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H. R. 6

One Hundred Fifth Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Tuesday, the twenty-seventh day of January, one thousand nine hundred and ninety-eight

An Act

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

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Higher Education Amendments of 1998".

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SEC. 2. REFERENCES.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment

to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

SEC. 3. GENERAL EFFECTIVE DATE.

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

TITLE I—GENERAL PROVISIONS

SEC. 101. REVISION OF TITLE I.

(a) GENERAL PROVISIONS.—Title I (20 U.S.C. 1001 et seq.) is amended to read as follows:

"TITLE I—GENERAL PROVISIONS

"PART A—DEFINITIONS

"SEC. 101. GENERAL DEFINITION OF INSTITUTION OF HIGHER EDUCATION.

"(a) INSTITUTION OF HIGHER EDUCATION.—For purposes of this Act, other than title IV, the term 'institution of higher education' means an educational institution in any State that—

"(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate;

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

"(3) provides an educational program for which the institution awards a bachelor's degree or provides not less than a 2-year program that is acceptable for full credit toward such a degree;

"(4) is a public or other nonprofit institution; and

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

"(b) ADDITIONAL INSTITUTIONS INCLUDED.—For purposes of this Act, other than title IV, the term 'institution of higher education' also includes—

"(1) any school that provides not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation and that meets the provision of paragraphs (1), (2), (4), and (5) of subsection (a); and

"(2) a public or nonprofit private educational institution in any State that, in lieu of the requirement in subsection (a)(1), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"(c) LIST OF ACCREDITING AGENCIES.—For purposes of this section and section 102, the Secretary shall publish a list of nationally

recognized accrediting agencies or associations that the Secretary determines, pursuant to subpart 2 of part H of title IV, to be reliable authority as to the quality of the education or training offered.

"SEC. 102. DEFINITION OF INSTITUTION OF HIGHER EDUCATION FOR PURPOSES OF TITLE IV PROGRAMS.

"(a) DEFINITION OF INSTITUTION OF HIGHER EDUCATION FOR PURPOSES OF TITLE IV PROGRAMS.—

"(1) INCLUSION OF ADDITIONAL INSTITUTIONS.—Subject to paragraphs (2) through (4) of this subsection, the term 'institution of higher education' for purposes of title IV includes, in addition to the institutions covered by the definition in section 101—

"(A) a proprietary institution of higher education (as defined in subsection (b) of this section);

"(B) a postsecondary vocational institution (as defined in subsection (c) of this section); and

"(C) only for the purposes of part B of title IV, an institution outside the United States that is comparable to an institution of higher education as defined in section 101 and that has been approved by the Secretary for the purpose of part B of title IV.

"(2) INSTITUTIONS OUTSIDE THE UNITED STATES.—

"(A) IN GENERAL.—For the purpose of qualifying as an institution under paragraph (1)(C), the Secretary shall establish criteria by regulation for the approval of institutions outside the United States and for the determination that such institutions are comparable to an institution of higher education as defined in section 101. In the case of a graduate medical or veterinary school outside the United States, such criteria shall include a requirement that a student attending such school outside the United States is ineligible for loans made, insured, or guaranteed under part B unless—

"(i)(I) at least 60 percent of those enrolled in, and at least 60 percent of the graduates of, the graduate medical school outside the United States were not persons described in section 484(a)(5) in the year preceding the year for which a student is seeking a loan under part B of title IV; and

"(II) at least 60 percent of the individuals who were students or graduates of the graduate medical school outside the United States (both nationals of the United States and others) taking the examinations administered by the Educational Commission for Foreign Medical Graduates received a passing score in the year preceding the year for which a student is seeking a loan under part B of title IV; or

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

"(B) ADVISORY PANEL.—

"(i) IN GENERAL.—For the purpose of qualifying as an institution under paragraph (1)(C) of this subsection, the Secretary shall establish an advisory panel of medical experts that shall—

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

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

"(ii) SPECIAL RULE.—If the accreditation standards described in clause (i) are determined not to be comparable, the foreign medical school shall be required to meet the requirements of section 101.

"(C) FAILURE TO RELEASE INFORMATION.—The failure of an institution outside the United States to provide, release, or authorize release to the Secretary of such information as may be required by subparagraph (A) shall render such institution ineligible for the purpose of part B of title IV.

"(D) SPECIAL RULE.—If, pursuant to this paragraph, an institution loses eligibility to participate in the programs under title IV, then a student enrolled at such institution may, notwithstanding such loss of eligibility, continue to be eligible to receive a loan under part B while attending such institution for the academic year succeeding the academic year in which such loss of eligibility occurred.

"(3) LIMITATIONS BASED ON COURSE OF STUDY OR ENROLLMENT.—An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1) if such institution—

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

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

"(C) has a student enrollment in which more than 25 percent of the students are incarcerated, except that the Secretary may waive the limitation contained in this subparagraph for a nonprofit institution that provides a 2- or 4-year program of instruction (or both) for which the institution awards a bachelor's degree, or an associate's degree or a postsecondary diploma, respectively; or

"(D) has a student enrollment in which more than 50 percent of the students do not have a secondary school diploma or its recognized equivalent, and does not provide a 2- or 4-year program of instruction (or both) for which the institution awards a bachelor's degree or an associate's

degree, respectively, except that the Secretary may waive the limitation contained in this subparagraph if a nonprofit institution demonstrates to the satisfaction of the Secretary that the institution exceeds such limitation because the institution serves, through contracts with Federal, State, or local government agencies, significant numbers of students who do not have a secondary school diploma or its recognized equivalent.

"(4) LIMITATIONS BASED ON MANAGEMENT.—An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1) if—

"(A) the institution, or an affiliate of the institution that has the power, by contract or ownership interest, to direct or cause the direction of the management or policies of the institution, has filed for bankruptcy, except that this paragraph shall not apply to a nonprofit institution, the primary function of which is to provide health care educational services (or an affiliate of such an institution that has the power, by contract or ownership interest, to direct or cause the direction of the institution's management or policies) that files for bankruptcy under chapter 11 of title 11, United States Code, between July 1, 1998, and December 1, 1998; or

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

"(5) CERTIFICATION.—The Secretary shall certify an institution's qualification as an institution of higher education in accordance with the requirements of subpart 3 of part H of title IV.

"(6) LOSS OF ELIGIBILITY.—An institution of higher education shall not be considered to meet the definition of an institution of higher education in paragraph (1) if such institution is removed from eligibility for funds under title IV as a result of an action pursuant to part H of title IV.

"(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.—

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

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

"(B) meets the requirements of paragraphs (1) and (2) of section 101(a);

"(C) does not meet the requirement of paragraph (4) of section 101(a);

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

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

"(F) has at least 10 percent of the school's revenues from sources that are not derived from funds provided under title IV, as determined in accordance with regulations prescribed by the Secretary.

"(2) ADDITIONAL INSTITUTIONS.—The term 'proprietary institution of higher education' also includes a proprietary educational institution in any State that, in lieu of the requirement in paragraph (1) of section 101(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"(c) POSTSECONDARY VOCATIONAL INSTITUTION.—

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

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

"(B) meets the requirements of paragraphs (1), (2), (4), and (5) of section 101(a); and

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

"(2) ADDITIONAL INSTITUTIONS.—The term 'postsecondary vocational institution' also includes an educational institution in any State that, in lieu of the requirement in paragraph (1) of section 101(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.

"SEC. 103. ADDITIONAL DEFINITIONS.

"In this Act:

"(1) COMBINATION OF INSTITUTIONS OF HIGHER EDUCATION.—The term 'combination of institutions of higher education' means a group of institutions of higher education that have entered into a cooperative arrangement for the purpose of carrying out a common objective, or a public or private nonprofit agency, organization, or institution designated or created by a group of institutions of higher education for the purpose of carrying out a common objective on the group's behalf.

"(2) DEPARTMENT.—The term 'Department' means the Department of Education.

"(3) DISABILITY.—The term 'disability' has the same meaning given that term under section 3(2) of the Americans With Disabilities Act of 1990.

"(4) ELEMENTARY SCHOOL.—The term 'elementary school' has the same meaning given that term under section 14101 of the Elementary and Secondary Education Act of 1965.

"(5) GIFTED AND TALENTED.—The term 'gifted and talented' has the same meaning given that term under section 14101 of the Elementary and Secondary Education Act of 1965.

"(6) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the same meaning given that term under section 14101 of the Elementary and Secondary Education Act of 1965.

"(7) NEW BORROWER.—The term 'new borrower' when used with respect to any date means an individual who on that date has no outstanding balance of principal or interest owing on any loan made, insured, or guaranteed under title IV.

"(8) NONPROFIT.—The term 'nonprofit' as applied to a school, agency, organization, or institution means a school, agency, organization, or institution owned and operated by one or more nonprofit corporations or associations, no part

of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

"(9) SCHOOL OR DEPARTMENT OF DIVINITY.—The term 'school or department of divinity' means an institution, or a department or a branch of an institution, the program of instruction of which is designed for the education of students—

"(A) to prepare the students to become ministers of religion or to enter upon some other religious vocation (or to provide continuing training for any such vocation); or

"(B) to prepare the students to teach theological subjects.

"(10) SECONDARY SCHOOL.—The term 'secondary school' has the same meaning given that term under section 14101 of the Elementary and Secondary Education Act of 1965.

"(11) SECRETARY.—The term 'Secretary' means the Secretary of Education.

"(12) SERVICE-LEARNING.—The term 'service-learning' has the same meaning given that term under section 101(23) of the National and Community Service Act of 1990.

"(13) SPECIAL EDUCATION TEACHER.—The term 'special education teacher' means teachers who teach children with disabilities as defined in section 602 of the Individuals with Disabilities Education Act.

"(14) STATE EDUCATIONAL AGENCY.—The term 'State educational agency' has the same meaning given that term under section 14101 of the Elementary and Secondary Education Act of 1965.

"(15) STATE HIGHER EDUCATION AGENCY.—The term 'State higher education agency' means the officer or agency primarily responsible for the State supervision of higher education.

"(16) STATE; FREELY ASSOCIATED STATES.—

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

"(B) FREELY ASSOCIATED STATES.—The term 'Freely Associated States' means the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

"PART B—ADDITIONAL GENERAL PROVISIONS

"SEC. 111. ANTIDISCRIMINATION.

"(a) IN GENERAL.—Institutions of higher education receiving Federal financial assistance may not use such financial assistance, directly or indirectly, to undertake any study or project or fulfill the terms of any contract containing an express or implied provision that any person or persons of a particular race, religion, sex, or national origin be barred from performing such study, project, or contract, except that nothing in this subsection shall be construed to prohibit an institution from conducting objective studies or projects concerning the nature, effects, or prevention of discrimination, or to have the institution's curriculum restricted on the subject of discrimination.

"(b) LIMITATIONS ON STATUTORY CONSTRUCTION.—Nothing in this Act shall be construed to limit the rights or responsibilities of any individual under the Americans With Disabilities Act of 1990, the Rehabilitation Act of 1973, or any other law.

"SEC. 112. PROTECTION OF STUDENT SPEECH AND ASSOCIATION RIGHTS.

"(a) PROTECTION OF RIGHTS.—It is the sense of Congress that no student attending an institution of higher education on a full- or part-time basis should, on the basis of participation in protected speech or protected association, be excluded from participation in, be denied the benefits of, or be subjected to discrimination or official sanction under any education program, activity, or division of the institution directly or indirectly receiving financial assistance under this Act, whether or not such program, activity, or division is sponsored or officially sanctioned by the institution.

"(b) CONSTRUCTION.—Nothing in this section shall be construed—

"(1) to discourage the imposition of an official sanction on a student that has willfully participated in the disruption or attempted disruption of a lecture, class, speech, presentation, or performance made or scheduled to be made under the auspices of the institution of higher education; or

"(2) to prevent an institution of higher education from taking appropriate and effective action to prevent violations of State liquor laws, to discourage binge drinking and other alcohol abuse, to protect students from sexual harassment including assault and date rape, to prevent hazing, or to regulate unsanitary or unsafe conditions in any student residence.

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

"(1) OFFICIAL SANCTION.—The term 'official sanction'—

"(A) means expulsion, suspension, probation, censure, condemnation, reprimand, or any other disciplinary, coercive, or adverse action taken by an institution of higher education or administrative unit of the institution; and

"(B) includes an oral or written warning made by an official of an institution of higher education acting in the official capacity of the official.

"(2) PROTECTED ASSOCIATION.—The term 'protected association' means the joining, assembling, and residing with others that is protected under the first and 14th amendments to the Constitution, or would be protected if the institution of higher education involved were subject to those amendments.

"(3) PROTECTED SPEECH.—The term 'protected speech' means speech that is protected under the first and 14th amendments to the Constitution, or would be protected if the institution of higher education involved were subject to those amendments.

"SEC. 113. TREATMENT OF TERRITORIES AND TERRITORIAL STUDENT ASSISTANCE.

"(a) WAIVER AUTHORITY.—The Secretary is required to waive the eligibility criteria of any postsecondary education program administered by the Department where such criteria do not take into account the unique circumstances in Guam, the United States Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States.

"(b) ELIGIBILITY.—Notwithstanding any other provision of law, an institution of higher education that is located in any of the Freely Associated States, rather than in another State, shall be eligible, if otherwise qualified, for assistance under chapter 1 of subpart 2 of part A of title IV. This subsection shall cease to be effective on September 30, 2004.

"SEC. 114. NATIONAL ADVISORY COMMITTEE ON INSTITUTIONAL QUALITY AND INTEGRITY.

"(a) ESTABLISHMENT.—There is established in the Department a National Advisory Committee on Institutional Quality and Integrity (hereafter in this section referred to as the 'Committee'), which shall be composed of 15 members appointed by the Secretary from among individuals who are representatives of, or knowledgeable concerning, education and training beyond secondary education, including representatives of all sectors and types of institutions of higher education (as defined in section 102), to assess the process of eligibility and certification of such institutions under title IV and the provision of financial aid under title IV.

"(b) TERMS OF MEMBERS.—Terms of office of each member of the Committee shall be 3 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which the member's predecessor was appointed shall be appointed for the remainder of such term.

"(c) PUBLIC NOTICE.—The Secretary shall—

"(1) annually publish in the Federal Register a list containing the name of each member of the Committee and the date of the expiration of the term of office of the member; and

"(2) publicly solicit nominations for each vacant position or expiring term of office on the Committee.

"(d) FUNCTIONS.—The Committee shall—

"(1) advise the Secretary with respect to establishment and enforcement of the standards of accrediting agencies or associations under subpart 2 of part H of title IV;

"(2) advise the Secretary with respect to the recognition of a specific accrediting agency or association;

"(3) advise the Secretary with respect to the preparation and publication of the list of nationally recognized accrediting agencies and associations;

"(4) develop and recommend to the Secretary standards and criteria for specific categories of vocational training institutions and institutions of higher education for which there are no recognized accrediting agencies, associations, or State agencies, in order to establish the eligibility of such institutions on an interim basis for participation in federally funded programs;

"(5) advise the Secretary with respect to the eligibility and certification process for institutions of higher education under title IV, together with recommendations for improvements in such process;

"(6) advise the Secretary with respect to the relationship between—

"(A) accreditation of institutions of higher education and the certification and eligibility of such institutions; and

"(B) State licensing responsibilities with respect to such institutions; and

"(7) carry out such other advisory functions relating to accreditation and institutional eligibility as the Secretary may prescribe.

"(e) MEETING PROCEDURES.—The Committee shall meet not less than twice each year at the call of the Chairperson. The date of, and agenda for, each meeting of the Committee shall be submitted in advance to the Secretary for approval. A representative of the Secretary shall be present at all meetings of the Committee.

"(f) REPORT.—Not later than November 30 of each year, the Committee shall make an annual report through the Secretary to Congress. The annual report shall contain—

"(1) a list of the members of the Committee and their addresses;

"(2) a list of the functions of the Committee;

"(3) a list of dates and places of each meeting during the preceding fiscal year; and

"(4) a summary of the activities, findings and recommendations made by the Committee during the preceding fiscal year.

"(g) TERMINATION.—The Committee shall cease to exist on September 30, 2004.

"SEC. 115. STUDENT REPRESENTATION.

"The Secretary shall, in appointing individuals to any commission, committee, board, panel, or other body in connection with the administration of this Act, include individuals who are, at the time of appointment, attending an institution of higher education.

"SEC. 116. FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS.

"Nothing in this Act or any other Federal law shall be construed to prohibit any institution of higher education from requiring a student who is a foreign national (and not admitted to permanent residence in the United States) to guarantee the future payment of tuition and fees to such institution by—

"(1) making advance payment of such tuition and fees;

"(2) making deposits in an escrow account administered by such institution for such payments; or

"(3) obtaining a bond or other insurance that such payments will be made.

"SEC. 117. DISCLOSURES OF FOREIGN GIFTS.

"(a) DISCLOSURE REPORT.—Whenever any institution is owned or controlled by a foreign source or receives a gift from or enters into a contract with a foreign source, the value of which is $250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.

"(b) CONTENTS OF REPORT.—Each report to the Secretary required by this section shall contain the following:

"(1) For gifts received from or contracts entered into with a foreign source other than a foreign government, the aggregate dollar amount of such gifts and contracts attributable to a particular country. The country to which a gift is attributable is the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the

country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the aggregate amount of such gifts and contracts received from each foreign government.

"(3) In the case of an institution which is owned or controlled by a foreign source, the identity of the foreign source, the date on which the foreign source assumed ownership or control, and any changes in program or structure resulting from the change in ownership or control.

"(c) ADDITIONAL DISCLOSURES FOR RESTRICTED AND CONDITIONAL GIFTS.—Notwithstanding the provisions of subsection (b), whenever any institution receives a restricted or conditional gift or contract from a foreign source, the institution shall disclose the following:

"(1) For such gifts received from or contracts entered into with a foreign source other than a foreign government, the amount, the date, and a description of such conditions or restrictions. The report shall also disclose the country of citizenship, or if unknown, the principal residence for a foreign source which is a natural person, and the country of incorporation, or if unknown, the principal place of business for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the amount, the date, a description of such conditions or restrictions, and the name of the foreign government.

"(d) RELATION TO OTHER REPORTING REQUIREMENTS.—

"(1) STATE REQUIREMENTS.—If an institution described under subsection (a) is within a State which has enacted requirements for public disclosure of gifts from or contracts with a foreign source that are substantially similar to the requirements of this section, a copy of the disclosure report filed with the State may be filed with the Secretary in lieu of a report required under subsection (a). The State in which the institution is located shall provide to the Secretary such assurances as the Secretary may require to establish that the institution has met the requirements for public disclosure under State law if the State report is filed.

"(2) USE OF OTHER FEDERAL REPORTS.—If an institution receives a gift from, or enters into a contract with, a foreign source, where any other department, agency, or bureau of the executive branch requires a report containing requirements substantially similar to those required under this section, a copy of the report may be filed with the Secretary in lieu of a report required under subsection (a).

"(e) PUBLIC INSPECTION.—All disclosure reports required by this section shall be public records open to inspection and copying during business hours.

"(f) ENFORCEMENT.—

"(1) COURT ORDERS.—Whenever it appears that an institution has failed to comply with the requirements of this section, including any rule or regulation promulgated under this section, a civil action may be brought by the Attorney General, at the request of the Secretary, in an appropriate district court of the United States, or the appropriate United States court of any territory or other place subject to the jurisdiction of

the United States, to request such court to compel compliance with the requirements of this section.

"(2) COSTS.—For knowing or willful failure to comply with the requirements of this section, including any rule or regulation promulgated thereunder, an institution shall pay to the Treasury of the United States the full costs to the United States of obtaining compliance, including all associated costs of investigation and enforcement.

"(g) REGULATIONS.—The Secretary may promulgate regulations to carry out this section.

"(h) DEFINITIONS.—For the purpose of this section—

"(1) the term 'contract' means any agreement for the acquisition by purchase, lease, or barter of property or services by the foreign source, for the direct benefit or use of either of the parties;

"(2) the term 'foreign source' means—

"(A) a foreign government, including an agency of a foreign government;

"(B) a legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

"(C) an individual who is not a citizen or a national of the United States or a trust territory or protectorate thereof; and

"(D) an agent, including a subsidiary or affiliate of a foreign legal entity, acting on behalf of a foreign source;

"(3) the term 'gift' means any gift of money or property;

"(4) the term 'institution' means any institution, public or private, or, if a multicampus institution, any single campus of such institution, in any State, that—

"(A) is legally authorized within such State to provide a program of education beyond secondary school;

"(B) provides a program for which the institution awards a bachelor's degree (or provides not less than a 2-year program which is acceptable for full credit toward such a degree) or more advanced degrees; and

"(C) is accredited by a nationally recognized accrediting agency or association and to which institution Federal financial assistance is extended (directly or indirectly through another entity or person), or which institution receives support from the extension of Federal financial assistance to any of the institution's subunits; and

"(5) the term 'restricted or conditional gift or contract' means any endowment, gift, grant, contract, award, present, or property of any kind which includes provisions regarding—

"(A) the employment, assignment, or termination of faculty;

"(B) the establishment of departments, centers, research or lecture programs, or new faculty positions;

"(C) the selection or admission of students; or

"(D) the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.

"SEC. 118. APPLICATION OF PEER REVIEW PROCESS.

"All applications submitted under the provisions of this Act which require peer review shall be read by a panel of readers

composed of individuals selected by the Secretary, which shall include outside readers who are not employees of the Federal Government. The Secretary shall ensure that no individual assigned under this section to review any application has any conflict of interest with regard to that application which might impair the impartiality with which that individual conducts the review under this section.

"SEC. 119. BINGE DRINKING ON COLLEGE CAMPUSES.

"(a) SHORT TITLE.—This section may be cited as the 'Collegiate Initiative To Reduce Binge Drinking and Illegal Alcohol Consumption'.

"(b) SENSE OF CONGRESS.—It is the sense of Congress that, in an effort to change the culture of alcohol consumption on college campuses, all institutions of higher education should carry out the following:

"(1) The president of the institution should appoint a task force consisting of school administrators, faculty, students, Greek system representatives, and others to conduct a full examination of student and academic life at the institution. The task force should make recommendations for a broad range of policy and program changes that would serve to reduce alcohol and other drug-related problems. The institution should provide resources to assist the task force in promoting the campus policies and proposed environmental changes that have been identified.

"(2) The institution should provide maximum opportunities for students to live in an alcohol-free environment and to engage in stimulating, alcohol-free recreational and leisure activities.

"(3) The institution should enforce a 'zero tolerance' policy on the illegal consumption of alcohol by students at the institution.

"(4) The institution should vigorously enforce the institution's code of disciplinary sanctions for those who violate campus alcohol policies. Students with alcohol or other drug-related problems should be referred for assistance, including on-campus counseling programs if appropriate.

"(5) The institution should adopt a policy to discourage alcoholic beverage-related sponsorship of on-campus activities. It should adopt policies limiting the advertisement and promotion of alcoholic beverages on campus.

"(6) The institution should work with the local community, including local businesses, in a 'Town/Gown' alliance to encourage responsible policies toward alcohol consumption and to address illegal alcohol use by students.

"SEC. 120. DRUG AND ALCOHOL ABUSE PREVENTION.

"(a) RESTRICTION ON ELIGIBILITY.—Notwithstanding any other provision of law, no institution of higher education shall be eligible to receive funds or any other form of financial assistance under any Federal program, including participation in any federally funded or guaranteed student loan program, unless the institution certifies to the Secretary that the institution has adopted and has implemented a program to prevent the use of illicit drugs and the abuse of alcohol by students and employees that, at a minimum, includes—

"(1) the annual distribution to each student and employee of—

"(A) standards of conduct that clearly prohibit, at a minimum, the unlawful possession, use, or distribution of illicit drugs and alcohol by students and employees on the institution's property or as part of any of the institution's activities;

"(B) a description of the applicable legal sanctions under local, State, or Federal law for the unlawful possession or distribution of illicit drugs and alcohol;

"(C) a description of the health-risks associated with the use of illicit drugs and the abuse of alcohol;

"(D) a description of any drug or alcohol counseling, treatment, or rehabilitation or re-entry programs that are available to employees or students; and

"(E) a clear statement that the institution will impose sanctions on students and employees (consistent with local, State, and Federal law), and a description of those sanctions, up to and including expulsion or termination of employment and referral for prosecution, for violations of the standards of conduct required by subparagraph (A); and

"(2) a biennial review by the institution of the institution's program to—

"(A) determine the program's effectiveness and implement changes to the program if the changes are needed; and

"(B) ensure that the sanctions required by paragraph (1)(E) are consistently enforced.

"(b) INFORMATION AVAILABILITY.—Each institution of higher education that provides the certification required by subsection (a) shall, upon request, make available to the Secretary and to the public a copy of each item required by subsection (a)(1) as well as the results of the biennial review required by subsection (a)(2).

"(c) REGULATIONS.—

"(1) IN GENERAL.—The Secretary shall publish regulations to implement and enforce the provisions of this section, including regulations that provide for—

"(A) the periodic review of a representative sample of programs required by subsection (a); and

"(B) a range of responses and sanctions for institutions of higher education that fail to implement their programs or to consistently enforce their sanctions, including information and technical assistance, the development of a compliance agreement, and the termination of any form of Federal financial assistance.

"(2) REHABILITATION PROGRAM.—The sanctions required by subsection (a)(1)(E) may include the completion of an appropriate rehabilitation program.

"(d) APPEALS.—Upon determination by the Secretary to terminate financial assistance to any institution of higher education under this section, the institution may file an appeal with an administrative law judge before the expiration of the 30-day period beginning on the date such institution is notified of the decision to terminate financial assistance under this section. Such judge shall hold a hearing with respect to such termination of assistance before the expiration of the 45-day period beginning on the date that such appeal is filed. Such judge may extend such 45-day

period upon a motion by the institution concerned. The decision of the judge with respect to such termination shall be considered to be a final agency action.

"(e) ALCOHOL AND DRUG ABUSE PREVENTION GRANTS.—

"(1) PROGRAM AUTHORITY.—The Secretary may make grants to institutions of higher education or consortia of such institutions, and enter into contracts with such institutions, consortia, and other organizations, to develop, implement, operate, improve, and disseminate programs of prevention, and education (including treatment-referral) to reduce and eliminate the illegal use of drugs and alcohol and the violence associated with such use. Such grants or contracts may also be used for the support of a higher education center for alcohol and drug abuse prevention that will provide training, technical assistance, evaluation, dissemination, and associated services and assistance to the higher education community as determined by the Secretary and institutions of higher education.

"(2) AWARDS.—Grants and contracts shall be awarded under paragraph (1) on a competitive basis.

"(3) APPLICATIONS.—An institution of higher education, a consortium of such institutions, or another organization that desires to receive a grant or contract under paragraph (1) shall submit an application to the Secretary at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require by regulation.

"(4) ADDITIONAL REQUIREMENTS.—

"(A) PARTICIPATION.—In awarding grants and contracts under this subsection the Secretary shall make every effort to ensure—

"(i) the equitable participation of private and public institutions of higher education (including community and junior colleges); and

"(ii) the equitable geographic participation of such institutions.

"(B) CONSIDERATION.—In awarding grants and contracts under this subsection the Secretary shall give appropriate consideration to institutions of higher education with limited enrollment.

"(5) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(f) NATIONAL RECOGNITION AWARDS.—

"(1) PURPOSE.—It is the purpose of this subsection to provide models of innovative and effective alcohol and drug abuse prevention programs in higher education and to focus national attention on exemplary alcohol and drug abuse prevention efforts.

"(2) AWARDS.—

"(A) IN GENERAL.—The Secretary shall make 5 National Recognition Awards for outstanding alcohol prevention programs and 5 National Recognition Awards for outstanding drug abuse prevention programs, on an annual basis, to institutions of higher education that—

"(i) have developed and implemented innovative and effective alcohol prevention programs or drug abuse prevention programs; and

"(ii) with respect to an application for an alcohol prevention program award, demonstrate in the application submitted under paragraph (3) that the institution has undertaken efforts designed to change the culture of college drinking consistent with the review criteria described in paragraph (3)(C)(iii).

"(B) CEREMONY.—The awards shall be made at a ceremony in Washington, D.C.

"(C) DOCUMENT.—The Secretary shall publish a document describing the alcohol and drug abuse prevention programs of institutions of higher education that receive the awards under this subsection and disseminate the document nationally to all public and private secondary school guidance counselors for use by secondary school juniors and seniors preparing to enter an institution of higher education. The document shall be disseminated not later than January 1 of each academic year.

"(D) AMOUNT AND USE.—Each institution of higher education selected to receive an award under this subsection shall receive an award in the amount of $50,000. Such award shall be used for the maintenance and improvement of the institution's outstanding prevention program for the academic year following the academic year for which the award is made.

"(3) APPLICATION.—

"(A) IN GENERAL.—Each institution of higher education desiring an award under this subsection shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each such application shall contain—

"(i) a clear description of the goals and objectives of the prevention program of the institution;

"(ii) a description of program activities that focus on alcohol or drug policy issues, policy development, modification, or refinement, policy dissemination and implementation, and policy enforcement;

"(iii) a description of activities that encourage student and employee participation and involvement in activity development and implementation;

"(iv) the objective criteria used to determine the effectiveness of the methods used in such programs and the means used to evaluate and improve the programs' efforts;

"(v) a description of special initiatives used to reduce high-risk behavior or increase low-risk behavior; and

"(vi) a description of coordination and networking efforts that exist in the community in which the institution is located for purposes of such programs.

"(B) APPLICATION REVIEW.—The Secretary shall appoint a committee to review applications submitted

under this paragraph. The committee may include representatives of Federal departments or agencies the programs of which include alcohol abuse prevention and education efforts and drug abuse prevention and education efforts, directors or heads (or their representatives) of professional associations that focus on alcohol and drug abuse prevention efforts, and non-Federal scientists who have backgrounds in social science evaluation and research methodology and in education. Decisions of the committee shall be made directly to the Secretary without review by any other entity in the Department.

"(C) REVIEW CRITERIA.—The committee described in subparagraph (B) shall develop specific review criteria for reviewing and evaluating applications submitted under this paragraph. The review criteria shall include—

"(i) measures of the effectiveness of the program of the institution, that includes changes in the campus alcohol or other drug environment or the climate and changes in alcohol or other drug use before and after the initiation of the program;

"(ii) measures of program institutionalization, including—

"(I) an assessment of needs of the institution;

"(II) the institution's alcohol and drug policies, staff and faculty development activities, drug prevention criteria, student, faculty, and campus community involvement; and

"(III) whether the program will be continued after the cessation of Federal funding; and

"(iii) with respect to an application for an alcohol prevention program award, criteria for determining whether the institution has policies in effect that—

"(I) prohibit alcoholic beverage sponsorship of athletic events, and prohibit alcoholic beverage advertising inside athletic facilities;

"(II) prohibit alcoholic beverage marketing on campus, which may include efforts to ban alcohol advertising in institutional publications or efforts to prohibit alcohol-related advertisements at campus events;

"(III) establish or expand upon alcohol-free living arrangements for all college students;

"(IV) establish partnerships with community members and organizations to further alcohol prevention efforts on campus and the areas surrounding campus; and

"(V) establish innovative communications programs involving students and faculty in an effort to educate students about alcohol-related risks.

"(4) ELIGIBILITY.—In order to be eligible to receive a National Recognition Award an institution of higher education shall—

"(A) offer an associate or baccalaureate degree;

"(B) have established an alcohol abuse prevention and education program or a drug abuse prevention and education program;

"(C) nominate itself or be nominated by others, such as professional associations or student organizations, to receive the award; and

"(D) not have received an award under this subsection during the 5 academic years preceding the academic year for which the determination is made.

"(5) AUTHORIZATION OF APPROPRIATIONS.—

"(A) IN GENERAL.—There is authorized to be appropriated to carry out this subsection $750,000 for fiscal year 1999.

"(B) AVAILABILITY.—Funds appropriated under subparagraph (A) shall remain available until expended.

"SEC. 121. PRIOR RIGHTS AND OBLIGATIONS.

"(a) AUTHORIZATION OF APPROPRIATIONS.—

"(1) PRE-1987 PARTS C AND D OF TITLE VII.—There are authorized to be appropriated such sums as may be necessary for fiscal year 1999 and for each of the 4 succeeding fiscal years to pay obligations incurred prior to 1987 under parts C and D of title VII, as such parts were in effect before the effective date of the Higher Education Amendments of 1992.

"(2) POST-1992 AND PRE-1998 PART C OF TITLE VII.—There are authorized to be appropriated such sums as may be necessary for fiscal year 1999 and for each of the 4 succeeding fiscal years to pay obligations incurred prior to the date of enactment of the Higher Education Amendments of 1998 under part C of title VII, as such part was in effect during the period—

"(A) after the effective date of the Higher Education Amendments of 1992; and

"(B) prior to the date of enactment of the Higher Education Amendments of 1998.

"(b) LEGAL RESPONSIBILITIES.—

"(1) PRE-1987 TITLE VII.—All entities with continuing obligations incurred under parts A, B, C, and D of title VII, as such parts were in effect before the effective date of the Higher Education Amendments of 1992, shall be subject to the requirements of such part as in effect before the effective date of the Higher Education Amendments of 1992.

"(2) POST-1992 AND PRE-1998 PART C OF TITLE VII.—All entities with continuing obligations incurred under part C of title VII, as such part was in effect during the period—

"(A) after the effective date of the Higher Education Amendments of 1992; and

"(B) prior to the date of enactment of the Higher Education Amendments of 1998,

shall be subject to the requirements of such part as such part was in effect during such period.

"SEC. 122. RECOVERY OF PAYMENTS.

"(a) PUBLIC BENEFIT.—Congress declares that, if a facility constructed with the aid of a grant under part A of title VII as such part A was in effect prior to the date of enactment of the Higher Education Amendments of 1998, or part B of such title as part B was in effect prior to the date of enactment of the Higher Education Amendments of 1992, is used as an academic facility for 20 years following completion of such construction, the public benefit accruing to the United States will equal in value

the amount of the grant. The period of 20 years after completion of such construction shall therefore be deemed to be the period of Federal interest in such facility for the purposes of such title as so in effect.

"(b) RECOVERY UPON CESSATION OF PUBLIC BENEFIT.—If, within 20 years after completion of construction of an academic facility which has been constructed, in part with a grant under part A of title VII as such part A was in effect prior to the date of enactment of the Higher Education Amendments of 1998, or part B of title VII as such part B was in effect prior to the date of enactment of the Higher Education Amendments of 1992—

"(1) the applicant under such parts as so in effect (or the applicant's successor in title or possession) ceases or fails to be a public or nonprofit institution; or

"(2) the facility ceases to be used as an academic facility, or the facility is used as a facility excluded from the term 'academic facility' (as such term was defined under title VII, as so in effect), unless the Secretary determines that there is good cause for releasing the institution from its obligation,

the United States shall be entitled to recover from such applicant (or successor) an amount which bears to the value of the facility at that time (or so much thereof as constituted an approved project or projects) the same ratio as the amount of Federal grant bore to the cost of the facility financed with the aid of such grant. The value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which such facility is situated.

"(c) PROHIBITION ON USE FOR RELIGION.—Notwithstanding the provisions of subsections (a) and (b), no project assisted with funds under title VII (as in effect prior to the date of enactment of the Higher Education Amendments of 1998) shall ever be used for religious worship or a sectarian activity or for a school or department of divinity.

"PART C—COST OF HIGHER EDUCATION

"SEC. 131. IMPROVEMENTS IN MARKET INFORMATION AND PUBLIC ACCOUNTABILITY IN HIGHER EDUCATION.

"(a) IMPROVED DATA COLLECTION.—

"(1) DEVELOPMENT OF UNIFORM METHODOLOGY.—The Secretary shall direct the Commissioner of Education Statistics to convene a series of forums to develop nationally consistent methodologies for reporting costs incurred by postsecondary institutions in providing postsecondary education.

"(2) REDESIGN OF DATA SYSTEMS.—On the basis of the methodologies developed pursuant to paragraph (1), the Secretary shall redesign relevant parts of the postsecondary education data systems to improve the usefulness and timeliness of the data collected by such systems.

"(3) INFORMATION TO INSTITUTIONS.—The Commissioner of Education Statistics shall—

"(A) develop a standard definition for the following data elements:

"(i) tuition and fees for a full-time undergraduate student;

"(ii) cost of attendance for a full-time undergraduate student, consistent with the provisions of section 472;

"(iii) average amount of financial assistance received by an undergraduate student who attends an institution of higher education, including—

"(I) each type of assistance or benefit described in section 428(a)(2)(C)(i);

"(II) fellowships; and

"(III) institutional and other assistance; and

"(iv) number of students receiving financial assistance described in each of subclauses (I), (II), and (III) of clause (iii);

"(B) not later than 90 days after the date of enactment of the Higher Education Amendments of 1998, report the definitions to each institution of higher education and within a reasonable period of time thereafter inform the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives of those definitions; and

"(C) collect information regarding the data elements described in subparagraph (A) with respect to at least all institutions of higher education participating in programs under title IV, beginning with the information from academic year 2000–2001 and annually thereafter.

"(b) DATA DISSEMINATION.—The Secretary shall make available the data collected pursuant to subsection (a). Such data shall be available in a form that permits the review and comparison of the data submissions of individual institutions of higher education. Such data shall be presented in a form that is easily understandable and allows parents and students to make informed decisions based on the costs for typical full-time undergraduate students.

"(c) STUDY.—

"(1) IN GENERAL.—The Commissioner of Education Statistics shall conduct a national study of expenditures at institutions of higher education. Such study shall include information with respect to—

"(A) the change in tuition and fees compared with the consumer price index and other appropriate measures of inflation;

"(B) faculty salaries and benefits;

"(C) administrative salaries, benefits and expenses;

"(D) academic support services;

"(E) research;

"(F) operations and maintenance; and

"(G) institutional expenditures for construction and technology and the potential cost of replacing instructional buildings and equipment.

"(2) EVALUATION.—The study shall include an evaluation of—

"(A) changes over time in the expenditures identified in paragraph (1);

"(B) the relationship of the expenditures identified in paragraph (1) to college costs; and

"(C) the extent to which increases in institutional financial aid and tuition discounting practices affect tuition increases, including the demographics of students receiving

such discounts, the extent to which financial aid is provided to students with limited need in order to attract a student to a particular institution, and the extent to which Federal financial aid, including loan aid, has been used to offset the costs of such practices.

"(3) FINAL REPORT.—The Commissioner of Education Statistics shall submit a report regarding the findings of the study required by paragraph (1) to the appropriate committees of Congress not later than September 30, 2002.

"(4) HIGHER EDUCATION MARKET BASKET.—The Bureau of Labor Statistics, in consultation with the Commissioner of Education Statistics, shall develop a higher education market basket that identifies the items that comprise the costs of higher education. The Bureau of Labor Statistics shall provide a report on the market basket to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than September 30, 2002.

"(5) FINES.—In addition to actions authorized in section 487(c), the Secretary may impose a fine in an amount not to exceed $25,000 on an institution of higher education for failing to provide the information described in paragraph (1) in a timely and accurate manner, or for failing to otherwise cooperate with the National Center for Education Statistics regarding efforts to obtain data on the cost of higher education under this section and pursuant to the program participation agreement entered into under section 487.

"(d) STUDENT AID RECIPIENT SURVEY.—(1) The Secretary shall survey student aid recipients on a regular cycle, but not less than once every 3 years—

"(A) to identify the population of students receiving Federal student aid;

"(B) to determine the income distribution and other socioeconomic characteristics of federally aided students;

"(C) to describe the combinations of aid from State, Federal, and private sources received by students from all income groups;

"(D) to describe the debt burden of loan recipients and their capacity to repay their education debts; and

"(E) to disseminate such information in both published and machine readable form.

"(2) The survey shall be representative of full-time and part-time, undergraduate, graduate, and professional and current and former students in all types of institutions, and should be designed and administered in consultation with the Congress and the post-secondary education community.

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

"SEC. 141. PERFORMANCE-BASED ORGANIZATION FOR THE DELIVERY OF FEDERAL STUDENT FINANCIAL ASSISTANCE.

"(a) ESTABLISHMENT AND PURPOSE.—

"(1) ESTABLISHMENT.—There is established in the Department a Performance-Based Organization (hereafter referred to

as the 'PBO') which shall be a discrete management unit responsible for managing the operational functions supporting the programs authorized under title IV of this Act, as specified in subsection (b).

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

"(A) to improve service to students and other participants in the student financial assistance programs authorized under title IV, including making those programs more understandable to students and their parents;

"(B) to reduce the costs of administering those programs;

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

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

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

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

"(G) to develop and maintain a student financial assistance system that contains complete, accurate, and timely data to ensure program integrity.

"(b) GENERAL AUTHORITY.—

"(1) AUTHORITY OF SECRETARY.—Notwithstanding any other provision of this part, the Secretary shall maintain responsibility for the development and promulgation of policy and regulations relating to the programs of student financial assistance under title IV. In the exercise of its functions, the PBO shall be subject to the direction of the Secretary. The Secretary shall—

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

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

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

"(2) PBO FUNCTIONS.—Subject to paragraph (1), the PBO shall be responsible for administration of the information and financial systems that support student financial assistance programs authorized under this title, excluding the development of policy relating to such programs but including the following:

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

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

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

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

"(iv) all aspects of contracting for the information and financial systems supporting student financial assistance programs under this title; and

"(v) providing all customer service, training, and user support related to systems that support those programs.

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

"(3) ADDITIONAL FUNCTIONS.—The Secretary may allocate to the PBO such additional functions as the Secretary and the Chief Operating Officer determine are necessary or appropriate to achieve the purposes of the PBO.

"(4) INDEPENDENCE.—Subject to paragraph (1), in carrying out its functions, the PBO shall exercise independent control of its budget allocations and expenditures, personnel decisions and processes, procurements, and other administrative and management functions.

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

"(6) CHANGES.—

"(A) IN GENERAL.—The Secretary and the Chief Operating Officer shall consult concerning the effects of policy, market, or other changes on the ability of the PBO to achieve the goals and objectives established in the performance plan described in subsection (c).

"(B) REVISIONS TO AGREEMENT.—The Secretary and the Chief Operating Officer may revise the annual performance agreement described in subsection (d)(4) in light of policy, market, or other changes that occur after the Secretary and the Chief Operating Officer enter into the agreement.

"(c) PERFORMANCE PLAN AND REPORT.—

"(1) PERFORMANCE PLAN.—

"(A) IN GENERAL.—Each year, the Secretary and Chief Operating Officer shall agree on, and make available to the public, a performance plan for the PBO for the succeeding 5 years that establishes measurable goals and objectives for the organization.

"(B) CONSULTATION.—In developing the 5-year performance plan and any revision to the plan, the Secretary and the Chief Operating Officer shall consult with students, institutions of higher education, Congress, lenders, the Advisory Committee on Student Financial Assistance, and other interested parties not less than 30 days prior to the implementation of the performance plan or revision.

"(C) AREAS.—The plan shall include a concise statement of the goals for a modernized system for the delivery of student financial assistance under title IV and identify

action steps necessary to achieve such goals. The plan shall address the PBO's responsibilities in the following areas:

"(i) IMPROVING SERVICE.—Improving service to students and other participants in student financial aid programs authorized under this title, including making those programs more understandable to students and their parents.

"(ii) REDUCING COSTS.—Reducing the costs of administering those programs.

"(iii) IMPROVEMENT AND INTEGRATION OF SUPPORT SYSTEMS.—Improving and integrating the information and delivery systems that support those programs.

"(iv) DELIVERY AND INFORMATION SYSTEM.—Developing an open, common, and integrated delivery and information system for programs authorized under this title.

"(v) OTHER AREAS.—Any other areas identified by the Secretary.

"(2) ANNUAL REPORT.—Each year, the Chief Operating Officer shall prepare and submit to Congress, through the Secretary, an annual report on the performance of the PBO, including an evaluation of the extent to which the PBO met the goals and objectives contained in the 5-year performance plan described in paragraph (1) for the preceding year. The annual report shall include the following:

"(A) An independent financial audit of the expenditures of both the PBO and programs administered by the PBO.

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

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

"(D) The evaluation rating of the performance of the Chief Operating Officer and senior managers under subsections (d)(4) and (e)(2), including the amounts of bonus compensation awarded to these individuals.

"(E) Recommendations for legislative and regulatory changes to improve service to students and their families, and to improve program efficiency and integrity.

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

"(3) CONSULTATION WITH STAKEHOLDERS.—The Chief Operating Officer, in preparing the report described in paragraph (2), shall establish appropriate means to consult with borrowers, institutions, lenders, guaranty agencies, secondary markets, and others involved in the delivery system of student aid under this title—

"(A) regarding the degree of satisfaction with the delivery system; and

"(B) to seek suggestions on means to improve the delivery system.

"(d) CHIEF OPERATING OFFICER.—

"(1) APPOINTMENT.—The management of the PBO shall be vested in a Chief Operating Officer who shall be appointed by the Secretary to a term of not less than 3 and not more than 5 years, and compensated without regard to chapters 33, 51, and 53 of title 5, United States Code. The Secretary shall appoint the Chief Operating Officer within 6 months after the date of enactment of the Higher Education Amendments of 1998. The appointment shall be made on the basis of demonstrated management ability and expertise in information technology, including experience with financial systems, and without regard to political affiliation or activity.

"(2) REAPPOINTMENT.—The Secretary may reappoint the Chief Operating Officer to subsequent terms of not less than 3 and not more than 5 years, so long as the performance of the Chief Operating Officer, as set forth in the performance agreement described in paragraph (4), is satisfactory.

"(3) REMOVAL.—The Chief Operating Officer may be removed by—

"(A) the President; or

"(B) the Secretary, for misconduct or failure to meet performance goals set forth in the performance agreement in paragraph (4).

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

"(4) PERFORMANCE AGREEMENT.—

"(A) IN GENERAL.—Each year, the Secretary and the Chief Operating Officer shall enter into an annual performance agreement, that shall set forth measurable organization and individual goals for the Chief Operating Officer.

"(B) TRANSMITTAL.—The final agreement, and any revision to the final agreement, shall be transmitted to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate, and made publicly available.

"(5) COMPENSATION.—

"(A) IN GENERAL.—The Chief Operating Officer is authorized to be paid at an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(B) of such title. The compensation of the Chief Operating Officer shall be considered for purposes of section 207(c)(2)(A) of title 18, United States Code, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of such title.

"(B) BONUS.—In addition, the Chief Operating Officer may receive a bonus in an amount that does not exceed 50 percent of such annual rate of basic pay, based upon the Secretary's evaluation of the Chief Operating Officer's performance in relation to the goals set forth in the performance agreement described in paragraph (2).

"(C) PAYMENT.—Payment of a bonus under this subparagraph (B) may be made to the Chief Operating Officer only to the extent that such payment does not

cause the Chief Operating Officer's total aggregate compensation in a calendar year to equal or exceed the amount of the President's salary under section 102 of title 3, United States Code.

"(e) SENIOR MANAGEMENT.—

"(1) APPOINTMENT.—

"(A) IN GENERAL.—The Chief Operating Officer may appoint such senior managers as that officer determines necessary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service.

"(B) COMPENSATION.—The senior managers described in subparagraph (A) may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(2) PERFORMANCE AGREEMENT.—Each year, the Chief Operating Officer and each senior manager appointed under this subsection shall enter into an annual performance agreement that sets forth measurable organization and individual goals. The agreement shall be subject to review and renegotiation at the end of each term.

"(3) COMPENSATION.—

"(A) IN GENERAL.—A senior manager appointed under this subsection may be paid at an annual rate of basic pay of not more than the maximum rate of basic pay for the Senior Executive Service under section 5382 of title 5, United States Code, including any applicable locality-based comparability payment that may be authorized under section 5304(h)(2)(C) of such title. The compensation of a senior manager shall be considered for purposes of section 207(c)(2)(A) of title 18, United States Code, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of such title.

"(B) BONUS.—In addition, a senior manager may receive a bonus in an amount such that the manager's total annual compensation does not exceed 125 percent of the maximum rate of basic pay for the Senior Executive Service, including any applicable locality-based comparability payment, based upon the Chief Operating Officer's evaluation of the manager's performance in relation to the goals set forth in the performance agreement described in paragraph (2).

"(4) REMOVAL.—A senior manager shall be removable by the Chief Operating Officer, or by the Secretary if the position of Chief Operating Officer is vacant.

"(f) STUDENT LOAN OMBUDSMAN.—

"(1) APPOINTMENT.—The Chief Operating Officer, in consultation with the Secretary, shall appoint a Student Loan Ombudsman to provide timely assistance to borrowers of loans made, insured, or guaranteed under title IV by performing the functions described in paragraph (3).

"(2) PUBLIC INFORMATION.—The Chief Operating Officer shall disseminate information about the availability and functions of the Ombudsman to borrowers and potential borrowers, as well as institutions of higher education, lenders, guaranty

agencies, loan servicers, and other participants in those student loan programs.

"(3) FUNCTIONS OF OMBUDSMAN.—The Ombudsman shall—

"(A) in accordance with regulations of the Secretary, receive, review, and attempt to resolve informally complaints from borrowers of loans described in paragraph (1), including, as appropriate, attempts to resolve such complaints within the Department of Education and with institutions of higher education, lenders, guaranty agencies, loan servicers, and other participants in the loan programs described in paragraph (1)(A); and

"(B) compile and analyze data on borrower complaints and make appropriate recommendations.

"(4) REPORT.—Each year, the Ombudsman shall submit a report to the Chief Operating Officer, for inclusion in the annual report under subsection (c)(2), that describes the activities, and evaluates the effectiveness of the Ombudsman during the preceding year.

"(g) PERSONNEL FLEXIBILITY.—

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

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

"(3) EXCEPTED SERVICE.—The Chief Operating Officer may appoint, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, not more than 25 technical and professional employees to administer the functions of the PBO. These employees may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(h) ESTABLISHMENT OF A FAIR AND EQUITABLE SYSTEM FOR MEASURING STAFF PERFORMANCE.—The PBO shall establish an annual performance management system, subject to compliance with title 5, United States Code and consistent with applicable provisions of law and regulations, which strengthens the organizational effectiveness of the PBO by providing for establishing goals or objectives for individual, group, or organizational performance (or any combination thereof), consistent with the performance plan of the PBO and its performance planning procedures, including those established under the Government Performance and Results Act of 1993, and communicating such goals or objectives to employees.

"(i) REPORT.—The Secretary and the Chief Operating Officer, not later than 180 days after the date of enactment of the Higher Education Amendments of 1998, shall report to Congress on the proposed budget and sources of funding for the operation of the PBO.

"(j) AUTHORIZATION OF APPROPRIATIONS.—The Secretary shall allocate from funds made available under section 458 such funds as are appropriate to the functions assumed by the PBO. In addition, there are authorized to be appropriated such sums as may be necessary to carry out the purposes of this part, including transition costs.

"SEC. 142. PROCUREMENT FLEXIBILITY.

"(a) PROCUREMENT AUTHORITY.—Subject to the authority of the Secretary, the Chief Operating Officer of a PBO may exercise the authority of the Secretary to procure property and services in the performance of functions managed by the PBO. For the purposes of this section, the term 'PBO' includes the Chief Operating Officer of the PBO and any employee of the PBO exercising procurement authority under the preceding sentence.

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

"(1) enter into contracts for information systems supporting the programs authorized under title IV to carry out the functions set forth in section 141(b)(2); and

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

"(c) SERVICE CONTRACTS.—

"(1) PERFORMANCE-BASED SERVICING CONTRACTS.—The Chief Operating Officer shall, to the extent practicable, maximize the use of performance-based servicing contracts, consistent with guidelines for such contracts published by the Office of Federal Procurement Policy, to achieve cost savings and improve service.

"(2) FEE FOR SERVICE ARRANGEMENTS.—The Chief Operating Officer shall, when appropriate and consistent with the purposes of the PBO, acquire services related to the title IV delivery system from any entity that has the capability and capacity to meet the requirements for the system. The Chief Operating Officer is authorized to pay fees that are equivalent to those paid by other entities to an organization that provides an information system or service that meets the requirements of the PBO, as determined by the Chief Operating Officer.

"(d) TWO-PHASE SOURCE-SELECTION PROCEDURES.—

"(1) IN GENERAL.—The PBO may use a two-phase process for selecting a source for a procurement of property or services.

"(2) FIRST PHASE.—The procedures for the first phase of the process for a procurement are as follows:

"(A) PUBLICATION OF NOTICE.—The contracting officer for the procurement shall publish a notice of the procurement in accordance with section 18 of the Office of Federal Procurement Policy Act (41 U.S.C. 416) and subsections (e), (f), and (g) of section 8 of the Small Business Act (15 U.S.C. 637), except that the notice shall include only the following:

"(i) A general description of the scope or purpose of the procurement that provides sufficient information on the scope or purpose for sources to make informed business decisions regarding whether to participate in the procurement.

"(ii) A description of the basis on which potential sources are to be selected to submit offers in the second phase.

"(iii) A description of the information that is to be required under subparagraph (B).

"(iv) Any additional information that the contracting officer determines appropriate.

"(B) INFORMATION SUBMITTED BY OFFERORS.—Each offeror for the procurement shall submit basic information, such as information on the offeror's qualifications, the proposed conceptual approach, costs likely to be associated with the proposed conceptual approach, and past performance of the offeror on Federal Government contracts, together with any additional information that is requested by the contracting officer.

"(C) SELECTION FOR SECOND PHASE.—The contracting officer shall select the offerors that are to be eligible to participate in the second phase of the process. The contracting officer shall limit the number of the selected offerors to the number of sources that the contracting officer determines is appropriate and in the best interests of the Federal Government.

"(3) SECOND PHASE.—

"(A) IN GENERAL.—The contracting officer shall conduct the second phase of the source selection process in accordance with sections 303A and 303B of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253a and 253b).

"(B) ELIGIBLE PARTICIPANTS.—Only the sources selected in the first phase of the process shall be eligible to participate in the second phase.

"(C) SINGLE OR MULTIPLE PROCUREMENTS.—The second phase may include a single procurement or multiple procurements within the scope, or for the purpose, described in the notice pursuant to paragraph (2)(A).

"(4) PROCEDURES CONSIDERED COMPETITIVE.—The procedures used for selecting a source for a procurement under this subsection shall be considered competitive procedures for all purposes.

"(e) USE OF SIMPLIFIED PROCEDURES FOR COMMERCIAL ITEMS.—Whenever the PBO anticipates that commercial items will be offered for a procurement, the PBO may use (consistent with the special rules for commercial items) the special simplified procedures for the procurement without regard to—

"(1) any dollar limitation otherwise applicable to the use of those procedures; and

"(2) the expiration of the authority to use special simplified procedures under section 4202(e) of the Clinger-Cohen Act of 1996 (110 Stat. 654; 10 U.S.C. 2304 note).

"(f) FLEXIBLE WAIT PERIODS AND DEADLINES FOR SUBMISSION OF OFFERS OF NONCOMMERCIAL ITEMS.—

"(1) AUTHORITY.—In carrying out a procurement, the PBO may—

"(A) apply a shorter waiting period for the issuance of a solicitation after the publication of a notice under section 18 of the Office of Federal Procurement Policy Act (41 U.S.C. 416) than is required under subsection (a)(3)(A) of such section; and

"(B) notwithstanding subsection (a)(3) of such section, establish any deadline for the submission of bids or proposals that affords potential offerors a reasonable opportunity to respond to the solicitation.

"(2) INAPPLICABILITY TO COMMERCIAL ITEMS.—Paragraph (1) does not apply to a procurement of a commercial item.

"(3) CONSISTENCY WITH APPLICABLE INTERNATIONAL AGREEMENTS.—If an international agreement is applicable to the procurement, any exercise of authority under paragraph (1) shall be consistent with the international agreement.

"(g) MODULAR CONTRACTING.—

"(1) IN GENERAL.—The PBO may satisfy the requirements of the PBO for a system incrementally by carrying out successive procurements of modules of the system. In doing so, the PBO may use procedures authorized under this subsection to procure any such module after the first module.

"(2) UTILITY REQUIREMENT.—A module may not be procured for a system under this subsection unless the module is useful independently of the other modules or useful in combination with another module previously procured for the system.

"(3) CONDITIONS FOR USE OF AUTHORITY.—The PBO may use procedures authorized under paragraph (4) for the procurement of an additional module for a system if—

"(A) competitive procedures were used for awarding the contract for the procurement of the first module for the system; and

"(B) the solicitation for the first module included—

"(i) a general description of the entire system that was sufficient to provide potential offerors with reasonable notice of the general scope of future modules;

"(ii) other information sufficient for potential offerors to make informed business judgments regarding whether to submit offers for the contract for the first module; and

"(iii) a statement that procedures authorized under this subsection could be used for awarding subsequent contracts for the procurement of additional modules for the system.

"(4) PROCEDURES.—If the procurement of the first module for a system meets the requirements set forth in paragraph (3), the PBO may award a contract for the procurement of an additional module for the system using any of the following procedures:

"(A) SOLE SOURCE.—Award of the contract on a sole-source basis to a contractor who was awarded a contract for a module previously procured for the system under competitive procedures or procedures authorized under subparagraph (B).

"(B) ADEQUATE COMPETITION.—Award of the contract on the basis of offers made by—

"(i) a contractor who was awarded a contract for a module previously procured for the system after having been selected for award of the contract under this subparagraph or other competitive procedures; and

"(ii) at least one other offeror that submitted an offer for a module previously procured for the system and is expected, on the basis of the offer for the previously procured module, to submit a competitive offer for the additional module.

"(C) OTHER.—Award of the contract under any other procedure authorized by law.

"(5) NOTICE REQUIREMENT.—

"(A) PUBLICATION.—Not less than 30 days before issuing a solicitation for offers for a contract for a module for a system under procedures authorized under subparagraph (A) or (B) of paragraph (4), the PBO shall publish in the Commerce Business Daily a notice of the intent to use such procedures to enter into the contract.

"(B) EXCEPTION.—Publication of a notice is not required under this paragraph with respect to a use of procedures authorized under paragraph (4) if the contractor referred to in that subparagraph (who is to be solicited to submit an offer) has previously provided a module for the system under a contract that contained cost, schedule, and performance goals and the contractor met those goals.

"(C) CONTENT OF NOTICE.—A notice published under subparagraph (A) with respect to a use of procedures described in paragraph (4) shall contain the information required under section 18(b) of the Office of Federal Procurement Policy Act (41 U.S.C. 416(b)), other than paragraph (4) of such section, and shall invite the submission of any assertion that the use of the procedures for the procurement involved is not in the best interest of the Federal Government together with information supporting the assertion.

"(6) DOCUMENTATION.—The basis for an award of a contract under this subsection shall be documented. However, a justification pursuant to section 303(f) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(f)) or section 8(h) of the Small Business Act (15 U.S.C. 637(h)) is not required.

"(7) SIMPLIFIED SOURCE-SELECTION PROCEDURES.—The PBO may award a contract under any other simplified procedures prescribed by the PBO for the selection of sources for the procurement of modules for a system, after the first module, that are not to be procured under a contract awarded on a sole-source basis.

"(h) USE OF SIMPLIFIED PROCEDURES FOR SMALL BUSINESS SET-ASIDES FOR SERVICES OTHER THAN COMMERCIAL ITEMS.—

"(1) AUTHORITY.—The PBO may use special simplified procedures for a procurement of services that are not commercial items if—

"(A) the procurement is in an amount not greater than $1,000,000;

"(B) the procurement is conducted as a small business set-aside pursuant to section 15(a) of the Small Business Act (15 U.S.C. 644(a)); and

"(C) the price charged for supplies associated with the services procured are items of supply expected to be less than 20 percent of the total contract price.

"(2) INAPPLICABILITY TO CERTAIN PROCUREMENTS.—The authority set forth in paragraph (1) may not be used for—

"(A) an award of a contract on a sole-source basis; or

"(B) a contract for construction.

"(i) GUIDANCE FOR USE OF AUTHORITY.—

"(1) ISSUANCE BY PBO.—The Chief Operating Officer of the PBO, in consultation with the Administrator for Federal

Procurement Policy, shall issue guidance for the use by PBO personnel of the authority provided in this section.

"(2) GUIDANCE FROM OFPP.—As part of the consultation required under paragraph (1), the Administrator for Federal Procurement Policy shall provide the PBO with guidance that is designed to ensure, to the maximum extent practicable, that the authority under this section is exercised by the PBO in a manner that is consistent with the exercise of the authority by the heads of the other performance-based organizations.

"(3) COMPLIANCE WITH OFPP GUIDANCE.—The head of the PBO shall ensure that the procurements of the PBO under this section are carried out in a manner that is consistent with the guidance provided for the PBO under paragraph (2).

"(j) LIMITATION ON MULTIAGENCY CONTRACTING.—No department or agency of the Federal Government may purchase property or services under contracts entered into or administered by a PBO under this section unless the purchase is approved in advance by the senior procurement official of that department or agency who is responsible for purchasing by the department or agency.

"(k) LAWS NOT AFFECTED.—Nothing in this section shall be construed to waive laws for the enforcement of civil rights or for the establishment and enforcement of labor standards that are applicable to contracts of the Federal Government.

"(l) DEFINITIONS.—In this section:

"(1) COMMERCIAL ITEM.—The term 'commercial item' has the meaning given the term in section 4(12) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(12)).

"(2) COMPETITIVE PROCEDURES.—The term 'competitive procedures' has the meaning given the term in section 309(b) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 259(b)).

"(3) SOLE-SOURCE BASIS.—The term 'sole-source basis', with respect to an award of a contract, means that the contract is awarded to a source after soliciting an offer or offers from, and negotiating with, only that source.

"(4) SPECIAL RULES FOR COMMERCIAL ITEMS.—The term 'special rules for commercial items' means the regulations set forth in the Federal Acquisition Regulation pursuant to section 303(g)(1) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(g)(1)) and section 31 of the Office of Federal Procurement Policy Act (41 U.S.C. 427).

"(5) SPECIAL SIMPLIFIED PROCEDURES.—The term 'special simplified procedures' means the procedures applicable to purchases of property and services for amounts not greater than the simplified acquisition threshold that are set forth in the Federal Acquisition Regulation pursuant to section 303(g)(1)(B) of the Federal Property and Administrative Services Act of 1949 (41 U.S.C. 253(g)(1)(A)) and section 31(a)(1) of the Office of Federal Procurement Policy Act (41 U.S.C. 427(a)(1)).

"SEC. 143. ADMINISTRATIVE SIMPLIFICATION OF STUDENT AID DELIVERY.

"(a) IN GENERAL.—In order to improve the efficiency and effectiveness of the student aid delivery system, the Secretary and the Chief Operating Officer shall encourage and participate in the establishment of voluntary consensus standards and requirements

for the electronic transmission of information necessary for the administration of programs under title IV.

"(b) PARTICIPATION IN STANDARD SETTING ORGANIZATIONS.—

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

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

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

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

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

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

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

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

"(f) DEFINITIONS.—

"(1) CLEARINGHOUSE.—The term 'clearinghouse' means a public or private entity that processes or facilitates the processing of nonstandard data elements into data elements conforming to standards adopted under this section.

"(2) STANDARD SETTING ORGANIZATION.—The term 'standard setting organization' means an organization that—

"(A) is accredited by the American National Standards Institute;

"(B) develops standards for information transactions, data elements, or any other standard that is necessary to, or will facilitate, the implementation of this section; and

"(C) is open to the participation of the various entities engaged in the delivery of Federal student financial assistance.

"(3) VOLUNTARY CONSENSUS STANDARD.—The term 'voluntary consensus standard' means a standard developed or used by a standard setting organization described in paragraph (2).".

(b) REPEAL OF OLD GENERAL PROVISIONS.—Title XII (20 U.S.C. 1141 et seq.) is repealed.

(c) REPEAL OF TITLE IV DEFINITION.—Section 481 (20 U.S.C. 1088) is amended—

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

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

SEC. 102. CONFORMING AMENDMENTS.

(a) CONFORMING AMENDMENTS CORRECTING REFERENCES TO SECTION 1201.—

(1) AGRICULTURE.—

(A) STUDENT INTERNSHIP PROGRAMS.—Section 922 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 2279c) is amended—

(i) in subsection (a)(1)(B)—

(I) by striking "1201" and inserting "101"; and

(II) by striking "(20 U.S.C. 1141)"; and

(ii) in subsection (b)(1)—

(I) by striking "1201" and inserting "101"; and

(II) by striking "(20 U.S.C. 1141)".

(B) AGRICULTURAL SCIENCES EDUCATION.—Section 1417(j)(1)(A) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3152(j)(1)(A)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(2) ARMED FORCES.—

(A) SCIENCE AND MATHEMATICS EDUCATION IMPROVEMENT PROGRAM.—Section 2193(c)(1) of title 10, United States Code, is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(B) SUPPORT OF SCIENCE, MATHEMATICS, AND ENGINEERING EDUCATION.—Section 2199(2) of title 10, United States Code, is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(C) ALLOWABLE COSTS UNDER DEFENSE CONTRACTS.—Section 841(c)(2) of the National Defense Authorization Act for fiscal year 1994 (10 U.S.C. 2324 note) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(D) ENVIRONMENTAL RESTORATION INSTITUTIONAL GRANTS FOR TRAINING DISLOCATED DEFENSE WORKERS AND YOUNG ADULTS.—Section 1333(i)(3) of the National Defense Authorization Act for fiscal year 1994 (10 U.S.C. 2701 note) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(E) ENVIRONMENTAL EDUCATION OPPORTUNITIES PROGRAM.—Section 1334(k)(3) of the National Defense Authorization Act for fiscal year 1994 (10 U.S.C. 2701 note) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(F) ENVIRONMENTAL SCHOLARSHIP AND FELLOWSHIP PROGRAMS.—Section 4451(b)(1) of the National Defense

Authorization Act for 1993 (10 U.S.C. 2701 note) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(3) APPLICATION OF ANTITRUST LAWS TO AWARD OF NEED-BASED EDUCATIONAL AID.—Section 568(c)(3) of the Improving America's Schools Act of 1994 (15 U.S.C. 1 note) is amended—

(A) by striking "1201(a)" and inserting "101"; and

(B) by striking "(20 U.S.C. 1141(a))".

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

(5) RESTRICTIONS ON FORMER OFFICERS, EMPLOYEES, AND ELECTED OFFICIALS OF THE EXECUTIVE AND LEGISLATIVE BRANCHES.—Section 207(j)(2)(B) of title 18, United States Code, is amended by striking "1201(a)" and inserting "101".

