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The Higher Education Act: Reauthorization Status and Issues

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The Higher Education Act: Reauthorization Status and Issues

SUMMARY

The funding authorizations for programs in the Higher Education Act (HEA) will expire during the 108th Congress. This legislation, administered by the U.S. Department of Education (ED), authorizes the federal government's major student aid programs, as well as other significant initiatives.

Postsecondary education is a complex, decentralized enterprise, made up of a wide array of institutions enrolling a large and diverse student body. In academic year 2000-2001, approximately 6,600 degree- and non-degree-granting postsecondary education institutions were eligible to participate in the HEA's student aid programs. These institutions enrolled an estimated 15.9 million students in the fall of 2000.

HEA programs and activities fall primarily into four main categories:

- student financial aid,
- services to help students complete high school and enter and succeed in postsecondary education,
- aid to institutions, and
- aid to improve K-12 teacher training at postsecondary institutions.

ED's FY2003 appropriation legislation includes over $15 billion for HEA discretionary authorities. A majority of these discretionary funds are expected to be awarded to students in the form of Pell Grants — over $11 billion is appropriated for these grants. The discretionary total *excludes* mandatory federal expenditures for the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs through which students and their parents are estimated to borrow over $40 billion in new loans in FY2002 and an estimated $44 billion in FY2003.

During the reauthorization process, the Congress may consider a wide variety of issues. Among these are the following:

- effectiveness of the HEA programs in increasing postsecondary access;
- impact on HEA student aid programs of the growth in federal tax benefits for postsecondary expenses;
- measures that might be used to hold participating institutions accountable for educational outcomes;
- factors influencing college prices and the appropriate federal role, if any, in addressing price increases; and
- impact of the growth in postsecondary distance education.

In addition, the Congress may address issues specific to individual HEA programs. For the HEA's major sources of postsecondary education support — Pell Grants and FFELs/DLs, these issues may include the following. Among potential Pell issues, the Congress may consider steps to address shortfalls in Pell funding. Issues for FFELs/DLs may include whether current loan limits should be raised, and whether the current framework of FFELs and DLs should be maintained or modified.

Most Recent Developments

FY2003 appropriations for Higher Education Act programs included in appropriations legislation (P.L. 108-7), signed into law on February 20, 2003.

FY2002 supplemental appropriations legislation (P.L. 107-206), as signed into law on August 2, 2002, includes $1 billion to help meet a shortfall in the Pell Grant program.

On July 16, 2002, the House failed to approve H.R. 4866 (Fed Up Higher Education Technical Amendments of 2002) under suspension of the rules. This legislation makes a series of technical amendments to the Higher Education Act, many stemming from recommendations submitted to the House 21st Century Competitiveness Subcommittee by the higher education community regarding regulatory impediments that limit access to federal student aid.

On February 8, 2002, S. 1762 was signed into law as P.L. 107-139. This legislation amends the Higher Education Act by extending the interest rate structure currently in effect for federal student loans through June 2006, and repealing a replacement interest rate structure scheduled to take effect on July 1, 2003. This legislation also changes the interest rate charged to borrowers on new loans, as of July 1, 2006, from a variable rate based on market conditions to a fixed rate of 6.8% for student borrowers and 7.9% for parent borrowers.

Background and Analysis

Introduction

The funding authorizations for programs in the Higher Education Act (HEA) will expire during the 108th Congress (current authorizations are provided through FY2003 with an automatic 1-year extension for FY2004 under the General Education Provisions Act). This legislation, whose programs are administered by the U.S. Department of Education (ED), authorizes the federal government's major student aid programs, as well as other significant programs such as those providing aid to special groups of higher education institutions and support services to enable disadvantaged students to complete secondary school and enter and complete college. Although important support from outside of the HEA flows to postsecondary education institutions through multiple federal agencies for activities such as research and development, the federal presence in postsecondary education is shaped to a significant degree by the HEA. For example, HEA student aid programs constituted fully 64% of all federal (excluding education tax credits), state, and institutional aid awarded to postsecondary education students in 2001-2002. (The College Board, *Trends in Student Aid*, 2002.) The HEA was last reauthorized by the Higher Education Amendments of 1998 (P.L. 105-244).

