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Action/Information Item

California Student Aid Commission

Update on State Issues and Legislation and Consideration of Positions on Bills Affecting the Commission

Enclosed are an update on the state budget and a summary of bills currently being tracked by Commission staff and considered during the first half of the 2007-08 state legislative session. Staff will provide a brief oral update of any changes that occur prior to the Commission meeting.

Recommended Action: Review the attached information. Commissioners are encouraged to ask for additional information on items that are of interest.

Responsible Staff: Steve Caldwell, Chief
Governmental and Public Affairs
Division

STATE ISSUES AND LEGISLATIVE UPDATE

State Budget

Governor Arnold Schwarzenegger released his May Revision to the 2007-08 Budget on May 14th, outlining a revised \$145.8-billion spending plan. The May Revision stated that while the net operating deficit of \$1.4 billion is not eliminated, significant progress has been made to reduce the net operating deficit, which was estimated at \$4.4 billion for 2007-2008 at the time the Governor signed the 2006 Budget Act. The May Revision reflects a reduction of 92 percent from the projected deficit when the Governor took office. The May Revision updates policy proposals, revenue projections, and estimated expenditures for both the current and upcoming budget years.

To help close the state's budget gap, the Governor proposed to privatize the California State Lottery through a long-term lease and to sell EDFUND for \$1 billion to a bidder on the private market. The May Revision assumes a \$980 million increase in 2007-08 revenues from the proceeds of the sale of EDFUND. The proceeds would be used to support general state operations. The May Revision states that "one potential use" of the proceeds of leasing the lottery would be to pay off outstanding Economic Recovery Bonds.

The Legislative Analyst's Office estimates that, under the Governor's proposals, state expenditures would exceed revenues by more than \$3 billion in 2007-08. This shortfall would grow to more than \$5 billion in 2008-09 due to a number of one-time solutions contained within the May Revision.

Currently, the Budget Conference Committee is working to adopt a single version of the Budget Bill to submit to the Legislature for a floor vote by June 15th. Once the Governor receives the Legislature's Budget Bill, he has 15 days to take action including using his line-item veto power (to reduce expenditures) and to sign the budget into law. The Budget Bill becomes law as soon as it is signed by the Governor due to its status as an urgency measure; however, the Budget Bill is usually not signed before July 1st.

Legislation

The majority of the bills have been heard in their initial house. The Legislature has until June 8th to pass bills out of the house of origin. Provided that the Budget Bill has been passed, the Legislature will adjourn for summer recess on July 20th and reconvene on August 20th. To follow progress on state bills, log on to www.leginfo.ca.gov, click on the "Bill Information" link and enter the bill number in the search box.

At a Commission meeting on Thursday, April 19th, the Commission took positions on five bills: SB 160, AB 175, AB 302, AB 1540, and AB 1578, which are listed below.

There are several bills that would affect the Commission's programs, including bills that create different types of assumption program of loans for education. Staff has included a brief description of all bills, including bills that do not currently impact the Commission listed under the "Watch" section.

Commission Positions Approved on April 19, 2007

SB 160

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid: California Dream Act

INTRODUCED: 01/30/2007

LAST AMEND: 05/24/2007

LOCATION: Senate Appropriations Committee

Summary: This bill enacts the California Dream Act. This bill requires that a person (AB 540 student) who has attended and graduated from secondary school, rather than high school, in the state is exempt from paying nonresident tuition at the Community Colleges and the CSU. This bill allows persons attending and graduating from technical schools and adult schools to be included within the scope of this provision. This bill would also provide that persons meeting these requirements, or who meet equivalent requirements adopted by the Regents of the Universities of California, are eligible to apply for, and participate in, any student financial aid program administered by the State of California to the full extent permitted by federal law.

Status: 05/31/2007 Held in Senate Appropriations Committee.