(6) EDUCATION.—

(A) HIGHER EDUCATION AMENDMENTS OF 1992.—Section 1(c) of the Higher Education Amendments of 1992 (20 U.S.C. 1001 note) is amended by striking "1201" and inserting "101".

(B) TREATMENT OF BRANCHES.—Section 498(j)(2) of the Higher Education Act of 1965 (20 U.S.C. 1099c(j)(2)) is amended by striking "1201(a)(2)" and inserting "101(a)(2)".

(C) DISCLOSURE REQUIREMENTS.—Section 429(d)(2)(B)(ii) of the General Education Provisions Act (20 U.S.C. 1228c(d)(2)(B)(ii)) is amended by striking "1201(a)" and inserting "101".

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

(E) TECH-PREP EDUCATION.—Section 347(2)(A) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2394e(2)(A)) is amended by striking "1201(a)" and inserting "101".

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

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

(i) in paragraph (3), by striking "1201(a)" and inserting "101"; and

(ii) in paragraph (4), by striking "1201(d) of the Higher Education Act of 1965" and inserting "14101 of the Elementary and Secondary Education Act of 1965".

(H) BARRY GOLDWATER SCHOLARSHIPS.—Section 1403(4) of the Barry Goldwater Scholarship and Excellence in Education Act (20 U.S.C. 4702(4)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(I) MORRIS K. UDALL SCHOLARSHIPS.—Section 4(6) of the Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992 (20 U.S.C. 5602(6)) is amended by striking "1201(a)" and inserting "101".

(J) BILINGUAL EDUCATION, AND LANGUAGE ENHANCEMENT AND ACQUISITION.—Section 7501(4) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7601(4)) is amended by striking "1201(a)" and inserting "101".

(K) GENERAL DEFINITIONS.—Section 14101(17) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801(17)) is amended by striking "1201(a)" and inserting "101".

(L) NATIONAL EDUCATION STATISTICS.—Section 402(c)(3) of the National Education Statistics Act of 1994 (20 U.S.C. 9001(c)(3)) is amended by striking "1201(a)" and inserting "101".

(7) FOREIGN RELATIONS.—

(A) ENVIRONMENT AND SUSTAINABLE DEVELOPMENT EXCHANGE PROGRAM.—Section 240(d) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (22 U.S.C. 2452 note) is amended by striking "1201(a)" and inserting "101".

(B) SAMANTHA SMITH MEMORIAL EXCHANGE PROGRAM.—Section 112(a)(8) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2460(a)(8)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(C) SOVIET-EASTERN EUROPEAN TRAINING.—Section 803(1) of the Soviet-Eastern European Research and Training Act of 1983 (22 U.S.C. 4502(1)) is amended by striking "1201(a)" and inserting "101".

(D) DEVELOPING COUNTRY SCHOLARSHIPS.—Section 603(d) of the Foreign Relations Authorization Act, Fiscal Years 1986 and 1987 (22 U.S.C. 4703(d)) is amended by striking "1201(a)" and inserting "101".

(8) INDIANS.—

(A) SNYDER ACT.—The last paragraph of section 410 of the Act entitled "An Act authorizing appropriations and expenditures for the administration of Indian Affairs, and for other purposes", approved November 2, 1921 (25 U.S.C. 13) (commonly known as the Snyder Act) is amended by striking "1201" and inserting "101".

(B) TRIBALLY CONTROLLED COMMUNITY COLLEGE ASSISTANCE.—Section 2(a)(5) of the Tribally Controlled Community College Assistance Act (25 U.S.C. 1801(a)(5)) is amended by striking "1201(a)" and inserting "101".

(C) CONSTRUCTION OF NEW FACILITIES.—Section 113(b)(2) of the Tribally Controlled Community College Assistance Act (25 U.S.C. 1813(b)(2)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(D) AMERICAN INDIAN TEACHER TRAINING.—Section 1371(a)(1)(B) of the Higher Education Amendments of 1992 (25 U.S.C. 3371(a)(1)(B)) is amended by striking "1201(a)" and inserting "101".

(9) LABOR.—

(A) REHABILITATION DEFINITIONS.—Section 6(23) of the Rehabilitation Act of 1973 (29 U.S.C. 705(23)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

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

(10) SURFACE MINING CONTROL.—Section 701(32) of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1291(32)) is amended by striking "1201(a)" and inserting "101".

(11) POLLUTION PREVENTION.—Section 112(a)(1) of the Federal Water Pollution Control Act (33 U.S.C. 1262(a)(1)) is amended by striking "1201" and inserting "101".

(12) POSTAL SERVICE.—Section 3626(b)(3) of title 39, United States Code, is amended—

(A) by striking "1201(a)" and inserting "101"; and

(B) by striking "(20 U.S.C. 1141(a))".

(13) PUBLIC HEALTH AND WELFARE.—

(A) PUBLIC HEALTH SERVICE ACT.—Section 705(a)(2)(C) of the Public Health Service Act (42 U.S.C. 292d(a)(2)(C)) is amended by striking "section 481(a)" and inserting "section 102(a)".

(B) SCIENTIFIC AND TECHNICAL EDUCATION.—Section 3(g) of the Scientific and Advanced-Technology Act of 1992 (42 U.S.C. 1862i(g)) is amended—

(i) in paragraph (2)—

(I) by striking "1201(a)" and inserting "101"; and

(II) by striking "(20 U.S.C. 1141(a))"; and

(ii) in paragraph (3)—

(I) by striking "1201(a)" and inserting "101"; and

(II) by striking "(20 U.S.C. 1141(a))".

(C) OLDER AMERICANS.—Section 102(32) of the Older Americans Act of 1965 (42 U.S.C. 3002(32)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(D) JUSTICE SYSTEM IMPROVEMENT.—Section 901(17) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3791(17)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(E) ENERGY TECHNOLOGY COMMERCIALIZATION SERVICES PROGRAM.—Section 362(f)(5)(A) of the Energy Policy and Conservation Act (42 U.S.C. 6322(f)(5)(A)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(F) ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT.—Section 3132(b)(1) of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (42 U.S.C. 7274e(b)(1)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(G) HEAD START.—Section 649(c)(3) of the Head Start Act (42 U.S.C. 9844(c)(3)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(H) STATE DEPENDENT CARE DEVELOPMENT GRANTS.—Section 670G(5) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9877(5)) is amended by striking "1201(a)" and inserting "101".

(I) INSTRUCTIONAL ACTIVITIES FOR LOW-INCOME YOUTH.—The matter preceding subparagraph (A) of section 682(b)(1) of the Community Services Block Grant Act (42 U.S.C. 9910c(b)(1)) is amended by striking "1201(a)" and inserting "101".

(J) DRUG ABUSE EDUCATION.—Section 3601(7) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11851(7)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(K) NATIONAL AND COMMUNITY SERVICE.—Section 101(13) of the National and Community Service Act of 1990 (42 U.S.C. 12511(13)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(L) CIVILIAN COMMUNITY CORPS.—Section 166(6) of the National and Community Service Act of 1990 (42 U.S.C. 12626(6)) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(M) CRANSTON-GONZALEZ NATIONAL AFFORDABLE HOUSING ACT.—Section 457(9) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12899f(9)) is amended by striking "1201(a)" and inserting "101".

(N) COMMUNITY SCHOOLS YOUTH SERVICES AND SUPERVISION GRANT PROGRAM.—The definition of public school in section 30401(b) of the Community Schools Youth Services and Supervision Grant Program Act of 1994 (42 U.S.C. 13791(b)) is amended—

(i) by striking "1201" each place the term appears and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(i))".

(O) POLICE CORPS.—The definition of institution of higher education in section 200103 of the Police Corps Act (42 U.S.C. 14092) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(P) LAW ENFORCEMENT SCHOLARSHIP PROGRAM.—The definition of institution of higher education in section 200202 of the Law Enforcement Scholarship and Recruitment Act (42 U.S.C. 14111) is amended—

(i) by striking "1201(a)" and inserting "101"; and

(ii) by striking "(20 U.S.C. 1141(a))".

(14) TELECOMMUNICATIONS.—Section 223(h)(4) of the Telecommunications Act of 1934 (47 U.S.C. 223(h)(4)) is amended—

(A) by striking "1201" and inserting "101"; and

(B) by striking "(20 U.S.C. 1141)".

(15) WAR AND NATIONAL DEFENSE.—Section 808(3) of the David L. Boren National Security Education Act of 1991 (50 U.S.C. 1908(3)) is amended—

(A) by striking "1201(a)" and inserting "101"; and

(B) by striking "(20 U.S.C. 1141(a))".

(b) INTERNAL CROSS REFERENCES.—The Act (20 U.S.C. 1001 et seq.) is amended—

(1) in section 402A(c)(2) (20 U.S.C. 1070a–11(c)(2)), by striking "1210" and inserting "118";

(2) in section 435(a) (20 U.S.C. 1085(a)), by striking "section 481" and inserting "section 102";

(3) in section 485(f)(1)(I) (20 U.S.C. 1092(f)(1)(I)), by striking "1213" and inserting "120";

(4) in section 487(d) (20 U.S.C. 1094(d)), by striking "section 481" and inserting "section 102";

(5) in subsections (j) and (k) of section 496 (20 U.S.C. 1099b), by striking "section 481" each place the term appears and inserting "section 102";

(6) in section 498(i) (20 U.S.C. 1099c) is amended by striking "section 481" and inserting "section 102";

(7) in section 498(j) (20 U.S.C. 1099c(j))—

(A) in paragraph (1), by striking "sections 481(b)(5) and 481(c)(3)" and inserting "sections 102(b)(1)(E) and 102(c)(1)(C)"; and

(B) in paragraph (2), by striking "1201(a)(2)" and inserting "101(a)(2)"; and

(8) in section 631(a)(8) (20 U.S.C. 1132(a)(8))—

(A) by striking "section 1201(a)" each place the term appears and inserting "section 101"; and

(B) by striking "of 1201(a)" and inserting "of section 101".

(c) ADDITIONAL CONFORMING AMENDMENTS CORRECTING REFERENCES TO SECTION 481.—

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

(A) in paragraph (11)(B)(viii), by striking "section 481(b)" and inserting "section 102(b)"; and

(B) in paragraph (12), by striking "section 481" and inserting "section 102".

(2) NATIONAL AND COMMUNITY SERVICE ACT OF 1990.—Section 148(g) of the National and Community Service Act of 1990 (42 U.S.C. 12604(g)) is amended by striking "section 481(a) of the Higher Education Act of 1965 (20 U.S.C. 1088(a))" and inserting "section 102 of the Higher Education Act of 1965".

(d) WORKFORCE INVESTMENT ACT OF 1998.—The Workforce Investment Act of 1998 is amended—

(1) in section 101(35) (29 U.S.C. 2801(35)), by striking "section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088)" and inserting "section 102 of the Higher Education Act of 1965"; and

(2) in section 203(11) (20 U.S.C. 9202(11)), by striking "section 1201 of the Higher Education Act of 1965 (20 U.S.C. 1141)" and inserting "section 101 of the Higher Education Act of 1965".

TITLE II—TEACHER QUALITY

SEC. 201. TEACHER QUALITY ENHANCEMENT GRANTS.

The Act is amended by inserting after title I (20 U.S.C. 1001 et seq.) the following:

"TITLE II—TEACHER QUALITY ENHANCEMENT GRANTS FOR STATES AND PARTNERSHIPS

"SEC. 201. PURPOSES; DEFINITIONS.

"(a) PURPOSES.—The purposes of this title are to—

"(1) improve student achievement;

"(2) improve the quality of the current and future teaching force by improving the preparation of prospective teachers and enhancing professional development activities;

"(3) hold institutions of higher education accountable for preparing teachers who have the necessary teaching skills and are highly competent in the academic content areas in which the teachers plan to teach, such as mathematics, science, English, foreign languages, history, economics, art, civics, Government, and geography, including training in the effective uses of technology in the classroom; and

"(4) recruit highly qualified individuals, including individuals from other occupations, into the teaching force.

"(b) DEFINITIONS.—In this title:

"(1) ARTS AND SCIENCES.—The term 'arts and sciences' means—

"(A) when referring to an organizational unit of an institution of higher education, any academic unit that offers 1 or more academic majors in disciplines or content areas corresponding to the academic subject matter areas in which teachers provide instruction; and

"(B) when referring to a specific academic subject matter area, the disciplines or content areas in which academic majors are offered by the arts and science organizational unit.

"(2) HIGH NEED LOCAL EDUCATIONAL AGENCY.—The term 'high need local educational agency' means a local educational agency that serves an elementary school or secondary school located in an area in which there is—

"(A) a high percentage of individuals from families with incomes below the poverty line;

"(B) a high percentage of secondary school teachers not teaching in the content area in which the teachers were trained to teach; or

"(C) a high teacher turnover rate.

"(3) POVERTY LINE.—The term 'poverty line' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved.

"SEC. 202. STATE GRANTS.

"(a) IN GENERAL.—From amounts made available under section 210(1) for a fiscal year, the Secretary is authorized to award grants under this section, on a competitive basis, to eligible States to enable the eligible States to carry out the activities described in subsection (d).

"(b) ELIGIBLE STATE.—

"(1) DEFINITION.—In this title, the term 'eligible State' means—

"(A) the Governor of a State; or

"(B) in the case of a State for which the constitution or law of such State designates another individual, entity, or agency in the State to be responsible for teacher certification and preparation activity, such individual, entity, or agency.

"(2) CONSULTATION.—The Governor and the individual, entity, or agency designated under paragraph (1) shall consult with the Governor, State board of education, State educational agency, or State agency for higher education, as appropriate, with respect to the activities assisted under this section.

"(3) CONSTRUCTION.—Nothing in this subsection shall be construed to negate or supersede the legal authority under State law of any State agency, State entity, or State public official over programs that are under the jurisdiction of the agency, entity, or official.

"(c) APPLICATION.—To be eligible to receive a grant under this section, an eligible State shall, at the time of the initial grant application, submit an application to the Secretary that—

"(1) meets the requirement of this section;

"(2) includes a description of how the eligible State intends to use funds provided under this section; and

"(3) contains such other information and assurances as the Secretary may require.

"(d) USES OF FUNDS.—An eligible State that receives a grant under this section shall use the grant funds to reform teacher preparation requirements, and to ensure that current and future teachers possess the necessary teaching skills and academic content knowledge in the subject areas in which the teachers are assigned to teach, by carrying out 1 or more of the following activities:

"(1) REFORMS.—Implementing reforms that hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content areas in which the teachers plan to teach, and possess strong teaching skills, which may include the use of rigorous subject matter competency tests and the requirement that a teacher have an academic major in the subject area, or related discipline, in which the teacher plans to teach.

"(2) CERTIFICATION OR LICENSURE REQUIREMENTS.—Reforming teacher certification or licensure requirements to ensure that teachers have the necessary teaching skills and academic content knowledge in the subject areas in which teachers are assigned to teach.

"(3) ALTERNATIVES TO TRADITIONAL PREPARATION FOR TEACHING.—Providing prospective teachers with alternatives to

traditional preparation for teaching through programs at colleges of arts and sciences or at nonprofit educational organizations.

"(4) ALTERNATIVE ROUTES TO STATE CERTIFICATION.—Carrying out programs that—

"(A) include support during the initial teaching experience; and

"(B) establish, expand, or improve alternative routes to State certification of teachers for highly qualified individuals, including mid-career professionals from other occupations, paraprofessionals, former military personnel and recent college graduates with records of academic distinction.

"(5) RECRUITMENT; PAY; REMOVAL.—Developing and implementing effective mechanisms to ensure that local educational agencies and schools are able to effectively recruit highly qualified teachers, to financially reward those teachers and principals whose students have made significant progress toward high academic performance, such as through performance-based compensation systems and access to ongoing professional development opportunities for teachers and administrators, and to expeditiously remove incompetent or unqualified teachers consistent with procedures to ensure due process for the teachers.

"(6) SOCIAL PROMOTION.—Development and implementation of efforts to address the problem of social promotion and to prepare teachers to effectively address the issues raised by ending the practice of social promotion.

"(7) RECRUITMENT.—Activities described in section 204(d).

"SEC. 203. PARTNERSHIP GRANTS.

"(a) GRANTS.—From amounts made available under section 210(2) for a fiscal year, the Secretary is authorized to award grants under this section, on a competitive basis, to eligible partnerships to enable the eligible partnerships to carry out the activities described in subsections (d) and (e).

"(b) DEFINITIONS.—

"(1) ELIGIBLE PARTNERSHIPS.—In this title, the term 'eligible partnerships' means an entity that—

"(A) shall include—

"(i) a partner institution;

"(ii) a school of arts and sciences; and

"(iii) a high need local educational agency; and

"(B) may include a Governor, State educational agency, the State board of education, the State agency for higher education, an institution of higher education not described in subparagraph (A), a public charter school, a public or private elementary school or secondary school, a public or private nonprofit educational organization, a business, a teacher organization, or a prekindergarten program.

"(2) PARTNER INSTITUTION.—In this section, the term 'partner institution' means a private independent or State-supported public institution of higher education, the teacher training program of which demonstrates that—

"(A) graduates from the teacher training program exhibit strong performance on State-determined qualifying assessments for new teachers through—

"(i) demonstrating that 80 percent or more of the graduates of the program who intend to enter the field of teaching have passed all of the applicable State qualification assessments for new teachers, which shall include an assessment of each prospective teacher's subject matter knowledge in the content area or areas in which the teacher intends to teach; or

"(ii) being ranked among the highest-performing teacher preparation programs in the State as determined by the State—

"(I) using criteria consistent with the requirements for the State report card under section 207(b); and

"(II) using the State report card on teacher preparation required under section 207(b), after the first publication of such report card and for every year thereafter; or

"(B) the teacher training program requires all the students of the program to participate in intensive clinical experience, to meet high academic standards, and—

"(i) in the case of secondary school candidates, to successfully complete an academic major in the subject area in which the candidate intends to teach or to demonstrate competence through a high level of performance in relevant content areas; and

"(ii) in the case of elementary school candidates, to successfully complete an academic major in the arts and sciences or to demonstrate competence through a high level of performance in core academic subject areas.

"(c) APPLICATION.—Each eligible partnership desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each such application shall—

"(1) contain a needs assessment of all the partners with respect to teaching and learning and a description of how the partnership will coordinate with other teacher training or professional development programs, and how the activities of the partnership will be consistent with State, local, and other education reform activities that promote student achievement;

"(2) contain a resource assessment that describes the resources available to the partnership, the intended use of the grant funds, including a description of how the grant funds will be fairly distributed in accordance with subsection (f), and the commitment of the resources of the partnership to the activities assisted under this title, including financial support, faculty participation, time commitments, and continuation of the activities when the grant ends; and

"(3) contain a description of—

"(A) how the partnership will meet the purposes of this title;

"(B) how the partnership will carry out the activities required under subsection (d) and any permissible activities under subsection (e); and

"(C) the partnership's evaluation plan pursuant to section 206(b).

"(d) REQUIRED USES OF FUNDS.—An eligible partnership that receives a grant under this section shall use the grant funds to carry out the following activities:

"(1) REFORMS.—Implementing reforms within teacher preparation programs to hold the programs accountable for preparing teachers who are highly competent in the academic content areas in which the teachers plan to teach, and for promoting strong teaching skills, including working with a school of arts and sciences and integrating reliable research-based teaching methods into the curriculum, which curriculum shall include programs designed to successfully integrate technology into teaching and learning.

"(2) CLINICAL EXPERIENCE AND INTERACTION.—Providing sustained and high quality preservice clinical experience including the mentoring of prospective teachers by veteran teachers, and substantially increasing interaction between faculty at institutions of higher education and new and experienced teachers, principals, and other administrators at elementary schools or secondary schools, and providing support, including preparation time, for such interaction.

"(3) PROFESSIONAL DEVELOPMENT.—Creating opportunities for enhanced and ongoing professional development that improves the academic content knowledge of teachers in the subject areas in which the teachers are certified to teach or in which the teachers are working toward certification to teach, and that promotes strong teaching skills.

"(e) ALLOWABLE USES OF FUNDS.—An eligible partnership that receives a grant under this section may use such funds to carry out the following activities:

"(1) TEACHER PREPARATION AND PARENT INVOLVEMENT.—Preparing teachers to work with diverse student populations, including individuals with disabilities and limited English proficient individuals, and involving parents in the teacher preparation program reform process.

"(2) DISSEMINATION AND COORDINATION.—Broadly disseminating information on effective practices used by the partnership, and coordinating with the activities of the Governor, State board of education, State higher education agency, and State educational agency, as appropriate.

"(3) MANAGERIAL AND LEADERSHIP SKILLS.—Developing and implementing proven mechanisms to provide principals and superintendents with effective managerial and leadership skills that result in increased student achievement.

"(4) TEACHER RECRUITMENT.—Activities described in section 204(d).

"(f) SPECIAL RULE.—No individual member of an eligible partnership shall retain more than 50 percent of the funds made available to the partnership under this section.

"(g) CONSTRUCTION.—Nothing in this section shall be construed to prohibit an eligible partnership from using grant funds to coordinate with the activities of more than one Governor, State board of education, State educational agency, local educational agency, or State agency for higher education.

"SEC. 204. TEACHER RECRUITMENT GRANTS.

"(a) PROGRAM AUTHORIZED.—From amounts made available under section 210(3) for a fiscal year, the Secretary is authorized

to award grants, on a competitive basis, to eligible applicants to enable the eligible applicants to carry out activities described in subsection (d).

"(b) ELIGIBLE APPLICANT DEFINED.—In this title, the term 'eligible applicant' means—

"(1) an eligible State described in section 202(b); or

"(2) an eligible partnership described in section 203(b).

"(c) APPLICATION.—Any eligible applicant desiring to receive a grant under this section shall submit an application to the Secretary at such time, in such form, and containing such information as the Secretary may require, including—

"(1) a description of the assessment that the eligible applicant, and the other entities with whom the eligible applicant will carry out the grant activities, have undertaken to determine the most critical needs of the participating high-need local educational agencies;

"(2) a description of the activities the eligible applicant will carry out with the grant; and

"(3) a description of the eligible applicant's plan for continuing the activities carried out with the grant, once Federal funding ceases.

"(d) USES OF FUNDS.—Each eligible applicant receiving a grant under this section shall use the grant funds—

"(1)(A) to award scholarships to help students pay the costs of tuition, room, board, and other expenses of completing a teacher preparation program;

"(B) to provide support services, if needed to enable scholarship recipients to complete postsecondary education programs; and

"(C) for followup services provided to former scholarship recipients during the recipients first 3 years of teaching; or

"(2) to develop and implement effective mechanisms to ensure that high need local educational agencies and schools are able to effectively recruit highly qualified teachers.

"(e) SERVICE REQUIREMENTS.—The Secretary shall establish such requirements as the Secretary finds necessary to ensure that recipients of scholarships under this section who complete teacher education programs subsequently teach in a high-need local educational agency, for a period of time equivalent to the period for which the recipients receive scholarship assistance, or repay the amount of the scholarship. The Secretary shall use any such repayments to carry out additional activities under this section.

"SEC. 205. ADMINISTRATIVE PROVISIONS.

"(a) DURATION; ONE-TIME AWARDS; PAYMENTS.—

"(1) DURATION.—

"(A) ELIGIBLE STATES AND ELIGIBLE APPLICANTS.—Grants awarded to eligible States and eligible applicants under this title shall be awarded for a period not to exceed 3 years.

"(B) ELIGIBLE PARTNERSHIPS.—Grants awarded to eligible partnerships under this title shall be awarded for a period of 5 years.

"(2) ONE-TIME AWARD.—An eligible State and an eligible partnership may receive a grant under each of sections 202, 203, and 204 only once.

"(3) PAYMENTS.—The Secretary shall make annual payments of grant funds awarded under this part.

"(b) PEER REVIEW.—

"(1) PANEL.—The Secretary shall provide the applications submitted under this title to a peer review panel for evaluation. With respect to each application, the peer review panel shall initially recommend the application for funding or for disapproval.

"(2) PRIORITY.—In recommending applications to the Secretary for funding under this title, the panel shall—

"(A) with respect to grants under section 202, give priority to eligible States serving States that—

"(i) have initiatives to reform State teacher certification requirements that are designed to ensure that current and future teachers possess the necessary teaching skills and academic content knowledge in the subject areas in which the teachers are certified or licensed to teach;

"(ii) include innovative reforms to hold institutions of higher education with teacher preparation programs accountable for preparing teachers who are highly competent in the academic content area in which the teachers plan to teach and have strong teaching skills; or

"(iii) involve the development of innovative efforts aimed at reducing the shortage of highly qualified teachers in high poverty urban and rural areas;

"(B) with respect to grants under section 203—

"(i) give priority to applications from eligible partnerships that involve businesses; and

"(ii) take into consideration—

"(I) providing an equitable geographic distribution of the grants throughout the United States; and

"(II) the potential of the proposed activities for creating improvement and positive change.

"(3) SECRETARIAL SELECTION.—The Secretary shall determine, based on the peer review process, which application shall receive funding and the amounts of the grants. In determining grant amounts, the Secretary shall take into account the total amount of funds available for all grants under this title and the types of activities proposed to be carried out.

"(c) MATCHING REQUIREMENTS.—

"(1) STATE GRANTS.—Each eligible State receiving a grant under section 202 or 204 shall provide, from non-Federal sources, an amount equal to 50 percent of the amount of the grant (in cash or in kind) to carry out the activities supported by the grant.

"(2) PARTNERSHIP GRANTS.—Each eligible partnership receiving a grant under section 203 or 204 shall provide, from non-Federal sources (in cash or in kind), an amount equal to 25 percent of the grant for the first year of the grant, 35 percent of the grant for the second year of the grant, and 50 percent of the grant for each succeeding year of the grant.

"(d) LIMITATION ON ADMINISTRATIVE EXPENSES.—An eligible State or eligible partnership that receives a grant under this title may not use more than 2 percent of the grant funds for purposes of administering the grant.

"(e) TEACHER QUALIFICATIONS PROVIDED TO PARENTS UPON REQUEST.—Any local educational agency or school that benefits from the activities assisted under this title shall make available, upon request and in an understandable and uniform format, to any parent of a student attending any school served by the local educational agency, information regarding the qualification of the student's classroom teacher with regard to the subject matter in which the teacher provides instruction. The local educational agency shall inform parents that the parents are entitled to receive the information upon request.

"SEC. 206. ACCOUNTABILITY AND EVALUATION.

"(a) STATE GRANT ACCOUNTABILITY REPORT.—An eligible State that receives a grant under section 202 shall submit an annual accountability report to the Secretary, the Committee on Labor and Human Resources of the Senate, and the Committee on Education and the Workforce of the House of Representatives. Such report shall include a description of the degree to which the eligible State, in using funds provided under such section, has made substantial progress in meeting the following goals:

"(1) STUDENT ACHIEVEMENT.—Increasing student achievement for all students as defined by the eligible State.

"(2) RAISING STANDARDS.—Raising the State academic standards required to enter the teaching profession, including, where appropriate, through the use of incentives to incorporate the requirement of an academic major in the subject, or related discipline, in which the teacher plans to teach.

"(3) INITIAL CERTIFICATION OR LICENSURE.—Increasing success in the pass rate for initial State teacher certification or licensure, or increasing the numbers of highly qualified individuals being certified or licensed as teachers through alternative programs.

"(4) CORE ACADEMIC SUBJECTS.—

"(A) SECONDARY SCHOOL CLASSES.—Increasing the percentage of secondary school classes taught in core academic subject areas by teachers—

"(i) with academic majors in those areas or in a related field;

"(ii) who can demonstrate a high level of competence through rigorous academic subject area tests; or

"(iii) who can demonstrate competence through a high level of performance in relevant content areas.

"(B) ELEMENTARY SCHOOL CLASSES.—Increasing the percentage of elementary school classes taught by teachers—

"(i) with academic majors in the arts and sciences; or

"(ii) who can demonstrate competence through a high level of performance in core academic subjects.

"(5) DECREASING TEACHER SHORTAGES.—Decreasing shortages of qualified teachers in poor urban and rural areas.

"(6) INCREASING OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT.—Increasing opportunities for enhanced and ongoing professional development that improves the academic content knowledge of teachers in the subject areas in which the teachers are certified or licensed to teach or in which

the teachers are working toward certification or licensure to teach, and that promotes strong teaching skills.

"(7) TECHNOLOGY INTEGRATION.—Increasing the number of teachers prepared to integrate technology in the classroom.

"(b) ELIGIBLE PARTNERSHIP EVALUATION.—Each eligible partnership receiving a grant under section 203 shall establish and include in the application submitted under section 203(c), an evaluation plan that includes strong performance objectives. The plan shall include objectives and measures for—

"(1) increased student achievement for all students as measured by the partnership;

"(2) increased teacher retention in the first 3 years of a teacher's career;

"(3) increased success in the pass rate for initial State certification or licensure of teachers; and

"(4) increased percentage of secondary school classes taught in core academic subject areas by teachers—

"(A) with academic majors in the areas or in a related field; and

"(B) who can demonstrate a high level of competence through rigorous academic subject area tests or who can demonstrate competence through a high level of performance in relevant content areas;

"(5) increasing the percentage of elementary school classes taught by teachers with academic majors in the arts and sciences or who demonstrate competence through a high level of performance in core academic subject areas; and

"(6) increasing the number of teachers trained in technology.

"(c) REVOCATION OF GRANT.—

"(1) REPORT.—Each eligible State or eligible partnership receiving a grant under this title shall report annually on the progress of the eligible State or eligible partnership toward meeting the purposes of this title and the goals, objectives, and measures described in subsections (a) and (b).

"(2) REVOCATION.—

"(A) ELIGIBLE STATES AND ELIGIBLE APPLICANTS.—If the Secretary determines that an eligible State or eligible applicant is not making substantial progress in meeting the purposes, goals, objectives, and measures, as appropriate, by the end of the second year of a grant under this title, then the grant payment shall not be made for the third year of the grant.

"(B) ELIGIBLE PARTNERSHIPS.—If the Secretary determines that an eligible partnership is not making substantial progress in meeting the purposes, goals, objectives, and measures, as appropriate, by the end of the third year of a grant under this title, then the grant payments shall not be made for any succeeding year of the grant.

"(d) EVALUATION AND DISSEMINATION.—The Secretary shall evaluate the activities funded under this title and report the Secretary's findings regarding the activities to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives. The Secretary shall broadly disseminate successful practices developed by eligible States and eligible partnerships under this title, and

shall broadly disseminate information regarding such practices that were found to be ineffective.

"SEC. 207. ACCOUNTABILITY FOR PROGRAMS THAT PREPARE TEACHERS.

"(a) DEVELOPMENT OF DEFINITIONS AND REPORTING METHODS.—Within 9 months of the date of enactment of the Higher Education Amendments of 1998, the Commissioner of the National Center for Education Statistics, in consultation with States and institutions of higher education, shall develop key definitions for terms, and uniform reporting methods (including the key definitions for the consistent reporting of pass rates), related to the performance of elementary school and secondary school teacher preparation programs.

"(b) STATE REPORT CARD ON THE QUALITY OF TEACHER PREPARATION.—Each State that receives funds under this Act shall provide to the Secretary, within 2 years of the date of enactment of the Higher Education Amendments of 1998, and annually thereafter, in a uniform and comprehensible manner that conforms with the definitions and methods established in subsection (a), a State report card on the quality of teacher preparation in the State, which shall include at least the following:

"(1) A description of the teacher certification and licensure assessments, and any other certification and licensure requirements, used by the State.

"(2) The standards and criteria that prospective teachers must meet in order to attain initial teacher certification or licensure and to be certified or licensed to teach particular subjects or in particular grades within the State.

"(3) A description of the extent to which the assessments and requirements described in paragraph (1) are aligned with the State's standards and assessments for students.

"(4) The percentage of teaching candidates who passed each of the assessments used by the State for teacher certification and licensure, and the passing score on each assessment that determines whether a candidate has passed that assessment.

"(5) The percentage of teaching candidates who passed each of the assessments used by the State for teacher certification and licensure, disaggregated and ranked, by the teacher preparation program in that State from which the teacher candidate received the candidate's most recent degree, which shall be made available widely and publicly.

"(6) Information on the extent to which teachers in the State are given waivers of State certification or licensure requirements, including the proportion of such teachers distributed across high- and low-poverty school districts and across subject areas.

"(7) A description of each State's alternative routes to teacher certification, if any, and the percentage of teachers certified through alternative certification routes who pass State teacher certification or licensure assessments.

"(8) For each State, a description of proposed criteria for assessing the performance of teacher preparation programs within institutions of higher education in the State, including indicators of teacher candidate knowledge and skills.

"(9) Information on the extent to which teachers or prospective teachers in each State are required to take examinations or other assessments of their subject matter knowledge in the area or areas in which the teachers provide instruction, the standards established for passing any such assessments, and the extent to which teachers or prospective teachers are required to receive a passing score on such assessments in order to teach in specific subject areas or grade levels.

"(c) INITIAL REPORT.—

"(1) IN GENERAL.—Each State that receives funds under this Act, not later than 6 months of the date of enactment of the Higher Education Amendments of 1998 and in a uniform and comprehensible manner, shall submit to the Secretary the information described in paragraphs (1), (5), and (6) of subsection (b). Such information shall be compiled by the Secretary and submitted to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than 9 months after the date of enactment of the Higher Education Amendments of 1998.

"(2) CONSTRUCTION.—Nothing in this subsection shall be construed to require a State to gather information that is not in the possession of the State or the teacher preparation programs in the State, or readily available to the State or teacher preparation programs.

"(d) REPORT OF THE SECRETARY ON THE QUALITY OF TEACHER PREPARATION.—

"(1) REPORT CARD.—The Secretary shall provide to Congress, and publish and make widely available, a report card on teacher qualifications and preparation in the United States, including all the information reported in paragraphs (1) through (9) of subsection (b). Such report shall identify States for which eligible States and eligible partnerships received a grant under this title. Such report shall be so provided, published and made available not later than 2 years 6 months after the date of enactment of the Higher Education Amendments of 1998 and annually thereafter.

"(2) REPORT TO CONGRESS.—The Secretary shall report to Congress—

"(A) a comparison of States' efforts to improve teaching quality; and

"(B) regarding the national mean and median scores on any standardized test that is used in more than 1 State for teacher certification or licensure.

"(3) SPECIAL RULE.—In the case of teacher preparation programs with fewer than 10 graduates taking any single initial teacher certification or licensure assessment during an academic year, the Secretary shall collect and publish information with respect to an average pass rate on State certification or licensure assessments taken over a 3-year period.

"(e) COORDINATION.—The Secretary, to the extent practicable, shall coordinate the information collected and published under this title among States for individuals who took State teacher certification or licensure assessments in a State other than the State in which the individual received the individual's most recent degree.

"(f) INSTITUTIONAL REPORT CARDS ON THE QUALITY OF TEACHER PREPARATION.—

"(1) REPORT CARD.—Each institution of higher education that conducts a teacher preparation program that enrolls students receiving Federal assistance under this Act, not later than 18 months after the date of enactment of the Higher Education Amendments of 1998 and annually thereafter, shall report to the State and the general public, in a uniform and comprehensible manner that conforms with the definitions and methods established under subsection (a), the following information:

"(A) PASS RATE.—(i) For the most recent year for which the information is available, the pass rate of the institution's graduates on the teacher certification or licensure assessments of the State in which the institution is located, but only for those students who took those assessments within 3 years of completing the program.

"(ii) A comparison of the program's pass rate with the average pass rate for programs in the State.

"(iii) In the case of teacher preparation programs with fewer than 10 graduates taking any single initial teacher certification or licensure assessment during an academic year, the institution shall collect and publish information with respect to an average pass rate on State certification or licensure assessments taken over a 3-year period.

"(B) PROGRAM INFORMATION.—The number of students in the program, the average number of hours of supervised practice teaching required for those in the program, and the faculty-student ratio in supervised practice teaching.

"(C) STATEMENT.—In States that approve or accredit teacher education programs, a statement of whether the institution's program is so approved or accredited.

"(D) DESIGNATION AS LOW-PERFORMING.—Whether the program has been designated as low-performing by the State under section 208(a).

"(2) REQUIREMENT.—The information described in paragraph (1) shall be reported through publications such as school catalogs and promotional materials sent to potential applicants, secondary school guidance counselors, and prospective employers of the institution's program graduates.

"(3) FINES.—In addition to the actions authorized in section 487(c), the Secretary may impose a fine not to exceed $25,000 on an institution of higher education for failure to provide the information described in this subsection in a timely or accurate manner.

"SEC. 208. STATE FUNCTIONS.

"(a) STATE ASSESSMENT.—In order to receive funds under this Act, a State, not later than 2 years after the date of enactment of the Higher Education Amendments of 1998, shall have in place a procedure to identify, and assist, through the provision of technical assistance, low-performing programs of teacher preparation within institutions of higher education. Such State shall provide the Secretary an annual list of such low-performing institutions that includes an identification of those institutions at-risk of being placed on such list. Such levels of performance shall be determined solely by the State and may include criteria based upon information collected pursuant to this title. Such assessment shall be described in the report under section 207(b).

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

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

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

"(c) NEGOTIATED RULEMAKING.—If the Secretary develops any regulations implementing subsection (b)(2), the Secretary shall submit such proposed regulations to a negotiated rulemaking process, which shall include representatives of States, institutions of higher education, and educational and student organizations.

"SEC. 209. GENERAL PROVISIONS.

"(a) METHODS.—In complying with sections 207 and 208, the Secretary shall ensure that States and institutions of higher education use fair and equitable methods in reporting and that the reporting methods protect the privacy of individuals.

"(b) SPECIAL RULE.—For each State in which there are no State certification or licensure assessments, or for States that do not set minimum performance levels on those assessments—

"(1) the Secretary shall, to the extent practicable, collect data comparable to the data required under this title from States, local educational agencies, institutions of higher education, or other entities that administer such assessments to teachers or prospective teachers; and

"(2) notwithstanding any other provision of this title, the Secretary shall use such data to carry out requirements of this title related to assessments or pass rates.

"(c) LIMITATIONS.—

"(1) FEDERAL CONTROL PROHIBITED.—Nothing in this title shall be construed to permit, allow, encourage, or authorize any Federal control over any aspect of any private, religious, or home school, whether or not a home school is treated as a private school or home school under State law. This section shall not be construed to prohibit private, religious, or home schools from participation in programs or services under this title.

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

"(3) NATIONAL SYSTEM OF TEACHER CERTIFICATION PROHIBITED.—Nothing in this title shall be construed to permit, allow, encourage, or authorize the Secretary to establish or support any national system of teacher certification.

"SEC. 210. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this title $300,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years, of which—

"(1) 45 percent shall be available for each fiscal year to award grants under section 202;

"(2) 45 percent shall be available for each fiscal year to award grants under section 203; and

"(3) 10 percent shall be available for each fiscal year to award grants under section 204.".

TITLE III—INSTITUTIONAL AID

SEC. 301. TRANSFERS AND REDESIGNATIONS.

(a) IN GENERAL.—The Higher Education Act of 1965 is amended—

(1) by redesignating part D of title III (20 U.S.C. 1066 et seq.) as part F of title III;

(2) by redesignating sections 351, 352, 353, 354, 356, 357, 358, and 360 (20 U.S.C. 1066, 1067, 1068, 1069, 1069b, 1069c, 1069d, and 1069f) as sections 391, 392, 393, 394, 395, 396, 397, and 399, respectively;

(3) by transferring part B of title VII (20 U.S.C. 1132c et seq.) to title III to follow part C of title III (20 U.S.C. 1065 et seq.), and redesignating such part B as part D;

(4) by redesignating sections 721 through 728 (20 U.S.C. 1132c and 1132c–7) as sections 341 through 348, respectively;

(5) by transferring subparts 1 and 3 of part B of title X (20 U.S.C. 1135b et seq. and 1135d et seq.) to title III to follow part D of title III (as redesignated by paragraph (3)), and redesignating such subpart 3 as subpart 2;

(6) by inserting after part D of title III (as redesignated by paragraph (3)) the following:

"PART E—MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM";

(7) by redesignating sections 1021 through 1023 (20 U.S.C. 1135b and 1135b–2), and sections 1041, 1042, 1043, 1044, 1046, and 1047 (20 U.S.C. 1135d, 1135d–1, 1135d–2, 1135d–3, 1135d–5, and 1135d–6) as sections 351 through 353, and sections 361, 362, 363, 364, 365, and 366, respectively; and

(8) by repealing section 366 (as redesignated by paragraph (7)) (20 U.S.C. 1135d–6).

(b) CONFORMING AMENDMENTS.—Section 361 (as redesignated by subsection (a)(7)) (20 U.S.C. 1135d) is amended—

(1) in paragraph (1), by inserting "and" after the semicolon;

(2) in paragraph (2), by striking "; and" and inserting a period; and

(3) by striking paragraph (3).

(c) CROSS REFERENCES.—Title III (20 U.S.C. 1051 et seq.) is amended—

(1) in section 311(b) (20 U.S.C. 1057(b)), by striking "360(a)(1)" and inserting "399(a)(1)";

(2) in section 312 (20 U.S.C. 1058)—

(A) in subsection (b)(1)(B), by striking "352(b)" and inserting "392(b)"; and

(B) in subsection (c)(2), by striking "352(a)" and inserting "392(a)";

(3) in section 313(b) (20 U.S.C. 1059(b)), by striking "354(a)(1)" and inserting "394(a)(1)";

(4) in section 342 (as redesignated by subsection (a)(4)) (20 U.S.C. 1132c–1)—

(A) in paragraph (3), by striking "723(b)" and inserting "343(b)";

(B) in paragraph (4), by striking "723" and inserting "343";

(C) in the matter preceding subparagraph (A) of paragraph (5), by striking "724(b)" and inserting "344(b)";

(D) in paragraph (8), by striking "725(1)" and inserting "345(1)"; and

(E) in paragraph (9), by striking "727" and inserting "347";

(5) in section 343 (as redesignated by subsection (a)(4)) (20 U.S.C. 1132c–2)—

(A) in subsection (a), by striking "724" and inserting "344"; and

(B) in subsection (b)—

(i) in the matter preceding paragraph (1), by striking "725(1) and 726" and inserting "345(1) and 346";

(ii) in paragraph (10), by striking "724" and inserting "344"; and

(iii) in subsection (d), by striking "723(c)(1)" and inserting "343(c)(1)";

(6) in section 345(2) (as redesignated by subsection (a)(4)) (20 U.S.C. 1132c–4(2)), by striking "723" and inserting "343";

(7) in section 348 (as redesignated by subsection (a)(4)) (20 U.S.C. 1132c–7), by striking "725(1)" and inserting "345(1)";

(8) in section 353(a) (as redesignated by subsection (a)(7)) (20 U.S.C. 1135b–2(a))—

(A) in paragraph (1), by striking "1046(6)" and inserting "365(6)";

(B) in paragraph (2), by striking "1046(7)" and inserting "365(7)";

(C) in paragraph (3), by striking "1046(8)" and inserting "365(8)"; and

(D) in paragraph (4), by striking "1046(9)" and inserting "365(9)";

(9) in section 361(1) (as redesignated by subsection (a)(7)) (20 U.S.C. 1135d(1)), by striking "1046(3)" and inserting "365(3)";

(10) in section 362(a) (as redesignated by subsection (a)(7)) (20 U.S.C. 1135d–1(a))—

(A) in the matter preceding paragraph (1), by striking "1041" and inserting "361"; and

(B) in paragraph (1), by striking "1021(b)" and inserting "351(b)"; and

(11) in section 391(b)(6) (as redesignated by subsection (a)(2)), by striking "357" and inserting "396".

SEC. 302. FINDINGS.

Section 301(a) (20 U.S.C. 1051(a)) is amended—

(1) by redesignating paragraphs (3) through (7) as paragraphs (4) through (8), respectively; and

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

"(3) in order to be competitive and provide a high-quality education for all, institutions of higher education should improve their technological capacity and make effective use of technology;".

SEC. 303. STRENGTHENING INSTITUTIONS.

(a) GRANTS.—Section 311 (20 U.S.C. 1057) is amended by adding at the end the following:

"(c) AUTHORIZED ACTIVITIES.—Grants awarded under this section shall be used for 1 or more of the following activities:

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

"(2) Construction, maintenance, renovation, and improvement in classrooms, libraries, laboratories, and other instructional facilities, including the integration of computer technology into institutional facilities to create smart buildings.

"(3) Support of faculty exchanges, faculty development, and faculty fellowships to assist in attaining advanced degrees in the field of instruction of the faculty.

"(4) Development and improvement of academic programs.

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

"(6) Tutoring, counseling, and student service programs designed to improve academic success.

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

"(8) Joint use of facilities, such as laboratories and libraries.

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

"(10) Establishing or improving an endowment fund.

"(11) Creating or improving facilities for Internet or other distance learning academic instruction capabilities, including purchase or rental of telecommunications technology equipment or services.

"(12) Other activities proposed in the application submitted pursuant to subsection (c) that—

"(A) contribute to carrying out the purposes of the program assisted under this part; and

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

"(d) ENDOWMENT FUND.—

"(1) IN GENERAL.—An eligible institution may use not more than 20 percent of the grant funds provided under this part to establish or increase an endowment fund at such institution.

"(2) MATCHING REQUIREMENT.—In order to be eligible to use grant funds in accordance with paragraph (1), the eligible institution shall provide matching funds from non-Federal sources, in an amount equal to or greater than the Federal funds used in accordance with paragraph (1), for the establishment or increase of the endowment fund.

"(3) COMPARABILITY.—The provisions of part C, regarding the establishment or increase of an endowment fund, that

the Secretary determines are not inconsistent with this subsection, shall apply to funds used under paragraph (1).".

(b) ENDOWMENT FUND DEFINITION.—Section 312 (as amended by section 301(c)(2)) (20 U.S.C. 1058) is amended—

(1) by redesignating subsections (c) through (f) as subsections (d) through (g), respectively; and

(2) by inserting after subsection (b) the following:

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

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

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

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

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

(1) in subsection (b), by inserting "subsection (c) and a grant under" before "section 394(a)(1)"; and

(2) by adding at the end the following:

"(d) WAIT-OUT-PERIOD.—Each eligible institution that received a grant under this part for a 5-year period shall not be eligible to receive an additional grant under this part until 2 years after the date on which the 5-year grant period terminates.".

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

"SEC. 314. APPLICATIONS.

"Each eligible institution desiring to receive assistance under this part shall submit an application in accordance with the requirements of section 391.".

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

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

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

"(b) DEFINITIONS.—In this section:

"(1) INDIAN.—The term 'Indian' has the meaning given the term in section 2 of the Tribally Controlled College or University Assistance Act of 1978.

"(2) INDIAN TRIBE.—The term 'Indian tribe' has the meaning given the term in section 2 of the Tribally Controlled College or University Assistance Act of 1978.

"(3) TRIBAL COLLEGE OR UNIVERSITY.—The term 'Tribal College or University' has the meaning give the term 'tribally controlled college or university' in section 2 of the Tribally Controlled College or University Assistance Act of 1978, and includes an institution listed in the Equity in Educational Land Grant Status Act of 1994.

"(4) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution of higher education as defined in section 101(a), except that paragraph (2) of such section shall not apply.

"(c) AUTHORIZED ACTIVITIES.—

"(1) IN GENERAL.—Grants awarded under this section shall be used by Tribal Colleges or Universities to assist such institutions to plan, develop, undertake, and carry out activities to improve and expand such institutions' capacity to serve Indian students.

"(2) EXAMPLES OF AUTHORIZED ACTIVITIES.—The activities described in paragraph (1) may include—

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

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

"(C) support of faculty exchanges, faculty development, and faculty fellowships to assist in attaining advanced degrees in the faculty's field of instruction;

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

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

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

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

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

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

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

"(K) establishing community outreach programs that encourage Indian elementary school and secondary school students to develop the academic skills and the interest to pursue postsecondary education; and

"(L) other activities proposed in the application submitted pursuant to subsection (d) that—

"(i) contribute to carrying out the activities described in subparagraphs (A) through (K); and

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

"(3) ENDOWMENT FUND.—

"(A) IN GENERAL.—A Tribal College or University may use not more than 20 percent of the grant funds provided under this section to establish or increase an endowment fund at the institution.

"(B) MATCHING REQUIREMENT.—In order to be eligible to use grant funds in accordance with subparagraph (A), the Tribal College or University shall provide matching

funds, in an amount equal to the Federal funds used in accordance with subparagraph (A), for the establishment or increase of the endowment fund.

"(C) COMPARABILITY.—The provisions of part C regarding the establishment or increase of an endowment fund, that the Secretary determines are not inconsistent with this paragraph, shall apply to funds used under subparagraph (A).

"(d) APPLICATION PROCESS.—

"(1) INSTITUTIONAL ELIGIBILITY.—To be eligible to receive assistance under this section, a Tribal College or University shall be an eligible institution under section 312(b).

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

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

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

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

(f) ALASKA NATIVE AND NATIVE HAWAIIAN-SERVING INSTITUTIONS.—Part A of title III (20 U.S.C. 1057 et seq.) is amended by adding at the end the following:

"SEC. 317. ALASKA NATIVE AND NATIVE HAWAIIAN-SERVING INSTITUTIONS.

"(a) PROGRAM AUTHORIZED.—The Secretary shall provide grants and related assistance to Alaska Native-serving institutions and Native Hawaiian-serving institutions to enable such institutions to improve and expand their capacity to serve Alaska Natives and Native Hawaiians.

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

"(1) the term 'Alaska Native' has the meaning given the term in section 9308 of the Elementary and Secondary Education Act of 1965;

"(2) the term 'Alaska Native-serving institution' means an institution of higher education that—

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

"(B) at the time of application, has an enrollment of undergraduate students that is at least 20 percent Alaska Native students;

"(3) the term 'Native Hawaiian' has the meaning given the term in section 9212 of the Elementary and Secondary Education Act of 1965; and

"(4) the term 'Native Hawaiian-serving institution' means an institution of higher education which—

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

"(B) at the time of application, has an enrollment of undergraduate students that is at least 10 percent Native Hawaiian students.

"(c) AUTHORIZED ACTIVITIES.—

"(1) TYPES OF ACTIVITIES AUTHORIZED.—Grants awarded under this section shall be used by Alaska Native-serving institutions and Native Hawaiian-serving institutions to assist such institutions to plan, develop, undertake, and carry out activities to improve and expand such institutions' capacity to serve Alaska Natives or Native Hawaiians.

"(2) EXAMPLES OF AUTHORIZED ACTIVITIES.—Such programs may include—

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

"(B) renovation and improvement in classroom, library, laboratory, and other instructional facilities;

"(C) support of faculty exchanges, and faculty development and faculty fellowships to assist in attaining advanced degrees in the faculty's field of instruction;

"(D) curriculum development and academic instruction;

"(E) purchase of library books, periodicals, microfilm, and other educational materials;

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

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

"(H) academic tutoring and counseling programs and student support services.

"(d) APPLICATION PROCESS.—

"(1) INSTITUTIONAL ELIGIBILITY.—Each Alaska Native-serving institution and Native Hawaiian-serving institution desiring to receive assistance under this section shall submit to the Secretary such enrollment data as may be necessary to demonstrate that the institution is an Alaska Native-serving institution or a Native Hawaiian-serving institution as defined in subsection (b), along with such other information and data as the Secretary may by regulation require.

"(2) APPLICATIONS.—Any institution which is determined by the Secretary to be an Alaska Native-serving institution or a Native Hawaiian-serving institution may submit an application for assistance under this section to the Secretary. Such application shall include—

"(A) a 5-year plan for improving the assistance provided by the Alaska Native-serving institution or the Native Hawaiian-serving institution to Alaska Native or Native Hawaiian students; and

"(B) such other information and assurance as the Secretary may require.

"(e) SPECIAL RULE.—For the purposes of this section, no Alaska Native-serving institution or Native Hawaiian-serving institution which is eligible for and receives funds under this section may concurrently receive other funds under this part or part B.".

SEC. 304. STRENGTHENING HBCU's.

(a) GRANTS.—Section 323 (20 U.S.C. 1062) is amended—

(1) by redesignating subsection (b) as subsection (c);

(2) by inserting after subsection (a) the following:

"(b) ENDOWMENT FUND.—

"(1) IN GENERAL.—An institution may use not more than 20 percent of the grant funds provided under this part to establish or increase an endowment fund at the institution.

"(2) MATCHING REQUIREMENT.—In order to be eligible to use grant funds in accordance with paragraph (1), the eligible institution shall provide matching funds from non-Federal sources, in an amount equal to or greater than the Federal funds used in accordance with paragraph (1), for the establishment or increase of the endowment fund.

"(3) COMPARABILITY.—The provisions of part C regarding the establishment or increase of an endowment fund, that the Secretary determines are not inconsistent with this subsection, shall apply to funds used under paragraph (1).."; and

(3) in subsection (c) (as redesignated by paragraph (1)), by striking paragraph (3).

(b) PROFESSIONAL OR GRADUATE INSTITUTIONS.—

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

(A) in subsection (a)—

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

(ii) in paragraph (2)—

(I) by striking "$500,000" and inserting "$1,000,000"; and

(II) by striking "except that" and all that follows and inserting the following: ", except that no institution shall be required to match any portion of the first $1,000,000 of the institution's award from the Secretary. After funds are made available to each eligible institution under the funding rules described in subsection (f), the Secretary shall distribute, on a pro rata basis, any amounts which were not so made available (by reason of the failure of an institution to comply with the matching requirements of this paragraph) among the institutions that have complied with such matching requirement."; and

(B) in subsection (d)(2), by striking "$500,000" and inserting "$1,000,000".

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

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

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

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

"(4) scholarships, fellowships, and other financial assistance for needy graduate and professional students to permit the enrollment of the students in and completion of the doctoral degree in medicine, dentistry, pharmacy, veterinary medicine, law, and the doctorate degree in the physical or natural sciences, engineering, mathematics, or other scientific disciplines in which African Americans are underrepresented;

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

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

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

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

(A) in paragraph (1)—

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

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

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

(iv) in subparagraph (P)—

(I) by inserting "University" after "State"; and

(II) by striking the period and inserting a semicolon; and

(III) by adding at the end the following:

"(Q) Norfolk State University qualified graduate programs; and

"(R) Tennessee State University qualified graduate programs.";

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

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

"(B) Notwithstanding the enrollment requirement contained in subparagraph (A), an institution may use an amount equal to not more than 10 percent of the institution's grant under this section for the development of a new qualified graduate program.

"(3) SPECIAL RULE.—Institutions that were awarded grants under this section prior to October 1, 1998, shall continue to receive such grants, subject to the availability of appropriated funds, regardless of the eligibility of the institutions described in subparagraphs (Q) and (R) of paragraph (1).."; and

(C) by adding at the end the following:

"(5) INSTITUTIONAL CHOICE.—The president or chancellor of the institution may decide which graduate or professional school or qualified graduate program will receive funds under the grant in any 1 fiscal year, if the allocation of funds among the schools or programs is delineated in the application for funds submitted to the Secretary under this section.".

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

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

(B) in paragraph (1)—

(i) by striking "$12,000,000" and inserting "$26,600,000"; and

(ii) by striking "(A) through (E)" and inserting "(A) through (P)";

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

"(2) any amount in excess of $26,600,000, but not in excess of $28,600,000, shall be available for the purpose of making grants to institutions or programs described in subparagraphs (Q) and (R) of subsection (e)(1); and

"(3) any amount in excess of $28,600,000, shall be made available to each of the institutions or programs identified in subparagraphs (A) through (R) pursuant to a formula developed by the Secretary that uses the following elements:

"(A) The ability of the institution to match Federal funds with non-Federal funds.

"(B) The number of students enrolled in the programs for which the eligible institution received funding under this section in the previous year.

"(C) The average cost of education per student, for all full-time graduate or professional students (or the equivalent) enrolled in the eligible professional or graduate school, or for doctoral students enrolled in the qualified graduate programs.

"(D) The number of students in the previous year who received their first professional or doctoral degree from the programs for which the eligible institution received funding under this section in the previous year.

"(E) The contribution, on a percent basis, of the programs for which the institution is eligible to receive funds under this section to the total number of African Americans receiving graduate or professional degrees in the professions or disciplines related to the programs for the previous year.".

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

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

grant amounts to all such institutions and programs, or the institution cannot provide sufficient matching funds to meet the requirements of this section.".

SEC. 305. ENDOWMENT CHALLENGE GRANTS.

Section 331(b) (20 U.S.C. 1065(b)) is amended—

(1) in paragraph (1), by striking "360" and inserting "399"; and

(2) in paragraph (2), by striking subparagraphs (B) and (C) and inserting the following:

"(B) The Secretary may make a grant under this part to an eligible institution in any fiscal year if the institution—

"(i) applies for a grant in an amount not exceeding $500,000; and

"(ii) has deposited in the eligible institution's endowment fund established under this section an amount which is equal to ½ of the amount of such grant.

"(C) An eligible institution of higher education that is awarded a grant under subparagraph (B) shall not be eligible to receive an additional grant under subparagraph (B) until 10 years after the date on which the grant period terminates.".

SEC. 306. HBCU CAPITAL FINANCING.

(a) DEFINITION.—Section 342(5) (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–1(5)) is amended—

(1) by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (G), and (H), respectively;

(2) by inserting after subparagraph (A) the following:

"(B) a facility for the administration of an educational program, or a student center or student union, except that not more than 5 percent of the loan proceeds provided under this part may be used for the facility, center or union if the facility, center or union is owned, leased, managed, or operated by a private business, that, in return for such use, makes a payment to the eligible institution;";

(3) in subparagraph (C) (as redesignated by paragraph (1)), insert "technology," after "instructional equipment";

(4) by inserting after subparagraph (C) (as redesignated by paragraph (1)) the following:

"(D) a maintenance, storage, or utility facility that is essential to the operation of a facility, a library, a dormitory, equipment, instrumentation, a fixture, real property or an interest therein, described in this paragraph;

"(E) a facility designed to provide primarily outpatient health care for students or faculty;

"(F) physical infrastructure essential to support the projects authorized under this paragraph, including roads, sewer and drainage systems, and water, power, lighting, telecommunications, and other utilities;"; and

(5) in subparagraph (H) (as redesignated by paragraph (2)), by striking "(C)" and inserting "(G)".

(b) RESPONSIBILITIES.—Section 343 (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–2) is amended—

(1) in subsection (b)(8) (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–2(b)(8)), by striking "10 percent" each place the term appears and inserting "5 percent"; and

(2) by adding at the end the following:

"(e) Notwithstanding any other provision of law, a qualified bond guaranteed under this part may be sold to any party that offers terms that the Secretary determines are in the best interest of the eligible institution.".

(c) TECHNICAL ASSISTANCE.—Section 345 (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–4) is amended—

(1) in paragraph (5), by striking "and" after the semicolon;

(2) in paragraph (6), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(7) may, directly or by grant or contract, provide technical assistance to eligible institutions to prepare the institutions to qualify, apply for, and maintain a capital improvement loan, including a loan under this part.".

(d) PROHIBITION.—Section 346 (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–5) is repealed.

(e) ADVISORY BOARD.—Section 347 (as redesignated by section 301(a)(4)) (20 U.S.C. 1132c–6) is amended—

(1) in subsection (b)—

(A) in subparagraph (D), by inserting ", or the president's designee." after the period; and

(B) in subparagraph (E), by inserting ", or the designee of the Association" before the period; and

(2) by striking subsection (c).

SEC. 307. MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM.

(a) MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAM FINDINGS.—Subpart 1 of part E of title III (as redesignated by paragraphs (6) and (7) of section 301) (20 U.S.C. 1135b et seq.) is amended by inserting after the subpart heading the following:

"SEC. 350. FINDINGS.

"Congress makes the following findings:

"(1) It is incumbent on the Federal Government to support the technological and economic competitiveness of the United States by improving and expanding the scientific and technological capacity of the United States. More and better prepared scientists, engineers, and technical experts are needed to improve and expand such capacity.

"(2) As the Nation's population becomes more diverse, it is important that the educational and training needs of all Americans are met. Underrepresentation of minorities in science and technological fields diminishes our Nation's competitiveness by impairing the quantity of well prepared scientists, engineers, and technical experts in these fields.

"(3) Despite significant limitations in resources, minority institutions provide an important educational opportunity for minority students, particularly in science and engineering fields. Aid to minority institutions is a good way to address the underrepresentation of minorities in science and technological fields.

"(4) There is a strong Federal interest in improving science and engineering programs at minority institutions as such programs lag behind in program offerings and in student enrollment compared to such programs at other institutions of higher education.".

(b) ELIGIBILITY FOR GRANTS.—Section 361 (as redesignated by section 301(a)(7)) (20 U.S.C. 1135d) is amended to read as follows:

"SEC. 361. ELIGIBILITY FOR GRANTS.

"Eligibility to receive grants under this part is limited to—

"(1) public and private nonprofit institutions of higher education that—

"(A) award baccalaureate degrees; and

"(B) are minority institutions;

"(2) public or private nonprofit institutions of higher education that—

"(A) award associate degrees; and

"(B) are minority institutions that—

"(i) have a curriculum that includes science or engineering subjects; and

"(ii) enter into a partnership with public or private nonprofit institutions of higher education that award baccalaureate degrees in science and engineering;

"(3) nonprofit science-oriented organizations, professional scientific societies, and institutions of higher education that award baccalaureate degrees, that—

"(A) provide a needed service to a group of minority institutions; or

"(B) provide in-service training for project directors, scientists, and engineers from minority institutions; or

"(4) consortia of organizations, that provide needed services to one or more minority institutions, the membership of which may include—

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

"(B) institutions of higher education that have a graduate or professional program in science or engineering;

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

"(D) private organizations that have science or engineering facilities; or

"(E) quasi-governmental entities that have a significant scientific or engineering mission.".

(c) DEFINITIONS.—Section 365(4) (as redesignated by section 301(a)(7)) (20 U.S.C. 1135d–5(4)) is amended by inserting "behavioral," after "physical,".

(d) CONFORMING AMENDMENTS.—The heading for subpart 1 of part E of title III (as redesignated by paragraphs (6) and (7) of section 301(a)) is amended by inserting "and Engineering" before "Improvement Program".

SEC. 308. GENERAL PROVISIONS.

(a) APPLICATIONS FOR ASSISTANCE.—Subsection (a) of section 391(a) (as redesignated by section 301(a)(2)) (20 U.S.C. 1066(a)) is amended to read as follows:

"(a) APPLICATIONS.—

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

this title, the Secretary may approve an application for assistance under this title only if the Secretary determines that—

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

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

"(C) the applicant's performance goals are sufficiently rigorous as to meet the purposes of this title and the performance objectives and indicators for this title established by the Secretary pursuant to the Government Performance and Results Act of 1993 and the amendments made by such Act.

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

(b) APPLICATIONS.—Paragraph (1) of section 391(b) (as redesignated by section 301(a)(2)) (20 U.S.C. 1066(b)) is amended by inserting ", D or E" after "part C".

(c) CONTENTS OF APPLICATIONS.—Section 391(b)(6) (as redesignated by section 301(a)(2)) is amended by inserting before the semicolon the following: ", except that for purposes of section 316, paragraphs (2) and (3) of section 396 shall not apply".

(d) WAIVERS.—Section 392(a) (as redesignated by section 301(a)(2)) (20 U.S.C. 1067(a)) is amended—

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

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

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

"(6) that is a tribally controlled college or university as defined in section 2 of the Tribally Controlled College or University Assistance Act of 1978; or".

(e) APPLICATION REVIEW PROCESS.—Section 393(a) (as redesignated by section 301(a)(2)) (20 U.S.C. 1068(a)) is amended—

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

(2) by adding at the end the following:

"(d) EXCLUSION.—The provisions of this section shall not apply to applications submitted under part D.".

(f) WAIVERS.—Paragraph (2) of section 395(b) (as redesignated by section 301(a)(2)) (20 U.S.C. 1069b(b)) is amended by striking "title IV, VII, or VIII" and inserting "part D or title IV".

(g) CONTINUATION AWARDS.—Part F of title III is amended by inserting after section 397 (as redesignated by section 301(a)(2)) (20 U.S.C. 1069d) the following:

"SEC. 398. CONTINUATION AWARDS.

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

(h) AUTHORIZATION OF APPROPRIATIONS.—Section 399(a) (as redesignated by section 301(a)(2)) (20 U.S.C. 1069f) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking "1993" and inserting "1999";

(B) in subparagraph (B)—

(i) in clause (i), by striking "$45,000,000 for fiscal year 1993" and inserting "$10,000,000 for fiscal year 1999";

(ii) by striking clause (ii); and

(iii) by striking "(B)(i) There" and inserting "(B) There"; and

(C) by adding at the end the following:

"(C) There are authorized to be appropriated to carry out section 317, $5,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.";

(2) in paragraph (2)—

(A) in subparagraph (A), by striking "1993" and inserting "1999"; and

(B) in subparagraph (B), by striking "$20,000,000 for fiscal year 1993" and inserting "$35,000,000 for fiscal year 1999";

(3) in paragraph (3), by striking "$50,000,000 for fiscal year 1993" and inserting "$10,000,000 for fiscal year 1999";

(4) by adding at the end the following:

"(4) PART D.—(A) There are authorized to be appropriated to carry out part D (other than section 345(7), but including section 347), $110,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(B) There are authorized to be appropriated to carry out section 345(7), such sums as may be necessary for fiscal year 1999 and each of the 4 succeeding fiscal years.

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

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

TITLE IV—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS

SEC. 401. FEDERAL PELL GRANTS.

(a) EXTENSION OF AUTHORITY.—Section 401(a)(1) (20 U.S.C. 1070a(a)(1)) is amended—

(1) in the first sentence, by striking "The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1998," and inserting "For each fiscal year through fiscal year 2004, the Secretary shall"; and

(2) in the second sentence, by inserting "until such time as the Secretary determines and publishes in the Federal Register with an opportunity for comment, an alternative payment system that provides payments to institutions in an accurate and timely manner," after "pay eligible students".

