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**H.R. 3221**

**Title:** To amend the Higher Education Act of 1965, and for other purposes.

**Sponsor:** [Rep Miller, George](#) [CA-7] (introduced 7/15/2009) [Cosponsors](#) (41)

**Related Bills:** [H.RES.746](#)

**Latest Major Action:** 9/22/2009 Referred to Senate committee. Status: Read twice and referred to the Committee on Health, Education, Labor, and Pensions.

**House Reports:** [111-232](#)

**SUMMARY AS OF:**

7/27/2009--Reported to House amended. (There is 1 [other summary](#))

Student Aid and Fiscal Responsibility Act of 2009 - **Title I: Investing in Students and Families - Subtitle A: Increasing College Access and Completion** - (Sec. 101) Amends the Higher Education Act of 1965 to authorize and appropriate such sums as may be necessary to fully fund maximum Pell Grant amounts, beginning in FY2010.

Ties increases in the maximum Pell Grant amount, beginning in 2011, to increases in the Consumer Price Index, plus 1%.

(Sec. 102) Amends part E (College Access Challenge Grant program) of title VII of the Act to create a new part E (College Access and Completion Innovation Fund) that includes the College Access Challenge Grant program, a new State Innovation and Completion Grants program, and a new Innovation in College Access and Completion National Activities Grants program.

Directs the Secretary of Education (Secretary) to award competitive matching State Innovation and Completion grants to states to: (1) implement activities and services that increase students' persistence in and completion of postsecondary school, particularly students now underrepresented at such schools; and (2) develop an interoperable statewide longitudinal data system to track students success in postsecondary schools and the workforce.

Permits states to make subgrants to nonprofit organizations in their state, including student loan guaranty agencies, to implement the program.

Gives grant priority to states that partner with philanthropic organizations or student loan guaranty agencies to implement the program.

Requires states to use at least one-third of program funding for activities benefiting students at two-year institutions of higher education (IHEs).

Directs the Secretary to award competitive Innovation in College Access and Completion National Activities grants to IHEs, states, nonprofit organizations, philanthropic organizations, and TRIO grantees for innovative programs that advance knowledge about, and adoption of, policies and practices that increase the number of individuals with postsecondary degrees or certificates.

Includes among such programs those providing students with supplemental grant or loan benefits.

Gives grant priority to programs that: (1) serve underrepresented students; (2) are offered by IHEs that do not predominantly award bachelor's degrees; (3) increase degree or certificate completion in the fields of science, technology, engineering, and mathematics; or (4) encourage constructive partnerships between IHEs with high degree completion rates and those without such rates.

Authorizes and appropriates specified funds for FY2010-FY2014 for part E programs, dedicating 25% of such funds to the College Access Challenge Grant program, 50% to the State Innovation and Completion Grants program, 23% to the Innovation in College Access and Completion National Activities Grants program, and 2% for the evaluation of such programs by the Director of the Institute of Education Sciences.

Directs the Secretary to award competitive grants to IHEs that have at least 100 full-time students who are veterans so that they can hire Veterans Resource Officers to increase their veterans' college completion rates. Requires schools to give priority to hiring veterans to fill such positions.

Authorizes such sums as may be necessary for the Veterans Resource Officer Grants program for FY2010 and thereafter.

(Sec. 103) Extends funding for grants to historically Black colleges and universities and other minority-serving institutions through FY2019.

Sets aside \$10 million of such funds each fiscal year for YES Partnership grants, which are for use in encouraging underrepresented minority or low-income students in kindergarten through grade 12 to pursue careers in science,



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technology, engineering, and mathematics (STEM) through outreach and hands-on, experiential-based learning projects.

(Sec. 104) Authorizes and appropriates additional FY2010 funding for Cooperative Education programs that provide students with alternating or parallel periods of study and employment.

(Sec. 105) Directs the Secretary to provide title IV (Student Assistance) grant repayment waivers and loan forgiveness to students for grant or loan periods for which they do not earn credit due to active duty in the Armed Forces.

(Sec. 106) Requires the Secretary to award supplemental grants to veterans who are eligible for veterans' educational benefits but are enrolled at private IHEs in a state with a zero, or very low, maximum tuition charge per credit hour compared to the maximum tuition charge per credit hour in all other states.

Sets such grant amount at the difference between the veterans' educational assistance such veteran receives and the amount the veteran would receive if enrolled at the public IHE that charges the highest fees in the state.

**Subtitle B: Student Financial Aid Form Simplification** - (Sec. 121) Makes revisions to title IV student need analyses, which become effective after June 2011.

