 U.S.C.
5 1086(b)(2)(I)(ii)(II)) is amended by striking “sec-
6 tion 427A(l)(1)” and inserting “section 427A(l)(1)
7 or (l)(4)”.

8 (b) DIRECT LOAN INTEREST RATES.—Section
9 455(b)(7) (20 U.S.C. 1087e(b)(7)) is amended by adding
10 at the end the following new subparagraph:

11 “(D) REDUCED RATES FOR UNDER-
12 GRADUATE FDSL.—Notwithstanding the pre-
13 ceding paragraphs of this subsection, for Fed-
14 eral Direct Stafford Loans made to under-
15 graduate students for which the first disburse-
16 ment is made on or after July 1, 2006, and be-
17 fore July 1, 2013, the applicable rate of interest
18 shall be as follows:

19 “(i) For a loan for which the first dis-
20 bursement is made on or after July 1,
21 2006, and before July 1, 2008, 6.80 per-
22 cent on the unpaid principal balance of the
23 loan.

24 “(ii) For a loan for which the first
25 disbursement is made on or after July 1,

1 2008, and before July 1, 2009, 6.12 per-
2 cent on the unpaid principal balance of the
3 loan.

4 “(iii) For a loan for which the first
5 disbursement is made on or after July 1,
6 2009, and before July 1, 2010, 5.44 per-
7 cent on the unpaid principal balance of the
8 loan.

9 “(iv) For a loan for which the first
10 disbursement is made on or after July 1,
11 2010, and before July 1, 2011, 4.76 per-
12 cent on the unpaid principal balance of the
13 loan.

14 “(v) For a loan for which the first
15 disbursement is made on or after July 1,
16 2011, and before July 1, 2012, 4.08 per-
17 cent on the unpaid principal balance of the
18 loan.

19 “(vi) For a loan for which the first
20 disbursement is made on or after July 1,
21 2012, and before July 1, 2013, 3.40 per-
22 cent on the unpaid principal balance of the
23 loan.”.

1 **SEC. 112. INCREASES IN LOAN LIMITS.**

2 (a) INCREASE IN THIRD AND SUBSEQUENT YEAR
3 LIMITS.—

4 (1) FEDERAL INSURANCE LIMITS.—Section
5 425(a)(1)(A)(iii) (20 U.S.C. 1075(a)(1)(A)(iii)) is
6 amended by striking “\$5,500” and inserting
7 “\$7,500”.

8 (2) GUARANTY LIMITS.—Section
9 428(b)(1)(A)(iii)(I) (20 U.S.C. 1078(b)(1)(A)(iii)(I))
10 is amended by striking “\$5,500” and inserting
11 “\$7,500”.

12 (b) INCREASE IN AGGREGATE LIMITS.—

13 (1) FEDERAL INSURANCE LIMITS.—Section
14 425(a)(2)(A) (20 U.S.C. 1075(a)(2)(A)(i)) is
15 amended—

16 (A) in clause (i), by striking “\$23,000”
17 and inserting “\$30,500”; and

18 (B) in clause (ii), by striking “\$65,500”
19 and inserting “\$73,000”.

20 (2) GUARANTY LIMITS.—Section 428(b)(1)(B)
21 (20 U.S.C. 1078(b)(1)(A)(iii)(I)) is amended—

22 (A) in clause (i), by striking “\$23,000”
23 and inserting “\$30,500”; and

24 (B) in clause (ii), by striking “\$65,500”
25 and inserting “\$73,000”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall be effective July 1, 2008.

3 **SEC. 113. REDUCTION OF LENDER SPECIAL ALLOWANCE**
4 **PAYMENTS.**

5 Section 438(b)(2)(I) (20 U.S.C. 1087–1(b)(2)(I)) is
6 amended—

7 (1) in clause (i), by striking “clauses (ii), (iii),
8 and (iv)” and inserting “the following clauses”; and

9 (2) by adding at the end the following new
10 clause:

11 “(vi) REDUCTION FOR LOANS ON OR
12 AFTER OCTOBER 1, 2007.—With respect to
13 a loan on which the applicable interest rate
14 is determined under section 427A(l), the
15 percentage to be added under clause
16 (i)(III) in computing the special allowance
17 payment pursuant to this subparagraph
18 shall be the following:

19 “(I) IN GENERAL AND PLUS
20 LOANS.—1.79 percent in the case of a
21 loan described in clause (i) or (iii) for
22 which the first disbursement of prin-
23 cipal is made on or after October 1,
24 2007.

1 “(II) IN SCHOOL AND GRACE PE-
2 RIOD.—1.19 percent in the case of a
3 loan described in clause (ii)(II) for
4 which the first disbursement of prin-
5 cipal is made on or after October 1,
6 2007.

7 “(III) CONSOLIDATION LOANS.—
8 2.09 percent in the case of a loan de-
9 scribed in clause (iv) for which the
10 first disbursement of principal is
11 made on or after October 1, 2007”.

12 **SEC. 114. ELIMINATION OF EXCEPTIONAL PERFORMER**
13 **STATUS FOR LENDERS.**

14 (a) ELIMINATION OF STATUS.—Part B of title IV (20
15 U.S.C. 1071 et seq.) is amended by striking section 428I
16 (20 U.S.C. 1078–9).

17 (b) CONFORMING AMENDMENTS.—Part B of title IV
18 is further amended—

19 (1) in section 428(c)(1) (20 U.S.C.
20 1078(e)(1))—

21 (A) by striking subparagraph (D); and

22 (B) by redesignating subparagraphs (E)
23 through (H) as subparagraphs (D) through
24 (G), respectively; and

1 (2) in section 438(b)(5) (20 U.S.C. 1087–
2 1(b)(5)), by striking the matter following subpara-
3 graph (B).

4 (c) EFFECTIVE DATE.—The amendments made by
5 subsections (a) and (b) shall take effect on October 1,
6 2007.

7 **SEC. 115. REDUCTION OF LENDER INSURANCE PERCENT-**
8 **AGE.**

9 (a) AMENDMENT.—Subparagraph (G) of section
10 428(b)(1) (20 U.S.C. 1078(b)(1)(G)) is amended to read
11 as follows:

12 “(G) insures 95 percent of the unpaid
13 principal of loans insured under the program,
14 except that—

15 “(i) such program shall insure 100
16 percent of the unpaid principal of loans
17 made with funds advanced pursuant to sec-
18 tion 428(j) or 439(q); and

19 “(ii) notwithstanding the preceding
20 provisions of this subparagraph, such pro-
21 gram shall insure 100 percent of the un-
22 paid principal amount of exempt claims as
23 defined in subsection (c)(1)(G);”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect with respect to loans made
3 on or after October 1, 2007.

4 **SEC. 116. GUARANTY AGENCY COLLECTION RETENTION.**

5 Clause (ii) of section 428(c)(6)(A) (20 U.S.C.
6 1078(c)(6)(A)(ii)) is amended to read as follows:

7 “(ii) an amount equal to 23 percent of
8 such payments for use in accordance with
9 section 422B, except that beginning Octo-
10 ber 1, 2007, this subparagraph shall be ap-
11 plied by substituting ‘16 percent’ for ‘23
12 percent’.”

13 **SEC. 117. UNIT COSTS FOR ACCOUNT MAINTENANCE FEES.**

14 Section 458(b) (20 U.S.C. 1087h(b)) is amended—

15 (1) by striking “Account” and inserting the fol-
16 lowing:

17 “(1) FOR FISCAL YEARS 2006 AND 2007.—For
18 fiscal years 2006 and 2007, account”; and

19 (2) by adding at the end the following new
20 paragraph:

21 “(2) FOR FISCAL YEAR 2008 AND SUCCEEDING
22 FISCAL YEARS.—

23 “(A) UNIT COST BASIS.—For fiscal year
24 2008 and each succeeding fiscal year, the Sec-
25 retary shall calculate the account maintenance

1 fees payable to guaranty agencies under sub-
2 section (a)(3), on a per-loan cost basis in ac-
3 cordance with subparagraph (B) of this para-
4 graph.

5 “(B) DETERMINATIONS.—To determine
6 the amount that shall be paid under subsection
7 (a)(3) per outstanding loan guaranteed by a
8 guaranty agency for fiscal year 2008 and suc-
9 ceeding fiscal years, the Secretary shall—

10 “(i) establish the per-loan cost basis
11 amount by—

12 “(I) dividing the total amount of
13 account maintenance fees paid under
14 subsection (a)(3) in fiscal year 2006,
15 by

16 “(II) the number of loans under
17 part B that were outstanding in that
18 fiscal year; and

19 “(ii) determine on October 1 of fiscal
20 year 2008 and each subsequent fiscal year,
21 and pay to each guaranty agency, an
22 amount equal to the product of the number
23 of loans under part B that are outstanding
24 on October 1 of that fiscal year and in-

1 sured by that guaranty agency multiplied
2 by—

3 “(I) the amount determined
4 under clause (i); increased by

5 “(II) a percentage equal to the
6 percentage increase in the GDP price
7 index (as determined by the Bureau
8 of Labor Statistics of the Department
9 of Labor) between the calendar quar-
10 ter ending on June 30, 2006, and the
11 calendar quarter ending on the June
12 30 preceding such October 1 of such
13 fiscal year.”.

14 **SEC. 118. INCREASED LOAN FEES FROM LENDERS.**

15 Paragraph (2) of section 438(d) (20 U.S.C. 1087–
16 1(d)(2)) is amended to read as follows:

17 “(2) AMOUNT OF LOAN FEES.—

18 “(A) AMOUNT.—The amount of the loan
19 fee which shall be deducted under paragraph
20 (1), but which may not be collected from the
21 borrower, shall be equal to—

22 “(i) except as provided in clauses (ii)
23 and (iii), 0.50 percent of the principal
24 amount of the loan with respect to any
25 loan under this part for which the first dis-

1 bursement was made on or after October
2 1, 1993;

3 “(ii) 1.0 percent of the principal
4 amount of the loan with respect to any
5 loan under this part for which the first dis-
6 bursement was made on or after October
7 1, 2007, that is held by any holder other
8 than a holder designated by the Secretary
9 as a small lender under subparagraph (B);
10 and

11 “(iii) 0.0 percent of the principal
12 amount of the loan with respect to any
13 loan under this part for which the first dis-
14 bursement was made on or after October
15 1, 2007, that is held by any holder that,
16 together with its affiliated holders, is des-
17 ignated by the Secretary as a small lender
18 under subparagraph (B).

19 “(B) DESIGNATION OF SMALL LENDERS.—
20 In determining which holders of eligible loans
21 qualify as small lenders for purposes of sub-
22 paragraph (A)(iii), the Secretary shall, using
23 the most recently available data with respect to
24 the total principal amount of eligible loans held
25 by holders—

1 “(i) rank all holders (combined with
2 their affiliated holders) of eligible loans in
3 descending order by total principal amount
4 of eligible loans held;

5 “(ii) calculate the total principal
6 amount of eligible loans held by all holders;
7 and

8 “(iii) identify the subset of consecu-
9 tively ranked holders under clause (i),
10 starting with the lowest ranked holder,
11 that together hold a total principal amount
12 of such loans equal to 15 percent of the
13 total amount calculated under clause (ii),
14 but excluding the holder, if any, whose
15 holdings when added cause the total hold-
16 ings of the subset to equal but not exceed
17 such 15 percent of such total amount cal-
18 culated; and

19 “(iv) designate as small lenders any
20 holder identified as a member of the subset
21 under clause (iii).”.

22 **SEC. 119. STUDENT LOAN INFORMATION.**

23 Section 428(k) (20 U.S.C. 1078(k)) is amended by
24 adding at the end the following new paragraph:

25 “(4) STUDENT LOAN INFORMATION.—

1 “(A) Notwithstanding any other provision
2 of law or regulation, a lender, secondary mar-
3 ket, holder, or guaranty agency shall provide,
4 free of charge and in a timely and effective
5 manner, any student loan information main-
6 tained by that entity that is requested by an in-
7 stitution of higher education and any third-
8 party servicer (as defined in section 481(e))
9 working on behalf of that institution to prevent
10 student loan defaults.