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

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

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

"(ii) $4,800 for academic year 2000–2001;
"(iii) $5,100 for academic year 2001–2002;
"(iv) $5,400 for academic year 2002–2003; and
"(v) $5,800 for academic year 2003–2004,

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

(c) RELATION OF MAXIMUM GRANT TO TUITION AND EXPENSES.—Paragraph (3) of section 401(b) is amended to read as follows:

"(3)(A) For any academic year for which an appropriation Act provides a maximum basic grant in an amount in excess of $2,700, the amount of a student's basic grant shall equal $2,700 plus—

"(i) one-half of the amount by which such maximum basic grant exceeds $2,700; plus

"(ii) the lesser of—

"(I) the remaining one-half of such excess; or

"(II) the sum of the student's tuition and, if the student has dependent care expenses (as described in section 472(8)) or disability-related expenses (as described in section 472(9)), an allowance determined by the institution for such expenses.

"(B) An institution that charged only fees in lieu of tuition as of October 1, 1998, may include in the institution's determination of tuition charged, fees that would normally constitute tuition.".

(d) REGULATIONS FOR MULTIPLE AWARDS.—Section 401(b)(6) is amended—

(1) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(2) by inserting "(A)" after the paragraph designation; and

(3) by adding at the end the following:

"(B) The Secretary shall promulgate regulations implementing this paragraph.".

(e) TIME LIMIT TO RECEIVE GRANTS.—Section 401(c) is amended by adding at the end the following:

"(4) Notwithstanding paragraph (1), the Secretary may allow, on a case-by-case basis, a student to receive a basic grant if the student—

"(A) is carrying at least one-half the normal full-time work load for the course of study the student is pursuing, as determined by the institution of higher education; and

"(B) is enrolled or accepted for enrollment in a postbaccalaureate program that does not lead to a graduate degree, and in courses required by a State in order for the student to receive a professional certification or licensing credential that is required for employment as a teacher in an elementary school or secondary school in that State,

except that this paragraph shall not apply to a student who is enrolled in an institution of higher education that offers a baccalaureate degree in education.".

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

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

"(1) IN GENERAL.—No institution of higher education shall be an eligible institution for purposes of this subpart if such institution of higher education is ineligible to participate in a loan program under part B or D as a result of a final default rate determination made by the Secretary under part

B or D after the final publication of cohort default rates for fiscal year 1996 or a succeeding fiscal year.

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

(g) CONFORMING AMENDMENTS.—

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

(2) The heading of subpart 1 of part A of title IV (20 U.S.C. 1070a et seq.) is amended to read as follows:

"Subpart 1—Federal Pell Grants".

(3) Section 401 is amended—

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

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

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

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

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

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

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

SEC. 402. FEDERAL TRIO PROGRAMS.

(a) PROGRAM AUTHORITY; AUTHORIZATION OF APPROPRIATIONS.—

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

(A) by striking "and" at the end of subparagraph (A);

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

(C) by inserting after subparagraph (B) the following new subparagraph:

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

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

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

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

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

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

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

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

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

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

"(3) ORDER OF AWARDS; PROGRAM FRAUD.—(A) Except with respect to grants made under sections 402G and 402H and as provided in subparagraph (B), the Secretary shall award grants and contracts under this chapter in the order of the scores received by the application for such grant or contract in the peer review process required under paragraph (4) and adjusted for prior experience in accordance with paragraph (2) of this subsection.

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

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

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

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

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

a program similar to the program to be assisted under this chapter, regardless of the funding source of such program. The Secretary shall permit the Director of a program receiving funds under this chapter to administer one or more additional programs for disadvantaged students operated by the sponsoring institution or agency, regardless of the funding sources of such programs.

"(7) APPLICATION STATUS.—The Secretary shall inform each entity operating programs under this chapter regarding the status of their application for continued funding at least 8 months prior to the expiration of the grant or contract. The Secretary, in the case of an entity that is continuing to operate a successful program under this chapter, shall ensure that the start-up date for a new grant or contract for such program immediately follows the termination of the preceding grant or contract so that no interruption of funding occurs for such successful reapplicants. The Secretary shall inform each entity requesting assistance under this chapter for a new program regarding the status of their application at least 8 months prior to the proposed startup date of such program.".

(4) AUTHORIZATION OF APPROPRIATIONS.—Section 402A(f) is amended by striking "$650,000,000 for fiscal year 1993" and inserting "$700,000,000 for fiscal year 1999".

(5) WAIVER.—Section 402A(g) is amended by adding at the end the following:

"(4) WAIVER.—The Secretary may waive the service requirements in subparagraph (A) or (B) of paragraph (3) if the Secretary determines the application of the service requirements to a veteran will defeat the purpose of a program under this chapter.".

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

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

"(4) guidance on and assistance in secondary school reentry, entry to general educational development (GED) programs, other alternative education programs for secondary school dropouts, or postsecondary education;";

(2) in paragraph (5), by inserting ", or activities designed to acquaint individuals from disadvantaged backgrounds with careers in which the individuals are particularly underrepresented" before the semicolon;

(3) in paragraph (8), by striking "parents" and inserting "families"; and

(4) in paragraph (9), by inserting "or counselors" after "teachers".

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

(1) in subsection (b)—

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

(B) in paragraph (9)—

(i) by inserting "or counselors" after "teachers"; and

(ii) by striking "and" after the semicolon;

(C) by redesignating paragraph (10) as paragraph (12);

(D) by inserting after paragraph (9) the following:

"(10) work-study positions where youth participating in the project are exposed to careers requiring a postsecondary degree;

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

(E) in paragraph (12) (as redesignated by subparagraph (C)), by striking "(9)" and inserting "(11)"; and

(2) in subsection (e), by striking "and not in excess of $40 per month during the remaining period of the year." and inserting "except that youth participating in a work-study position under subsection (b)(10) may be paid a stipend of $300 per month during June, July, and August. Youths participating in a project proposed to be carried out under any application may be paid stipends not in excess of $40 per month during the remaining period of the year.".

(d) STUDENT SUPPORT SERVICES.—Paragraph (6) of section 402D(c) (20 U.S.C. 1070a–14(c)(6)) is amended to read as follows:

"(6) consider, in addition to such other criteria as the Secretary may prescribe, the institution's effort, and where applicable past history, in—

"(A) providing sufficient financial assistance to meet the full financial need of each student in the project; and

"(B) maintaining the loan burden of each such student at a manageable level.".

(e) POSTBACCALAUREATE ACHIEVEMENT PROGRAM.—Section 402E(e)(1) (20 U.S.C. 1070a–15(e)(1)) is amended by striking "$2,400" and inserting "$2,800".

(f) STAFF DEVELOPMENT ACTIVITIES.—Section 402G (20 U.S.C. 1070a–17) is amended—

(1) in subsection (a), by inserting "participating in," after "leadership personnel employed in,"; and

(2) in subsection (b), by inserting after paragraph (3) the following new paragraph:

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

(g) EVALUATION AND DISSEMINATION.—Section 402H (20 U.S.C. 1070a–18) is amended to read as follows:

"SEC. 402H. EVALUATIONS AND GRANTS FOR PROJECT IMPROVEMENT AND DISSEMINATION PARTNERSHIP PROJECTS.

"(a) EVALUATIONS.—

"(1) IN GENERAL.—For the purpose of improving the effectiveness of the programs and projects assisted under this chapter, the Secretary may make grants to or enter into contracts with institutions of higher education and other public and private institutions and organizations to evaluate the effectiveness of the programs and projects assisted under this chapter.

"(2) PRACTICES.—The evaluations described in paragraph (1) shall identify institutional, community, and program or project practices that are particularly effective in enhancing the access of low-income individuals and first-generation college students to postsecondary education, the preparation of the individuals and students for postsecondary education, and the success of the individuals and students in postsecondary education. Such evaluations shall also investigate the effectiveness of alternative and innovative methods within Federal TRIO

programs of increasing access to, and retention of, students in postsecondary education.

"(b) GRANTS.—The Secretary may award grants to institutions of higher education or other private and public institutions and organizations, that are carrying out a program or project assisted under this chapter prior to the date of enactment of the Higher Education Amendments of 1998, to enable the institutions and organizations to expand and leverage the success of such programs or projects by working in partnership with other institutions, community-based organizations, or combinations of such institutions and organizations, that are not receiving assistance under this chapter and are serving low-income students and first generation college students, in order to—

"(1) disseminate and replicate best practices of programs or projects assisted under this chapter; and

"(2) provide technical assistance regarding programs and projects assisted under this chapter.

"(c) RESULTS.—In order to improve overall program or project effectiveness, the results of evaluations and grants described in this section shall be disseminated by the Secretary to similar programs or projects assisted under this subpart, as well as other individuals concerned with postsecondary access for and retention of low-income individuals and first-generation college students.".

SEC. 403. GEAR UP PROGRAM.

Chapter 2 of subpart 2 of part A of title IV (20 U.S.C. 1070a–21 et seq.) is amended to read as follows:

"CHAPTER 2—GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS

"SEC. 404A. EARLY INTERVENTION AND COLLEGE AWARENESS PROGRAM AUTHORIZED.

"(a) PROGRAM AUTHORIZED.—The Secretary is authorized, in accordance with the requirements of this chapter, to establish a program that—

"(1) encourages eligible entities to provide or maintain a guarantee to eligible low-income students who obtain a secondary school diploma (or its recognized equivalent), of the financial assistance necessary to permit the students to attend an institution of higher education; and

"(2) supports eligible entities in providing—

"(A) additional counseling, mentoring, academic support, outreach, and supportive services to elementary school, middle school, and secondary school students who are at risk of dropping out of school; and

"(B) information to students and their parents about the advantages of obtaining a postsecondary education and the college financing options for the students and their parents.

"(b) AWARDS.—

"(1) IN GENERAL.—From funds appropriated under section 404H for each fiscal year, the Secretary shall make awards

to eligible entities described in paragraphs (1) and (2) of subsection (c) to enable the entities to carry out the program authorized under subsection (a).

"(2) PRIORITY.—In making awards to eligible entities described in paragraph (c)(1), the Secretary shall—

"(A) give priority to eligible entities that—

"(i) on the day before the date of enactment of the Higher Education Amendments of 1998, carried out successful educational opportunity programs under this chapter (as this chapter was in effect on such day); and

"(ii) have a prior, demonstrated commitment to early intervention leading to college access through collaboration and replication of successful strategies;

"(B) ensure that students served under this chapter on the day before the date of enactment of the Higher Education Amendments of 1998 continue to receive assistance through the completion of secondary school.

"(c) DEFINITION OF ELIGIBLE ENTITY.—For the purposes of this chapter, the term 'eligible entity' means—

"(1) a State; or

"(2) a partnership consisting of—

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

"(i) one or more elementary schools or secondary schools; and

"(ii) the secondary schools that students from the schools described in clause (i) would normally attend;

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

"(C) at least two community organizations or entities, such as businesses, professional associations, community-based organizations, philanthropic organizations, State agencies, institutions or agencies sponsoring programs authorized under subpart 4, or other public or private agencies or organizations.

"SEC. 404B. REQUIREMENTS.

"(a) FUNDING RULES.—

"(1) CONTINUATION AWARDS.—From the amount appropriated under section 404H for a fiscal year, the Secretary shall continue to award grants to States under this chapter (as this chapter was in effect on the day before the date of enactment of the Higher Education Amendments of 1998) in accordance with the terms and conditions of such grants.

"(2) DISTRIBUTION.—From the amount appropriated under section 404H that remains after making continuation awards under paragraph (1) for a fiscal year, the Secretary shall—

"(A) make available—

"(i) not less than 33 percent of the amount to eligible entities described in section 404A(c)(1); and

"(ii) not less than 33 percent of the amount to eligible entities described in section 404A(c)(2); and

"(B) award the remainder of the amount to eligible entities described in paragraph (1) or (2) of section 404A(c).

"(3) SPECIAL RULE.—The Secretary shall annually reevaluate the distribution of funds described in paragraph

(2)(B) based on number, quality, and promise of the applications and adjust the distribution accordingly.".

"(b) LIMITATION.—Each eligible entity described in section 404A(c)(1), and each eligible entity described in section 404A(c)(2) that conducts a scholarship component under section 404E, shall use not less than 25 percent and not more than 50 percent of grant funds received under this chapter for the early intervention component of an eligible entity's program under this chapter, except that the Secretary may waive the 50 percent limitation if the eligible entity demonstrates that the eligible entity has another means of providing the students with financial assistance that is described in the plan submitted under section 404C.

"(c) COORDINATION.—Each eligible entity shall ensure that the activities assisted under this chapter are, to the extent practicable, coordinated with, and complement and enhance—

"(1) services under this chapter provided by other eligible entities serving the same school district or State; and

"(2) related services under other Federal or non-Federal programs.

"(d) DESIGNATION OF FISCAL AGENT.—An eligible entity described in section 404A(c)(2) shall designate an institution of higher education or a local educational agency as the fiscal agent for the eligible entity.

"(e) COORDINATORS.—An eligible entity described in section 404A(c)(2) shall have a full-time program coordinator or a part-time program coordinator, whose primary responsibility is a project under section 404C.

"(f) DISPLACEMENT.—An eligible entity described in 404A(c)(2) shall ensure that the activities assisted under this chapter will not displace an employee or eliminate a position at a school assisted under this chapter, including a partial displacement such as a reduction in hours, wages or employment benefits.

"(g) COHORT APPROACH.—

"(1) IN GENERAL.—The Secretary shall require that eligible entities described in section 404A(c)(2)—

"(A) provide services under this chapter to at least one grade level of students, beginning not later than 7th grade, in a participating school that has a 7th grade and in which at least 50 percent of the students enrolled are eligible for free or reduced-price lunch under the National School Lunch Act (or, if an eligible entity determines that it would promote the effectiveness of a program, an entire grade level of students, beginning not later than the 7th grade, who reside in public housing as defined in section 3(b)(1) of the United States Housing Act of 1937); and

"(B) ensure that the services are provided through the 12th grade to students in the participating grade level.

"(2) COORDINATION REQUIREMENT.—In order for the Secretary to require the cohort approach described in paragraph (1), the Secretary shall, where applicable, ensure that the cohort approach is done in coordination and collaboration with existing early intervention programs and does not duplicate the services already provided to a school or community.

"SEC. 404C. ELIGIBLE ENTITY PLANS.

"(a) PLAN REQUIRED FOR ELIGIBILITY.—

"(1) IN GENERAL.—In order for an eligible entity to qualify for a grant under this chapter, the eligible entity shall submit to the Secretary a plan for carrying out the program under this chapter. Such plan shall provide for the conduct of a scholarship component if required or undertaken pursuant to section 404E and an early intervention component required pursuant to section 404D.

"(2) CONTENTS.—Each plan submitted pursuant to paragraph (1) shall be in such form, contain or be accompanied by such information or assurances, and be submitted at such time as the Secretary may require by regulation. Each such plan shall—

"(A) describe the activities for which assistance under this chapter is sought; and

"(B) provide such additional assurances as the Secretary determines necessary to ensure compliance with the requirements of this chapter.

"(b) MATCHING REQUIREMENT.—

"(1) IN GENERAL.—The Secretary shall not approve a plan submitted under subsection (a) unless such plan—

"(A) provides that the eligible entity will provide, from State, local, institutional, or private funds, not less than 50 percent of the cost of the program, which matching funds may be provided in cash or in kind;

"(B) specifies the methods by which matching funds will be paid; and

"(C) includes provisions designed to ensure that funds provided under this chapter shall supplement and not supplant funds expended for existing programs.

"(2) SPECIAL RULE.—Notwithstanding the matching requirement described in paragraph (1)(A), the Secretary may by regulation modify the percentage requirement described in paragraph (1)(A) for eligible entities described in section 404A(c)(2).

"(c) METHODS FOR COMPLYING WITH MATCHING REQUIREMENT.—An eligible entity may count toward the matching requirement described in subsection (b)(1)(A)—

"(1) the amount of the financial assistance paid to students from State, local, institutional, or private funds under this chapter;

"(2) the amount of tuition, fees, room or board waived or reduced for recipients of financial assistance under this chapter; and

"(3) the amount expended on documented, targeted, long-term mentoring and counseling provided by volunteers or paid staff of nonschool organizations, including businesses, religious organizations, community groups, postsecondary educational institutions, nonprofit and philanthropic organizations, and other organizations.

"(d) PEER REVIEW PANELS.—The Secretary shall convene peer review panels to assist in making determinations regarding the awarding of grants under this chapter.

"SEC. 404D. EARLY INTERVENTION.

"(a) SERVICES.—

"(1) IN GENERAL.—In order to receive a grant under this chapter, an eligible entity shall demonstrate to the satisfaction of the Secretary, in the plan submitted under section 404C,

that the eligible entity will provide comprehensive mentoring, counseling, outreach, and supportive services to students participating in programs under this chapter. Such counseling shall include—

"(A) financial aid counseling and information regarding the opportunities for financial assistance under this title; and

"(B) activities or information regarding—

"(i) fostering and improving parent involvement in promoting the advantages of a college education, academic admission requirements, and the need to take college preparation courses;

"(ii) college admissions and achievement tests; and

"(iii) college application procedures.

"(2) METHODS.—The eligible entity shall demonstrate in such plan, pursuant to regulations of the Secretary, the methods by which the eligible entity will target services on priority students described in subsection (c), if applicable.

"(b) USES OF FUNDS.—

"(1) IN GENERAL.—The Secretary shall, by regulation, establish criteria for determining whether comprehensive mentoring, counseling, outreach, and supportive services programs may be used to meet the requirements of subsection (a).

"(2) PERMISSIBLE ACTIVITIES.—Examples of activities that meet the requirements of subsection (a) include the following:

"(A) Providing eligible students in preschool through grade 12 with a continuing system of mentoring and advising that—

"(i) is coordinated with the Federal and State community service initiatives; and

"(ii) may include such support services as after school and summer tutoring, assistance in obtaining summer jobs, career mentoring, and academic counseling.

"(B) Requiring each student to enter into an agreement under which the student agrees to achieve certain academic milestones, such as completing a prescribed set of courses and maintaining satisfactory progress described in section 484(c), in exchange for receiving tuition assistance for a period of time to be established by each eligible entity.

"(C) Activities designed to ensure secondary school completion and college enrollment of at-risk children, such as identification of at-risk children, after school and summer tutoring, assistance in obtaining summer jobs, academic counseling, volunteer and parent involvement, providing former or current scholarship recipients as mentor or peer counselors, skills assessment, providing access to rigorous core courses that reflect challenging academic standards, personal counseling, family counseling and home visits, staff development, and programs and activities described in this subparagraph that are specially designed for students of limited English proficiency.

"(D) Summer programs for individuals who are in their sophomore or junior years of secondary school or are planning to attend an institution of higher education in the succeeding academic year that—

"(i) are carried out at an institution of higher education that has programs of academic year supportive services for disadvantaged students through projects authorized under section 402D or through comparable projects funded by the State or other sources;

"(ii) provide for the participation of the individuals who are eligible for assistance under section 402D or who are eligible for comparable programs funded by the State;

"(iii)(I) provide summer instruction in remedial, developmental or supportive courses;

"(II) provide such summer services as counseling, tutoring, or orientation; and

"(III) provide financial assistance to the individuals to cover the individuals' summer costs for books, supplies, living costs, and personal expenses; and

"(iv) provide the individuals with financial assistance during each academic year the individuals are enrolled at the participating institution after the summer program.

"(E) Requiring eligible students to meet other standards or requirements as the State determines necessary to meet the purposes of this section.

"(c) PRIORITY STUDENTS.—For eligible entities not using a cohort approach, the eligible entity shall treat as priority students any student in preschool through grade 12 who is eligible—

"(1) to be counted under section 1124(c) of the Elementary and Secondary Education Act of 1965;

"(2) for free or reduced price meals under the National School Lunch Act; or

"(3) for assistance pursuant to part A of title IV of the Social Security Act.

"(d) ALLOWABLE PROVIDERS.—In the case of eligible entities described in section 404A(c)(1), the activities required by this section may be provided by service providers such as community-based organizations, schools, institutions of higher education, public and private agencies, nonprofit and philanthropic organizations, businesses, institutions and agencies sponsoring programs authorized under subpart 4, and other organizations the State deems appropriate.

"SEC. 404E. SCHOLARSHIP COMPONENT.

"(a) IN GENERAL.—

"(1) STATES.—In order to receive a grant under this chapter, an eligible entity described in section 404A(c)(1) shall establish or maintain a financial assistance program that awards scholarships to students in accordance with the requirements of this section. The Secretary shall encourage the eligible entity to ensure that a scholarship provided pursuant to this section is available to an eligible student for use at any institution of higher education.

"(2) PARTNERSHIPS.—An eligible entity described in section 404A(c)(2) may award scholarships to eligible students in accordance with the requirements of this section.

"(b) GRANT AMOUNTS.—The maximum amount of a scholarship that an eligible student shall be eligible to receive under this section shall be established by the eligible entity. The minimum

amount of the scholarship for each fiscal year shall not be less than the lesser of—

"(1) 75 percent of the average cost of attendance for an in-State student, in a 4-year program of instruction, at public institutions of higher education in such State, as determined in accordance with regulations prescribed by the Secretary; or

"(2) the maximum Federal Pell Grant funded under section 401 for such fiscal year.

"(c) RELATION TO OTHER ASSISTANCE.—Scholarships provided under this section shall not be considered for the purpose of awarding Federal grant assistance under this title, except that in no case shall the total amount of student financial assistance awarded to a student under this title exceed such student's total cost of attendance.

"(d) ELIGIBLE STUDENTS.—A student eligible for assistance under this section is a student who—

"(1) is less than 22 years old at time of first scholarship award under this section;

"(2) receives a secondary school diploma or its recognized equivalent on or after January 1, 1993;

"(3) is enrolled or accepted for enrollment in a program of undergraduate instruction at an institution of higher education that is located within the State's boundaries, except that, at the State's option, an eligible entity may offer scholarship program portability for recipients who attend institutions of higher education outside such State; and

"(4) who participated in the early intervention component required under section 404D.

"(e) PRIORITY.—The Secretary shall ensure that each eligible entity places a priority on awarding scholarships to students who will receive a Federal Pell Grant for the academic year for which the scholarship is awarded under this section.

"(f) SPECIAL RULE.—An eligible entity may consider students who have successfully participated in programs funded under chapter 1 to have met the requirements of subsection (d)(4).

"SEC. 404F. 21ST CENTURY SCHOLAR CERTIFICATES.

"(a) AUTHORITY.—The Secretary, using funds appropriated under section 404H that do not exceed $200,000 for a fiscal year—

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

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

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

"SEC. 404G. EVALUATION AND REPORT.

"(a) EVALUATION.—Each eligible entity receiving a grant under this chapter shall biennially evaluate the activities assisted under

this chapter in accordance with the standards described in subsection (b) and shall submit to the Secretary a copy of such evaluation. The evaluation shall permit service providers to track eligible student progress during the period such students are participating in the activities and shall be consistent with the standards developed by the Secretary pursuant to subsection (b).

"(b) EVALUATION STANDARDS.—The Secretary shall prescribe standards for the evaluation described in subsection (a). Such standards shall—

"(1) provide for input from eligible entities and service providers; and

"(2) ensure that data protocols and procedures are consistent and uniform.

"(c) FEDERAL EVALUATION.—In order to evaluate and improve the impact of the activities assisted under this chapter, the Secretary shall, from not more than 0.75 percent of the funds appropriated under section 404H for a fiscal year, award one or more grants, contracts, or cooperative agreements to or with public and private institutions and organizations, to enable the institutions and organizations to evaluate the effectiveness of the program and, as appropriate, disseminate the results of the evaluation.

"(d) REPORT.—The Secretary shall biennially report to Congress regarding the activities assisted under this chapter and the evaluations conducted pursuant to this section.

"SEC. 404H. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this chapter $200,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 404. ACADEMIC ACHIEVEMENT INCENTIVE SCHOLARSHIPS.

Chapter 3 of subpart 2 of part A of title IV (20 U.S.C. 1070a–31 et seq.) is amended to read as follows:

"CHAPTER 3—ACADEMIC ACHIEVEMENT INCENTIVE SCHOLARSHIPS

"SEC. 406A. SCHOLARSHIPS AUTHORIZED.

"The Secretary is authorized to award scholarships to students who graduate from secondary school after May 1, 2000, to enable the students to pay the cost of attendance at an institution of higher education during the students first 2 academic years of undergraduate education, if the students—

"(1) are eligible to receive Federal Pell Grants for the year in which the scholarships are awarded; and

"(2) demonstrate academic achievement by graduating in the top 10 percent of their secondary school graduating class.

"SEC. 406B. SCHOLARSHIP PROGRAM REQUIREMENTS.

"(a) AMOUNT OF AWARD.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the amount of a scholarship awarded under this chapter for any academic year shall be equal to 100 percent of the amount of the Federal Pell Grant for which the recipient is eligible for the academic year.

"(2) ADJUSTMENT FOR INSUFFICIENT APPROPRIATIONS.—If, after the Secretary determines the total number of eligible applicants for an academic year in accordance with section

406C, funds available to carry out this chapter for the academic year are insufficient to fully fund all awards under this chapter for the academic year, the amount of the scholarship paid to each student under this chapter shall be reduced proportionately.

"(b) ASSISTANCE NOT TO EXCEED COST OF ATTENDANCE.—A scholarship awarded under this chapter to any student, in combination with the Federal Pell Grant assistance and other student financial assistance available to such student, may not exceed the student's cost of attendance.

"SEC. 406C. ELIGIBILITY OF SCHOLARS.

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

"(b) COORDINATION.—In prescribing procedures under subsection (a), the Secretary shall ensure that the determination of eligibility and the amount of the scholarship is determined in a timely and accurate manner consistent with the requirements of section 482 and the submission of the financial aid form required by section 483. For such purposes, the Secretary may provide that, for the first academic year of a student's 2 academic years of eligibility under this chapter, class rank may be determined prior to graduation from secondary school, at such time and in such manner as the Secretary may specify in regulations prescribed under this chapter.

"SEC. 406D. STUDENT REQUIREMENTS.

"(a) IN GENERAL.—Each eligible student desiring a scholarship under this chapter shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may reasonably require.

"(b) CONTINUING ELIGIBILITY.—In order for a student to continue to be eligible to receive a scholarship under this chapter for the second year of undergraduate education, the eligible student shall maintain eligibility to receive a Federal Pell Grant for that year, including fulfilling the requirements for satisfactory progress described in section 484(c).

"SEC. 407E. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this chapter $200,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 405. REPEALS.

Chapters 4 through 8 of subpart 2 of part A of title IV (20 U.S.C. 1070a–41 et seq. and 1070a–81 et seq.) are repealed.

SEC. 406. FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 413A(b)(1) (20 U.S.C. 1070b(b)(1)) is amended by striking "1993" and inserting "1999".

(b) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.—Subsection (d) of section 413C (20 U.S.C. 1070b–2) is amended to read as follows:

"(d) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.—If the institution's allocation under this subpart is directly or indirectly based in part on the financial need demonstrated by students who are independent students or attending the institution on less than a full-time basis, then a reasonable proportion of the allocation shall be made available to such students.".

(c) ALLOCATION OF FUNDS.—

(1) UPDATING THE BASE PERIOD.—Section 413D(a) (20 U.S.C. 1070b–3(a)) is amended—

(A) in paragraph (1), by striking "received and used under this part for fiscal year 1985" and inserting "received under subsections (a) and (b) of this section for fiscal year 1999 (as such subsections were in effect with respect to allocations for such fiscal year)";

(B) in paragraph (2)—

(i) in subparagraphs (A) and (B), by striking "1985" each place the term appears and inserting "1999"; and

(ii) in subparagraph (C)(i), by striking "1986" and inserting "2000".

(2) ELIMINATION OF PRO RATA SHARE.—Section 413D is further amended—

(A) by striking subsection (b);

(B) in subsection (c)(1), by striking "three-quarters of the remainder" and inserting "the remainder";

(C) in subsection (c)(2)(A)(i), by striking "subsection (d)" and inserting "subsection (c)"; and

(D) by redesignating subsections (c), (d), (e), and (f) as subsections (b), (c), (d), and (e), respectively.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to allocations of amounts appropriated pursuant to section 413A(b) of the Higher Education Act of 1965 for fiscal year 2000 or any succeeding fiscal year.

(d) CARRYOVER AND CARRYBACK AUTHORITY.—Subpart 3 of part A of title IV (20 U.S.C. 1070b et seq.) is amended by adding at the end the following:

"SEC. 413E. CARRYOVER AND CARRYBACK AUTHORITY.

"(a) CARRYOVER AUTHORITY.—Of the sums made available to an eligible institution under this subpart for a fiscal year, not more than 10 percent may, at the discretion of the institution, remain available for expenditure during the succeeding fiscal year to carry out the program under this subpart.

"(b) CARRYBACK AUTHORITY.—

"(1) IN GENERAL.—Of the sums made available to an eligible institution under this subpart for a fiscal year, not more than 10 percent may, at the discretion of the institution, be used by the institution for expenditure for the fiscal year preceding the fiscal year for which the sums were appropriated.

"(2) USE OF CARRIED-BACK FUNDS.—An eligible institution may make grants to students after the end of the academic year, but prior to the beginning of the succeeding fiscal year, from such succeeding fiscal year's appropriations.".

SEC. 407. LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM.

(a) AMENDMENT TO SUBPART HEADING.—

(1) IN GENERAL.—The heading for subpart 4 of part A of title IV (20 U.S.C. 1070c et seq.) is amended to read as follows:

"SUBPART 4—LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM".

(2) CONFORMING AMENDMENTS.—Subpart 4 of part A of title IV (20 U.S.C. 1070c et seq.) is amended—

(A) in section 415B(b) (20 U.S.C. 1070c–1(b)), by striking "State student grant incentive" and inserting "leveraging educational assistance partnership"; and

(B) in the heading for section 415C (20 U.S.C. 1070c–2), by striking "**STATE STUDENT INCENTIVE GRANT**" and inserting "**LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP**".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 415A(b) (20 U.S.C. 1070c(b)) is amended—

(1) in paragraph (1), by striking "1993" and inserting "1999";

(2) by redesignating paragraph (2) as paragraph (3); and

(3) by inserting after paragraph (1) the following:

"(2) RESERVATION.—For any fiscal year for which the amount appropriated under paragraph (1) exceeds $30,000,000, the excess shall be available to carry out section 415E.".

(c) SPECIAL LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM.—Subpart 4 of part A of title IV (20 U.S.C. 1070c et seq.) is amended—

(1) by redesignating section 415E as 415F; and

(2) by inserting after section 415D the following:

"SEC. 415E. SPECIAL LEVERAGING EDUCATIONAL ASSISTANCE PARTNERSHIP PROGRAM.

"(a) IN GENERAL.—From amounts reserved under section 415A(b)(2) for each fiscal year, the Secretary shall—

"(1) make allotments among States in the same manner as the Secretary makes allotments among States under section 415B; and

"(2) award grants to States, from allotments under paragraph (1), to enable the States to pay the Federal share of the cost of the authorized activities described in subsection (c).

"(b) APPLICABILITY RULE.—The provisions of this subpart which are not inconsistent with this section shall apply to the program authorized by this section.

"(c) AUTHORIZED ACTIVITIES.—Each State receiving a grant under this section may use the grant funds for—

"(1) increasing the dollar amount of grants awarded under section 415B to eligible students who demonstrate financial need;

"(2) carrying out transition programs from secondary school to postsecondary education for eligible students who demonstrate financial need;

"(3) carrying out a financial aid program for eligible students who demonstrate financial need and wish to enter careers in information technology, or other fields of study determined by the State to be critical to the State's workforce needs;

"(4) making funds available for community service work-study activities for eligible students who demonstrate financial need;

"(5) creating a postsecondary scholarship program for eligible students who demonstrate financial need and wish to enter teaching;

"(6) creating a scholarship program for eligible students who demonstrate financial need and wish to enter a program of study leading to a degree in mathematics, computer science, or engineering;

"(7) carrying out early intervention programs, mentoring programs, and career education programs for eligible students who demonstrate financial need; and

"(8) awarding merit or academic scholarships to eligible students who demonstrate financial need.

"(d) MAINTENANCE OF EFFORT REQUIREMENT.—Each State receiving a grant under this section for a fiscal year shall provide the Secretary an assurance that the aggregate amount expended per student or the aggregate expenditures by the State, from funds derived from non-Federal sources, for the authorized activities described in subsection (c) for the preceding fiscal year were not less than the amount expended per student or the aggregate expenditures by the State for the activities for the second preceding fiscal year.

"(e) FEDERAL SHARE.—The Federal share of the cost of the authorized activities described in subsection (c) for any fiscal year shall be not more than 33⅓ percent.".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) PURPOSE.—Subsection (a) of section 415A (20 U.S.C. 1070c(a)) is amended to read as follows:

"(a) PURPOSE OF SUBPART.—It is the purpose of this subpart to make incentive grants available to States to assist States in—

"(1) providing grants to—

"(A) eligible students attending institutions of higher education or participating in programs of study abroad that are approved for credit by institutions of higher education at which such students are enrolled; and

"(B) eligible students for campus-based community service work-study; and

"(2) carrying out the activities described in section 415F.".

(2) ALLOTMENT.—Section 415B(a)(1) (20 U.S.C. 1070c–1(a)(1)) is amended by inserting "and not reserved under section 415A(b)(2)" after "415A(b)(1)".

SEC. 408. SPECIAL PROGRAMS FOR STUDENTS WHOSE FAMILIES ARE ENGAGED IN MIGRANT AND SEASONAL FARMWORK.

(a) COORDINATION.—Section 418A(d) (20 U.S.C. 1070d–2(d)) is amended by inserting after "contains assurances" the following: "that the grant recipient will coordinate the project, to the extent feasible, with other local, State, and Federal programs to maximize the resources available for migrant students, and".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 418A(g) is amended by striking "1993" each place the term appears and inserting "1999".

(c) DATA COLLECTION.—Section 418A is amended—

(1) by redesignating subsection (g) (as amended by subsection (b)) as subsection (h); and

(2) by inserting after subsection (f) the following:

"(g) DATA COLLECTION.—The National Center for Education Statistics shall collect postsecondary education data on migrant students.".

(d) TECHNICAL AMENDMENT.—Section 418A(e) is amended by striking "authorized by subpart 4 of this part in accordance with section 417A(b)(2)" and inserting "in accordance with section 402A(c)(1)".

SEC. 409. ROBERT C. BYRD HONORS SCHOLARSHIP PROGRAM.

(a) FAS ELIGIBILITY.—Section 419D (20 U.S.C. 1070d–34) is amended by adding at the end thereof the following:

"(e) FAS ELIGIBILITY.—

"(1) FISCAL YEARS 2000 THROUGH 2004.—Notwithstanding any other provision of this subpart, in the case of students from the Freely Associated States who may be selected to receive a scholarship under this subpart for the first time for any of the fiscal years 2000 through 2004—

"(A) there shall be 10 scholarships in the aggregate awarded to such students for each of the fiscal years 2000 through 2004; and

"(B) the Pacific Regional Educational Laboratory shall administer the program under this subpart in the case of scholarships for students in the Freely Associated States.

"(2) TERMINATION OF ELIGIBILITY.—A student from the Freely Associated States shall not be eligible to receive a scholarship under this subpart after September 30, 2004.".

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 419K (20 U.S.C. 1070d–41) is amended by striking "$10,000,000 for fiscal year 1993" and inserting "$45,000,000 for fiscal year 1999".

SEC. 410. CHILD CARE ACCESS MEANS PARENTS IN SCHOOL.

Part A of title IV (20 U.S.C. 1070 et seq.) is amended by inserting after subpart 6 (20 U.S.C. 1070d–31 et seq.) the following:

"Subpart 7—Child Care Access Means Parents in School

"SEC. 419N. CHILD CARE ACCESS MEANS PARENTS IN SCHOOL.

"(a) PURPOSE.—The purpose of this section is to support the participation of low-income parents in postsecondary education through the provision of campus-based child care services.

"(b) PROGRAM AUTHORIZED.—

"(1) AUTHORITY.—The Secretary may award grants to institutions of higher education to assist the institutions in providing campus-based child care services to low-income students.

"(2) AMOUNT OF GRANTS.—

"(A) IN GENERAL.—The amount of a grant awarded to an institution of higher education under this section for a fiscal year shall not exceed 1 percent of the total

amount of all Federal Pell Grant funds awarded to students enrolled at the institution of higher education for the preceding fiscal year.

"(B) MINIMUM.—A grant under this section shall be awarded in an amount that is not less than $10,000.

"(3) DURATION; RENEWAL; AND PAYMENTS.—

"(A) DURATION.—The Secretary shall award a grant under this section for a period of 4 years.

"(B) PAYMENTS.—Subject to subsection (e)(2), the Secretary shall make annual grant payments under this section.

"(4) ELIGIBLE INSTITUTIONS.—An institution of higher education shall be eligible to receive a grant under this section for a fiscal year if the total amount of all Federal Pell Grant funds awarded to students enrolled at the institution of higher education for the preceding fiscal year equals or exceeds $350,000.

"(5) USE OF FUNDS.—Grant funds under this section shall be used by an institution of higher education to support or establish a campus-based child care program primarily serving the needs of low-income students enrolled at the institution of higher education. Grant funds under this section may be used to provide before and after school services to the extent necessary to enable low-income students enrolled at the institution of higher education to pursue postsecondary education.

"(6) CONSTRUCTION.—Nothing in this section shall be construed to prohibit an institution of higher education that receives grant funds under this section from serving the child care needs of the community served by the institution.

"(7) DEFINITION OF LOW-INCOME STUDENT.—For the purpose of this section, the term "low-income student" means a student who is eligible to receive a Federal Pell Grant for the fiscal year for which the determination is made.

"(c) APPLICATIONS.—An institution of higher education desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each application shall—

"(1) demonstrate that the institution is an eligible institution described in subsection (b)(4);

"(2) specify the amount of funds requested;

"(3) demonstrate the need of low-income students at the institution for campus-based child care services by including in the application—

"(A) information regarding student demographics;

"(B) an assessment of child care capacity on or near campus;

"(C) information regarding the existence of waiting lists for existing child care;

"(D) information regarding additional needs created by concentrations of poverty or by geographic isolation; and

"(E) other relevant data;

"(4) contain a description of the activities to be assisted, including whether the grant funds will support an existing child care program or a new child care program;

"(5) identify the resources, including technical expertise and financial support, the institution will draw upon to support

the child care program and the participation of low-income students in the program, such as accessing social services funding, using student activity fees to help pay the costs of child care, using resources obtained by meeting the needs of parents who are not low-income students, and accessing foundation, corporate or other institutional support, and demonstrate that the use of the resources will not result in increases in student tuition;

"(6) contain an assurance that the institution will meet the child care needs of low-income students through the provision of services, or through a contract for the provision of services;

"(7) describe the extent to which the child care program will coordinate with the institution's early childhood education curriculum, to the extent the curriculum is available, to meet the needs of the students in the early childhood education program at the institution, and the needs of the parents and children participating in the child care program assisted under this section;

"(8) in the case of an institution seeking assistance for a new child care program—

"(A) provide a timeline, covering the period from receipt of the grant through the provision of the child care services, delineating the specific steps the institution will take to achieve the goal of providing low-income students with child care services;

"(B) specify any measures the institution will take to assist low-income students with child care during the period before the institution provides child care services; and

"(C) include a plan for identifying resources needed for the child care services, including space in which to provide child care services, and technical assistance if necessary;

"(9) contain an assurance that any child care facility assisted under this section will meet the applicable State or local government licensing, certification, approval, or registration requirements; and

"(10) contain a plan for any child care facility assisted under this section to become accredited within 3 years of the date the institution first receives assistance under this section.

"(d) PRIORITY.—The Secretary shall give priority in awarding grants under this section to institutions of higher education that submit applications describing programs that—

"(1) leverage significant local or institutional resources, including in-kind contributions, to support the activities assisted under this section; and

"(2) utilize a sliding fee scale for child care services provided under this section in order to support a high number of low-income parents pursuing postsecondary education at the institution.

"(e) REPORTING REQUIREMENTS; CONTINUING ELIGIBILITY.—

"(1) REPORTING REQUIREMENTS.—

"(A) REPORTS.—Each institution of higher education receiving a grant under this section shall report to the Secretary 18 months, and 36 months, after receiving the first grant payment under this section.

"(B) CONTENTS.—The report shall include—

"(i) data on the population served under this section;

"(ii) information on campus and community resources and funding used to help low-income students access child care services;

"(iii) information on progress made toward accreditation of any child care facility; and

"(iv) information on the impact of the grant on the quality, availability, and affordability of campus-based child care services.

"(2) CONTINUING ELIGIBILITY.—The Secretary shall make the third annual grant payment under this section to an institution of higher education only if the Secretary determines, on the basis of the 18-month report submitted under paragraph (1), that the institution is making a good faith effort to ensure that low-income students at the institution have access to affordable, quality child care services.

"(f) CONSTRUCTION.—No funds provided under this section shall be used for construction, except for minor renovation or repair to meet applicable State or local health or safety requirements.

"(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $45,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 411. LEARNING ANYTIME ANYWHERE PARTNERSHIPS.

Subpart 8 of part A of title IV (20 U.S.C. 1070 et seq.) is amended to read as follows:

"Subpart 8—Learning Anytime Anywhere Partnerships

"SEC. 420D. FINDINGS.

"Congress makes the following findings:

"(1) The nature of postsecondary education delivery is changing, and new technology and other related innovations can provide promising education opportunities for individuals who are currently not being served, particularly for individuals without easy access to traditional campus-based postsecondary education or for whom traditional courses are a poor match with education or training needs.

"(2) Individuals, including individuals seeking basic or technical skills or their first postsecondary experience, individuals with disabilities, dislocated workers, individuals making the transition from welfare-to-work, and individuals who are limited by time and place constraints can benefit from nontraditional, noncampus-based postsecondary education opportunities and appropriate support services.

"(3) The need for high-quality, nontraditional, technology-based education opportunities is great, as is the need for skill competency credentials and other measures of educational progress and attainment that are valid and widely accepted, but neither need is likely to be adequately addressed by the uncoordinated efforts of agencies and institutions acting independently and without assistance.

"(4) Partnerships, consisting of institutions of higher education, community organizations, or other public or private agencies or organizations, can coordinate and combine institutional resources—

"(A) to provide the needed variety of education options to students; and

"(B) to develop new means of ensuring accountability and quality for innovative education methods.

"SEC. 420E. PURPOSE; PROGRAM AUTHORIZED.

"(a) PURPOSE.—It is the purpose of this subpart to enhance the delivery, quality, and accountability of postsecondary education and career-oriented lifelong learning through technology and related innovations.

"(b) PROGRAM AUTHORIZED.—

"(1) GRANTS.—

"(A) IN GENERAL.—The Secretary may, from funds appropriated under section 420J make grants to, or enter into contracts or cooperative agreements with, eligible partnerships to carry out the authorized activities described in section 420G.

"(B) DURATION.—Grants under this subpart shall be awarded for periods that do not exceed 5 years.

"(2) DEFINITION OF ELIGIBLE PARTNERSHIP.—For purposes of this subpart, the term 'eligible partnership' means a partnership consisting of 2 or more independent agencies, organizations, or institutions. The agencies, organizations, or institutions may include institutions of higher education, community organizations, and other public and private institutions, agencies, and organizations.

"SEC. 420F. APPLICATION.

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

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

"(1) the name of each partner and a description of the responsibilities of the partner, including the designation of a nonprofit organization as the fiscal agent for the partnership;

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

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

"(4) a description of how the project will operate, including how funds awarded under this subpart will be used to meet the purpose of this subpart.

"SEC. 420G. AUTHORIZED ACTIVITIES.

"Funds awarded to an eligible partnership under this subpart shall be used to—

"(1) develop and assess model distance learning programs or innovative educational software;

"(2) develop methodologies for the identification and measurement of skill competencies;

"(3) develop and assess innovative student support services; or

"(4) support other activities that are consistent with the purpose of this subpart.

"SEC. 420H. MATCHING REQUIREMENT.

"Federal funds shall provide not more than 50 percent of the cost of a project under this subpart. The non-Federal share of project costs may be in cash or in kind, fairly evaluated, including services, supplies, or equipment.

"SEC. 420I. PEER REVIEW.

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

"SEC. 420J. AUTHORIZATION OF APPROPRIATIONS.

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

PART B—FEDERAL FAMILY EDUCATION LOAN PROGRAM

SEC. 411. LIMITATION REPEALED.

Section 421 (20 U.S.C. 1071) is amended by striking subsection (d).

SEC. 412. ADVANCES TO RESERVE FUNDS.

Section 422 (20 U.S.C. 1072) is amended—

(1) in subsection (a)(2), by striking "428(c)(10)(E)" and inserting "428(c)(9)(E)";

(2) in subsection (c)—

(A) in paragraph (6)(B)(i), by striking "written" and inserting "written, electronic,";

(B) in paragraph (7)(A), by striking "during the transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title"; and

(C) in paragraph (7)(B), by striking "428(c)(10)(F)(v)" and inserting "428(c)(9)(F)(v)";

(3) in the first and second sentences of subsection (g)(1), by striking "or the program authorized by part D of this title" each place it appears; and

(4) by adding at the end the following:

"(i) ADDITIONAL RECALL OF RESERVES.—

"(1) IN GENERAL.—Notwithstanding any other provision of law and subject to paragraph (4), the Secretary shall recall, from reserve funds held in the Federal Student Loan Reserve Funds established under section 422A by guaranty agencies—

"(A) $85,000,000 in fiscal year 2002;

"(B) $82,500,000 in fiscal year 2006; and

"(C) $82,500,000 in fiscal year 2007.

"(2) DEPOSIT.—Funds recalled by the Secretary under this subsection shall be deposited in the Treasury.

"(3) REQUIRED SHARE.—The Secretary shall require each guaranty agency to return reserve funds under paragraph (1) on the basis of the agency's required share. For purposes of this paragraph, a guaranty agency's required share shall be determined as follows:

"(A) EQUAL PERCENTAGE.—The Secretary shall require each guaranty agency to return an amount representing an equal percentage reduction in the amount of reserve funds held by the agency on September 30, 1996.

"(B) CALCULATION.—The equal percentage reduction shall be the percentage obtained by dividing—

"(i) $250,000,000, by

"(ii) the total amount of all guaranty agencies' reserve funds held on September 30, 1996, less any amounts subject to recall under subsection (h).

"(C) SPECIAL RULE.—Notwithstanding subparagraphs (A) and (B), the percentage reduction under subparagraph (B) shall not result in the depletion of the reserve funds of any agency which charges the 1.0 percent insurance premium pursuant to section 428(b)(1)(H) below an amount equal to the amount of lender claim payments paid during the 90 days prior to the date of the return under this subsection. If any additional amount is required to be returned after deducting the total of the required shares under subparagraph (B) and as a result of the preceding sentence, such additional amount shall be obtained by imposing on each guaranty agency to which the preceding sentence does not apply, an equal percentage reduction in the amount of the agency's remaining reserve funds.

"(4) OFFSET OF REQUIRED SHARES.—If any guaranty agency returns to the Secretary any reserve funds in excess of the amount required under this subsection or subsection (h), the total amount required to be returned under paragraph (1) shall be reduced by the amount of such excess reserve funds returned.

"(5) DEFINITION OF RESERVE FUNDS.—The term 'reserve funds' when used with respect to a guaranty agency—

"(A) includes any reserve funds in cash or liquid assets held by the guaranty agency, or held by, or under the control of, any other entity; and

"(B) does not include buildings, equipment, or other nonliquid assets.".

SEC. 413. GUARANTY AGENCY REFORMS.

(a) FEDERAL STUDENT LOAN RESERVE FUND.—Part B of title IV is amended by inserting after section 422 (20 U.S.C. 1072) the following new section:

"SEC. 422A. FEDERAL STUDENT LOAN RESERVE FUND.

"(a) ESTABLISHMENT.—Each guaranty agency shall, not later than 60 days after the date of enactment of this section, deposit all funds, securities, and other liquid assets contained in the reserve fund established pursuant to section 422 into a Federal Student Loan Reserve Fund (in this section and section 422B referred to as the 'Federal Fund'), which shall be an account of a type selected by the agency, with the approval of the Secretary.

"(b) INVESTMENT OF FUNDS.—Funds transferred to the Federal Fund shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities

selected by the guaranty agency, with the approval of the Secretary. Earnings from the Federal Fund shall be the sole property of the Federal Government.

"(c) ADDITIONAL DEPOSITS.—After the establishment of the Federal Fund, a guaranty agency shall deposit into the Federal Fund—

"(1) all amounts received from the Secretary as payment of reinsurance on loans pursuant to section 428(c)(1);

"(2) from amounts collected on behalf of the obligation of a defaulted borrower, a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made—

"(A) with respect to the defaulted loan pursuant to sections 428(c)(6)(A) and 428F(a)(1)(B); and

"(B) with respect to a loan that the Secretary has repaid or discharged under section 437;

"(3) insurance premiums collected from borrowers pursuant to sections 428(b)(1)(H) and 428H(h);

"(4) all amounts received from the Secretary as payment for supplemental preclaims activity performed prior to the date of enactment of this section;

"(5) 70 percent of amounts received after such date of enactment from the Secretary as payment for administrative cost allowances for loans upon which insurance was issued prior to such date of enactment; and

"(6) other receipts as specified in regulations of the Secretary.

"(d) USES OF FUNDS.—Subject to subsection (f), the Federal Fund may only be used by a guaranty agency—

"(1) to pay lender claims pursuant to sections 428(b)(1)(G), 428(j), 437, and 439(q); and

"(2) to pay into the Agency Operating Fund established pursuant to section 422B (in this section and section 422B referred to as the "Operating Fund") a default aversion fee in accordance with section 428(l).

"(e) OWNERSHIP OF FEDERAL FUND.—The Federal Fund, and any nonliquid asset (such as a building or equipment) developed or purchased by the guaranty agency in whole or in part with Federal reserve funds, regardless of who holds or controls the Federal reserve funds or such asset, shall be considered to be the property of the United States, prorated based on the percentage of such asset developed or purchased with Federal reserve funds, which property shall be used in the operation of the program authorized by this part, as provided in subsection (d). The Secretary may restrict or regulate the use of such asset only to the extent necessary to reasonably protect the Secretary's prorated share of the value of such asset. The Secretary may direct a guaranty agency, or such agency's officers or directors, to cease any activity involving expenditures, use, or transfer of the Federal Fund administered by the guaranty agency that the Secretary determines is a misapplication, misuse, or improper expenditure of the Federal Fund or the Secretary's share of such asset.

"(f) TRANSITION.—

"(1) IN GENERAL.—In order to establish the Operating Fund, each guaranty agency may transfer not more than 180 days' cash expenses for normal operating expenses (not including claim payments) as a working capital reserve as defined in

Office of Management and Budget Circular A–87 (Cost Accounting Standards) from the Federal Fund for deposit into the Operating Fund for use in the performance of the guaranty agency's duties under this part. Such transfers may occur during the first 3 years following the establishment of the Operating Fund. However, no agency may transfer in excess of 45 percent of the balance, as of September 30, 1998, of the agency's Federal Fund to the agency's Operating Fund during such 3-year period. In determining the amount that may be transferred, the agency shall ensure that sufficient funds remain in the Federal Fund to pay lender claims within the required time periods and to meet the reserve recall requirements of this section and subsections (h) and (i) of section 422.

"(2) SPECIAL RULE.—A limited number of guaranty agencies may transfer interest earned on the Federal Fund to the Operating Fund during the first 3 years after the date of enactment of this section if the guaranty agency demonstrates to the Secretary that—

"(A) the cash flow in the Operating Fund will be negative without the transfer of such interest; and

"(B) the transfer of such interest will substantially improve the financial circumstances of the guaranty agency.

"(3) REPAYMENT PROVISIONS.—Each guaranty agency shall begin repayment of sums transferred pursuant to this subsection not later than the start of the fourth year after the establishment of the Operating Fund, and shall repay all amounts transferred not later than 5 years from the date of the establishment of the Operating Fund. With respect to amounts transferred from the Federal Fund, the guaranty agency shall not be required to repay any interest on the funds transferred and subsequently repaid. The guaranty agency shall provide to the Secretary a reasonable schedule for repayment of the sums transferred and an annual financial analysis demonstrating the agency's ability to comply with the schedule and repay all outstanding sums transferred.

"(4) PROHIBITION.—If a guaranty agency transfers funds from the Federal Fund in accordance with this section, and fails to make scheduled repayments to the Federal Fund, the agency may not receive any other funds under this part until the Secretary determines that the agency has made such repayments. The Secretary shall pay to the guaranty agency any funds withheld in accordance with this paragraph immediately upon making the determination that the guaranty agency has made all such repayments.

"(5) WAIVER.—The Secretary may—

"(A) waive the requirements of paragraph (3), but only with respect to repayment of interest that was transferred in accordance with paragraph (2); and

"(B) waive paragraph (4);

for a guaranty agency, if the Secretary determines that there are extenuating circumstances (such as State constitutional prohibitions) beyond the control of the agency that justify such a waiver.

"(6) EXTENSION OF REPAYMENT PERIOD FOR INTEREST.—

"(A) EXTENSION PERMITTED.—The Secretary shall extend the period for repayment of interest that was transferred in accordance with paragraph (2) from 2 years to 5 years if the Secretary determines that—

"(i) the cash flow of the Operating Fund will be negative as a result of repayment as required by paragraph (3);

"(ii) the repayment of the interest transferred will substantially diminish the financial circumstances of the guaranty agency; and

"(iii) the guaranty agency has demonstrated—

"(I) that the agency is able to repay all transferred funds by the end of the 8th year following the date of establishment of the Operating Fund; and

"(II) that the agency will be financially sound on the completion of repayment.

"(B) REPAYMENT OF INCOME ON TRANSFERRED FUNDS.—All repayments made to the Federal Fund during the 6th, 7th, and 8th years following the establishment of the Operating Fund of interest that was transferred shall include the sums transferred plus any income earned from the investment of the sums transferred after the 5th year.

"(7) INVESTMENT OF FEDERAL FUNDS.—Funds transferred from the Federal Fund to the Operating Fund for operating expenses shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities selected by the guaranty agency, with the approval of the Secretary.

"(8) SPECIAL RULE.—In calculating the minimum reserve level required by section 428(c)(9)(A), the Secretary shall include all amounts owed to the Federal Fund by the guaranty agency in the calculation.".

(b) AGENCY OPERATING FUND ESTABLISHED.—Part B of title IV is further amended by inserting after section 422A (as added by subsection (a)) the following new section:

"SEC. 422B. AGENCY OPERATING FUND.

"(a) ESTABLISHMENT.—Each guaranty agency shall, not later than 60 days after the date of enactment of this section, establish a fund designated as the Operating Fund.

"(b) INVESTMENT OF FUNDS.—Funds deposited into the Operating Fund shall be invested at the discretion of the guaranty agency in accordance with prudent investor standards.

"(c) ADDITIONAL DEPOSITS.—After the establishment of the Operating Fund, the guaranty agency shall deposit into the Operating Fund—

"(1) the loan processing and issuance fee paid by the Secretary pursuant to section 428(f);

"(2) 30 percent of amounts received after the date of enactment of this section from the Secretary as payment for administrative cost allowances for loans upon which insurance was issued prior to such date of enactment;

"(3) the account maintenance fee paid by the Secretary in accordance with section 458;

"(4) the default aversion fee paid in accordance with section 428(l);

"(5) amounts remaining pursuant to section 428(c)(6)(B) from collection on defaulted loans held by the agency, after payment of the Secretary's equitable share, excluding amounts deposited in the Federal Fund pursuant to section 422A(c)(2); and

"(6) other receipts as specified in regulations of the Secretary.

"(d) USES OF FUNDS.—

"(1) IN GENERAL.—Funds in the Operating Fund shall be used for application processing, loan disbursement, enrollment and repayment status management, default aversion activities (including those described in section 422(h)(8)), default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities, as selected by the guaranty agency.

"(2) SPECIAL RULE.—The guaranty agency may, in the agency's discretion, transfer funds from the Operating Fund to the Federal Fund for use pursuant to section 422A. Such transfer shall be irrevocable, and any funds so transferred shall become the sole property of the United States.

"(3) DEFINITIONS.—For purposes of this subsection:

"(A) DEFAULT COLLECTION ACTIVITIES.—The term 'default collection activities' means activities of a guaranty agency that are directly related to the collection of the loan on which a default claim has been paid to the participating lender, including the due diligence activities required pursuant to regulations of the Secretary.

"(B) DEFAULT AVERSION ACTIVITIES.—The term 'default aversion activities' means activities of a guaranty agency that are directly related to providing collection assistance to the lender on a delinquent loan, prior to the loan's being legally in a default status, including due diligence activities required pursuant to regulations of the Secretary.

"(C) ENROLLMENT AND REPAYMENT STATUS MANAGEMENT.—The term 'enrollment and repayment status management' means activities of a guaranty agency that are directly related to ascertaining the student's enrollment status, including prompt notification to the lender of such status, an audit of the note or written agreement to determine if the provisions of that note or agreement are consistent with the records of the guaranty agency as to the principal amount of the loan guaranteed, and an examination of the note or agreement to assure that the repayment provisions are consistent with the provisions of this part.

"(e) OWNERSHIP AND REGULATION OF OPERATING FUND.—

"(1) OWNERSHIP.—The Operating Fund, with the exception of funds transferred from the Federal Fund in accordance with section 422A(f), shall be considered to be the property of the guaranty agency.

"(2) REGULATION.—Except as provided in paragraph (3), the Secretary may not regulate the uses or expenditure of moneys in the Operating Fund, but the Secretary may require such necessary reports and audits as provided in section 428(b)(2).

"(3) EXCEPTION.—Notwithstanding paragraphs (1) and (2), during any period in which funds are owed to the Federal Fund as a result of transfer under section 422A(f)—

"(A) moneys in the Operating Fund may only be used for expenses related to the student loan programs authorized under this part; and

"(B) the Secretary may regulate the uses or expenditure of moneys in the Operating Fund.".

SEC. 414. SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM.

Section 424(a) (20 U.S.C. 1074(a)) is amended—

(1) by striking "October 1, 2002" and inserting "October 1, 2004"; and

(2) by striking "September 30, 2006" and inserting "September 30, 2008".

SEC. 415. LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND FEDERAL LOAN INSURANCE.

Section 425(a)(1)(A) (20 U.S.C. 1075(a)(1)(A)) is amended—

(1) in clause (i)—

(A) by inserting "and" after the semicolon at the end of subclause (I); and

(B) by striking subclauses (II) and (III) and inserting the following:

"(II) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;"; and

(2) by inserting "and" after the semicolon at the end of clause (iii).

SEC. 416. APPLICABLE INTEREST RATES.

(a) APPLICABLE INTEREST RATES.—

(1) AMENDMENT.—Section 427A (20 U.S.C. 1077a) is amended—

(A) by redesignating subsections (k) and (l) as subsections (l) and (m), respectively; and

(B) by inserting after subsection (j) the following:

"(k) INTEREST RATES FOR NEW LOANS ON OR AFTER OCTOBER 1, 1998, AND BEFORE JULY 1, 2003.—

"(1) IN GENERAL.—Notwithstanding subsection (h) and subject to paragraph (2) of this subsection, with respect to any loan made, insured, or guaranteed under this part (other than a loan made pursuant to section 428B or 428C) for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(A) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(B) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

"(2) IN SCHOOL AND GRACE PERIOD RULES.—Notwithstanding subsection (h), with respect to any loan under this part (other than a loan made pursuant to section 428B or 428C) for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest for interest which accrues—

"(A) prior to the beginning of the repayment period of the loan; or

"(B) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 427(a)(2)(C) or 428(b)(1)(M),

shall be determined under paragraph (1) by substituting '1.7 percent' for '2.3 percent'.

"(3) PLUS LOANS.—Notwithstanding subsection (h), with respect to any loan under section 428B for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest shall be determined under paragraph (1)—

"(A) by substituting '3.1 percent' for '2.3 percent'; and

"(B) by substituting '9.0 percent' for '8.25 percent'.

"(4) CONSOLIDATION LOANS.—With respect to any consolidation loan under section 428C for which the application is received by an eligible lender on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest shall be at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

"(A) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of 1 percent; or

"(B) 8.25 percent.

"(5) CONSULTATION.—The Secretary shall determine the applicable rate of interest under this subsection after consultation with the Secretary of the Treasury and shall publish such rate in the Federal Register as soon as practicable after the date of determination.".

(2) CONFORMING AMENDMENT.—Section 428B(d)(4) (20 U.S.C. 1078–2(d)(4)) is amended by striking "section 427A(c)" and inserting "section 427A".

(b) SPECIAL ALLOWANCES.—

(1) AMENDMENT.—Section 438(b)(2) (20 U.S.C. 1087–1(b)(2)) is amended by adding at the end the following:

"(H) LOANS DISBURSED ON OR AFTER OCTOBER 1, 1998, AND BEFORE JULY 1, 2003.—

"(i) IN GENERAL.—Subject to paragraph (4) and clauses (ii), (iii), and (iv) of this subparagraph, and except as provided in subparagraph (B), the special allowance paid pursuant to this subsection on loans for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, shall be computed—

"(I) by determining the average of the bond equivalent rates of 91-day Treasury bills auctioned for such 3-month period;

"(II) by subtracting the applicable interest rates on such loans from such average bond equivalent rate;

"(III) by adding 2.8 percent to the resultant percent; and

"(IV) by dividing the resultant percent by 4.

"(ii) IN SCHOOL AND GRACE PERIOD.—In the case of any loan for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, and for which the applicable rate of interest is described in section 427A(k)(2), clause (i)(III) of this subparagraph shall be applied by substituting '2.2 percent' for '2.8 percent'.

"(iii) PLUS LOANS.—In the case of any loan for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, and for which the applicable rate of interest is described in section 427A(k)(3), clause (i)(III) of this subparagraph shall be applied by substituting '3.1 percent' for '2.8 percent', subject to clause (v) of this subparagraph.

"(iv) CONSOLIDATION LOANS.—In the case of any consolidation loan for which the application is received by an eligible lender on or after October 1, 1998, and before July 1, 2003, and for which the applicable interest rate is determined under section 427A(k)(4), clause (i)(III) of this subparagraph shall be applied by substituting '3.1 percent' for '2.8 percent', subject to clause (vi) of this subparagraph.

"(v) LIMITATION ON SPECIAL ALLOWANCES FOR PLUS LOANS.—In the case of PLUS loans made under section 428B and first disbursed on or after October 1, 1998, and before July 1, 2003, for which the interest rate is determined under section 427A(k)(3), a special allowance shall not be paid for such loan during any 12-month period beginning on July 1 and ending on June 30 unless, on the June 1 preceding such July 1—

"(I) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1 (as determined by the Secretary for purposes of such section); plus

"(II) 3.1 percent,

exceeds 9.0 percent.

"(vi) LIMITATION ON SPECIAL ALLOWANCES FOR CONSOLIDATION LOANS.—In the case of consolidation loans made under section 428C and for which the application is received on or after October 1, 1998, and before July 1, 2003, for which the interest rate is determined under section 427A(k)(4), a special allowance shall not be paid for such loan during any 3-month period ending March 31, June 30, September 30, or December 31 unless—

"(I) the average of the bond equivalent rate of 91-day Treasury bills auctioned for such 3-month period; plus

"(II) 3.1 percent,

exceeds the rate determined under section 427A(k)(4).".

(2) CONSOLIDATION LOANS.—Section 428C(c)(1) (20 U.S.C. 1078–3(c)(1)) is amended by striking everything preceding subparagraph (B) and inserting the following:

"(1) INTEREST RATE.—(A) Notwithstanding subparagraphs (B) and (C), with respect to any loan made under this section for which the application is received by an eligible lender on or after October 1, 1998, and before July 1, 2003, the applicable interest rate shall be determined under section 427A(k)(4).".

(3) CONFORMING AMENDMENT.—Section 438(b)(2) (20 U.S.C. 1087–1(b)(2)(C)(ii)) is amended—

(A) in subparagraph (A), by striking "(F), and (G)" and inserting "(F), (G), and (H)";

(B) in subparagraph (B)(iv), by striking "(F), or (G)" and inserting "(F), (G), or (H)"; and

(C) in subparagraph (C)(ii), by striking "subparagraph (G)" and inserting "subparagraphs (G) and (H)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to any loan made, insured, or guaranteed under part B of title IV of the Higher Education Act of 1965 for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, except that such amendments shall apply with respect to any loan made under section 428C of such Act for which the application is received by an eligible lender on or after October 1, 1998, and before July 1, 2003.

SEC. 417. FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS.

(a) FEDERAL INTEREST SUBSIDIES.—

(1) REQUIREMENTS TO RECEIVE SUBSIDY.—Section 428(a)(2) (20 U.S.C. 1078(a)(2)) is amended—

(A) in subparagraph (A)(i), by striking subclauses (I), (II), and (III) and inserting the following:

"(I) sets forth the loan amount for which the student shows financial need; and

"(II) sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G; and"; and

(B) by amending subparagraph (B) to read as follows:

"(B) For the purpose of clause (ii) of subparagraph (A), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has determined and documented the student's amount of need for a loan based on the student's estimated cost of attendance, estimated financial assistance, and, for the purpose of an interest payment pursuant to this section, expected family contribution (as determined under part F), subject to the provisions of subparagraph (D).";

(C) by amending subparagraph (C) to read as follows:

"(C) For the purpose of subparagraph (B) and this paragraph—

"(i) a student's cost of attendance shall be determined under section 472;

"(ii) a student's estimated financial assistance means, for the period for which the loan is sought—

"(I) the amount of assistance such student will receive under subpart 1 of part A (as determined in accordance with section 484(b)), subpart 3 of part A, and parts C and E;

"(II) any veterans' education benefits paid because of enrollment in a postsecondary education institution, including veterans' education benefits (as defined in section 480(c), but excluding benefits described in paragraph (2)(E) of such section); plus

"(III) other scholarship, grant, or loan assistance, but excluding any national service education award or post-service benefit under title I of the National and Community Service Act of 1990; and

"(iii) the determination of need and of the amount of a loan by an eligible institution under subparagraph (B) with respect to a student shall be calculated in accordance with part F."; and

(D) by striking subparagraph (F).

(2) DURATION OF AUTHORITY.—Section 428(a)(5) is amended—

(A) by striking "September 30, 2002" and inserting "September 30, 2004"; and

(B) by striking "September 30, 2006" and inserting "September 30, 2008".