(Sec. 122) Establishes a \$150,000 asset cap on student eligibility for Pell grants, loans under the part D Direct Loan (DL) program, or work assistance under title IV.

Bases such cap on combined student and parent assets for dependent students and combined student and spouse assets for independent students.

Adjusts the cap annually for inflation.

Eliminates assets from the need analyses of students whose family assets do not equal or exceed the cap.

(Sec. 123) Excludes child support, workman's compensation, veteran's benefits, living allowances, cash support or money paid on a student's behalf, and other untaxed income and benefits from student need analyses.

Excludes employee pension benefit plans from assets.

Preserves the student aid eligibility of students convicted of possessing, rather than selling, controlled substances.

**Title II: Student Loan Reform - Subtitle A: Stafford Loan Reform** - (Sec. 201) Prohibits any new loans from being made or insured under the part B Federal Family Education Loan (FFEL) program after June 2010.

(Sec. 206) Allows borrowers that have loans consolidated under the FFEL program to receive loans consolidated under the DL program.

(Sec. 210) Changes, subject to lender approval, the underlying index for calculating special allowance payments to FFEL lenders for loans first disbursed on or after January 1, 2000, and before July 1, 2010, from three-month commercial paper (CP) rates to the one-month London Inter Bank Offered Rate (LIBOR). (Special allowance payments are made to FFEL lenders to compensate them for the difference between FFEL interest rates and market rates.)

Makes such change applicable to the calendar quarter beginning on October 1, 2009.

(Sec. 211) Requires DLs for students and the parents of students attending IHEs outside of this country to be disbursed through a financial institution located in this country which is designated by the Secretary to receive DL funds and transfer them to such schools.

(Sec. 214) Directs the Secretary to award DL servicing contracts pursuant to a competitive bidding process that includes nonprofit servicers and takes into account price and servicing ability. Provides that such process may take into account servicers' ability to provide default aversion and outreach services.

Requires the Secretary to: (1) provide job retention incentive payments to servicers that give hiring priority to individuals from locations at which the servicers performed FFEL origination or servicing activities on the date of this Act's enactment; and (2) consider servicers retention of highly qualified employees as a positive factor when determining their loan allocation.

Directs the Secretary to contract with each nonprofit servicer that has its principal place of business in a state to service the DLs of borrowers attending schools within such state, provided its services meet federal standards and are offered at competitive rates. Provides that competitive rates are to be determined by the Secretary and may take into account the volume of loans serviced by the servicer. Establishes a formula for allocating a minimum amount of business to a nonprofit servicers.

Requires the Secretary to report to Congress within three years of this Act's enactment on the performance of nonprofit DL servicers.

(Sec. 215) Establishes variable interest rates on DLs made to undergraduate students after June 2012.

Sets a 6.8% cap on such rates, which are to be calculated on the basis of the bond equivalent rate of 91-day Treasury bills, plus 2.5%.

**Subtitle B: Perkins Loan Reform** - (Sec. 221) Replaces the Perkins Loans program under part E, after June 2010, with a

Direct Perkins Loans program under part D that provides loans that continue to carry the 5% interest rate and loan limits of the part E program, but otherwise have the same terms and conditions as Direct Unsubsidized Stafford loans. (The interest on unsubsidized loans accrues while the borrower is in school.)

(Sec. 224) Allocates up to \$6 billion of loan authority annually among IHEs that are eligible to participate in the DL program and enter into agreements with the Secretary to make Direct Perkins Loans to eligible students.

Allocates loan authority to eligible IHEs pursuant to a three-part formula, with: (1) one-half allocated on the basis of the financial need of an school's students; (2) one-quarter allocated on the basis of its efforts at keeping tuition and fees low or providing nonfederal need-based grant aid; and (3) one-quarter allocated on the basis of the school's success at graduating Pell Grant recipients.

Provides each IHE that previously participated in the part E Perkins Loan program with a minimum Direct Perkins Loan authority amount equal to the average amount of Perkins Loans it awarded to students for the most recent five years.

(Sec. 225) Gives IHEs an annual payment to cover administrative expenses of servicing old part E Perkins Loans that equals 0.5% of the outstanding principal and interest of such loans.

Requires IHEs participating in the Direct Perkins Loan program to pay matching funds on a quarterly basis, in an amount agreed to by the school and the Secretary, to an escrow account for purposes of providing loan benefits to borrowers.