11 “(B) An institution and any third-party
12 servicer obtaining access to information under
13 subparagraph (A) shall safeguard that informa-
14 tion in order to prevent potential abuses of that
15 information, including identity theft.

16 “(C) Any third party servicer that obtains
17 information under this subparagraph shall only
18 use the information in a manner directly related
19 to the default prevention work the servicer is
20 performing on behalf of the institution of higher
21 education.

22 “(D) Any third party servicer that obtains
23 information under this subparagraph shall be
24 subject to any regulations established by the
25 Secretary pursuant to section 432 concerning

1 the misuse of such information, including any
2 penalties for such misuse.”.

3 **PART C—REWARDING SERVICE IN REPAYMENT**

4 **SEC. 141. LOAN FORGIVENESS FOR SERVICE IN AREAS OF**
5 **NATIONAL NEED.**

6 Section 428K (20 U.S.C. 1078–11) is amended to
7 read as follows:

8 **“SEC. 428K. LOAN FORGIVENESS FOR SERVICE IN AREAS OF**
9 **NATIONAL NEED.**

10 “(a) PROGRAM AUTHORIZED.—

11 “(1) LOAN FORGIVENESS AUTHORIZED.—The
12 Secretary shall forgive, in accordance with this sec-
13 tion, the student loan obligation of a borrower in the
14 amount specified in subsection (c), for any new bor-
15 rower after the date of enactment of the College
16 Cost Reduction Act of 2007, who—

17 “(A) has been employed full-time for at
18 least 5 consecutive complete school, academic,
19 or calendar years, as appropriate, in an area of
20 national need described in subsection (b); and

21 “(B) is not in default on a loan for which
22 the borrower seeks forgiveness.

23 “(2) METHOD OF LOAN FORGIVENESS.—To
24 provide loan forgiveness under paragraph (1), the
25 Secretary is authorized to carry out a program—

1 “(A) through the holder of the loan, to as-
2 sume the obligation to repay a qualified loan
3 amount for a loan made, insured, or guaranteed
4 under this part; and

5 “(B) to cancel a qualified loan amount for
6 a loan made under part D of this title.

7 “(3) REGULATIONS.—The Secretary is author-
8 ized to issue such regulations as may be necessary
9 to carry out the provisions of this section.

10 “(b) AREAS OF NATIONAL NEED.—For purposes of
11 this section, an individual shall be treated as employed in
12 an area of national need if the individual is employed full
13 time as any of the following:

14 “(1) EARLY CHILDHOOD EDUCATORS.—An in-
15 dividual who is employed as an early childhood edu-
16 cator in an eligible preschool program or eligible
17 early childhood education program in a low-income
18 community, and who is involved directly in the care,
19 development, and education of infants, toddlers, or
20 young children through age 5.

21 “(2) NURSES.—An individual who is em-
22 ployed—

23 “(A) as a nurse in a clinical setting; or

24 “(B) as a member of the nursing faculty at
25 an accredited school of nursing (as those terms

1 are defined in section 801 of the Public Health
2 Service Act (42 U.S.C. 296)).

3 “(3) FOREIGN LANGUAGE SPECIALISTS.—An
4 individual who has obtained a baccalaureate degree
5 in a critical foreign language and is employed—

6 “(A) in an elementary or secondary school
7 as a teacher of a critical foreign language; or

8 “(B) in an agency of the United States
9 Government in a position that regularly re-
10 quires the use of such critical foreign language.

11 “(4) LIBRARIANS.—An individual who is em-
12 ployed as a librarian in—

13 “(A) a public library that serves a geo-
14 graphic area within which the public schools
15 have a combined average of 30 percent or more
16 of their total student enrollments composed of
17 children counted under section 1113(a)(5) of
18 the Elementary and Secondary Education Act
19 of 1965; or

20 “(B) an elementary or secondary school
21 which is in the school district of a local edu-
22 cational agency which is eligible in such year
23 for assistance pursuant to title I of the Elemen-
24 tary and Secondary Education Act of 1965, and
25 which for the purpose of this paragraph and for

1 that year has been determined by the Secretary
2 (pursuant to regulations and after consultation
3 with the State educational agency of the State
4 in which the school is located) to be a school in
5 which the enrollment of children counted under
6 section 1113(a)(5) of the Elementary and Sec-
7 ondary Education Act of 1965 exceeds 30 per-
8 cent of the total enrollment of that school.

9 “(5) HIGHLY QUALIFIED TEACHERS: BILIN-
10 GUAL EDUCATION AND LOW-INCOME COMMU-
11 NITIES.—An individual who—

12 “(A) is highly qualified as such term is de-
13 fined in section 9101 of the Elementary and
14 Secondary Education Act of 1965; and

15 “(B)(i) is employed as a full-time teacher
16 of bilingual education; or

17 “(ii) is employed as a teacher for service in
18 a public or nonprofit private elementary or sec-
19 ondary school which is in the school district of
20 a local educational agency which is eligible in
21 such year for assistance pursuant to title I of
22 the Elementary and Secondary Education Act
23 of 1965, and which for the purpose of this
24 paragraph and for that year has been deter-
25 mined by the Secretary (pursuant to regulations

1 and after consultation with the State edu-
2 cational agency of the State in which the school
3 is located) to be a school in which the enroll-
4 ment of children counted under section
5 1113(a)(5) of the Elementary and Secondary
6 Education Act of 1965 exceeds 40 percent of
7 the total enrollment of that school.

8 “(6) CHILD WELFARE WORKERS.—An indi-
9 vidual who—

10 “(A) has obtained a degree in social work
11 or a related field with a focus on serving chil-
12 dren and families; and

13 “(B) is employed in public or private child
14 welfare services.

15 “(7) SPEECH-LANGUAGE PATHOLOGISTS.—An
16 individual who is a speech-language pathologist, who
17 is employed in an eligible preschool program or an
18 elementary or secondary school, and who has, at a
19 minimum, a graduate degree in speech-language pa-
20 thology, or communication sciences and disorders.

21 “(8) NATIONAL SERVICE.—An individual who is
22 engaged as a participant in project under the Na-
23 tional and Community Service Act of 1990 (as such
24 terms are defined in section 101 of such Act (42
25 U.S.C. 12511)).

1 “(9) PUBLIC SECTOR EMPLOYEES.—An indi-
2 vidual who is employed in government, public safety
3 (including as a first responder, firefighter, police of-
4 ficer, or other law enforcement or public safety offi-
5 cer), emergency management (including as an emer-
6 gency medical technician), public health, or public
7 interest legal services (including prosecution or pub-
8 lic defense).

9 “(c) QUALIFIED LOAN AMOUNT.—The Secretary
10 shall forgive not more than \$5,000 in the aggregate of
11 the student loan obligation of a borrower that is out-
12 standing after the completion of the fifth consecutive
13 school, academic, or calendar year of employment, as ap-
14 propriate, described in subsection (a)(1).

15 “(d) CONSTRUCTION.—Nothing in this section shall
16 be construed to authorize the refunding of any repayment
17 of a loan.

18 “(e) SEGAL AMERICORPS EDUCATION AWARD RE-
19 CIPIENTS.—A student borrower who qualifies for the max-
20 imum education award under subtitle D of title I of the
21 National and Community Service Act of 1990 (42 U.S.C.
22 12601 et seq.) shall not receive under this section more
23 than the difference between the maximum benefit available
24 under this section and the maximum award available
25 under such subtitle.

1 “(f) NATIONAL SERVICE AWARD RECIPIENTS.—A
2 student borrower who receives the maximum education
3 award under subtitle D of title I of the National and Com-
4 munity Service Act of 1990 (42 U.S.C. 12601 et seq.)
5 shall not receive under this section more than the dif-
6 ference between the maximum benefit available under this
7 section and the award received under such subtitle.

8 “(g) INELIGIBILITY FOR DOUBLE BENEFITS.—No
9 borrower may receive a reduction of loan obligations under
10 both this section and section 428J or 460.

11 “(h) DEFINITIONS.—In this section:

12 “(1) CRITICAL FOREIGN LANGUAGE.—The term
13 ‘critical foreign language’ includes the languages of
14 Arabic, Korean, Japanese, Chinese, Pashto, Persian-
15 Farsi, Serbian-Croatian, Russian, Portuguese, and
16 any other language identified by the Secretary of
17 Education, in consultation with the Defense Lan-
18 guage Institute, the Foreign Service Institute, and
19 the National Security Education Program, as a crit-
20 ical foreign language need.

21 “(2) EARLY CHILDHOOD EDUCATOR.—The
22 term ‘early childhood educator’ means an early
23 childhood educator who works directly with children
24 in an eligible preschool program or eligible early
25 childhood education program who has completed a

1 baccalaureate or advanced degree in early childhood
2 development, early childhood education, or in a field
3 related to early childhood education.

4 “(3) ELIGIBLE PRESCHOOL PROGRAM.—The
5 term ‘eligible preschool program’ means a program
6 that provides for the care, development, and edu-
7 cation of infants, toddlers, or young children
8 through age 5, meets any applicable State or local
9 government licensing, certification, approval, and
10 registration requirements, and is operated by—

11 “(A) a public or private school that may be
12 supported, sponsored, supervised, or adminis-
13 tered by a local educational agency;

14 “(B) a Head Start agency serving as a
15 grantee designated under the Head Start Act
16 (42 U.S.C. 9831 et seq.);

17 “(C) a nonprofit or community based orga-
18 nization; or

19 “(D) a child care program, including a
20 home.

21 “(4) ELIGIBLE EARLY CHILDHOOD EDUCATION
22 PROGRAM.—The term ‘eligible early childhood edu-
23 cation program’ means—

24 “(A) a family child care program, center-
25 based child care program, State prekinder-

1 garten program, school program, or other out-
2 of-home early childhood development care pro-
3 gram, that—

4 “(i) is licensed or regulated by the
5 State; and

6 “(ii) serves 2 or more unrelated chil-
7 dren who are not old enough to attend kin-
8 dergarten;

9 “(B) a Head Start Program carried out
10 under the Head Start Act (42 U.S.C. 9831 et
11 seq.); or

12 “(C) an Early Head Start Program carried
13 out under section 645A of the Head Start Act
14 (42 U.S.C. 9840a).

15 “(5) LOW-INCOME COMMUNITY.—In this sub-
16 section, the term ‘low-income community’ means a
17 community in which 70 percent of households earn
18 less than 85 percent of the State median household
19 income.

20 “(6) NURSE.—The term ‘nurse’ means a nurse
21 who meets all of the following:

22 “(A) The nurse graduated from—

23 “(i) an accredited school of nursing
24 (as those terms are defined in section 801

1 of the Public Health Service Act (42
2 U.S.C. 296));

3 “(ii) a nursing center; or

4 “(iii) an academic health center that
5 provides nurse training.

6 “(B) The nurse holds a valid and unre-
7 stricted license to practice nursing in the State
8 in which the nurse practices in a clinical set-
9 ting.

10 “(C) The nurse holds one or more of the
11 following:

12 “(i) A graduate degree in nursing, or
13 an equivalent degree.

14 “(ii) A nursing degree from a colle-
15 giate school of nursing (as defined in sec-
16 tion 801 of the Public Health Service Act
17 (42 U.S.C. 296)).

18 “(iii) A nursing degree from an asso-
19 ciate degree school of nursing (as defined
20 in section 801 of the Public Health Service
21 Act (42 U.S.C. 296)).

22 “(iv) A nursing degree from a diploma
23 school of nursing (as defined in section
24 801 of the Public Health Service Act (42
25 U.S.C. 296)).