(b) INSURANCE PROGRAM AGREEMENTS.—

(1) ANNUAL LOAN LIMITS.—Section 428(b)(1)(A) is amended—

(A) in the matter preceding clause (i), by inserting ", as defined in section 481(a)(2)," after "academic year";

(B) in clause (i)—

(i) in subclause (I), by striking "length (as determined under section 481);" and inserting "length; and"; and

(ii) by striking subclauses (II) and (III) and inserting the following:

"(II) if such student is enrolled in a program of undergraduate education which is less than 1 academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as the length of such program measured in semester, trimester, quarter, or clock hours bears to 1 academic year;";

(C) in clause (iv), by striking "and" after the semicolon;

(D) in clause (v), by inserting "and" after the semicolon; and

(E) by inserting before the matter following clause (v) the following:

"(vi) in the case of a student enrolled in coursework specified in sections 484(b)(3)(B) and 484(b)(4)(B)—

"(I) $2,625 for coursework necessary for enrollment in an undergraduate degree or certificate program, and, in the case of a student who has obtained a baccalaureate degree, $5,500 for coursework necessary for enrollment in a graduate or professional degree or certification program; and

"(II) in the case of a student who has obtained a baccalaureate degree, $5,500 for coursework necessary for a professional credential or certification from a State required for employment as a teacher in an elementary school or secondary school;".

(2) SELECTION OF REPAYMENT PLANS.—Clause (ii) of section 428(b)(1)(D) is amended to read as follows: "(ii) the student borrower may annually change the selection of a repayment plan under this part, and".

(3) REPAYMENT PLANS.—Subparagraph (E) of section 428(b)(1) is amended to read as follows:

"(E) subject to subparagraphs (D) and (L), and except as provided by subparagraph (M), provides that—

"(i) not more than 6 months prior to the date on which the borrower's first payment is due, the lender shall offer the borrower of a loan made, insured, or guaranteed under this section or section 428H, the option of repaying the loan in accordance with a standard, graduated, income-sensitive, or extended repayment schedule (as described in paragraph (9)) established by the lender in accordance with regulations of the Secretary; and

"(ii) repayment of loans shall be in installments in accordance with the repayment plan selected under paragraph (9) and commencing at the beginning of the repayment period determined under paragraph (7);";

(4) COINSURANCE.—Section 428(b)(1)(G) is amended by striking "not less than".

(5) PAYMENT AMOUNTS.—Section 428(b)(1)(L)(i) is amended—

(A) by inserting "except as otherwise provided by a repayment plan selected by the borrower under clause (ii) or (iii) of paragraph (9)(A)," before "during any"; and

(B) by inserting ", notwithstanding any payment plan under paragraph (9)(A)" after "due and payable".

(6) DEFERMENTS.—Section 428(b)(1)(M) is amended—

(A) in clause (i)(I), by inserting before the semicolon the following: ", except that no borrower, notwithstanding the provisions of the promissory note, shall be required to borrow an additional loan under this title in order to be eligible to receive a deferment under this clause"; and

(B) in clause (ii), by inserting before the semicolon the following: ", except that no borrower who provides evidence of eligibility for unemployment benefits shall be required to provide additional paperwork for a deferment under this clause".

(7) LIMITATION, SUSPENSION, AND TERMINATION.—Section 428(b)(1)(U) is amended—

(A) by striking "emergency action,," each place the term appears and inserting "emergency action,"; and

(B) in clause (iii)(I), by inserting "that originates or holds more than $5,000,000 in loans made under this title for any lender fiscal year (except that each lender described in section 435(d)(1)(A)(ii)(III) shall annually submit the results of an audit required by this clause)," before "at least once a year".

(8) ADDITIONAL INSURANCE PROGRAM REQUIREMENTS.—Section 428(b)(1) is further amended—

(A) by striking "and" at the end of subparagraph (W);

(B) in subparagraph (X)—

(i) by striking "428(c)(10)" and inserting "428(c)(9)"; and

(ii) by striking the period at the end and inserting "; and";

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

"(Y) provides that—

"(i) the lender shall determine the eligibility of a borrower for a deferment described in subparagraph (M)(i) based on receipt of—

"(I) a request for deferment from the borrower and documentation of the borrower's eligibility for the deferment;

"(II) a newly completed loan application that documents the borrower's eligibility for a deferment; or

"(III) student status information received by the lender that the borrower is enrolled on at least a half-time basis; and

"(ii) the lender will notify the borrower of the granting of any deferment under clause (i)(II) or (III) of this subparagraph and of the option to continue paying on the loan.".

(9) RESTRICTIONS ON INDUCEMENTS.—Section 428(b)(3) is amended—

(A) by striking subparagraph (C) and inserting the following:

"(C) conduct unsolicited mailings of student loan application forms to students enrolled in secondary school or a postsecondary institution, or to parents of such students, except that applications may be mailed to borrowers who have previously received loans guaranteed under this part by the guaranty agency; or"; and

(B) by adding at the end the following new sentence: "It shall not be a violation of this paragraph for a guaranty agency to provide assistance to institutions of higher education comparable to the kinds of assistance provided to institutions of higher education by the Department of Education.".

(10) DELAY IN COMMENCEMENT OF REPAYMENT PERIOD.—Section 428(b)(7) is amended by adding at the end the following:

"(D) There shall be excluded from the 6-month period that begins on the date on which a student ceases to carry at least one-half the normal full-time academic workload as described in subparagraph (A)(i) any period not to exceed 3 years during which a borrower who is a member of a reserve component of the Armed Forces named in section 10101 of title 10, United States Code, is called or ordered to active duty for a period of more than 30 days (as defined in section 101(d)(2) of such title). Such period of exclusion shall include the period necessary to resume enrollment at the borrower's next available regular enrollment period.".

(11) REPAYMENT PLANS.—Section 428(b) is amended by adding at the end the following:

"(9) REPAYMENT PLANS.—

"(A) DESIGN AND SELECTION.—In accordance with regulations promulgated by the Secretary, the lender shall offer a borrower of a loan made under this part the plans

described in this subparagraph for repayment of such loan, including principal and interest thereon. No plan may require a borrower to repay a loan in less than 5 years unless the borrower, during the 6 months immediately preceding the start of the repayment period, specifically requests that repayment be made over of a shorter period. The borrower may choose from—

"(i) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, not to exceed 10 years;

"(ii) a graduated repayment plan paid over a fixed period of time, not to exceed 10 years;

"(iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed 10 years, except that the borrower's scheduled payments shall not be less than the amount of interest due; and

"(iv) for new borrowers on or after the date of enactment of the Higher Education Amendments of 1998 who accumulate (after such date) outstanding loans under this part totaling more than $30,000, an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed 25 years, except that the borrower shall repay annually a minimum amount determined in accordance with paragraph (1)(L)(i).

"(B) LENDER SELECTION OF OPTION IF BORROWER DOES NOT SELECT.—If a borrower of a loan made under this part does not select a repayment plan described in subparagraph (A), the lender shall provide the borrower with a repayment plan described in subparagraph (A)(i).".

(c) GUARANTEE AGREEMENTS.—

(1) REINSURANCE PAYMENTS.—

(A) AMENDMENTS.—Section 428(c)(1) (20 U.S.C. 1078(c)(1)) is amended—

(i) in subparagraph (A), by striking "98 percent" and inserting "95 percent";

(ii) in subparagraph (B)(i), by striking "88 percent" and inserting "85 percent";

(iii) in subparagraph (B)(ii), by striking "78 percent" and inserting "75 percent";

(iv) in subparagraph (E)—

(I) in clause (i), by striking "98 percent" and inserting "95 percent";

(II) in clause (ii), by striking "88 percent" and inserting "85 percent"; and

(III) in clause (iii), by striking "78 percent" and inserting "75 percent"; and

(v) in subparagraph (F)—

(I) in clause (i), by striking "98 percent" and inserting "95 percent";

(II) in clause (ii), by striking "88 percent" and inserting "85 percent"; and

(III) in clause (iii), by striking "78 percent" and inserting "75 percent".

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) of this paragraph apply to loans for which the first disbursement is made on or after October 1, 1998.

(2) NOTICE TO INSTITUTIONS OF DEFAULTS.—Section 428(c)(2) is amended—

(A) in subparagraph (A), by striking "proof that reasonable attempts were made" and inserting "proof that the institution was contacted and other reasonable attempts were made"; and

(B) in subparagraph (G), by striking "certifies to the Secretary that diligent attempts have been made" and inserting "certifies to the Secretary that diligent attempts, including contact with the institution, have been made".

(3) GUARANTY AGENCY INFORMATION TO ELIGIBLE INSTITUTIONS.—Section 428(c)(2)(H)(ii) is amended to read as follows:

"(ii) the guaranty agency shall not require the payment from the institution of any fee for such information; and".

(4) FORBEARANCE.—Section 428(c)(3) is amended—

(A) in subparagraph (A)(i), by striking "written";

(B) in subparagraph (B), by striking "and" after the semicolon;

(C) in subparagraph (C), by striking the period and inserting "; and"; and

(D) by inserting before the matter following subparagraph (C) the following:

"(D) shall contain provisions that specify that—

"(i) forbearance for a period not to exceed 60 days may be granted if the lender reasonably determines that such a suspension of collection activity is warranted following a borrower's request for deferment, forbearance, a change in repayment plan, or a request to consolidate loans, in order to collect or process appropriate supporting documentation related to the request, and

"(ii) during such period interest shall accrue but not be capitalized.".

(5) EQUITABLE SHARE.—Paragraph (6) of section 428(c) is amended to read as follows:

"(6) SECRETARY'S EQUITABLE SHARE.—For the purpose of paragraph (2)(D), the Secretary's equitable share of payments made by the borrower shall be that portion of the payments remaining after the guaranty agency with which the Secretary has an agreement under this subsection has deducted from such payments—

"(A) a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

"(B) an amount equal to 24 percent of such payments for use in accordance with section 422B, except that, beginning on October 1, 2003, this subparagraph shall be applied by substituting '23 percent' for '24 percent'.".

(6) ASSIGNMENT.—Section 428(c)(8) is amended—

(A) by striking "(A) If" and inserting "If"; and

(B) by striking subparagraph (B).

(7) GUARANTY AGENCY RESERVE LEVEL; AGENCY TERMINATION.—Section 428(c)(9) is amended—

(A) in subparagraph (A), by striking "maintain a current minimum reserve level of at least .5 percent" and inserting "maintain in the agency's Federal Student Loan Reserve Fund established under section 422A a current minimum reserve level of at least 0.25 percent";

(B) in subparagraph (C)—

(i) by striking "80 percent pursuant to section 428(c)(1)(B)(ii)" and inserting "85 percent pursuant to paragraph (1)(B)(i)";

(ii) by striking ", as appropriate,"; and

(iii) by striking "30 working days" and inserting "45 working days";

(C) in subparagraph (E)—

(i) by inserting "or" at the end of clause (iv);

(ii) by striking "; or" at the end of clause (v) and inserting a period; and

(iii) by striking clause (vi);

(D) in subparagraph (F)(vii), by striking "to avoid disruption" and everything that follows and inserting "and to avoid disruption of the student loan program.";

(E) in subparagraph (I), by inserting "that, if commenced after September 24, 1998, shall be on the record" after "for a hearing"; and

(F) in subparagraph (K)—

(i) by striking "and Labor" and inserting "and the Workforce"; and

(ii) by striking everything after "guaranty agency system" and inserting a period.

(d) PAYMENT FOR LENDER REFERRAL SERVICES; INCOME-SENSITIVE REPAYMENT.—Subsection (e) of section 428 is amended to read as follows:

"(e) NOTICE OF AVAILABILITY OF INCOME-SENSITIVE REPAYMENT OPTION.—At the time of offering a borrower a loan under this part, and at the time of offering the borrower the option of repaying a loan in accordance with this section, the lender shall provide the borrower with a notice that informs the borrower, in a form prescribed by the Secretary by regulation—

"(1) that all borrowers are eligible for income-sensitive repayment, including through loan consolidation under section 428C;

"(2) the procedures by which the borrower may elect income-sensitive repayment; and

"(3) where and how the borrower may obtain additional information concerning income-sensitive repayment.".

(e) PAYMENT OF CERTAIN COSTS.—Subsection (f) of section 428 is amended to read as follows:

"(f) PAYMENTS OF CERTAIN COSTS.—

"(1) PAYMENT FOR CERTAIN ACTIVITIES.—

"(A) IN GENERAL.—The Secretary—

"(i) for loans originated during fiscal years beginning on or after October 1, 1998, and before October 1, 2003, and in accordance with the provisions of this paragraph, shall, except as provided in subparagraph (C), pay to each guaranty agency, a loan processing and issuance fee equal to 0.65 percent of the total

principal amount of the loans on which insurance was issued under this part during such fiscal year by such agency; and

"(ii) for loans originated during fiscal years beginning on or after October 1, 2003, and in accordance with the provisions of this paragraph, shall, except as provided in subparagraph (C), pay to each guaranty agency, a loan processing and issuance fee equal to 0.40 percent of the total principal amount of the loans on which insurance was issued under this part during such fiscal year by such agency.

"(B) PAYMENT.—The payment required by subparagraph (A) shall be paid on a quarterly basis. The guaranty agency shall be deemed to have a contractual right against the United States to receive payments according to the provisions of this paragraph. Payments shall be made promptly and without administrative delay to any guaranty agency submitting an accurate and complete application under this subparagraph.

"(C) REQUIREMENT FOR PAYMENT.—No payment may be made under this paragraph for loans for which the disbursement checks have not been cashed or for which electronic funds transfers have not been completed.".

(f) ACTION ON AGREEMENTS.—Section 428(g) is amended by striking "and Labor" and inserting "and the Workforce".

(g) LENDERS-OF-LAST-RESORT.—Paragraph (3) of section 428(j) is amended—

(1) in the paragraph heading, by striking "DURING TRANSITION TO DIRECT LENDING";

(2) in subparagraph (A)—

(A) by striking "during the transition from the Federal Family Education Loan Program under this part to the Federal Direct Student Loan Program under part D of this title," and inserting a comma;

(B) by inserting "designated for a State" after "a guaranty agency"; and

(C) by inserting "subparagraph (C) and" before "section 422(c)(7),"; and

(3) by adding at the end thereof the following:

"(C) The Secretary shall exercise the authority described in subparagraph (A) only if the Secretary determines that eligible borrowers are seeking and are unable to obtain loans under this part, and that the guaranty agency designated for that State has the capability to provide lender-of-last-resort loans in a timely manner, in accordance with the guaranty agency's obligations under paragraph (1), but cannot do so without advances provided by the Secretary under this paragraph. If the Secretary makes the determinations described in the preceding sentence and determines that it would be cost-effective to do so, the Secretary may provide advances under this paragraph to such guaranty agency. If the Secretary determines that such guaranty agency does not have such capability, or will not provide such loans in a timely fashion, the Secretary may provide such advances to enable another guaranty agency, that the Secretary determines to have such capability, to make lender-of-last-resort loans to eligible borrowers in that State who are experiencing loan access problems.".

(h) DEFAULT AVERSION ASSISTANCE.—Subsection (l) of section 428 is amended to read as follows:

"(l) DEFAULT AVERSION ASSISTANCE.—

"(1) ASSISTANCE REQUIRED.—Upon receipt of a complete request from a lender received not earlier than the 60th day of delinquency, a guaranty agency having an agreement with the Secretary under subsection (c) shall engage in default aversion activities designed to prevent the default by a borrower on a loan covered by such agreement.

"(2) REIMBURSEMENT.—

"(A) IN GENERAL.—A guaranty agency, in accordance with the provisions of this paragraph, may transfer from the Federal Student Loan Reserve Fund under section 422A to the Agency Operating Fund under section 422B a default aversion fee. Such fee shall be paid for any loan on which a claim for default has not been paid as a result of the loan being brought into current repayment status by the guaranty agency on or before the 300th day after the loan becomes 60 days delinquent.

"(B) AMOUNT.—The default aversion fee shall be equal to 1 percent of the total unpaid principal and accrued interest on the loan at the time the request is submitted by the lender. A guaranty agency may transfer such fees earned under this subsection not more frequently than monthly. Such a fee shall not be paid more than once on any loan for which the guaranty agency averts the default unless—

"(i) at least 18 months has elapsed between the date the borrower entered current repayment status and the date the lender filed a subsequent default aversion assistance request; and

"(ii) during the period between such dates, the borrower was not more than 30 days past due on any payment of principal and interest on the loan.

"(C) DEFINITION.—For the purpose of earning the default aversion fee, the term 'current repayment status' means that the borrower is not delinquent in the payment of any principal or interest on the loan.".

(i) INCOME CONTINGENT REPAYMENT.—Section 428(m) is amended by striking "shall require at least 10 percent of the borrowers" and inserting "may require borrowers".

(j) STATE SHARE OF DEFAULT COSTS.—Subsection (n) of section 428 is repealed.

(k) BLANKET CERTIFICATE OF GUARANTY.—Section 428 is amended by adding at the end the following:

"(n) BLANKET CERTIFICATE OF LOAN GUARANTY.—

"(1) IN GENERAL.—Subject to paragraph (3), any guaranty agency that has entered into or enters into any insurance program agreement with the Secretary under this part may—

"(A) offer eligible lenders participating in the agency's guaranty program a blanket certificate of loan guaranty that permits the lender to make loans without receiving prior approval from the guaranty agency of individual loans for eligible borrowers enrolled in eligible programs at eligible institutions; and

"(B) provide eligible lenders with the ability to transmit electronically data to the agency concerning loans the

lender has elected to make under the agency's insurance program via standard reporting formats, with such reporting to occur at reasonable and standard intervals.

"(2) LIMITATIONS ON BLANKET CERTIFICATE OF GUARANTY.—(A) An eligible lender may not make a loan to a borrower under this section after such lender receives a notification from the guaranty agency that the borrower is not an eligible borrower.

"(B) A guaranty agency may establish limitations or restrictions on the number or volume of loans issued by a lender under the blanket certificate of guaranty.

"(3) PARTICIPATION LEVEL.—During fiscal years 1999 and 2000, the Secretary may permit, on a pilot basis, a limited number of guaranty agencies to offer blanket certificates of guaranty under this subsection. Beginning in fiscal year 2001, any guaranty agency that has an insurance program agreement with the Secretary may offer blanket certificates of guaranty under this subsection.

"(4) REPORT REQUIRED.—The Secretary shall, at the conclusion of the pilot program under paragraph (3), provide a report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate on the impact of the blanket certificates of guaranty on program efficiency and integrity.".

SEC. 418. VOLUNTARY FLEXIBLE AGREEMENTS WITH GUARANTY AGENCIES.

Part B of title IV (20 U.S.C. 1071 et seq.) is amended by inserting after section 428 (20 U.S.C. 1078) the following:

"SEC. 428A. VOLUNTARY FLEXIBLE AGREEMENTS WITH GUARANTY AGENCIES.

"(a) VOLUNTARY AGREEMENTS.—

"(1) AUTHORITY.—Subject to paragraph (2), the Secretary may enter into a voluntary, flexible agreement with a guaranty agency under this section, in lieu of agreements with a guaranty agency under subsections (b) and (c) of section 428. The Secretary may waive or modify any requirement under such subsections, except that the Secretary may not waive—

"(A) any statutory requirement pertaining to the terms and conditions attached to student loans or default claim payments made to lenders; or

"(B) the prohibitions on inducements contained in section 428(b)(3) unless the Secretary determines that such a waiver is consistent with the purposes of this section and is limited to activities of the guaranty agency within the State or States for which the guaranty agency serves as the designated guarantor.

"(2) SPECIAL RULE.—If the Secretary grants a waiver pursuant to paragraph (1)(B), any guaranty agency doing business within the affected State or States may request, and the Secretary shall grant, an identical waiver to such guaranty agency under the same terms and conditions (including service area limitations) as govern the original waiver.

"(3) ELIGIBILITY.—During fiscal years 1999, 2000, and 2001, the Secretary may enter into a voluntary, flexible agreement with not more than 6 guaranty agencies that had 1 or more agreements with the Secretary under subsections (b) and (c)

of section 428 as of the day before the date of enactment of the Higher Education Amendments of 1998. Beginning in fiscal year 2002, any guaranty agency or consortium thereof may enter into a voluntary flexible agreement with the Secretary.

"(4) REPORT REQUIRED.—Not later than September 30, 2001, the Secretary shall report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives regarding the impact that the voluntary flexible agreements have had upon program integrity, program and cost efficiencies, and the availability and delivery of student financial aid. Such report shall include—

"(A) a description of each voluntary flexible agreement and the performance goals established by the Secretary for each agreement;

"(B) a list of participating guaranty agencies and the specific statutory or regulatory waivers provided to each guaranty agency and any waivers provided to other guaranty agencies under paragraph (2);

"(C) a description of the standards by which each agency's performance under the agency's voluntary flexible agreement was assessed and the degree to which each agency achieved the performance standards; and

"(D) an analysis of the fees paid by the Secretary, and the costs and efficiencies achieved under each voluntary agreement.

"(b) TERMS OF AGREEMENT.—An agreement between the Secretary and a guaranty agency under this section—

"(1) shall be developed by the Secretary, in consultation with the guaranty agency, on a case-by-case basis;

"(2) may only include provisions—

"(A) specifying the responsibilities of the guaranty agency under the agreement, with respect to—

"(i) administering the issuance of insurance on loans made under this part on behalf of the Secretary;

"(ii) monitoring insurance commitments made under this part;

"(iii) default aversion activities;

"(iv) review of default claims made by lenders;

"(v) payment of default claims;

"(vi) collection of defaulted loans;

"(vii) adoption of internal systems of accounting and auditing that are acceptable to the Secretary, and reporting the result thereof to the Secretary in a timely manner, and on an accurate, and auditable basis;

"(viii) timely and accurate collection and reporting of such other data as the Secretary may require to carry out the purposes of the programs under this title;

"(ix) monitoring of institutions and lenders participating in the program under this part; and

"(x) informational outreach to schools and students in support of access to higher education;

"(B) regarding the fees the Secretary shall pay, in lieu of revenues that the guaranty agency may otherwise receive under this part, to the guaranty agency under

the agreement, and other funds that the guaranty agency may receive or retain under the agreement, except that in no case may the cost to the Secretary of the agreement, as reasonably projected by the Secretary, exceed the cost to the Secretary, as similarly projected, in the absence of the agreement;

"(C) regarding the use of net revenues, as described in the agreement under this section, for such other activities in support of postsecondary education as may be agreed to by the Secretary and the guaranty agency;

"(D) regarding the standards by which the guaranty agency's performance of the agency's responsibilities under the agreement will be assessed, and the consequences for a guaranty agency's failure to achieve a specified level of performance on 1 or more performance standards;

"(E) regarding the circumstances in which a guaranty agency's agreement under this section may be ended in advance of the agreement's expiration date;

"(F) regarding such other businesses, previously purchased or developed with reserve funds, that relate to the program under this part and in which the Secretary permits the guaranty agency to engage; and

"(G) such other provisions as the Secretary may determine to be necessary to protect the United States from the risk of unreasonable loss and to promote the purposes of this part;

"(3) shall provide for uniform lender participation with the guaranty agency under the terms of the agreement; and

"(4) shall not prohibit or restrict borrowers from selecting a lender of the borrower's choosing, subject to the prohibitions and restrictions applicable to the selection under this Act.

"(c) PUBLIC NOTICE.—

"(1) IN GENERAL.—The Secretary shall publish in the Federal Register a notice to all guaranty agencies that sets forth—

"(A) an invitation for the guaranty agencies to enter into agreements under this section; and

"(B) the criteria that the Secretary will use for selecting the guaranty agencies with which the Secretary will enter into agreements under this section.

"(2) AGREEMENT NOTICE.—The Secretary shall notify the Chairperson and the Ranking Minority Member of the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than 30 days prior to concluding an agreement under this section. The notice shall contain—

"(A) a description of the voluntary flexible agreement and the performance goals established by the Secretary for the agreement;

"(B) a list of participating guaranty agencies and the specific statutory or regulatory waivers provided to each guaranty agency;

"(C) a description of the standards by which each guaranty agency's performance under the agreement will be assessed; and

"(D) a description of the fees that will be paid to each participating guaranty agency.

"(3) WAIVER NOTICE.—The Secretary shall notify the Chairperson and the Ranking Minority Member of the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than 30 days prior to the granting of a waiver pursuant to subsection (a)(2) to a guaranty agency that is not a party to a voluntary flexible agreement.

"(4) PUBLIC AVAILABILITY.—The text of any voluntary flexible agreement, and any subsequent revisions, and any waivers related to section 428(b)(3) that are not part of such an agreement, shall be readily available to the public.

"(5) MODIFICATION NOTICE.—The Secretary shall notify the Chairperson and the Ranking Minority Members of the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives 30 days prior to any modifications to an agreement under this section.

"(d) TERMINATION.—At the expiration or early termination of an agreement under this section, the Secretary shall reinstate the guaranty agency's prior agreements under subsections (b) and (c) of section 428, subject only to such additional requirements as the Secretary determines to be necessary in order to ensure the efficient transfer of responsibilities between the agreement under this section and the agreements under subsections (b) and (c) of section 428, and including the guaranty agency's compliance with reserve requirements under sections 422 and 428.".

SEC. 419. FEDERAL PLUS LOANS.

Section 428B (20 U.S.C. 1078–2) is amended—

(1) by amending subsection (a) to read as follows:

"(a) AUTHORITY TO BORROW.—

"(1) AUTHORITY AND ELIGIBILITY.—Parents of a dependent student shall be eligible to borrow funds under this section in amounts specified in subsection (b), if—

"(A) the parents do not have an adverse credit history as determined pursuant to regulations promulgated by the Secretary; and

"(B) the parents meet such other eligibility criteria as the Secretary may establish by regulation, after consultation with guaranty agencies, eligible lenders, and other organizations involved in student financial assistance.

"(2) TERMS, CONDITIONS, AND BENEFITS.—Except as provided in subsections (c), (d), and (e), loans made under this section shall have the same terms, conditions, and benefits as all other loans made under this part.

"(3) SPECIAL RULE.—Whenever necessary to carry out the provisions of this section, the terms 'student' and 'borrower' as used in this part shall include a parent borrower under this section."; and

(2) by adding at the end the following:

"(f) VERIFICATION OF IMMIGRATION STATUS AND SOCIAL SECURITY NUMBER.—A parent who wishes to borrow funds under this section shall be subject to verification of the parent's—

"(1) immigration status in the same manner as immigration status is verified for students under section 484(g); and

"(2) social security number in the same manner as social security numbers are verified for students under section 484(p).".

SEC. 420. FEDERAL CONSOLIDATION LOANS.

(a) DEFINITION OF ELIGIBLE BORROWER.—Section 428C(a)(3) (20 U.S.C. 1078–3(a)(3)) is amended by striking everything preceding subparagraph (C) and inserting the following:

"(3) DEFINITION OF ELIGIBLE BORROWER.—(A) For the purpose of this section, the term 'eligible borrower' means a borrower who—

"(i) is not subject to a judgment secured through litigation with respect to a loan under this title or to an order for wage garnishment under section 488A; and

"(ii) at the time of application for a consolidation loan—

"(I) is in repayment status;

"(II) is in a grace period preceding repayment; or

"(III) is a defaulted borrower who has made arrangements to repay the obligation on the defaulted loans satisfactory to the holders of the defaulted loans.

"(B)(i) An individual's status as an eligible borrower under this section terminates upon receipt of a consolidation loan under this section, except that—

"(I) an individual who receives eligible student loans after the date of receipt of the consolidation loan may receive a subsequent consolidation loan;

"(II) loans received prior to the date of the consolidation loan may be added during the 180-day period following the making of the consolidation loan;

"(III) loans received following the making of the consolidation loan may be added during the 180-day period following the making of the consolidation loan; and

"(IV) loans received prior to the date of the first consolidation loan may be added to a subsequent consolidation loan.".

(b) DEFINITION OF ELIGIBLE STUDENT LOAN.—Section 428C(a)(4) is amended by striking subparagraph (C) and inserting the following:

"(C) made under part D of this title;".

(c) CONTENTS OF AGREEMENTS.—Section 428C(b) is amended—

(1) in paragraph (1)(A)(i), by inserting "except that this clause shall not apply in the case of a borrower with multiple holders of loans under this part," after "under this section,";

(2) in paragraph (4)(C)(ii)—

(A) in the matter preceding subclause (I), by inserting "during any such period" after "and be paid";

(B) in subclause (I), by striking ", or on or after October 1, 1998,"; and

(C) in subclause (II), by striking "and before October 1, 1998,";

(3) in paragraph (6)(A), by inserting before the semicolon at the end the following: ", except that a lender is not required to consolidate loans described in subparagraph (D) or (E) of subsection (a)(4) or subsection (d)(1)(C)(ii)".

(d) EXTENSION OF AUTHORITY.—Section 428C(e) is amended by striking "September 30, 2002" and inserting "September 30, 2004".

(e) SPECIAL RULE.—Section 428C(f) is amended—

(1) by redesignating paragraph (2) as paragraph (3); and

(2) by inserting after paragraph (1) the following:

"(2) SPECIAL RULE.—For consolidation loans based on applications received during the period from October 1, 1998 through January 31, 1999, inclusive, the rebate described in paragraph (1) shall be equal to 0.62 percent of the principal plus accrued unpaid interest on such loan.".

SEC. 421. DEFAULT REDUCTION PROGRAM.

The heading for subsection (b) of section 428F (20 U.S.C. 1078–6) is amended by striking "SPECIAL RULE" and inserting "SATISFACTORY REPAYMENT ARRANGEMENTS TO RENEW ELIGIBILITY".

SEC. 422. REQUIREMENTS FOR DISBURSEMENTS OF STUDENT LOANS.

(a) SPECIAL RULE.—Section 428G(a) (20 U.S.C. 1078–7(a)) is amended by adding at the end the following:

"(3) SPECIAL RULE.—An institution whose cohort default rate (as determined under section 435(m)) for each of the 3 most recent fiscal years for which data are available is less than 10 percent may disburse any loan made, insured, or guaranteed under this part in a single installment for any period of enrollment that is not more than 1 semester, 1 trimester, 1 quarter, or 4 months.".

(b) DISBURSEMENT.—Section 428G(b)(1) is amended by adding at the end the following new sentence: "An institution whose cohort default rate (as determined under section 435(m)) for each of the three most recent fiscal years for which data are available is less than 10 percent shall be exempt from the requirements of this paragraph.".

(c) EXCLUSIONS.—Section 428G(e) is amended—

(1) by striking "or made" and inserting ", made"; and

(2) by inserting ", or made to a student to cover the cost of attendance in a program of study abroad approved by the home eligible institution if the home eligible institution has a cohort default rate (as calculated under section 435(m)) of less than 5 percent" before the period.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall be effective during the period beginning on October 1, 1998, and ending on September 30, 2002.

SEC. 423. UNSUBSIDIZED LOANS.

(a) ELIGIBLE BORROWERS.—Subsection (b) of section 428H (20 U.S.C. 1078–8(b)) is amended to read as follows:

"(b) ELIGIBLE BORROWERS.—Any student meeting the requirements for student eligibility under section 484 (including graduate and professional students as defined in regulations promulgated by the Secretary) shall be entitled to borrow an unsubsidized Federal Stafford Loan if the eligible institution at which the student has been accepted for enrollment, or at which the student is in attendance, has—

"(1) determined and documented the student's need for the loan based on the student's estimated cost of attendance (as determined under section 472) and the student's estimated

financial assistance, including a loan which qualifies for interest subsidy payments under section 428; and

"(2) provided the lender a statement—

"(A) certifying the eligibility of the student to receive a loan under this section and the amount of the loan for which such student is eligible, in accordance with subsection (c); and

"(B) setting forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G.".

(b) LOAN LIMITS.—Section 428H(d) is amended—

(1) in paragraph (2)—

(A) in the matter preceding subparagraph (A)—

(i) by inserting "(as defined in section 481(a)(2))" after "academic year"; and

(ii) by striking "or in any period of 7 consecutive months, whichever is longer,";

(B) in subparagraph (A)—

(i) in clause (i), by striking "length (as determined under section 481);" and inserting "length; and"; and

(ii) by striking clauses (ii) and (iii) and inserting the following:

"(ii) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in clause (i) as the length of such program measured in semester, trimester, quarter, or clock hours bears to one academic year;".

(C) in subparagraph (C), by inserting "and" after the semicolon; and

(D) by inserting before the matter following subparagraph (C) the following:

"(D) in the case of a student enrolled in coursework specified in sections 484(b)(3)(B) and 484(b)(4)(B)—

"(i) $4,000 for coursework necessary for enrollment in an undergraduate degree or certificate program, and, in the case of a student who has obtained a baccalaureate degree, $5,000 for coursework necessary for enrollment in a graduate or professional program; and

"(ii) in the case of a student who has obtained a baccalaureate degree, $5,000 for coursework necessary for a professional credential or certification from a State required for employment as a teacher in an elementary or secondary school;"; and

(2) in paragraph (3), by adding at the end the following: "Interest capitalized shall not be deemed to exceed such maximum aggregate amount.".

(c) CAPITALIZATION OF INTEREST.—Paragraph (2) of section 428H(e) is amended to read as follows:

"(2) CAPITALIZATION OF INTEREST.—(A) Interest on loans made under this section for which payments of principal are not required during the in-school and grace periods or for which payments are deferred under sections 427(a)(2)(C) and

428(b)(1)(M) shall, if agreed upon by the borrower and the lender—

"(i) be paid monthly or quarterly; or

"(ii) be added to the principal amount of the loan by the lender only—

"(I) when the loan enters repayment;

"(II) at the expiration of a grace period, in the case of a loan that qualifies for a grace period;

"(III) at the expiration of a period of deferment or forbearance; or

"(IV) when the borrower defaults.

"(B) The capitalization of interest described in subparagraph (A) shall not be deemed to exceed the annual insurable limit on account of the student.".

(d) EXTENDED REPAYMENT PLAN.—Section 428H(e)(6) is amended by striking "10 year repayment period under section 428(b)(1)(D)" and inserting "repayment period under section 428(b)(9)".

(e) QUALIFICATION.—Section 428H(e) is amended by adding at the end the following:

"(7) QUALIFICATION FOR FORBEARANCE.—A lender may grant the borrower of a loan under this section a forbearance for a period not to exceed 60 days if the lender reasonably determines that such a forbearance from collection activity is warranted following a borrower's request for forbearance, deferment, or a change in repayment plan, or a request to consolidate loans in order to collect or process appropriate supporting documentation related to the request. During any such period, interest on the loan shall accrue but not be capitalized.".

(f) REPEAL.—Subsection (f) of section 428H is repealed.

SEC. 424. LOAN FORGIVENESS FOR TEACHERS.

Section 428J (20 U.S.C. 1078–10) is amended to read as follows:

"SEC. 428J. LOAN FORGIVENESS FOR TEACHERS.

"(a) STATEMENT OF PURPOSE.—It is the purpose of this section to encourage individuals to enter and continue in the teaching profession.

"(b) PROGRAM AUTHORIZED.—The Secretary shall carry out a program, through the holder of the loan, of assuming the obligation to repay a qualified loan amount for a loan made under section 428 or 428H, in accordance with subsection (c), for any new borrower on or after October 1, 1998, who—

"(1) has been employed as a full-time teacher for 5 consecutive complete school years—

"(A) in a school that qualifies under section 465(a)(2)(A) for loan cancellation for Perkins loan recipients who teach in such schools;

"(B) if employed as a secondary school teacher, is teaching a subject area that is relevant to the borrower's academic major as certified by the chief administrative officer of the public or nonprofit private secondary school in which the borrower is employed; and

"(C) if employed as an elementary school teacher, has demonstrated, as certified by the chief administrative officer of the public or nonprofit private elementary school in which the borrower is employed, knowledge and teaching

skills in reading, writing, mathematics, and other areas of the elementary school curriculum; and

"(2) is not in default on a loan for which the borrower seeks forgiveness.

"(c) QUALIFIED LOANS AMOUNT.—

"(1) IN GENERAL.—The Secretary shall repay not more than $5,000 in the aggregate of the loan obligation on a loan made under section 428 or 428H that is outstanding after the completion of the fifth complete school year of teaching described in subsection (b)(1). No borrower may receive a reduction of loan obligations under both this section and section 460.

"(2) TREATMENT OF CONSOLIDATION LOANS.—A loan amount for a loan made under section 428C may be a qualified loan amount for the purposes of this subsection only to the extent that such loan amount was used to repay a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, or a loan made under section 428 or 428H for a borrower who meets the requirements of subsection (b), as determined in accordance with regulations prescribed by the Secretary.

"(d) REGULATIONS.—The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.

"(e) CONSTRUCTION.—Nothing in this section shall be construed to authorize any refunding of any repayment of a loan.

"(f) LIST.—If the list of schools in which a teacher may perform service pursuant to subsection (b) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

"(g) ADDITIONAL ELIGIBILITY PROVISIONS.—

"(1) CONTINUED ELIGIBILITY.—Any teacher who performs service in a school that—

"(A) meets the requirements of subsection (b)(1)(A) in any year during such service; and

"(B) in a subsequent year fails to meet the requirements of such subsection,

may continue to teach in such school and shall be eligible for loan forgiveness pursuant to subsection (b).

"(2) PREVENTION OF DOUBLE BENEFITS.—No borrower may, for the same service, receive a benefit under both this subsection and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

"(h) DEFINITION.—For purposes of this section, the term 'year', where applied to service as a teacher, means an academic year as defined by the Secretary.".

SEC. 425. LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.

Part B (20 U.S.C. 1071 et seq.) is amended by inserting after section 428J (20 U.S.C. 1078–10) the following:

"SEC. 428K. LOAN FORGIVENESS FOR CHILD CARE PROVIDERS.

"(a) PURPOSE.—It is the purpose of this section—

"(1) to bring more highly trained individuals into the early child care profession; and

"(2) to keep more highly trained child care providers in the early child care field for longer periods of time.

"(b) DEFINITIONS.—In this section:

"(1) CHILD CARE FACILITY.—The term 'child care facility' means a facility, including a home, that—

"(A) provides child care services; and

"(B) meets applicable State or local government licensing, certification, approval, or registration requirements, if any.

"(2) CHILD CARE SERVICES.—The term 'child care services' means activities and services provided for the education and care of children from birth through age 5 by an individual who has a degree in early childhood education.

"(3) DEGREE.—The term 'degree' means an associate's or bachelor's degree awarded by an institution of higher education.

"(4) EARLY CHILDHOOD EDUCATION.—The term 'early childhood education' means education in the areas of early child education, child care, or any other educational area related to child care that the Secretary determines appropriate.

"(5) INSTITUTION OF HIGHER EDUCATION.—Notwithstanding section 102, the term 'institution of higher education' has the meaning given the term in section 101.

"(c) DEMONSTRATION PROGRAM.—

"(1) IN GENERAL.—The Secretary may carry out a demonstration program of assuming the obligation to repay, pursuant to subsection (d), a loan made, insured, or guaranteed under this part or part D (excluding loans made under sections 428B and 428C or comparable loans made under part D) for any new borrower after the date of enactment of the Higher Education Amendments of 1998, who—

"(A) completes a degree in early childhood education;

"(B) obtains employment in a child care facility; and

"(C) has worked full time for the 2 consecutive years preceding the year for which the determination is made as a child care provider in a low-income community.

"(2) LOW-INCOME COMMUNITY.—For the purposes of this subsection, the term 'low-income community' means a community in which 70 percent of households within the community earn less than 85 percent of the State median household income.

"(3) AWARD BASIS; PRIORITY.—

"(A) AWARD BASIS.—Subject to subparagraph (B), loan repayment under this section shall be on a first-come, first-served basis and subject to the availability of appropriations.

"(B) PRIORITY.—The Secretary shall give priority in providing loan repayment under this section for a fiscal year to student borrowers who received loan repayment under this section for the preceding fiscal year.

"(4) REGULATIONS.—The Secretary is authorized to prescribe such regulations as may be necessary to carry out the provisions of this section.

"(d) LOAN REPAYMENT.—

"(1) IN GENERAL.—The Secretary shall assume the obligation to repay—

"(A) after the second consecutive year of employment described in subparagraphs (B) and (C) of subsection (c)(1), 20 percent of the total amount of all loans made after date of enactment of the Higher Education Amendments of 1998, to a student under this part or part D;

"(B) after the third consecutive year of such employment, 20 percent of the total amount of all such loans; and

"(C) after each of the fourth and fifth consecutive years of such employment, 30 percent of the total amount of all such loans.

"(2) CONSTRUCTION.—Nothing in this section shall be construed to authorize the refunding of any repayment of a loan made under this part or part D.

"(3) INTEREST.—If a portion of a loan is repaid by the Secretary under this section for any year, the proportionate amount of interest on such loan which accrues for such year shall be repaid by the Secretary.

"(4) SPECIAL RULE.—In the case where a student borrower who is not participating in loan repayment pursuant to this section returns to an institution of higher education after graduation from an institution of higher education for the purpose of obtaining a degree in early childhood education, the Secretary is authorized to assume the obligation to repay the total amount of loans made under this part or part D incurred for a maximum of two academic years in returning to an institution of higher education for the purpose of obtaining a degree in early childhood education. Such loans shall only be repaid for borrowers who qualify for loan repayment pursuant to the provisions of this section, and shall be repaid in accordance with the provisions of paragraph (1).

"(5) INELIGIBILITY OF NATIONAL SERVICE AWARD RECIPIENTS.—No student borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.).

"(e) REPAYMENT TO ELIGIBLE LENDERS.—The Secretary shall pay to each eligible lender or holder for each fiscal year an amount equal to the aggregate amount of loans which are subject to repayment pursuant to this section for such year.

"(f) APPLICATION FOR REPAYMENT.—

"(1) IN GENERAL.—Each eligible individual desiring loan repayment under this section shall submit a complete and accurate application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

"(2) CONDITIONS.—An eligible individual may apply for loan repayment under this section after completing each year of qualifying employment. The borrower shall receive forbearance while engaged in qualifying employment unless the borrower is in deferment while so engaged.

"(g) EVALUATION.—

"(1) IN GENERAL.—The Secretary shall conduct, by grant or contract, an independent national evaluation of the impact of the demonstration program assisted under this section on the field of early childhood education.

"(2) COMPETITIVE BASIS.—The grant or contract described in subsection (b) shall be awarded on a competitive basis.

"(3) CONTENTS.—The evaluation described in this subsection shall—

"(A) determine the number of individuals who were encouraged by the demonstration program assisted under this section to pursue early childhood education;

"(B) determine the number of individuals who remain employed in a child care facility as a result of participation in the program;

"(C) identify the barriers to the effectiveness of the program;

"(D) assess the cost-effectiveness of the program in improving the quality of—

"(i) early childhood education; and

"(ii) child care services;

"(E) identify the reasons why participants in the program have chosen to take part in the program;

"(F) identify the number of individuals participating in the program who received an associate's degree and the number of such individuals who received a bachelor's degree; and

"(G) identify the number of years each individual participates in the program.

"(4) INTERIM AND FINAL EVALUATION REPORTS.—The Secretary shall prepare and submit to the President and the Congress such interim reports regarding the evaluation described in this subsection as the Secretary deems appropriate, and shall prepare and so submit a final report regarding the evaluation by January 1, 2002.

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

SEC. 426. NOTICE TO SECRETARY AND PAYMENT OF LOSS.

The third sentence of section 430(a) (20 U.S.C. 1080(a)) is amended by inserting "the institution was contacted and other" after "submit proof that".

SEC. 427. LEGAL POWERS AND RESPONSIBILITIES.

(a) AUDIT OF FINANCIAL TRANSACTIONS.—Section 432(f)(1) is amended—

(1) in subparagraph (B), by striking "section 435(d)(1) (D), (F), or (H);" and inserting "section 435(d)(1); and";

(2) in subparagraph (C)—

(A) by striking "and Labor" and inserting "and the Workforce"; and

(B) by striking "; and" inserting a period; and

(3) by striking subparagraph (D).

(b) PROGRAM OF ASSISTANCE.—Section 432(k)(3) is amended by striking "Within 1 year" and everything that follows through "1992, the" and inserting "The".

(c) COMMON FORMS AND FORMATS.—Section 432(m) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking "a common application form and promissory note" and inserting "common application forms and promissory notes, or master promissory notes,";

(B) in subparagraph (B)—

(i) by striking "The form" and inserting "The forms";

(ii) by striking clause (iii); and

(C) by amending subparagraph (C) to read as follows:

"(C) FREE APPLICATION FORM.—For academic year 1999–2000 and succeeding academic years, the Secretary shall prescribe the form developed under section 483 as the application form under this part, other than for loans under sections 428B and 428C.";

(D) by amending subparagraph (D) to read as follows:

"(D) MASTER PROMISSORY NOTE.—

"(i) IN GENERAL.—The Secretary shall develop and require the use of master promissory note forms for loans made under this part and part D. Such forms shall be available for periods of enrollment beginning not later than July 1, 2000. Each form shall allow eligible borrowers to receive, in addition to initial loans, additional loans for the same or subsequent periods of enrollment through a student confirmation process approved by the Secretary. Such forms shall be used for loans made under this part or part D as directed by the Secretary.

"(ii) CONSULTATION.—In developing the master promissory note under this subsection, the Secretary shall consult with representatives of guaranty agencies, eligible lenders, institutions of higher education, students, and organizations involved in student financial assistance.

"(iii) SALE; ASSIGNMENT; ENFORCEABILITY.—Notwithstanding any other provision of law, each loan made under a master promissory note under this subsection may be sold or assigned independently of any other loan made under the same promissory note and each such loan shall be separately enforceable in all Federal and State courts on the basis of an original or copy of the master promissory note in accordance with the terms of the master promissory note.

"(iv) PERFECTION OF SECURITY INTERESTS IN STUDENT LOANS.—Notwithstanding the provisions of any State law to the contrary, including the Uniform Commercial Code as in effect in any State, a security interest in loans made under this part created on behalf of any eligible lender as defined in section 435(d) may be perfected either through the taking of possession of such loans (which can be through taking possession of an original or copy of the master promissory note) or by the filing of notice of such security interest in such loans in the manner provided by such State law for perfection of security interests in accounts."; and

(2) by adding at the end the following:

"(4) ELECTRONIC FORMS.—Nothing in this section shall be construed to limit the development and use of electronic forms and procedures.".

(d) DEFAULT REDUCTION MANAGEMENT.—Section 432(n) is amended—

(1) in paragraph (1), by striking "1993" and inserting "1999"; and

(2) in paragraph (3), by striking "and Labor" and inserting "and the Workforce".

(e) REPORTING REQUIREMENT.—Section 432(p) is amended by striking "State postsecondary reviewing entities designated under subpart 1 of part H,".

SEC. 428. STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS.

(a) REQUIRED DISCLOSURE BEFORE DISBURSEMENT.—Section 433(a) (20 U.S.C. 1083(a)) is amended by amending the matter preceding paragraph (1) to read as follows:

"(a) REQUIRED DISCLOSURE BEFORE DISBURSEMENT.—Each eligible lender, at or prior to the time such lender disburses a loan that is insured or guaranteed under this part (other than a loan made under section 428C), shall provide thorough and accurate loan information on such loan to the borrower in simple and understandable terms. Any disclosure required by this subsection may be made by an eligible lender by written or electronic means, including as part of the application material provided to the borrower, as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. Each lender shall provide to each borrower a telephone number, and may provide an electronic address, through which additional loan information can be obtained. The disclosure shall include—".

(b) REQUIRED DISCLOSURE BEFORE REPAYMENT.—Section 433(b) is amended by amending the matter preceding paragraph (1) to read as follows:

"(b) REQUIRED DISCLOSURE BEFORE REPAYMENT.—Each eligible lender shall, at or prior to the start of the repayment period of the student borrower on loans made, insured, or guaranteed under this part, disclose to the borrower by written or electronic means the information required under this subsection in simple and understandable terms. Each eligible lender shall provide to each borrower a telephone number, and may provide an electronic address, through which additional loan information can be obtained. For any loan made, insured, or guaranteed under this part, other than a loan made under section 428B or 428C, such disclosure required by this subsection shall be made not less than 30 days nor more than 240 days before the first payment on the loan is due from the borrower. The disclosure shall include—".

SEC. 429. DEFINITIONS.

(a) COHORT DEFAULT RATE.—Section 435(a) (20 U.S.C. 1085(a)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (A)—

(i) by striking "or" at the end of clause (i);

(ii) by striking clause (ii) and inserting the following:

"(ii) there are exceptional mitigating circumstances within the meaning of paragraph (4); or

"(iii) there are, in the judgment of the Secretary, other exceptional mitigating circumstances that would make the application of this paragraph inequitable."; and

(iii) by adding after the matter following clause (iii) (as added by clause (ii)) the following:

"If an institution continues to participate in a program under this part, and the institution's appeal of the loss of eligibility is unsuccessful, the institution shall be required to pay to the Secretary an amount equal to the amount of interest, special allowance, reinsurance, and any related payments made by the Secretary (or which the Secretary is obligated to make) with respect to loans made under this part to students attending, or planning to attend, that institution during the pendency of such appeal."; and

(B) in subparagraph (C), by striking "July 1, 1998," and inserting "July 1, 1999,";

(2) in the matter following subparagraph (C) of paragraph (3)—

(A) by inserting "for a reasonable period of time, not to exceed 30 days," after "access"; and

(B) by striking "of the affected guaranty agencies and loan servicers for a reasonable period of time, not to exceed 30 days" and inserting "used by a guaranty agency in determining whether to pay a claim on a defaulted loan or by the Department in determining an institution's default rate in the loan program under part D of this title"; and

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

"(4) DEFINITION OF MITIGATING CIRCUMSTANCES.—(A) For purposes of paragraph (2)(A)(ii), an institution of higher education shall be treated as having exceptional mitigating circumstances that make application of that paragraph inequitable if such institution, in the opinion of an independent auditor, meets the following criteria:

"(i) For a 12-month period that ended during the 6 months immediately preceding the fiscal year for which the cohort of borrowers used to calculate the institution's cohort default rate is determined, at least two-thirds of the students enrolled on at least a half-time basis at the institution—

"(I) are eligible to receive a Federal Pell Grant award that is at least equal to one-half the maximum Federal Pell Grant award for which a student would be eligible based on the student's enrollment status; or

"(II) have an adjusted gross income that when added with the adjusted gross income of the student's parents (unless the student is an independent student), of less than the poverty level, as determined by the Department of Health and Human Services.

"(ii) In the case of an institution of higher education that offers an associate, baccalaureate, graduate or professional degree, 70 percent or more of the institution's regular students who were initially enrolled on a full-time basis and were scheduled to complete their programs during the same 12-month period described in clause (i)—

"(I) completed the educational programs in which the students were enrolled;

"(II) transferred from the institution to a higher level educational program;

"(III) at the end of the 12-month period, remained enrolled and making satisfactory progress toward completion of the student's educational programs; or

"(IV) entered active duty in the Armed Forces of the United States.

"(iii)(I) In the case of an institution of higher education that does not award a degree described in clause (ii), had a placement rate of 44 percent or more with respect to the institution's former regular students who—

"(aa) remained in the program beyond the point the students would have received a 100 percent tuition refund from the institution;

"(bb) were initially enrolled on at least a half-time basis; and

"(cc) were originally scheduled, at the time of enrollment, to complete their educational programs during the same 12-month period described in clause (i).

"(II) The placement rate shall not include students who are still enrolled and making satisfactory progress in the educational programs in which the students were originally enrolled on the date following 12 months after the date of the student's last date of attendance at the institution.

"(III) The placement rate is calculated by determining the percentage of all those former regular students who—

"(aa) are employed, in an occupation for which the institution provided training, on the date following 12 months after the date of their last day of attendance at the institution;

"(bb) were employed, in an occupation for which the institution provided training, for at least 13 weeks before the date following 12 months after the date of their last day of attendance at the institution; or

"(cc) entered active duty in the Armed Forces of the United States.

"(IV) The placement rate shall not include as placements a student or former student for whom the institution is the employer.

"(B) For purposes of determining a rate of completion and a placement rate under this paragraph, a student is originally scheduled, at the time of enrollment, to complete the educational program on the date when the student will have been enrolled in the program for the amount of time normally required to complete the program. The amount of time normally required to complete the program for a student who is initially enrolled full-time is the period of time specified in the institution's enrollment contract, catalog, or other materials, for completion of the program by a full-time student. For a student who is initially enrolled less than full-time, the period is the amount of time it would take the student to complete the program if the student remained enrolled at that level of enrollment throughout the program.

"(5) REDUCTION OF DEFAULT RATES AT CERTAIN MINORITY INSTITUTIONS.—

"(A) BENEFICIARIES OF EXCEPTION REQUIRED TO ESTABLISH MANAGEMENT PLAN.—After July 1, 1999, any institution that has a cohort default rate that equals or exceeds 25 percent for each of the three most recent fiscal years for which data are available and that relies on the exception in subparagraph (B) to continue to be an eligible institution shall—

"(i) submit to the Secretary a default management plan which the Secretary, in the Secretary's discretion, after consideration of the institution's history, resources, dollars in default, and targets for default reduction, determines is acceptable and provides reasonable assurance that the institution will, by July 1, 2002, have a cohort default rate that is less than 25 percent;

"(ii) engage an independent third party (which may be paid with funds received under section 317 or part B of title III) to provide technical assistance in implementing such default management plan; and

"(iii) provide to the Secretary, on an annual basis or at such other intervals as the Secretary may require, evidence of cohort default rate improvement and successful implementation of such default management plan.

"(B) DISCRETIONARY ELIGIBILITY CONDITIONED ON IMPROVEMENT.—Notwithstanding the expiration of the exception in paragraph (2)(C), the Secretary may, in the Secretary's discretion, continue to treat an institution described in subparagraph (A) of this paragraph as an eligible institution for each of the 1-year periods beginning on July 1 of 1999, 2000, and 2001, only if the institution submits by the beginning of such period evidence satisfactory to the Secretary that—

"(i) such institution has complied and is continuing to comply with the requirements of subparagraph (A); and

"(ii) such institution has made substantial improvement, during each of the preceding 1-year periods, in the institution's cohort default rate.

"(6) PARTICIPATION RATE INDEX.—

"(A) IN GENERAL.—An institution that demonstrates to the Secretary that the institution's participation rate index is equal to or less than 0.0375 for any of the 3 most recent fiscal years for which data is available shall not be subject to paragraph (2). The participation rate index shall be determined by multiplying the institution's cohort default rate for loans under part B or D, or weighted average cohort default rate for loans under parts B and D, by the percentage of the institution's regular students, enrolled on at least a half-time basis, who received a loan made under part B or D for a 12-month period ending during the 6 months immediately preceding the fiscal year for which the cohort of borrowers used to calculate the institution's cohort default rate is determined.

"(B) DATA.—An institution shall provide the Secretary with sufficient data to determine the institution's participation rate index within 30 days after receiving an initial notification of the institution's draft cohort default rate.

"(C) NOTIFICATION.—Prior to publication of a final cohort default rate for an institution that provides the data described in subparagraph (B), the Secretary shall notify the institution of the institution's compliance or noncompliance with subparagraph (A).".

(b) ELIGIBLE LENDER.—Section 435(d) (20 U.S.C. 1085(d)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)(ii)—

(i) by striking "or" after "1992,"; and

(ii) by inserting before the semicolon the following: ", or (III) it is a bank (as defined in section 3(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(a)(1)) that is a wholly owned subsidiary of a nonprofit foundation, the foundation is described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(1) of such Code, and the bank makes loans under this part only to undergraduate students who are age 22 or younger and has a portfolio of such loans that is not more than $5,000,000";

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

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

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

"(K) a consumer finance company subsidiary of a national bank which, as of the date of enactment of this subparagraph, through one or more subsidiaries: (i) acts as a small business lending company, as determined under regulations of the Small Business Administration under section 120.470 of title 13, Code of Federal Regulations (as such section is in effect on the date of enactment of this subparagraph); and (ii) participates in the program authorized by this part pursuant to subparagraph (C), provided the national bank and all of the bank's direct and indirect subsidiaries taken together as a whole, do not have, as their primary consumer credit function, the making or holding of loans made to students under this part."; and

(2) in paragraph (5), by adding at the end the following new sentence:

"It shall not be a violation of this paragraph for a lender to provide assistance to institutions of higher education comparable to the kinds of assistance provided to institutions of higher education by the Department of Education.".

(c) DEFINITION OF DEFAULT.—

(1) AMENDMENT.—Section 435(l) is amended—

(A) by striking "180 days" and inserting "270 days"; and

(B) by striking "240 days" and inserting "330 days".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply with respect to loans for which the first day

of delinquency occurs on or after the date of enactment of this Act.

(d) COHORT DEFAULT RATE.—Section 435(m) is amended—

(1) in paragraph (1)(B), by striking "insurance, and, in considering appeals with respect to cohort default rates pursuant to subsection (a)(3), exclude" and inserting "insurance. In considering appeals with respect to cohort default rates pursuant to subsection (a)(3), the Secretary shall exclude, from the calculation of the number of students who entered repayment and from the calculation of the number of students who default,"; and

(2) in paragraph (2)(C), by adding at the end the following: "The Secretary may require guaranty agencies to collect data with respect to defaulted loans in a manner that will permit the identification of any defaulted loan for which (i) the borrower is currently making payments and has made not less than 6 consecutive on-time payments by the end of such following fiscal year, and (ii) a guaranty agency has renewed the borrower's title IV eligibility as provided in section 428F(b)."; and

(3) in paragraph (4), by adding at the end the following:

"(D) The Secretary shall publish the report described in subparagraph (C) by September 30 of each year.".

SEC. 430. DELEGATION OF FUNCTIONS.

Section 436 (20 U.S.C. 1086) is amended to read as follows:

"SEC. 436. DELEGATION OF FUNCTIONS.

"(a) IN GENERAL.—An eligible lender or guaranty agency that contracts with another entity to perform any of the lender's or agency's functions under this title, or otherwise delegates the performance of such functions to such other entity—

"(1) shall not be relieved of the lender's or agency's duty to comply with the requirements of this title; and

"(2) shall monitor the activities of such other entity for compliance with such requirements.

"(b) SPECIAL RULE.—A lender that holds a loan made under part B in the lender's capacity as a trustee is responsible for complying with all statutory and regulatory requirements imposed on any other holder of a loan made under this part.".

SEC. 431. DISCHARGE.

Section 437(c)(1) (20 U.S.C. 1087(c)(1)) is amended—

(1) by inserting after "falsely certified by the eligible institution," the following: "or if the institution failed to make a refund of loan proceeds which the institution owed to such student's lender,"; and

(2) by adding at the end the following new sentences: "In the case of a discharge based upon a failure to refund, the amount of the discharge shall not exceed that portion of the loan which should have been refunded. The Secretary shall report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate annually as to the dollar amount of loan discharges attributable to failures to make refunds.".

SEC. 432. DEBT MANAGEMENT OPTIONS.

Section 437A (20 U.S.C. 1087–0) is repealed.

SEC. 433. SPECIAL ALLOWANCES.

(a) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.—Paragraph (1) of section 438(c) (20 U.S.C. 1087–1) is amended to read as follows:

"(1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.—(A) Notwithstanding subsection (b), the Secretary shall collect the amount the lender is authorized to charge as an origination fee in accordance with paragraph (2) of this subsection—

"(i) by reducing the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder; or

"(ii) directly from the holder of the loan, if the lender fails or is not required to bill the Secretary for interest and special allowance or withdraws from the program with unpaid loan origination fees.

"(B) If the Secretary collects the origination fee under this subsection through the reduction of interest and special allowance, and the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount the lender was authorized to charge borrowers for origination fees in that quarter, the Secretary shall deduct the excess amount from the subsequent quarters' payments until the total amount has been deducted.".

(b) ORIGINATION FEES.—Section 438(c) is amended—

(1) in paragraph (2)—

(A) by striking "(other than" and inserting "(including loans made under section 428H, but excluding"; and

(B) by adding at the end the following new sentence: "Except as provided in paragraph (8), a lender that charges an origination fee under this paragraph shall assess the same fee to all student borrowers."; and

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

"(8) EXCEPTION.—Notwithstanding paragraph (2), a lender may assess a lesser origination fee for a borrower demonstrating greater financial need as determined by such borrower's adjusted gross family income.".

(c) COLLECTION OF FEES.—Paragraph (1) of section 438(d) is amended to read as follows:

"(1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.—

"(A) IN GENERAL.—Notwithstanding subsection (b), the Secretary shall collect a loan fee in an amount determined in accordance with paragraph (2)—

"(i) by reducing the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b), respectively, to any holder of a loan; or

"(ii) directly from the holder of the loan, if the lender—

"(I) fails or is not required to bill the Secretary for interest and special allowance payments; or

"(II) withdraws from the program with unpaid loan fees.

"(B) SPECIAL RULE.—If the Secretary collects loan fees under this subsection through the reduction of interest and special allowance payments, and the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b), respectively, is less than the amount of such loan fees, then the Secretary shall deduct the amount of the loan fee balance from the amount of interest and special allowance payments that would otherwise be payable, in subsequent quarterly increments until the balance has been deducted.".

(d) LENDING FROM PROCEEDS OF TAX-EXEMPT OBLIGATIONS.—

(1) AMENDMENT.—Subsection (e) of section 438 is amended to read as follows:

"(e) NONDISCRIMINATION.—In order for the holders of loans which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1986, to be eligible to receive a special allowance under subsection (b)(2) on any such loans, the Authority shall not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, disability status, income, attendance at a particular eligible institution within the area served by the Authority, length of the borrower's educational program, or the borrower's academic year in school.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective as of the date the plan required by section 438(e)(1) (as such section was in effect prior to such amendment) was approved by the Secretary or the Governor (whichever was the case). No Authority shall have a right or cause of action against the Secretary for any amounts paid to or offset by the Secretary pursuant to a final settlement agreement entered into prior to July 1, 1998, resolving any audit or program review findings alleging violations of any provision of section 438(e) (as in effect prior to such amendment).

SEC. 434. FEDERAL FAMILY EDUCATION LOAN INSURANCE FUND.

Any funds in the insurance fund, as established under section 431 of the Higher Education Act of 1965 (20 U.S.C. 1081), on the date of enactment of this Act shall be transferred to and deposited in the Treasury. All funds received by the Secretary of Education under subsection (a) of such section after the date of enactment of this Act shall be deposited into the fund in accordance with such subsection.

PART C—FEDERAL WORK-STUDY PROGRAMS

SEC. 441. AUTHORIZATION OF APPROPRIATIONS; COMMUNITY SERVICES.

(a) AUTHORIZATION OF APPROPRIATIONS.—Section 441(b) (42 U.S.C. 2751(b)) is amended by striking "$800,000,000 for fiscal year 1993" and inserting "$1,000,000,000 for fiscal year 1999".

(b) DEFINITION OF COMMUNITY SERVICES.—Section 441(c) is amended—

(1) in paragraph (1), by inserting "(including child care services provided on campus that are open and accessible to the community)" after "child care"; and

(2) in paragraph (3), by inserting ", including students with disabilities who are enrolled at the institution" before the semicolon.

SEC. 442. ALLOCATION OF FUNDS.

(a) UPDATING THE BASE PERIOD.—Section 442(a) (20 U.S.C. 2752(a)) is amended—

(1) in paragraph (1), by striking "received and used under this part for fiscal year 1985" and inserting "received under subsections (a) and (b) for fiscal year 1999 (as such subsections were in effect with respect to allocations for such fiscal year)";

(2) in paragraph (2)—

(A) in subparagraphs (A) and (B), by striking "1985" each place the term appears and inserting "1999"; and

(B) in subparagraph (C)(i), by striking "1986" and inserting "2000".

(b) ELIMINATION OF PRO RATA SHARE.—Section 442 is amended—

(1) by striking subsection (b);

(2) by redesignating subsections (c) through (f) as subsections (b) through (e), respectively;

(3) in subsection (b)(1) (as redesignated by paragraph (2)), by striking "three-quarters of";

(4) in subsection (b)(2)(A)(i) (as so redesignated), by striking "subsection (d)" and inserting "subsection (c)";

(5) in subsection (c)(3) (as so redesignated), by striking "the Secretary, for academic year 1988–1989 shall use the procedures employed for academic year 1986–1987, and, for any subsequent academic years,"; and

(6) in subsection (d)(1) (as so redesignated)—

(A) by striking "10 percent" and inserting "5 percent";

(B) by striking "in community service" and inserting "in tutoring in reading and family literacy activities"; and

(C) by striking "subsection (c)" and inserting "subsection (b)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to allocations of amounts appropriated pursuant to section 441(b) for fiscal year 2000 or any succeeding fiscal year.

SEC. 443. GRANTS FOR FEDERAL WORK-STUDY PROGRAMS.

(a) ELIGIBLE EMPLOYMENT.—Section 443(b)(1) (42 U.S.C. 2753(b)(1)) is amended by inserting ", including internships, practica, or research assistantships as determined by the Secretary," after "part-time employment".

(b) COMMUNITY SERVICE.—Section 443(b)(2)(A) is amended—

(1) by striking "in fiscal year 1994 and succeeding fiscal years," and inserting "for fiscal year 1999,"; and

(2) by inserting "(including a reasonable amount of time spent in travel or training directly related to such community service)" after "community service".

(c) TUTORING AND LITERACY ACTIVITIES.—Section 443 is amended—

(1) in subsection (b)(2)—

(A) by striking "and" at the end of subparagraph (A);

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

(C) by inserting after subparagraph (A) the following:

"(B) for fiscal year 2000 and succeeding fiscal years, an institution shall use at least 7 percent of the total amount of funds granted to such institution under this section for such fiscal year to compensate students employed in community service, and shall ensure that not less than 1 tutoring or family literacy project (as described in subsection (d)) is included in meeting the requirement of this subparagraph, except that the Secretary may waive this subparagraph if the Secretary determines that enforcing this subparagraph would cause hardship for students at the institution; and"; and

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

"(d) TUTORING AND LITERACY ACTIVITIES.—

"(1) USE OF FUNDS.—In any academic year to which subsection (b)(2)(B) applies, an institution shall ensure that funds granted to such institution under this section are used in accordance with such subsection to compensate (including compensation for time spent in training and travel directly related to tutoring in reading and family literacy activities) students—

"(A) employed as reading tutors for children who are preschool age or are in elementary school; or

"(B) employed in family literacy projects.

