

109TH CONGRESS  
1ST SESSION

# S. 754

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

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## IN THE SENATE OF THE UNITED STATES

APRIL 11, 2005

Mr. KENNEDY (for himself, Mr. SMITH, and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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## A BILL

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Aid Reward  
5 Act of 2005”.

6 **SEC. 2. STUDENT AID REWARD PROGRAM.**

7 Part G of title IV of the Higher Education Act of  
8 1965 (20 U.S.C. 1088 et seq.) is amended by inserting  
9 after section 489 the following:

1 **“SEC. 489A. STUDENT AID REWARD PROGRAM.**

2       “(a) PROGRAM AUTHORIZED.—The Secretary shall  
3 carry out a Student Aid Reward Program to encourage  
4 institutions of higher education to participate in the stu-  
5 dent loan program under this title that is most cost-effec-  
6 tive for taxpayers.

7       “(b) PROGRAM REQUIREMENTS.—In carrying out the  
8 Student Aid Reward Program, the Secretary shall—

9           “(1) provide to each institution of higher edu-  
10 cation participating in the student loan program  
11 under this title that is most cost-effective for tax-  
12 payers, a Student Aid Reward Payment, in an  
13 amount determined in accordance with subsection  
14 (c), to encourage the institution to participate in  
15 that student loan program;

16           “(2) require each institution of higher edu-  
17 cation receiving a payment under this section to pro-  
18 vide student loans under such student loan program  
19 for a period of 5 years after the date the first pay-  
20 ment is made under this section;

21           “(3) where appropriate, require that funds paid  
22 to institutions of higher education under this section  
23 be used to award students a supplement to such stu-  
24 dents’ Federal Pell Grants under subpart 1 of part  
25 A;

1           “(4) permit such funds to also be used to award  
2           need-based grants to lower- and middle-income grad-  
3           uate students; and

4           “(5) encourage all institutions of higher edu-  
5           cation to participate in the Student Aid Reward Pro-  
6           gram under this section.

7           “(c) AMOUNT.—The amount of a Student Aid Re-  
8           ward Payment under this section shall be not less than  
9           50 percent of the savings to the Federal Government gen-  
10          erated by the institution of higher education’s participa-  
11          tion in the student loan program under this title that is  
12          most cost-effective for taxpayers instead of the institu-  
13          tion’s participation in the student loan program that is  
14          not most cost-effective for taxpayers.

15          “(d) TRIGGER TO ENSURE COST NEUTRALITY.—

16                 “(1) LIMIT TO ENSURE COST NEUTRALITY.—  
17                 Notwithstanding subsection (c), the Secretary shall  
18                 not distribute Student Aid Reward Payments under  
19                 the Student Aid Reward Program that, in the aggre-  
20                 gate, exceed the Federal savings resulting from the  
21                 implementation of the Student Aid Reward Pro-  
22                 gram.

23                 “(2) FEDERAL SAVINGS.—In calculating Fed-  
24                 eral savings, as used in paragraph (1), the Secretary  
25                 shall determine Federal savings on loans made to

1 students at institutions of higher education that par-  
2 ticipate in the student loan program under this title  
3 that is most cost-effective for taxpayers and that, on  
4 the date of enactment of the Student Aid Reward  
5 Act of 2005, participated in the student loan pro-  
6 gram that is not most cost-effective for taxpayers,  
7 resulting from the difference of—

8 “(A) the Federal cost of loan volume made  
9 under the student loan program under this title  
10 that is most cost-effective for taxpayers; and

11 “(B) the Federal cost of an equivalent type  
12 and amount of loan volume made, insured, or  
13 guaranteed under the student loan program  
14 under this title that is not most cost-effective  
15 for taxpayers.

16 “(3) DISTRIBUTION RULES.—If the Federal  
17 savings determined under paragraph (2) is not suffi-  
18 cient to distribute full Student Aid Reward Pay-  
19 ments under the Student Aid Reward Program, the  
20 Secretary shall—

21 “(A) first make Student Aid Reward Pay-  
22 ments to those institutions of higher education  
23 that participated in the student loan program  
24 under this title that is not most cost-effective

1 for taxpayers on the date of enactment of the  
2 Student Aid Reward Act of 2005; and

3 “(B) with any remaining Federal savings  
4 after making Student Aid Reward Payments  
5 under subparagraph (A), make Student Aid Re-  
6 ward Payments to the institutions of higher  
7 education eligible for a Student Aid Reward  
8 Payment and not described in subparagraph  
9 (A) on a pro-rata basis.

10 “(4) DISTRIBUTION TO STUDENTS.—Any insti-  
11 tution of higher education that receives a Student  
12 Aid Reward Payment under this section—

13 “(A) shall distribute, where appropriate,  
14 part or all of such payment among the students  
15 of such institution who are Federal Pell Grant  
16 recipients by awarding such students a supple-  
17 mental grant; and

18 “(B) may distribute part of such payment  
19 as a supplemental grant to graduate students in  
20 financial need.

21 “(5) ESTIMATES, ADJUSTMENTS, AND CARRY  
22 OVER.—

23 “(A) ESTIMATES AND ADJUSTMENTS.—  
24 The Secretary shall make Student Aid Reward  
25 Payments to institutions of higher education on

1 the basis of estimates, using the best data avail-  
2 able at the beginning of an academic or fiscal  
3 year. If the Secretary determines thereafter  
4 that loan program costs for that academic or  
5 fiscal year were different than such estimate,  
6 the Secretary shall adjust by reducing or in-  
7 creasing subsequent Student Aid Reward Pay-  
8 ments rewards paid to such institutions of high-  
9 er education to reflect such difference.

10 “(B) CARRY OVER.—Any institution of  
11 higher education that receives a reduced Stu-  
12 dent Aid Reward Payment under paragraph  
13 (3)(B), shall remain eligible for the unpaid por-  
14 tion of such institution’s financial reward pay-  
15 ment, as well as any additional financial reward  
16 payments for which the institution is otherwise  
17 eligible, in subsequent academic or fiscal years.

18 “(e) DEFINITION.—In this section:

19 “(1) STUDENT LOAN PROGRAM UNDER THIS  
20 TITLE THAT IS MOST COST-EFFECTIVE FOR TAX-  
21 PAYERS.—The term ‘student loan program under  
22 this title that is most cost-effective for taxpayers’  
23 means the loan program under part B or D of this  
24 title that has the lowest overall cost to the Federal

1 Government (including administrative costs) for the  
2 loans authorized by such parts.

3 “(2) STUDENT LOAN PROGRAM UNDER THIS  
4 TITLE THAT IS NOT MOST COST-EFFECTIVE FOR  
5 TAXPAYERS.—The term ‘student loan program  
6 under this title that is not most cost-effective for  
7 taxpayers’ means the loan program under part B or  
8 D of this title that does not have the lowest overall  
9 cost to the Federal Government (including adminis-  
10 trative costs) for the loans authorized by such  
11 parts.”.

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