1 “(7) SPEECH-LANGUAGE PATHOLOGIST.—The
2 term ‘speech-language pathologist’ means a speech-
3 language pathologist who meets all of the following:

4 “(A) the speech-language pathologist has
5 received, at a minimum, a graduate degree in
6 speech-language pathology or communication
7 sciences and disorders from an institution of
8 higher education accredited by an agency or as-
9 sociation recognized by the Secretary pursuant
10 to section 496(a) of this Act; and

11 “(B) the speech-language pathologist
12 meets or exceeds the qualifications as defined in
13 section 1861(l) of the Social Security Act (42
14 U.S.C. 1395x).

15 “(i) PROGRAM FUNDING.—There shall be available to
16 the Secretary to carry out this section, from funds not
17 otherwise appropriated, such sums as may be necessary
18 to provide loan forgiveness in accordance with this section
19 to each eligible individual.”.

20 **SEC. 142. INCOME CONTINGENT REPAYMENT FOR PUBLIC**
21 **SECTOR EMPLOYEES.**

22 Section 455(e) (20 U.S.C. 1087e(e)) is amended by
23 adding at the end the following:

24 “(7) REPAYMENT PLAN FOR PUBLIC SECTOR
25 EMPLOYEES.—

1 “(A) IN GENERAL.—The Secretary shall
2 forgive the balance due on any loan made under
3 this part or section 428C(b)(5) for a bor-
4 rower—

5 “(i) who has made 120 payments on
6 such loan pursuant to income contingent
7 repayment; and

8 “(ii) who is employed, and was em-
9 ployed for the 10-year period in which the
10 borrower made the 120 payments de-
11 scribed in clause (i), in a public sector job.

12 “(B) PUBLIC SECTOR JOB.—In this para-
13 graph, the term ‘public sector job’ means a full-
14 time job in emergency management, govern-
15 ment, public safety, law enforcement, public
16 health, education (including early childhood
17 education), social work in a public child or fam-
18 ily service agency, or public interest legal serv-
19 ices (including prosecution or public defense).

20 “(8) RETURN TO STANDARD REPAYMENT.—A
21 borrower who is repaying a loan made under this
22 part pursuant to income contingent repayment may
23 choose, at any time, to terminate repayment pursu-
24 ant to income contingent repayment and repay such
25 loan under the standard repayment plan.”.

1 **SEC. 143. INCOME-BASED REPAYMENT.**

2 (a) AMENDMENT.—Part G of title IV (20 U.S.C.
3 1088 et seq.) is further amended by adding at the end
4 the following:

5 **“SEC. 493C. INCOME-BASED REPAYMENT.**

6 “(a) DEFINITIONS.—In this section:

7 “(1) EXCEPTED PLUS LOAN.—The term ‘ex-
8 cepted PLUS loan’ means a loan under section
9 428B, or a Federal Direct PLUS Loan, that is
10 made, insured, or guaranteed on behalf of a depend-
11 ent student.

12 “(2) PARTIAL FINANCIAL HARDSHIP.—The
13 term ‘partial financial hardship’ means the amount
14 by which—

15 “(A) the annual amount due on the total
16 amount of loans made, insured, or guaranteed
17 under part B or D (other than an excepted
18 PLUS loan) to a borrower as calculated under
19 the standard repayment plan under section
20 428(b)(9)(A)(i) or 455(d)(1)(A); exceeds

21 “(B) 15 percent of the result obtained by
22 calculating the amount by which—

23 “(i) the borrower’s, and the bor-
24 rower’s spouse’s (if applicable), adjusted
25 gross income; exceeds

1 “(ii) 150 percent of the poverty line
2 applicable to the borrower’s family size as
3 determined under section 673(2) of the
4 Community Services Block Grant Act (42
5 U.S.C. 9902(2)).

6 “(b) INCOME-BASED REPAYMENT PROGRAM AU-
7 THORIZED.—Notwithstanding any other provision of this
8 Act, the Secretary shall carry out a program under
9 which—

10 “(1) a borrower of any loan made, insured, or
11 guaranteed under part B or D (other than an ex-
12 cepted PLUS loan) who has a partial financial hard-
13 ship may elect, during any period the borrower has
14 the partial financial hardship, to have the borrower’s
15 aggregate monthly payment for all such loans not
16 exceed the result described in subsection (a)(2)(B)
17 divided by 12;

18 “(2) the holder of such a loan shall apply the
19 borrower’s monthly payment under this subsection
20 first toward interest due on the loan and then to-
21 ward the principal of the loan;

22 “(3) any interest due and not paid under para-
23 graph (2) shall be capitalized;

24 “(4) any principal due and not paid under
25 paragraph (2) shall be deferred;

1 “(5) the amount of time the borrower makes
2 monthly payments under paragraph (1) may exceed
3 10 years;

4 “(6) if the borrower no longer has a partial fi-
5 nancial hardship or no longer wishes to continue the
6 election under this subsection, then—

7 “(A) the maximum monthly payment re-
8 quired to be paid for all loans made to the bor-
9 rower under part B or D (other than an ex-
10 cepted PLUS loan) shall not exceed the month-
11 ly amount calculated under section
12 428(b)(9)(A)(i) or 455(d)(1)(A) when the bor-
13 rower first made the election described in this
14 subsection; and

15 “(B) the amount of time the borrower is
16 permitted to repay such loans may exceed 10
17 years;

18 “(7) the Secretary shall repay or cancel any
19 outstanding balance of principal and interest due on
20 all loans made under part B or D (other than a loan
21 under section 428B or a Federal Direct PLUS
22 Loan) to a borrower who—

23 “(A) is in deferment due to an economic
24 hardship described in section 435(o) for a pe-

1 riod of time prescribed by the Secretary, not to
2 exceed 20 years; or

3 “(B)(i) makes the election under this sub-
4 section; and

5 “(ii) for a period of time prescribed by the
6 Secretary, not to exceed 20 years (including any
7 period during which the borrower is in
8 deferment due to an economic hardship de-
9 scribed in section 435(o)), meets 1 or more of
10 the following requirements:

11 “(I) Has made reduced monthly pay-
12 ments under paragraph (1).

13 “(II) Has made monthly payments of
14 not less than the monthly amount cal-
15 culated under section 428(b)(9)(A)(i) or
16 455(d)(1)(A) when the borrower first made
17 the election described in this subsection.

18 “(III) Has made payments under a
19 standard repayment plan under section
20 428(b)(9)(A)(i) or 455(d)(1)(A).

21 “(IV) Has made payments under an
22 income contingent repayment plan under
23 section 455(d)(1)(D); and

24 “(8) a borrower who is repaying a loan made
25 under this part pursuant to income-based repayment

1 may elect, at any time, to terminate repayment pur-
2 suant to income-based repayment and repay such
3 loan under the standard repayment plan.”.

4 (b) CONFORMING ICR AMENDMENT.—Section
5 455(d)(1)(D) (20 U.S.C. 1087e(d)(1)(D)) is amended by
6 inserting “made on behalf of a dependent student” after
7 “PLUS loan”.

8 **SEC. 144. DEFINITION OF ECONOMIC HARDSHIP.**

9 Section 435(o) (20 U.S.C. 1085(o)) is amended—

10 (1) in paragraph (1)—

11 (A) in subparagraph (A)(ii), by striking
12 “100 percent of the poverty line for a family of
13 2” and inserting “150 percent of the poverty
14 line applicable to the borrower’s family size”;

15 (B) by striking subparagraph (B); and

16 (C) by redesignating subparagraph (C) as
17 subparagraph (B); and

18 (2) in paragraph (2), by striking “(1)(C)” and
19 inserting “(1)(B)”.

20 **SEC. 145. DEFERRALS.**

21 (a) FISL.—Section 427(a)(2)(C)(iii) (20 U.S.C.
22 1077(a)(2)(C)(iii)) is amended by striking “not in excess
23 of 3 years”.

1 (b) INTEREST SUBSIDIES.—Section 428(b)(1)(M)(iv)
2 (20 U.S.C. 1078(b)(1)(M)(iv)) is amended by striking
3 “not in excess of 3 years”.

4 (c) DIRECT LOANS.—Section 455(f)(2)(D) (20
5 U.S.C. 1087e(f)(2)(D)) is amended by striking “not in ex-
6 cess of 3 years”.

7 (d) PERKINS.—Section 464(c)(2)(A)(iv) (20 U.S.C.
8 1087dd(c)(2)(A)(iv)) is amended by striking “not in ex-
9 cess of 3 years”.

10 **SEC. 146. MAXIMUM REPAYMENT PERIOD.**

11 (a) IN GENERAL.—Section 455(e) (20 U.S.C.
12 1087e(e)) is amended by adding at the end the following:

13 “(9) MAXIMUM REPAYMENT PERIOD.—In calcu-
14 lating the extended period of time for which an in-
15 come contingent repayment plan under this sub-
16 section may be in effect for a borrower, the Sec-
17 retary shall include all time periods during which a
18 borrower of loans under part B, part D, or part E—

19 “(A) is not in default on any loan that is
20 included in the income contingent repayment
21 plan; and

22 “(B)(i) is in deferment due to an economic
23 hardship described in section 435(o);

24 “(ii) makes monthly payments under para-
25 graph (1) or (6) of section 493C(b); or

1 “(iii) makes payments under a standard
2 repayment plan described in section
3 428(b)(9)(A)(i) or subsection (d)(1)(A).”.

4 (b) TECHNICAL CORRECTION.—Section 455(d)(1)(C)
5 (20 U.S.C. 1087e(d)(1)(C)) is amended by striking
6 “428(b)(9)(A)(v)” and inserting “428(b)(9)(A)(iv)”.

7 **TITLE II—REDUCING THE COST**
8 **OF COLLEGE**

9 **SEC. 201. STATE COMMITMENT TO AFFORDABLE COLLEGE**
10 **EDUCATION.**

11 Title I is amended by inserting after section 131 (20
12 U.S.C. 1015) the following new section:

13 **“SEC. 132. STATE COMMITMENT TO AFFORDABLE COLLEGE**
14 **EDUCATION.**

15 “(a) MAINTENANCE OF EFFORT REQUIRED.—No
16 State shall reduce the total amount provided by the State
17 for public institutions of higher education in such State
18 for any academic year beginning on or after July 1, 2008,
19 to an amount which is less than the average amount pro-
20 vided by such State to such institutions of higher edu-
21 cation during the 5 most recent preceeding academic years
22 for which satisfactory data is available.

23 “(b) WITHHOLDING OF ALL LEAP FUNDS FOR VIO-
24 LATIONS.—Notwithstanding any other provision of law,
25 the Secretary of Education shall withhold from any State

1 that violates subsection (a) any amount that would other-
2 wise be available to the State under the Leveraging Edu-
3 cational Assistance Partnership Program under subpart 4
4 of part A of title IV until such State has corrected such
5 violation.”.