"(2) PRIORITY FOR SCHOOLS.—To the extent practicable, an institution shall—

"(A) give priority to the employment of students in the provision of tutoring in reading in schools that are participating in a reading reform project that—

"(i) is designed to train teachers how to teach reading on the basis of scientifically-based research on reading; and

"(ii) is funded under the Elementary and Secondary Education Act of 1965; and

"(B) ensure that any student compensated with the funds described in paragraph (1) who is employed in a school participating in a reading reform project described in subparagraph (A) receives training from the employing school in the instructional practices used by the school.

"(3) FEDERAL SHARE.—The Federal share of the compensation of work-study students compensated under this subsection may exceed 75 percent.".

(d) USE OF FUNDS FOR INDEPENDENT AND LESS THAN FULL-TIME STUDENTS.—Paragraph (3) of section 443(b) is amended to read as follows:

"(3) provide that in the selection of students for employment under such work-study program, only students who demonstrate financial need in accordance with part F and meet the requirements of section 484 will be assisted, except that if the institution's grant under this part is directly or indirectly based in part on the financial need demonstrated by students who are (A) attending the institution on less than a full-time basis, or (B) independent students, a reasonable portion of the grant shall be made available to such students;".

(e) FEDERAL SHARE.—Paragraph (5) of section 443(b) is amended to read as follows:

"(5) provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement shall not exceed 75 percent, except that—

"(A) the Federal share may exceed 75 percent, but not exceed 90 percent, if, consistent with regulations of the Secretary—

"(i) the student is employed at a nonprofit private organization or a government agency that—

"(I) is not a part of, and is not owned, operated, or controlled by, or under common ownership, operation, or control with, the institution;

"(II) is selected by the institution on an individual case-by-case basis for such student; and

"(III) would otherwise be unable to afford the costs of such employment; and

"(ii) not more than 10 percent of the students compensated through the institution's grant under this part during the academic year are employed in positions for which the Federal share exceeds 75 percent; and

"(B) the Federal share may exceed 75 percent if the Secretary determines, pursuant to regulations promulgated by the Secretary establishing objective criteria for such determinations, that a Federal share in excess of such amounts is required in furtherance of the purpose of this part;".

(f) AVAILABILITY OF EMPLOYMENT.—Section 443(b)(6) is amended by striking ", and to make" and all that follows through "such employment".

(g) ACADEMIC RELEVANCE.—Section 443(c)(4) is amended by inserting before the semicolon at the end the following: ", to the maximum extent practicable".

SEC. 444. FLEXIBLE USE OF FUNDS.

Section 445 (42 U.S.C. 2755) is amended by adding at the end the following:

"(c) FLEXIBLE USE OF FUNDS.—An eligible institution may, upon the request of a student, make payments to the student under this part by crediting the student's account at the institution or by making a direct deposit to the student's account at a depository institution. An eligible institution may only credit the student's account at the institution for (1) tuition and fees, (2) in the case of institutionally owned housing, room and board, and (3) other institutionally provided goods and services.".

SEC. 445. WORK COLLEGES.

Section 448 (42 U.S.C. 2756b) is amended—

(1) in subsection (b)(2)—

(A) in subparagraph (C), by striking "and" after the semicolon;

(B) in subparagraph (D)(ii), by striking the period and inserting a semicolon; and

(C) by adding at the end the following:

"(E) coordinate and carry out joint projects and activities to promote work service learning; and

"(F) carry out a comprehensive, longitudinal study of student academic progress and academic and career outcomes, relative to student self-sufficiency in financing their

higher education, repayment of student loans, continued community service, kind and quality of service performed, and career choice and community service selected after graduation."; and

(2) in subsection (f), by striking "1993" and inserting "1999".

PART D—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

SEC. 451. SELECTION OF INSTITUTIONS.

(a) GENERAL AUTHORITY.—Section 453(a) (20 U.S.C. 1087c(a)) is amended—

(1) by striking "PHASE-IN" and everything that follows through "GENERAL AUTHORITY.—" and inserting "GENERAL AUTHORITY.—"; and

(2) by striking paragraphs (2), (3), and (4).

(b) SELECTION CRITERIA.—Section 453(b)(2) is amended by striking "prescribe," and everything that follows through the end of subparagraph (B) and inserting "prescribe.".

(c) ORIGINATION.—Section 453(c) is amended—

(1) in paragraph (2)—

(A) in the heading, by striking "TRANSITION SELECTION CRITERIA" and inserting "SELECTION CRITERIA";

(B) by striking "For academic year 1994–1995, the Secretary" and inserting "The Secretary";

(C) by striking subparagraph (A);

(D) by striking subparagraph (E); and

(E) by redesignating subparagraphs (B), (C), (D), (F), (G), and (H) as subparagraphs (A) through (F), respectively; and

(2) in paragraph (3)—

(A) in the paragraph heading, by striking "AFTER TRANSITION"; and

(B) by striking "For academic year 1995–1996 and subsequent academic years, the" and inserting "The".

SEC. 452. TERMS AND CONDITIONS.

(a) DIRECT LOAN INTEREST RATES.—

(1) AMENDMENT.—Section 455(b) (20 U.S.C. 1087e(b)) is amended by adding at the end the following:

"(6) INTEREST RATE PROVISION FOR NEW LOANS ON OR AFTER OCTOBER 1, 1998, AND BEFORE JULY 1, 2003.—

"(A) RATES FOR FDSL AND FDUSL.—Notwithstanding the preceding paragraphs of this subsection, for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest shall, during any 12-month period beginning on July 1 and ending on June 30, be determined on the preceding June 1 and be equal to—

"(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 2.3 percent,

except that such rate shall not exceed 8.25 percent.

"(B) IN SCHOOL AND GRACE PERIOD RULES.—Notwithstanding the preceding paragraphs of this subsection, with respect to any Federal Direct Stafford Loan or Federal Direct Unsubsidized Stafford Loan for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest for interest which accrues—

"(i) prior to the beginning of the repayment period of the loan; or

"(ii) during the period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in section 428(b)(1)(M) or 427(a)(2)(C),

shall be determined under subparagraph (A) by substituting '1.7 percent' for '2.3 percent'.

"(C) PLUS LOANS.—Notwithstanding the preceding paragraphs of this subsection, with respect to Federal Direct PLUS Loan for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, the applicable rate of interest shall be determined under subparagraph (A)—

"(i) by substituting '3.1 percent' for '2.3 percent'; and

"(ii) by substituting '9.0 percent' for '8.25 percent'.

"(D) CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation loan for which the application is received on or after February 1, 1999, and before July 1, 2003, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the lesser of—

"(i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of one percent; or

"(ii) 8.25 percent.

"(E) TEMPORARY RULES FOR CONSOLIDATION LOANS.—Notwithstanding the preceding paragraphs of this subsection, any Federal Direct Consolidation loan for which the application is received on or after October 1, 1998, and before February 1, 1999, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to—

"(i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1; plus

"(ii) 2.3 percent,

except that such rate shall not exceed 8.25 percent.".

(2) LIMITATION ON CONSOLIDATION LOANS DURING TEMPORARY INTEREST RATE.—Notwithstanding section 455(g) of the Higher Education Act of 1965, a borrower who is enrolled or accepted for enrollment in an institution of higher education may not consolidate loans under such section during the period beginning October 1, 1998, and ending February 1, 1999, unless the borrower certifies that the borrower has no outstanding loans made, insured, or guaranteed under title IV of such Act other than loans made under part D of such title.

(b) REPAYMENT INCENTIVES.—Section 455(b) (20 U.S.C. 1087e(b)) is further amended by adding at the end the following:

"(7) REPAYMENT INCENTIVES.—

"(A) IN GENERAL.—Notwithstanding any other provision of this part, the Secretary is authorized to prescribe by regulation such reductions in the interest rate paid by a borrower of a loan made under this part as the Secretary determines appropriate to encourage on-time repayment of the loan. Such reductions may be offered only if the Secretary determines the reductions are cost neutral and in the best financial interest of the Federal Government. Any increase in subsidy costs resulting from such reductions shall be completely offset by corresponding savings in funds available for the William D. Ford Federal Direct Loan Program in that fiscal year from section 458 and other administrative accounts.

"(B) ACCOUNTABILITY.—Prior to publishing regulations proposing repayment incentives, the Secretary shall ensure the cost neutrality of such reductions. The Secretary shall not prescribe such regulations in final form unless an official report from the Director of the Office of Management and Budget to the Secretary and a comparable report from the Director of the Congressional Budget Office to the Congress each certify that any such reductions will be completely cost neutral. Such reports shall be transmitted to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not less than 60 days prior to the publication of regulations proposing such reductions.".

(c) CONSOLIDATION LOANS.—The first sentence of section 455(g) is amended by striking everything after "section 428C(a)(4)" and inserting a period.

(d) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to any loan made under part D of title IV of the Higher Education Act of 1965 for which the first disbursement is made on or after October 1, 1998, and before July 1, 2003, except that such amendments shall apply with respect to a Federal Direct Consolidation Loan for which the application is received on or after October 1, 1998, and before July 1, 2003.

SEC. 453. CONTRACTS.

Section 456(b) (20 U.S.C. 1087f(b)) is amended—

(1) in paragraph (3), by inserting "and" after the semicolon;

(2) by striking paragraph (4); and

(3) by redesignating paragraph (5) as paragraph (4).

SEC. 454. FUNDS FOR ADMINISTRATIVE EXPENSES.

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

(1) by amending subsection (a) to read as follows:

"(a) ADMINISTRATIVE EXPENSES.—

"(1) IN GENERAL.—Each fiscal year there shall be available to the Secretary, from funds not otherwise appropriated, funds to be obligated for—

"(A) administrative costs under this part and part B, including the costs of the direct student loan programs under this part; and

"(B) account maintenance fees payable to guaranty agencies under part B and calculated in accordance with subsections (b) and (c),

not to exceed (from such funds not otherwise appropriated) $617,000,000 in fiscal year 1999, $735,000,000 in fiscal year 2000, $770,000,000 in fiscal year 2001, $780,000,000 in fiscal year 2002, and $795,000,000 in fiscal year 2003.

"(2) ACCOUNT MAINTENANCE FEES.—Account maintenance fees under paragraph (1)(B) shall be paid quarterly and deposited in the Agency Operating Fund established under section 422B.

"(3) CARRYOVER.—The Secretary may carry over funds made available under this section to a subsequent fiscal year.";

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

"(b) CALCULATION BASIS.—Except as provided in subsection (c), account maintenance fees payable to guaranty agencies under paragraph (1)(B) shall be calculated—

"(1) for fiscal years 1999 and 2000, on the basis of 0.12 percent of the original principal amount of outstanding loans on which insurance was issued under part B; and

"(2) for fiscal years 2001, 2002, and 2003, on the basis of 0.10 percent of the original principal amount of outstanding loans on which insurance was issued under part B.";

(3) by striking subsection (d);

(4) by redesignating subsection (c) as subsection (d); and

(5) by inserting after subsection (b) the following:

"(c) SPECIAL RULES.—

"(1) FEE CAP.—The total amount of account maintenance fees payable under this section—

"(A) for fiscal year 1999, shall not exceed $177,000,000;

"(B) for fiscal year 2000, shall not exceed $180,000,000;

"(C) for fiscal year 2001, shall not exceed $170,000,000;

"(D) for fiscal year 2002, shall not exceed $180,000,000; and

"(E) for fiscal year 2003, shall not exceed $195,000,000.

"(2) INSUFFICIENT FUNDING.—

"(A) IN GENERAL.—If the amounts set forth in paragraph (1) are insufficient to pay the account maintenance fees payable to guaranty agencies pursuant to subsection (b) for a fiscal year, the Secretary shall pay the insufficiency by requiring guaranty agencies to transfer funds from the Federal Student Loan Reserve Funds under section 422A to the Agency Operating Funds under section 422B.

"(B) ENTITLEMENT.—A guaranty agency shall be deemed to have a contractual right against the United States to receive payments according to the provisions of subparagraph (A).".

SEC. 455. AUTHORITY TO SELL LOANS.

Part D of title IV (20 U.S.C. 1087a et seq.) is amended by adding at the end the following:

"SEC. 459. AUTHORITY TO SELL LOANS.

"The Secretary, in consultation with the Secretary of the Treasury, is authorized to sell loans made under this part on such terms as the Secretary determines are in the best interest of the United States, except that any such sale shall not result in any cost to the Federal Government. Notwithstanding any other provision of law, the proceeds of any such sale may be used by the Secretary to offer reductions in the interest rate paid by a borrower

of a loan made under this part as the Secretary determines appropriate to encourage on-time repayment in accordance with section 455(b)(7). Such reductions may be offered only if the Secretary determines the reductions are in the best financial interests of the Federal Government.".

SEC. 456. LOAN CANCELLATION FOR TEACHERS.

Part D of title IV (20 U.S.C. 1087a et seq.) is further amended by adding after section 459 (as added by section 455) the following:

"SEC. 460. LOAN CANCELLATION FOR TEACHERS.

"(a) STATEMENT OF PURPOSE.—It is the purpose of this section to encourage individuals to enter and continue in the teaching profession.

"(b) PROGRAM AUTHORIZED.—

"(1) IN GENERAL.—The Secretary shall carry out a program of canceling the obligation to repay a qualified loan amount in accordance with subsection (c) for Federal Direct Stafford Loans and Federal Direct Unsubsidized Stafford Loans made under this part for any new borrower on or after October 1, 1998, who—

"(A) has been employed as a full-time teacher for 5 consecutive complete school years—

"(i) in a school that qualifies under section 465(a)(2)(A) for loan cancellation for Perkins loan recipients who teach in such schools;

"(ii) if employed as a secondary school teacher, is teaching a subject area that is relevant to the borrower's academic major as certified by the chief administrative officer of the public or non-profit private secondary school in which the borrower is employed; and

"(iii) if employed as an elementary school teacher, has demonstrated, as certified by the chief administrative officer of the public or nonprofit private elementary school in which the borrower is employed, knowledge and teaching skills in reading, writing, mathematics and other areas of the elementary school curriculum; and

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

"(2) SPECIAL RULE.—No borrower may obtain a reduction of loan obligations under both this section and section 428J.

"(c) QUALIFIED LOAN AMOUNTS.—

"(1) IN GENERAL.—The Secretary shall cancel not more than $5,000 in the aggregate of the loan obligation on a Federal Direct Stafford Loan or a Federal Direct Unsubsidized Stafford Loan that is outstanding after the completion of the fifth complete school year of teaching described in subsection (b)(1)(A).

"(2) TREATMENT OF CONSOLIDATION LOANS.—A loan amount for a Federal Direct Consolidation Loan may be a qualified loan amount for the purposes of this subsection only to the extent that such loan amount was used to repay a Federal Direct Stafford Loan, a Federal Direct Unsubsidized Stafford Loan, or a loan made under section 428 or 428H, for a borrower who meets the requirements of subsection (b), as determined in accordance with regulations prescribed by the Secretary.

"(d) REGULATIONS.—The Secretary is authorized to issue such regulations as may be necessary to carry out the provisions of this section.

"(e) CONSTRUCTION.—Nothing in this section shall be construed to authorize any refunding of any canceled loan.

"(f) LIST.—If the list of schools in which a teacher may perform service pursuant to subsection (b) is not available before May 1 of any year, the Secretary may use the list for the year preceding the year for which the determination is made to make such service determination.

"(g) ADDITIONAL ELIGIBILITY PROVISIONS.—

"(1) CONTINUED ELIGIBILITY.—Any teacher who performs service in a school that—

"(A) meets the requirements of subsection (b)(1)(A) in any year during such service; and

"(B) in a subsequent year fails to meet the requirements of such subsection, may continue to teach in such school and shall be eligible for loan cancellation pursuant to subsection (b).

"(2) PREVENTION OF DOUBLE BENEFITS.—No borrower may, for the same volunteer service, receive a benefit under both this section and subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.).

"(h) DEFINITION.—For the purpose of this section, the term 'year' where applied to service as a teacher means an academic year as defined by the Secretary.".

PART E—FEDERAL PERKINS LOANS

SEC. 461. AUTHORIZATION OF APPROPRIATIONS.

Subsection (b) of section 461 (20 U.S.C. 1087aa) is amended—

(1) in paragraph (1), by striking "1993" and inserting "1999"; and

(2) in paragraph (2), by striking "1997" each place the term appears and inserting "2003".

SEC. 462. ALLOCATION OF FUNDS.

(a) CHANGES IN ALLOCATION FORMULA.—

(1) UPDATING THE BASE PERIOD.—Section 462(a) (20 U.S.C. 1087bb(a)) is amended—

(A) in paragraph (1)(A), by striking "the amount of the Federal capital contribution allocated to such institution under this part for fiscal year 1985" and inserting "the amount received under subsections (a) and (b) of this section for fiscal year 1999 (as such subsections were in effect with respect to allocations for such fiscal year)";

(B) in paragraph (2)—

(i) in subparagraphs (A) and (B), by striking "1985" each place the term appears and inserting "1999"; and

(ii) in subparagraph (C)(i), by striking "1986" and inserting "2000".

(2) ELIMINATION OF PRO RATA SHARE.—Section 462 is further amended—

(A) in subsection (a)—

(i) in paragraph (1)(B), by striking "subsection (f)" and inserting "subsection (e)";

(ii) in the matter following paragraph (1)(B), by striking "subsection (g)" and inserting "subsection (f)";

(iii) in paragraph (2)(D)(ii), by striking "subsection (f)" and inserting "subsection (e)"; and

(iv) in the matter following paragraph (2)(D)(ii), by striking "subsection (g)" and inserting "subsection (f)";

(B) by striking subsection (b);

(C) in subsection (c)(1), by striking "three-quarters of the remainder" and inserting "the remainder";

(D) in the matter following subsection (c)(2)(B), by striking "subsection (g)" and inserting "subsection (f)";

(E) in subsection (c)(3)—

(i) in subparagraph (A), by striking "subsection (d)" and inserting "subsection (c)";

(ii) in subparagraph (C), by striking "subsection (f)" and inserting "subsection (e)"; and

(iii) in the matter following subparagraph (C), by striking "subsection (g)" and inserting "subsection (f)";

(F) in subsection (j)(1)(B)(i), by striking "1985" and inserting "1999";

(G) in subsection (j)(2)—

(i) in subparagraph (A), by striking "paragraph (3) of subsection (c)" and inserting "subsection (b)(3)"; and

(ii) in subparagraph (B), by striking "subsection (c) of section 462" and inserting "subsection (b)"; and

(H) by redesignating subsections (c) through (j) as subsections (b) through (i), respectively.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to allocations of amounts appropriated pursuant to section 461(b) for fiscal year 2000 or any succeeding fiscal year.

(b) SELF-HELP NEED.—The matter preceding subparagraph (A) of section 462(c)(3) (as redesignated by subsection (a)(2)(G)) is amended by striking "the Secretary, for" and all that follows through "years,".

(c) DEFAULT PENALTIES.—Subsections (e) and (f) of section 462 (as redesignated by subsection (a)(2)(G)) are amended to read as follows:

"(e) DEFAULT PENALTIES.—

"(1) YEARS PRECEDING FISCAL YEAR 2000.—For any fiscal year preceding fiscal year 2000, any institution with a cohort default rate that—

"(A) equals or exceeds 15 percent, shall establish a default reduction plan pursuant to regulations prescribed by the Secretary, except that such plan shall not be required with respect to an institution that has a default rate of less than 20 percent and that has less than 100 students who have loans under this part in such academic year;

"(B) equals or exceeds 20 percent, but is less than 25 percent, shall have a default penalty of 0.9;

"(C) equals or exceeds 25 percent, but is less than 30 percent, shall have a default penalty of 0.7; and

"(D) equals or exceeds 30 percent shall have a default penalty of zero.

"(2) YEARS FOLLOWING FISCAL YEAR 2000.—For fiscal year 2000 and any succeeding fiscal year, any institution with a cohort default rate (as defined under subsection (g)) that equals or exceeds 25 percent shall have a default penalty of zero.

"(3) INELIGIBILITY.—

"(A) IN GENERAL.—For fiscal year 2000 and any succeeding fiscal year, any institution with a cohort default rate (as defined in subsection (g)) that equals or exceeds 50 percent for each of the 3 most recent years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and the 2 succeeding fiscal years, unless, within 30 days of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after the submission of the appeal. Such decision may permit the institution to continue to participate in a program under this part if—

"(i) the institution demonstrates to the satisfaction of the Secretary that the calculation of the institution's cohort default rate is not accurate, and that recalculation would reduce the institution's cohort default rate for any of the 3 fiscal years below 50 percent; or

"(ii) there are, in the judgment of the Secretary, such a small number of borrowers entering repayment that the application of this subparagraph would be inequitable.

"(B) CONTINUED PARTICIPATION.—During an appeal under subparagraph (A), the Secretary may permit the institution to continue to participate in a program under this part.

"(C) RETURN OF FUNDS.—Within 90 days after the date of any termination pursuant to subparagraph (A), or the conclusion of any appeal pursuant to subparagraph (B), whichever is later, the balance of the student loan fund established under this part by the institution that is the subject of the termination shall be distributed as follows:

"(i) The Secretary shall first be paid an amount which bears the same ratio to such balance (as of the date of such distribution) as the total amount of Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal capital contributions and the capital contributions to such fund made by the institution.

"(ii) The remainder of such student loan fund shall be paid to the institution.

"(D) USE OF RETURNED FUNDS.—Any funds returned to the Secretary under this paragraph shall be reallocated to institutions of higher education pursuant to subsection (i).

"(E) DEFINITION.—For the purposes of subparagraph (A), the term 'loss of eligibility' shall be defined as the mandatory liquidation of an institution's student loan fund, and assignment of the institution's outstanding loan portfolio to the Secretary.

"(f) APPLICABLE MAXIMUM COHORT DEFAULT RATE.—

"(1) AWARD YEARS PRIOR TO 2000.—For award years prior to award year 2000, the applicable maximum cohort default rate is 30 percent.

"(2) AWARD YEAR 2000 AND SUCCEEDING AWARD YEARS.—For award year 2000 and subsequent years, the applicable maximum cohort default rate is 25 percent.".

(d) COHORT DEFAULT RATE DEFINITION.—Section 462(g) (as redesignated by subsection (a)(2)(G)) is amended—

(1) by striking the subsection heading and paragraphs (1) and (2) and inserting the following:

"(g) DEFINITION OF COHORT DEFAULT RATE.—";

(2) by striking "(3)(A) For award year 1994 and any succeeding award year, the term" and inserting the following:

"(1)(A) The term";

(3) in paragraph (1) (as redesignated by paragraph (2))—

(A) by striking subparagraphs (B) and (E); and

(B) by redesignating subparagraphs (C), (D), (F), and (G) as subparagraphs (B), (C), (D), and (F), respectively;

(C) by inserting after subparagraph (D) (as redesignated by subparagraph (B)) the following:

"(E) In determining the number of students who default before the end of such award year, the institution, in calculating the cohort default rate, shall exclude—

"(i) any loan on which the borrower has, after the time periods specified in paragraph (2)—

"(I) voluntarily made 6 consecutive payments;

"(II) voluntarily made all payments currently due;

"(III) repaid in full the amount due on the loan; or

"(IV) received a deferment or forbearance, based on a condition that began prior to such time periods;

"(ii) any loan which has, after the time periods specified in paragraph (2), been rehabilitated or canceled; and

"(iii) any other loan that the Secretary determines should be excluded from such determination."; and

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

"(2) For purposes of calculating the cohort default rate under this subsection, a loan shall be considered to be in default—

"(A) 240 days (in the case of a loan repayable monthly), or

"(B) 270 days (in the case of a loan repayable quarterly),

after the borrower fails to make an installment payment when due or to comply with other terms of the promissory note.".

(e) CONFORMING AMENDMENTS.—Section 462 (20 U.S.C. 1087bb) is amended—

(1) in the matter following paragraphs (1)(B) and (2)(D)(ii) of subsection (a), by inserting "cohort" before "default" each place the term appears;

(2) in the matter following paragraphs (2)(B) and (3)(C) of subsection (b) (as redesignated by subsection (a)(2)(G)), by inserting "cohort" before "default" each place the term appears;

(3) in subsection (d)(2) (as redesignated by subsection (a)(2)(G)), by inserting "cohort" before "default"; and

(4) in subsection (g)(1)(F) (as redesignated by subsections (a)(2)(G) and (d)(3)(B)), by inserting "cohort" before "default".

SEC. 463. AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION.

(a) CONTENTS OF AGREEMENTS.—Section 463(a) (20 U.S.C. 1087cc(a)) is amended—

(1) by amending subparagraph (B) of paragraph (2) to read as follows:

"(B) a capital contribution by an institution in an amount equal to one-third of the Federal capital contributions described in subparagraph (A);";

(2) by striking paragraph (4); and

(3) by redesignating paragraphs (5) through (10) as paragraphs (4) through (9);

(b) AGREEMENTS WITH CREDIT BUREAUS.—Section 463(c) is amended—

(1) in paragraph (1)—

(A) by striking "the Secretary shall" and inserting "the Secretary and each institution of higher education participating in the program under this part shall"; and

(B) by inserting "and regarding loans held by the Secretary or an institution" after "section 467";

(2) in paragraph (2)—

(A) in the matter preceding subparagraph (A), by striking "by the Secretary" and all that follows through "of—" and inserting "by the Secretary or an institution, as the case may be, to such organizations, with respect to any loan held by the Secretary or the institution, respectively, of—";

(B) by amending subparagraph (A) to read as follows:

"(A) the date of disbursement and the amount of such loans made to any borrower under this part at the time of disbursement of the loan;";

(C) in subparagraph (B)—

(i) by inserting "the repayment and" after "concerning"; and

(ii) by striking "any defaulted" and inserting "such"; and

(D) in subparagraph (C), by inserting ", or upon cancellation or discharge of the borrower's obligation on the loan for any reason" before the period;

(3) in paragraph (3)—

(A) in the matter preceding subparagraph (A)—

(i) by inserting "or an institution" after "from the Secretary"; and

(ii) by striking "until—" and inserting "until the loan is paid in full."; and

(B) by striking subparagraphs (A) and (B);

(4) by amending paragraph (4) to read as follows:

"(4)(A) Except as provided in subparagraph (B), an institution of higher education, after consultation with the Secretary and pursuant to the agreements entered into under paragraph (1), shall disclose at least annually to any credit bureau organization with which the Secretary has such an agreement the information set forth in paragraph (2), and shall disclose promptly to such credit bureau organization any changes to the information previously disclosed.

"(B) The Secretary may promulgate regulations establishing criteria under which an institution of higher education may cease

reporting the information described in paragraph (2) before a loan is paid in full."; and

(4) by inserting after paragraph (4) the following:

"(5) Each institution of higher education shall notify the appropriate credit bureau organizations whenever a borrower of a loan that is made and held by the institution and that is in default makes 6 consecutive monthly payments on such loan, for the purpose of encouraging such organizations to update the status of information maintained with respect to that borrower.".

(c) CONFORMING AMENDMENT.—Section 463(d) is amended by striking "subsection (a)(10)" and inserting "subsection (a)(9)".

SEC. 464. TERMS OF LOANS.

(a) TERMS AND CONDITIONS; ANNUAL LIMITS.—Paragraph (2) of section 464(a) (20 U.S.C. 1087dd(a)) is amended to read as follows:

"(2)(A) Except as provided in paragraph (4), the total of loans made to a student in any academic year or its equivalent by an institution of higher education from a loan fund established pursuant to an agreement under this part shall not exceed—

"(i) $4,000, in the case of a student who has not successfully completed a program of undergraduate education; or

"(ii) $6,000, in the case of a graduate or professional student (as defined in regulations issued by the Secretary).

"(B) Except as provided in paragraph (4), the aggregate unpaid principal amount for all loans made to a student by institutions of higher education from loan funds established pursuant to agreements under this part may not exceed—

"(i) $40,000, in the case of any graduate or professional student (as defined by regulations issued by the Secretary, and including any loans from such funds made to such person before such person became a graduate or professional student);

"(ii) $20,000, in the case of a student who has successfully completed 2 years of a program of education leading to a bachelor's degree but who has not completed the work necessary for such a degree (determined under regulations issued by the Secretary), and including any loans from such funds made to such person before such person became such a student; and

"(iii) $8,000, in the case of any other student.".

(b) NEED AND ELIGIBILITY.—Section 464(b) is amended—

(1) in paragraph (1), by adding at the end the following: "A student who is in default on a loan under this part shall not be eligible for an additional loan under this part unless such loan meets one of the conditions for exclusion under section 462(g)(1)(E).."; and

(2) by amending paragraph (2) to read as follows:

"(2) If the institution's capital contribution under section 462 is directly or indirectly based in part on the financial need demonstrated by students who are (A) attending the institution less than full time, or (B) independent students, then a reasonable portion of the loans made from the institution's student loan fund containing the contribution shall be made available to such students.".

(c) CONTENTS OF LOAN AGREEMENT.—Section 464(c) is amended—

(1) in paragraph (1)(D)—

(A) by striking "(i) 3 percent" and all that follows through "or (iii)"; and

(B) by striking "subparagraph (A)(i)" and inserting "paragraph (2)(A)(i)";

(2) in the matter following clause (iv) of paragraph (2)(A), by striking "subparagraph (B)" and inserting "subparagraph (A) of paragraph (1)";

(3) by adding at the end of paragraph (2) the following:

"(C) An individual with an outstanding loan balance who meets the eligibility criteria for a deferment described in subparagraph (A) as in effect on the date of enactment of this subparagraph shall be eligible for deferment under this paragraph notwithstanding any contrary provision of the promissory note under which the loan or loans were made, and notwithstanding any amendment (or effective date provision relating to any amendment) to this section made prior to the date of such deferment."; and

(4) by adding at the end the following:

"(7) There shall be excluded from the 9-month period that begins on the date on which a student ceases to carry at least one-half the normal full-time academic workload (as described in paragraph (1)(A)) any period not to exceed 3 years during which a borrower who is a member of a reserve component of the Armed Forces named in section 10101 of title 10, United States Code, is called or ordered to active duty for a period of more than 30 days (as defined in section 101(d)(2) of such title). Such period of exclusion shall include the period necessary to resume enrollment at the borrower's next available regular enrollment period.".

(d) DISCHARGE; REHABILITATION; INCENTIVE REPAYMENT.—Section 464 is amended by adding at the end the following:

"(g) DISCHARGE.—

"(1) IN GENERAL.—If a student borrower who received a loan made under this part on or after January 1, 1986, is unable to complete the program in which such student is enrolled due to the closure of the institution, then the Secretary shall discharge the borrower's liability on the loan (including the interest and collection fees) and shall subsequently pursue any claim available to such borrower against the institution and the institution's affiliates and principals, or settle the loan obligation pursuant to the financial responsibility standards described in section 498(c).

"(2) ASSIGNMENT.—A borrower whose loan has been discharged pursuant to this subsection shall be deemed to have assigned to the United States the right to a loan refund in an amount that does not exceed the amount discharged against the institution and the institution's affiliates and principals.

"(3) ELIGIBILITY FOR ADDITIONAL ASSISTANCE.—The period during which a student was unable to complete a course of study due to the closing of the institution shall not be considered for purposes of calculating the student's period of eligibility for additional assistance under this title.

"(4) SPECIAL RULE.—A borrower whose loan has been discharged pursuant to this subsection shall not be precluded, because of that discharge, from receiving additional grant, loan, or work assistance under this title for which the borrower

would be otherwise eligible (but for the default on the discharged loan). The amount discharged under this subsection shall be treated as an amount canceled under section 465(a).

"(5) REPORTING.—The Secretary or institution, as the case may be, shall report to credit bureaus with respect to loans that have been discharged pursuant to this subsection.

"(h) REHABILITATION OF LOANS.—

"(1) REHABILITATION.—

"(A) IN GENERAL.—If the borrower of a loan made under this part who has defaulted on the loan makes 12 ontime, consecutive, monthly payments of amounts owed on the loan, as determined by the institution, or by the Secretary in the case of a loan held by the Secretary, the loan shall be considered rehabilitated, and the institution that made that loan (or the Secretary, in the case of a loan held by the Secretary) shall request that any credit bureau organization or credit reporting agency to which the default was reported remove the default from the borrower's credit history.

"(B) COMPARABLE CONDITIONS.—As long as the borrower continues to make scheduled repayments on a loan rehabilitated under this paragraph, the rehabilitated loan shall be subject to the same terms and conditions, and qualify for the same benefits and privileges, as other loans made under this part.

"(C) ADDITIONAL ASSISTANCE.—The borrower of a rehabilitated loan shall not be precluded by section 484 from receiving additional grant, loan, or work assistance under this title (for which the borrower is otherwise eligible) on the basis of defaulting on the loan prior to such rehabilitation.

"(D) LIMITATIONS.—A borrower only once may obtain the benefit of this paragraph with respect to rehabilitating a loan under this part.

"(2) RESTORATION OF ELIGIBILITY.—If the borrower of a loan made under this part who has defaulted on that loan makes 6 ontime, consecutive, monthly payments of amounts owed on such loan, the borrower's eligibility for grant, loan, or work assistance under this title shall be restored to the extent that the borrower is otherwise eligible. A borrower only once may obtain the benefit of this paragraph with respect to restored eligibility.

"(i) INCENTIVE REPAYMENT PROGRAM.—

"(1) IN GENERAL.—Each institution of higher education may establish, with the approval of the Secretary, an incentive repayment program designed to reduce default and to replenish student loan funds established under this part. Each such incentive repayment program may—

"(A) offer a reduction of the interest rate on a loan on which the borrower has made 48 consecutive, monthly repayments, but in no event may the rate be reduced by more than 1 percent;

"(B) provide for a discount on the balance owed on a loan on which the borrower pays the principal and interest in full prior to the end of the applicable repayment period, but in no event may the discount exceed 5 percent

of the unpaid principal balance due on the loan at the time the early repayment is made; and

"(C) include such other incentive repayment options as the institution determines will carry out the objectives of this subsection.

"(2) LIMITATION.—No incentive repayment option under an incentive repayment program authorized by this subsection may be paid for with Federal funds, including any Federal funds from the student loan fund, or with institutional funds from the student loan fund.".

SEC. 465. CANCELLATION FOR PUBLIC SERVICE.

Section 465 (20 U.S.C. 1087ee) is amended—

(1) in subsection (a)—

(A) in paragraph (2)(C), by striking "section 676(b)(9)" and inserting "section 635(a)(10)";

(B) in the last sentence of paragraph (2), by striking "section 602(a)(1)" and inserting "section 602"; and

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

"(7) An individual with an outstanding loan obligation under this part who performs service of any type that is described in paragraph (2) as in effect on the date of enactment of this paragraph shall be eligible for cancellation under this section for such service notwithstanding any contrary provision of the promissory note under which the loan or loans were made, and notwithstanding any amendment (or effective date provision relating to any amendment) to this section made prior to the date of such service."; and

(2) in subsection (b), by adding at the end the following new sentence: "To the extent feasible, the Secretary shall pay the amounts for which any institution qualifies under this subsection not later than 3 months after the institution files an institutional application for campus-based funds.".

SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

Section 466 (20 U.S.C. 1087ff) is amended—

(1) in subsection (a)—

(A) in the matter preceding paragraph (1)—

(i) by striking "1996" and inserting "2003"; and

(ii) by striking "1997" and inserting "2004"; and

(B) in paragraph (1), by striking "1996" and inserting "2003";

(2) in subsection (b)—

(A) by striking "2005" and inserting "2012"; and

(B) by striking "1996" and inserting "2003"; and

(3) in subsection (c), by striking "1997" and inserting "2004".

SEC. 467. PERKINS LOAN REVOLVING FUND.

(a) REPEAL.—Subsection (c) of section 467 (20 U.S.C. 1087gg(c)) is repealed.

(b) TRANSFER OF BALANCE.—Any funds in the Perkins Loan Revolving Fund on the date of enactment of this Act shall be transferred to and deposited in the Treasury.

PART F—NEED ANALYSIS

SEC. 471. COST OF ATTENDANCE.

Section 472 (20 U.S.C. 1087ll) is amended—

(1) in paragraph (2), by inserting after "personal expenses" the following: ", including a reasonable allowance for the documented rental or purchase of a personal computer,";

(2) in paragraph (3)—

(A) in subparagraph (A), by striking "of not less than $1,500" and inserting "determined by the institution"; and

(B) in subparagraph (C), by striking ", except that the amount may not be less than $2,500";

(3) in paragraph (10), by striking everything after "determining costs" and inserting a semicolon; and

(4) in paragraph (11), by striking "placed" and inserting "engaged".

SEC. 472. DATA ELEMENTS.

Section 474(b)(3) (20 U.S.C. 1087nn(b)(3)) is amended by inserting ", excluding the student's parents," after "family of the student".

SEC. 473. FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.

(a) PARENTS' CONTRIBUTION FROM ADJUSTED AVAILABLE INCOME.—Section 475(b)(3) (20 U.S.C. 1087oo(b)(3)) is amended by inserting ", excluding the student's parents," after "number of family members".

(b) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—Section 475(g) is amended—

(1) in paragraph (2)—

(A) in subparagraph (D), by striking "$1,750; and" and inserting "$2,200 (or a successor amount prescribed by the Secretary under section 478);";

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

(C) by inserting after subparagraph (E) the following new subparagraph:

"(F) an allowance for parents' negative available income, determined in accordance with paragraph (6).";

and

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

"(6) ALLOWANCE FOR PARENTS' NEGATIVE AVAILABLE INCOME.—The allowance for parents' negative available income is the amount, if any, by which the sum of the amounts deducted under subparagraphs (A) through (F) of subsection (c)(1) exceeds the sum of the parents' total income (as defined in section 480) and the parents' contribution from assets (as determined in accordance with subsection (d)).".

(c) ADJUSTMENTS TO STUDENT'S CONTRIBUTION FOR ENROLLMENT PERIODS OTHER THAN NINE MONTHS.—Section 475 is amended by adding at the end the following:

"(j) ADJUSTMENTS TO STUDENT'S CONTRIBUTION FOR ENROLLMENT PERIODS OF LESS THAN NINE MONTHS.—For periods of enrollment of less than 9 months, the student's contribution from adjusted available income (as determined under subsection (g)) is determined, for purposes other than subpart 2 of part A, by dividing the amount

determined under such subsection by 9, and multiplying the result by the number of months in the period of enrollment.".

SEC. 474. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE.

(a) ADJUSTMENTS FOR ENROLLMENT PERIODS OF LESS THAN NINE MONTHS.—Section 476(a) (20 U.S.C. 1087pp(a)) is amended—

(1) by striking "and" at the end of paragraph (1)(B);

(2) by inserting "and" after the semicolon at the end of paragraph (2); and

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

"(3) for periods of enrollment of less than 9 months, for purposes other than subpart 2 of part A—

"(A) dividing the quotient resulting under paragraph (2) by 9; and

"(B) multiplying the result by the number of months in the period of enrollment;".

(b) CONTRIBUTION FROM AVAILABLE INCOME.—Section 476(b)(1)(A)(iv) is amended—

(1) by striking "allowance of—" and inserting "allowance of the following amount (or a successor amount prescribed by the Secretary under section 478)—";

(2) in subclauses (I) and (II), by striking "$3,000" each place the term appears and inserting "$5,000"; and

(3) in subclause (III), by striking "$6,000" and inserting "$8,000".

SEC. 475. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE.

Section 477(a) (20 U.S.C. 1087qq(a)) is amended—

(1) by striking "and" at the end of paragraph (2);

(2) by inserting "and" after the semicolon at the end of paragraph (3); and

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

"(4) for periods of enrollment of less than 9 months, for purposes other than subpart 2 of part A—

"(A) dividing the quotient resulting under paragraph (3) by 9; and

"(B) multiplying the result by the number of months in the period of enrollment;".

SEC. 476. REGULATIONS; UPDATED TABLES AND AMOUNTS.

Section 478(b) (20 U.S.C. 1087rr(b)) is amended—

(1) by striking "For each academic year" and inserting the following:

"(1) REVISED TABLES.—For each academic year"; and

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

"(2) REVISED AMOUNTS.—For each academic year after academic year 2000–2001, the Secretary shall publish in the Federal Register revised income protection allowances for the purpose of sections 475(g)(2)(D) and 476(b)(1)(A)(iv). Such revised allowances shall be developed by increasing each of the dollar amounts contained in such section by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary) between December 1999 and

the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.".

SEC. 477. SIMPLIFIED NEEDS TEST; ZERO EXPECTED FAMILY CONTRIBUTION.

Section 479 (20 U.S.C. 1087ss) is amended—

(1) in subsection (b)(3)—

(A) in the matter preceding subparagraph (A), by striking "this paragraph" and inserting "this subsection, or subsection (c), as the case may be,";

(B) in subparagraph (A), by striking "or" at the end thereof;

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

(D) by inserting after subparagraph (A) the following new subparagraph:

"(B) a form 1040 (including any prepared or electronic version of such form) required pursuant to the Internal Revenue Code of 1986, except that such form shall be considered a qualifying form only if the student or family files such form in order to take a tax credit under section 25A of the Internal Revenue Code of 1986, and would otherwise be eligible to file a form described in subparagraph (A); or";

(2) in subsection (c)—

(A) by amending paragraph (1)(A) to read as follows:

"(A) the student's parents file, or are eligible to file, a form described in subsection (b)(3), or certify that the parents are not required to file an income tax return and the student files, or is eligible to file, such a form, or certifies that the student is not required to file an income tax return; and"; and

(B) by amending paragraph (2)(A) to read as follows:

"(A) the student (and the student's spouse, if any) files, or is eligible to file, a form described in subsection (b)(3), or certifies that the student (and the student's spouse, if any) is not required to file an income tax return; and".

SEC. 478. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

Section 479A (20 U.S.C. 1087tt) is amended—

(1) in subsection (a), by inserting after the second sentence the following: "Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, or other changes in a family's income, a family's assets, or a student's status."; and

(2) by amending subsection (c) to read as follows:

"(c) REFUSAL OR ADJUSTMENT OF LOAN CERTIFICATIONS.—On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part B or D, or may certify a loan amount or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided

in written form to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.".

SEC. 479. TREATMENT OF OTHER FINANCIAL ASSISTANCE.

Section 480(j) (20 U.S.C. 1087vv(j)) is amended—

(1) in paragraph (1), by inserting before the period at the end the following: ", and national service educational awards or post-service benefits under title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.)";

(2) by striking paragraph (3); and

(3) by redesignating paragraph (4) as paragraph (3).

SEC. 480. CLERICAL AMENDMENTS.

(a) AMOUNT OF NEED.—Section 471 (20 U.S.C. 1087kk) is amended by striking "or 4" and inserting "or 2".

(b) FAMILY CONTRIBUTION.—Section 473 (20 U.S.C. 1087mm) is amended by striking "subpart 4" and inserting "subpart 2".

SEC. 480A. EFFECTIVE DATES.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this part are effective on the date of enactment of this Act.

(b) PROVISIONS EFFECTIVE FOR ACADEMIC YEAR 2000–2001, AND THEREAFTER.—The amendments made by sections 472, 473, 474, and 475 shall apply with respect to determinations of need under part F of title IV of the Higher Education Act of 1965 for academic years beginning on or after July 1, 2000.

PART G—GENERAL PROVISIONS

SEC. 481. MASTER CALENDAR.

(a) REQUIRED SCHEDULE.—Section 482(a) (20 U.S.C. 1089(a)) is amended by adding at the end the following:

"(3) The Secretary shall, to the extent practicable, notify eligible institutions, guaranty agencies, lenders, interested software providers, and, upon request, other interested parties, by December 1 prior to the start of an award year of minimal hardware and software requirements necessary to administer programs under this title.

"(4) The Secretary shall attempt to conduct training activities for financial aid administrators and others in an expeditious and timely manner prior to the start of an award year in order to ensure that all participants are informed of all administrative requirements.".

(b) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.—Subsection (c) of section 482 is amended to read as follows:

"(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.—(1) Except as provided in paragraph (2), any regulatory changes initiated by the Secretary affecting the programs under this title that have not been published in final form by November 1 prior to the start of the award year shall not become effective until the beginning of the second award year after such November 1 date.

"(2)(A) The Secretary may designate any regulatory provision that affects the programs under this title and is published in final form after November 1 as one that an entity subject to the provision may, in the entity's discretion, choose to implement prior

to the effective date described in paragraph (1). The Secretary may specify in the designation when, and under what conditions, an entity may implement the provision prior to that effective date. The Secretary shall publish any designation under this subparagraph in the Federal Register.

"(B) If an entity chooses to implement a regulatory provision prior to the effective date described in paragraph (1), as permitted by subparagraph (A), the provision shall be effective with respect to that entity in accordance with the terms of the Secretary's designation.".

SEC. 482. FORMS AND REGULATIONS.

(a) COMMON FINANCIAL AID FORM DEVELOPMENT.—Section 483(a) (20 U.S.C. 1090(a)) is amended—

(1) in the subsection heading, by striking "FORM" and inserting "FORM DEVELOPMENT";

(2) in paragraph (1)—

(A) by striking "A, C, D, and E" and inserting "A through E";

(B) by striking "and to determine the need of a student for the purpose of part B of this title";

(C) by striking the second sentence and inserting the following: "The Secretary shall include on the form developed under this subsection such data items as the Secretary determines are appropriate for inclusion. Such items shall be selected in consultation with States to assist in the awarding of State financial assistance. In no case shall the number of such data items be less than the number included on the form on the date of enactment of the Higher Education Amendments of 1998."; and

(D) by striking the last sentence;

(3) in paragraph (2)—

(A) by striking "A, C, D, and E" each place the term appears and inserting "A through E";

(B) by striking "and the need of a student for the purpose of part B of this title,"; and

(C) by striking "or have the student's need established for the purpose of part B of this title";

(4) by amending paragraph (3) to read as follows:

"(3) DISTRIBUTION OF DATA.—Institutions of higher education, guaranty agencies, and States shall receive, without charge, the data collected by the Secretary using the form developed pursuant to this section for the purposes of processing loan applications and determining need and eligibility for institutional and State financial aid awards. Entities designated by institutions of higher education, guaranty agencies, or States to receive such data shall be subject to all the requirements of this section, unless such requirements are waived by the Secretary.";

(5) by adding at the end the following:

"(5) ELECTRONIC FORMS.—(A) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, including private computer software providers, shall develop an electronic version of the form described in paragraph (1). As permitted by the Secretary, such an electronic version shall not require a signature to be collected at the time such version is submitted, if a signature

is subsequently submitted by the applicant. The Secretary shall prescribe such version not later than 120 days after the date of enactment of the Higher Education Amendments of 1998.

"(B) Nothing in this section shall be construed to prohibit the use of the form developed by the Secretary pursuant to subparagraph (A) by an eligible institution, eligible lender, guaranty agency, State grant agency, private computer software providers, a consortium thereof, or such other entities as the Secretary may designate.

"(C) No fee shall be charged to students in connection with the use of the electronic version of the form, or of any other electronic forms used in conjunction with such form in applying for Federal or State student financial assistance.

"(D) The Secretary shall ensure that data collection complies with section 552a of title 5, United States Code, and that any entity using the electronic version of the form developed by the Secretary pursuant to subparagraph (A) shall maintain reasonable and appropriate administrative, technical, and physical safeguards to ensure the integrity and confidentiality of the information, and to protect against security threats, or unauthorized uses or disclosures of the information provided on the electronic version of the form. Data collected by such version of the form shall be used only for the application, award, and administration of aid awarded under this title, State aid, or aid awarded by eligible institutions or such entities as the Secretary may designate. No data collected by such version of the form shall be used for making final aid awards under this title until such data have been processed by the Secretary or a contractor or designee of the Secretary.

"(6) THIRD PARTY SERVICERS AND PRIVATE SOFTWARE PROVIDERS.—To the extent practicable and in a timely manner, the Secretary shall provide, to private organizations and consortia that develop software used by eligible institutions for the administration of funds under this title, all the necessary specifications that the organizations and consortia must meet for the software the organizations and consortia develop, produce, and distribute (including any diskette, modem, or network communications) which are so used. The specifications shall contain record layouts for required data. The Secretary shall develop in advance of each processing cycle an annual schedule for providing such specifications. The Secretary, to the extent practicable, shall use means of providing such specifications, including conferences and other meetings, outreach, and technical support mechanisms (such as training and printed reference materials). The Secretary shall, from time to time, solicit from such organizations and consortia means of improving the support provided by the Secretary.

"(7) PARENT'S SOCIAL SECURITY NUMBER AND BIRTH DATE.—The Secretary is authorized to include on the form developed under this subsection space for the social security number and birth date of parents of dependent students seeking financial assistance under this title.".

(b) STREAMLINED REAPPLICATION PROCESS.—Section 483(b)(1) is amended by striking ", within 240 days" and all that follows through "of 1992,".

(c) INFORMATION TO COMMITTEES.—Section 483(c) is amended by striking "and Labor" and inserting "and the Workforce".

(d) TOLL-FREE INFORMATION.—Section 483(d) is amended by striking "section 633(c)" and inserting "section 685(d)(2)(C)".

(e) REPEAL.—Subsection (f) of section 483 is repealed.

SEC. 483. STUDENT ELIGIBILITY.

(a) IN GENERAL.—Section 484(a) (20 U.S.C. 1091(a)) is amended—

(1) in paragraph (4), by striking "the institution" and everything that follows through "lender), a document" and inserting "the Secretary, as part of the original financial aid application process, a certification,"; and

(2) in paragraph (5), by striking "or a permanent resident of the Trust Territory of the Pacific Islands, Guam, or the Northern Mariana Islands" and inserting "a citizen of any one of the Freely Associated States".

(b) HOME-SCHOOLED STUDENTS.—Section 484(d) is amended—

(1) in the matter preceding paragraph (1), by striking "either"; and

(2) by adding at the end the following:

"(3) The student has completed a secondary school education in a home school setting that is treated as a home school or private school under State law.".

(c) TERMINATION OF ELIGIBILITY.—Section 484(j) is amended to read as follows:

"(j) ASSISTANCE UNDER SUBPARTS 1 AND 3 OF PART A, AND PART C.—Notwithstanding any other provision of law, a student shall be eligible until September 30, 2004, for assistance under subparts 1 and 3 of part A, and part C, if the student is otherwise qualified and—

"(1) is a citizen of any one of the Freely Associated States and attends an institution of higher education in a State or a public or nonprofit private institution of higher education in the Freely Associated States; or

"(2) meets the requirements of subsection (a)(5) and attends a public or nonprofit private institution of higher education in any one of the Freely Associated States.".

(d) CORRESPONDENCE COURSES.—Paragraph (1) of section 484(l) is amended to read as follows:

"(1) RELATION TO CORRESPONDENCE COURSES.—

"(A) IN GENERAL.—A student enrolled in a course of instruction at an institution of higher education that is offered in whole or in part through telecommunications and leads to a recognized certificate for a program of study of 1 year or longer, or a recognized associate, baccalaureate, or graduate degree, conferred by such institution, shall not be considered to be enrolled in correspondence courses unless the total amount of telecommunications and correspondence courses at such institution equals or exceeds 50 percent of the total amount of all courses at the institution.

"(B) REQUIREMENT.—An institution of higher education referred to in subparagraph (A) is an institution of higher education—

"(i) that is not an institute or school described in section 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act; and

"(ii) for which at least 50 percent of the programs of study offered by the institution lead to the award of a recognized associate, baccalaureate, or graduate degree.".

(e) VERIFICATION OF INCOME DATA.—Section 484 is amended by adding at the end the following:

"(q) VERIFICATION OF INCOME DATA.—

"(1) CONFIRMATION WITH IRS.—The Secretary of Education, in cooperation with the Secretary of the Treasury, is authorized to confirm with the Internal Revenue Service the adjusted gross income, Federal income taxes paid, filing status, and exemptions reported by applicants (including parents) under this title on their Federal income tax returns for the purpose of verifying the information reported by applicants on student financial aid applications.

"(2) NOTIFICATION.—The Secretary shall establish procedures under which an applicant is notified that the Internal Revenue Service will disclose to the Secretary tax return information as authorized under section 6103(l)(13) of the Internal Revenue Code of 1986.".

(f) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—

(1) AMENDMENT.—Section 484 is amended by adding at the end thereof the following:

"(r) SUSPENSION OF ELIGIBILITY FOR DRUG-RELATED OFFENSES.—

"(1) IN GENERAL.—A student who has been convicted of any offense under any Federal or State law involving the possession or sale of a controlled substance shall not be eligible to receive any grant, loan, or work assistance under this title during the period beginning on the date of such conviction and ending after the interval specified in the following table:

"If convicted of an offense involving:

The possession of a controlled substance:	**Ineligibility period is:**
First offense	1 year
Second offense	2 years
Third offense	Indefinite.

The sale of a controlled substance:	**Ineligibility period is:**
First offense	2 years
Second offense	Indefinite.

"(2) REHABILITATION.—A student whose eligibility has been suspended under paragraph (1) may resume eligibility before the end of the ineligibility period determined under such paragraph if—

"(A) the student satisfactorily completes a drug rehabilitation program that—

"(i) complies with such criteria as the Secretary shall prescribe in regulations for purposes of this paragraph; and

"(ii) includes two unannounced drug tests; or

"(B) the conviction is reversed, set aside, or otherwise rendered nugatory.

"(3) DEFINITIONS.—In this subsection, the term 'controlled substance' has the meaning given the term in section 102(6) of the Controlled Substances Act (21 U.S.C. 802(6)).".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1), regarding suspension of eligibility for drug-related offenses, shall apply with respect to financial assistance to cover the costs of attendance for periods of enrollment beginning after the date of enactment of this Act.

SEC. 484. STATE COURT JUDGMENTS.

Section 484A (20 U.S.C. 1091a) is amended—

(1) in the heading of the section by inserting "**, AND STATE COURT JUDGMENTS**" after "**LIMITATIONS**"; and

(2) by adding at the end the following:

"(c) STATE COURT JUDGMENTS.—A judgment of a State court for the recovery of money provided as grant, loan, or work assistance under this title that has been assigned or transferred to the Secretary under this title may be registered in any district court of the United States by filing a certified copy of the judgment and a copy of the assignment or transfer. A judgment so registered shall have the same force and effect, and may be enforced in the same manner, as a judgment of the district court of the district in which the judgment is registered.".

SEC. 485. INSTITUTIONAL REFUNDS.

Section 484B (20 U.S.C. 1091b) is amended to read as follows:

"SEC. 484B. INSTITUTIONAL REFUNDS.

"(a) RETURN OF TITLE IV FUNDS.—

"(1) IN GENERAL.—If a recipient of assistance under this title withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the amount of grant or loan assistance (other than assistance received under part C) to be returned to the title IV programs is calculated according to paragraph (3) and returned in accordance with subsection (b).

"(2) LEAVE OF ABSENCE.—

"(A) LEAVE NOT TREATED AS WITHDRAWAL.—In the case of a student who takes a leave of absence from an institution for not more than a total of 180 days in any 12-month period, the institution may consider the student as not having withdrawn from the institution during the leave of absence, and not calculate the amount of grant and loan assistance provided under this title that is to be returned in accordance with this section if—

"(i) the institution has a formal policy regarding leaves of absence;

"(ii) the student followed the institution's policy in requesting a leave of absence; and

"(iii) the institution approved the student's request in accordance with the institution's policy.

"(B) CONSEQUENCES OF FAILURE TO RETURN.—If a student does not return to the institution at the expiration of an approved leave of absence that meets the requirements of subparagraph (A), the institution shall calculate the amount of grant and loan assistance provided under this title that is to be returned in accordance with this section based on the day the student withdrew (as determined under subsection (c)).

"(3) CALCULATION OF AMOUNT OF TITLE IV ASSISTANCE EARNED.—

"(A) IN GENERAL.—The amount of grant or loan assistance under this title that is earned by the recipient for purposes of this section is calculated by—

"(i) determining the percentage of grant and loan assistance under this title that has been earned by the student, as described in subparagraph (B); and

"(ii) applying such percentage to the total amount of such grant and loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment for which the assistance was awarded, as of the day the student withdrew.

"(B) PERCENTAGE EARNED.—For purposes of subparagraph (A)(i), the percentage of grant or loan assistance under this title that has been earned by the student is—

"(i) equal to the percentage of the payment period or period of enrollment for which assistance was awarded that was completed (as determined in accordance with subsection (d)) as of the day the student withdrew, provided that such date occurs on or before the completion of 60 percent of the payment period or period of enrollment; or

"(ii) 100 percent, if the day the student withdrew occurs after the student has completed 60 percent of the payment period or period of enrollment.

"(C) PERCENTAGE AND AMOUNT NOT EARNED.—For purposes of subsection (b), the amount of grant and loan assistance awarded under this title that has not been earned by the student shall be calculated by—

"(i) determining the complement of the percentage of grant or loan assistance under this title that has been earned by the student described in subparagraph (B); and

"(ii) applying the percentage determined under clause (i) to the total amount of such grant and loan assistance that was disbursed (and that could have been disbursed) to the student, or on the student's behalf, for the payment period or period of enrollment, as of the day the student withdrew.

"(4) DIFFERENCES BETWEEN AMOUNTS EARNED AND AMOUNTS RECEIVED.—

"(A) IN GENERAL.—If the student has received less grant or loan assistance than the amount earned as calculated under subparagraph (A) of paragraph (3), the institution of higher education shall comply with the procedures for late disbursement specified by the Secretary in regulations.

"(B) RETURN.—If the student has received more grant or loan assistance than the amount earned as calculated under paragraph (3)(A), the unearned funds shall be returned by the institution or the student, or both, as may be required under paragraphs (1) and (2) of subsection (b), to the programs under this title in the order specified in subsection (b)(3).

"(b) RETURN OF TITLE IV PROGRAM FUNDS.—

"(1) RESPONSIBILITY OF THE INSTITUTION.—The institution shall return, in the order specified in paragraph (3), the lesser of—

"(A) the amount of grant and loan assistance awarded under this title that has not been earned by the student, as calculated under subsection (a)(3)(C); or

"(B) an amount equal to—

"(i) the total institutional charges incurred by the student for the payment period or period of enrollment for which such assistance was awarded; multiplied by

"(ii) the percentage of grant and loan assistance awarded under this title that has not been earned by the student, as described in subsection (a)(3)(C)(i).

"(2) RESPONSIBILITY OF THE STUDENT.—

"(A) IN GENERAL.—The student shall return assistance that has not been earned by the student as described in subsection (a)(3)(C)(ii) in the order specified in paragraph (3) minus the amount the institution is required to return under paragraph (1).

"(B) SPECIAL RULE.—The student (or parent in the case of funds due to a loan borrowed by a parent under part B or D) shall return or repay, as appropriate, the amount determined under subparagraph (A) to—

"(i) a loan program under this title in accordance with the terms of the loan; and

"(ii) a grant program under this title, as an overpayment of such grant and shall be subject to—

"(I) repayment arrangements satisfactory to the institution; or

"(II) overpayment collection procedures prescribed by the Secretary.

"(C) REQUIREMENT.—Notwithstanding subparagraphs (A) and (B), a student shall not be required to return 50 percent of the grant assistance received by the student under this title, for a payment period or period of enrollment, that is the responsibility of the student to repay under this section.

"(3) ORDER OF RETURN OF TITLE IV FUNDS.—

"(A) IN GENERAL.—Excess funds returned by the institution or the student, as appropriate, in accordance with paragraph (1) or (2), respectively, shall be credited to outstanding balances on loans made under this title to the student or on behalf of the student for the payment period or period of enrollment for which a return of funds is required. Such excess funds shall be credited in the following order:

"(i) To outstanding balances on loans made under section 428H for the payment period or period of enrollment for which a return of funds is required.

"(ii) To outstanding balances on loans made under section 428 for the payment period or period of enrollment for which a return of funds is required.

"(iii) To outstanding balances on unsubsidized loans (other than parent loans) made under part D for the payment period or period of enrollment for which a return of funds is required.

"(iv) To outstanding balances on subsidized loans made under part D for the payment period or period of enrollment for which a return of funds is required.

"(v) To outstanding balances on loans made under part E for the payment period or period of enrollment for which a return of funds is required.

"(vi) To outstanding balances on loans made under section 428B for the payment period or period of enrollment for which a return of funds is required.

"(vii) To outstanding balances on parent loans made under part D for the payment period or period of enrollment for which a return of funds is required.

"(B) REMAINING EXCESSES.—If excess funds remain after repaying all outstanding loan amounts, the remaining excess shall be credited in the following order:

"(i) To awards under subpart 1 of part A for the payment period or period of enrollment for which a return of funds is required.

"(ii) To awards under subpart 3 of part A for the payment period or period of enrollment for which a return of funds is required.

"(iii) To other assistance awarded under this title for which a return of funds is required.

"(c) WITHDRAWAL DATE.—

"(1) IN GENERAL.—In this section, the term 'day the student withdrew'—

"(A) is the date that the institution determines—

"(i) the student began the withdrawal process prescribed by the institution;

"(ii) the student otherwise provided official notification to the institution of the intent to withdraw; or

"(iii) in the case of a student who does not begin the withdrawal process or otherwise notify the institution of the intent to withdraw, the date that is the mid-point of the payment period for which assistance under this title was disbursed or a later date documented by the institution; or

"(B) for institutions required to take attendance, is determined by the institution from such attendance records.

"(2) SPECIAL RULE.—Notwithstanding paragraph (1), if the institution determines that a student did not begin the withdrawal process, or otherwise notify the institution of the intent to withdraw, due to illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the institution may determine the appropriate withdrawal date.

"(d) PERCENTAGE OF THE PAYMENT PERIOD OR PERIOD OF ENROLLMENT COMPLETED.—For purposes of subsection (a)(3)(B)(i), the percentage of the payment period or period of enrollment for which assistance was awarded that was completed, is determined—

"(1) in the case of a program that is measured in credit hours, by dividing the total number of calendar days comprising the payment period or period of enrollment for which assistance is awarded into the number of calendar days completed in that period as of the day the student withdrew; and

"(2) in the case of a program that is measured in clock hours, by dividing the total number of clock hours comprising

the payment period or period of enrollment for which assistance is awarded into the number of clock hours—

"(A) completed by the student in that period as of the day the student withdrew; or

"(B) scheduled to be completed as of the day the student withdrew, if the clock hours completed in the period are not less than a percentage, to be determined by the Secretary in regulations, of the hours that were scheduled to be completed by the student in the period.

"(e) EFFECTIVE DATE.—The provisions of this section shall take effect 2 years after the date of enactment of the Higher Education Amendments of 1998. An institution of higher education may choose to implement such provisions prior to that date.".

SEC. 486. INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS.

(a) INFORMATION DISSEMINATION ACTIVITIES.—Section 485(a) (20 U.S.C. 1092(a)) is amended—

(1) in paragraph (1)—

(A) in the second sentence, by striking ", through appropriate publications and mailings, to all current students, and to any prospective student upon request" and inserting "upon request, through appropriate publications, mailings, and electronic media, to an enrolled student and to any prospective student";

(B) by inserting after the second sentence the following: "Each eligible institution shall, on an annual basis, provide to all enrolled students a list of the information that is required to be provided by institutions to students by this section and section 444 of the General Education Provisions Act (also referred to as the Family Educational Rights and Privacy Act of 1974), together with a statement of the procedures required to obtain such information.";

(C) by amending subparagraph (F) to read as follows: "(F) a statement of—

"(i) the requirements of any refund policy with which the institution is required to comply;

"(ii) the requirements under section 484B for the return of grant or loan assistance provided under this title; and

"(iii) the requirements for officially withdrawing from the institution;"; and

(D) by striking "and" at the end of subparagraph (M);

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

(F) by adding at the end the following:

"(O) the campus crime report prepared by the institution pursuant to subsection (f), including all required reporting categories.";

(2) in paragraph (3), by amending subparagraph (A) to read as follows:

"(A) shall be made available by July 1 each year to enrolled students and prospective students prior to the students enrolling or entering into any financial obligation; and"; and

(3) by adding at the end the following:

"(6) Each institution may provide supplemental information to enrolled and prospective students showing the completion or

graduation rate for students described in paragraph (4) or for students transferring into the institution or information showing the rate at which students transfer out of the institution.".

(b) EXIT COUNSELING FOR BORROWERS.—Section 485(b) (20 U.S.C. 1092(b)) is amended—

(1) in paragraph (1)(A), by striking "(individually or in groups)"; and

(2) in paragraph (2), by adding at the end the following:

"(C) Nothing in this subsection shall be construed to prohibit an institution of higher education from utilizing electronic means to provide personalized exit counseling.".

(c) DEPARTMENTAL PUBLICATIONS.—Section 485(d) is amended—

(1) by striking "(1) assist" and inserting "(A) assist";

(2) by striking "(2) assist" and inserting "(B) assist";

(3) by inserting "(1)" before "The Secretary" the first place the term appears; and

(4) by adding at the end the following:

"(2) The Secretary, to the extent the information is available, shall compile information describing State and other prepaid tuition programs and savings programs and disseminate such information to States, eligible institutions, students, and parents in departmental publications.

"(3) The Secretary, to the extent practicable, shall update the Department's Internet site to include direct links to databases that contain information on public and private financial assistance programs. The Secretary shall only provide direct links to databases that can be accessed without charge and shall make reasonable efforts to verify that the databases included in a direct link are not providing fraudulent information. The Secretary shall prominently display adjacent to any such direct link a disclaimer indicating that a direct link to a database does not constitute an endorsement or recommendation of the database, the provider of the database, or any services or products of such provider. The Secretary shall provide additional direct links to information resources from which students may obtain information about fraudulent and deceptive practices in the provision of services related to student financial aid.".

(d) DISCLOSURES.—Section 485(e) is amended—

(1) in paragraph (2)—

(A) by striking "his parents, his guidance" and inserting "the student's parents, guidance"; and

(B) by adding at the end the following: "If the institution is a member of a national collegiate athletic association that compiles graduation rate data on behalf of the association's member institutions that the Secretary determines is substantially comparable to the information described in paragraph (1), the distribution of the compilation of such data to all secondary schools in the United States shall fulfill the responsibility of the institution to provide information to a prospective student athlete's guidance counselor and coach."; and

(2) by amending paragraph (9) to read as follows:

"(9) The reports required by this subsection shall be due each July 1 and shall cover the 1-year period ending August 31 of the preceding year.".