Commentary: Senator Cedillo also authored SB 160 in the 2005-06 session which also would have enacted the California Dream Act. The Governor vetoed SB 160. The veto message included the following statement: *"While I do not believe that undocumented children should be penalized for the acts of their parents, this bill would penalize students here legally by reducing the financial aid they rely on to allow them to go to college and pursue their dreams."*

Commission Position: Support

AB 175

AUTHOR: Price (D)

TITLE: Cal Grant B Awards: Access Costs

INTRODUCED: 01/23/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill requires the maximum award for Cal Grant B access costs, beginning in the 2008-09 award year, to be in an annual amount that equals at least \$1,551.

Beginning with the 2009-10 award year, this bill would require the maximum award for access costs to be increased by not less than 5 percent and not more than 10 percent per year until that amount equals at least 20 percent of the access costs for the budget category of a student living off-campus, as determined by the triennial Student Expense and Resource Survey (SEARS), as adjusted between survey years for Consumer Price Index changes in a specified manner.

Status: 05/31/2007 Held in Assembly Appropriations Committee.

Commentary: While the general cost of living and the cost of college textbooks and supplies have increased dramatically, the Cal Grant B Access Grant has not increased since 2000-01 when it was increased by 10 percent from \$1,410 to \$1,551. This bill would set the \$1,551 as the base amount for the access grant and codifies a formula to increase the access grant annually.

Commission Position: Support

AB 302

AUTHOR: De La Torre (D)

TITLE: Cal Grant B Entitlement Awards

INTRODUCED: 02/09/2007

LAST AMEND: 03/15/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill allows tuition and fees for a Cal Grant B award to be paid in the first year of enrollment at an eligible institution.

Status: 05/31/2007 Held in Assembly Appropriations Committee.

Commentary: Cal Grant B students are the most financially needy Cal Grant students. The Commission has advocated for this in the past and it is consistent with the stated legislative principles as well as the Commission's mission to make education beyond high school financially accessible to all Californians. Providing the maximum Cal Grant assistance provides access and choice to students with maximum financial need during a period of potential continued double-digit increases in the cost of higher education.

Commission Position: Support

AB 1540

AUTHOR: Bass (D)

TITLE: Student Financial Aid: Cash for College Program

INTRODUCED: 02/23/2007

LAST AMEND: 06/01/07

LOCATION: Assembly Third Reading

Summary: This bill expresses the intent of the Legislature that state students with financial need be made aware of the opportunities afforded to them through the various state and federal financial aid programs. This bill establishes the Cash for College Program under the administration of the Student Aid Commission.

Status: 06/04/2007 In Assembly, to third Reading; expected to pass to the Senate.

Commentary: 06/01/07 amendment removed the appropriation language.

Commission Position: Support if amended to move funding from the Student Loan Operating Fund to the General Fund (based on the March 23rd version). The appropriation has been removed from the bill.

AB 1578

AUTHOR: Leno (D)

TITLE: Foster Youth Higher Education Preparation Act

INTRODUCED: 02/23/2007

LAST AMEND: 04/26/2007

LOCATION: Senate

Summary: This bill would establish the Competitive Grant Program for the purpose of providing comprehensive support on college and university campuses to students who are former foster youth. This program will be administered by the Superintendent of Public Instruction.

This bill also would allow new Cal Grant B recipients that are former foster youth to be awarded tuition and fees in their first year of attendance at a postsecondary institution.

Status: 06/04/2007 Passed Assembly. To Senate.

Commission Position: Support

Other Bills That Could Impact CSAC

SB 595

AUTHOR: Alquist (D)

TITLE: Student Financial Aid: Ortiz-Pacheco Cal Grant Program

INTRODUCED: 02/22/2007

LOCATION: Senate Education Committee

Summary: This bill would change the annual deadline to June 30 for submission of completed financial aid applications for various Cal Grant awards.

Status: 04/26/2007 Held in Senate Education Committee.