6 **SEC. 202. CONSUMER INFORMATION AND PUBLIC AC-**
7 **COUNTABILITY IN HIGHER EDUCATION.**

8 Section 131 of the Higher Education Act of 1965 (20
9 U.S.C. 1015) is amended to read as follows:

10 **“SEC. 131. CONSUMER INFORMATION AND PUBLIC AC-**
11 **COUNTABILITY IN HIGHER EDUCATION.**

12 “(a) COLLEGE OPPORTUNITY ON-LINE (COOL)
13 WEBSITE RE-DESIGN PROCESS.—In carrying out this
14 section, the Commissioner of Education Statistics—

15 “(1) shall identify the data elements that are of
16 greatest importance to prospective students, enrolled
17 students, and their families, paying particular atten-
18 tion to low-income, non-traditional student popu-
19 lations, and first-generation college students;

20 “(2) shall convene a group of individuals with
21 expertise in the collection and reporting of data re-
22 lated to institutions of higher education, the use of
23 consumer data, and consumer marketing in general
24 to—

1 “(A) determine the relevance of particular
2 data elements to prospective students, enrolled
3 students, and families;

4 “(B) assess the cost-effectiveness of var-
5 ious ways in which institutions of higher edu-
6 cation might produce relevant data;

7 “(C) determine the general comparability
8 of the data across institutions of higher edu-
9 cation;

10 “(D) make recommendations regarding the
11 inclusion of specific data items and the most ef-
12 fective and least burdensome methods of col-
13 lecting and reporting useful data from institu-
14 tions of higher education; and

15 “(3) shall ensure that the redesigned COOL
16 website—

17 “(A) uses, to the extent practicable, data
18 elements currently provided by institutions of
19 higher education to the Secretary;

20 “(B) includes clear and uniform informa-
21 tion determined to be relevant to prospective
22 students, enrolled students, and families;

23 “(C) provides comparable information, by
24 ensuring that data are based on accepted cri-
25 teria and common definitions;

1 “(D) includes a sorting function that per-
2 mits users to customize their search for and
3 comparison of institutions of higher education
4 based on the information identified through the
5 process as prescribed in paragraph (1) as being
6 of greatest relevance to choosing an institution
7 of higher education.

8 “(b) DATA COLLECTION.—

9 “(1) DATA SYSTEM.—The Commissioner of
10 Education Statistics shall continue to redesign the
11 relevant parts of the Integrated Postsecondary Edu-
12 cation Data System to include additional data as re-
13 quired by this section and to continue to improve the
14 usefulness and timeliness of data collected by such
15 systems in order to inform consumers about institu-
16 tions of higher education.

17 “(2) COLLEGE CONSUMER PROFILE.—The Sec-
18 retary shall continue to publish on the COOL
19 website, for each academic year and in accordance
20 with standard definitions developed by the Commis-
21 sioner of Education Statistics (including definitions
22 developed under section 131(a)(3)(A) as in effect on
23 the day before the date of enactment of the College
24 Cost Reduction Act of 2007), from at least all insti-

1 tutions of higher education participating in pro-
2 grams under title IV the following information:

3 “(A) The tuition and fees charged for a
4 first-time, full-time, full-year undergraduate
5 student.

6 “(B) The room and board charges for a
7 first-time, full-time, full-year undergraduate
8 student.

9 “(C) The price of attendance for a first-
10 time, full-time, full-year undergraduate student,
11 consistent with the provisions of section 472.

12 “(D) The average amount of financial as-
13 sistance received by a first-year, full-time, full-
14 year undergraduate student, including—

15 “(i) each type of assistance or benefits
16 described in 428(a)(2)(C)(ii);

17 “(ii) institutional and other assist-
18 ance; and

19 “(iii) Federal loans under parts B, D,
20 and E of title IV.

21 “(E) The number of first-time, full-time,
22 full-year undergraduate students receiving fi-
23 nancial assistance described in each clause of
24 subparagraph (D).

1 “(F) The institutional instructional ex-
2 penditure per full-time equivalent student.

3 “(G) Student enrollment information, in-
4 cluding information on the number and percent-
5 age of full-time and part-time students, the
6 number and percentage of resident and non-
7 resident students.

8 “(H) Faculty-to-student ratios.

9 “(I) Faculty information, including the
10 total number of faculty and the percentage of
11 faculty who are full-time employees of the insti-
12 tution and the percentage who are part-time.

13 “(J) Completion and graduation rates of
14 undergraduate students, identifying whether the
15 completion or graduation rates are from a 2-
16 year or 4-year program of instruction and, in
17 the case of a 2-year program of instruction, the
18 percentage of students who transfer to 4-year
19 institutions prior or subsequent to completion
20 or graduation.

21 “(K) A link to the institution of higher
22 education with information of interest to stu-
23 dents including mission, accreditation, student
24 services (including services for students with
25 disabilities), transfer of credit policies, any ar-

1 tication agreements entered into by the insti-
2 tution, and, if appropriate, placement rates and
3 other measures of success in preparing students
4 for entry into or advancement in the workforce.

5 “(L) The college affordability information
6 elements specified in subsection (c).

7 “(M) Any additional information that the
8 Secretary may require.

9 “(c) COLLEGE AFFORDABILITY INFORMATION ELE-
10 MENTS.—The college affordability information elements
11 required by subsection (b)(2)(L) shall include, for each in-
12 stitution submitting data—

13 “(1) the sticker price of the institution for the
14 3 most recent academic years;

15 “(2) the net tuition price of the institution for
16 the 3 most recent academic years;

17 “(3) the percentage change in both the sticker
18 price and the net tuition price over the 3-year time
19 period that is being reported;

20 “(4) the percentage change in the CPI over the
21 same 3-year time period; and

22 “(5) whether the institution has been placed on
23 affordability alert status as required by subsection
24 (d)(3).

25 “(d) OUTCOMES AND ACTIONS.—

1 “(1) RESPONSE FROM INSTITUTION.—Effective
2 on June 30, 2008, an institution that increases its
3 sticker price at a percentage rate for any 3-year in-
4 terval ending on or after that date that exceeds two
5 times the rate of change in the CPI over the same
6 time period shall provide a report to the Secretary,
7 in such a form, at such time, and containing such
8 information as the Secretary may require. Such re-
9 port shall be published by the Secretary on the
10 COOL website, and shall include—

11 “(A) a description of the factors contrib-
12 uting to the increase in the institution’s costs
13 and in the tuition and fees charged to students;
14 and

15 “(B) if determinations of tuition and fee
16 increases are not within the exclusive control of
17 the institution, a description of the agency or
18 instrumentality of State government or other
19 entity that participates in such determinations
20 and the authority exercised by such agency, in-
21 strumentality, or entity.

22 “(2) QUALITY-EFFICIENCY TASK FORCES.—

23 “(A) REQUIRED.—Each institution subject
24 to paragraph (1) that has a percentage change
25 in its sticker price that is in the highest 5 per-

1 cent of all institutions subject to paragraph (1)
2 shall establish a quality-efficiency task force to
3 review the operations of such institution.

4 “(B) MEMBERSHIP.—Such task force shall
5 include administrators, business and civic lead-
6 ers, and faculty, and may include students,
7 trustees, parents of students, and alumni of
8 such institution.

9 “(C) FUNCTIONS.—Such task force shall
10 analyze institutional operating costs in compari-
11 son with such costs at other institutions within
12 the class of institutions. Such analysis should
13 identify areas where, in comparison with other
14 institutions in such class, the institution oper-
15 ates more expensively to produce a similar re-
16 sult. Any identified areas should then be tar-
17 geted for in-depth analysis for cost reduction
18 opportunities.

19 “(D) REPORT.—Not later than one year
20 after a quality-efficiency task force is estab-
21 lished pursuant to subparagraph (A), the re-
22 sults of the analysis by a such task force shall
23 be submitted to the Secretary and shall be
24 made available to the public on the COOL
25 website.

1 “(3) CONSEQUENCES FOR 2-YEAR CONTINU-
2 ATION OF FAILURE.—If the Secretary determines
3 that an institution that is subject to paragraph (1))
4 has failed to reduce the subsequent increase in stick-
5 er price to equal to or below two times the rate of
6 change in the CPI for 2 consecutive academic years
7 subsequent to the 3-year interval used under para-
8 graph (1), the Secretary shall place the institution
9 on affordability alert status.

10 “(4) EXEMPTIONS.—Notwithstanding para-
11 graph (3), an institution shall not be placed on af-
12 fordability alert status if, for any 3-year interval for
13 which sticker prices are computed under paragraph
14 (1)—

15 “(A) with respect the the class of institu-
16 tions described in paragraph (6) to which the
17 institution belongs, the sticker price of the in-
18 stitution is in the lowest quartile of institutions
19 within such class, as determined by the Sec-
20 retary, during the last year of such 3-year in-
21 terval; or

22 “(B) the institution has a percentage
23 change in its sticker price computed under
24 paragraph (1) that exceeds two times the rate
25 of change in the CPI over the same time period,

1 but the dollar amount of the sticker price in-
2 crease is less than \$500.

3 “(5) INFORMATION TO STATE AGENCIES.—Any
4 institution that reports under paragraph (1)(B) that
5 an agency or instrumentality of State government or
6 other entity participates in the determinations of tui-
7 tion and fee increases shall, prior to submitting any
8 information to the Secretary under this subsection,
9 submit such information to, and request the com-
10 ments and input of, such agency, instrumentality, or
11 entity. With respect to any such institution, the Sec-
12 retary shall provide a copy of any communication by
13 the Secretary with that institution to such agency,
14 instrumentality, or entity.

15 “(6) CLASSES OF INSTITUTIONS.—For purposes
16 of this subsection, the classes of institutions shall be
17 those sectors used by the Integrated Postsecondary
18 Education Data System, based on whether the insti-
19 tution is public, nonprofit private, or for-profit pri-
20 vate, and whether the institution has a 4-year, 2-
21 year, or less than 2-year program of instruction.

22 “(7) DATA REJECTION.—Nothing in this sub-
23 section shall be construed as allowing the Secretary
24 to reject the data submitted by an individual institu-
25 tion of higher education.

1 “(e) INFORMATION TO THE PUBLIC.—The Secretary
2 shall work with public and private entities to promote
3 broad public awareness, particularly among middle and
4 high school students and their families, of the information
5 made available under this section, including by distribu-
6 tion to students who participate in or receive benefits from
7 means-tested federally funded education programs and
8 other Federal programs determined by the Secretary.

9 “(f) FINES.—In addition to actions authorized in sec-
10 tion 487(c), the Secretary may impose a fine in an amount
11 not to exceed \$25,000 on an institution of higher edu-
12 cation for failing to provide the information required by
13 this section in a timely and accurate manner, or for failing
14 to otherwise cooperate with the National Center for Edu-
15 cation Statistics regarding efforts to obtain data under
16 subsections (c) and (i) and pursuant to the program par-
17 ticipation agreement entered into under section 487.

18 “(g) REGULATIONS.—The Secretary is authorized to
19 issue such regulations as may be necessary to carry out
20 the provisions of this section.

21 “(h) DEFINITIONS.—For the purposes of this section:

22 “(1) NET TUITION PRICE.—The term ‘net tui-
23 tion price’ means the average tuition and fees
24 charged to a first-time, full-time, full-year under-

1 graduate student, minus the average grants provided
2 to such students, for any academic year.

3 “(2) STICKER PRICE.—The term ‘sticker price’
4 means the average tuition and fees charged to a
5 first-time, full-time, full-year undergraduate student
6 by an institution of higher education for any aca-
7 demic year.

8 “(3) CPI.—The term ‘CPI’ means the Con-
9 sumer Price Index-All Urban Consumers (Current
10 Series).”.

11 **SEC. 203. INCENTIVES AND REWARDS FOR LOW TUITION.**

12 Subpart 1 of part A of title IV is amended by insert-
13 ing after section 401A (20 U.S.C. 1070a-1) the following
14 new section:

15 **“SEC. 401B. INCENTIVES AND REWARDS FOR LOW TUITION.**

16 “(a) REWARDS FOR LOW TUITION.—For any institu-
17 tion of higher education that, for academic year 2008–
18 2009 or any succeeding academic year, such institution’s
19 annual net tuition price increase (expressed as a percent-
20 age) for the most recent academic year for which satisfac-
21 tory data is available is equal to or less than the percent-
22 age change in the higher education price index for such
23 academic year, the Secretary shall, notwithstanding any
24 other provision of the law, provide such institution an
25 amount sufficient to provide a 25 percent increase under

1 subpart 1 of part A of title IV to each Pell Grant recipient
2 attending such institution for the next award year begin-
3 ning after the date of such determination. Each such insti-
4 tution shall distribute any amounts received under this
5 subsection among such Pell Grant recipients by increasing
6 the amount of their Pell Grant awards by 25 percent.