(Sec. 228) Requires a capital distribution of the balance of each IHE's part E Perkins Loan fund beginning on July 1, 2010, with the federal contribution paid to the Secretary and the school's contribution returned to the school.

Permits IHEs, after June 2010, to assign all their outstanding part E Perkins Loans to the Secretary, who thereby assumes responsibility for servicing the loans and returning to the schools the proportion of the loan amount that was made from schools' capital contributions to the revolving loan fund.

(Sec. 229) Makes the following amendments affecting the application of the requirement that for-profit IHEs derive at least 10% of their revenues from non-title IV sources (the 90/10 rule) applicable through June 2012.

Continues to treat the revenue of for-profit IHEs that is derived from unsubsidized Direct Stafford Loan limit increases established under the Ensuring Continued Access to Student Loans Act of 2008 as being from non-title IV sources. (Such treatment was set to expire on July 1, 2011.)

Excludes from revenue calculations amounts for-profit IHEs receive under the new Direct Perkins Loans program.

Gives for-profit IHEs two (currently, one) consecutive years of failing the 90/10 rule before they are considered provisionally eligible, and three (currently, two) consecutive years of failure before becoming ineligible, to participate in title IV programs.

**Title III: Modernization, Renovation, and Repair - Subtitle A: Elementary and Secondary Education - Chapter 1: Grants for Modernization, Renovation, or Repair of Public School Facilities** - (Sec. 312) Requires the Secretary to make grants to states for the modernization, renovation, or repair of public schools, including early learning facilities and charter schools, to make them safe, healthy, high-performing, and technologically up-to-date.

Allocates grant funds among states on the basis of the relative portion of school improvement funds provided to local educational agencies (LEAs) in each state under the Elementary and Secondary Education Act of 1965.

Reserves 2% of the grant funds for assistance to outlying areas and Indian schools.

Reserves 5% of the grant funds for LEAs serving geographic areas with significant economic distress and those serving geographic areas recovering from a natural disaster.

Requires states to reallocate such grant funds to LEAs on the basis of each LEA's share of school improvement funds received by LEAs in the state for the previous fiscal year.

(Sec. 314) Allows LEAs to give priority to projects involving the abatement, removal, or interim control of asbestos, polychlorinated biphenyls, mold, mildew, lead-based hazards, or a proven carcinogen.

**Chapter 2: Supplemental Grants for Louisiana, Mississippi, and Alabama** - (Sec. 321) Requires the Secretary to make grants to LEAs in Louisiana, Mississippi, and Alabama for the construction, modernization, renovation, or repair of public schools, including early learning facilities and charter schools, to make them safe, healthy, high-performing, and technologically up-to-date.

Allocates grant funds among such LEAs on the basis of each LEA's share of infrastructure damage inflicted on public school facilities in such states by Hurricane Katrina or Rita in 2005.

**Chapter 3: General Provisions** - (Sec. 331) Prohibits LEAs from using this subtitle's grants: (1) for maintenance costs; (2) for facilities used primarily for events for which the public is charged admission or for which the purpose is not the education of children; (3) to supplant funds otherwise available for school modernization, renovation, repair, and construction efforts; or (4) to purchase carbon offsets.

(Sec. 333) Prohibits states from considering LEAs' receipt of this subtitle's grants in determining their eligibility for state aid or the amount of state aid they receive.

(Sec. 334) Conditions LEA grant eligibility on LEA and state spending for free public education remaining above specified levels. Requires states to reduce the amount of grant funds available to an LEA by the proportion by which the LEA's spending falls below such levels. Directs the Secretary to waive such maintenance of effort requirements if such waiver is justified by exceptional or uncontrollable circumstances, or the precipitous decline in an LEA's financial resources.

(Sec. 335) Requires grantees' contracting procedures for school modernization, renovation, repair, and construction to ensure the maximum number of qualified bidders through full and open competition.

(Sec. 336) Requires the iron and steel used in projects funded under this subtitle to have been produced in this country, subject to specified exceptions.

(Sec. 337) Requires all laborers and mechanics employed by contractors or subcontractors in the performance of work assisted under this subtitle to be paid wages at rates not less than those prevailing on similar work in the locality.

(Sec. 339) Directs LEA grantees to use at least 50% of their grant in FY2010 and 75% in FY2011 for public school modernization, renovation, repair, or construction that meets Leadership in Energy and Environmental Design (LEED) green building rating standards, Energy Star standards, Collaborative for High Performance Schools (CHPS) criteria, Green Building Initiative environmental design and rating standards (Green Globes), or equivalent standards adopted by the entities that have jurisdiction over such LEAs.