Position: None

SB 769

AUTHOR: Alquist (D)

TITLE: Student Financial Aid: Cal Grant Deadlines

INTRODUCED: 02/23/2007

LAST AMEND: 04/26/2007

LOCATION: Senate Appropriations Committee

Summary: This bill requires the Student Aid Commission to select a working group to review the deadlines associated with the various awards under the Cal Grant Program. This bill also expresses the intent of the Legislature to improve access to higher education for low-income and underrepresented students through the provision of financial aid that is made more readily available to them, with reasonable deadlines and adequate information.

Status: 05/31/2007 Held in Senate Appropriations Committee.

Commentary: Report due to the Legislature by April 2008.

Position: None

SB 823

AUTHOR: Perata (D)

TITLE: Private Postsecondary Education

INTRODUCED: 02/23/2007

LAST AMEND: 05/24/2007

LOCATION: Assembly

Summary: This bill would establish the Board for Private Postsecondary Education in the Department of Consumer Affairs. This bill would also continue the existence of the Private Postsecondary and Vocational Education Administration Fund and the continuously appropriated Student Tuition Recovery Fund.

Status: 06/04/2007 Passed Senate. To Assembly.

Position: None

Assumption Program of Loans for Education (APLE) Legislation

The Legislature has introduced several APLE proposals this session. Commission staff will request additional personnel, system support, and resources would as appropriate and will request that an appropriation be included in the bills.

AB 111

AUTHOR: Blakeslee (R)

TITLE: National Guard Assumption Program For Education Loans

INTRODUCED: 01/08/2007

LAST AMEND: 03/26/2007

LOCATION: Assembly Appropriations Committee

HEARING: 06/13/2007

Summary: This bill would change the sunset date for the National Guard Assumption Program of Loans for Education from July 1, 2007 to July 1, 2010 and would repeal the program on January 1, 2011. This bill has an urgency clause to make the provisions effective immediately.

Status: 06/04/2007 Passed Senate. To Assembly.

Position: None

AB 171

AUTHOR: Beall (D)

TITLE: Assumption Program for Loans for Law in the Public Interest

INTRODUCED: 01/23/2007

LAST AMEND: 04/11/2007

LOCATION: Senate Education Committee

HEARING: 06/13/2007

Summary: This bill would establish the Assumption Program for Loans for Law in the Public Interest as a loan assumption program for licensed attorneys who meet certain eligibility criteria. This bill would create a program account in the state Treasury that would consist of funds appropriated by the Legislature and private contributions to the program. This bill would require an annual report on the program.

Status: 05/09/2007 To Senate Committee on Education.

Commentary: While this program was signed into law in 2000, it has never been funded.

Position: None

AB 359

AUTHOR: Karnette (D)

TITLE: Student Financial Aid: Assumption Program

INTRODUCED: 02/14/2007

LAST AMEND: 06/01/07

LOCATION: Assembly Third Reading

Summary: This bill specifies that persons who are pursuing service credentials utilized in special education, or who participate in specialist speech-language pathologist trainee programs, or become employed as speech-language pathologists, are eligible to receive loan assumption benefits under the Assumption Program of Loans for Education.

Status: 06/04/2007 In Assembly, to third reading; expected to pass to the Senate.

Position: None

AB 883

AUTHOR: Dymally (D)

TITLE: Student Financial Aid: Assumption Program for Loans

INTRODUCED: 02/22/2007

LAST AMEND: 04/25/07

LOCATION: Assembly Appropriations Committee

Summary: Pilot program for loan assumption for interns and teachers who are qualified for participation under Assumption Program of Loans for Education and who agree to teach full time in the Compton Unified School District. This bill requires the granting of priority to

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applicants who are concentrating in mathematics, science, or special education or who agree to teach full time in a school ranked in decile 1, 2, 3, or 4 on the Academic Performance Index.

Status: 05/31/2007 Held in Assembly Appropriations Committee.