7 “(b) REWARDS FOR GUARANTEED TUITION.—

8 “(1) BONUS.—For each institution of higher
9 education that the Secretary of Education deter-
10 mines complies with the requirements of paragraph
11 (2) or paragraph (3) of this subsection, the Sec-
12 retary shall, notwithstanding any other provision of
13 the law, provide such institution an amount suffi-
14 cient to provide a 10 percent increase under subpart
15 1 of part A of title IV to each Pell Grant recipient
16 attending such institution for the next award year
17 beginning after the date of such determination. Each
18 such institution shall distribute any amounts re-
19 ceived under this subsection among such Pell Grant
20 recipients by increasing the amount of their Pell
21 Grant awards by 10 percent.

22 “(2) 4-YEAR INSTITUTIONS.—An institution of
23 higher education that provides a program of instruc-
24 tion for which it awards a bachelor’s degree complies
25 with the requirements of this paragraph if such in-

1 stitution guarantees that for any academic year be-
2 ginning on or after July 1, 2008, and for each of the
3 4 succeeding continuous academic years, the net tui-
4 tion price charged to an undergraduate student will
5 not exceed—

6 “(A) the amount that the student was
7 charged for an academic year at the time he or
8 she first enrolled in the institution of higher
9 education, plus

10 “(B) the product of the percentage in-
11 crease in the higher education price index for
12 the prior academic year, or the most recent
13 prior academic year for which data is available,
14 multiplied by the amount determined under
15 subparagraph (A).

16 “(3) LESS-THAN 4-YEAR INSTITUTIONS.—An
17 institution of higher education that does not provide
18 a program of instruction for which it awards a bach-
19 elor’s degree complies with the requirements of this
20 paragraph if such institution guarantees that for
21 any academic year (or the equivalent) beginning on
22 or after July 1, 2008, and for each of the 1.5 suc-
23 ceeding continuous academic years, the net tuition
24 price charged to an undergraduate student will not
25 exceed—

1 “(A) the amount that the student was
2 charged for an academic year at the time he or
3 she first enrolled in the institution of higher
4 education, plus

5 “(B) the product of the percentage in-
6 crease in the higher education price index for
7 the prior academic year, or the most recent
8 prior academic year for which data is available,
9 multiplied by the amount determined under
10 subparagraph (A).

11 “(c) MAINTAINING AFFORDABLE TUITION.—For any
12 institution of higher education whose increase in the an-
13 nual net tuition price (expressed as a percentage), for the
14 most recent academic year for which satisfactory data is
15 available, is greater than the percentage increase in the
16 higher education price index for such academic year, the
17 Secretary shall require such institution to submit to the
18 Secretary the following information, within 6 months of
19 such determination:

20 “(1) a detailed report on the exact causes for
21 the net tuition price increase that outlines revenues
22 and expenditures; and

23 “(2) cost containment strategies to lower net
24 tuition prices.

25 “(d) DEFINITIONS.—

1 “(1) NET TUITION PRICE.—The term ‘net tui-
2 tion price’ has the same meaning as provided in sec-
3 tion 131(k).

4 “(2) HIGHER EDUCATION PRICE INDEX.—The
5 term ‘higher education price index’ means a statis-
6 tical measure of change over time in the prices of a
7 fixed market basket of goods and services purchased
8 by colleges and universities through current fund
9 educational and general expenditures (excluding ex-
10 penditures for research), as developed by the Bureau
11 of Labor Statistics.

12 “(e) FUNDING.—There shall be available to the Sec-
13 retary to carry out this section, from funds not otherwise
14 appropriated, \$15,000,000 for each of the fiscal years
15 2008 through 2012.

16 “(f) SUNSET.—The authority to carry out this sec-
17 tion shall expire at the end of fiscal year 2012.”.

18 **SEC. 204. COOPERATIVE EDUCATION REWARDS FOR INSTI-**
19 **TUTIONS THAT RESTRAIN TUITION IN-**
20 **CREASES.**

21 The Higher Education Act of 1965 (20 U.S.C. 1101
22 et seq.) is amended by adding at the end the following
23 title:

1 **“TITLE VIII—COOPERATIVE EDU-**
2 **CATION REWARDS FOR INSTI-**
3 **TUTIONS THAT RESTRAIN**
4 **TUITION INCREASES**

5 **“SEC. 801. ELIGIBLE INSTITUTIONS.**

6 “(a) ELIGIBLE INSTITUTIONS.—An institution of
7 higher education shall be eligible to apply for a grant
8 under this title if such institution, and a combination of
9 such institutions shall be eligible to apply for such a grant
10 if each institution in such combination—

11 “(1) for the academic year for which the insti-
12 tution is applying, keeps such institution’s annual
13 net tuition price increase (expressed as a percent-
14 age) for the most recent academic year for which
15 satisfactory data is available equal to or less than
16 the percentage change in the higher education price
17 index for such year; and

18 “(2) for such academic year, provides the guar-
19 antee required by paragraph (2) or (3) of section
20 401A(b).

21 “(b) DEFINITIONS.—

22 “(1) COOPERATIVE EDUCATION.—For the pur-
23 pose of this title the term ‘cooperative education’
24 means the provision of alternating or parallel periods
25 of academic study and public or private employment

1 in order to give students work experiences related to
2 their academic or occupational objectives and an op-
3 portunity to earn the funds necessary for continuing
4 and completing their education.

5 “(2) CALCULATION OF INDEX.—The net tuition
6 price index shall be equal to the percentage increase
7 in the net tuition price charged for a first-time, full-
8 time, full-year undergraduate student between a pre-
9 ceding academic year and the most recent academic
10 year for which satisfactory data are available.

11 “(3) NET TUITION PRICE.—The term ‘net tui-
12 tion price’ means the average tuition and fees
13 charged to first-time, full-year, full-time under-
14 graduate students, minus the average grants pro-
15 vided to such students, for any academic year.

16 “(4) TUITION.—The term ‘tuition’ means the
17 average price of or payment for actual instruction of
18 first-time, full-year, full-time undergraduate stu-
19 dents at an institution of higher education, for any
20 academic year.

21 **“SEC. 802. AUTHORIZATION OF APPROPRIATIONS; RES-**
22 **ERVATIONS.**

23 “(a) APPROPRIATIONS.—There shall be available to
24 the Secretary to carry out this title from funds not other-

1 wise appropriated \$15,000,000 for each of the fiscal years
2 2008 through 2012.

3 “(b) RESERVATIONS.—Of the amount appropriated
4 for each such fiscal year—

5 “(1) not less than 50 percent shall be available
6 for carrying out grants to institutions of higher edu-
7 cation and combinations of such institutions de-
8 scribed in section 803(a)(1)(A) for cooperative edu-
9 cation under section 803;

10 “(2) not less than 25 percent shall be available
11 for carrying out grants to institutions of higher edu-
12 cation described in section 803(a)(1)(B) for coopera-
13 tive education under section 803;

14 “(3) not to exceed 11 percent shall be available
15 for demonstration projects under paragraph (1) of
16 section 804(a);

17 “(4) not to exceed 11 percent shall be available
18 for training and resource centers under paragraph
19 (2) of section 804(a); and

20 “(5) not to exceed 3 percent shall be available
21 for research under paragraph (3) of section 804(a).

22 “(c) AVAILABILITY OF APPROPRIATIONS.—Appro-
23 priations under this title shall not be available for the pay-
24 ment of compensation of students for employment by em-
25 ployers under arrangements pursuant to this title.

1 “(d) SUNSET.—The authority to carry out this title
2 shall expire at the end of fiscal year 2012.

3 **“SEC. 803. GRANTS FOR COOPERATIVE EDUCATION.**

4 “(a) GRANTS AUTHORIZED.—

5 “(1) IN GENERAL.—The Secretary is author-
6 ized—

7 “(A) from the amount available under sec-
8 tion 802(b)(1) in each fiscal year and in accord-
9 ance with the provisions of this title, to make
10 grants to institutions of higher education or
11 combinations of such institutions that have not
12 received a grant under this paragraph in the
13 10-year period preceding the date for which a
14 grant under this section is requested to pay the
15 Federal share of the cost of planning, estab-
16 lishing, expanding, or carrying out programs of
17 cooperative education by such institutions or
18 combinations of institutions; and

19 “(B) from the amount available under sec-
20 tion 802(b)(2) in each fiscal year and in accord-
21 ance with the provisions of this title, to make
22 grants to institutions of higher education that
23 are operating an existing cooperative education
24 program as determined by the Secretary to pay
25 the cost of planning, establishing, expanding, or

1 carrying out programs of cooperative education
2 by such institutions.

3 “(2) PROGRAM REQUIREMENT.—Cooperative
4 education programs assisted under this section shall
5 provide alternating or parallel periods of academic
6 study and of public or private employment, giving
7 students work experience related to their academic
8 or occupational objectives and the opportunity to
9 earn the funds necessary for continuing and com-
10 pleting their education.

11 “(3) AMOUNT OF GRANTS.—

12 “(A) The amount of each grant awarded
13 pursuant to paragraph (1)(A) to any institution
14 of higher education or combination of such in-
15 stitutions in any fiscal year shall not exceed
16 \$500,000.

17 “(B)(i) Except as provided in clauses (ii)
18 and (iii), the Secretary shall award grants in
19 each fiscal year to each institution of higher
20 education described in paragraph (1)(B) that
21 has an application approved under subsection
22 (b) in an amount which bears the same ratio to
23 the amount reserved pursuant to section
24 802(b)(2) for such fiscal year as the number of
25 unduplicated students placed in cooperative

1 education jobs during the preceding fiscal year
2 (other than cooperative education jobs under
3 section 804 and as determined by the Sec-
4 retary) by such institution of higher education
5 bears to the total number of all such students
6 placed in such jobs during the preceding fiscal
7 year by all such institutions.

8 “(ii) No institution of higher education
9 shall receive a grant pursuant to paragraph
10 (1)(B) in any fiscal year in an amount which
11 exceeds 25 percent of such institution’s cooper-
12 ative education program’s personnel and oper-
13 ating budget for the preceding fiscal year.

14 “(iii) The minimum annual grant amount
15 which an institution of higher education is eligi-
16 ble to receive under paragraph (1)(B) is \$1,000
17 and the maximum annual grant amount is
18 \$75,000.

19 “(4) LIMITATION.—The Secretary shall not
20 award grants pursuant to paragraphs (1)(A) and
21 (1)(B) to the same institution of higher education or
22 combination of such institution in any one fiscal
23 year.

24 “(5) USES.—Grants under paragraph (1)(B)
25 shall be used exclusively—

1 “(A) to expand the quality and participa-
2 tion of a cooperative education program;

3 “(B) for outreach in new curricular areas;
4 and

5 “(C) for outreach to potential participants
6 including underrepresented and nontraditional
7 populations.