(e) DISCLOSURE OF CAMPUS SECURITY POLICY AND CAMPUS CRIME STATISTICS.—Section 485(f) (20 U.S.C. 1092(f)) is amended—

(1) in paragraph (1)—

(A) by amending subparagraph (F) to read as follows:

"(F) Statistics concerning the occurrence on campus, in or on noncampus buildings or property, and on public property during the most recent calendar year, and during the 2 preceding calendar years for which data are available—

"(i) of the following criminal offenses reported to campus security authorities or local police agencies:

"(I) murder;

"(II) sex offenses, forcible or nonforcible;

"(III) robbery;

"(IV) aggravated assault;

"(V) burglary;

"(VI) motor vehicle theft;

"(VII) manslaughter;

"(VIII) arson; and

"(IX) arrests or persons referred for campus disciplinary action for liquor law violations, drug-related violations, and weapons possession; and

"(ii) of the crimes described in subclauses (I) through (VIII) of clause (i), and other crimes involving bodily injury to any person in which the victim is intentionally selected because of the actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability of the victim that are reported to campus security authorities or local police agencies, which data shall be collected and reported according to category of prejudice.";

(B) by striking subparagraph (H); and

(C) by redesignating subparagraph (I) as subparagraph (H);

(2) in paragraph (4)—

(A) by striking "Upon request of the Secretary, each" and inserting "On an annual basis, each";

(B) by striking "paragraphs (1)(F) and (1)(H)" and inserting "paragraph (1)(F)";

(C) by striking "and Labor" and inserting "and the Workforce";

(D) by striking "1995" and inserting "2000";

(E) by striking "and" at the end of subparagraph (A);

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

(G) by inserting after subparagraph (A) the following:

"(B) make copies of the statistics submitted to the Secretary available to the public; and";

(3) by amending paragraph (5)(A) to read as follows:

"(5)(A) In this subsection:

"(i) The term 'campus' means—

"(I) any building or property owned or controlled by an institution of higher education within the same reasonably contiguous geographic area of the institution and used by the institution in direct support of, or in a manner related to, the institution's educational purposes, including residence halls; and

"(II) property within the same reasonably contiguous geographic area of the institution that is owned by the institution but controlled by another person, is used by

students, and supports institutional purposes (such as a food or other retail vendor).

"(ii) The term 'noncampus building or property' means—

"(I) any building or property owned or controlled by a student organization recognized by the institution; and

"(II) any building or property (other than a branch campus) owned or controlled by an institution of higher education that is used in direct support of, or in relation to, the institution's educational purposes, is used by students, and is not within the same reasonably contiguous geographic area of the institution.

"(iii) The term 'public property' means all public property that is within the same reasonably contiguous geographic area of the institution, such as a sidewalk, a street, other thoroughfare, or parking facility, and is adjacent to a facility owned or controlled by the institution if the facility is used by the institution in direct support of, or in a manner related to the institution's educational purposes.";

(4) in paragraph (6)—

(A) by striking "paragraphs (1)(F) and (1)(H)" and inserting "paragraph (1)(F)"; and

(B) by adding at the end the following: "Such statistics shall not identify victims of crimes or persons accused of crimes.";

(5) by redesignating paragraphs (4) through (7) as paragraphs (5) through (8), respectively;

(6) by inserting after paragraph (3) the following:

"(4)(A) Each institution participating in any program under this title that maintains a police or security department of any kind shall make, keep, and maintain a daily log, written in a form that can be easily understood, recording all crimes reported to such police or security department, including—

"(i) the nature, date, time, and general location of each crime; and

"(ii) the disposition of the complaint, if known.

"(B)(i) All entries that are required pursuant to this paragraph shall, except where disclosure of such information is prohibited by law or such disclosure would jeopardize the confidentiality of the victim, be open to public inspection within two business days of the initial report being made to the department or a campus security authority.

"(ii) If new information about an entry into a log becomes available to a police or security department, then the new information shall be recorded in the log not later than two business days after the information becomes available to the police or security department.

"(iii) If there is clear and convincing evidence that the release of such information would jeopardize an ongoing criminal investigation or the safety of an individual, cause a suspect to flee or evade detection, or result in the destruction of evidence, such information may be withheld until that damage is no longer likely to occur from the release of such information."; and

(7) by adding at the end the following:

"(9) The Secretary shall provide technical assistance in complying with the provisions of this section to an institution of higher education who requests such assistance.

"(10) Nothing in this section shall be construed to require the reporting or disclosure of privileged information.

"(11) The Secretary shall report to the appropriate committees of Congress each institution of higher education that the Secretary determines is not in compliance with the reporting requirements of this subsection.

"(12) For purposes of reporting the statistics with respect to crimes described in paragraph (1)(F), an institution of higher education shall distinguish, by means of separate categories, any criminal offenses that occur—

"(A) on campus;

"(B) in or on a noncampus building or property;

"(C) on public property; and

"(D) in dormitories or other residential facilities for students on campus.

"(13) Upon a determination pursuant to section 487(c)(3)(B) that an institution of higher education has substantially misrepresented the number, location, or nature of the crimes required to be reported under this subsection, the Secretary shall impose a civil penalty upon the institution in the same amount and pursuant to the same procedures as a civil penalty is imposed under section 487(c)(3)(B).

"(14)(A) Nothing in this subsection may be construed to—

"(i) create a cause of action against any institution of higher education or any employee of such an institution for any civil liability; or

"(ii) establish any standard of care.

"(B) Notwithstanding any other provision of law, evidence regarding compliance or noncompliance with this subsection shall not be admissible as evidence in any proceeding of any court, agency, board, or other entity, except with respect to an action to enforce this subsection.

"(15) This subsection may be cited as the 'Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act'.".

(f) DATA REQUIRED.—Section 485(g) is amended—

(1) in paragraph (1), by adding at the end the following:

"(I)(i) The total revenues, and the revenues from football, men's basketball, women's basketball, all other men's sports combined and all other women's sports combined, derived by the institution from the institution's intercollegiate athletics activities.

"(ii) For the purpose of clause (i), revenues from intercollegiate athletics activities allocable to a sport shall include (without limitation) gate receipts, broadcast revenues, appearance guarantees and options, concessions, and advertising, but revenues such as student activities fees or alumni contributions not so allocable shall be included in the calculation of total revenues only.

"(J)(i) The total expenses, and the expenses attributable to football, men's basketball, women's basketball, all other men's sports combined, and all other women's sports combined, made by the institution for the institution's intercollegiate athletics activities.

"(ii) For the purpose of clause (i), expenses for intercollegiate athletics activities allocable to a sport shall include (without limitation) grants-in-aid, salaries, travel, equipment, and supplies, but expenses such as general

and administrative overhead not so allocable shall be included in the calculation of total expenses only."; and

(2) by striking paragraph (5);

(3) by redesignating paragraph (4) as paragraph (5); and

(4) by inserting after paragraph (3) the following:

"(4) SUBMISSION; REPORT; INFORMATION AVAILABILITY.—(A) On an annual basis, each institution of higher education described in paragraph (1) shall provide to the Secretary, within 15 days of the date that the institution makes available the report under paragraph (1), the information contained in the report.

"(B) The Secretary shall prepare a report regarding the information received under subparagraph (A) and submit such report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate by April 1, 2000. The report shall—

"(i) summarize the information and identify trends in the information;

"(ii) aggregate the information by divisions of the National Collegiate Athletic Association; and

"(iii) contain information on each individual institution of higher education.

"(C) The Secretary shall ensure that the reports described in subparagraph (A) and the report to Congress described in subparagraph (B) are made available to the public within a reasonable period of time.

"(D) Not later than 180 days after the date of enactment of the Higher Education Amendments of 1998, the Secretary shall notify all secondary schools in all States regarding the availability of the information reported under subparagraph (B) and the information made available under paragraph (1), and how such information may be accessed.".

SEC. 487. NATIONAL STUDENT LOAN DATA SYSTEM.

Section 485B(a) (20 U.S.C. 1092b(a)) is amended by inserting before the period at the end of the third sentence the following: "not later than one year after the date of enactment of the Higher Education Amendments of 1998".

SEC. 488. DISTANCE EDUCATION DEMONSTRATION PROGRAMS.

Section 486 (20 U.S.C. 1083) is amended to read as follows:

"SEC. 486. DISTANCE EDUCATION DEMONSTRATION PROGRAMS.

"(a) PURPOSE.—It is the purpose of this section—

"(1) to allow demonstration programs that are strictly monitored by the Department of Education to test the quality and viability of expanded distance education programs currently restricted under this Act;

"(2) to provide for increased student access to higher education through distance education programs; and

"(3) to help determine—

"(A) the most effective means of delivering quality education via distance education course offerings;

"(B) the specific statutory and regulatory requirements which should be altered to provide greater access to high quality distance education programs; and

"(C) the appropriate level of Federal assistance for students enrolled in distance education programs.

"(b) DEMONSTRATION PROGRAMS AUTHORIZED.—

"(1) IN GENERAL.—In accordance with the provisions of subsection (d), the Secretary is authorized to select institutions of higher education, systems of such institutions, or consortia of such institutions for voluntary participation in a Distance Education Demonstration Program that provides participating institutions with the ability to offer distance education programs that do not meet all or a portion of the sections or regulations described in paragraph (2).

"(2) WAIVERS.—The Secretary is authorized to waive for any institution of higher education, system of institutions of higher education, or consortium participating in a Distance Education Demonstration Program, the requirements of section 472(5) as the section relates to computer costs, sections 481(a) and 481(b) as such sections relate to requirements for a minimum number of weeks of instruction, sections 102(a)(3)(A), 102(a)(3)(B), and 484(l)(1), or one or more of the regulations prescribed under this part or part F which inhibit the operation of quality distance education programs.

"(3) ELIGIBLE APPLICANTS.—

"(A) ELIGIBLE INSTITUTIONS.—Except as provided in subparagraphs (B), (C), and (D), only an institution of higher education that is eligible to participate in programs under this title shall be eligible to participate in the demonstration program authorized under this section.

"(B) PROHIBITION.—An institution of higher education described in section 102(a)(1)(C) shall not be eligible to participate in the demonstration program authorized under this section.

"(C) SPECIAL RULE.—Subject to subparagraph (B), an institution of higher education that meets the requirements of subsection (a) of section 102, other than the requirement of paragraph (3)(A) or (3)(B) of such subsection, and that provides a 2-year or 4-year program of instruction for which the institution awards an associate or baccalaureate degree, shall be eligible to participate in the demonstration program authorized under this section.

"(D) REQUIREMENT.—Notwithstanding any other provision of this paragraph, Western Governors University shall be considered eligible to participate in the demonstration program authorized under this section. In addition to the waivers described in paragraph (2), the Secretary may waive the provisions of title I and parts G and H of this title for such university that the Secretary determines to be appropriate because of the unique characteristics of such university. In carrying out the preceding sentence, the Secretary shall ensure that adequate program integrity and accountability measures apply to such university's participation in the demonstration program authorized under this section.

"(c) APPLICATION.—

"(1) IN GENERAL.—Each institution, system, or consortium of institutions desiring to participate in a demonstration program under this section shall submit an application to the

Secretary at such time and in such manner as the Secretary may require.

"(2) CONTENTS.—Each application shall include—

"(A) a description of the institution, system, or consortium's consultation with a recognized accrediting agency or association with respect to quality assurances for the distance education programs to be offered;

"(B) a description of the statutory and regulatory requirements described in subsection (b)(2) or, if applicable, subsection (b)(3)(D) for which a waiver is sought and the reasons for which the waiver is sought;

"(C) a description of the distance education programs to be offered;

"(D) a description of the students to whom distance education programs will be offered;

"(E) an assurance that the institution, system, or consortium will offer full cooperation with the ongoing evaluations of the demonstration program provided for in this section; and

"(F) such other information as the Secretary may require.

"(d) SELECTION.—

"(1) IN GENERAL.—For the first year of the demonstration program authorized under this section, the Secretary is authorized to select for participation in the program not more than 15 institutions, systems of institutions, or consortia of institutions. For the third year of the demonstration program authorized under this section, the Secretary may select not more than 35 institutions, systems, or consortia, in addition to the institutions, systems, or consortia selected pursuant to the preceding sentence, to participate in the demonstration program if the Secretary determines that such expansion is warranted based on the evaluations conducted in accordance with subsections (f) and (g).

"(2) CONSIDERATIONS.—In selecting institutions to participate in the demonstration program in the first or succeeding years of the program, the Secretary shall take into account—

"(A) the number and quality of applications received;

"(B) the Department's capacity to oversee and monitor each institution's participation;

"(C) an institution's—

"(i) financial responsibility;

"(ii) administrative capability; and

"(iii) program or programs being offered via distance education; and

"(D) ensuring the participation of a diverse group of institutions with respect to size, mission, and geographic distribution.

"(e) NOTIFICATION.—The Secretary shall make available to the public and to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives a list of institutions, systems or consortia selected to participate in the demonstration program authorized by this section. Such notice shall include a listing of the specific statutory and regulatory requirements being waived for each institution, system or consortium and a description of the distance education courses to be offered.

"(f) EVALUATIONS AND REPORTS.—

"(1) EVALUATION.—The Secretary shall evaluate the demonstration programs authorized under this section on an annual basis. Such evaluations specifically shall review—

"(A) the extent to which the institution, system or consortium has met the goals set forth in its application to the Secretary, including the measures of program quality assurance;

"(B) the number and types of students participating in the programs offered, including the progress of participating students toward recognized certificates or degrees and the extent to which participation in such programs increased;

"(C) issues related to student financial assistance for distance education;

"(D) effective technologies for delivering distance education course offerings; and

"(E) the extent to which statutory or regulatory requirements not waived under the demonstration program present difficulties for students or institutions.

"(2) POLICY ANALYSIS.—The Secretary shall review current policies and identify those policies that present impediments to the development and use of distance education and other nontraditional methods of expanding access to education.

"(3) REPORTS.—

"(A) IN GENERAL.—Within 18 months of the initiation of the demonstration program, the Secretary shall report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives with respect to—

"(i) the evaluations of the demonstration programs authorized under this section; and

"(ii) any proposed statutory changes designed to enhance the use of distance education.

"(B) ADDITIONAL REPORTS.—The Secretary shall provide additional reports to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives on an annual basis regarding—

"(i) the demonstration programs authorized under this section; and

"(ii) the number and types of students receiving assistance under this title for instruction leading to a recognized certificate, as provided for in section 484(l)(1), including the progress of such students toward recognized certificates and the degree to which participation in such programs leading to such certificates increased.

"(g) OVERSIGHT.—In conducting the demonstration program authorized under this section, the Secretary shall, on a continuing basis—

"(1) assure compliance of institutions, systems or consortia with the requirements of this title (other than the sections and regulations that are waived under subsections (b)(2) and (b)(3)(D));

"(2) provide technical assistance;

"(3) monitor fluctuations in the student population enrolled in the participating institutions, systems or consortia; and

"(4) consult with appropriate accrediting agencies or associations and appropriate State regulatory authorities.

"(h) DEFINITION.—For the purpose of this section, the term 'distance education' means an educational process that is characterized by the separation, in time or place, between instructor and student. Such term may include courses offered principally through the use of—

"(1) television, audio, or computer transmission, such as open broadcast, closed circuit, cable, microwave, or satellite transmission;

"(2) audio or computer conferencing;

"(3) video cassettes or discs; or

"(4) correspondence.".

SEC. 489. PROGRAM PARTICIPATION AGREEMENTS.

(a) REQUIRED CONTENT.—Section 487(a) (20 U.S.C. 1094(a)) is amended—

(1) in paragraph (3)—

(A) by striking subparagraph (B); and

(B) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively;

(2) in paragraph (4), by striking "subsection (b)" and inserting "subsection (c)";

(3) in paragraph (9), by striking "part B" and inserting "part B or D";

(4) in paragraph (14)—

(A) in subparagraph (A), by striking "part B" and inserting "part B or D"; and

(B) in subparagraph (B), by striking "part B" and inserting "part B or D"; and

(C) by adding at the end the following:

"(C) This paragraph shall not apply in the case of an institution in which (i) neither the parent nor the subordinate institution has a cohort default rate in excess of 10 percent, and (ii) the new owner of such parent or subordinate institution does not, and has not, owned any other institution with a cohort default rate in excess of 10 percent.";

(5) in paragraph (15), by striking "State review entities" and inserting "the State agencies";

(6) by amending paragraph (18) to read as follows:

"(18) The institution will meet the requirements established pursuant to section 485(g).''; and

(7) by amending paragraph (21) to read as follows:

"(21) The institution will meet the requirements established by the Secretary and accrediting agencies or associations, and will provide evidence to the Secretary that the institution has the authority to operate within a State.".

(b) PROVISION OF VOTER REGISTRATION FORMS.—

(1) PROGRAM PARTICIPATION REQUIREMENT.—Section 487(a) (20 U.S.C. 1094(a)) is amended by adding at the end the following:

"(23)(A) The institution, if located in a State to which section 4(b) of the National Voter Registration Act (42 U.S.C. 1973gg–2(b)) does not apply, will make a good faith effort to distribute a mail voter registration form, requested and

received from the State, to each student enrolled in a degree or certificate program and physically in attendance at the institution, and to make such forms widely available to students at the institution.

"(B) The institution shall request the forms from the State 120 days prior to the deadline for registering to vote within the State. If an institution has not received a sufficient quantity of forms to fulfill this section from the State within 60 days prior to the deadline for registering to vote in the State, the institution shall not be held liable for not meeting the requirements of this section during that election year.

"(C) This paragraph shall apply to elections as defined in section 301(1) of the Federal Election Campaign Act of 1971 (2 U.S.C. 431(1)), and includes the election for Governor or other chief executive within such State).".

(2) REGULATION PROHIBITED.—No officer of the executive branch is authorized to instruct the institution in the manner in which the amendment made by this subsection is carried out.

(c) AUDITS; FINANCIAL RESPONSIBILITY.—Section 487(c) is amended—

(1) in paragraph (1)(A)—

(A) in clause (i)—

(i) by striking "clause (ii)" and inserting "clauses (ii) and (iii)";

(ii) by striking "State review entities referred to in" and inserting "appropriate State agency notifying the Secretary under"; and

(iii) by striking "or" after the semicolon;

(B) in clause (ii), by inserting "or" after the semicolon; and

(C) by adding at the end the following:

"(iii) at the discretion of the Secretary, with regard to an eligible institution (other than an eligible institution described in section 102(a)(1)(C)) that has obtained less than $200,000 in funds under this title during each of the 2 award years that precede the audit period and submits a letter of credit payable to the Secretary equal to not less than ½ of the annual potential liabilities of such institution as determined by the Secretary, deeming an audit conducted every 3 years to satisfy the requirements of clause (i), except for the award year immediately preceding renewal of the institution's eligibility under section 498(g);";

(2) in paragraph (4), by striking ", after consultation with each State review entity designated under subpart 1 of part H,"; and

(3) in paragraph (5), by striking "State review entities designated" and inserting "State agencies notifying the Secretary".

SEC. 490. REGULATORY RELIEF AND IMPROVEMENT.

Section 487A (20 U.S.C. 1094a) is amended to read as follows:

"SEC. 487A. REGULATORY RELIEF AND IMPROVEMENT.

"(a) QUALITY ASSURANCE PROGRAM.—

"(1) IN GENERAL.—The Secretary is authorized to select institutions for voluntary participation in a Quality Assurance

Program that provides participating institutions with an alternative management approach through which individual schools develop and implement their own comprehensive systems, related to processing and disbursement of student financial aid, verification of student financial aid application data, and entrance and exit interviews, thereby enhancing program integrity within the student aid delivery system.

"(2) CRITERIA AND CONSIDERATION.—The Quality Assurance Program authorized by this section shall be based on criteria that include demonstrated institutional performance, as determined by the Secretary, and shall take into consideration current quality assurance goals, as determined by the Secretary. The selection criteria shall ensure the participation of a diverse group of institutions of higher education with respect to size, mission, and geographical distribution.

"(3) WAIVER.—The Secretary is authorized to waive for any institution participating in the Quality Assurance Program any regulations dealing with reporting or verification requirements in this title that are addressed by the institution's alternative management system, and may substitute such quality assurance reporting as the Secretary determines necessary to ensure accountability and compliance with the purposes of the programs under this title. The Secretary shall not modify or waive any statutory requirements pursuant to this paragraph.

"(4) DETERMINATION.—The Secretary is authorized to determine—

"(A) when an institution that is unable to administer the Quality Assurance Program shall be removed from such program; and

"(B) when institutions desiring to cease participation in such program will be required to complete the current award year under the requirements of the Quality Assurance Program.

"(5) REVIEW AND EVALUATION.—The Secretary shall review and evaluate the Quality Assurance Program conducted by each participating institution and, on the basis of that evaluation, make recommendations regarding amendments to this Act that will streamline the administration and enhance the integrity of Federal student assistance programs. Such recommendations shall be submitted to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives.

"(b) REGULATORY IMPROVEMENT AND STREAMLINING EXPERIMENTS.—

"(1) IN GENERAL.—The Secretary may continue any experimental sites in existence on the date of enactment of the Higher Education Amendments of 1998. Any activities approved by the Secretary prior to such date that are inconsistent with this section shall be discontinued not later than June 30, 1999.

"(2) REPORT.—The Secretary shall review and evaluate the experience of institutions participating as experimental sites during the period of 1993 through 1998 under this section (as such section was in effect on the day before the date of enactment of the Higher Education Amendments of 1998), and shall submit a report based on this review and evaluation to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the

House of Representatives not later than 6 months after the enactment of the Higher Education Amendments of 1998. Such report shall include—

"(A) a list of participating institutions and the specific statutory or regulatory waivers granted to each institution;

"(B) the findings and conclusions reached regarding each of the experiments conducted; and

"(C) recommendations for amendments to improve and streamline this Act, based on the results of the experiment.

"(3) SELECTION.—

"(A) IN GENERAL.—Upon the submission of the report required by paragraph (2), the Secretary is authorized to select a limited number of additional institutions for voluntary participation as experimental sites to provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management initiatives.

"(B) CONSULTATION.—Prior to approving any additional experimental sites, the Secretary shall consult with the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives and shall provide to such Committees—

"(i) a list of institutions proposed for participation in the experiment and the specific statutory or regulatory waivers proposed to be granted to each institution;

"(ii) a statement of the objectives to be achieved through the experiment; and

"(iii) an identification of the period of time over which the experiment is to be conducted.

"(C) WAIVERS.—The Secretary is authorized to waive, for any institution participating as an experimental site under subparagraph (A), any requirements in this title, or regulations prescribed under this title, that will bias the results of the experiment, except that the Secretary shall not waive any provisions with respect to award rules, grant and loan maximum award amounts, and need analysis requirements.

"(c) DEFINITIONS.—For purposes of this section, the term 'current award year' means the award year during which the participating institution indicates the institution's intention to cease participation.".

SEC. 490A. GARNISHMENT REQUIREMENTS.

Section 488A (20 U.S.C. 1095a) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following:

"(d) NO ATTACHMENT OF STUDENT ASSISTANCE.—Except as authorized in this section, notwithstanding any other provision of Federal or State law, no grant, loan, or work assistance awarded under this title, or property traceable to such assistance, shall be subject to garnishment or attachment in order to satisfy any debt owed by the student awarded such assistance, other than a debt owed to the Secretary and arising under this title.".

SEC. 490B. ADMINISTRATIVE SUBPOENA AUTHORITY.

Part G of title IV is further amended by inserting immediately after section 490 (20 U.S.C. 1097) the following:

"SEC. 490A. ADMINISTRATIVE SUBPOENAS.

"(a) AUTHORITY.—To assist the Secretary in the conduct of investigations of possible violations of the provisions of this title, the Secretary is authorized to require by subpoena the production of information, documents, reports, answers, records, accounts, papers, and other documentary evidence pertaining to participation in any program under this title. The production of any such records may be required from any place in a State.

"(b) ENFORCEMENT.—In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Secretary may request the Attorney General to invoke the aid of any court of the United States where such person resides or transacts business for a court order for the enforcement of this section.".

SEC. 490C. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

Section 491 (20 U.S.C. 1098) is amended—

(1) in subsection (b)—

(A) in the second sentence, by striking "and expenditures" and inserting ", expenditures and staffing levels"; and

(B) by inserting after the third sentence the following: "Reports, publications, and other documents of the Advisory Committee, including such reports, publications, and documents in electronic form, shall not be subject to review by the Secretary.";

(2) in subsection (e)—

(A) by redesignating paragraphs (3), (4), and (5), as paragraphs (4), (5), and (6), respectively; and

(B) by inserting after paragraph (2) the following:

"(3) No officers or full-time employees of the Federal Government shall serve as members of the Advisory Committee.";

(3) in subsection (g), by striking "(1) Members" and all that follows through "of the United States may each" and inserting "Members of the Advisory Committee may each";

(4) in subsection (h)(1)—

(A) by inserting "determined" after "as may be"; and

(B) by adding at the end the following: "The Advisory Committee may appoint not more than 1 full-time equivalent, nonpermanent, consultant without regard to the provisions of title 5, United States Code. The Advisory Committee shall not be required by the Secretary to reduce personnel to meet agency personnel reduction goals.";

(5) in subsection (i), by striking "$750,000" and inserting "$800,000";

(6) by amending subsection (j) to read as follows:

"(j) SPECIAL ANALYSES AND ACTIVITIES.—The Advisory Committee shall—

"(1) monitor and evaluate the modernization of student financial aid systems and delivery processes, including the implementation of a performance-based organization within the

Department, and report to Congress regarding such modernization on not less than an annual basis, including recommendations for improvement;

"(2) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year secondary school students;

"(3) assess and make recommendations concerning the feasibility and degree of use of appropriate technology in the application for, and delivery and management of, financial assistance under this title, as well as policies that promote use of such technology to reduce cost and enhance service and program integrity, including electronic application and reapplication, just-in-time delivery of funds, reporting of disbursements and reconciliation;

"(4) assess the implications of distance education on student eligibility and other requirements for financial assistance under this title, and make recommendations that will enhance access to postsecondary education through distance education while maintaining access, through on-campus instruction at eligible institutions, and program integrity; and

"(5) make recommendations to the Secretary regarding redundant or outdated provisions of and regulations under this Act, consistent with the Secretary's requirements under section 498B.";

(7) in subsection (k), by striking "1998" and inserting "2004"; and

(8) by repealing subsection (l).

SEC. 490D. MEETINGS AND NEGOTIATED RULEMAKING.

(a) MEETINGS.—Section 492(a) (20 U.S.C. 1098a) is amended—

(1) in paragraph (1)—

(A) by striking "convene regional meetings to";

(B) by striking "parts B, G, and H of this title," and inserting "this title;"; and

(C) by striking "Such meetings shall include" and inserting "The Secretary shall obtain the advice of and recommendations from"; and

(2) in paragraph (2)—

(A) by striking "During such meetings the" and inserting "The";

(B) by striking "parts B, G, and H" and inserting "this title";

(C) by striking "1992" and inserting "1998 through such mechanisms as regional meetings and electronic exchanges of information"; and

(D) by striking "at such meetings" and inserting "through such mechanisms".

(b) DRAFT REGULATIONS.—Section 492(b) is amended—

(1) by striking "After" and inserting the following:

"(1) IN GENERAL.—After";

(2) in paragraph (1) (as redesignated by paragraph (1))—

(A) by striking "holding regional meetings" and inserting "obtaining the advice and recommendations described in subsection (a)(1)";

(B) by striking "parts B, G, and H of this title" and inserting "this title";

(C) by striking "1992" and inserting "1998";

(D) by striking "The Secretary shall follow the guidance provided in sections 305.82–4 and 305.85–5 of chapter 1, Code of Federal Regulations, and any successor recommendation, regulation, or law.";

(E) by striking "participating in the regional meetings";

(F) by striking "240-day" and inserting "360-day"; and

(G) by striking "section 431(g)" and inserting "section 437(e)"; and

(3) by adding at the end the following:

"(2) EXPANSION OF NEGOTIATED RULEMAKING.—All regulations pertaining to this title that are promulgated after the date of enactment of this paragraph shall be subject to a negotiated rulemaking (including the selection of the issues to be negotiated), unless the Secretary determines that applying such a requirement with respect to given regulations is impracticable, unnecessary, or contrary to the public interest (within the meaning of section 553(b)(3)(B) of title 5, United States Code), and publishes the basis for such determination in the Federal Register at the same time as the proposed regulations in question are first published. All published proposed regulations shall conform to agreements resulting from such negotiated rulemaking unless the Secretary reopens the negotiated rulemaking process or provides a written explanation to the participants in that process why the Secretary has decided to depart from such agreements. Such negotiated rulemaking shall be conducted in accordance with the provisions of paragraph (1), and the Secretary shall ensure that a clear and reliable record of agreements reached during the negotiations process is maintained.".

SEC. 490E. YEAR 2000 REQUIREMENTS AT THE DEPARTMENT OF EDUCATION.

Part G of title IV (20 U.S.C. 1088 et seq.) is amended by adding at the end the following:

"SEC. 493A. YEAR 2000 REQUIREMENTS AT THE DEPARTMENT.

"(a) PREPARATIONS FOR YEAR 2000.—In order to ensure that the processing, delivery, and administration of grant, loan, and work assistance provided under this title is not interrupted due to operational problems related to the inability of computer systems to indicate accurately dates after December 31, 1999, the Secretary of Education shall—

"(1) take such actions as are necessary to ensure that all internal and external systems, hardware, and data exchange infrastructure administered by the Department that are necessary for the processing, delivery, and administration of the grant, loan, and work assistance are Year 2000 compliant by March 31, 1999, such that there will be no business interruption after December 31, 1999;

"(2) ensure that the Robert T. Stafford Federal Student Loan Program and the William D. Ford Federal Direct Loan Program are equal in level of priority with respect to addressing, and that resources are managed to equally provide for successful resolution of, the Year 2000 computer problem in both programs by December 31, 1999;

"(3) work with the Department's various data exchange partners under this title to fully test all data exchange routes

for Year 2000 compliance via end-to-end testing, and submit a report describing the parameters and results of such tests to the Comptroller General not later than March 31, 1999;

"(4) ensure that the Inspector General of the Department (or an external, independent entity selected by the Inspector General) performs and publishes a risk assessment of the systems and hardware under the Department's management, that has been reviewed by an independent entity, and make such assessment publicly available not later than 60 days after the date of enactment of the Higher Education Amendments of 1998;

"(5) not later than June 30, 1999, ensure that the Inspector General (or an external, independent entity selected by the Inspector General) conducts a review of the Department's Year 2000 compliance for the processing, delivery, and administration of grant, loan, and work assistance, and submits a report reflecting the results of that review to the Chairperson of the Committee on Labor and Human Resources of the Senate and the Chairperson of the Committee on Education and the Workforce of the House of Representatives;

"(6) develop a contingency plan to ensure the programs under this title will continue to run uninterrupted in the event of widespread disruptions in the flow of accurate computerized data, which contingency plan shall include a prioritization of mission critical systems and strategies to allow data partners to transfer data through alternate means; and

"(7) alert Congress at the earliest possible time if mission critical deadlines will not be met.

"(b) POSTPONEMENT AUTHORITY FOR THE YEAR 2000.—

"(1) PURPOSE.—It is the purpose of this subsection to provide the Secretary with the flexibility necessary to—

"(A) ensure that the resources and capabilities of institutions, lenders, and guaranty agencies are not overburdened by the combination of student aid processing and delivery requirements added or modified by the amendments made by the Higher Education Amendments of 1998 and by the changes required to ensure that the systems of the institutions, lenders and guaranty agencies are Year 2000 compliant; and

"(B) avoid the disruption of grant, loan, or work assistance funds awarded to students because of Year 2000 compliance problems at a substantial number of institutions, lenders, and guaranty agencies.

"(2) AUTHORITY TO POSTPONE.—The Secretary may postpone, for a period of time described in paragraph (3), the implementation of any requirements under part B, D, E, or G that are added or modified by the amendments made by the Higher Education Amendments of 1998 related to the processing or delivery of grant, loan, and work assistance (which shall not include the determination of need for such assistance) provided under this title, if the Secretary—

"(A) determines that—

"(i) implementation of such requirements would require extensive changes to the existing systems of institutions, lenders, or guaranty agencies; and

"(ii) postponement is necessary to avoid jeopardizing the ability of a substantial number of institutions,

lenders, or guaranty agencies to ensure that all of the systems of the institutions, lenders, or guaranty agencies related to the processing or delivery of such assistance function successfully after December 31, 1999; and

"(B) promptly publishes in the Federal Register a list of, and notifies Congress of, any provisions, the implementation of which the Secretary intends to postpone, with the reasons for such postponement.

"(3) EXCEPTIONS TO AUTHORITY.—The Secretary may not postpone the implementation of one or more provisions described in this subsection longer than the earlier of—

"(A) the period of time that the Secretary determines necessary to ensure that the processing and delivery systems of the institutions, lenders, and guaranty agencies referred to in paragraph (1)(A)(ii) are capable of functioning successfully after December 31, 1999; or

"(B) one award year after the effective date applicable to such provision under the Higher Education Amendments of 1998.".

SEC. 490F. PROCEDURES FOR CANCELLATIONS AND DEFERMENTS FOR ELIGIBLE DISABLED VETERANS.

Part G of title IV (20 U.S.C. 1088 et seq.) is amended by adding after section 493A (as added by section 490E) the following:

"SEC. 493B. PROCEDURES FOR CANCELLATIONS AND DEFERMENTS FOR ELIGIBLE DISABLED VETERANS.

"The Secretary, in consultation with the Secretary of Veterans Affairs, shall develop and implement a procedure to permit Department of Veterans Affairs physicians to provide the certifications and affidavits needed to enable disabled veterans enrolled in the Department of Veterans Affairs health care system to document such veterans' eligibility for deferments or cancellations of student loans made, insured, or guaranteed under this title. Not later than 6 months after the date of enactment of the Higher Education Amendments of 1998, the Secretary and the Secretary of Veterans Affairs jointly shall report to Congress on the progress made in developing and implementing the procedure.".

PART H—PROGRAM INTEGRITY

SEC. 491. STATE ROLE AND RESPONSIBILITIES.

Part H of title IV (20 U.S.C. 1099a et seq.) is amended by—

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

"PART H—PROGRAM INTEGRITY";

and

(2) by amending subpart 1 (20 U.S.C. 1099a et seq.) to read as follows:

"Subpart 1—State Role

"SEC. 495. STATE RESPONSIBILITIES.

"(a) STATE RESPONSIBILITIES.—As part of the integrity program authorized by this part, each State, through one State agency or several State agencies selected by the State, shall—

"(1) furnish the Secretary, upon request, information with respect to the process for licensing or other authorization for institutions of higher education to operate within the State;

"(2) notify the Secretary promptly whenever the State revokes a license or other authority to operate an institution of higher education; and

"(3) notify the Secretary promptly whenever the State has credible evidence that an institution of higher education within the State—

"(A) has committed fraud in the administration of the student assistance programs authorized by this title; or

"(B) has substantially violated a provision of this title.

"(b) INSTITUTIONAL RESPONSIBILITY.—Each institution of higher education shall provide evidence to the Secretary that the institution has authority to operate within a State at the time the institution is certified under subpart 3.".

SEC. 492. ACCREDITING AGENCY RECOGNITION.

(a) RECOGNITION.—

(1) SUBPART HEADING.—The heading of subpart 2 of part H is amended by striking "**Approval**" and inserting "**Recognition**".

(2) SECTION 496 HEADING.—The heading of section 496 is amended by striking "**APPROVAL**" and inserting "**RECOGNITION**".

(b) STANDARDS.—Section 496(a) (20 U.S.C. 1099b(a)) is amended—

(1) in the subsection heading, by striking "STANDARDS" and inserting "CRITERIA";

(2) in the matter preceding paragraph (1), by striking "standards" each place the term appears and inserting "criteria";

(3) in paragraph (4)—

(A) by striking "at the institution" and inserting "offered by the institution"; and

(B) by inserting ", including distance education courses or programs," after "higher education"; and

(4) in paragraph (5)—

(A) by striking "of accreditation" and inserting "for accreditation";

(B) by striking subparagraphs (H), (I), and (J);

(C) by redesignating subparagraphs (A) through (G) as subparagraphs (B) through (H), respectively;

(D) by redesignating subparagraphs (K) and (L) as subparagraphs (I) and (J), respectively;

(E) by inserting before subparagraph (B) the following:

"(A) success with respect to student achievement in relation to the institution's mission, including, as appropriate, consideration of course completion, State licensing examinations, and job placement rates;";

(F) in subparagraph (H) (as redesignated by subparagraph (C)), by striking "program length and tuition and fees in relation to the subject matters taught" and inserting "measures of program length";

(G) in subparagraph (J) (as redesignated by subparagraph (D))—

(i) by inserting "record of" before "compliance";

(ii) by striking "Act, including any" and inserting "Act based on the most recent student loan default rate data provided by the Secretary, the"; and

(iii) by inserting "any" after "reviews, and"; and

(H) in the matter following subparagraph (J) (as redesignated by subparagraph (D)), by striking "(G), (H), (I), (J), and (L)" and inserting "(A), (H), and (J)";

(5) in paragraph (7), by striking "State postsecondary review entity" and inserting "State licensing or authorizing agency"; and

(6) in paragraph (8), by striking "State postsecondary" and everything that follows through "is located" and inserting "State licensing or authorizing agency".

(c) OPERATING PROCEDURES.—Section 496(c) is amended—

(1) by striking "approved by the Secretary" and inserting "recognized by the Secretary"; and

(2) in paragraph (1), by striking "(at least" and everything that follows through "unannounced)," and inserting "(which may include unannounced site visits)".

(d) CONFORMING AMENDMENTS.—Section 496 is further amended—

(1) in subsection (d)—

(A) by striking "APPROVAL" in the heading of such subsection and inserting "RECOGNITION"; and

(B) by striking "approved" and inserting "recognized";

(2) in subsection (f), by striking "approved" and inserting "recognized";

(3) in subsection (g)—

(A) in the heading of such subsection, by striking "STANDARDS" and inserting "CRITERIA"; and

(B) by striking "standards" the first place such term appears and inserting "criteria";

(4) in subsection (k)—

(A) in the matter preceding paragraph (1), by striking "section 481" and inserting "section 102"; and

(B) in paragraph (2), by striking "standards" and inserting "criteria";

(5) in subsection (l), by striking everything preceding paragraph (2) and inserting the following:

"(l) LIMITATION, SUSPENSION, OR TERMINATION OF RECOGNITION.—(1) If the Secretary determines that an accrediting agency or association has failed to apply effectively the criteria in this section, or is otherwise not in compliance with the requirements of this section, the Secretary shall—

"(A) after notice and opportunity for a hearing, limit, suspend, or terminate the recognition of the agency or association; or

"(B) require the agency or association to take appropriate action to bring the agency or association into compliance with

such requirements within a timeframe specified by the Secretary, except that—

"(i) such timeframe shall not exceed 12 months unless the Secretary extends such period for good cause; and

"(ii) if the agency or association fails to bring the agency or association into compliance within such timeframe, the Secretary shall, after notice and opportunity for a hearing, limit, suspend, or terminate the recognition of the agency or association."; and

(6) in subsection (n)—

(A) by striking "standards" each place the term appears and inserting "criteria";

(B) in paragraph (3)—

(i) by striking "approval process" and inserting "recognition process";

(ii) by striking "approval or disapproval" and inserting "recognition or denial of recognition"; and

(iii) by adding at the end the following: "When the Secretary decides to recognize an accrediting agency or association, the Secretary shall determine the agency or association's scope of recognition. If the agency or association reviews institutions offering distance education courses or programs and the Secretary determines that the agency or association meets the requirements of this section, then the agency shall be recognized and the scope of recognition shall include accreditation of institutions offering distance education courses or programs."; and

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

"(4) The Secretary shall maintain sufficient documentation to support the conclusions reached in the recognition process, and, if the Secretary does not recognize any accreditation agency or association, shall make publicly available the reason for denying recognition, including reference to the specific criteria under this section which have not been fulfilled.".

SEC. 493. ELIGIBILITY AND CERTIFICATION PROCEDURES.

(a) SINGLE APPLICATION FORM.—Section 498(b) (20 U.S.C. 1099c(b)) is amended—

(1) in paragraph (1), by striking "and capability" and inserting "financial responsibility, and administrative capability";

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

"(3) requires—

"(A) a description of the third party servicers of an institution of higher education; and

"(B) the institution to maintain a copy of any contract with a financial aid service provider or loan servicer, and provide a copy of any such contract to the Secretary upon request;";

(3) in paragraph (4), by striking the period and inserting "; and"; and

(4) by adding at the end the following:

"(5) provides, at the option of the institution, for participation in one or more of the programs under part B or D.".

(b) FINANCIAL RESPONSIBILITY STANDARDS.—Section 498(c) is amended—

(1) in paragraph (2)—

(A) in the first sentence, by striking "with respect to operating losses, net worth, asset to liabilities ratios, or operating fund deficits" and inserting "regarding ratios that demonstrate financial responsibility,"; and

(B) in the second sentence, by inserting ", public," after "for profit";

(2) in paragraph (3)(A), by inserting "that the Secretary determines are reasonable" after "guarantees"; and

(3) in paragraph (4)—

(A) in the matter preceding subparagraph (A), by striking "ratio of current assets to current liabilities" and inserting "criteria"; and

(B) in subparagraph (C), by striking "current operating ratio requirement" and inserting "criteria".

(c) FINANCIAL GUARANTEES FROM OWNERS.—

(1) AMENDMENT.—Section 498(e) is amended by adding at the end the following:

"(6) Notwithstanding any other provision of law, any individual who—

"(A) the Secretary determines, in accordance with paragraph (2), exercises substantial control over an institution participating in, or seeking to participate in, a program under this title;

"(B) is required to pay, on behalf of a student or borrower, a refund of unearned institutional charges to a lender, or to the Secretary; and

"(C) willfully fails to pay such refund or willfully attempts in any manner to evade payment of such refund,

shall, in addition to other penalties provided by law, be liable to the Secretary for the amount of the refund not paid, to the same extent with respect to such refund that such an individual would be liable as a responsible person for a penalty under section 6672(a) of Internal Revenue Code of 1986 with respect to the nonpayment of taxes.".

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall be effective with respect to any unpaid refunds that were first required to be paid to a lender or to the Secretary on or after 90 days after the date of enactment of this Act.

(d) APPLICATIONS AND SITE VISITS.—Section 498(f) is amended—

(1) in the subsection heading, by striking "; SITE VISITS AND FEES" and inserting "AND SITE VISITS";

(2) in the second sentence, by striking "shall" and inserting "may";

(3) in the third sentence—

(A) by striking "may establish" and insert "shall establish"; and

(B) by striking "may coordinate" and inserting "shall, to the extent practicable, coordinate"; and

(4) by striking the fourth sentence.

(e) TIME LIMITATIONS ON, AND RENEWAL OF, ELIGIBILITY.—Subsection (g) of section 498 is amended to read as follows:

"(g) TIME LIMITATIONS ON, AND RENEWAL OF, ELIGIBILITY.—

"(1) GENERAL RULE.—After the expiration of the certification of any institution under the schedule prescribed under this section (as this section was in effect prior to the enactment

of the Higher Education Act Amendments of 1998), or upon request for initial certification from an institution not previously certified, the Secretary may certify the eligibility for the purposes of any program authorized under this title of each such institution for a period not to exceed 6 years.

"(2) NOTIFICATION.—The Secretary shall notify each institution of higher education not later than 6 months prior to the date of the expiration of the institution's certification.

"(3) INSTITUTIONS OUTSIDE THE UNITED STATES.—The Secretary shall promulgate regulations regarding the recertification requirements applicable to an institution of higher education outside of the United States that meets the requirements of section 102(a)(1)(C) and received less than $500,000 in funds under part B for the most recent year for which data are available.".

(f) PROVISIONAL CERTIFICATION.—Section 498(h)(2) is amended—

(1) by striking "the approval" and inserting "the recognition"; and

(2) by striking "of approval" and inserting "of recognition".

(g) CHANGE IN OWNERSHIP.—Section 498(i) is amended by adding at the end the following:

"(4)(A) The Secretary may provisionally certify an institution seeking approval of a change in ownership based on the preliminary review by the Secretary of a materially complete application that is received by the Secretary within 10 business days of the transaction for which the approval is sought.

"(B) A provisional certification under this paragraph shall expire not later than the end of the month following the month in which the transaction occurred, except that if the Secretary has not issued a decision on the application for the change of ownership within that period, the Secretary may continue such provisional certification on a month-to-month basis until such decision has been issued.".

(h) TREATMENT OF BRANCHES.—The second sentence of section 498(j)(1) is amended by inserting "after the branch is certified by the Secretary as a branch campus participating in a program under this title," after "2 years".

SEC. 494. PROGRAM REVIEW AND DATA.

Section 498A (20 U.S.C. 1099c–1) is amended—

(1) in subsection (a)—

(A) in paragraph (2)—

(i) in the matter preceding subparagraph (A), by striking "may" and inserting "shall";

(ii) by amending subparagraph (C) to read as follows:

"(C) institutions with a significant fluctuation in Federal Stafford Loan volume, Federal Direct Stafford/Ford Loan volume, or Federal Pell Grant award volume, or any combination thereof, in the year for which the determination is made, compared to the year prior to such year, that are not accounted for by changes in the Federal Stafford Loan program, the Federal Direct Stafford/Ford Loan program, or the Pell Grant program, or any combination thereof;";

(iii) by amending subparagraph (D) to read as follows:

"(D) institutions reported to have deficiencies or financial aid problems by the State licensing or authorizing agency, or by the appropriate accrediting agency or association;";

(iv) in subparagraph (E), by inserting "and" after the semicolon; and

(v) by striking subparagraphs (F) and (G) and inserting the following:

"(F) such other institutions that the Secretary determines may pose a significant risk of failure to comply with the administrative capability or financial responsibility provisions of this title; and"; and

(B) in paragraph (3)(A), by inserting "relevant" after "all"; and

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

"(b) SPECIAL ADMINISTRATIVE RULES.—In carrying out paragraphs (1) and (2) of subsection (a) and any other relevant provisions of this title, the Secretary shall—

"(1) establish guidelines designed to ensure uniformity of practice in the conduct of program reviews of institutions of higher education;

"(2) make available to each institution participating in programs authorized under this title complete copies of all review guidelines and procedures used in program reviews;

"(3) permit the institution to correct or cure an administrative, accounting, or recordkeeping error if the error is not part of a pattern of error and there is no evidence of fraud or misconduct related to the error;

"(4) base any civil penalty assessed against an institution of higher education resulting from a program review or audit on the gravity of the violation, failure, or misrepresentation; and

"(5) inform the appropriate State and accrediting agency or association whenever the Secretary takes action against an institution of higher education under this section, section 498, or section 432.".

SEC. 495. REVIEW OF REGULATIONS.

Part H of title IV is further amended by adding at the end the following:

"SEC. 498B. REVIEW OF REGULATIONS.

"(a) REVIEW REQUIRED.—The Secretary shall review each regulation issued under this title that is in effect at the time of the review and applies to the operations or activities of any participant in the programs assisted under this title. The review shall include a determination of whether the regulation is duplicative, or is no longer necessary. The review may involve one or more of the following:

"(1) An assurance of the uniformity of interpretation and application of such regulations.

"(2) The establishment of a process for ensuring that eligibility and compliance issues, such as institutional audit, program review, and recertification, are considered simultaneously.

"(3) A determination of the extent to which unnecessary costs are imposed on institutions of higher education as a

consequence of the applicability to the facilities and equipment of such institutions of regulations prescribed for purposes of regulating industrial and commercial enterprises.

"(b) REGULATORY AND STATUTORY RELIEF FOR SMALL VOLUME INSTITUTIONS.—The Secretary shall review and evaluate ways in which regulations under and provisions of this Act affecting institution of higher education (other than institutions described in section 102(a)(1)(C)), that have received in each of the two most recent award years prior to the date of the enactment of the Higher Education Amendments of 1998 less than $200,000 in funds through this title, may be improved, streamlined, or eliminated.

"(c) CONSULTATION.—In carrying out subsections (a) and (b), the Secretary shall consult with relevant representatives of institutions participating in the programs authorized by this title.

"(d) REPORTS TO CONGRESS.—

"(1) IN GENERAL.—The Secretary shall submit, not later than 1 year after the date of the enactment of the Higher Education Amendments of 1998, a report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives detailing the Secretary's findings and recommendations based on the reviews conducted under subsections (a) and (b), including a timetable for implementation of any recommended changes in regulations and a description of any recommendations for legislative changes.

"(2) ADDITIONAL REPORTS.—Not later than January 1, 2003, the Secretary shall submit a report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives detailing the Secretary's findings and recommendations based on the review conducted under subsection (a), including a timetable for implementation of any recommended changes in regulations and a description of any recommendations for legislative changes.".

TITLE V—DEVELOPING INSTITUTIONS

SEC. 501. ESTABLISHMENT OF NEW TITLE V.

Title V (20 U.S.C. 1101 et seq.) is amended to read as follows:

"TITLE V—DEVELOPING INSTITUTIONS

"PART A—HISPANIC-SERVING INSTITUTIONS

"SEC. 501. FINDINGS; PURPOSE; AND PROGRAM AUTHORITY.

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

"(1) Hispanic Americans are at high risk of not enrolling or graduating from institutions of higher education.

"(2) Disparities between the enrollment of non-Hispanic white students and Hispanic students in postsecondary education are increasing. Between 1973 and 1994, enrollment of white secondary school graduates in 4-year institutions of higher education increased at a rate two times higher than that of Hispanic secondary school graduates.

"(3) Despite significant limitations in resources, Hispanic-serving institutions provide a significant proportion of post-secondary opportunities for Hispanic students.

"(4) Relative to other institutions of higher education, Hispanic-serving institutions are underfunded. Such institutions receive significantly less in State and local funding, per full-time equivalent student, than other institutions of higher education.

"(5) Hispanic-serving institutions are succeeding in educating Hispanic students despite significant resource problems that—

"(A) limit the ability of such institutions to expand and improve the academic programs of such institutions; and

"(B) could imperil the financial and administrative stability of such institutions.

"(6) There is a national interest in remedying the disparities described in paragraphs (2) and (4) and ensuring that Hispanic students have an equal opportunity to pursue post-secondary opportunities.

"(b) PURPOSE.—The purpose of this title is to—

"(1) expand educational opportunities for, and improve the academic attainment of, Hispanic students; and

"(2) expand and enhance the academic offerings, program quality, and institutional stability of colleges and universities that are educating the majority of Hispanic college students and helping large numbers of Hispanic students and other low-income individuals complete postsecondary degrees.

"(c) PROGRAM AUTHORITY.—The Secretary shall provide grants and related assistance to Hispanic-serving institutions to enable such institutions to improve and expand their capacity to serve Hispanic students and other low-income individuals.

"SEC. 502. DEFINITIONS; ELIGIBILITY.

"(a) DEFINITIONS.—For the purpose of this title:

"(1) EDUCATIONAL AND GENERAL EXPENDITURES.—The term 'educational and general expenditures' means the total amount expended by an institution for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation and maintenance expenditures for the physical plant, and any mandatory transfers that the institution is required to pay by law.

"(2) ELIGIBLE INSTITUTION.—The term 'eligible institution' means—

"(A) an institution of higher education—

"(i) that has an enrollment of needy students as required by subsection (b);

"(ii) except as provided in section 512(b), the average educational and general expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction;

"(iii) that is—

"(I) legally authorized to provide, and provides within the State, an educational program for which the institution awards a bachelor's degree; or

"(II) a junior or community college;

"(iv) that is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be reliable authority as to the quality of training offered or that is, according to such an agency or association, making reasonable progress toward accreditation;

"(v) that meets such other requirements as the Secretary may prescribe; and

"(vi) that is located in a State; and

"(B) any branch of any institution of higher education described under subparagraph (A) that by itself satisfies the requirements contained in clauses (i) and (ii) of such subparagraph.

For purposes of the determination of whether an institution is an eligible institution under this paragraph, the factor described under subparagraph (A)(i) shall be given twice the weight of the factor described under subparagraph (A)(ii).

"(3) ENDOWMENT FUND.—The term 'endowment fund' means a fund that—

"(A) is established by State law, by a Hispanic-serving institution, or by a foundation that is exempt from Federal income taxation;

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

"(C) does not include real estate.

"(4) FULL-TIME EQUIVALENT STUDENTS.—The term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by 12) at such institution.

"(5) HISPANIC-SERVING INSTITUTION.—The term 'Hispanic-serving institution' means an institution of higher education that—

"(A) is an eligible institution;

"(B) at the time of application, has an enrollment of undergraduate full-time equivalent students that is at least 25 percent Hispanic students; and

"(C) provides assurances that not less than 50 percent of the institution's Hispanic students are low-income individuals.

"(6) JUNIOR OR COMMUNITY COLLEGE.—The term 'junior or community college' means an institution of higher education—

"(A) that admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution;

"(B) that does not provide an educational program for which the institution awards a bachelor's degree (or an equivalent degree); and

"(C) that—

"(i) provides an educational program of not less than 2 years in duration that is acceptable for full credit toward such a degree; or

"(ii) offers a 2-year program in engineering, mathematics, or the physical or biological sciences, designed to prepare a student to work as a technician or at the semiprofessional level in engineering, scientific, or other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"(7) LOW-INCOME INDIVIDUAL.—The term 'low-income individual' means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census.

"(b) ENROLLMENT OF NEEDY STUDENTS.—For the purpose of this title, the term 'enrollment of needy students' means an enrollment at an institution with respect to which—

"(1) at least 50 percent of the degree students so enrolled are receiving need-based assistance under title IV in the second fiscal year preceding the fiscal year for which the determination is made (other than loans for which an interest subsidy is paid pursuant to section 428); or

"(2) a substantial percentage of the students so enrolled are receiving Federal Pell Grants in the second fiscal year preceding the fiscal year for which determination is made, compared to the percentage of students receiving Federal Pell Grants at all such institutions in the second fiscal year preceding the fiscal year for which the determination is made, unless the requirement of this paragraph is waived under section 512(a).

"SEC. 503. AUTHORIZED ACTIVITIES.

"(a) TYPES OF ACTIVITIES AUTHORIZED.—Grants awarded under this title shall be used by Hispanic-serving institutions of higher education to assist the institutions to plan, develop, undertake, and carry out programs to improve and expand the institutions' capacity to serve Hispanic students and other low-income students.

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

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

"(2) Construction, maintenance, renovation, and improvement in classrooms, libraries, laboratories, and other instructional facilities.

"(3) Support of faculty exchanges, faculty development, curriculum development, academic instruction, and faculty fellowships to assist in attaining advanced degrees in the fellow's field of instruction.

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

"(5) Tutoring, counseling, and student service programs designed to improve academic success.

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

"(7) Joint use of facilities, such as laboratories and libraries.

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

"(9) Establishing or improving an endowment fund.

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

"(11) Establishing or enhancing a program of teacher education designed to qualify students to teach in public elementary schools and secondary schools.

"(12) Establishing community outreach programs that will encourage elementary school and secondary school students to develop the academic skills and the interest to pursue post-secondary education.

"(13) Expanding the number of Hispanic and other underrepresented graduate and professional students that can be served by the institution by expanding courses and institutional resources.

"(14) Other activities proposed in the application submitted pursuant to section 504 that—

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

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

"(c) ENDOWMENT FUND LIMITATIONS.—

"(1) PORTION OF GRANT.—A Hispanic-serving institution may not use more than 20 percent of the grant funds provided under this title for any fiscal year for establishing or improving an endowment fund.

"(2) MATCHING REQUIRED.—A Hispanic-serving institution that uses any portion of the grant funds provided under this title for any fiscal year for establishing or improving an endowment fund shall provide from non-Federal funds an amount equal to or greater than the portion.

"(3) COMPARABILITY.—The provisions of part C of title III regarding the establishment or increase of an endowment fund, that the Secretary determines are not inconsistent with this subsection, shall apply to funds used under paragraph (1).

"SEC. 504. DURATION OF GRANT.

"(a) AWARD PERIOD.—

"(1) IN GENERAL.—The Secretary may award a grant to a Hispanic-serving institution under this title for 5 years.

"(2) WAITOUT PERIOD.—A Hispanic-serving institution shall not be eligible to secure a subsequent 5-year grant award under this title until 2 years have elapsed since the expiration of the institution's most recent 5-year grant award under this title, except that for the purpose of this subsection a grant under section 514(a) shall not be considered a grant under this title.

"(b) PLANNING GRANTS.—Notwithstanding subsection (a), the Secretary may award a grant to a Hispanic-serving institution

under this title for a period of 1 year for the purpose of preparation of plans and applications for a grant under this title.

"SEC. 505. SPECIAL RULE.

"No Hispanic-serving institution that is eligible for and receives funds under this title may receive funds under part A or B of title III during the period for which funds under this title are awarded.

"PART B—GENERAL PROVISIONS

"SEC. 511. ELIGIBILITY; APPLICATIONS.

"(a) INSTITUTIONAL ELIGIBILITY.—Each Hispanic-serving institution desiring to receive assistance under this title shall submit to the Secretary such enrollment data as may be necessary to demonstrate that the institution is a Hispanic-serving institution as defined in section 502, along with such other data and information as the Secretary may by regulation require.

"(b) APPLICATIONS.—

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

"(A) the application meets the requirements of subsection (b); and

"(B) the institution is eligible for assistance in accordance with the provisions of this title under which the assistance is sought.

"(2) PRELIMINARY APPLICATIONS.—In carrying out paragraph (1), the Secretary may develop a preliminary application for use by Hispanic-serving institutions applying under this title prior to the submission of the principal application.

"(c) CONTENTS.—A Hispanic-serving institution, in the institution's application for a grant, shall—

"(1) set forth, or describe how the institution will develop, a comprehensive development plan to strengthen the institution's academic quality and institutional management, and otherwise provide for institutional self-sufficiency and growth (including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title);

"(2) include a 5-year plan for improving the assistance provided by the Hispanic-serving institution to Hispanic students and other low-income individuals;

"(3) set forth policies and procedures to ensure that Federal funds made available under this title for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of section 501(b), and in no case supplant those funds;

"(4) set forth policies and procedures for evaluating the effectiveness in accomplishing the purpose of the activities for which a grant is sought under this title;

"(5) provide for such fiscal control and fund accounting procedures as may be necessary to ensure proper disbursement of and accounting for funds made available to the institution under this title;

"(6) provide that the institution will comply with the limitations set forth in section 516;

"(7) describe in a comprehensive manner any proposed project for which funds are sought under the application and include—

"(A) a description of the various components of the proposed project, including the estimated time required to complete each such component;

"(B) in the case of any development project that consists of several components (as described by the institution pursuant to subparagraph (A)), a statement identifying those components which, if separately funded, would be sound investments of Federal funds and those components which would be sound investments of Federal funds only if funded under this title in conjunction with other parts of the development project (as specified by the institution);

"(C) an evaluation by the institution of the priority given any proposed project for which funds are sought in relation to any other projects for which funds are sought by the institution under this title, and a similar evaluation regarding priorities among the components of any single proposed project (as described by the institution pursuant to subparagraph (A));

"(D) a detailed budget showing the manner in which funds for any proposed project would be spent by the institution; and

"(E) a detailed description of any activity which involves the expenditure of more than $25,000, as identified in the budget referred to in subparagraph (D);

"(8) provide for making reports, in such form and containing such information, as the Secretary may require to carry out the Secretary's functions under this title, including not less than one report annually setting forth the institution's progress toward achieving the objectives for which the funds were awarded and for keeping such records and affording such access to such records, as the Secretary may find necessary to assure the correctness and verification of such reports; and

"(9) include such other information as the Secretary may prescribe.

"(d) PRIORITY.—With respect to applications for assistance under this section, the Secretary shall give priority to an application that contains satisfactory evidence that the Hispanic-serving institution has entered into or will enter into a collaborative arrangement with at least one local educational agency or community-based organization to provide such agency or organization with assistance (from funds other than funds provided under this title) in reducing dropout rates for Hispanic students, improving rates of academic achievement for Hispanic students, and increasing the rates at which Hispanic secondary school graduates enroll in higher education.

"(e) ELIGIBILITY DATA.—The Secretary shall use the most recent and relevant data concerning the number and percentage of students receiving need-based assistance under title IV in making

eligibility determinations and shall advance the base-year for the determinations forward following each annual grant cycle.

"SEC. 512. WAIVER AUTHORITY AND REPORTING REQUIREMENT.

"(a) WAIVER REQUIREMENTS; NEED-BASED ASSISTANCE STUDENTS.—The Secretary may waive the requirements set forth in section 502(a)(2)(A)(i) in the case of an institution—

"(1) that is extensively subsidized by the State in which the institution is located and charges low or no tuition;

"(2) that serves a substantial number of low-income students as a percentage of the institution's total student population;

"(3) that is contributing substantially to increasing higher education opportunities for educationally disadvantaged, underrepresented, or minority students, who are low-income individuals;

"(4) which is substantially increasing higher educational opportunities for individuals in rural or other isolated areas which are unserved by postsecondary institutions; or

"(5) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of Hispanic Americans.

"(b) WAIVER DETERMINATIONS; EXPENDITURES.—

"(1) WAIVER DETERMINATIONS.—The Secretary may waive the requirements set forth in section 502(a)(2)(A)(ii) if the Secretary determines, based on persuasive evidence submitted by the institution, that the institution's failure to meet the requirements is due to factors which, when used in the determination of compliance with the requirements, distort such determination, and that the institution's designation as an eligible institution under part A is otherwise consistent with the purposes of this title.

"(2) EXPENDITURES.—The Secretary shall submit to Congress every other year a report concerning the institutions that, although not satisfying the requirements of section 502(a)(2)(A)(ii), have been determined to be eligible institutions under part A. Such report shall—

"(A) identify the factors referred to in paragraph (1) that were considered by the Secretary as factors that distorted the determination of compliance with clauses (i) and (ii) of section 502(a)(2)(A); and

"(B) contain a list of each institution determined to be an eligible institution under part A including a statement of the reasons for each such determination.

"SEC. 513. APPLICATION REVIEW PROCESS.

"(a) REVIEW PANEL.—All applications submitted under this title by Hispanic-serving institutions shall be read by a panel of readers composed of individuals who are selected by the Secretary and who include individuals representing Hispanic-serving institutions. The Secretary shall ensure that no individual assigned under this section to review any application has any conflict of interest with regard to the application that might impair the impartiality with which the individual conducts the review under this section.

"(b) INSTRUCTION.—All readers selected by the Secretary shall receive thorough instruction from the Secretary regarding the evaluation process for applications submitted under this title that are consistent with the provisions of this title, including—

"(1) an enumeration of the factors to be used to determine the quality of applications submitted under this title; and

"(2) an enumeration of the factors to be used to determine whether a grant should be awarded for a project under this title, the amount of any such grant, and the duration of any such grant.

"(c) RECOMMENDATIONS OF PANEL.—In awarding grants under this title, the Secretary shall take into consideration the recommendations of the panel made under subsection (a).

"(d) NOTIFICATION.—Not later than June 30 of each year, the Secretary shall notify each Hispanic-serving institution making an application under this title of—

"(1) the scores given the institution by the panel pursuant to this section;

"(2) the recommendations of the panel with respect to such application; and

"(3) the reasons for the decision of the Secretary in awarding or refusing to award a grant under this title, and any modifications, if any, in the recommendations of the panel made by the Secretary.

"SEC. 514. COOPERATIVE ARRANGEMENTS.

"(a) GENERAL AUTHORITY.—The Secretary may make grants to encourage cooperative arrangements with funds available to carry out this title, between Hispanic-serving institutions eligible for assistance under this title, and between such institutions and institutions not receiving assistance under this title, for the activities described in section 503 so that the resources of the cooperating institutions might be combined and shared in order to achieve the purposes of this title, to avoid costly duplicative efforts, and to enhance the development of Hispanic-serving institutions.

"(b) PRIORITY.—The Secretary shall give priority to grants for the purposes described under subsection (a) whenever the Secretary determines that the cooperative arrangement is geographically and economically sound or will benefit the applicant Hispanic-serving institution.

"(c) DURATION.—Grants to Hispanic-serving institutions having a cooperative arrangement may be made under this section for a period determined under section 505.

"SEC. 515. ASSISTANCE TO INSTITUTIONS UNDER OTHER PROGRAMS.

"(a) ASSISTANCE ELIGIBILITY.—Each Hispanic-serving institution that the Secretary determines to be an institution eligible under this title may be eligible for waivers in accordance with subsection (b).

"(b) WAIVER APPLICABILITY.—

"(1) IN GENERAL.—Subject to, and in accordance with, regulations promulgated for the purpose of this section, in the case of any application by a Hispanic-serving institution referred to in subsection (a) for assistance under any programs specified in paragraph (2), the Secretary is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or, to the extent not inconsistent with other law, to give, or require to be given, priority consideration of the application in relation to applications from other institutions.

"(2) PROGRAMS.—The provisions of this section shall apply to any program authorized by title IV or section 604.

"(c) LIMITATION.—The Secretary shall not waive, under subsection (b), the non-Federal share requirement for any program for applications which, if approved, would require the expenditure of more than 10 percent of the appropriations for the program for any fiscal year.

"SEC. 516. LIMITATIONS.

"The funds appropriated under section 518 may not be used—

"(1) for a school or department of divinity or any religious worship or sectarian activity;

"(2) for an activity that is inconsistent with a State plan for desegregation of higher education applicable to a Hispanic-serving institution;

"(3) for an activity that is inconsistent with a State plan of higher education applicable to a Hispanic-serving institution; or

"(4) for purposes other than the purposes set forth in the approved application under which the funds were made available to a Hispanic-serving institution.

"SEC. 517. PENALTIES.

"Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any recipient of Federal financial assistance or grant pursuant to this title embezzles, willfully misapplies, steals, or obtains by fraud any of the funds that are the subject of such grant or assistance, shall be fined not more than $10,000 or imprisoned for not more than 2 years, or both.

"SEC. 518. AUTHORIZATIONS OF APPROPRIATIONS.

"(a) AUTHORIZATIONS.—There are authorized to be appropriated to carry out this title $62,500,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(b) USE OF MULTIPLE YEAR AWARDS.—In the event of a multiple year award to any Hispanic-serving institution under this title, the Secretary shall make funds available for such award from funds appropriated for this title for the fiscal year in which such funds are to be used by the institution.".