This issue brief provides the following: an overview of postsecondary education (institutions and students), an overview of the HEA with a focus on its most significant programs and provisions, and a discussion of major issues likely to be of interest to the Congress during the HEA reauthorization process.

Postsecondary Education Overview

Postsecondary education is a complex, decentralized enterprise, made up of a wide array of different kinds of institutions enrolling a large and diverse student body.

In academic year 2000-2001, there were about 6,600 degree- and non-degree-granting postsecondary education institutions that participated in the HEA's student aid programs. These institutions were divided roughly evenly among the public sector (33%), private nonprofit sector (30%), and private for-profit (proprietary) sector (37%). An estimated 15.9 million students were enrolled overall in undergraduate and graduate programs in those institutions in the fall of 2000. In contrast to the roughly even split in *institutions* by sector, a substantial majority of all *students* were enrolled in public institutions (75%), a fifth (20%) attended private nonprofit institutions, and a small percentage (5%) were enrolled in proprietary institutions. The differences between the distributions of institutions and students are the result of substantially smaller average enrollments in private nonprofit and private proprietary institutions (estimated 1,600 and 285, respectively) compared to public institutions (estimated 5,500). (These data are derived from the U.S. Department of Education's Integrated Postsecondary Education Data System. These enrollment figures differ from those derived from other sources including the Bureau of the Census' Current Population Survey and the Department of Education's National Postsecondary Student Aid Study. In particular, data from the latter source will be higher because they measure enrollment throughout the academic year, not just at a point in time.)

Since the enactment of the HEA in 1965, important characteristics of postsecondary students have changed substantially. There is greater racial and ethnic diversity in the student population. In 1965, 94% of students were white; by 2000, that percentage had fallen to 78%. Gender distribution has shifted markedly as well. In 1965, 38% of all students were women; by 2000, that share had risen to 55%. (These data are from the Current Population Survey. For further analysis of these data, see CRS Report RL31441, *The Postsecondary Education Student Population*.)

Summary of the HEA

The HEA authorizes programs and activities most of which fall into four main categories: student financial aid, support services to help students complete high school and enter and succeed in postsecondary education, aid to strengthen institutions, and aid to improve K-12 teacher training at postsecondary institutions. ED's FY2003 appropriation legislation includes over $15 billion for HEA discretionary authorities. This total *excludes* mandatory federal expenditures for the Federal Family Education Loans (FFELs) and Direct Loans (DLs) through which students and their parents are estimated to secure over $40 billion in new loans (excluding consolidation loans) in FY2002 and an estimated $44 billion in FY2003. Over two-thirds of the annual loan volume consists of capital provided by private lenders who receive federal subsidies and guarantees.

There are seven titles in the HEA:

- Title I — General Provisions

- Title II — Teacher Quality Enhancement Grants
- Title III — Institutional Aid
- Title IV — Student Assistance
- Title V — Developing Institutions
- Title VI — International Education Programs
- Title VII — Graduate and Postsecondary Improvement Programs

Student Aid

At the heart of the HEA are the student aid programs authorized under Title IV that provide grant aid (which does not have to be repaid), loans, and work-study assistance. These programs seek to expand educational opportunity and for FY2002 are estimated to support more than $55 billion in student assistance. This cumulative total amount of student aid includes directly appropriated federal funds, student loan volume in the FFEL/DL programs, and institutional matching funds required under several of the federal student aid programs. This cumulative total for FY2002 excludes nearly $32 billion in Stafford Loan consolidations (new loans issued to consolidate existing loans). (Unless noted, data presented here and below on total spending and numbers of students aided under HEA Title IV student aid programs are from the U.S. Department of Education's *FY2004 Budget Summary*.)