8 “(b) APPLICATIONS.—Each institution of higher edu-
9 cation or combination of such institutions desiring to re-
10 ceive a grant under this section shall submit an application
11 to the Secretary at such time and in such manner as the
12 Secretary shall prescribe. Each such application shall—

13 “(1) set forth the program or activities for
14 which a grant is authorized under this section;

15 “(2) specify each portion of such program or
16 activities which will be performed by a nonprofit or-
17 ganization or institution other than the applicant
18 and the compensation to be paid for such perform-
19 ance;

20 “(3) provide that the applicant will expend dur-
21 ing such fiscal year for the purpose of such program
22 or activities not less than the amount expended for
23 such purpose during the previous fiscal year;

24 “(4) describe the plans which the applicant will
25 carry out to assure, and contain a formal statement

1 of the institution's commitment which assures, that
2 the applicant will continue the cooperative education
3 program beyond the 5-year period of Federal assist-
4 ance described in subsection (c)(1) at a level which
5 is not less than the total amount expended for such
6 program during the first year such program was as-
7 sisted under this section;

8 “(5) provide that, in the case of an institution
9 of higher education that provides a 2-year program
10 which is acceptable for full credit toward a bach-
11 elor's degree, the cooperative education program will
12 be available to students who are certificate or asso-
13 ciate degree candidates and who carry at least one-
14 half the normal full-time academic workload;

15 “(6) provide that the applicant will—

16 “(A) for each fiscal year for which the ap-
17 plicant receives a grant, make such reports with
18 respect to the impact of the cooperative edu-
19 cation program in the previous fiscal year as
20 may be essential to ensure that the applicant is
21 complying with the provisions of this section,
22 including—

23 “(i) the number of unduplicated stu-
24 dent applicants in the cooperative edu-
25 cation program;

1 “(ii) the number of unduplicated stu-
2 dents placed in cooperative education jobs;

3 “(iii) the number of employers who
4 have hired cooperative education students;

5 “(iv) the average income for students
6 derived from working in cooperative edu-
7 cation jobs; and

8 “(v) the increase or decrease in the
9 number of unduplicated students placed in
10 cooperative education jobs in each fiscal
11 year compared to the previous fiscal year;
12 and

13 “(B) keep such records as are essential to
14 ensure that the applicant is complying with the
15 provisions of this title, including the notation of
16 cooperative education employment on the stu-
17 dent’s transcript;

18 “(7) describe the extent to which programs in
19 the academic discipline for which the application is
20 made have had a favorable reception by public and
21 private sector employers;

22 “(8) describe the extent to which the institution
23 is committed to extending cooperative education on
24 an institution-wide basis for all students who can
25 benefit;

1 “(9) describe the plans that the applicant will
2 carry out to evaluate the applicant’s cooperative edu-
3 cation program at the end of the grant period;

4 “(10) provide for such fiscal control and fund
5 accounting procedures as may be necessary to assure
6 proper disbursement of, and accounting for, Federal
7 funds paid to the applicant under this title;

8 “(11) demonstrate a commitment to serving all
9 underserved populations; and

10 “(12) include such other information as is es-
11 sential to carry out the provisions of this title.

12 “(c) DURATION OF GRANTS; FEDERAL SHARE.—

13 “(1) DURATION OF GRANTS.—No individual in-
14 stitution of higher education may receive, individ-
15 ually or as a participant in a combination of such in-
16 stitutions—

17 “(A) a grant pursuant to subsection
18 (a)(1)(A) for more than 5 fiscal years; or

19 “(B) a grant pursuant to subsection
20 (a)(1)(B) for more than 5 fiscal years.

21 “(2) FEDERAL SHARE.—The Federal share of a
22 grant under section 803(a)(1)(A) may not exceed—

23 “(A) 85 percent of the cost of carrying out
24 the program or activities described in the appli-

1 cation in the first year the applicant receives a
2 grant under this section;

3 “(B) 70 percent of such cost in the second
4 such year;

5 “(C) 55 percent of such cost in the third
6 such year;

7 “(D) 40 percent of such cost in the fourth
8 such year; and

9 “(E) 25 percent of such cost in the fifth
10 such year.

11 “(3) SPECIAL RULE.—Any provision of law to
12 the contrary notwithstanding, the Secretary shall not
13 waive the provisions of this subsection.

14 “(d) MAINTENANCE OF EFFORT.—If the Secretary
15 determines that a recipient of funds under this section has
16 failed to maintain the fiscal effort described in subsection
17 (b)(3), then the Secretary may elect not to make grant
18 payments under this section to such recipient.

19 **“SEC. 804. DEMONSTRATION AND INNOVATION PROJECTS;
20 TRAINING AND RESOURCE CENTERS; AND RE-
21 SEARCH.**

22 “(a) AUTHORIZATION.—The Secretary is authorized,
23 in accordance with the provisions of this section, to make
24 grants and enter into contracts for—

1 “(1) the conduct of demonstration projects de-
2 signed to demonstrate or determine the feasibility or
3 value of innovative methods of cooperative education
4 from the amounts available in each fiscal year under
5 section 802(b)(3);

6 “(2) the conduct of training and resource cen-
7 ters designed to—

8 “(A) train personnel in the field of cooper-
9 ative education;

10 “(B) improve materials used in cooperative
11 education programs if such improvement is con-
12 ducted in conjunction with other activities de-
13 scribed in this paragraph;

14 “(C) furnish technical assistance to institu-
15 tions of higher education to increase the poten-
16 tial of the institution to continue to conduct a
17 cooperative education program without Federal
18 assistance;

19 “(D) encourage model cooperative edu-
20 cation programs which furnish education and
21 training in occupations in which there is a na-
22 tional need;

23 “(E) support partnerships under which an
24 institution carrying out a comprehensive cooper-
25 ative education program joins with one or more

1 institutions of higher education in order to (i)
2 assist the institutions other than the com-
3 prehensive cooperative education institution to
4 develop and expand an existing program of co-
5 operative education, or (ii) establish and im-
6 prove or expand comprehensive cooperative edu-
7 cation programs; and

8 “(F) encourage model cooperative edu-
9 cation programs in the fields of science and
10 mathematics for women and minorities who are
11 underrepresented in such fields

12 from the amounts available in each fiscal year under
13 section 802(b)(4); and

14 “(3) the conduct of research relating to cooper-
15 ative education, from the amounts available in each
16 fiscal year under section 802(b)(5).

17 “(b) ADMINISTRATIVE PROVISION.—

18 “(1) IN GENERAL.—To carry out this section,
19 the Secretary may—

20 “(A) make grants to or contracts with in-
21 stitutions of higher education, or combinations
22 of such institutions; and

23 “(B) make grants to or contracts with
24 other public or private nonprofit agencies or or-
25 ganizations, whenever such grants or contracts

1 will make an especially significant contribution
2 to attaining the objectives of this section.

3 “(2) LIMITATION.—

4 “(A) The Secretary may not use more than
5 3 percent of the amount appropriated to carry
6 out this section in each fiscal year to enter into
7 contracts described in paragraph (1)(A).

8 “(B) The Secretary may use not more
9 than 3 percent of the amount appropriated to
10 carry out this section in each fiscal year to
11 enter into contracts described in paragraph
12 (1)(B).

13 “(c) SUPPLEMENT NOT SUPPLANT.—A recipient of
14 a grant or contract under this section may use the funds
15 provided only so as to supplement and, to the extent pos-
16 sible, increase the level of funds that would, in the absence
17 of such funds, be made available from non-Federal sources
18 to carry out the activities supported by such grant or con-
19 tract, and in no case to supplant such funds from non-
20 Federal sources.”.

1 **TITLE III—ENSURING A HIGHLY**
2 **QUALIFIED TEACHER IN**
3 **EVERY CLASSROOM**

4 **PART A—TEACH GRANTS**

5 **SEC. 301. TEACH GRANTS.**

6 Part A of title IV (20 U.S.C. 1070a et seq.) is
7 amended by adding at the end the following new subpart:

8 **“Subpart 9—TEACH Grants**

9 **“SEC. 420L. PROGRAM ESTABLISHED.**

10 “(a) PROGRAM AUTHORITY.—

11 “(1) PAYMENTS REQUIRED.—The Secretary
12 shall pay to each eligible institution such sums as
13 may be necessary to pay to each eligible student (de-
14 fined in accordance with section 484) who files an
15 application and agreement in accordance with sec-
16 tion 420M, and who qualifies—

17 “(A) under paragraph (2) of section
18 420M(a), a TEACH Grant in the amount of
19 \$4,000 for each academic year during which
20 that student is in attendance at the institution;
21 and

22 “(B) under paragraphs (2) and (3) of sec-
23 tion 420M(a), a Bonus TEACH Grant in the
24 amount of \$500 (in addition to the amount of
25 the TEACH Grant under subparagraph (A))

1 for each academic year during which that stu-
2 dent so qualifies.

3 “(2) REFERENCE.—Grants made under—

4 “(A) paragraph (1)(A) shall be known as
5 ‘Teacher Education Assistance for College and
6 Higher Education Grants’ or ‘TEACH Grants’;
7 and

8 “(B) paragraph (1)(B) shall be known as
9 Bonus TEACH Grants.

10 “(b) PAYMENT METHODOLOGY.—

11 “(1) PREPAYMENT.—Not less than 85 percent
12 of any funds provided to an institution under sub-
13 section (a) shall be advanced to eligible institutions
14 prior to the start of each payment period and shall
15 be based upon an amount requested by the institu-
16 tion as needed to pay eligible students until such
17 time as the Secretary determines and publishes in
18 the Federal Register with an opportunity for com-
19 ment, an alternative payment system that provides
20 payments to institutions in an accurate and timely
21 manner, except that this sentence shall not be con-
22 strued to limit the authority of the Secretary to
23 place an institution on a reimbursement system of
24 payment.

1 “(2) DIRECT PAYMENT.—Nothing in this sec-
2 tion shall be interpreted to prohibit the Secretary
3 from paying directly to students, in advance of the
4 beginning of the academic term, an amount for
5 which they are eligible, in cases where the eligible in-
6 stitution elects not to participate in the disburse-
7 ment system required by paragraph (1).

8 “(3) DISTRIBUTION OF GRANTS TO STU-
9 DENTS.—Payments under this subpart shall be
10 made, in accordance with regulations promulgated
11 by the Secretary for such purpose, in such manner
12 as will best accomplish the purposes of this subpart.
13 Any disbursement allowed to be made by crediting
14 the student’s account shall be limited to tuition and
15 fees and, in the case of institutionally-owned hous-
16 ing, room and board. The student may elect to have
17 the institution provide other such goods and services
18 by crediting the student’s account.

19 “(c) REDUCTIONS IN AMOUNT.—

20 “(1) PART-TIME STUDENTS.—In any case
21 where a student attends an institution of higher edu-
22 cation on less than a full-time basis (including a stu-
23 dent who attends an institution of higher education
24 on less than a half-time basis) during any academic
25 year, the amount of a grant under this subpart for

1 which that student is eligible shall be reduced in
2 proportion to the degree to which that student is not
3 attending on a full-time basis, in accordance with a
4 schedule of reductions established by the Secretary
5 for the purposes of this subpart, computed in ac-
6 cordance with this subpart. Such schedule of reduc-
7 tions shall be established by regulation and pub-
8 lished in the Federal Register in accordance with
9 section 482 of this Act.

10 “(2) NO EXCEEDING COST.—The amount of a
11 grant awarded under this subpart, in combination
12 with Federal assistance and other student assist-
13 ance, shall not exceed the cost of attendance (as de-
14 fined in section 472) at the institution at which that
15 student is in attendance. If, with respect to any stu-
16 dent, it is determined that the amount of a TEACH
17 Grant or a Bonus TEACH Grant exceeds the cost
18 of attendance for that year, the amount of the
19 TEACH Grant or Bonus TEACH Grant, respec-
20 tively, shall be reduced until such grant does not ex-
21 ceed the cost of attendance at such institution.

22 “(d) PERIOD OF ELIGIBILITY FOR GRANTS.—

23 “(1) UNDERGRADUATE STUDENTS.—The period
24 during which an undergraduate student may receive
25 grants under this subpart shall be the period re-

1 quired for the completion of the first undergraduate
2 baccalaureate course of study being pursued by that
3 student at the institution at which the student is in
4 attendance except that—

5 “(A) any period during which the student
6 is enrolled in a noncredit or remedial course of
7 study as defined in paragraph (3) shall not be
8 counted for the purpose of this paragraph; and

9 “(B) the total amount that a student may
10 receive under this subpart for undergraduate
11 study shall not exceed \$16,000 with respect to
12 a student who receives only TEACH Grants,
13 and \$18,000 with respect to a student who re-
14 ceives TEACH Grants and Bonus TEACH
15 Grants.