Position: None

AB 1059

AUTHOR: De Leon (D)

TITLE: Child Care Personnel

INTRODUCED: 02/23/2007

LAST AMEND: 06/01/2007

LOCATION: Assembly Third Reading

Summary: This bill expresses the intent of the Legislature that up to 400 new grants are awarded under the Child Development Teacher and Supervisor Grant Program each year. It would raise the maximum level of the grants for each academic year if the participant is enrolled in a 4-year institution and a specified amount for each academic year if the participant is enrolled in a community college.

Status: 06/04/2007 In Assembly to third reading; expected to pass to the Senate.

Commentary: 06/01/07 amendments removed the Pre-Kindergarten Assumption Program of Loans for Education language and eligibility of persons working at a child care center that contracts with the State Department of Education to receive grants under the Child Development Teacher and Supervisor Grant Program.

Position: None

SB 139

AUTHOR: Scott (D)

TITLE: Nursing Education

INTRODUCED: 01/25/2007

LAST AMEND: 05/02/2007

LOCATION: Senate Third Reading

Summary: This bill would make a person who is currently employed as a registered nurse in a state-operated 24-hour facility ineligible to enter into an agreement for the State Nursing Assumption Program of Loans for Education (SNAPLE). This bill would also establish additional criteria for nurses under SNAPLE and State Nursing Facilities APLE.

Status: 05/31/2007 In Senate to third reading; expected to pass to the Assembly.

Commentary: This is clean up language for SNAPLE. Commission staff is working with Senator Scott's staff to identify any areas related to the SNAPLE program that need to be addressed.

Position: None

SB 481

AUTHOR: Runner (R)

TITLE: Student Loan Assistance

INTRODUCED: 02/22/2007

LOCATION: Senate Education Committee

Summary: This bill creates the Public Safety Incentive Program to assist licensed attorneys who practice or agree to practice law as a prosecutor or a public defender with loan assistance. This bill would also create the Public Safety Incentive Account within the State Treasurer's office for all program funds appropriated.

Status: 02/28/2007 Held in Senate Education Committee.

Commentary: This bill would allow up to \$40,000 in a loan assumption program to be administered by the Commission. This program, although similar to the APLE, is a separate program that requires the applicant to pay back any benefits received should the applicant involuntarily separate before the five year period of service required.

Position: None

SB 673

AUTHOR: Scott (D)

TITLE: Assumption Program of Loans for Education

INTRODUCED: 02/23/2007

LAST AMEND: 05/01/2007

LOCATION: Senate Third Reading

Summary: This bill changes the date by which the Superintendent of Public Instruction is required to furnish the Student Aid Commission with a list of teaching fields that have the most critical shortage of teachers, a list of schools that serve a large population of pupils from low-income families, a list of schools with a high percentage of teachers holding emergency permits, a list of schools serving rural areas, and a list of high-priority schools.

Status: 05/10/2007 In Senate to third reading; expected to pass to Assembly.

Commentary: 05/01/07 amendment removed the legislative intent language to enact legislation to make teachers who are currently teaching in the public schools and have not otherwise participated in the loan assumption program eligible to receive a warrant for loan assumption under this program.

Position: None

Bills to Watch

AB 14

AUTHOR: Laird (D)

TITLE: Discrimination: Civil Rights Act of 2007

INTRODUCED: 12/04/2006

LAST AMEND: 04/12/2007

LOCATION: Senate

Summary: This bill enacts the Civil Rights Act of 2007. Among other provisions, this bill would require the Commission to award a Cal Grant without regard to age, sex, race, color, religion, ancestry, national origin, disability, medical condition, martial status, or sexual orientation.

Status: 05/21/2007 Passed Assembly. To Senate.

