House HEA Bill Appears to be Full of Problems

House Education and the Workforce Committee Chairman John Boehner (R-Ohio) and subcommittee chair Buck McKeon (R-Calif.) have introduced a controversial blueprint for the reauthorization of the Higher Education Act (HEA). “The College Access & Opportunity Act,” H.R. 4283, was introduced on May 5.

The bill, as introduced, proposes to change the relationship between the federal government and colleges in many areas that have not been addressed before in the Higher Education Act, including price setting, awarding of academic credit, and governance.

The bill would also greatly increase the federal requirements that accreditors must follow in order to be eligible for federal recognition. Accreditors would be responsible for enforcing rules on distance education, student learning outcomes, governance, transfer of credit, and the production of a new “College Consumer Profile.”

While the bill puts traditional higher education under the federal microscope, it rolls back many of the restrictions placed on for-profit schools in response to the fraud and abuse of student aid funds in the late 1980s. The 90-10 rule, which requires for-profit schools to receive at least 10 percent of revenues from sources other than Title IV funds, would be history; the 50 percent cap on distance education would also disappear. The current distance education demonstration would be used to bring correspondence schools back into the student aid program. The bill also creates a single definition of “institution of higher education,” removing the distinction between nonprofit and for-profit colleges.

Although H.R. 4283 is mostly bad news, it includes some improvements: modest increases in loan limits for the first two years of undergraduate study and for graduate students, and continuation of the core student aid programs. It also reinstates the waiver for low-default schools of the 30-day delay and multiple disbursement requirements for student loans.

A hearing on the bill is scheduled for May 12, and sponsors hope for a subcommittee markup before Memorial Day. It is not clear how many members of the committee support the bill.

A brief summary of the bill’s major provisions appears on page 2. The full text can be found on the NAICU Web site at http://www.naicu.edu/heafinal5-5-04.pdf.

For information on accountability provisions, contact Susan Hattan at NAICU, (202) 785-8866, or susan@naicu.edu; on student aid, contact Maureen Budetti, (202) 785-8866, or maureen@naicu.edu.

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Still No Budget Deal

After three weeks of start-and-stop talks, budget negotiators and House and Senate leaders still have no deal on the FY 2005 budget resolution.

It is our understanding that negotiators have removed the $3.7 billion reserve fund to pay for the Pell Grant shortfall because the scoring language was stripped on the Senate floor. (See WIR #5, 3/16/04.) The $5 billion reserve fund for changes to the student loan programs in the reauthorization of the Higher Education Act may still be in play, but may require offsets that it did not originally have. The addition would be on paper only, and provide no new student loan funds.

But the bigger problem holding up the budget is how to pay for tax cuts. The balance is off between finding a way to account for tax cuts that expire this year, and having enough votes to pass the resolution in the Senate.

While the congressional leadership would like to get this settled soon, it will not hold up the spending bills. If no budget resolution is passed by May 15, the House Appropriations Committee can start writing its bills.

For more information, please contact Stephanie Giesecke at NAICU, (202) 785-8866 or stephanie@naicu.edu.
Key Features of House HEA Reauthorization Bill (H.R. 4283)

Student Aid
- Raises freshman loan limits from $2,625 to $3,500; sophomore limits from $3,500 to $4,500; and graduate annual unsubsidized loan limits from $10,000 to $12,000. No change in cumulative amounts. Increases annual Perkins borrowing limits by $1,500 in the first two years, and $2,000 in subsequent years. Increases the aggregate by $20,000.
- Makes the interest rate on all student loans variable.
- Lowers the origination fees on student loans to 1 percent over the life of the bill.
- Reinstates the 30-day delay and multiple disbursement rule waiver on loans at low-default institutions.
- Freeze (through AY 2011) the maximum Pell Grant that Congress is allowed to fund at the current (AY 2004) level of $5,800. (Note: Congress currently funds the maximum at $4,050, but the authorization typically is set much higher and increases each year.)
- Repeal tuition sensitivity in the Pell Grant program.
- Provides an extra $1,000 Pell Grant program.
- Provides an extra $1,000 Pell Grant in the first two years of college to students who complete a high school curriculum developed by their state or school district in consultation with a grantee of the State Scholars Program, provided they maintain a B average during their first year.
- Phases out the hold-harmless provision for campus-based aid over the next 10 years. Phase-out would begin in FY 2007 and be reduced by 20 percent every two years, until it reaches zero in 2015.
- Level-funds the Perkins Loan Program, and provides modest increases in the authorizations for SEOG and Federal Work-Study. Preserves the current LEAP Program as is.
- Expands the simple needs test for low-income families.
- Provides equitable need analysis treatment for college savings and prepaid tuition programs.
- Limits the current restriction on student aid funds for drug offenders to students whose drug offense is committed while in college and on student aid.

Accountability
- Includes a sense of Congress resolution (not legislatively binding) that colleges should assure that students are evaluated without regard to political or religious beliefs; instruction, speakers, and activities include diverse viewpoints; and students are not adversely treated by schools because of their beliefs in any activity of the school, including those not sanctioned by the school. (See pp. 18-20.)
- Makes extensive changes to accreditation, including allowing states to become accreditors. Accreditors would enforce federal policy on distance education, student learning outcomes, governance, public information (including an extensive new College Consumer Profile), and transfer of credit. Accreditors are required to provide new information on the selection process for accreditation teams, including the names and professional histories of team members. (See pp. 160-169.)
- Requires each college to publicly disclose its transfer of credit policy, which cannot deny credit transfers based solely on the sending institution's accreditor, and must be based on whether the student reached the receiving school's level of proficiency in the course and whether the course meets the publicly disclosed objective criteria of the institution. (Note: This language does not read clearly.) Enforcement is through accreditation. Schools must also disclose, on a three-year rolling average, the percentage of credits accepted in transfer and fully counted toward degree, disaggregated by four categories of accreditation. (See pp. 140, 142-144, 164-5, 166, 168, 196.)
- Includes the college cost provisions introduced by Mckean last year, without the Title IV student aid penalties. Colleges that exceed Mckean’s affordability index must submit plans for reducing their tuition and fees. If a school continues to exceed this index, it will be penalized, including public disclosure of its financing and placement on an “Affordability Alert Status.” The college also may be audited by the inspector general of the Department of Education. (See pp. 21-32.)
- Creates extensive new disclosure requirements for colleges. (See pp. 137-144, 167-169.)
- Creates a single definition of “institution of higher education,” both for-profit and nonprofit; removes the rule that at least 10 percent of a for-profit school’s revenue must come from a source other than federal student aid funds; and removes the 50 percent limitation on the number of courses a school can offer through distance education. (See pp. 5-18.)
- Requires a study of the best practices of states in assessing undergraduate learning outcomes related to public accountability. The study includes an examination of the viability of a test of general undergraduate education, conducted by an association with knowledge of state practices. (See pp. 201-203.)
- Eliminates the secretary of education’s ability to reduce the academic year for degree-granting institutions from 30 to 26 weeks. Reduces the minimum number of weeks for all clock hour schools from 30 to 26 weeks.