16 “(2) GRADUATE STUDENTS.—The period dur-
17 ing which a graduate student may receive grants
18 under this subpart shall be the period required for
19 the completion of a master’s degree course of study
20 being pursued by that student at the institution at
21 which the student is in attendance, except that the
22 total amount that a student may receive under this
23 subpart for graduate study shall not exceed \$8,000
24 with respect to a student who receives only TEACH
25 Grants, and \$10,000 with respect to a student who

1 receives TEACH Grants and Bonus TEACH
2 Grants.

3 “(3) REMEDIAL COURSE; STUDY ABROAD.—
4 Nothing in this section shall exclude from eligibility
5 courses of study which are noncredit or remedial in
6 nature (including courses in English language acqui-
7 sition) which are determined by the institution to be
8 necessary to help the student be prepared for the
9 pursuit of a first undergraduate baccalaureate de-
10 gree or certificate or, in the case of courses in
11 English language instruction, to be necessary to en-
12 able the student to utilize already existing knowl-
13 edge, training, or skills. Nothing in this section shall
14 exclude from eligibility programs of study abroad
15 that are approved for credit by the home institution
16 at which the student is enrolled.

17 **“SEC. 420M. ELIGIBILITY; APPLICATIONS; SELECTION.**

18 “(a) APPLICATIONS; DEMONSTRATION OF ELIGI-
19 BILITY.—

20 “(1) FILING REQUIRED.—The Secretary shall
21 from time to time set dates by which students shall
22 file applications for grants under this subpart. Each
23 student desiring a grant under this subpart for any
24 year shall file an application containing such infor-
25 mation and assurances as the Secretary may deem

1 necessary to enable the Secretary to carry out the
2 functions and responsibilities of this subpart.

3 “(2) DEMONSTRATION OF TEACH GRANT ELIGI-
4 BILITY.—Each application submitted under para-
5 graph (1) for a TEACH Grant shall contain such in-
6 formation as is necessary to demonstrate that—

7 “(A) if the applicant is an enrolled stu-
8 dent—

9 “(i) the student is an eligible student
10 for purposes of section 484;

11 “(ii) the student—

12 “(I) has a grade point average
13 that is determined, under standards
14 prescribed by the Secretary, to be
15 comparable to a 3.25 average on a
16 zero to 4.0 scale, except that, if the
17 student is in the first year of a pro-
18 gram of undergraduate education,
19 such grade point average shall be de-
20 termined on the basis of the student’s
21 cumulative high school grade point av-
22 erage; or

23 “(II) displayed high academic ap-
24 titude by receiving a score above the
25 75th percentile on at least one of the

1 batteries in an undergraduate or
2 graduate school admissions test; and

3 “(iii) the student is completing
4 coursework and other requirements nec-
5 essary to begin a career in teaching, or
6 plans to complete such coursework and re-
7 quirements prior to graduating; or

8 “(B) if the applicant is a current or pro-
9 spective teacher applying for a grant to obtain
10 a graduate degree—

11 “(i) the applicant is a teacher or a re-
12 tiree from another occupation with exper-
13 tise in a field in which there is a shortage
14 of teachers, such as math, science, special
15 education, English language acquisition, or
16 another high-need subject; or

17 “(ii) the applicant is or was a teacher
18 who is using high-quality alternative cer-
19 tification routes, such as Teach for Amer-
20 ica, to get certified.

21 “(3) DEMONSTRATION OF BONUS TEACH GRANT
22 ELIGIBILITY.—Each application submitted under
23 paragraph (1) for a Bonus TEACH Grant shall con-
24 tain such information as is necessary to demonstrate
25 that—

1 “(A) the applicant is eligible for, and has
2 applied for, a TEACH Grant; and

3 “(B) the applicant is—

4 “(i) a student pursuing an under-
5 graduate degree in mathematics, science,
6 or a science-related field; and

7 “(ii) a student enrolled in a qualified
8 teacher preparation program, as defined in
9 section 420N.

10 “(b) AGREEMENTS TO SERVE.—Each application
11 under subsection (a) shall contain or be accompanied by
12 an agreement by the applicant that—

13 “(1) the applicant will—

14 “(A) serve as a full-time teacher for a total
15 of not less than 4 academic years within 8
16 years after completing the course of study for
17 which the applicant received a TEACH Grant
18 under this subpart;

19 “(B) teach in a school described in section
20 465(a)(2)(A);

21 “(C) with respect to an applicant for—

22 “(i) TEACH Grants, teach in any of
23 the following fields: mathematics, science,
24 a foreign language, bilingual education, or
25 special education, or as a reading spe-

1 cialist, or another field documented as
2 high-need by the Federal Government,
3 State government, or local education agen-
4 cy and approved by the Secretary; or

5 “(ii) TEACH Grants and Bonus
6 TEACH Grants, teach mathematics,
7 science, or a science-related field;

8 “(D) submit evidence of such employment
9 in the form of a certification by the chief ad-
10 ministrative officer of the school upon comple-
11 tion of each year of such service; and

12 “(E) comply with the requirements for
13 being a highly qualified teacher as defined in
14 section 9101 of the Elementary and Secondary
15 Education Act of 1965; and

16 “(2) in the event that the applicant is deter-
17 mined to have failed or refused to carry out such
18 service obligation, the sum of the amounts of any
19 TEACH Grants and Bonus TEACH Grants received
20 by such applicant will be treated as a loan and col-
21 lected from the applicant in accordance with sub-
22 section (c) and the regulations thereunder.

23 “(c) REPAYMENT FOR FAILURE TO COMPLETE SERV-
24 ICE.—In the event that any recipient of a grant under this
25 subpart fails or refuses to comply with the service obliga-

1 tion in the agreement under subsection (b), the sum of
2 the amounts of any TEACH Grants and Bonus TEACH
3 Grants received by such recipient shall be treated as a Di-
4 rect Loan under part D of title IV, and shall be subject
5 to repayment, together with interest thereon accruing
6 after the period of service, in accordance with terms and
7 conditions specified by the Secretary in regulations under
8 this subpart.

9 **“SEC. 420N. DEFINITIONS.**

10 “For the purposes of this subpart:

11 “(1) ELIGIBLE INSTITUTION.—The term ‘eligi-
12 ble institution’ means an institution of higher edu-
13 cation as defined in section 102, except that such
14 term does not include an institution described in
15 subsection (a)(1)(A) of that section.

16 “(2) QUALIFIED TEACHER PREPARATION PRO-
17 GRAM.—The term ‘qualified teacher preparation pro-
18 gram’ means a program for students described in
19 subsection (a)(2)(A) of section 420M or teachers de-
20 scribed in subsection (a)(2)(B) of such section (re-
21 ferred to jointly in this paragraph as ‘teacher can-
22 didates’) that—

23 “(A) recruits and prepares teacher can-
24 didates who major in science, technology fields,
25 engineering, or mathematics disciplines to be-

1 come certified as elementary and secondary
2 teachers in those disciplines, with the goals of
3 improving teacher knowledge and effectiveness
4 and increasing elementary and secondary stu-
5 dent academic achievement;

6 “(B) is implemented by an institution of
7 higher education in partnership with high-need
8 local educational agencies;

9 “(C) offers a baccalaureate degree with a
10 concurrent teacher certification to teacher can-
11 didates;

12 “(D) is implemented in coordination with
13 the faculty of the education, sciences, and
14 mathematics departments of the institution of
15 higher education;

16 “(E) utilizes experienced teachers who
17 have a demonstrated record of success in teach-
18 ing underserved students to instruct teacher
19 candidates in science, technology fields, engi-
20 neering, or mathematics disciplines;

21 “(F) provides teacher candidates with—

22 “(i) support services, including men-
23 toring by experienced teachers who have a
24 demonstrated record of success in teaching
25 underserved students;

1 “(ii) exposure to, and field experience
2 in, the classroom within the first year of
3 entering the qualified teacher preparation
4 program; and

5 “(iii) other related support practices
6 while the teacher candidates are partici-
7 pating in the program, and after such can-
8 didates graduate from the institution of
9 higher education and are employed as
10 teachers;

11 “(G) participates in partnerships which in-
12 clude the institution of higher education and
13 local educational agencies and charter districts
14 to provide opportunities for teacher candidate
15 field work;

16 “(H) focuses on increasing the number of
17 teachers in the science, technology fields, engi-
18 neering, or mathematics disciplines; and

19 “(I) encourages individuals from underrep-
20 resented populations to enter into the teaching
21 profession.

22 **“SEC. 4200. PROGRAM PERIOD AND FUNDING.**

23 “‘There shall be available to the Secretary to carry
24 out this subpart, from funds not otherwise appropriated,
25 such sums as may be necessary to provide TEACH Grants

1 and Bonus TEACH Grants in accordance with this sub-
2 part to each eligible student.”.

3 **PART B—CENTERS OF EXCELLENCE**

4 **SEC. 311. CENTERS OF EXCELLENCE.**

5 Title II (20 U.S.C. 1021 et seq.) is amended by add-
6 ing at the end the following:

7 **“PART C—CENTERS OF EXCELLENCE**

8 **“SEC. 231. DEFINITIONS.**

9 “As used in this part:

10 “(1) ELIGIBLE INSTITUTION.—The term ‘eligi-
11 ble institution’ means—

12 “(A) an institution of higher education
13 that has a teacher preparation program that
14 meets the requirements of section 203(b)(2)
15 and that is—

16 “(i) a part B institution (as defined in
17 section 322);

18 “(ii) a Hispanic-serving institution (as
19 defined in section 502);

20 “(iii) a Tribal College or University
21 (as defined in section 316);

22 “(iv) an Alaska Native-serving institu-
23 tion (as defined in section 317(b)); or

24 “(v) a Native Hawaiian-serving insti-
25 tution (as defined in section 317(b));

1 “(B) a consortium of institutions described
2 in subparagraph (A); or

3 “(C) an institution described in subpara-
4 graph (A), or a consortium described in sub-
5 paragraph (B), in partnership with any other
6 institution of higher education, but only if the
7 center of excellence established under section
8 232 is located at an institution described in
9 subparagraph (A).

10 “(2) HIGHLY QUALIFIED.—The term ‘highly
11 qualified’ when used with respect to an individual
12 means that the individual is highly qualified as de-
13 termined under section 9101 of the Elementary and
14 Secondary Education Act of 1965 (20 U.S.C. 7801)
15 or section 602 of the Individuals with Disabilities
16 Education Act (20 U.S.C. 1401).

17 “(3) SCIENTIFICALLY BASED READING RE-
18 SEARCH.—The term ‘scientifically based reading re-
19 search’ has the meaning given such term in section
20 1208 of the Elementary and Secondary Education
21 Act of 1965 (20 U.S.C. 6368).

22 “(4) SCIENTIFICALLY BASED RESEARCH.—The
23 term ‘scientifically based research’ has the meaning
24 given such term in section 9101 of the Elementary

1 and Secondary Education Act of 1965 (20 U.S.C.
2 7801).

3 **“SEC. 232. CENTERS OF EXCELLENCE.**

4 “(a) PROGRAM AUTHORIZED.—From the amounts
5 appropriated to carry out this part, the Secretary is au-
6 thorized to award competitive grants to eligible institu-
7 tions to establish centers of excellence.

8 “(b) USE OF FUNDS.—Grants provided by the Sec-
9 retary under this part shall be used to ensure that current
10 and future teachers are highly qualified, by carrying out
11 one or more of the following activities:

12 “(1) Implementing reforms within teacher prep-
13 aration programs to ensure that such programs are
14 preparing teachers who are highly qualified, are able
15 to understand scientifically based research, and are
16 able to use advanced technology effectively in the
17 classroom, including use for instructional techniques
18 to improve student academic achievement, by—

19 “(A) retraining faculty; and

20 “(B) designing (or redesigning) teacher
21 preparation programs that—

22 “(i) prepare teachers to close student
23 achievement gaps, are based on rigorous
24 academic content, scientifically based re-
25 search (including scientifically based read-

1 ing research), and challenging State stu-
2 dent academic content standards; and

3 “(ii) promote strong teaching skills.