The largest Title IV student aid programs are the Pell Grant program, and the FFEL and DL programs. Under each, students receive funds to attend the postsecondary education institutions of their choice. Pell Grants are need-based aid for undergraduate students. These grants are currently expected to assist 4.8 million students with $11.6 billion for FY2002. The FY2003 program costs are estimated at $11.7 billion. FFELs are made by private lenders and are available to undergraduate and graduate students, and their parents. Some kinds of FFELs are need-based, others are not. For FY2002, it is estimated that some $28.6 billion was borrowed in 7.3 million loans; for FY2003, the estimated figures are $31.5 billion in 7.9 million new loans (consolidation loans are excluded from these totals). The DL program provides the same kinds of loans as the FFEL program, but the loan capital is provided directly by the federal government; participating postsecondary institutions or contractors act as loan originators on behalf of the federal government. For FY2002, an estimated $11.7 billion in 2.9 million DLs was borrowed; the FY2003 estimates are 12.8 billion in 3.1 million new loans (consolidation loans are excluded).

Three smaller Title IV student aid programs — Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, and Federal Perkins Loans — are collectively known as the **campus-based programs** because their funds are allocated to postsecondary institutions for award to students. Institutions must match a portion of their allocation under each of these programs. Undergraduates can participate in each of these programs, while graduate students are eligible for Work-Study and Perkins Loans. For FY2002, an estimated $918 million in SEOGs went to more than 1.2 million students; an estimated 1.1 million students earned over $1.2 billion in the Federal Work-Study program; and an estimated 707,000 students borrowed approximately $1.3 billion in Perkins Loans. The FY2003 appropriations levels for these programs are $760 million for SEOGs, $1 billion for Federal Work-Study, and $166.4 million for Perkins Loans (these and other FY2003 appropriations levels cited in this issue brief reflect ED's estimates of the impact of the across-the-board reduction required by the FY2003 appropriations legislation). It should be noted that institutional matching funds and repayments on Perkins Loans generate levels of actual assistance that exceed the annual appropriations for these programs.

Among other Title IV student aid programs is the Leveraging Educational Assistance Partnership (LEAP) program which provides matching funds to states to encourage them to provide need-based state grant programs. There is an FY2003 appropriation of $66.6 million for this program.

The relative balance among the various kinds of federal student aid has shifted over time. According to estimates from The College Board, the aggregate annual amount borrowed under the FFEL, DL, and Perkins programs (DLs were first made in the 1994-1995 academic year) rose by some 185% during the decade from academic year 1991-1992 to academic year 2001-2002, while the combined grant aid from the Pell Grant and Supplemental Educational Opportunity programs grew by about 69% and Work-Study earnings by 60%. In 1991-1992, of the aggregate aid available from these grant, loan, and work programs, 68% came in the form of loans, 29% as grants, and 3% as earnings. By 2001-2002, the relative balance was 78% loans, 20% grants, and 2% earnings. (See The College Board, *Trends in Student Aid 2002*.)

Student Support Services

The HEA's primary programs for student services are the federal TRIO programs and the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), both authorized by HEA Title IV. In general, these programs provide disadvantaged students with support services to help them complete high school, and enter and persist in college. The TRIO programs (so called because there were once just three of them) include Talent Search, Upward Bound, Student Support Services, Educational Opportunity Centers, McNair Postbaccalaureate, and Staff Training. For FY2002 an estimated 872,000 individuals participated in the various TRIO programs which received $802.5 million in that year. The FY2003 appropriation is $827.1 million. GEAR UP is expected to have served an estimated 1.2 million students with its FY2002 funding of $285 million. The FY2003 appropriation is $293.1 million.