Commentary: Although the FAFSA requires a student's or parent's martial status information, the Commission does not use it to determine eligibility for the Cal Grant program.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

SB 890

AUTHOR: Scott (D)

TITLE: Pupils: Early College Commitment Program

INTRODUCED: 02/23/2007

LAST AMEND: 06/04/2007

LOCATION: Senate Third Reading

Summary: This bill establishes the Early College Commitment Program. This bill relates to pupils who are eligible for free and reduced price meals. This bill requires participating school districts to provide college information and college preparation events targeted towards pupils who sign pledge cards.

Status: 06/04/2007 In Senate, amended, to third reading; expected to pass to Assembly.

Commentary: This bill would require the Commission to provide support services as needed in coordination with local school districts and work in consultation with the Superintendent of Public Instruction to develop materials for the program.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

12.b

Action/Information Item

California Student Aid Commission

Update on Federal Issues and Legislation and Consideration of Positions on Bills Affecting the Commission

This agenda item will provide 1) an update on federal activity and information on the 110th Congress and 2) a summary of current investigations of the student loan industry.

Enclosed is the federal issue update.

Recommended Action: No action is required; however, Commissioners are encouraged to ask for additional information on items that are of interest. Staff will provide a brief oral update on any significant changes that occur prior to the Commission meeting.

Responsible Staff: Steve Caldwell, Chief
Governmental and Public Affairs
Division.

FEDERAL ISSUES UPDATE

The houses of Congress have convened 74 legislative and 76 calendar days for the current 110th session. Bills affecting the scandal rattling the \$85 billion student loan industry and appropriations spending on the Iraq war remain the top issues being debated in Congress.

The congressional budget timetable set April 15 as a target date for completion of the annual budget resolution; however, Congress usually does not meet this deadline. The annual budget resolution is an agreement between the House and Senate on a budget plan for the upcoming fiscal year and at least the following four fiscal years. The budget resolution is in the form of a concurrent resolution, so it is not sent to the President for his signature and thus does not become law, but it does provide a framework for subsequent legislative action on the appropriations bills.

On May 17th, Congress voted to adopt a \$2.9 trillion fiscal year 2008 budget resolution; a five-year budget that includes a discretionary spending cap of \$954 billion and a balanced budget by 2012 without raising taxes.

The conference agreement on the 2008 budget rejected President Bush's education cuts. The Democratic budget provides \$9.5 billion above the President's 2008 request for appropriations for the education budget function. The conference agreement also includes budgetary mechanisms - a reserve fund and reconciliation instructions - to help speed passage of legislation to make college more accessible and more affordable. The budget facilitates legislation that would enhance benefits for college students, including reducing interest rates on student loans, providing significant increases in grant aid for students, or expanding or creating tax benefits to offset the cost of tuition.

At the request of Representative George Miller and Ted Kennedy, the budget resolution includes reconciliation instructions for the education committees. The instructions provide procedural protection for legislation that Representative Miller intends to write to enhance student aid benefits. The instruction directs each committee to report legislation by September 10 that reduces the deficit by \$750 million over six years (2007-2012).

The following are brief summaries of legislation that affect financial aid programs. Bills have been assigned to their respective committees. Many Bills have had little activity while a few have passed out of the house of origin or have been assigned to multiple committees for debate.

HR 5

SPONSOR: Miller, Ge (D)

TITLE: College Student Relief Act

INTRODUCED: 01/04/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: Creates the College Student Relief Act of 2007. This bill amends the Higher Education Act of 1965 to phase-in cuts in the interest rate for student borrowers under the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs, thereby reducing such rate from 6.8 percent in July 2006 to 3.4 percent in July 2011.

STATUS: 01/17/2007 To Senate Committee on Health, Education, Labor and Pensions

HR 54

SPONSOR: Christensen (D)

TITLE: Loan Forgiveness for Teachers

INTRODUCED: 01/04/2007

LOCATION: House Education and Labor Committee

SUMMARY: Amends the Higher Education Act of 1965 (HEA) to establish new programs for teacher student loan forgiveness under the guaranteed loan program and the direct loan program. Expands the eligibility of individuals to qualify for loan forgiveness for teachers in order to provide additional incentives for teachers currently employed or seeking employment in economically depressed rural areas, territories, and Indian reservations.