TITLE VI—INTERNATIONAL EDUCATION PROGRAMS

SEC. 601. INTERNATIONAL AND FOREIGN LANGUAGE STUDIES.

Part A of title VI (20 U.S.C. 1121 et seq.) is amended to read as follows:

"PART A—INTERNATIONAL AND FOREIGN LANGUAGE STUDIES

"SEC. 601. FINDINGS AND PURPOSES.

"(a) FINDINGS.—Congress finds as follows:

"(1) The security, stability, and economic vitality of the United States in a complex global era depend upon American experts in and citizens knowledgeable about world regions, foreign languages, and international affairs, as well as upon a strong research base in these areas.

"(2) Advances in communications technology and the growth of regional and global problems make knowledge of other countries and the ability to communicate in other languages more essential to the promotion of mutual understanding and cooperation among nations and their peoples.

"(3) Dramatic post-Cold War changes in the world's geopolitical and economic landscapes are creating needs for American expertise and knowledge about a greater diversity of less commonly taught foreign languages and nations of the world.

"(4) Systematic efforts are necessary to enhance the capacity of institutions of higher education in the United States for—

"(A) producing graduates with international and foreign language expertise and knowledge; and

"(B) research regarding such expertise and knowledge.

"(5) Cooperative efforts among the Federal Government, institutions of higher education, and the private sector are necessary to promote the generation and dissemination of information about world regions, foreign languages, and international affairs throughout education, government, business, civic, and nonprofit sectors in the United States.

"(b) PURPOSES.—The purposes of this part are—

"(1)(A) to support centers, programs, and fellowships in institutions of higher education in the United States for producing increased numbers of trained personnel and research in foreign languages, area studies, and other international studies;

"(B) to develop a pool of international experts to meet national needs;

"(C) to develop and validate specialized materials and techniques for foreign language acquisition and fluency, emphasizing (but not limited to) the less commonly taught languages;

"(D) to promote access to research and training overseas; and

"(E) to advance the internationalization of a variety of disciplines throughout undergraduate and graduate education;

"(2) to support cooperative efforts promoting access to and the dissemination of international and foreign language knowledge, teaching materials, and research, throughout education, government, business, civic, and nonprofit sectors in the United States, through the use of advanced technologies; and

"(3) to coordinate the programs of the Federal Government in the areas of foreign language, area studies, and other international studies, including professional international affairs education and research.

"SEC. 602. GRADUATE AND UNDERGRADUATE LANGUAGE AND AREA CENTERS AND PROGRAMS.

"(a) NATIONAL LANGUAGE AND AREA CENTERS AND PROGRAMS AUTHORIZED.—

"(1) CENTERS AND PROGRAMS.—

"(A) IN GENERAL.—The Secretary is authorized—

"(i) to make grants to institutions of higher education, or combinations thereof, for the purpose of establishing, strengthening, and operating comprehensive foreign language and area or international studies centers and programs; and

"(ii) to make grants to such institutions or combinations for the purpose of establishing, strengthening, and operating a diverse network of undergraduate foreign language and area or international studies centers and programs.

"(B) NATIONAL RESOURCES.—The centers and programs referred to in paragraph (1) shall be national resources for—

"(i) teaching of any modern foreign language;

"(ii) instruction in fields needed to provide full understanding of areas, regions, or countries in which such language is commonly used;

"(iii) research and training in international studies, and the international and foreign language aspects of professional and other fields of study; and

"(iv) instruction and research on issues in world affairs that concern one or more countries.

"(2) AUTHORIZED ACTIVITIES.—Any such grant may be used to pay all or part of the cost of establishing or operating a center or program, including the cost of—

"(A) teaching and research materials;

"(B) curriculum planning and development;

"(C) establishing and maintaining linkages with overseas institutions of higher education and other organizations that may contribute to the teaching and research of the center or program;

"(D) bringing visiting scholars and faculty to the center to teach or to conduct research;

"(E) professional development of the center's faculty and staff;

"(F) projects conducted in cooperation with other centers addressing themes of world regional, cross-regional, international, or global importance;

"(G) summer institutes in the United States or abroad designed to provide language and area training in the center's field or topic; and

"(H) support for faculty, staff, and student travel in foreign areas, regions, or countries, and for the development and support of educational programs abroad for students.

"(3) GRANTS TO MAINTAIN LIBRARY COLLECTIONS.—The Secretary may make grants to centers described in paragraph (1) having important library collections, as determined by the Secretary, for the maintenance of such collections.

"(4) OUTREACH GRANTS AND SUMMER INSTITUTES.—The Secretary may make additional grants to centers described in paragraph (1) for any one or more of the following purposes:

"(A) Programs of linkage or outreach between foreign language, area studies, or other international fields, and professional schools and colleges.

"(B) Programs of linkage or outreach with 2- and 4-year colleges and universities.

"(C) Programs of linkage or outreach with departments or agencies of Federal and State governments.

"(D) Programs of linkage or outreach with the news media, business, professional, or trade associations.

"(E) Summer institutes in foreign area, foreign language, and other international fields designed to carry

out the programs of linkage and outreach described in subparagraphs (A), (B), (C), and (D).

"(b) GRADUATE FELLOWSHIPS FOR FOREIGN LANGUAGE AND AREA OR INTERNATIONAL STUDIES.—

"(1) IN GENERAL.—The Secretary is authorized to make grants to institutions of higher education or combinations of such institutions for the purpose of paying stipends to individuals undergoing advanced training in any center or program approved by the Secretary.

"(2) ELIGIBLE STUDENTS.—Students receiving stipends described in paragraph (1) shall be individuals who are engaged in an instructional program with stated performance goals for functional foreign language use or in a program developing such performance goals, in combination with area studies, international studies, or the international aspects of a professional studies program, including predissertation level studies, preparation for dissertation research, dissertation research abroad, and dissertation writing.

"(c) SPECIAL RULE WITH RESPECT TO TRAVEL.—No funds may be expended under this part for undergraduate travel except in accordance with rules prescribed by the Secretary setting forth policies and procedures to assure that Federal funds made available for such travel are expended as part of a formal program of supervised study.

"(d) ALLOWANCES.—Stipends awarded to graduate level recipients may include allowances for dependents and for travel for research and study in the United States and abroad.

"SEC. 603. LANGUAGE RESOURCE CENTERS.

"(a) LANGUAGE RESOURCE CENTERS AUTHORIZED.—The Secretary is authorized to make grants to and enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating a small number of national language resource and training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively.

"(b) AUTHORIZED ACTIVITIES.—The activities carried out by the centers described in subsection (a)—

"(1) shall include effective dissemination efforts, whenever appropriate; and

"(2) may include—

"(A) the conduct and dissemination of research on new and improved teaching methods, including the use of advanced educational technology;

"(B) the development and dissemination of new teaching materials reflecting the use of such research in effective teaching strategies;

"(C) the development, application, and dissemination of performance testing appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;

"(D) the training of teachers in the administration and interpretation of performance tests, the use of effective teaching strategies, and the use of new technologies;

"(E) a significant focus on the teaching and learning needs of the less commonly taught languages, including an assessment of the strategic needs of the United States,

the determination of ways to meet those needs nationally, and the publication and dissemination of instructional materials in the less commonly taught languages;

"(F) the development and dissemination of materials designed to serve as a resource for foreign language teachers at the elementary and secondary school levels; and

"(G) the operation of intensive summer language institutes to train advanced foreign language students, to provide professional development, and to improve language instruction through preservice and inservice language training for teachers.

"(c) CONDITIONS FOR GRANTS.—Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the provisions of this section.

"SEC. 604. UNDERGRADUATE INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS.

"(a) INCENTIVES FOR THE CREATION OF NEW PROGRAMS AND THE STRENGTHENING OF EXISTING PROGRAMS IN UNDERGRADUATE INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS.—

"(1) AUTHORITY.—The Secretary is authorized to make grants to institutions of higher education, combinations of such institutions, or partnerships between nonprofit educational organizations and institutions of higher education, to assist such institutions, combinations or partnerships in planning, developing, and carrying out programs to improve undergraduate instruction in international studies and foreign languages. Such grants shall be awarded to institutions, combinations or partnerships seeking to create new programs or to strengthen existing programs in foreign languages, area studies, and other international fields.

"(2) USE OF FUNDS.—Grants made under this section may be used for Federal share of the cost of projects and activities which are an integral part of such a program, such as—

"(A) planning for the development and expansion of undergraduate programs in international studies and foreign languages;

"(B) teaching, research, curriculum development, faculty training in the United States or abroad, and other related activities, including—

"(i) the expansion of library and teaching resources; and

"(ii) preservice and inservice teacher training;

"(C) expansion of opportunities for learning foreign languages, including less commonly taught languages;

"(D) programs under which foreign teachers and scholars may visit institutions as visiting faculty;

"(E) programs designed to develop or enhance linkages between 2- and 4-year institutions of higher education, or baccalaureate and post-baccalaureate programs or institutions;

"(F) the development of undergraduate educational programs—

"(i) in locations abroad where such opportunities are not otherwise available or that serve students for whom such opportunities are not otherwise available; and

"(ii) that provide courses that are closely related to on-campus foreign language and international curricula;

"(G) the integration of new and continuing education abroad opportunities for undergraduate students into curricula of specific degree programs;

"(H) the development of model programs to enrich or enhance the effectiveness of educational programs abroad, including predeparture and postreturn programs, and the integration of educational programs abroad into the curriculum of the home institution;

"(I) the development of programs designed to integrate professional and technical education with foreign languages, area studies, and other international fields;

"(J) the establishment of linkages overseas with institutions of higher education and organizations that contribute to the educational programs assisted under this subsection;

"(K) the conduct of summer institutes in foreign area, foreign language, and other international fields to provide faculty and curriculum development, including the integration of professional and technical education with foreign area and other international studies, and to provide foreign area and other international knowledge or skills to government personnel or private sector professionals in international activities;

"(L) the development of partnerships between—

"(i) institutions of higher education; and

"(ii) the private sector, government, or elementary and secondary education institutions,

in order to enhance international knowledge and skills; and

"(M) the use of innovative technology to increase access to international education programs.

"(3) NON-FEDERAL SHARE.—The non-Federal share of the cost of the programs assisted under this subsection—

"(A) may be provided in cash from the private sector corporations or foundations in an amount equal to one-third of the total cost of the programs assisted under this section; or

"(B) may be provided as an in-cash or in-kind contribution from institutional and noninstitutional funds, including State and private sector corporation or foundation contributions, equal to one-half of the total cost of the programs assisted under this section.

"(4) SPECIAL RULE.—The Secretary may waive or reduce the required non-Federal share for institutions that—

"(A) are eligible to receive assistance under part A or B of title III or under title V; and

"(B) have submitted a grant application under this section.

"(5) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to applications from institutions of higher education, combinations or partnerships that require entering students to have successfully completed at least 2 years of secondary school foreign language instruction or that

require each graduating student to earn 2 years of postsecondary credit in a foreign language (or have demonstrated equivalent competence in the foreign language) or, in the case of a 2-year degree granting institution, offer 2 years of postsecondary credit in a foreign language.

"(6) GRANT CONDITIONS.—Grants under this subsection shall be made on such conditions as the Secretary determines to be necessary to carry out this subsection.

"(7) APPLICATION.—Each application for assistance under this subsection shall include—

"(A) evidence that the applicant has conducted extensive planning prior to submitting the application;

"(B) an assurance that the faculty and administrators of all relevant departments and programs served by the applicant are involved in ongoing collaboration with regard to achieving the stated objectives of the application;

"(C) an assurance that students at the applicant institutions, as appropriate, will have equal access to, and derive benefits from, the program assisted under this subsection; and

"(D) an assurance that each institution, combination or partnership will use the Federal assistance provided under this subsection to supplement and not supplant non-Federal funds the institution expends for programs to improve undergraduate instruction in international studies and foreign languages.

"(8) EVALUATION.—The Secretary may establish requirements for program evaluations and require grant recipients to submit annual reports that evaluate the progress and performance of students participating in programs assisted under this subsection.

"(b) PROGRAMS OF NATIONAL SIGNIFICANCE.—The Secretary may also award grants to public and private nonprofit agencies and organizations, including professional and scholarly associations, whenever the Secretary determines such grants will make an especially significant contribution to improving undergraduate international studies and foreign language programs.

"(c) FUNDING SUPPORT.—The Secretary may use not more than 10 percent of the total amount appropriated for this part for carrying out the purposes of this section.

"SEC. 605. RESEARCH; STUDIES; ANNUAL REPORT.

"(a) AUTHORIZED ACTIVITIES.—The Secretary may, directly or through grants or contracts, conduct research and studies that contribute to achieving the purposes of this part. Such research and studies may include—

"(1) studies and surveys to determine needs for increased or improved instruction in foreign language, area studies, or other international fields, including the demand for foreign language, area, and other international specialists in government, education, and the private sector;

"(2) studies and surveys to assess the utilization of graduates of programs supported under this title by governmental, educational, and private sector organizations and other studies assessing the outcomes and effectiveness of programs so supported;

"(3) evaluation of the extent to which programs assisted under this title that address national needs would not otherwise be offered;

"(4) comparative studies of the effectiveness of strategies to provide international capabilities at institutions of higher education;

"(5) research on more effective methods of providing instruction and achieving competency in foreign languages, area studies, or other international fields;

"(6) the development and publication of specialized materials for use in foreign language, area studies, and other international fields, or for training foreign language, area, and other international specialists;

"(7) studies and surveys of the uses of technology in foreign language, area studies, and international studies programs;

"(8) studies and evaluations of effective practices in the dissemination of international information, materials, research, teaching strategies, and testing techniques throughout the education community, including elementary and secondary schools; and

"(9) the application of performance tests and standards across all areas of foreign language instruction and classroom use.

"(b) ANNUAL REPORT.—The Secretary shall prepare, publish, and announce an annual report listing the books and research materials produced with assistance under this section.

"SEC. 606. TECHNOLOGICAL INNOVATION AND COOPERATION FOR FOREIGN INFORMATION ACCESS.

"(a) AUTHORITY.—The Secretary is authorized to make grants to institutions of higher education, public or nonprofit private libraries, or consortia of such institutions or libraries, to develop innovative techniques or programs using new electronic technologies to collect, organize, preserve, and widely disseminate information on world regions and countries other than the United States that address our Nation's teaching and research needs in international education and foreign languages.

"(b) AUTHORIZED ACTIVITIES.—Grants under this section may be used—

"(1) to facilitate access to or preserve foreign information resources in print or electronic forms;

"(2) to develop new means of immediate, full-text document delivery for information and scholarship from abroad;

"(3) to develop new means of shared electronic access to international data;

"(4) to support collaborative projects of indexing, cataloging, and other means of bibliographic access for scholars to important research materials published or distributed outside the United States;

"(5) to develop methods for the wide dissemination of resources written in non-Roman language alphabets;

"(6) to assist teachers of less commonly taught languages in acquiring, via electronic and other means, materials suitable for classroom use; and

"(7) to promote collaborative technology based projects in foreign languages, area studies, and international studies among grant recipients under this title.

"(c) APPLICATION.—Each institution or consortium desiring a grant under this section shall submit an application to the Secretary at such time, in such manner, and accompanied by such information and assurances as the Secretary may reasonably require.

"(d) MATCH REQUIRED.—The Federal share of the total cost of carrying out a program supported by a grant under this section shall not be more than 66⅔ percent. The non-Federal share of such cost may be provided either in-kind or in cash, and may include contributions from private sector corporations or foundations.".

"SEC. 607. SELECTION OF CERTAIN GRANT RECIPIENTS.

"(a) COMPETITIVE GRANTS.—The Secretary shall award grants under section 602 competitively on the basis of criteria that separately, but not less rigorously, evaluates the applications for comprehensive and undergraduate language and area centers and programs.

"(b) SELECTION CRITERIA.—The Secretary shall set criteria for grants awarded under section 602 by which a determination of excellence shall be made to meet the differing objectives of graduate and undergraduate institutions.

"(c) EQUITABLE DISTRIBUTION OF GRANTS.—The Secretary shall, to the extent practicable, award grants under this part (other than section 602) in such manner as to achieve an equitable distribution of the grant funds throughout the United States, based on the merit of a proposal as determined pursuant to a peer review process involving broadly representative professionals.

"SEC. 608. EQUITABLE DISTRIBUTION OF CERTAIN FUNDS.

"(a) SELECTION CRITERIA.—The Secretary shall make excellence the criterion for selection of grants awarded under section 602.

"(b) EQUITABLE DISTRIBUTION.—To the extent practicable and consistent with the criterion of excellence, the Secretary shall award grants under this part (other than section 602) in such a manner as will achieve an equitable distribution of funds throughout the United States.

"(c) SUPPORT FOR UNDERGRADUATE EDUCATION.—The Secretary shall also award grants under this part in such manner as to ensure that an appropriate portion of the funds appropriated for this part (as determined by the Secretary) are used to support undergraduate education.

"SEC. 609. AMERICAN OVERSEAS RESEARCH CENTERS.

"(a) CENTERS AUTHORIZED.—The Secretary is authorized to make grants to and enter into contracts with any American overseas research center that is a consortium of institutions of higher education (hereafter in this section referred to as a "center") to enable such center to promote postgraduate research, exchanges and area studies.

"(b) USE OF GRANTS.—Grants made and contracts entered into pursuant to this section may be used to pay all or a portion of the cost of establishing or operating a center or program, including—

"(1) the cost of faculty and staff stipends and salaries;

"(2) the cost of faculty, staff, and student travel;

"(3) the cost of the operation and maintenance of overseas facilities;

"(4) the cost of teaching and research materials;

"(5) the cost of acquisition, maintenance, and preservation of library collections;

"(6) the cost of bringing visiting scholars and faculty to a center to teach or to conduct research;

"(7) the cost of organizing and managing conferences; and

"(8) the cost of publication and dissemination of material for the scholarly and general public.

"(c) LIMITATION.—The Secretary shall only award grants to and enter into contracts with centers under this section that—

"(1) receive more than 50 percent of their funding from public or private United States sources;

"(2) have a permanent presence in the country in which the center is located; and

"(3) are organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 which are exempt from taxation under section 501(a) of such Code.

"(d) DEVELOPMENT GRANTS.—The Secretary is authorized to make grants for the establishment of new centers. The grants may be used to fund activities that, within 1 year, will result in the creation of a center described in subsection (c).

"SEC. 610. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this part $80,000,000 for fiscal year 1999, and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 602. BUSINESS AND INTERNATIONAL EDUCATION PROGRAMS.

(a) AMENDMENT TO HEADING.—The heading for section 611 (20 U.S.C. 1130) is amended to read as follows:

"SEC. 611. FINDINGS AND PURPOSES.".

(b) CENTERS.—Section 612 (20 U.S.C. 1130–1) is amended—

(1) in subsection (c)—

(A) in paragraph (1)—

(i) in subparagraph (B), by striking "advanced"; and

(ii) in subparagraph (C), by striking "evening or summer"; and

(B) in paragraph (2)(C), by inserting "foreign language studies," after "area studies,"; and

(2) in subsection (d)(2)(G), by inserting ", such as a representative of a community college in the region served by the center" before the period.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 614 (20 U.S.C. 1130b) is amended—

(1) in subsection (a), by striking "1993" and inserting "1999"; and

(2) in subsection (b), by striking "1993" and inserting "1999".

SEC. 603. INSTITUTE FOR INTERNATIONAL PUBLIC POLICY.

(a) MINORITY FOREIGN SERVICE PROFESSIONAL DEVELOPMENT PROGRAM.—Section 621(e) (20 U.S.C. 1131(e)) is amended by striking "one-fourth" and inserting "one-half".

(b) INSTITUTIONAL DEVELOPMENT.—Part C of title VI (20 U.S.C. 1131 et seq.) is amended—

(1) by redesignating sections 622 through 627 (20 U.S.C. 1131a through 1131f) as sections 623 through 628, respectively; and

(2) by inserting after section 621 (20 U.S.C. 1131) the following:

"SEC. 622. INSTITUTIONAL DEVELOPMENT.

"(a) IN GENERAL.—The Institute shall award grants, from amounts available to the Institute for each fiscal year, to historically Black colleges and universities, Hispanic-serving institutions, Tribally Controlled Colleges or Universities, and minority institutions, to enable such colleges, universities, and institutions to strengthen international affairs programs.

"(b) APPLICATION.—No grant may be made by the Institute unless an application is made by the college, university, or institution at such time, in such manner, and accompanied by such information as the Institute may require.

"(c) DEFINITIONS.—In this section—

"(1) the term 'historically Black college and university' has the meaning given the term in section 322;

"(2) the term 'Hispanic-serving institution' has the meaning given the term in section 502;

"(3) the term 'Tribally Controlled College or University' has the meaning given the term in section 2 of the Tribally Controlled College or University Assistance Act of 1978 (25 U.S.C. 1801); and

"(4) the term 'minority institution' has the meaning given the term in section 365.".

(c) STUDY ABROAD PROGRAM.—Section 623 (as redesignated by subsection(b)(1)) (20 U.S.C. 1131a)—

(1) in the section heading, by striking "**JUNIOR YEAR**" and inserting "**STUDY**";

(2) in subsection (b)(2)—

(A) by inserting ", or completing the third year of study in the case of a summer abroad program," after "study"; and

(B) by striking "junior year" and inserting "study"; and

(3) in subsection (c)—

(A) in the matter preceding paragraph (1), by striking "junior year" and inserting "study";

(B) in paragraph (1), by striking "junior year" and inserting "study"; and

(C) in paragraph (2)—

(i) by striking "one-half" and inserting "one-third"; and

(ii) by striking "junior year" and inserting "study".

(d) INTERNSHIPS.—Section 625 (as redesignated by subsection (b)(1)) (20 U.S.C. 1132c)—

(1) by striking "The Institute" and inserting "(a) IN GENERAL.—The Institute"; and

(2) by adding at the end the following:

"(b) POSTBACCALAUREATE INTERNSHIPS.—The Institute shall enter into agreements with institutions of higher education described in the first sentence of subsection (a) to conduct internships for students who have completed study for a baccalaureate

degree. The internship program authorized by this subsection shall—

"(1) assist the students to prepare for a master's degree program;

"(2) be carried out with the assistance of the Woodrow Wilson International Center for Scholars;

"(3) contain work experience for the students designed to contribute to the students' preparation for a master's degree program; and

"(4) be assisted by the Interagency Committee on Minority Careers in International Affairs established under subsection (c).

"(c) INTERAGENCY COMMITTEE ON MINORITY CAREERS IN INTERNATIONAL AFFAIRS.—

"(1) ESTABLISHMENT.—There is established in the executive branch of the Federal Government an Interagency Committee on Minority Careers in International Affairs composed of not less than 7 members, including—

"(A) the Under Secretary for Farm and Foreign Agricultural Services of the Department of Agriculture, or the Under Secretary's designee;

"(B) the Assistant Secretary and Director General, of the United States and Foreign Commercial Service of the Department of Commerce, or the Assistant Secretary and Director General's designee;

"(C) the Under Secretary of Defense for Personnel and Readiness of the Department of Defense, or the Under Secretary's designee;

"(D) the Assistant Secretary for Postsecondary Education in the Department of Education, or the Assistant Secretary's designee;

"(E) the Director General of the Foreign Service of the Department of State, or the Director General's designee;

"(F) the General Counsel of the Agency for International Development, or the General Counsel's designee; and

"(G) the Associate Director for Educational and Cultural Affairs of the United States Information Agency, or the Associate Director's designee.

"(2) FUNCTIONS.—The Interagency Committee established by this section shall—

"(A) on an annual basis inform the Secretary and the Institute regarding ways to advise students participating in the internship program assisted under this section with respect to goals for careers in international affairs;

"(B) locate for students potential internship opportunities in the Federal Government related to international affairs; and

"(C) promote policies in each department and agency participating in the Committee that are designed to carry out the objectives of this part.".

(f) CONFORMING AMENDMENT.—Section 627 (as redesignated by subsection (b)(1)) (20 U.S.C. 1131e) is amended by striking "625" and inserting "626".

(g) AUTHORIZATION OF APPROPRIATIONS.—Section 628 (as redesignated by subsection (b)(1)) (20 U.S.C. 1131f), by striking "1993" and inserting "1999".

SEC. 604. GENERAL PROVISIONS.

(a) DEFINITIONS.—Section 631(a) (20 U.S.C. 1132(a)) is amended—

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

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

(3) by inserting after paragraph (8) the following:

"(9) the term 'educational programs abroad' means programs of study, internships, or service learning outside the United States which are part of a foreign language or other international curriculum at the undergraduate or graduate education levels.".

(b) REPEAL.—Section 632 (20 U.S.C. 1132–1) is repealed.

TITLE VII—GRADUATE AND POST-SECONDARY IMPROVEMENT PROGRAMS

SEC. 701. REVISION OF TITLE VII.

Title VII (20 U.S.C. 1132a et seq.) is amended to read as follows:

"TITLE VII—GRADUATE AND POST-SECONDARY IMPROVEMENT PROGRAMS

"SEC. 700. PURPOSE.

"It is the purpose of this title—

"(1) to authorize national graduate fellowship programs—

"(A) in order to attract students of superior ability and achievement, exceptional promise, and demonstrated financial need, into high-quality graduate programs and provide the students with the financial support necessary to complete advanced degrees; and

"(B) that are designed to—

"(i) sustain and enhance the capacity for graduate education in areas of national need; and

"(ii) encourage talented students to pursue scholarly careers in the humanities, social sciences, and the arts; and

"(2) to promote postsecondary programs.

"PART A—GRADUATE EDUCATION PROGRAMS

"Subpart 1—Jacob K. Javits Fellowship Program

"SEC. 701. AWARD OF JACOB K. JAVITS FELLOWSHIPS.

"(a) AUTHORITY AND TIMING OF AWARDS.—The Secretary is authorized to award fellowships in accordance with the provisions

of this subpart for graduate study in the arts, humanities, and social sciences by students of superior ability selected on the basis of demonstrated achievement, financial need, and exceptional promise. The fellowships shall be awarded to students who are eligible to receive any grant, loan, or work assistance pursuant to section 484 and intend to pursue a doctoral degree, except that fellowships may be granted to students pursuing a master's degree in those fields in which the master's degree is the terminal highest degree awarded in the area of study. All funds appropriated in a fiscal year shall be obligated and expended to the students for fellowships for use in the academic year beginning after July 1 of the fiscal year following the fiscal year for which the funds were appropriated. The fellowships shall be awarded for only 1 academic year of study and shall be renewable for a period not to exceed 4 years of study.

"(b) DESIGNATION OF FELLOWS.—Students receiving awards under this subpart shall be known as 'Jacob K. Javits Fellows'.

"(c) INTERRUPTIONS OF STUDY.—The institution of higher education may allow a fellowship recipient to interrupt periods of study for a period not to exceed 12 months for the purpose of work, travel, or independent study away from the campus, if such independent study is supportive of the fellowship recipient's academic program and shall continue payments for those 12-month periods during which the student is pursuing travel or independent study supportive of the recipient's academic program.

"(d) PROCESS AND TIMING OF COMPETITION.—The Secretary shall make applications for fellowships under this part available not later than October 1 of the academic year preceding the academic year for which fellowships will be awarded, and shall announce the recipients of fellowships under this section not later than March 1 of the academic year preceding the academic year for which the fellowships are awarded.

"(e) AUTHORITY TO CONTRACT.—The Secretary is authorized to enter into a contract with a nongovernmental agency to administer the program assisted under this part if the Secretary determines that entering into the contract is an efficient means of carrying out the program.

"SEC. 702. ALLOCATION OF FELLOWSHIPS.

"(a) FELLOWSHIP BOARD.—

"(1) APPOINTMENT.—The Secretary shall appoint a Jacob K. Javits Fellows Program Fellowship Board (hereinafter in this subpart referred to as the 'Board') consisting of 9 individuals representative of both public and private institutions of higher education who are especially qualified to serve on the Board. In making appointments, the Secretary shall give due consideration to the appointment of individuals who are highly respected in the academic community. The Secretary shall assure that individuals appointed to the Board are broadly representative of a range of disciplines in graduate education in arts, humanities, and social sciences.

"(2) DUTIES.—The Board shall—

"(A) establish general policies for the program established by this subpart and oversee the program's operation;

"(B) establish general criteria for the award of fellowships in academic fields identified by the Board, or, in the event that the Secretary enters into a contract with

a nongovernmental entity to administer the program assisted under this subpart, by such nongovernmental entity;

"(C) appoint panels of academic scholars with distinguished backgrounds in the arts, humanities, and social sciences for the purpose of selecting fellows, except that, in the event that the Secretary enters into a contract with a nongovernmental entity to administer the program, such panels may be appointed by such nongovernmental entity; and

"(D) prepare and submit to the Congress at least once in every 3-year period a report on any modifications in the program that the Board determines are appropriate.

"(3) CONSULTATIONS.—In carrying out its responsibilities, the Board shall consult on a regular basis with representatives of the National Science Foundation, the National Endowment for the Humanities, the National Endowment for the Arts, and representatives of institutions of higher education and associations of such institutions, learned societies, and professional organizations.

"(4) TERM.—The term of office of each member of the Board shall be 4 years, except that any member appointed to fill a vacancy shall serve for the remainder of the term for which the predecessor of the member was appointed. No member may serve for a period in excess of 6 years.

"(5) INITIAL MEETING; VACANCY.—The Secretary shall call the first meeting of the Board, at which the first order of business shall be the election of a Chairperson and a Vice Chairperson, who shall serve until 1 year after the date of the appointment of the Chairperson and Vice Chairperson. Thereafter each officer shall be elected for a term of 2 years. In case a vacancy occurs in either office, the Board shall elect an individual from among the members of the Board to fill such vacancy.

"(6) QUORUM; ADDITIONAL MEETINGS.—(A) A majority of the members of the Board shall constitute a quorum.

"(B) The Board shall meet at least once a year or more frequently, as may be necessary, to carry out the Board's responsibilities.

"(7) COMPENSATION.—Members of the Board, while serving on the business of the Board, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding the rate of basic pay payable for level IV of the Executive Schedule, including travel time, and while so serving away from their homes or regular places of business, the members may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

"(b) USE OF SELECTION PANELS.—The recipients of fellowships shall be selected in each designated field from among all applicants nationwide in each field by distinguished panels appointed by the Board to make such selections under criteria established by the Board, except that, in the event that the Secretary enters into a contract with a nongovernmental entity to administer the program, such panels may be appointed by such nongovernmental entity. The number of recipients in each field in each year shall

not exceed the number of fellows allocated to that field for that year by the Board.

"(c) FELLOWSHIP PORTABILITY.—Each recipient shall be entitled to use the fellowship in a graduate program at any accredited institution of higher education in which the recipient may decide to enroll.

"SEC. 703. STIPENDS.

"(a) AWARD BY SECRETARY.—The Secretary shall pay to individuals awarded fellowships under this subpart such stipends as the Secretary may establish, reflecting the purpose of this program to encourage highly talented students to undertake graduate study as described in this subpart. In the case of an individual who receives such individual's first stipend under this subpart in academic year 1999–2000 or any succeeding academic year, such stipend shall be set at a level of support equal to that provided by the National Science Foundation graduate fellowships, except such amount shall be adjusted as necessary so as not to exceed the fellow's demonstrated level of need determined in accordance with part F of title IV.

"(b) INSTITUTIONAL PAYMENTS.—

"(1) IN GENERAL.—(A) The Secretary shall (in addition to stipends paid to individuals under this subpart) pay to the institution of higher education, for each individual awarded a fellowship under this subpart at such institution, an institutional allowance. Except as provided in subparagraph (B), such allowance shall be, for 1999–2000 and succeeding academic years, the same amount as the institutional payment made for 1998–1999 under section 933(b) (as such section was in effect on the day before the date of enactment of the Higher Education Amendments of 1998) adjusted for 1999–2000 and annually thereafter in accordance with inflation as determined by the Department of Labor's Consumer Price Index for the previous calendar year.

"(B) The institutional allowance paid under subparagraph (A) shall be reduced by the amount the institution charges and collects from a fellowship recipient for tuition and other expenses as part of the recipient's instructional program.

"(2) SPECIAL RULES.—(A) Beginning March 1, 1992, any applicant for a fellowship under this subpart who has been notified in writing by the Secretary that such applicant has been selected to receive such a fellowship and is subsequently notified that the fellowship award has been withdrawn, shall receive such fellowship unless the Secretary subsequently makes a determination that such applicant submitted fraudulent information on the application.

"(B) Subject to the availability of appropriations, amounts payable to an institution by the Secretary pursuant to this subsection shall not be reduced for any purpose other than the purposes specified under paragraph (1).

"SEC. 704. FELLOWSHIP CONDITIONS.

"(a) REQUIREMENTS FOR RECEIPT.—An individual awarded a fellowship under the provisions of this subpart shall continue to receive payments provided in section 703 only during such periods as the Secretary finds that such individual is maintaining satisfactory proficiency in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded,

in an institution of higher education, and is not engaging in gainful employment other than part-time employment by such institution in teaching, research, or similar activities, approved by the Secretary.

"(b) REPORTS FROM RECIPIENTS.—The Secretary is authorized to require reports containing such information in such form and filed at such times as the Secretary determines necessary from any person awarded a fellowship under the provisions of this subpart. The reports shall be accompanied by a certificate from an appropriate official at the institution of higher education, library, archive, or other research center approved by the Secretary, stating that such individual is making satisfactory progress in, and is devoting essentially full time to the program for which the fellowship was awarded.

"SEC. 705. AUTHORIZATION OF APPROPRIATIONS.

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

"Subpart 2—Graduate Assistance in Areas of National Need

"SEC. 711. GRANTS TO ACADEMIC DEPARTMENTS AND PROGRAMS OF INSTITUTIONS.

"(a) GRANT AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall make grants to academic departments, programs and other academic units of institutions of higher education that provide courses of study leading to a graduate degree in order to enable such institutions to provide assistance to graduate students in accordance with this subpart.

"(2) ADDITIONAL GRANTS.—The Secretary may also make grants to such departments, programs and other academic units of institutions of higher education granting graduate degrees which submit joint proposals involving nondegree granting institutions which have formal arrangements for the support of doctoral dissertation research with degree-granting institutions. Nondegree granting institutions eligible for awards as part of such joint proposals include any organization which—

"(A) is described in section 501(c)(3) of the Internal Revenue Code of 1986, and is exempt from tax under section 501(a) of such Code;

"(B) is organized and operated substantially to conduct scientific and cultural research and graduate training programs;

"(C) is not a private foundation;

"(D) has academic personnel for instruction and counseling who meet the standards of the institution of higher education in which the students are enrolled; and

"(E) has necessary research resources not otherwise readily available in such institutions to such students.

"(b) AWARD AND DURATION OF GRANTS.—

"(1) AWARDS.—The principal criterion for the award of grants shall be the relative quality of the graduate programs presented in competing applications. Consistent with an allocation of awards based on quality of competing applications,

the Secretary shall, in awarding such grants, promote an equitable geographic distribution among eligible public and private institutions of higher education.

"(2)DURATION AND AMOUNT.—

"(A) DURATION.—The Secretary shall award a grant under this subpart for a period of 3 years.

"(B) AMOUNT.—The Secretary shall award a grant to an academic department, program or unit of an institution of higher education under this subpart for a fiscal year in an amount that is not less than $100,000 and not greater than $750,000.

"(3) REALLOTMENT.—Whenever the Secretary determines that an academic department, program or unit of an institution of higher education is unable to use all of the amounts available to the department, program or unit under this subpart, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot the amounts not needed to academic departments, programs and units of institutions which can use the grants authorized by this subpart.

"(c) PREFERENCE TO CONTINUING GRANT RECIPIENTS.—

"(1) IN GENERAL.—The Secretary shall make new grant awards under this subpart only to the extent that each previous grant recipient under this subpart has received continued funding in accordance with subsection (b)(2)(A).

"(2) RATABLE REDUCTION.—To the extent that appropriations under this subpart are insufficient to comply with paragraph (1), available funds shall be distributed by ratably reducing the amounts required to be awarded under subsection (b)(2)(A).

"SEC. 712. INSTITUTIONAL ELIGIBILITY.

"(a) ELIGIBILITY CRITERIA.—Any academic department, program or unit of an institution of higher education that offers a program of postbaccalaureate study leading to a graduate degree in an area of national need (as designated under subsection (b)) may apply for a grant under this subpart. No department, program or unit shall be eligible for a grant unless the program of postbaccalaureate study has been in existence for at least 4 years at the time of application for assistance under this subpart.

"(b) DESIGNATION OF AREAS OF NATIONAL NEED.—After consultation with appropriate Federal and nonprofit agencies and organizations, the Secretary shall designate areas of national need. In making such designations, the Secretary shall take into account the extent to which the interest in the area is compelling, the extent to which other Federal programs support postbaccalaureate study in the area concerned, and an assessment of how the program could achieve the most significant impact with available resources.

"SEC. 713. CRITERIA FOR APPLICATIONS.

"(a) SELECTION OF APPLICATIONS.—The Secretary shall make grants to academic departments, programs and units of institutions of higher education on the basis of applications submitted in accordance with subsection (b). Applications shall be ranked on program quality by review panels of nationally recognized scholars and evaluated on the quality and effectiveness of the academic program and the achievement and promise of the students to be served. To the extent possible (consistent with other provisions of this

section), the Secretary shall make awards that are consistent with recommendations of the review panels.

"(b) CONTENTS OF APPLICATIONS.—An academic department, program or unit of an institution of higher education, in the department, program or unit's application for a grant, shall—

"(1) describe the current academic program of the applicant for which the grant is sought;

"(2) provide assurances that the applicant will provide, from other non-Federal sources, for the purposes of the fellowship program under this subpart an amount equal to at least 25 percent of the amount of the grant received under this subpart, which contribution may be in cash or in kind, fairly valued;

"(3) set forth policies and procedures to assure that, in making fellowship awards under this subpart, the institution will seek talented students from traditionally underrepresented backgrounds, as determined by the Secretary;

"(4) describe the number, types, and amounts of the fellowships that the applicant intends to offer with grant funds provided under this part;

"(5) set forth policies and procedures to assure that, in making fellowship awards under this subpart, the institution will make awards to individuals who—

"(A) have financial need, as determined under part F of title IV;

"(B) have excellent academic records in their previous programs of study; and

"(C) plan to pursue the highest possible degree available in their course of study;

"(6) set forth policies and procedures to ensure that Federal funds made available under this subpart for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this subpart and in no case to supplant those funds;

"(7) provide assurances that, in the event that funds made available to the academic department, program or unit under this subpart are insufficient to provide the assistance due a student under the commitment entered into between the academic department, program or unit and the student, the academic department, program or unit will, from any funds available to the department, program or unit, fulfill the commitment to the student;

"(8) provide that the applicant will comply with the limitations set forth in section 715;

"(9) provide assurances that the academic department will provide at least 1 year of supervised training in instruction for students; and

"(10) include such other information as the Secretary may prescribe.

"SEC. 714. AWARDS TO GRADUATE STUDENTS.

"(a) COMMITMENTS TO GRADUATE STUDENTS.—

"(1) IN GENERAL.—An academic department, program or unit of an institution of higher education shall make commitments to graduate students who are eligible students under section 484 (including students pursuing a doctoral degree after having completed a master's degree program at an institution

of higher education) at any point in their graduate study to provide stipends for the length of time necessary for a student to complete the course of graduate study, but in no case longer than 5 years.

"(2) SPECIAL RULE.—No such commitments shall be made to students under this subpart unless the academic department, program or unit has determined adequate funds are available to fulfill the commitment from funds received or anticipated under this subpart, or from institutional funds.

"(b) AMOUNT OF STIPENDS.—The Secretary shall make payments to institutions of higher education for the purpose of paying stipends to individuals who are awarded fellowships under this subpart. The stipends the Secretary establishes shall reflect the purpose of the program under this subpart to encourage highly talented students to undertake graduate study as described in this subpart. In the case of an individual who receives such individual's first stipend under this subpart in academic year 1999–2000 or any succeeding academic year, such stipend shall be set at a level of support equal to that provided by the National Science Foundation graduate fellowships, except such amount shall be adjusted as necessary so as not to exceed the fellow's demonstrated level of need as determined under part F of title IV.

"(c) TREATMENT OF INSTITUTIONAL PAYMENTS.—An institution of higher education that makes institutional payments for tuition and fees on behalf of individuals supported by fellowships under this subpart in amounts that exceed the institutional payments made by the Secretary pursuant to section 716(a) may count such excess toward the amounts the institution is required to provide pursuant to section 714(b)(2).

"(d) ACADEMIC PROGRESS REQUIRED.—Notwithstanding the provisions of subsection (a), no student shall receive an award—

"(1) except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded; or

"(2) if the student is engaging in gainful employment other than part-time employment involved in teaching, research, or similar activities determined by the institution to be in support of the student's progress towards a degree.

"SEC. 715. ADDITIONAL ASSISTANCE FOR COST OF EDUCATION.

"(a) INSTITUTIONAL PAYMENTS.—

"(1) IN GENERAL.—The Secretary shall (in addition to stipends paid to individuals under this subpart) pay to the institution of higher education, for each individual awarded a fellowship under this subpart at such institution, an institutional allowance. Except as provided in paragraph (2), such allowance shall be, for 1999–2000 and succeeding academic years, the same amount as the institutional payment made for 1998–1999 adjusted annually thereafter in accordance with inflation as determined by the Department of Labor's Consumer Price Index for the previous calendar year.

"(2) REDUCTION.—The institutional allowance paid under paragraph (1) shall be reduced by the amount the institution charges and collects from a fellowship recipient for tuition and other expenses as part of the recipient's instructional program.

"(b) USE FOR OVERHEAD PROHIBITED.—Funds made available pursuant to this subpart may not be used for the general operational overhead of the academic department or program.

"SEC. 716. AUTHORIZATION OF APPROPRIATIONS.

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

"Subpart 3—Thurgood Marshall Legal Educational Opportunity Program

"SEC. 721. LEGAL EDUCATIONAL OPPORTUNITY PROGRAM.

"(a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as the 'Thurgood Marshall Legal Educational Opportunity Program' designed to provide low-income, minority, or disadvantaged college students with the information, preparation, and financial assistance to gain access to and complete law school study.

"(b) ELIGIBILITY.—A college student is eligible for assistance under this section if the student is—

"(1) from a low-income family;

"(2) a minority; or

"(3) from an economically or otherwise disadvantaged background.

"(c) CONTRACT OR GRANT AUTHORIZED.—The Secretary is authorized to enter into a contract with, or make a grant to, the Council on Legal Education Opportunity, for a period of not less than 5 years—

"(1) to identify college students who are from low-income families, are minorities, or are from disadvantaged backgrounds described in subsection (b)(3);

"(2) to prepare such students for study at accredited law schools;

"(3) to assist such students to select the appropriate law school, make application for entry into law school, and receive financial assistance for such study;

"(4) to provide support services to such students who are first-year law students to improve retention and success in law school studies; and

"(5) to motivate and prepare such students with respect to law school studies and practice in low-income communities.

"(d) SERVICES PROVIDED.—In carrying out the purposes described in subsection (c), the contract or grant shall provide for the delivery of services through prelaw information resource centers, summer institutes, midyear seminars, and other educational activities, conducted under this section. Such services may include—

"(1) information and counseling regarding—

"(A) accredited law school academic programs, especially tuition, fees, and admission requirements;

"(B) course work offered and required for graduation;

"(C) faculty specialties and areas of legal emphasis; and

"(D) undergraduate preparatory courses and curriculum selection;

"(2) tutoring and academic counseling, including assistance in preparing for bar examinations;

"(3) prelaw mentoring programs, involving law school faculty, members of State and local bar associations, and retired and sitting judges, justices, and magistrates;

"(4) assistance in identifying preparatory courses and material for the law school aptitude or admissions tests;

"(5) summer institutes for Thurgood Marshall Fellows that expose the Fellows to a rigorous curriculum that emphasizes abstract thinking, legal analysis, research, writing, and examination techniques; and

"(6) midyear seminars and other educational activities that are designed to reinforce reading, writing, and studying skills of Thurgood Marshall Fellows.

"(e) DURATION OF THE PROVISION OF SERVICES.—The services described in subsection (d) may be provided—

"(1) prior to the period of law school study;

"(2) during the period of law school study; and

"(3) during the period following law school study and prior to taking a bar examination.

"(f) SUBCONTRACTS AND SUBGRANTS.—For the purposes of planning, developing, or delivering one or more of the services described in subsection (d), the Council on Legal Education Opportunity shall enter into subcontracts with, and make subgrants to, institutions of higher education, law schools, public and private agencies and organizations, and combinations of such institutions, schools, agencies, and organizations.

"(g) STIPENDS.—The Secretary shall annually establish the maximum stipend to be paid (including allowances for participant travel and for the travel of the dependents of the participant) to Thurgood Marshall Fellows for the period of participation in summer institutes and midyear seminars. A Fellow may be eligible for such a stipend only if the Thurgood Marshall Fellow maintains satisfactory academic progress toward the Juris Doctor or Bachelor of Laws degree, as determined by the respective institutions.

"(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $5,000,000 for fiscal year 1999 and each of the 4 succeeding fiscal years.

"Subpart 4—General Provisions

"SEC. 731. ADMINISTRATIVE PROVISIONS FOR SUBPARTS 1, 2, AND 3.

"(a) COORDINATED ADMINISTRATION.—In carrying out the purpose described in section 700(1), the Secretary shall provide for coordinated administration and regulation of graduate programs assisted under subparts 1, 2, and 3 with other Federal programs providing assistance for graduate education in order to minimize duplication and improve efficiency to ensure that the programs are carried out in a manner most compatible with academic practices and with the standard timetables for applications for, and notifications of acceptance to, graduate programs.

"(b) HIRING AUTHORITY.—For purposes of carrying out subparts 1, 2, and 3, the Secretary shall appoint, without regard to the provisions of title 5, United States Code, that govern appointments in the competitive service, such administrative and technical employees, with the appropriate educational background, as shall

be needed to assist in the administration of such parts. The employees shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(c) USE FOR RELIGIOUS PURPOSES PROHIBITED.—No institutional payment or allowance under section 703(b) or 715(a) shall be paid to a school or department of divinity as a result of the award of a fellowship under subpart 1 or 2, respectively, to an individual who is studying for a religious vocation.

"(d) EVALUATION.—The Secretary shall evaluate the success of assistance provided to individuals under subpart 1, 2, or 3 with respect to graduating from their degree programs, and placement in faculty and professional positions.

"(e) CONTINUATION AWARDS.—The Secretary, using funds appropriated to carry out subparts 1 and 2, and before awarding any assistance under such parts to a recipient that did not receive assistance under part C or D of title IX (as such parts were in effect prior to the date of enactment of the Higher Education Amendments of 1998) shall continue to provide funding to recipients of assistance under such part C or D (as so in effect), as the case may be, pursuant to any multiyear award of such assistance.

"PART B—FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

"SEC. 741. FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION.

"(a) AUTHORITY.—The Secretary is authorized to make grants to, or enter into contracts with, institutions of higher education, combinations of such institutions, and other public and private nonprofit institutions and agencies, to enable such institutions, combinations, and agencies to improve postsecondary education opportunities by—

"(1) encouraging the reform, innovation, and improvement of postsecondary education, and providing equal educational opportunity for all;

"(2) the creation of institutions, programs, and joint efforts involving paths to career and professional training, and combinations of academic and experiential learning;

"(3) the establishment of institutions and programs based on the technology of communications;

"(4) the carrying out, in postsecondary educational institutions, of changes in internal structure and operations designed to clarify institutional priorities and purposes;

"(5) the design and introduction of cost-effective methods of instruction and operation;

"(6) the introduction of institutional reforms designed to expand individual opportunities for entering and reentering institutions and pursuing programs of study tailored to individual needs;

"(7) the introduction of reforms in graduate education, in the structure of academic professions, and in the recruitment and retention of faculties; and

"(8) the creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto.

"(b) PLANNING GRANTS.—The Secretary is authorized to make planning grants to institutions of higher education for the development and testing of innovative techniques in postsecondary education. Such grants shall not exceed $20,000.

"SEC. 742. BOARD OF THE FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION.

"(a) ESTABLISHMENT.—There is established a National Board of the Fund for the Improvement of Postsecondary Education (in this part referred to as the 'Board'). The Board shall consist of 15 members appointed by the Secretary for overlapping 3-year terms. A majority of the Board shall constitute a quorum. Any member of the Board who has served for 6 consecutive years shall thereafter be ineligible for appointment to the Board during a 2-year period following the expiration of such sixth year.

"(b) MEMBERSHIP.—

"(1) IN GENERAL.—The Secretary shall designate one of the members of the Board as Chairperson of the Board. A majority of the members of the Board shall be public interest representatives, including students, and a minority shall be educational representatives. All members selected shall be individuals able to contribute an important perspective on priorities for improvement in postsecondary education and strategies of educational and institutional change.

"(2) APPOINTMENT OF DIRECTOR.—The Secretary shall appoint the Director of the Fund for the Improvement of Postsecondary Education (hereafter in this part referred to as the 'Director').

"(c) DUTIES.—The Board shall—

"(1) advise the Secretary and the Director on priorities for the improvement of postsecondary education and make such recommendations as the Board may deem appropriate for the improvement of postsecondary education and for the evaluation, dissemination, and adaptation of demonstrated improvements in postsecondary educational practice;

"(2) advise the Secretary and the Director on the operation of the Fund for the Improvement of Postsecondary Education, including advice on planning documents, guidelines, and procedures for grant competitions prepared by the Fund; and

"(3) meet at the call of the Chairperson, except that the Board shall meet whenever one-third or more of the members request in writing that a meeting be held.

"(d) INFORMATION AND ASSISTANCE.—The Director shall make available to the Board such information and assistance as may be necessary to enable the Board to carry out its functions.

"SEC. 743. ADMINISTRATIVE PROVISIONS.

"(a) TECHNICAL EMPLOYEES.—The Secretary may appoint, for terms not to exceed 3 years, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, not more than 7 technical employees to administer this part who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(b) PROCEDURES.—The Director shall establish procedures for reviewing and evaluating grants and contracts made or entered into under this part. Procedures for reviewing grant applications or contracts for financial assistance under this section may not

be subject to any review outside of officials responsible for the administration of the Fund for the Improvement of Postsecondary Education.

"SEC. 744. SPECIAL PROJECTS.

"(a) GRANT AUTHORITY.—The Director is authorized to make grants to institutions of higher education, or consortia thereof, and such other public agencies and nonprofit organizations as the Director deems necessary for innovative projects concerning one or more areas of particular national need identified by the Director.

"(b) APPLICATION.—No grant shall be made under this part unless an application is made at such time, in such manner, and contains or is accompanied by such information as the Secretary may require.

"(c) AREAS OF NATIONAL NEED.—Areas of national need shall initially include, but shall not be limited to, the following:

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

"(2) Articulation between 2- and 4-year institutions of higher education, including developing innovative methods for ensuring the successful transfer of students from 2- to 4-year institutions of higher education.

"(3) Evaluation and dissemination of model programs.

"(4) International cooperation and student exchange among postsecondary educational institutions.

"SEC. 745. AUTHORIZATION OF APPROPRIATIONS.

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

"PART C—URBAN COMMUNITY SERVICE

"SEC. 751. FINDINGS.

"The Congress finds that—

"(1) the Nation's urban centers are facing increasingly pressing problems and needs in the areas of economic development, community infrastructure and service, social policy, public health, housing, crime, education, environmental concerns, planning and work force preparation;

"(2) there are, in the Nation's urban institutions, people with underutilized skills, knowledge, and experience who are capable of providing a vast range of services toward the amelioration of the problems described in paragraph (1);

"(3) the skills, knowledge and experience in these urban institutions, if applied in a systematic and sustained manner, can make a significant contribution to the solution of such problems; and

"(4) the application of such skills, knowledge and experience is hindered by the limited funds available to redirect attention to solutions to such urban problems.

"SEC. 752. PURPOSE; PROGRAM AUTHORIZED.

"(a) PURPOSE.—It is the purpose of this part to provide incentives to urban academic institutions to enable such institutions

to work with private and civic organizations to devise and implement solutions to pressing and severe problems in their communities.

"(b) PROGRAM AUTHORIZED.—The Secretary is authorized to carry out a program of providing assistance to eligible institutions to enable such institutions to carry out the activities described in section 754 in accordance with the provisions of this part.

"SEC. 753. APPLICATION FOR URBAN COMMUNITY SERVICE GRANTS.

"(a) APPLICATION.—

"(1) IN GENERAL.—An eligible institution seeking assistance under this part shall submit to the Secretary an application at such time, in such form, and containing or accompanied by such information and assurances as the Secretary may require by regulation.

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

"(A) describe the activities and services for which assistance is sought; and

"(B) include a plan that is agreed to by the members of a consortium that includes, in addition to the eligible institution, one or more of the following entities:

"(i) A community college.

"(ii) An urban school system.

"(iii) A local government.

"(iv) A business or other employer.

"(v) A nonprofit institution.

"(3) WAIVER.—The Secretary may waive the consortium requirements described in paragraph (2) for any applicant who can demonstrate to the satisfaction of the Secretary that the applicant has devised an integrated and coordinated plan which meets the purpose of this part.

"(b) PRIORITY IN SELECTION OF APPLICATIONS.—The Secretary shall give priority to applications that propose to conduct joint projects supported by other local, State, and Federal programs. In addition, the Secretary shall give priority to eligible institutions submitting applications that demonstrate the eligible institution's commitment to urban community service.

"(c) SELECTION PROCEDURES.—The Secretary shall, by regulation, develop a formal procedure for the submission of applications under this part and shall publish in the Federal Register an announcement of that procedure and the availability of funds under this part.

"SEC. 754. ALLOWABLE ACTIVITIES.

"Funds made available under this part shall be used to support planning, applied research, training, resource exchanges or technology transfers, the delivery of services, or other activities the purpose of which is to design and implement programs to assist urban communities to meet and address their pressing and severe problems, such as the following:

"(1) Work force preparation.

"(2) Urban poverty and the alleviation of such poverty.

"(3) Health care, including delivery and access.

"(4) Underperforming school systems and students.

"(5) Problems faced by the elderly and individuals with disabilities in urban settings.

"(6) Problems faced by families and children.

"(7) Campus and community crime prevention, including enhanced security and safety awareness measures as well as coordinated programs addressing the root causes of crime.

"(8) Urban housing.

"(9) Urban infrastructure.

"(10) Economic development.

"(11) Urban environmental concerns.

"(12) Other problem areas which participants in the consortium described in section 753(a)(2)(B) concur are of high priority in the urban area.

"(13)(A) Problems faced by individuals with disabilities regarding accessibility to institutions of higher education and other public and private community facilities.

"(B) Amelioration of existing attitudinal barriers that prevent full inclusion by individuals with disabilities in their community.

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

"SEC. 755. PEER REVIEW.

"The Secretary shall designate a peer review panel to review applications submitted under this part and make recommendations for funding to the Secretary. In selecting the peer review panel, the Secretary may consult with other appropriate Cabinet-level officials and with non-Federal organizations, to ensure that the panel will be geographically balanced and be composed of representatives from public and private institutions of higher education, labor, business, and State and local government, who have expertise in urban community service or in education.

"SEC. 756. DISBURSEMENT OF FUNDS.

"(a) MULTIYEAR AVAILABILITY.—Subject to the availability of appropriations, grants under this part may be made on a multiyear basis, except that no institution, individually or as a participant in a consortium of such institutions, may receive such a grant for more than 5 years.

"(b) EQUITABLE GEOGRAPHIC DISTRIBUTION.—The Secretary shall award grants under this part in a manner that achieves an equitable geographic distribution of such grants.

"(c) MATCHING REQUIREMENT.—An applicant under this part and the local governments associated with the application shall contribute to the conduct of the program supported by the grant an amount from non-Federal funds equal to at least one-fourth of the amount of the grant, which contribution may be in cash or in kind.

"SEC. 757. DESIGNATION OF URBAN GRANT INSTITUTIONS.

"The Secretary shall publish a list of eligible institutions under this part and shall designate these institutions of higher education as 'Urban Grant Institutions'. The Secretary shall establish a national network of Urban Grant Institutions so that the results of individual projects achieved in one metropolitan area can then be generalized, disseminated, replicated, and applied throughout the Nation. The information developed as a result of this section shall be made available to Urban Grant Institutions and to any other interested institution of higher education by any appropriate means.

"SEC. 758. DEFINITIONS.

"As used in this part:

"(1) URBAN AREA.—The term 'urban area' means a metropolitan statistical area having a population of not less than 350,000, or two contiguous metropolitan statistical areas having a population of not less than 350,000, or, in any State which does not have a metropolitan statistical area which has such a population, the eligible entity in the State submitting an application under section 753, or, if no such entity submits an application, the Secretary, shall designate one urban area for the purposes of this part.

"(2) ELIGIBLE INSTITUTION.—The term 'eligible institution' means—

"(A) a nonprofit municipal university, established by the governing body of the city in which it is located, and operating as of the date of enactment of the Higher Education Amendments of 1992 under that authority; or

"(B) an institution of higher education, or a consortium of such institutions any one of which meets all of the requirements of this paragraph, which—

"(i) is located in an urban area;

"(ii) draws a substantial portion of its undergraduate students from the urban area in which such institution is located, or from contiguous areas;

"(iii) carries out programs to make postsecondary educational opportunities more accessible to residents of such urban area, or contiguous areas;

"(iv) has the present capacity to provide resources responsive to the needs and priorities of such urban area and contiguous areas;

"(v) offers a range of professional, technical, or graduate programs sufficient to sustain the capacity of such institution to provide such resources; and

"(vi) has demonstrated and sustained a sense of responsibility to such urban area and contiguous areas and the people of such areas.

"SEC. 759. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated $20,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this part.

"PART D—DEMONSTRATION PROJECTS TO ENSURE STUDENTS WITH DISABILITIES RECEIVE A QUALITY HIGHER EDUCATION

"SEC. 761. PURPOSES.

"It is the purpose of this part to support model demonstration projects to provide technical assistance or professional development for faculty and administrators in institutions of higher education in order to provide students with disabilities a quality postsecondary education.

"SEC. 762. GRANTS AUTHORIZED.

"(a) COMPETITIVE GRANTS AUTHORIZED.—The Secretary may award grants, contracts, and cooperative agreements, on a competitive basis, to institutions of higher education, of which at least

two such grants shall be awarded to institutions that provide professional development and technical assistance in order for students with learning disabilities to receive a quality postsecondary education.

"(b) DURATION; ACTIVITIES.—

"(1) DURATION.—Grants under this part shall be awarded for a period of 3 years.

"(2) AUTHORIZED ACTIVITIES.—Grants under this part shall be used to carry out one or more of the following activities:

"(A) TEACHING METHODS AND STRATEGIES.—The development of innovative, effective, and efficient teaching methods and strategies to provide faculty and administrators with the skills and supports necessary to teach students with disabilities. Such methods and strategies may include inservice training, professional development, customized and general technical assistance, workshops, summer institutes, distance learning, and training in the use of assistive and educational technology.

"(B) SYNTHESIZING RESEARCH AND INFORMATION.—Synthesizing research and other information related to the provision of postsecondary educational services to students with disabilities.

"(C) PROFESSIONAL DEVELOPMENT AND TRAINING SESSIONS.—Conducting professional development and training sessions for faculty and administrators from other institutions of higher education to enable the faculty and administrators to meet the postsecondary educational needs of students with disabilities.

"(3) MANDATORY EVALUATION AND DISSEMINATION.—Grants under this part shall be used for evaluation, and dissemination to other institutions of higher education, of the information obtained through the activities described in subparagraphs (A) through (C).

"(c) CONSIDERATIONS IN MAKING AWARDS.—In awarding grants, contracts, or cooperative agreements under this section, the Secretary shall consider the following:

"(1) GEOGRAPHIC DISTRIBUTION.—Providing an equitable geographic distribution of such grants.

"(2) RURAL AND URBAN AREAS.—Distributing such grants to urban and rural areas.

"(3) RANGE AND TYPE OF INSTITUTION.—Ensuring that the activities to be assisted are developed for a range of types and sizes of institutions of higher education.

"(4) PRIOR EXPERIENCE OR EXCEPTIONAL PROGRAMS.—Institutions of higher education with demonstrated prior experience in, or exceptional programs for, meeting the postsecondary educational needs of students with disabilities.

"SEC. 763. APPLICATIONS.

"Each institution of higher education desiring to receive a grant, contract, or cooperative agreement under this part shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require. Each application shall include—

"(1) a description of how such institution plans to address each of the activities required under this part;

"(2) a description of how the institution consulted with a broad range of people within the institution to develop activities for which assistance is sought; and

"(3) a description of how the institution will coordinate and collaborate with the office that provides services to students with disabilities within the institution.

"SEC. 764. RULE OF CONSTRUCTION.

"Nothing in this part shall be construed to impose any additional duty, obligation, or responsibility on an institution of higher education or on the institution's faculty, administrators, or staff than are required by section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990.

"SEC. 765. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated for this part $10,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.".

SEC. 702. REPEALS.

Except as otherwise provided in section 301(a), titles VIII (20 U.S.C. 1133 et seq.), IX (20 U.S.C. 1134 et seq.), X (20 U.S.C. 1135 et seq.), XI (20 U.S.C. 1136), and XII (20 U.S.C. 1141) are repealed.

TITLE VIII—STUDIES, REPORTS, AND RELATED PROGRAMS

PART A—STUDIES

SEC. 801. STUDY OF MARKET MECHANISMS IN FEDERAL STUDENT LOAN PROGRAMS.

(a) STUDY REQUIRED.—The Comptroller General and the Secretary of Education shall convene a study group including the Secretary of the Treasury, the Director of the Office of Management and Budget, the Director of the Congressional Budget Office, representatives of entities making loans under part B of title IV of the Higher Education Act of 1965, representatives of other entities in the financial services community, representatives of other participants in the student loan programs, and such other individuals as the Comptroller General and the Secretary may designate. The Comptroller General and Secretary, in consultation with the study group, shall design and conduct a study to identify and evaluate means of establishing a market mechanism for the delivery of loans made pursuant to such title IV.

(b) DESIGN OF STUDY.—The study required under this section shall identify not fewer than 3 different market mechanisms for use in determining lender return on student loans while continuing to meet the other objectives of the programs under parts B and D of such title IV, including the provision of loans to all eligible students. Consideration may be given to the use of auctions and to the feasibility of incorporating income-contingent repayment options into the student loan system and requiring borrowers to repay through income tax withholding.

(c) EVALUATION OF MARKET MECHANISMS.—The mechanisms identified under subsection (b) shall be evaluated in terms of the following areas:

(1) The cost or savings of loans to or for borrowers, including parent borrowers.

(2) The cost or savings of the mechanism to the Federal Government.

(3) The cost, effect, and distribution of Federal subsidies to or for participants in the program.

(4) The ability of the mechanism to accommodate the potential distribution of subsidies to students through an income-contingent repayment option.

(5) The effect on the simplicity of the program, including the effect of the plan on the regulatory burden on students, institutions, lenders, and other program participants.

(6) The effect on investment in human capital and resources, loan servicing capability, and the quality of service to the borrower.

(7) The effect on the diversity of lenders, including community-based lenders, originating and secondary market lenders.

(8) The effect on program integrity.

(9) The degree to which the mechanism will provide market incentives to encourage continuous improvement in the delivery and servicing of loans.

(10) The availability of loans to students by region, income level, and by categories of institutions.

(11) The proposed Federal and State role in the operation of the mechanism.

(12) A description of how the mechanism will be administered and operated.

(13) Transition procedures, including the effect on loan availability during a transition period.

(14) Any other areas the study group may include.

(d) PRELIMINARY FINDINGS AND PUBLICATION OF STUDY.—Not later than November 15, 2000, the study group shall make the group's preliminary findings, including any additional or dissenting views, available to the public with a 60-day request for public comment. The study group shall review these comments and the Comptroller General and the Secretary shall transmit a final report, including any additional or dissenting views, to the Committee on Education and the Workforce of the House of Representatives, the Committee on Labor and Human Resources of the Senate, and the Committees on the Budget of the House of Representatives and the Senate not later than May 15, 2001.

SEC. 802. STUDY OF THE FEASIBILITY OF ALTERNATIVE FINANCIAL INSTRUMENTS FOR DETERMINING LENDER YIELDS.

(a) STUDY REQUIRED.—The Comptroller General and the Secretary of Education shall convene a study group including the Secretary of the Treasury, the Director of the Office of Management and Budget, the Director of the Congressional Budget Office, representatives of entities making loans under part B of title IV of the Higher Education Act of 1965, representatives of other entities in the financial services community, representatives of other participants in the student loan programs, and such other individuals as the Comptroller General and the Secretary of Education may designate. The Comptroller General and the Secretary of Education, in consultation with the study group, shall evaluate the 91-day Treasury bill, 30-day and 90-day commercial paper, and

the 90-day London Interbank Offered Rate (in this section referred to as "LIBOR") in terms of the following:

(1) The historical liquidity of the market for each, and a historical comparison of the spread between: (A) the 30-day and 90-day commercial paper rate, respectively, and the 91-day Treasury bill rate; and (B) the spread between the LIBOR and the 91-day Treasury bill rate.

(2) The historical volatility of the rates and projections of future volatility.

(3) Recent changes in the liquidity of the market for each such instrument in a balanced Federal budget environment and a low-interest rate environment, and projections of future liquidity assuming the Federal budget remains in balance.

(4) The cost or savings to lenders with small, medium, and large student loan portfolios of basing lender yield on either the 30-day or 90-day commercial paper rate or the LIBOR while continuing to base the borrower rate on the 91-day Treasury bill, and the effect of such change on the diversity of lenders participating in the program.

(5) The cost or savings to the Federal Government of basing lender yield on either the 30-day or 90-day commercial paper rate or the LIBOR while continuing to base the borrower rate on the 91-day Treasury bill.

(6) Any possible risks or benefits to the student loan programs under the Higher Education Act of 1965 and to student borrowers.

(7) Any other areas the Comptroller General and the Secretary of Education agree to include.

(b) REPORT REQUIRED.—Not later than 6 months after the date of enactment of this Act, the Comptroller General and the Secretary shall submit a final report regarding the findings of the study group to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

SEC. 803. STUDENT-RELATED DEBT STUDY REQUIRED.