Institutional Aid

The primary institutional assistance programs are those authorized under Title III and V. Both titles award grants to higher education institutions to strengthen their academic, administrative, and financial capacities. Title III authorizes financial assistance to select groups of institutions, including tribal colleges, Alaska Native- and Native Hawaiian-Serving institutions, and historically black colleges and universities (HBCUs). It also authorizes support for capital financing of HBCUs, and improvement of science and engineering programs at predominantly minority institutions. The total FY2002 appropriation for Title III is $361 million; the FY2003 appropriation is $388.9 million. Title V authorizes financial support for Hispanic-Serving institutions; its FY2002 funding is $86 million and FY2003 funding is $92.4 million.

Preservice Teacher Training

HEA Title II authorizes grants for improving teacher education programs, strengthening teacher recruitment efforts, and training prospective teachers to utilize technology. This title also establishes reporting requirements for states and higher education institutions regarding the quality of teacher education programs. The FY2002 appropriation for these programs included $90 million for the Teacher Quality Enhancement grants and $62.5 million for Preparing Tomorrow's Teachers to Use Technology. The FY2003 appropriation levels are $89.4 million and $62.1 million respectively.

Possible Issues for Reauthorization

This section identifies and briefly discusses several of the major topics and issues within those topics that might be debated in the reauthorization process, as well as issues that might arise for the HEA's major sources of postsecondary education support — Pell Grants and FFELs/DLs:

- access to postsecondary education,
- college costs and prices,
- federal tax benefits,
- standards and accountability,
- need analysis,
- distance education,
- teacher quality and quantity,
- student loans, and
- Pell Grants.

Interwoven through many of these subjects are issues relating to the enrollment in substantial numbers of *non-traditional* students, i.e., older students and those not enrolled on a full-time basis, as well as the relative balance in available HEA student aid among loans, grants, and work.

Access to Postsecondary Education

The Congress is likely to consider whether the HEA's array of student aid programs, student support service programs, and institutional aid programs are effective at increasing access to postsecondary education, particularly for low-income and minority students. Increasing access to postsecondary education is a primary objective of the HEA.

Despite substantial gains in overall participation in postsecondary education over the past 3 decades, individuals from low-income families (bottom 20% of all family incomes) and several minority groups remain significantly less likely to participate in postsecondary education than other individuals. In 1999, the rate at which high school graduates from high-income families (top 20% of all family incomes) enrolled in college in the fall following their graduation was about 27 percentage points greater than that for low-income individuals (76% compared to 49%). In that same year, the participation rate of whites was 7 percentage points higher than that for blacks (66% compared to 59%) and 21 percentage points higher than that for Hispanics (66% compared to 42%). (These are ED estimates based on census data — *Condition of Education 2001*. The Hispanic data should be used with caution given small sample sizes in the census data.)

At issue for the Congress is whether the current HEA programs adequately promote the traditional HEA goal of expanding access to postsecondary education for disadvantaged individuals. The Congress may consider, among other questions:

- whether the federal investment in student aid may have had an adverse impact on access by leading to increases in college prices (see separate issue on college costs and prices below);
- whether the predominance of loans in the available HEA student aid has adverse consequences for access, particularly for low-income students who may not wish to incur large levels of debt;
- whether the process of applying for current student aid programs is unreasonably complicated and likely to discourage needy students from securing aid;
- whether the current student support services programs — TRIO and GEAR UP — are adequate to their task and whether they may be excessively and inefficiently duplicative of each other;
- whether the federal government's growing support of non-need-based aid (such as Hope Scholarships) has come at the expense of need-based resources and what consequences this may have had on access; and
- whether HEA programs are sufficiently attentive to the access issue for the population of non-traditional students that make up a sizeable portion of student enrollment.