Requires the Secretary to provide outreach and technical assistance to states and LEAs concerning the best practices in school modernization, renovation, repair, and construction.

(Sec. 340) Directs: (1) LEAs to report annually to their states, and the public, on their use of such grant funds; (2) states to submit annually to the Secretary a compilation of the information received from their LEAs; and (3) the Secretary to report to Congress annually on grants made under this subtitle.

(Sec. 341) Prohibits the use of this subtitle's grants: (1) to employ workers who are illegal aliens or whose status has not been ascertained using the employment verification system; or (2) by LEAs that do not require a criminal background check on all their employees.

(Sec. 342) Requires the Secretary to work with grant recipients to promote appropriate opportunities for those enrolled in YouthBuild programs, Job Corps programs, community colleges, or certain preapprenticeship programs to gain employment experience on projects funded under this subtitle.

(Sec. 343) Directs the Secretary to establish an Advisory Council on Green, High-Performing Public School Facilities to provide the Secretary with advice on the academic, health, energy, and environmental impact of such schools and assistance in facilitating their creation.

(Sec. 344) Allows LEAs to encourage schools at which this subtitle's projects are being implemented to educate students about the project and its benefits.

(Sec. 345) Authorizes and appropriates funding for this subtitle's grant programs for FY2010-FY2011.

Prohibits the use of such funds for Congressional earmarks.

**Subtitle B: Higher Education** - (Sec. 351) Requires the Secretary to make grants to states for the construction, modernization, renovation, or repair of community college facilities.

Allocates grant funds to states on the basis of each state's share of students in who are enrolled in community colleges and who are pursuing a pre-baccalaureate degree or certificate.

Requires states to use such funds to: (1) reduce the financing costs of loans for construction, modernization, renovation, and repair; (2) provide matching funds to capital campaigns for such activities; or (3) capitalize a revolving loan fund to finance such activities.

Prohibits the use of grant funds for community college facilities that are not primarily used for instruction, research, or student housing.

Directs grantees to use 50% of such funding for construction, modernization, renovation, or repair that meets Leadership in Energy and Environmental Design (LEED) green building rating standards, Energy Star standards, Collaborative for High Performance Schools (CHPS) criteria, Green Building Initiative environmental design and rating standards (Green Globes), or equivalent standards adopted by the state.

Requires all laborers and mechanics employed by contractors or subcontractors in the performance of work assisted under this subtitle to be paid wages at rates not less than those prevailing on similar work in the locality.

Directs states to report to the Secretary and the Secretary to report to Congress annually on the use of this subtitle's grant funds.

Authorizes and appropriates FY2011 funds for this subtitle's grant program.

**Title IV: Early Learning Challenge Fund** - (Sec. 402) Requires the Secretary to award competitive matching: (1) Quality Pathways grants to states to implement quality initiatives that increase the number of disadvantaged children under age five in high-quality early learning programs and improve program oversight; and (2) Development grants to states to develop

the components of a standards-based early learning system that will allow them to compete for Quality Pathways grants.

Reserves 0.25% of this title's funding for competitive grants to Indian tribes for the development and implementation of school readiness plans that are coordinated with LEAs serving their children.

(Sec. 403) Establishes Quality Pathways grants as five-year grants which may be renewed on the basis of a state's progress in: (1) increasing the percentage of disadvantaged children in each age group who participate in high-quality early learning programs and the number of such programs in low-income communities; and (2) implementing a high-quality early learning system that improves the credentials of early learning providers and makes early learning standards and oversight applicable across a broad range of settings and providers.

Allow states that the Secretary certifies as having made sufficient progress in implementing grant requirements to apply to the Secretary to reserve up to 25% of their grant to expand disadvantaged children's access to the highest quality early learning programs that offer full-day services.

(Sec. 404) Establishes Development grants as nonrenewable three-year grants to assist states in developing a high-quality early learning system that improves the credentials of early learning providers and makes early learning standards and oversight applicable across a broad range of settings and providers.

(Sec. 405) Requires the Secretary, acting jointly with the Secretary of Health and Human Services, to: (1) establish a national commission to review and recommend benchmarks for early learning program quality and early learning and development standards; (2) conduct a national evaluation of this title's grants; (3) support a federal research collaborative which supports early learning research that can inform improved standards and child outcomes; and (4) evaluate barriers to improving the quality of early learning programs serving low-income children and disseminate relevant research findings and best practices.