STATUS: 01/04/2007 To House Committee on Education and labor

HR 472

SPONSOR: McKeon (R)

TITLE: Higher Education Act

INTRODUCED: 01/16/2007

LOCATION: House Education and Labor Committee

SUMMARY: Amends the Higher Education Act of 1965 to address the issues of college affordability and transparency. This bill is intended to assist families and students with easy to use web tools to search and compare colleges, make college costs and financial aid transparent, and raise awareness about college opportunities especially for low income families, non-traditional students, and first in the family to attend college.

STATUS: 01/16/2007 To House Committee on Education and Labor

HR 601

SPONSOR: Biggert (R)

TITLE: FAFSA Fix for Homeless Kids Act

INTRODUCED: 01/22/2007

LOCATION: House Education and Labor Committee

SUMMARY: Expands the definition of independent student in the Higher Education Act of 1965 to include homeless youth. Amends the Higher Education Act of 1965 to deem a student independent for financial aid purposes if such student has been verified as both a homeless child or youth and an unaccompanied youth by: (1) a local educational agency liaison for homeless children and youth; (2) a director of a homeless shelter, transitional shelter, or independent living program; or (3) a financial aid administrator. Requires such a verification to take place during the school year in which the application for such aid is submitted.

STATUS: 01/22/2007 To House Committee on Education and Labor

HR 722

SPONSOR: Bilirakis (R)

TITLE: Increasing Access to Higher Education Act

INTRODUCED: 01/30/2007

LOCATION: House Education and Labor Committee

SUMMARY: Amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$4,810 for each of the academic years 2007-2008 through 2013-2014.

STATUS: 01/30/2007 To House Committee on Education and Labor

HR 890

SPONSOR: Miller, Ge (D)

TITLE: Student Loan Sunshine Act

INTRODUCED: 02/07/2007

LAST AMEND: 05/09/2007

LOCATION: Multiple Committees

SUMMARY: Establishes requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

STATUS: 05/10/2007 In Senate Committee on Health, Education, Labor and Pensions. Read second time.

HR 1608

SPONSOR: Miller Ge (D)

TITLE: Federal Student Aid Application Process Simplification

INTRODUCED: 03/20/2007

LOCATION: House Education and Labor Committee

SUMMARY: Expands college opportunities by significantly simplifying the Federal student aid application process.

STATUS: 03/20/2007 To House Committee on Education and Labor

HRES 65

SPONSOR: Matsui (D)

TITLE: Higher Education Act

INTRODUCED: 01/16/2007

LOCATION: Adopted

SUMMARY: Provides consideration of the bill (H.R. 5) to amend the Higher Education Act of 1965; provides to reduce interest rates for student borrowers.

STATUS: 01/17/2007 Passed House

HRES 81

SPONSOR: Wu (D)

TITLE: Pell Grant Increase

INTRODUCED: 01/19/2007

LOCATION: House Education and Labor Committee

SUMMARY: To express the sense of the House of Representatives that the maximum Pell Grant should be increased to \$5,800.

STATUS: 01/19/2007 To House Committee on Education and Labor

S 7

SPONSOR: Reid (D)

TITLE: College Opportunity Act of 2007

INTRODUCED: 01/04/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: A bill to amend Title IV of the Higher Education Act of 1965 and other laws and provisions and urge Congress to make college more affordable through increased Federal Pell Grants and providing more favorable student loans and other benefits, and for other purposes.