(a) IN GENERAL.—The Secretary of Education shall conduct a study that analyzes the distribution and increase in student-related debt in terms of—

(1) demographic characteristics, such as race or ethnicity, and family income;

(2) type of institution and whether the institution is a public or private institution;

(3) loan source, such as Federal, State, institutional or other, and, if the loan source is Federal, whether the loan is or is not subsidized;

(4) academic field of study;

(5) parent loans, and whether the parent loans are federally guaranteed, private, or property-secured such as home equity loans; and

(6) relation of student debt or anticipated debt to—

(A) students' decisions about whether and where to enroll in college and whether or how much to borrow in order to attend college;

(B) the length of time it takes students to earn baccalaureate degrees;

(C) students' decisions about whether and where to attend graduate school;

(D) graduates' employment decisions;

(E) graduates' burden of repayment as reflected by the graduates' ability to save for retirement or invest in a home; and

(F) students' future earnings.

(b) REPORT.—After conclusion of the study required by subsection (a), the Secretary of Education shall submit a final report regarding the findings of the study to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than 18 months after the date of enactment of the Higher Education Amendments of 1998.

(c) INFORMATION.—After the study and report under this section are concluded, the Secretary of Education shall determine which information described in subsection (a) would be useful for families to know and shall include such information as part of the comparative information provided to families about the costs of higher education under the provisions of part C of title I.

SEC. 804. STUDY OF TRANSFER OF CREDITS.

(a) STUDY REQUIRED.—The Secretary of Education shall conduct a study to evaluate policies or practices instituted by recognized accrediting agencies or associations regarding the treatment of the transfer of credits from one institution of higher education to another, giving particular attention to—

(1) adopted policies regarding the transfer of credits between institutions of higher education which are accredited by different agencies or associations and the reasons for such policies;

(2) adopted policies regarding the transfer of credits between institutions of higher education which are accredited by national agencies or associations and institutions of higher education which are accredited by regional agencies and associations and the reasons for such policies;

(3) the effect of the adoption of such policies on students transferring between such institutions of higher education, including time required to matriculate, increases to the student of tuition and fees paid, and increases to the student with regard to student loan burden;

(4) the extent to which Federal financial aid is awarded to such students for the duplication of coursework already completed at another institution; and

(5) the aggregate cost to the Federal Government of the adoption of such policies.

(b) REPORT.—Not later than one year after the date of enactment of this Act, the Secretary of Education shall submit a report to the Chairman and Ranking Minority Member of the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate detailing the Secretary's findings regarding the study conducted under subsection (a). The Secretary's report shall include such recommendation with respect to the recognition of accrediting agencies or associations as the Secretary deems advisable.

SEC. 805. STUDY OF OPPORTUNITIES FOR PARTICIPATION IN ATHLETICS PROGRAMS.

(a) STUDY.—The Comptroller General shall conduct a study of the opportunities for participation in intercollegiate athletics. The study shall address issues including—

(1) the extent to which the number of—

(A) secondary school athletic teams has increased or decreased in the 20 years preceding 1998 (in aggregate terms); and

(B) intercollegiate athletic teams has increased or decreased in the 20 years preceding 1998 (in aggregate terms) at 2-year and 4-year institutions of higher education;

(2) the extent to which participation by student-athletes in secondary school and intercollegiate athletics has increased or decreased in the 20 years preceding 1998 (in aggregate terms);

(3) over the 20-year period preceding 1998, a list of the men's and women's secondary school and intercollegiate sports, ranked in order of the sports most affected by increases or decreases in levels of participation and numbers of teams (in the aggregate);

(4) all factors that have influenced campus officials to add or discontinue sports teams at secondary schools and institutions of higher education, including—

(A) institutional mission and priorities;

(B) budgetary pressures;

(C) institutional reforms and restructuring;

(D) escalating liability insurance premiums;

(E) changing student and community interest in a sport;

(F) advancement of diversity among students;

(G) lack of necessary level of competitiveness of the sports program;

(H) club level sport achieving a level of competitiveness to make the sport a viable varsity level sport;

(I) injuries or deaths; and

(J) conference realignment;

(5) the actions that institutions of higher education have taken when decreasing the level of participation in intercollegiate sports, or the number of teams, in terms of providing information, advice, scholarship maintenance, counseling, advance warning, and an opportunity for student-athletes to be involved in the decisionmaking process;

(6) the administrative processes and procedures used by institutions of higher education when determining whether to increase or decrease intercollegiate athletic teams or participation by student-athletes;

(7) the budgetary or fiscal impact, if any, of a decision by an institution of higher education—

(A) to increase or decrease the number of intercollegiate athletic teams or the participation of student-athletes; or

(B) to be involved in a conference realignment; and

(8) the alternatives, if any, institutions of higher education have pursued in lieu of eliminating, or severely reducing the funding for, an intercollegiate sport, and the success of such alternatives.

(b) REPORT.—The Comptroller General shall submit a report regarding the results of the study to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives.

SEC. 806. STUDY OF THE EFFECTIVENESS OF COHORT DEFAULT RATES FOR INSTITUTIONS WITH FEW STUDENT LOAN BORROWERS.

(a) STUDY REQUIRED.—The Secretary of Education shall conduct a study of the effectiveness of cohort default rates as an indicator of administrative capability and program quality for institutions of higher education at which less than 15 percent of students eligible to borrow participate in the Federal student loan programs under title IV of the Higher Education Act of 1965 and fewer than 30 borrowers enter repayment in any fiscal year. At a minimum, the study shall include—

(1) identification of the institutions included in the study and of the student populations the institutions serve;

(2) analysis of cohort default rates as indicators of administrative shortcomings and program quality at the institutions;

(3) analysis of the effectiveness of cohort default rates as a means to prevent fraud and abuse in the programs assisted under such title;

(4) analysis of the extent to which the institutions with high cohort default rates are no longer participants in the Federal student loan programs under such title; and

(5) analysis of the costs incurred by the Department of Education for the calculation, publication, correction, and appeal of cohort default rates for the institutions in relation to any benefits to taxpayers.

(b) CONSULTATION.—In conducting the study described in subsection (a), the Secretary of Education shall consult with institutions of higher education.

(c) REPORT TO CONGRESS.—The Secretary of Education shall report to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives not later than September 30, 1999, regarding the results of the study described in subsection (a).

PART B—ADVANCED PLACEMENT INCENTIVE PROGRAM

SEC. 810. ADVANCED PLACEMENT INCENTIVE PROGRAM.

(a) PROGRAM ESTABLISHED.—The Secretary of Education is authorized to make grants to States having applications approved under subsection (c) to enable the States to reimburse low-income individuals to cover part or all of the cost of advanced placement test fees, if the low-income individuals—

(1) are enrolled in an advanced placement class; and

(2) plan to take an advanced placement test.

(b) INFORMATION DISSEMINATION.—The State educational agency shall disseminate information regarding the availability of test fee payments under this section to eligible individuals through secondary school teachers and guidance counselors.

(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for grants the Secretary of Education shall—

(1) require that each such application contain a description of the advanced placement test fees the State will pay on behalf of individual students;

(2) require an assurance that any funds received under this section, other than funds used in accordance with subsection (d), shall be used only to pay advanced placement test fees;

(3) contain such information as the Secretary may require to demonstrate that the State will ensure that a student is eligible for payments under this section, including the documentation required by chapter 1 of subpart 2 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070a–11 et seq.); and

(4) consider the number of children eligible to be counted under section 1124(c) of the Elementary and Secondary Education Act of 1965 in the State in relation to the number of such children in all the States in determining grant award amounts.

(d) FUNDING RULES.—

(1) USE OF FUNDS.—A State educational agency in a State in which no eligible low-income individual is required to pay more than a nominal fee to take advanced placement tests in core subjects may use any grant funds provided to that State educational agency, that remain after fees have been paid on behalf of all eligible low-income individuals, for activities directly related to increasing—

(A) the enrollment of low-income individuals in advanced placement courses;

(B) the participation of low-income individuals in advanced placement tests; and

(C) the availability of advanced placement courses in schools serving high poverty areas.

(2) SUPPLEMENT, NOT SUPPLANT, RULE.—Funds provided under this section shall supplement and not supplant other non-Federal funds that are available to assist low-income individuals in paying advanced placement test fees.

(e) REGULATIONS.—The Secretary of Education shall prescribe such regulations as are necessary to carry out this section.

(f) REPORT.—Each State annually shall report to the Secretary of Education regarding—

(1) the number of low-income individuals in the State who receive assistance under this section; and

(2) the activities described in subsection (d)(1), if applicable.

(g) DEFINITION.—In this section:

(1) ADVANCED PLACEMENT TEST.—The term "advanced placement test" includes only an advanced placement test approved by the Secretary of Education for the purposes of this section.

(2) LOW-INCOME INDIVIDUAL.—The term "low-income individual" has the meaning given the term in section 402A(g)(2) of the Higher Education Act of 1965 (20 U.S.C. 1070a–11(g)(2)).

(h) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $6,800,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this section.

PART C—COMMUNITY SCHOLARSHIP MOBILIZATION

SEC. 811. SHORT TITLE.

This part may be cited as the "Community Scholarship Mobilization Act".

SEC. 812. FINDINGS.

Congress finds that—

(1) the local community, when properly organized and challenged, is one of the best sources of academic support, motivation toward achievement, and financial resources for aspiring postsecondary students;

(2) local communities, working to complement or augment services currently offered by area schools and colleges, can raise the educational expectations and increase the rate of postsecondary attendance of their youth by forming locally-based organizations that provide both academic support (including guidance, counseling, mentoring, tutoring, encouragement, and recognition) and tangible, locally raised, effectively targeted, publicly recognized, financial assistance;

(3) proven methods of stimulating these community efforts can be promoted through Federal support for the establishment of regional, State, or community program centers to organize and challenge community efforts to develop educational incentives and support for local students; and

(4) using Federal funds to leverage private contributions to help students from low-income families attain educational and career goals is an efficient and effective investment of scarce taxpayer-provided resources.

SEC. 813. DEFINITIONS.

In this part:

(1) REGIONAL, STATE, OR COMMUNITY PROGRAM CENTER.—The term "regional, State, or community program center" means an organization that—

(A) is a division or member of, responsible to, and overseen by, a national organization; and

(B) is staffed by professionals trained to create, develop, and sustain local entities in towns, cities, and neighborhoods.

(2) LOCAL ENTITY.—The term "local entity" means an organization that—

(A) is a nonprofit organization that is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from taxation under section 501(a) of such Code (or shall meet this criteria through affiliation with the national organization);

(B) is formed for the purpose of providing educational scholarships and academic support for residents of the local community served by such organization;

(C) solicits broad-based community support in its academic support and fund-raising activities;

(D) is broadly representative of the local community in the structures of its volunteer-operated organization and has a board of directors that includes leaders from local neighborhood organizations and neighborhood residents,

such as school or college personnel, parents, students, community agency representatives, retirees, and representatives of the business community;

(E) awards scholarships without regard to age, sex, marital status, race, creed, color, religion, national origin, or disability; and

(F) gives priority to awarding scholarships for postsecondary education to deserving students from low-income families in the local community.

(3) NATIONAL ORGANIZATION.—The term "national organization" means an organization that—

(A) has the capacity to create, develop and sustain local entities and affiliated regional, State, or community program centers;

(B) has the capacity to sustain newly created local entities in towns, cities, and neighborhoods through ongoing training support programs;

(C) is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from taxation under section 501(a) of such Code;

(D) is a publicly supported organization within the meaning of section 170(b)(1)(A)(iv) of such Code;

(E) ensures that each of the organization's local entities meet the criteria described in subparagraphs (C) and (D); and

(F) has a program for or experience in cooperating with secondary and postsecondary institutions in carrying out the organization's scholarship and academic support activities.

(4) HIGH POVERTY AREA.—The term "high poverty area" means a community with a higher percentage of children from low-income families than the national average of such percentage and a lower percentage of children pursuing postsecondary education than the national average of such percentage.

(5) SECRETARY.—The term "Secretary" means the Secretary of Education.

(6) STUDENTS FROM LOW-INCOME FAMILIES.—The term "students from low-income families" means students determined, pursuant to part F of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087kk et seq.), to be eligible for a Federal Pell Grant under subpart 1 of part A of title IV of such Act (20 U.S.C. 1070a).

SEC. 814. PURPOSE; ENDOWMENT GRANT AUTHORITY.

(a) PURPOSE.—It is the purpose of this part to establish and support regional, State or community program centers to enable such centers to foster the development of local entities in high poverty areas that promote higher education goals for students from low-income families by—

(1) providing academic support, including guidance, counseling, mentoring, tutoring, and recognition; and

(2) providing scholarship assistance for the cost of postsecondary education.

(b) ENDOWMENT GRANT AUTHORITY.—From the funds appropriated pursuant to the authority of section 816, the Secretary shall award an endowment grant, on a competitive basis, to a national organization to enable such organization to support the

establishment or ongoing work of regional, State or community program centers that foster the development of local entities in high poverty areas to improve secondary school graduation rates and postsecondary attendance through the provision of academic support services and scholarship assistance for the cost of postsecondary education.

SEC. 815. GRANT AGREEMENT AND REQUIREMENTS.

(a) IN GENERAL.—The Secretary shall award one or more endowment grants described in section 814(b) pursuant to an agreement between the Secretary and a national organization. Such agreement shall—

(1) require a national organization to establish an endowment fund in the amount of the grant, the corpus of which shall remain intact and the interest income from which shall be used to support the activities described in paragraphs (2) and (3);

(2) require a national organization to use 70 percent of the interest income from the endowment fund in any fiscal year to support the establishment or ongoing work of regional, State or community program centers to enable such centers to work with local communities to establish local entities in high poverty areas and provide ongoing technical assistance, training workshops, and other activities to help ensure the ongoing success of the local entities;

(3) require a national organization to use 30 percent of the interest income from the endowment fund in any fiscal year to provide scholarships for postsecondary education to students from low-income families, which scholarships shall be matched on a dollar-for-dollar basis from funds raised by the local entities;

(4) require that at least 50 percent of all the interest income from the endowment be allocated to establish new local entities or support regional, State or community program centers in high poverty areas;

(5) require a national organization to submit, for each fiscal year in which such organization uses the interest from the endowment fund, a report to the Secretary that contains—

(A) a description of the programs and activities supported by the interest on the endowment fund;

(B) the audited financial statement of the national organization for the preceding fiscal year;

(C) a plan for the programs and activities to be supported by the interest on the endowment fund as the Secretary may require;

(D) an evaluation of the programs and activities supported by the interest on the endowment fund as the Secretary may require; and

(E) data indicating the number of students from low-income families who receive scholarships from local entities, and the amounts of such scholarships;

(6) contain such assurances as the Secretary may require with respect to the management and operation of the endowment fund; and

(7) contain an assurance that if the Secretary determines that such organization is not in substantial compliance with the provisions of this part, then the national organization shall

pay to the Secretary an amount equal to the corpus of the endowment fund plus any accrued interest on such fund that is available to the national organization on the date of such determination.

(b) RETURNED FUNDS.—All funds returned to the Secretary pursuant to subsection (a)(7) shall be available to the Secretary to carry out any scholarship or grant program assisted under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

SEC. 816. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this part $10,000,000 for fiscal year 2000.

PART D—GRANTS TO STATES FOR WORKPLACE AND COMMUNITY TRANSITION TRAINING FOR INCARCERATED YOUTH OFFENDERS

SEC. 821. GRANTS TO STATES FOR WORKPLACE AND COMMUNITY TRANSITION TRAINING FOR INCARCERATED YOUTH OFFENDERS.

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

(1) Over 150,000 youth offenders age 21 and younger are incarcerated in the Nation's jails, juvenile facilities, and prisons.

(2) Most youth offenders who are incarcerated have been sentenced as first-time adult felons.

(3) Approximately 75 percent of youth offenders are high school dropouts who lack basic literacy and life skills, have little or no job experience, and lack marketable skills.

(4) The average incarcerated youth has attended school only through grade 10.

(5) Most of these youths can be diverted from a life of crime into productive citizenship with available educational, vocational, work skills, and related service programs.

(6) If not involved with educational programs while incarcerated, almost all of these youths will return to a life of crime upon release.

(7) The average length of sentence for a youth offender is about 3 years. Time spent in prison provides a unique opportunity for education and training.

(8) Even with quality education and training provided during incarceration, a period of intense supervision, support, and counseling is needed upon release to ensure effective reintegration of youth offenders into society.

(9) Research consistently shows that the vast majority of incarcerated youths will not return to the public schools to complete their education.

(10) There is a need for alternative educational opportunities during incarceration and after release.

(b) DEFINITION.—For purposes of this part, the term "youth offender" means a male or female offender under the age of 25, who is incarcerated in a State prison, including a prerelease facility.

(c) GRANT PROGRAM.—The Secretary of Education (in this section referred to as the "Secretary") shall establish a program in accordance with this section to provide grants to the State correctional education agencies in the States, from allocations for the

States under subsection (i), to assist and encourage incarcerated youths to acquire functional literacy, life, and job skills, through the pursuit of a postsecondary education certificate, or an associate of arts or bachelor's degree while in prison, and employment counseling and other related services which start during incarceration and continue through prerelease and while on parole.

(d) APPLICATION.—To be eligible for a grant under this section, a State correctional education agency shall submit to the Secretary a proposal for a youth offender program that—

(1) identifies the scope of the problem, including the number of incarcerated youths in need of postsecondary education and vocational training;

(2) lists the accredited public or private educational institution or institutions that will provide postsecondary educational services;

(3) lists the cooperating agencies, public and private, or businesses that will provide related services, such as counseling in the areas of career development, substance abuse, health, and parenting skills;

(4) describes the evaluation methods and performance measures that the State correctional education agency will employ, which methods and measures—

(A) shall be appropriate to meet the goals and objectives of the proposal; and

(B) shall include measures of—

(i) program completion;

(ii) student academic and vocational skill attainment;

(iii) success in job placement and retention; and

(iv) recidivism;

(5) describes how the proposed programs are to be integrated with existing State correctional education programs (such as adult education, graduate education degree programs, and vocational training) and State industry programs;

(6) addresses the educational needs of youth offenders who are in alternative programs (such as boot camps); and

(7) describes how students will be selected so that only youth offenders eligible under subsection (f) will be enrolled in postsecondary programs.

(e) PROGRAM REQUIREMENTS.—Each State correctional education agency receiving a grant under this section shall—

(1) integrate activities carried out under the grant with the objectives and activities of the school-to-work programs of such State, including—

(A) work experience or apprenticeship programs;

(B) transitional worksite job training for vocational education students that is related to the occupational goals of such students and closely linked to classroom and laboratory instruction;

(C) placement services in occupations that the students are preparing to enter;

(D) employment-based learning programs; and

(E) programs that address State and local labor shortages;

(2) annually report to the Secretary and the Attorney General on the results of the evaluations conducted using the

methods and performance measures contained in the proposal; and

(3) provide to each State for each student eligible under subsection (f) not more than $1,500 annually for tuition, books, and essential materials, and not more than $300 annually for related services such as career development, substance abuse counseling, parenting skills training, and health education, for each eligible incarcerated youth.

(f) STUDENT ELIGIBILITY.—A youth offender shall be eligible for participation in a program receiving a grant under this section if the youth offender—

(1) is eligible to be released within 5 years (including a youth offender who is eligible for parole within such time); and

(2) is 25 years of age or younger.

(g) LENGTH OF PARTICIPATION.—A State correctional education agency receiving a grant under this section shall provide educational and related services to each participating youth offender for a period not to exceed 5 years, 1 year of which may be devoted to study in a graduate education degree program or to remedial education services for students who have obtained a secondary school diploma or its recognized equivalent. Educational and related services shall start during the period of incarceration in prison or prerelease and may continue during the period of parole.

(h) EDUCATION DELIVERY SYSTEMS.—State correctional education agencies and cooperating institutions shall, to the extent practicable, use high-tech applications in developing programs to meet the requirements and goals of this section.

(i) ALLOCATION OF FUNDS.—From the funds appropriated pursuant to subsection (j) for each fiscal year, the Secretary shall allot to each State an amount that bears the same relationship to such funds as the total number of students eligible under subsection (f) in such State bears to the total number of such students in all States.

(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $17,000,000 for fiscal year 1999 and such sums as may be necessary for each of the 4 succeeding fiscal years.

PART E—GRANTS TO COMBAT VIOLENT CRIMES AGAINST WOMEN ON CAMPUSES

SEC. 826. GRANTS TO COMBAT VIOLENT CRIMES AGAINST WOMEN ON CAMPUSES.

(a) GRANTS AUTHORIZED.—

(1) IN GENERAL.—The Attorney General is authorized to make grants to institutions of higher education, for use by such institutions or consortia consisting of campus personnel, student organizations, campus administrators, security personnel, and regional crisis centers affiliated with the institution, to develop and strengthen effective security and investigation strategies to combat violent crimes against women on campuses, and to develop and strengthen victim services in cases involving violent crimes against women on campuses, which may include partnerships with local criminal justice authorities and community-based victim services agencies.

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

(3) EQUITABLE PARTICIPATION.—The Attorney General shall make every effort to ensure—

(A) the equitable participation of private and public institutions of higher education in the activities assisted under this section; and

(B) the equitable geographic distribution of grants under this section among the various regions of the United States.

(b) USE OF GRANT FUNDS.—Grant funds awarded under this section may be used for the following purposes:

(1) To provide personnel, training, technical assistance, data collection, and other equipment with respect to the increased apprehension, investigation, and adjudication of persons committing violent crimes against women on campus.

(2) To train campus administrators, campus security personnel, and personnel serving on campus disciplinary or judicial boards to more effectively identify and respond to violent crimes against women on campus, including the crimes of sexual assault, stalking, and domestic violence.

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

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

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

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

(7) To develop, install, or expand data collection and communication systems, including computerized systems, linking campus security to the local law enforcement for the purpose of identifying and tracking arrests, protection orders, violations of protection orders, prosecutions, and convictions with respect to violent crimes against women on campus, including the crimes of sexual assault, stalking, and domestic violence.

(8) To develop, enlarge, or strengthen victim services programs for the campus and to improve delivery of victim services on campus.

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

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

(c) APPLICATIONS.—

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

General at such time and in such manner as the Attorney General shall prescribe.

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

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

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

(C) describe the characteristics of the population being served, including type of campus, demographics of the population, and number of students;

(D) provide measurable goals and expected results from the use of the grant funds;

(E) provide assurances that the Federal funds made available under this section shall be used to supplement and, to the extent practical, increase the level of funds that would, in the absence of Federal funds, be made available by the institution for the purposes described in subsection (b); and

(F) include such other information and assurances as the Attorney General reasonably determines to be necessary.

(3) COMPLIANCE WITH CAMPUS CRIME REPORTING REQUIRED.—No institution of higher education shall be eligible for a grant under this section unless such institution is in compliance with the requirements of section 485(f) of the Higher Education Act of 1965.

(d) GENERAL TERMS AND CONDITIONS.—

(1) NONMONETARY ASSISTANCE.—In addition to the assistance provided under this section, the Attorney General may request any Federal agency to use the agency's authorities and the resources granted to the agency under Federal law (including personnel, equipment, supplies, facilities, and managerial, technical, and advisory services) in support of campus security, and investigation and victim service efforts.

(2) GRANTEE REPORTING.—

(A) ANNUAL REPORT.—Each institution of higher education receiving a grant under this section shall submit an annual performance report to the Attorney General. The Attorney General shall suspend funding under this section for an institution of higher education if the institution fails to submit an annual performance report.

(B) FINAL REPORT.—Upon completion of the grant period under this section, the institution shall file a performance report with the Attorney General and the Secretary of Education explaining the activities carried out under this section together with an assessment of the effectiveness of those activities in achieving the purposes described in subsection (b).

(3) REPORT TO CONGRESS.—Not later than 180 days after the end of the fiscal year for which grants are awarded under this section, the Attorney General shall submit to the committees of the House of Representatives and the Senate responsible

for issues relating to higher education and crime, a report that includes—

(A) the number of grants, and the amount of funds, distributed under this section;

(B) a summary of the purposes for which the grants were provided and an evaluation of the progress made under the grant;

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

(D) an evaluation of the effectiveness of programs funded under this part, including information obtained from reports submitted pursuant to section 485(f) of the Higher Education Act of 1965.

(4) REGULATIONS OR GUIDELINES.—Not later than 120 days after the date of enactment of this section, the Attorney General, in consultation with the Secretary of Education, shall publish proposed regulations or guidelines implementing this section. Not later than 180 days after the date of enactment of this section, the Attorney General shall publish final regulations or guidelines implementing this section.

(f) DEFINITIONS.—In this section—

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

(2) the term "sexual assault" means any conduct proscribed by chapter 109A of title 18, United States Code, whether or not the conduct occurs in the special maritime and territorial jurisdiction of the United States or in a Federal prison, including both assaults committed by offenders who are strangers to the victim and assaults committed by offenders who are known or related by blood or marriage to the victim; and

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

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

SEC. 827. STUDY OF INSTITUTIONAL PROCEDURES TO REPORT SEXUAL ASSAULTS.

(a) IN GENERAL.—The Attorney General, in consultation with the Secretary of Education, shall provide for a national study to examine procedures undertaken after an institution of higher education receives a report of sexual assault.

(b) REPORT.—The study required by subsection (a) shall include an analysis of—

(1) the existence and publication of the institution of higher education's and State's definition of sexual assault;

(2) the existence and publication of the institution's policy for campus sexual assaults;

(3) the individuals to whom reports of sexual assault are given most often and—

(A) how the individuals are trained to respond to the reports; and

(B) the extent to which the individuals are trained;

(4) the reporting options that are articulated to the victim or victims of the sexual assault regarding—

(A) on-campus reporting and procedure options; and

(B) off-campus reporting and procedure options;

(5) the resources available for victims' safety, support, medical health, and confidentiality, including—

(A) how well the resources are articulated both specifically to the victim of sexual assault and generally to the campus at large; and

(B) the security of the resources in terms of confidentiality or reputation;

(6) policies and practices that may prevent or discourage the reporting of campus sexual assaults to local crime authorities, or that may otherwise obstruct justice or interfere with the prosecution of perpetrators of campus sexual assaults;

(7) policies and practices found successful in aiding the report and any ensuing investigation or prosecution of a campus sexual assault;

(8) the on-campus procedures for investigation and disciplining the perpetrator of a sexual assault, including—

(A) the format for collecting evidence; and

(B) the format of the investigation and disciplinary proceeding, including the faculty responsible for running the disciplinary procedure and the persons allowed to attend the disciplinary procedure; and

(9) types of punishment for offenders, including—

(A) whether the case is directed outside the institution for further punishment; and

(B) how the institution punishes perpetrators.

(c) SUBMISSION OF REPORT.—The report required by subsection (b) shall be submitted to Congress not later than September 1, 2000.

(d) DEFINITION.—For purposes of this section, the term "campus sexual assaults" means sexual assaults occurring at institutions of higher education and sexual assaults committed against or by students or employees of such institutions.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,000,000 for fiscal year 2000.

PART F—IMPROVING UNITED STATES UNDERSTANDING OF SCIENCE, ENGINEERING, AND TECHNOLOGY IN EAST ASIA

SEC. 831. IMPROVING UNITED STATES UNDERSTANDING OF SCIENCE, ENGINEERING, AND TECHNOLOGY IN EAST ASIA.

(a) ESTABLISHMENT.—The Director of the National Science Foundation is authorized, beginning in fiscal year 2000, to carry out an interdisciplinary program of education and research on East Asian science, engineering, and technology. The Director shall carry out the interdisciplinary program in consultation with the Secretary of Education.

(b) PURPOSES.—The purposes of the program established under this section shall be to—

(1) increase understanding of East Asian research, and innovation for the creative application of science and technology to the problems of society;

(2) provide scientists, engineers, technology managers, and students with training in East Asian languages, and with an understanding of research, technology, and management of innovation, in East Asian countries;

(3) provide program participants with opportunities to be directly involved in scientific and engineering research, and activities related to the management of scientific and technological innovation, in East Asia; and

(4) create mechanisms for cooperation and partnerships among United States industry, universities, colleges, not-for-profit institutions, Federal laboratories (within the meaning of section 4(6) of the Stevenson-Wydler Technology Innovation Act of 1980 (15 U.S.C. 3703(6))), and government, to disseminate the results of the program assisted under this section for the benefit of United States research and innovation.

(c) PARTICIPATION BY FEDERAL SCIENTISTS, ENGINEERS, AND MANAGERS.—Scientists, engineers, and managers of science and engineering programs in Federal agencies and the Federal laboratories shall be eligible to participate in the program assisted under this section on a reimbursable basis.

(d) REQUIREMENT FOR MERIT REVIEW.—Awards made under the program established under this section shall only be made using a competitive, merit-based review process.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $10,000,000 for fiscal year 2000.

PART G—OLYMPIC SCHOLARSHIPS

SEC. 836. EXTENSION OF AUTHORIZATION.

Section 1543(d) of the Higher Education Amendments of 1992 is amended by striking "1993" and inserting "1999".

PART H—UNDERGROUND RAILROAD

SEC. 841. UNDERGROUND RAILROAD EDUCATIONAL AND CULTURAL PROGRAM.

(a) PROGRAM ESTABLISHED.—The Secretary of Education, in consultation and cooperation with the Secretary of the Interior,

is authorized to make grants to 1 or more nonprofit educational organizations that are established to research, display, interpret, and collect artifacts relating to the history of the Underground Railroad.

(b) GRANT AGREEMENT.—Each nonprofit educational organization awarded a grant under this section shall enter into an agreement with the Secretary of Education. Each such agreement shall require the organization—

(1) to establish a facility to house, display, and interpret the artifacts related to the history of the Underground Railroad, and to make the interpretive efforts available to institutions of higher education that award a baccalaureate or graduate degree;

(2) to demonstrate substantial private support for the facility through the implementation of a public-private partnership between a State or local public entity and a private entity for the support of the facility, which private entity shall provide matching funds for the support of the facility in an amount equal to 4 times the amount of the contribution of the State or local public entity, except that not more than 20 percent of the matching funds may be provided by the Federal Government;

(3) to create an endowment to fund any and all shortfalls in the costs of the on-going operations of the facility;

(4) to establish a network of satellite centers throughout the United States to help disseminate information regarding the Underground Railroad throughout the United States, if such satellite centers raise 80 percent of the funds required to establish the satellite centers from non-Federal public and private sources;

(5) to establish the capability to electronically link the facility with other local and regional facilities that have collections and programs which interpret the history of the Underground Railroad; and

(6) to submit, for each fiscal year for which the organization receives funding under this section, a report to the Secretary of Education that contains—

(A) a description of the programs and activities supported by the funding;

(B) the audited financial statement of the organization for the preceding fiscal year;

(C) a plan for the programs and activities to be supported by the funding as the Secretary may require; and

(D) an evaluation of the programs and activities supported by the funding as the Secretary may require.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $6,000,000 for fiscal year 1999, $6,000,000 for fiscal year 2000, $6,000,000 for fiscal year 2001, $3,000,000 for fiscal year 2002, and $3,000,000 for fiscal year 2003.

PART I—SUMMER TRAVEL AND WORK PROGRAMS

SEC. 846. AUTHORITY TO ADMINISTER SUMMER TRAVEL AND WORK PROGRAMS.

The Director of the United States Information Agency is authorized to administer summer travel and work programs without regard to preplacement requirements.

PART J—WEB-BASED EDUCATION COMMISSION

SEC. 851. SHORT TITLE; DEFINITIONS.

(a) IN GENERAL.—This part may be cited as the "Web-Based Education Commission Act".

(b) DEFINITIONS.—In this part:

(1) COMMISSION.—The term "Commission" means the Web-Based Education Commission established under section 852.

(2) INFORMATION TECHNOLOGY.—The term "information technology" has the meaning given that term in section 5002 of the Information Technology Management Reform Act of 1996 (110 Stat. 679).

(3) STATE.—The term "State" means each of the several States of the United States and the District of Columbia.

SEC. 852. ESTABLISHMENT OF WEB-BASED EDUCATION COMMISSION.

(a) ESTABLISHMENT.—There is established a commission to be known as the Web-Based Education Commission.

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Commission shall be composed of 14 members, of which—

(A) three members shall be appointed by the President, from among individuals representing the Internet technology industry;

(B) three members shall be appointed by the Secretary, from among individuals with expertise in accreditation, establishing statewide curricula, and establishing information technology networks pertaining to education curricula;

(C) two members shall be appointed by the Majority Leader of the Senate;

(D) two members shall be appointed by the Minority Leader of the Senate;

(E) two members shall be appointed by the Speaker of the House of Representatives; and

(F) two members shall be appointed by the Minority Leader of the House of Representatives.

(2) DATE.—The appointments of the members of the Commission shall be made not later than 45 days after the date of enactment of this Act.

(c) PERIOD OF APPOINTMENT; VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(d) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold the Commission's first meeting.

(e) MEETINGS.—The Commission shall meet at the call of the Chairperson.

(f) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(g) CHAIRPERSON AND VICE CHAIRPERSON.—The Commission shall select a chairperson and vice chairperson from among the members of the Commission.

SEC. 853. DUTIES OF THE COMMISSION.

(a) STUDY.—

(1) IN GENERAL.—The Commission shall conduct a thorough study to assess the educational software available in retail markets for secondary and postsecondary students who choose to use such software.

(2) PUBLIC HEARINGS.—As part of the study conducted under this subsection, the Commission shall hold public hearings in each region of the United States concerning the assessment referred to in paragraph (1).

(3) EXISTING INFORMATION.—To the extent practicable, in carrying out the study under this subsection, the Commission shall identify and use existing information related to the assessment referred to in paragraph (1).

(b) REPORT.—Not later than 6 months after the first meeting of the Commission, the Commission shall submit a report to the President and Congress that shall contain a detailed statement of the findings and conclusions of the Commission resulting from the study, together with the Commission's recommendations—

(1) for such legislation and administrative actions as the Commission considers to be appropriate; and

(2) regarding the appropriate Federal role in determining quality educational software products.

(c) FACILITATION OF EXCHANGE OF INFORMATION.—In carrying out the study under subsection (a), the Commission shall, to the extent practicable, facilitate the exchange of information concerning the issues that are the subject of the study among—

(1) officials of the Federal Government, and State governments and political subdivisions of States; and

(2) educators from Federal, State, and local institutions of higher education and secondary schools.

SEC. 854. POWERS OF THE COMMISSION.

(a) HEARINGS.—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out the duties of the Commission.

(b) INFORMATION FROM FEDERAL AGENCIES.—The Commission may request from the head of any Federal agency or instrumentality such information as the Commission considers necessary to carry out the provisions of this part. Each such agency or instrumentality shall, to the extent permitted by law and subject to the exceptions set forth in section 552 of title 5, United States Code (commonly referred to as the Freedom of Information Act), furnish such information to the Commission upon request.

(c) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(d) GIFTS.—The Commission may accept, use, and dispose of gifts or donations of services or property.

SEC. 855. COMMISSION PERSONNEL MATTERS.

(a) COMPENSATION OF MEMBERS.—Except as provided in subsection (b), each member of the Commission who is not an officer or employee of the Federal Government shall serve without compensation. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(b) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) STAFF.—

(1) IN GENERAL.—The Chairperson of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform the Commission's duties. The employment of an executive director shall be subject to confirmation by the Commission.

(2) COMPENSATION.—The Chairperson of the Commission may fix the compensation of the executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(d) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals that do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

SEC. 856. TERMINATION OF THE COMMISSION.

The Commission shall terminate on the date that is 90 days after the date on which the Commission submits the Commission's report under section 853(b).

SEC. 857. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There are authorized to be appropriated $450,000 for fiscal year 1999 to the Commission to carry out this part.

(b) AVAILABILITY.—Any sums appropriated under the authorization contained in this section shall remain available, without fiscal year limitation, until expended.

PART K—MISCELLANEOUS

SEC. 861. EDUCATION-WELFARE STUDY.

(a) STUDY.—The Comptroller General of the United States shall conduct a study of the effectiveness of educational approaches (including vocational and post-secondary education approaches) and rapid employment approaches to helping welfare recipients and other low-income adults become employed and economically self-sufficient. Such study shall include—

(1) a survey of the available scientific evidence and research data on the subject, including a comparison of the effects of programs emphasizing a vocational or postsecondary educational approach to programs emphasizing a rapid employment approach, along with research on the impacts of programs which emphasize a combination of such approaches;

(2) an examination of the research regarding the impact of postsecondary education on the educational attainment of the children of recipients who have completed a postsecondary education program; and

(3) information regarding short and long-term employment, wages, duration of employment, poverty rates, sustainable economic self-sufficiency, prospects for career advancement or wage increases, access to quality child care, placement in employment with benefits including health care, life insurance and retirement, and related program outcomes.

(b) REPORT.—Not later than August 1, 1999, the Comptroller General of the United States shall prepare and submit to the Committees on Ways and Means and on Education and the Workforce of the House of Representatives and the Committees on Finance and on Labor and Human Resources of the Senate, a report that contains the finding of the study required by subsection (a).

SEC. 862. RELEASE OF CONDITIONS, COVENANTS, AND REVERSIONARY INTERESTS, GUAM COMMUNITY COLLEGE CONVEYANCE, BARRIGADA, GUAM.

(a) RELEASE.—The Secretary of Education shall release all conditions and covenants that were imposed by the United States, and the reversionary interests that were retained by the United States, as part of the conveyance of a parcel of Federal surplus property located in Barrigada, Guam, consisting of approximately 314.28 acres and known as Naval Communications Area Master Station, WESTPAC, parcel IN, which was conveyed to the Guam Community College pursuant to—

(1) the quitclaim deed dated June 8, 1990, conveying 61.45 acres, between the Secretary, acting through the Administrator for Management Services, and the Guam Community College, acting through its Board of Trustees; and

(2) the quitclaim deed dated June 8, 1990, conveying 252.83 acres, between the Secretary, acting through the Administrator for Management Services, and the Guam Community College, acting through its Board of Trustees, and the Governor of Guam.

(b) CONSIDERATION.—The Secretary shall execute the release of the conditions, covenants, and reversionary interests under subsection (a) without consideration.

(c) INSTRUMENT OF RELEASE.—The Secretary shall execute and file in the appropriate office or offices a deed of release, amended deed, or other appropriate instrument effectuating the release of the conditions, covenants, and reversionary interests under subsection (a).

SEC. 863. SENSE OF CONGRESS REGARDING GOOD CHARACTER.

(a) FINDINGS.—Congress finds that—

(1) the future of our Nation and world will be determined by the young people of today;

(2) record levels of youth crime, violence, teenage pregnancy, and substance abuse indicate a growing moral crisis in our society;

(3) character development is the long-term process of helping young people to know, care about, and act upon such basic values as trustworthiness, respect for self and others, responsibility, fairness, compassion, and citizenship;

(4) these values are universal, reaching across cultural and religious differences;

(5) a recent poll found that 90 percent of Americans support the teaching of core moral and civic values;

(6) parents will always be children's primary character educators;

(7) good moral character is developed best in the context of the family;

(8) parents, community leaders, and school officials are establishing successful partnerships across the Nation to implement character education programs;

(9) character education programs also ask parents, faculty, and staff to serve as role models of core values, to provide opportunities for young people to apply these values, and to establish high academic standards that challenge students to set high goals, work to achieve the goals, and persevere in spite of difficulty;

(10) the development of virtue and moral character, those habits of mind, heart, and spirit that help young people to know, desire, and do what is right, has historically been a primary mission of colleges and universities; and

(11) the Congress encourages parents, faculty, and staff across the Nation to emphasize character development in the home, in the community, in our schools, and in our colleges and universities.

(b) SENSE OF CONGRESS.—It is the sense of Congress that Congress should support and encourage character building initiatives in schools across America and urge colleges and universities to affirm that the development of character is one of the primary goals of higher education.

SEC. 864. EDUCATIONAL MERCHANDISE LICENSING CODES OF CONDUCT.

It is the sense of Congress that all American colleges and universities should adopt rigorous educational merchandise licensing codes of conduct to assure that university and college licensed merchandise is not made by sweatshop and exploited adult or child labor either domestically or abroad, and that such codes should include at least the following:

(1) Public reporting of the code and the companies adhering to the code.

(2) Independent monitoring of the companies adhering to the code by entities not limited to major international accounting firms.

(3) An explicit prohibition on the use of child labor.

(4) An explicit requirement that companies pay workers at least the governing minimum wage and applicable overtime.

(5) An explicit requirement that companies allow workers the right to organize without retribution.

(6) An explicit requirement that companies maintain a safe and healthy workplace.

TITLE IX—AMENDMENTS TO OTHER LAWS

PART A—EXTENSION AND REVISION OF INDIAN HIGHER EDUCATION PROGRAMS

SEC. 901. TRIBALLY CONTROLLED COLLEGES AND UNIVERSITIES.

(a) REAUTHORIZATION.—

(1) AMOUNT OF GRANTS.—Section 108(a)(2) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1808(a)(2)) is amended by striking "$5,820" and inserting "$6,000".

(2) AUTHORIZATION OF APPROPRIATIONS.—

(A) TITLE I.—Section 110(a) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1810(a)) is amended—

(i) in paragraph (1), by striking "1993" and inserting "1999";

(ii) in paragraph (2), by striking "$30,000,000 for fiscal year 1993" and inserting "$40,000,000 for fiscal year 1999";

(iii) in paragraph (3), by striking "1993" and inserting "1999"; and

(iv) in paragraph (4), by striking "1993" and inserting "1999".

(B) TITLE III.—Section 306(a) of the Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1836(a)) is amended by striking "1993" and inserting "1999".

(C) TITLE IV.—Section 403 of the Tribal Economic Development and Technology Related Education Assistance Act of 1990 (25 U.S.C. 1852) is amended by striking "1993" and inserting "1999".

(b) EXTENSION TO COLLEGES AND UNIVERSITIES.—The Tribally Controlled Community College Assistance Act of 1978 (25 U.S.C. 1801 et seq.) is amended—

(1) in the first section (25 U.S.C. 1801 note), by striking "Community College" and inserting "College or University";

(2) in the heading for title I (25 U.S.C. 1802 et seq.), by striking "COMMUNITY COLLEGES" and inserting "COLLEGES OR UNIVERSITIES";

(3) in the heading for title III (25 U.S.C. 1831 et seq.), by striking "COMMUNITY COLLEGE" and inserting "COLLEGE OR UNIVERSITY";

(4) in the heading for section 107, by striking "COMMUNITY COLLEGES" and inserting "COLLEGES OR UNIVERSITIES";

(5) in sections 2(a)(4), 2(a)(7), 2(b)(4), 102(b), 103, 105, 106(b), 107(a), 107(b), 108(a), 108(b)(3)(A), 108(b)(3)(B), 108(b)(4), 109(b)(2), 109(b)(3), 109(d), 113(a), 113(b), 113(c)(1), 113(c)(2), 302(b), 303, 304, 305(a), and 305(b) (25 U.S.C. 1801(a)(4), 1801(a)(7), 1801(b)(4), 1803(b), 1804, 1805, 1806(b), 1807(a), 1807(b), 1808(a), 1808(b)(3)(A), 1808(b)(3)(B), 1808(b)(4), 1809(b)(2), 1809(b)(3), 1809(d), 1813(a), 1813(b), 1813(c)(1), 1813(c)(2), 1832(b), 1833, 1834, 1835(a), and 1835(b)), by striking "community college" each place the term appears and inserting "college or university";

(6) in sections 101, 102(a), 104(a)(1), 107(a), 108(c)(2), 109(b)(1), 111(a)(2), 112(a), 112(a)(2), 112(c)(2)(B), 301, 302(a), and 402(a) (25 U.S.C. 1802, 1803(a), 1804a(a)(1), 1807(a), 1808(c)(2), 1809(b)(1), 1811(a)(2), 1812(a), 1812(a)(2), 1812(c)(2)(B), 1831, 1832(a), and 1851(a)), by striking "community colleges" each place the term appears and inserting "colleges or universities";

(7) in sections 108(a)(1), 108(a), 113(b)(2), 113(c)(2), 302(a), 302(b), 302(b)(2)(B), 302(b)(4), 303, 304, 305(a), and 305(b) (25 U.S.C. 1808(a)(1), 1808(a), 1813(b)(2), 1813(c)(2), 1832(a), 1832(b), 1832(b)(2)(B), 1832(b)(4), 1833, 1834, 1835(a), and 1835(b)), by striking "such college" each place the term appears and inserting "such college or university";

(8) in sections 104(a)(2), 109(b)(1), and 111(a)(2) (25 U.S.C. 1804a(a)(2), 1809(b)(1), and 1811(a)(2)), by striking "such colleges" and inserting "such colleges or universities";

(9) in section 2(b)(5) (25 U.S.C. 1801(b)(5)), by striking "community college's" and inserting "college or university's";

(10) in section 109(a) (25 U.S.C. 1809(a)), by inserting "or university" after "tribally controlled college";

(11) in section 110(a)(4) (25 U.S.C. 1810(a)(4)), by striking "Tribally Controlled Community Colleges" and inserting "tribally controlled colleges or universities";

(12) in sections 102(b), 109(d), 113(c)(2)(E), 302(b)(6), and 305(a) (25 U.S.C. 1803(b), 1809(d), 1813(c)(2)(E), 1832(b)(6), and 1835(a)), by striking "the college" and inserting "the college or university";

(13) in section 112(c)(1) (25 U.S.C. 1812(c)(1)), by striking "colleges" and inserting "colleges or universities";

(14) in sections 302(b)(4) and 305(a) (25 U.S.C. 1832(b)(4) and 1835(a)), by striking "that college" and inserting "that college or university"; and

(15) in section 302(b)(4) (25 U.S.C. 1832(b)(4)), by striking "other colleges" and inserting "other colleges or universities".

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) RECOMMENDED LEGISLATION.—The Secretary of Education shall prepare and submit to Congress recommended legislation containing technical and conforming amendments to reflect the changes made by subsection (b).

(2) SUBMISSION TO CONGRESS.—Not later than 6 months after the effective date of this title, the Secretary of Education shall submit the recommended legislation referred to under paragraph (1).

(d) REFERENCES.—Any reference to a section or other provision of the Tribally Controlled Community College Assistance Act of

1978 shall be deemed to be a reference to the Tribally Controlled College or University Assistance Act of 1978.

(e) CLERICAL AMENDMENT.—Section 109 of the Tribally Controlled Colleges or University Act of 1978 (as renamed by subsection (b)(1)) (25 U.S.C. 1809) is amended by redesignating subsection (d) as subsection (c).

SEC. 902. REAUTHORIZATION OF NAVAJO COMMUNITY COLLEGE ACT.

Section 5(a)(1) of the Navajo Community College Act (25 U.S.C. 640c–1) is amended by striking "1993" and inserting "1999".

PART B—EDUCATION OF THE DEAF

SEC. 911. SHORT TITLE.

This part may be cited as the "Education of the Deaf Amendments of 1998".

SEC. 912. ELEMENTARY AND SECONDARY EDUCATION PROGRAMS.

Section 104(b) of the Education of the Deaf Act of 1986 (20 U.S.C. 4304(b)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by inserting "and" after the semicolon;

(B) in subparagraph (B), by striking "; and" and inserting a period; and

(C) by striking subparagraph (C);

(2) in the matter preceding subparagraph (A) of paragraph (2)—

(A) by striking "paragraph (1)" and inserting "paragraph (1)(B)"; and

(B) by striking "section 618(b)" and inserting "section 618(a)(1)(A)";

(3) in paragraph (3), by striking "intermediate educational unit" and inserting "educational service agency";

(4) in paragraph (4)—

(A) in subparagraph (A), by striking "intermediate educational unit" and inserting "educational service agency"; and

(B) in subparagraph (B), by striking "intermediate educational units" and inserting "educational service agencies"; and

(5) by amending subparagraph (C) to read as follows:

"(C) provide the child a free appropriate public education in accordance with part B of the Individuals with Disabilities Education Act and procedural safeguards in accordance with the following provisions of section 615 of such Act:

"(i) Paragraphs (1), and (3) through (6) of subsection (b).

"(ii) Subsections (c) through (g).

"(iii) Subsection (h), except for the matter in paragraph (4) pertaining to transmission of findings and decisions to a State advisory panel.

"(iv) Paragraphs (1) and (2) of subsection (i).

"(v) Subsection (j)—

"(I) except that such subsection shall not be applicable to a decision by the University to refuse to admit a child; or

"(II) to dismiss a child, except that, before dismissing any child, the University shall give at least 60 days written notice to the child's parents and to the local educational agency in which the child resides, unless the dismissal involves a suspension, expulsion, or other change in placement covered under section 615(k).

"(vi) Subsections (k) through (m).".

SEC. 913. AGREEMENT WITH GALLAUDET UNIVERSITY.

Section 105(a) of the Education of the Deaf Act of 1986 (20 U.S.C. 4305(a)) is amended—

(1) by striking "within 1 year after enactment of the Education of the Deaf Act Amendments of 1992, a new" and inserting "and periodically update, an"; and

(2) by amending the second sentence to read as follows: "The Secretary or the University shall determine the necessity for the periodic update described in the preceding sentence.".

SEC. 914. AGREEMENT FOR THE NATIONAL TECHNICAL INSTITUTE FOR THE DEAF.

Paragraph (2) of section 112(a) of the Education of the Deaf Act of 1986 (20 U.S.C. 4332(a)) is amended to read as follows:

"(2) The Secretary and the institution of higher education with which the Secretary has an agreement under this section—

"(A) shall periodically assess the need for modification of the agreement; and

"(B) shall periodically update the agreement as determined necessary by the Secretary or the institution.".

SEC. 915. DEFINITIONS.

Section 201 of the Education of the Deaf Act of 1986 (20 U.S.C. 4351) is amended—

(1) in paragraph (1)(C), by striking "Palau (but only until the Compact of Free Association with Palau takes effect),"; and

(2) in paragraph (5)—

(A) by inserting "and" after "Virgin Islands,"; and

(B) by striking ", and Palau (but only until the Compact of Free Association with Palau takes effect)".

SEC. 916. GIFTS.

Subsection (b) of section 203 of the Education of the Deaf Act of 1986 (20 U.S.C. 4353) is amended to read as follows:

"(b) INDEPENDENT FINANCIAL AND COMPLIANCE AUDIT.—

"(1) IN GENERAL.—Gallaudet University shall have an annual independent financial and compliance audit made of the programs and activities of the University, including the national mission and school operations of the elementary and secondary education programs at Gallaudet. The institution of higher education with which the Secretary has an agreement under section 112 shall have an annual independent financial and compliance audit made of the programs and activities of such institution of higher education, including NTID, and containing specific schedules and analyses for all NTID funds, as determined by the Secretary.

"(2) COMPLIANCE.—As used in paragraph (1), compliance means compliance with sections 102(b), 105(b)(4), 112(b)(5),

and 203(c), paragraphs (2) and (3) of section 207(b), subsections (b)(2), (b)(3), and (c) through (f), of section 207, and subsections (b) and (c) of section 210.

"(3) SUBMISSION OF AUDITS.—A copy of each audit described in paragraph (1) shall be provided to the Secretary within 15 days of acceptance of the audit by the University or the institution authorized to establish and operate the NTID under section 112(a), as the case may be, but not later than January 10 of each year.".

SEC. 917. REPORTS.

Section 204(3) of the Education of the Deaf Act of 1986 (20 U.S.C. 4354(3)) is amended—

(1) in subparagraph (A), by striking "The annual" and inserting "A summary of the annual"; and

(2) in subparagraph (B), by striking "the annual" and inserting "a summary of the annual".

SEC. 918. MONITORING, EVALUATION, AND REPORTING.

Section 205(c) of the Education of the Deaf Act of 1986 (20 U.S.C. 4355(c)) is amended by striking "1993, 1994, 1995, 1996, and 1997" and inserting "1998 through 2003".

SEC. 919. FEDERAL ENDOWMENT PROGRAMS.

Section 207 of the Education of the Deaf Act of 1986 (20 U.S.C. 4357) is amended—

(1) in subsection (b)—

(A) by amending paragraph (2) to read as follows: "(2) Subject to the availability of appropriations, the Secretary shall make payments to each Federal endowment fund in amounts equal to sums contributed to the fund from non-Federal sources during the fiscal year in which the appropriations are made available (excluding transfers from other endowment funds of the institution involved).."; and

(B) by striking paragraph (3);

(2) in subsection (c)(1), by inserting "the Federal contribution of" after "shall invest";

(3) in subsection (d)—

(A) in paragraph (2)(C), by striking "Beginning on October 1, 1992, the" and inserting "The"; and

(B) in paragraph (3)(A), by striking "prior" and inserting "current"; and

(4) in subsection (h)—

(A) in paragraph (1), by striking "1993 through 1997" and inserting "1998 through 2003"; and

(B) in paragraph (2), by striking "1993 through 1997" and inserting "1998 through 2003".

SEC. 920. SCHOLARSHIP PROGRAM.

Section 208 of the Education of the Deaf Act of 1986 (20 U.S.C. 4358) is repealed.

SEC. 921. OVERSIGHT AND EFFECT OF AGREEMENTS.

Section 209 of the Education of the Deaf Act of 1986 (20 U.S.C. 4359) is amended—

(1) in subsection (a), by striking "Committee on Education and Labor" and inserting "Committee on Education and the Workforce"; and

(2) by redesignating such section as section 208.

SEC. 922. INTERNATIONAL STUDENTS.

(a) AMENDMENT.—Section 210 of the Education of the Deaf Act of 1986 (20 U.S.C. 4359a) is amended—

(1) in subsection (a)—

(A) by striking "10 percent" and inserting "15 percent"; and

(B) by inserting before the period the following: ", except that in any school year no United States citizen who is qualified to be admitted to the University or NTID and applies for admission to the University or NTID shall be denied admission because of the admission of an international student"; and

(2) in subsection (b), by striking "surcharge of 75 percent for the academic year 1993–1994 and 90 percent beginning with the academic year 1994–1995" and inserting "surcharge of 100 percent for the academic year 1999–2000 and any succeeding academic year".

(b) CONFORMING AMENDMENT.—Section 210 of such Act (20 U.S.C. 4359a) is amended by redesignating such section as section 209.

SEC. 923. RESEARCH PRIORITIES.

Title II of the Education of the Deaf Act of 1986 is amended by striking section 211 (20 U.S.C. 4360) and inserting the following:

"SEC. 210. RESEARCH PRIORITIES.

"(a) RESEARCH PRIORITIES.—Gallaudet University and the National Technical Institute for the Deaf shall each establish and disseminate priorities for their national mission with respect to deafness related research, development, and demonstration activities, that reflect public input, through a process that includes consumers, constituent groups, and the heads of other federally funded programs. The priorities for the University shall include activities conducted as part of the University's elementary and secondary education programs under section 104.

"(b) RESEARCH REPORTS.—The University and NTID shall each prepare and submit an annual research report, to the Secretary, the Committee on Education and the Workforce of the House of Representatives, and the Committee on Labor and Human Resources of the Senate, not later than January 10 of each year, that shall include—

"(1) a summary of the public input received as part of the establishment and dissemination of priorities required by subsection (a), and the University's and NTID's response to the input; and

"(2) a summary description of the research undertaken by the University and NTID, the start and projected end dates for each research project, the projected cost and source or sources of funding for each project, and any products resulting from research completed in the prior fiscal year.".

SEC. 924. NATIONAL STUDY ON THE EDUCATION OF THE DEAF.

The Education of the Deaf Act of 1986 (20 U.S.C. 4301 et seq.) is amended by adding after section 210 (as inserted by section 923) the following:

"SEC. 211. NATIONAL STUDY ON THE EDUCATION OF THE DEAF.

"(a) CONDUCT OF STUDY.—

"(1) IN GENERAL.—The Secretary shall conduct a national study on the education of the deaf, to identify education-related barriers to successful postsecondary education experiences and employment for individuals who are deaf, and those education-related factors that contribute to successful postsecondary education experiences and employment for individuals who are deaf.

"(2) DEFINITION.—In this section the term 'deaf', when used with respect to an individual, means an individual with a hearing impairment, including an individual who is hard of hearing, an individual deafened later in life, and an individual who is profoundly deaf.

"(b) PUBLIC INPUT AND CONSULTATION.—

"(1) IN GENERAL.—In conducting such study, the Secretary shall obtain input from the public. To obtain such input, the Secretary shall—

"(A) publish a notice with an opportunity for comment in the Federal Register;

"(B) consult with individuals and organizations representing a wide range of perspectives on deafness-related issues, including organizations representing individuals who are deaf, parents of children who are deaf, educators, and researchers; and

"(C) take such other action as the Secretary deems appropriate, which may include holding public meetings.

"(2) STRUCTURED OPPORTUNITIES.—The Secretary shall provide structured opportunities to receive and respond to the viewpoints of the individuals and organizations described in paragraph (1)(B).

"(c) REPORT.—The Secretary shall report to Congress not later than 18 months after the date of enactment of the Education of the Deaf Amendments of 1998 regarding the results of the study. The report shall contain—

"(1) recommendations, including recommendations for legislation, that the Secretary deems appropriate; and

"(2) a detailed summary of the input received under subsection (b) and the ways in which the report addresses such input.

"(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $1,000,000 for each of the fiscal years 1999 and 2000 to carry out the provisions of this section.".

SEC. 925. AUTHORIZATION OF APPROPRIATIONS.

Title II of the Education of the Deaf Act of 1986 (20 U.S.C. 4351 et seq.) is amended by adding after section 211 (as inserted by section 924) the following:

"SEC. 212. AUTHORIZATION OF APPROPRIATIONS.

"(a) GALLAUDET UNIVERSITY.—There are authorized to be appropriated such sums as may be necessary for each of the fiscal years 1998 through 2003 to carry out the provisions of title I and this title, relating to—

"(1) Gallaudet University;

"(2) Kendall Demonstration Elementary School; and

"(3) the Model Secondary School for the Deaf.

"(b) NATIONAL TECHNICAL INSTITUTE FOR THE DEAF.—There are authorized to be appropriated such sums as may be necessary for each of the fiscal years 1998 through 2003 to carry out the provisions of title I and this title relating to the National Technical Institute for the Deaf.".

PART C—UNITED STATES INSTITUTE OF PEACE

SEC. 931. AUTHORITIES OF THE UNITED STATES INSTITUTE OF PEACE.

The United States Institute of Peace Act (22 U.S.C. 4601 et seq.) is amended—

(1) in section 1705 (22 U.S.C. 4604)—

(A) in subsection (f), by inserting "personal service and other" after "may enter into"; and

(B) in subsection (o), by inserting after "Services" the following: "and use all sources of supply and services of the General Services Administration";

(2) in section 1710(a)(1) (22 U.S.C. 4609(a)(1))—

(A) by striking "1993" and inserting "1999"; and

(B) by striking "6" and inserting "4"; and

(3) in the second and third sentences of section 1712 (22 U.S.C. 4611), by striking "shall" each place the term appears and inserting "may".

PART D—VOLUNTARY RETIREMENT INCENTIVE PLANS

SEC. 941. VOLUNTARY RETIREMENT INCENTIVE PLANS.

(a) IN GENERAL.—Section 4 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623) is amended by adding at the end the following:

"(m) Notwithstanding subsection (f)(2)(B), it shall not be a violation of subsection (a), (b), (c), or (e) solely because a plan of an institution of higher education (as defined in section 101 of the Higher Education Act of 1965) offers employees who are serving under a contract of unlimited tenure (or similar arrangement providing for unlimited tenure) supplemental benefits upon voluntary retirement that are reduced or eliminated on the basis of age, if—

"(1) such institution does not implement with respect to such employees any age-based reduction or cessation of benefits that are not such supplemental benefits, except as permitted by other provisions of this Act;

"(2) such supplemental benefits are in addition to any retirement or severance benefits which have been offered generally to employees serving under a contract of unlimited tenure (or similar arrangement providing for unlimited tenure), independent of any early retirement or exit-incentive plan, within the preceding 365 days; and

"(3) any employee who attains the minimum age and satisfies all non-age-based conditions for receiving a benefit under the plan has an opportunity lasting not less than 180 days to elect to retire and to receive the maximum benefit that could then be elected by a younger but otherwise similarly

situated employee, and the plan does not require retirement to occur sooner than 180 days after such election.".

(b) PLANS PERMITTED.—Section 4(i)(6) of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623(i)(6)) is amended by adding after the word "accruals" the following: "or it is a plan permitted by subsection (m)."

(c) CONSTRUCTION.—Nothing in the amendment made by subsection (a) shall affect the application of section 4 of the Age Discrimination in Employment Act of 1967 (29 U.S.C. 623) with respect to—

(1) any plan described in subsection (m) of section 4 of such Act (as added by subsection (a)), for any period prior to enactment of such Act;

(2) any plan not described in subsection (m) of section 4 of such Act (as added by subsection (a)); or

(3) any employer other than an institution of higher education (as defined in section 101 of the Higher Education Act of 1965).

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—This section shall take effect on the date of enactment of this Act.

(2) EFFECT ON CAUSES OF ACTION EXISTING BEFORE DATE OF ENACTMENT.—The amendment made by subsection (a) shall not apply with respect to any cause of action arising under the Age Discrimination in Employment Act of 1967 prior to the date of enactment of this Act.

PART E—GENERAL EDUCATION PROVISIONS ACT AMENDMENT

SEC. 951. AMENDMENT TO FAMILY EDUCATIONAL RIGHTS AND PRIVACY ACT OF 1974

Section 444(b) of the General Education Provisions Act (20 U.S.C. 1232g(b)), also known as the Family Educational Rights and Privacy Act of 1974, is amended—

(1) in paragraph (1), by amending subparagraph (C) to read as follows:

"(C)(i) authorized representatives of (I) the Comptroller General of the United States, (II) the Secretary, or (III) State educational authorities, under the conditions set forth in paragraph (3), or (ii) authorized representatives of the Attorney General for law enforcement purposes under the same conditions as apply to the Secretary under paragraph (3);"; and

(2) in paragraph (6)—

(A) by inserting "(A)" after "(6)";

(B) in subparagraph (A), as designated by subparagraph (A) of this paragraph—

(i) by striking "the results" and inserting "or a nonforcible sex offense, the final results"; and

(ii) by striking "such crime" each place the term appears and inserting "such crime or offense"; and

(C) adding at the end thereof the following:

"(B) Nothing in this section shall be construed to prohibit an institution of postsecondary education from disclosing the final results of any disciplinary proceeding conducted by such institution against a student who is an alleged perpetrator of any crime of violence (as that term is defined in section 16 of title 18, United

States Code), or a nonforcible sex offense, if the institution determines as a result of that disciplinary proceeding that the student committed a violation of the institution's rules or policies with respect to such crime or offense.

"(C) For the purpose of this paragraph, the final results of any disciplinary proceeding—

"(i) shall include only the name of the student, the violation committed, and any sanction imposed by the institution on that student; and

"(ii) may include the name of any other student, such as a victim or witness, only with the written consent of that other student.".

SEC. 952. ALCOHOL OR DRUG POSSESSION DISCLOSURE.

Section 444 of the General Education Provisions Act (20 U.S.C. 1232g) is amended by adding at the end the following:

"(i) DRUG AND ALCOHOL VIOLATION DISCLOSURES.—

"(1) IN GENERAL.—Nothing in this Act or the Higher Education Act of 1965 shall be construed to prohibit an institution of higher education from disclosing, to a parent or legal guardian of a student, information regarding any violation of any Federal, State, or local law, or of any rule or policy of the institution, governing the use or possession of alcohol or a controlled substance, regardless of whether that information is contained in the student's education records, if—

"(A) the student is under the age of 21; and

"(B) the institution determines that the student has committed a disciplinary violation with respect to such use or possession.

"(2) STATE LAW REGARDING DISCLOSURE.—Nothing in paragraph (1) shall be construed to supersede any provision of State law that prohibits an institution of higher education from making the disclosure described in subsection (a).".

PART F—LIAISON FOR PROPRIETARY INSTITUTIONS OF HIGHER EDUCATION

SEC. 961. LIAISON FOR PROPRIETARY INSTITUTIONS OF HIGHER EDUCATION.

Title II of the Department of Education Organization Act (20 U.S.C. 3411 et seq.) is amended by adding at the end the following:

"SEC. 219. LIAISON FOR PROPRIETARY INSTITUTIONS OF HIGHER EDUCATION.

"(a) ESTABLISHMENT.—There shall be in the Department a Liaison for Proprietary Institutions of Higher Education, who shall be an officer of the Department appointed by the Secretary.

"(b) APPOINTMENT.—The Secretary shall appoint, not later than 6 months after the date of enactment of the Higher Education Amendments of 1998 a Liaison for Proprietary Institutions of Higher Education who shall be a person who—

"(1) has attained a certificate or degree from a proprietary institution of higher education; or

"(2) has been employed in a proprietary institution setting for not less than 5 years.

"(c) DUTIES.—The Liaison for Proprietary Institutions of Higher Education shall—

"(1) serve as the principal advisor to the Secretary on matters affecting proprietary institutions of higher education;

"(2) provide guidance to programs within the Department that involve functions affecting proprietary institutions of higher education; and

"(3) work with the Federal Interagency Committee on Education to improve the coordination of—

"(A) the outreach programs in the numerous Federal departments and agencies that administer education and job training programs;

"(B) collaborative business and education partnerships; and

"(C) education programs located in, and involving, rural areas.".

PART G—AMENDMENTS TO OTHER STATUTES

SEC. 971. NONDISCHAREABILITY OF CERTAIN CLAIMS FOR EDUCATIONAL BENEFITS PROVIDED TO OBTAIN HIGHER EDUCATION.

(a) AMENDMENT.—Section 523(a)(8) of title 11, United States Code, is amended by striking "unless—" and all that follows through "(B) excepting such debt" and inserting "unless excepting such debt".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply only with respect to cases commenced under title 11, United States Code, after the date of enactment of this Act.

SEC. 972. GNMA GUARANTEE FEE.

(a) IN GENERAL.—Section 306(g)(3)(A) of the National Housing Act (12 U.S.C. 1721(g)(3)(A)) is amended by striking "No fee or charge" and all that follows through "States)" and inserting "The Association shall assess and collect a fee in an amount equal to nine basis points".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on October 1, 2004.

PART H—REPEALS

SEC. 981. REPEALS.

Section 4122 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7132) is repealed.

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.