(Sec. 406) Directs states to report to the Secretary and the Secretary to report to Congress annually on activities carried out under this title.

(Sec. 409) Authorizes and appropriates funds for this title's programs for FY2010-FY2017.

**Title V: American Graduation Initiative** - (Sec. 501) Authorizes and appropriates funds for this title's programs for FY2010-FY2019.

(Sec. 502) Gives grant priority under this title to applicants focused on serving low-income, nontraditional students who do not have a bachelor's degree and: (1) represent the first generation in their family to attend college; (2) have delayed college enrollment; (3) have dependents; (4) are independent students; (5) work at least 25 hours per week; or (6) are out-of-school youth without a high school diploma.

(Sec. 503) Directs the Secretary, in coordination with the Secretary of Labor, to award competitive matching four-year grants to eligible entities to carry out innovative programs, or programs of demonstrated effectiveness, that lead to the completion of a postsecondary degree, certificate, or industry-recognized credential leading to a skilled occupation in a high-demand industry.

Includes as eligible entities, community colleges, public four-year IHEs offering two-year degrees, public four-year IHEs in partnership with any of the aforementioned entities, and states in partnership with any of the aforementioned entities.

Requires grantees to carry out at least two of the following activities: (1) expand students' opportunities to earn bachelor's degrees by facilitating the transfer of credits between IHEs; (2) partner with employers to create or enhance academic or training programs for skilled occupations in high-demand industries; (3) provide support services to students; (4) create programs to provide a sequence of education and job training that leads to industry-recognized credentials; (5) strengthen linkages between secondary education and community colleges; (6) implement other innovative activities to increase degree and certificate completion rates and job training for skilled occupations in high-demand industries; and (7) improve the timeliness of the process to create degree and credential programs that are responsive to state and regional workforce needs.

Directs grantees to develop quantifiable benchmarks that are approved by the Secretary to gauge program effectiveness.

Requires community college grantees, to the extent practicable, to include on their course schedules information on which courses are transferable for credit toward the completion of a 4-year baccalaureate degree at a public IHE in their state.

Directs the Secretary to: (1) allocate funds to the Institute of Education Sciences to evaluate the effectiveness of grantee's programs by January 30, 2014; and (2) report to Congress annually regarding the use and effectiveness of such grants.

(Sec. 504) Directs the Secretary, in coordination with the Secretary of Labor, to award competitive matching six-year grants to states to implement the systematic reform of community colleges in their state by carrying out programs, policies, and services that the Secretary has determined to have demonstrated effectiveness based on the evaluation conducted by the Institute of Education Sciences.

Requires such grantees to: (1) have an plan for increasing college persistence and completion that includes community colleges; (2) have a statewide longitudinal data system that includes community college data; (3) have an articulation agreement for the transfer of credits between public IHEs in the state; (4) maintain funding for IHEs in the state at at least the level of such funding for the five preceding years; and (5) develop quantifiable benchmarks to gauge program effectiveness.

Terminates a state's grant after three years if the Secretary finds that it has not made demonstrable progress toward its benchmarks.

Directs state grantees to report annually to the Secretary and the Secretary of Labor on the progress of their reforms, and the Secretary submit a report to Congress six months after the end of the grant program summarizing the reports received from such states.

Expresses the sense of Congress that: (1) community colleges play an important role in preparing students to enter the workforce; (2) it is vital that all states have access to the resources and assistance needed to compete for these community college reform grants; and (3) the Secretary will provide states with any assistance and support they need to compete for such grants and will work to ensure that the grants are distributed in a fair and equitable manner.

(Sec. 505) Authorizes the Secretary to award competitive grants to, or contract with, IHEs, philanthropic organizations, and other appropriate entities to develop, evaluate, and disseminate freely-available high-quality online training, high school, and postsecondary courses.

Authorizes the Director of the Institute of Education Sciences award a grant to, or enter into a contract with, an organization with demonstrated expertise in researching and evaluating community colleges to establish and operate the Learning and Earning Research Center.

Requires the Center to: (1) develop standardized metrics, data elements, and data sharing protocols that facilitate the evaluation of community college programs and allow relevant data systems to be linked and interoperable; and (2) develop and disseminate materials analyzing best practices and research on successful postsecondary education and training efforts.

Authorizes the Secretary to award grants to states to establish cooperative agreements to develop, implement, and expand interoperable statewide longitudinal community college data systems that can be linked to other data systems, including elementary and secondary education and workforce data systems.

Directs the Secretary to report annually to Congress on the grants and contracts awarded to entities under this section.