4 “(2) Providing sustained and high-quality
5 preservice clinical experience, including the men-
6 toring of prospective teachers by exemplary teachers,
7 substantially increasing interaction between faculty
8 at institutions of higher education and new and ex-
9 perienced teachers, principals, and other administra-
10 tors at elementary schools or secondary schools, and
11 providing support, including preparation time, for
12 such interaction.

13 “(3) Developing and implementing initiatives to
14 promote retention of highly qualified teachers and
15 principals, including minority teachers and prin-
16 cipals, including programs that provide—

17 “(A) teacher or principal mentoring from
18 exemplary teachers or principals; or

19 “(B) induction and support for teachers
20 and principals during their first 3 years of em-
21 ployment as teachers or principals, respectively.

22 “(4) Awarding scholarships based on financial
23 need to help students pay the costs of tuition, room,
24 board, and other expenses of completing a teacher
25 preparation program.

1 “(5) Disseminating information on effective
2 practices for teacher preparation and successful
3 teacher certification and licensure assessment prepa-
4 ration strategies.

5 “(6) Activities authorized under sections 202,
6 203, and 204.

7 “(c) APPLICATION.—Any eligible institution desiring
8 a grant under this section shall submit an application to
9 the Secretary at such a time, in such a manner, and ac-
10 companied by such information the Secretary may require.

11 “(d) MINIMUM GRANT AMOUNT.—The minimum
12 amount of each grant under this part shall be \$500,000.

13 “(e) LIMITATION ON ADMINISTRATIVE EXPENSES.—
14 An eligible institution that receives a grant under this part
15 may not use more than 2 percent of the grant funds for
16 purposes of administering the grant.

17 “(f) REGULATIONS.—The Secretary shall prescribe
18 such regulations as may be necessary to carry out this
19 part.

20 **“SEC. 233. APPROPRIATIONS.**

21 “There shall be available to the Secretary, from funds
22 not otherwise appropriated, \$50,000,000 for the period
23 beginning with fiscal year 2008 and ending with fiscal
24 year 2012, to carry out this part beginning with academic
25 year 2008–2009, which shall remain available until ex-

1 pended. The authority to carry out this part shall expire
2 at the end of fiscal year 2012.”.

3 **TITLE IV—COLLEGE ACCESS**
4 **CHALLENGE GRANT PROGRAM**

5 **SEC. 401. COLLEGE ACCESS CHALLENGE GRANTS.**

6 (a) CHALLENGE GRANT PROGRAM ESTABLISHED.—

7 (1) PROGRAM ESTABLISHED.—The Secretary
8 shall establish a program to award matching grants
9 to philanthropic organizations to increase the num-
10 ber of eligible students from underserved populations
11 who enter and complete college by providing grants
12 to philanthropic organizations who are members of
13 eligible consortia to carry out the activities of the
14 consortia to achieve this purpose, including—

15 (A) providing need-based grants to eligible
16 students;

17 (B) providing support to eligible students
18 through school- or institution-based mentoring
19 programs; and

20 (C) conducting outreach programs to en-
21 courage eligible students to pursue higher edu-
22 cation.

23 (2) GRANT PERIOD; RENEWABILITY.—Grants
24 under this section shall be awarded for one 5-year
25 period, and may not be renewed.

1 (3) GRANT AMOUNTS.—

2 (A) IN GENERAL.—A grant awarded under
3 this part for a given fiscal year to a philan-
4 thropic organization shall be in an amount
5 equal to lesser of—

6 (i) 200 percent of the amount of char-
7 itable gifts received in the preceding fiscal
8 year by the eligible consortia, including
9 charitable gifts received by the individual
10 members of the consortia; or

11 (ii) the maximum grant amount estab-
12 lished by the Secretary by regulation, pur-
13 suant to subsection (f).

14 (B) GIFTS PROVIDED IN CASH OR IN-
15 KIND.—For the purposes of subparagraph (A),
16 the charitable gifts received by an eligible con-
17 sortia and its members may be provided in cash
18 or in-kind, including physical non-cash con-
19 tributions of monetary value such as property,
20 facilities, and equipment, but excluding services.

21 (b) USES OF GRANT.—

22 (1) IN GENERAL.—A philanthropic organization
23 receiving a grant under this section shall—

24 (A) provide grants to eligible students; and

1 (B) distribute grants to members of the
2 consortia with which the philanthropic organiza-
3 tion is affiliated, in accordance with the plan
4 described in subsection (c)(2)(A), to fund the
5 activities of such consortia in accordance with
6 the application under subsection (c).

7 (2) LIMITATION.—Not more than 15 percent of
8 the funds made available annually through a grant
9 under this section may be used for administrative
10 purposes.

11 (c) APPLICATIONS.—A philanthropic organization de-
12 siring a grant under this section shall submit an applica-
13 tion to the Secretary at such time, in such manner, and
14 containing such information as the Secretary may require.
15 Such application shall include the following:

16 (1) A description of an eligible consortia that
17 meets the requirements of subsection (d), with which
18 the philanthropic organization is affiliated, in ac-
19 cordance with subsection (g).

20 (2) A detailed description of—

21 (A) the philanthropic organization's plans
22 for distributing the matching grant funds
23 among the members of the eligible consortia;
24 and

1 (B) the eligible consortia's plans for using
2 the matching grant funds, including how the
3 funds will be used to provide financial aid, men-
4 toring, and outreach programs to eligible stu-
5 dents.

6 (3) A plan to ensure the viability of the eligible
7 consortia and the work of the consortia beyond the
8 grant period.

9 (4) A detailed description of the activities that
10 carry out this section that are conducted by the eli-
11 gible consortia at the time of the application, and
12 how the matching grant funds will assist the eligible
13 consortia with expanding and enhancing such activi-
14 ties.

15 (5) A description of the organizational structure
16 that will be used to administer the activities carried
17 out under the plan, including a description of the
18 system used to track the participation of students
19 who receive grants to degree completion.

20 (6) A description of the strategies that will be
21 used to identify eligible students who are enrolled in
22 secondary school and who may benefit from the ac-
23 tivities of the eligible consortia.

1 (d) ELIGIBLE CONSORTIA.—An eligible consortia
2 with which a philanthropic organization is affiliated for
3 the program under this section shall—

4 (1) be a partnership of multiple entities that
5 have agreed to work together carry out this section,
6 including—

7 (A) such philanthropic organization, which
8 shall serve as the manager of the consortia;

9 (B) a State that demonstrates a commit-
10 ment to ensuring the creation of a Statewide
11 system to address the issues of early interven-
12 tion and financial support for eligible students
13 to enter and remain in college; and

14 (C) at the discretion of the philanthropic
15 organization described in subparagraph (A), ad-
16 ditional partners, including other non-profit or-
17 ganizations, government entities (including local
18 municipalities, school districts, cities, and coun-
19 ties), institutions of higher education, and other
20 public or private programs that provide men-
21 toring or outreach programs; and

22 (2) conducts activities to assist eligible students
23 with entering and remaining in college, which in-
24 clude—

1 (A) providing need-based grants to eligible
2 students;

3 (B) providing early notification to low-in-
4 come students of their potential eligibility for
5 Federal financial aid, as well as financial aid
6 and other support available from the eligible
7 consortia;

8 (C) encouraging increased eligible student
9 participation in higher education through men-
10 toring or outreach programs; and

11 (D) conducting marketing and outreach ef-
12 forts that are designed to—

13 (i) encourage full participation of eli-
14 gible students in the activities of the con-
15 sortia that carry out the purposes of this
16 section; and

17 (ii) provide the communities impacted
18 by the activities of the consortia with a
19 general knowledge about the efforts of the
20 consortia.

21 (e) ANNUAL REPORT.—A philanthropic organization
22 receiving a grant under this section shall prepare and sub-
23 mit an annual report to the Secretary on the activities car-
24 ried out with such grant. The report shall include—

1 (1) each activity that was provided to eligible
2 students over the course of the year;

3 (2) the cost of providing each such activity;

4 (3) the number and percentage of eligible stu-
5 dents who received grants, mentoring, and outreach
6 services; and

7 (4) the total amount of charitable gifts received
8 by the eligible consortia (including its members)
9 with which the philanthropic organization is affili-
10 ated for the fiscal year.

11 (f) REGULATIONS.—The Secretary shall promulgate
12 regulations to carry out this section. Such regulations
13 shall include—

14 (1) the maximum grant amount that may be
15 awarded to a philanthropic organization under this
16 section;

17 (2) the minimum amount of chartable gifts an
18 eligible consortia (including its members) shall re-
19 ceive in a fiscal year for the philanthropic organiza-
20 tion affiliated with such consortia to be eligible for
21 a grant under this section.

22 (g) DEFINITIONS.—For the purposes of this section:

23 (1) ELIGIBLE STUDENT.—The term “eligible
24 student” means an individual who—

1 (A) is a member of an underserved popu-
2 lation;

3 (B) is enrolled—

4 (i) in a secondary school pursuing a
5 high school diploma; or

6 (ii) in an institution of higher edu-
7 cation or is planning to attend an institu-
8 tion of higher education; and

9 (C) either—

10 (i) is receiving, or has received, finan-
11 cial assistance or support services from the
12 consortium; or

13 (ii) meets 2 or more of the following
14 criteria:

15 (I) Has an expected family con-
16 tribution equal to zero (as described
17 in section 479) or a comparable alter-
18 native based upon the State's ap-
19 proved criteria in section 415C(b)(4).

20 (II) Has qualified for a free
21 lunch, or at the State's discretion a
22 reduced price lunch, under the school
23 lunch program established under the
24 Richard B. Russell National School
25 Lunch Act.

1 (III) Qualifies for the State's
2 maximum need-based undergraduate
3 award.

4 (IV) Is participating in, or has
5 participated in, a Federal, State, in-
6 stitutional, or community mentoring
7 or outreach program, as recognized by
8 the eligible consortia carrying out ac-
9 tivities under this section.

10 (2) PHILANTHROPIC ORGANIZATION.—The term
11 “philanthropic organization” means a non-profit or-
12 ganization—

13 (A) that does not receive funds under title
14 IV of the Higher Education Act of 1965 or
15 under the Elementary and Secondary Education
16 Act of 1965;

17 (B) that is not a local educational agency
18 or an institution of higher education;

19 (C) that has a demonstrated record of dis-
20 persing grant aid to underserved populations to
21 ensure access to, and participation in, higher
22 education;

23 (D) that is affiliated with an eligible con-
24 sortia (as defined in subsection (e)) to carry out
25 this section; and

1 (E) the primary purpose of which is to
2 provide financial aid and support services to
3 students from underrepresented populations to
4 increase the number of such students who enter
5 and remain in college.

6 (3) STATE.—The term “State” means each of
7 the several States of the United States, the District
8 of Columbia, and Puerto Rico.

9 (4) UNDERSERVED POPULATION.—The term
10 “underserved population” means a group of individ-
11 uals who traditionally have not been well represented
12 in the general population of students who pursue
13 and successfully complete a higher education degree.

14 (h) PROGRAM FUNDING.—

15 (1) IN GENERAL.—There shall be available to
16 the Secretary to carry out this section, from funds
17 not otherwise appropriated, \$300,000,000 for the
18 period beginning with fiscal year 2008 and ending
19 with fiscal year 2012.

20 (2) USE OF EXCESS FUNDS.—If, at the end of
21 a fiscal year, the funds available for awarding grants
22 under this section exceed the amount necessary to
23 make such grants, then all of the excess funds shall
24 remain available for the subsequent fiscal year, and
25 shall be used to award grants under section 401 of

1 the Higher Education Act of 1965 (20 U.S.C.
2 1070a) for such subsequent fiscal year.

3 (i) SUNSET.—The authority to carry out this section
4 shall expire at the end of fiscal year 2012.