College Costs and Prices

Increases in college prices (what students and their families have to pay) that exceed the growth in inflation and in family income have fueled interest in college affordability for low- and middle-income families. Between 1991-1992 and 2001-2002, average tuition and fees (after being adjusted for inflation) grew by 37% in private 4-year institutions and 38% in public 4-year institutions. These increases outstripped the 8% growth in inflation-adjusted median family income over that same period. (These data come from The College Board's *Trends in College Pricing*, 2002. The median income considered is for families with a family head aged 45 to 54.) Further, there is increasing concern that state budget constraints are leading to reductions in funding for public higher education and, potentially, increases in tuition and fees.

The Higher Education Amendments of 1998 sought to improve the quality of information reported by ED regarding postsecondary education prices (what students and their families are charged and what they pay) and costs (the costs incurred by institutions to operate and provide instruction). The Department is also required to undertake a study and issue a final report by September 30, 2002, on expenditures at higher education institutions, including analysis of the relationship between certain expenditures and college prices. The Department has issued a series of reports on college costs and financing, including *Study of College Costs and Prices, 1988-1989 to 1997-1998* (December, 2001), and *What Students Pay for College: Changes in Net Price of College Attendance Between 1992-93 and 1999-*

2000 (September 2002). In addition, the Bureau of Labor Statistics is to develop a higher education "market basket" that identifies the items that make up college costs.

The Congress may debate what new steps might be appropriate and necessary to address concerns about affordability. It may consider such issues as:

- whether current data are adequate to delineate the actual extent and causes of an affordability problem;
- whether the federal government should take a direct role in limiting institutions' price increases or in rewarding institutions that limit increases; and
- whether the state funding role and its consequences for public tuition levels should be addressed in some fashion.

Federal Tax Benefits

In recent years, new federal income tax benefits have been created to help students and their families meet postsecondary education expenses. These have provided tax credits or deductions for expenses already incurred — the Hope Scholarship tax credits, the Lifetime Learning tax credit, and a tax deduction for postsecondary education expenses. Taxpayers are also able to receive federal income tax benefits for savings for college through Coverdell education savings accounts, qualified tuition programs, and education savings bonds. These tax provisions are a significant source of support for students and their families. Preliminary data from the Internal Revenue Service for 2000 show that in that tax year 6.9 million returns claimed $4.9 billion in education tax credits. These benefits are not need-based and appear to primarily aid middle- and upper-middle income families.

With the introduction of these tax benefits, individuals can now receive substantial amounts of federal financial assistance for postsecondary education from two parallel systems — the federal income tax system; and the traditional student aid delivery system which provides aid such as grants, loans, or work opportunities.

The Congress may address various issues that arise from providing resources through two systems and from the intersection of these resources in the need analysis process. Among these issues are:

- whether the increasing federal investment in tax-based benefits disproportionately assists middle- and upper middle-income students and families at the expense of investment in traditional student aid targeting low-income students and families;
- how the need analysis process should reflect the availability of tax resources in its determination of students' eligibility for traditional student aid and the level of such aid;
- whether providing substantial amounts of assistance through two systems (traditional student aid and tax system) has made the process of financing postsecondary education expenses unduly complicated;
- whether the targeting and levels of HEA student aid should be modified given the expansion of non-need-based aid through the federal income tax system; and

- whether the tax benefits are more or less likely to contribute to increases in college prices than are traditional student aid programs, particularly those that are need-based.

Standards and Accountability

For much of the history of the HEA, standard-setting and accountability efforts have focused primarily on ensuring that participating institutions are acting properly in their administration of HEA institutional and student aid funds. Among the indicators followed closely have been incidents of fraud and abuse by postsecondary institutions and, more recently, default rates by student loan borrowers. Continued participation in Title IV student aid programs is contingent upon institutions' default rates. Although concern about mismanagement of HEA funds remains substantial, there is increasing interest in the Congress in holding higher education institutions that are benefitting from billions of dollars in federal funding accountable for the educational outcomes of their students.

The Congress may consider whether default rates are a reasonable and effective measure to hold institutions accountable for educational outcomes. It may be argued that default rates will rise at institutions that fail to educate their students because such students will not be able to enter successfully the world of work and repay their student loan obligations. Nevertheless, it may also be asserted that this is at best an indirect measure of the success of institutions in educating their students, and that it may have a particularly negative impact on institutions serving disadvantaged student populations.

In lieu of, or in addition to, default rates, the Congress may debate use of alternative accountability measures more directly tied to educational outcomes. These may include the rates at which students complete their programs of study, or the rates at which program graduates secure professional licensing or certification. The HEA already embraces pass rates on professional licensing exams as an accountability measure for teacher education programs at higher education institutions (see discussion below of Teacher Quality and Quantity).

The appropriateness of different accountability measures may be affected by changes in the demographics of postsecondary education students. For example, are the relevant outcomes measures different for non-traditional students than they are for traditional students, given potential differences in such areas as educational objectives between these two groups of students?

In addition, the Congress may consider the roles being played by states, accrediting agencies, and ED in determining eligibility for HEA program funds. The Congress may debate how effective these various entities have been in addressing issues of educational quality and whether changes should be made.

Need Analysis

The federal need analysis system delineated in HEA Title IV is the basis upon which students' eligibility for, and level of, Title IV student aid is determined. The key element in the system is the determination of a student's expected family contribution (EFC), that is, how much the student and his or her family is expected to contribute from income and other resources toward the price of postsecondary education. In past reauthorizations, elements of the need analysis system, particularly the determination of the EFC, have been subject to debate and amendment.

During this reauthorization the Congress may debate whether the need analysis system appropriately and adequately gauges students' ability to contribute toward their education. This may be particularly important given the recent growth in federal tax-based support to meet college expenses. These include tax provisions to reimburse families for college expenditures (e.g., federal Hope and Lifetime Learning tax credits) and to promote college savings (e.g., federal tax incentives for Qualified Tuition Plans). One of the key questions is how the need analysis system should take these tax-based resources into account in determining what families can be expected to contribute toward college expenses.

Another issue that may be debated is how well the premises and process of federal need analysis serve non-traditional students. For example, some of these students may be seeking assistance for sporadic course-taking to bolster their economic opportunities, and may not enroll in degree- or certificate-granting programs, making them ineligible for any Title IV student aid, or they may enroll on less than a half-time basis, making them ineligible for Title IV loans.

Related to the process of determining eligibility and need for federal student aid is the packaging of federal and non-federal aid that is the purview of financial aid officers on postsecondary campuses across the country. Packaging policies have been at issue for several federal programs, including the GEAR UP program, which attempt to provide "last dollar" aid to students. These dollars are intended to be awarded to eligible students in addition to all other federal and non-federal aid for which they are eligible. Institutions have raised concern that federal efforts in this area inappropriately intrude on their discretion to package their institutions' own aid as well as other aid that may be designated as "last dollar" aid. The packaging interaction of veterans' education benefits and educational benefits provided for community service through AmeriCorps, for example, with HEA Title IV aid may also be at issue during the reauthorization process.

Distance Education

Postsecondary education institutions are increasingly delivering instruction using telecommunications technology that links learners and teachers in different locations and at different times. In 1997-1998, roughly one-third of 2- and 4-year postsecondary institutions offered courses using distance education. A significant portion (about 20%) of postsecondary institutions were planning to do so over the next 3 years. (U.S. Department of Education, *Distance Education at Postsecondary Education Institutions: 1997-98*, December 1999.)

This growing use of, and interest in, distance education has raised substantial issues for HEA Title IV student aid programs. It is bringing into question the application of provisions previously enacted to address abuses of student aid by various correspondence schools. It is also challenging traditional definitions of what constitutes a student, a program, and the measures of student engagement in postsecondary instructions.

The federally established Web-based Education Commission reported in December, 2000, that certain HEA provisions unduly restricted the legitimate growth of distance learning, limiting access to postsecondary education. The Commission recommended that the U.S. Congress consider several relatively technical changes to the HEA intended to remove limits on the extent to which postsecondary institutions can engage in distance learning and remain eligible for Title IV student aid programs. It also proposed regulatory changes in how a week of instructional time in Title IV-eligible nontraditional terms is defined because this definition is difficult for distance education enrollees to meet. In the 107th Congress, legislation to address these issues (H.R. 1992) was passed by the House but not the Senate. (See CRS Congressional Distribution Memorandum, *H.R. 1992/S. 1445, Internet Equity and Education Act*, by Margot A. Schenet, January 29, 2002.) ED has made a regulatory change to address the week of instructional time issue (*Federal Register*, November 1, 2002).

The Higher Education Amendments of 1998 authorized the Secretary of Education to choose a group of institutions at which various student aid statutory and regulatory provisions could be waived to promote the expansion of distance learning at those institutions. Annual evaluation reports are required from the Secretary.

Results from these evaluations and the demonstration sites are likely to be considered by the Congress as it debates what HEA statutory changes may be appropriate to accommodate the delivery of instruction through telecommunications while safeguarding federal student aid dollars.

Teacher Quality and Quantity

As amended in 1998, the HEA authorizes several programs intended to improve the quality of training and preparation that prospective K-12 teachers receive from teacher education programs at the postsecondary level. The Congress acted out of concern that the quality of the K-12 teaching force was a critical element in the successful implementation of federal initiatives to raise the academic performance of K-12 students.

A significant step taken by the 1998 amendments was to require states and higher education institutions to report on various attributes of teacher preparation programs, including the rates at which recent graduates passed initial teacher licensing exams. The amendments also required states to implement a process that identifies teacher education programs as low-performing. If a state's designation of a program as low-performing leads to the withdrawal of state approval or termination of state funding, then the HEA provisions trigger a loss of the institution's federal funds for professional development and the ineligibility of teacher education students for Title IV student aid at that institution.

Critical components of these requirements are only just now being completed. For example, the first annual report from states concerning the performance of their teacher education programs and their procedures for identifying low-performing programs was required in the fall of 2001. A report from the Secretary of Education on these state actions was issued June, 2002. (See CRS Report RL31254, *Pass Rates as an Accountability Measure for Teacher Education Programs*.)

The Congress is likely to revisit these provisions during the reauthorization process. It may consider:

- what impact, if any, these provisions may have had;
- whether any assessment of the merits of these provisions is premature;
- whether the emphasis on pass rates is appropriate and likely to prompt institutions and states to strengthen their teacher preparation programs or whether pass rates are an inadequate gauge of quality and potentially a deleterious one raising barriers for programs that prepare minority students for teaching; and
- whether federal requirements should be strengthened to improve the quality of data reported, comparability across institutions and states, and raise the consequences for poor performance.

Student Loans

As already delineated, the HEA student loan programs are responsible for a substantial portion of the federally supported aid currently available to postsecondary students. Recently, the 107th Congress approved legislation to modify the HEA by extending the existing student loan interest rate structure through June, 2006, and installing fixed rates for borrowers thereafter.

Issues likely to be considered during the reauthorization process touch on myriad aspects of the loan programs. The Congress may debate whether to continue or to modify the current framework of providing federally subsidized loans whose principal is non-federal capital (FFELs) while concurrently lending federal funds directly (Direct Loans). It may also address such issues as:

- whether the levels of debt being incurred by students through the federal programs are having negative effects on access to postsecondary education, persistence, and career choices;
- whether current annual and cumulative limits on what individual students can borrow from these programs should be raised to reflect rising college prices and help students avoid utilizing more expensive non-federal loans, or whether such action will fuel price increases and burden students with too much debt;
- whether federal loans are too expensive and various costs, such as loan origination fees, should be adjusted; and
- whether a desirable balance is being struck between loans and gift aid (grants and tax benefits) for various groups of borrowers.

Pell Grants

The Pell Grant program is the foundation of the student aid provided by the HEA. The maximum grant for FY2002 specified in the appropriations process was $4,000, with estimated program costs for that year in excess of $11.6 billion. The FY2003 appropriations legislation set the maximum grant at $4,050; estimated programs costs are about $11.7 billion.

During the reauthorization process, the Congress may debate a variety of Pell Grant-related issues. Of immediate interest to the Congress is the issue of shortfalls in the program. The FY2002 appropriation for the program proved inadequate to support a $4,000 maximum Pell Grant because a substantial portion of the increase in FY2002 appropriated funds over FY2001 funds was used to make up a shortfall in FY2001 funding for the program, and because program costs for FY2002 rose. FY2002 supplemental appropriations legislation (P.L. 107-206) included $1 billion to help meet this Pell Grant shortfall. But since the enactment of that supplemental, FY2002 cost estimates have risen still further. Based on the $11.3 billion appropriation for FY2002 (including the $1 billion supplemental), estimated FY2002 program costs of about $11.6 billion, and an over $900 million shortfall from FY2001 funded with FY2002 appropriated funds, the estimated FY2002 shortfall is in excess of $1.2 billion. The shortfall from FY2002 carries over into FY2003. The estimated current year shortfall for FY2003 is over $1.5 billion. The FY2003 estimated program costs are approximately $11.7 billion; the annual appropriation is $11.4 billion.

The shortfall situation may influence action taken during the upcoming reauthorization. For example, the HEA no longer has statutory provisions allowing the Secretary of Education to reduce awards in order to address shortfalls; such language was deleted from the HEA by the Higher Education Amendments of 1992. Some may propose making these grants into entitlements as a way of addressing the recurrent shortfalls.

Among other issues that may attract legislative attention during the reauthorization is whether the program would more successfully promote access if its assistance were limited to the first 2 years of enrollment and covered a more substantial portion of college expenses (so-called *front loading* with Pell Grants), thereby reducing reliance on loans in these early years of enrollment. Also, the Congress may consider the relative balance among the various forms of federal student assistance awarded under the HEA and the tax system. As noted earlier, the share of HEA Title IV aid provided in the form of grants is markedly less than the loan volume and, overall, has declined since the early 1990s.

Legislation

This section will identify legislation proposing reauthorization of the HEA or major components of the HEA on which there has been substantive action.

For Additional Reading

Selected CRS products are listed here by general topic.

Prior Reauthorization

CRS Report RL30063, *The Higher Education Act: Reauthorization by the 105th Congress*, coordinated by James B. Stedman.

Postsecondary Student Population

CRS Report RL31441, *The Postsecondary Education Student Population*, by James B. Stedman and Jeffery J. Kuenzi.

CRS Report RS21435, *High School Completion and Postsecondary Enrollment Among First Generation and Low-Income Students,* by Jeffery J. Kuenzi and Charmaine Jackson.

Student Loan Programs

CRS Report RL30048, *Federal Student Loans: Program Data and Default Statistics*, by Adam Stoll.
CRS Report RL30655, *Federal Student Loans: Terms and Conditions for Borrowers*, by Adam Stoll.
CRS Report RL30880, *The Role the Federal Student Loan Programs Play in Supporting Postsecondary Students*, by Adam Stoll.
CRS Report RL30656, *The Administration of Federal Student Loan Programs: Background and Provisions*, by Adam Stoll.
CRS Report RL31575, *Consolidation Loan Provisions in the Federal Family Education Loan and Direct Loan Programs*, by Adam Stoll.

Pell Grant Program

CRS Report RL31668, *Federal Pell Grant Program of the Higher Education Act: Background and Reauthorization*, by James B. Stedman.

Campus-Based Student Financial Aid Programs

CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*, by David P. Smole.

Federal Tax Benefits for Postsecondary Education

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