STATUS: 01/04/2007 To Senate Committee on Health, Education, Labor and Pensions

S 282

SPONSOR: Durbin (D)

TITLE: Undergraduate Student Loans

INTRODUCED: 01/12/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: A bill to amend the Higher Education Act of 1965 to reduce over a 5-year period the interest rate on certain undergraduate student loans. This bill proposes to phase-in cuts in the interest rate charged undergraduate student borrowers of subsidized loans under the Federal Family Education Loan (FFEL) program, thereby reducing such rate from 6.8 percent in July 2006 to 3.4 percent in July 2011.

STATUS: 01/12/2007 To Senate Committee on Health, Education, Labor and Pensions

S 301

SPONSOR: Clinton (D)

TITLE: Nontraditional Student Success Act

INTRODUCED: 01/16/2007

LOCATION: Senate Finance Committee

SUMMARY: Provides higher education assistance for nontraditional students, and for other purposes. Authorizes and appropriates specified funds for Federal Pell Grants under the Higher Education Act of 1965 (HEA). Increases yearly maximum grant amounts and revises requirements for the allowance of two Pell grants during a single award year.

STATUS: 01/16/2007 To Senate Committee on Finance

S 359

SPONSOR: Kennedy (D)

TITLE: Student Debt Relief Act of 2007

INTRODUCED: 01/22/2007

LOCATION: Senate Finance Committee

SUMMARY: Amends the Higher Education Act of 1965 to provide additional support to students. This bill proposes to extend the Pell Grant program through FY2012 and increase yearly maximum Pell Grant amounts. Authorizes and appropriates specified additional annual funding for such grants.

STATUS: 01/22/2007 To Senate Committee on Finance

S 454

SPONSOR: Collins (R)

TITLE: Improving Access to Higher Education Act of 2007

INTRODUCED: 01/31/2007

LOCATION: Senate Finance Committee

SUMMARY: Amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$5,100 for the 2007-2008 academic year. Raises the minimum Pell Grant award from \$400 to \$500.

Amends the Internal Revenue Code to raise: (1) the maximum student loan interest deduction to \$3,750; and (2) the modified adjusted gross income level where such deduction begins to be phased-out.

Exempts from the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA): (1) the elimination of the 60-month limit on the period of such deduction; and (2) the increase in the income limitation on such deduction.

Increases the maximum annual contribution limit for Coverdell education savings accounts from \$2,000 to \$3,000, and makes such increase permanent.

Repeals the EGTRRA sunset on the tax exclusion of employer-provided educational assistance.

STATUS: 01/31/2007 To Senate Committee on Finance

S 486

SPONSOR: Kennedy (D)

TITLE: Student Loan Sunshine Act

INTRODUCED: 02/01/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: A bill to establish requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

STATUS: 02/01/2007 To Senate Committee on Health, Education, Labor and Pensions

S 511

SPONSOR: Clinton (D)

TITLE: Student Borrowers

INTRODUCED: 02/07/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: Provides student borrowers with basic rights, including the right to timely information about their loans and the right to make fair and reasonable loan payments. Urges the Department of Education to enforce vigorously rules requiring lenders to complete lender verification certificates in a timely manner for borrowers seeking to consolidate loans. This bill amends the Higher Education Act of 1965 to require specified loan participants under the Federal Family Education Loan (FFEL) and Federal Perkins Loan programs to disclose to each national credit bureau organization any on-time payments made for such loans and their status as student loans.

STATUS: 02/07/2007 To Senate Committee on Health, Education, Labor and Pensions

S 765

SPONSOR: Burr (R)

TITLE: High School Graduation Rates Grant Program

INTRODUCED: 03/06/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill would establish the Graduate for a Better Future Act, a grant program to improve high school graduation rates and prepare students for college and work. Authorizes the Secretary of Education to award competitive grants to states, educational nonprofit organizations, or partnerships of such entities for their use in providing competitive subgrants to local educational agencies (LEAS) that have a high school graduation rate of no more than 60 percent in the aggregate or among at least two subgroups consisting of the poor or major racial or ethnic groups.

STATUS: 03/06/2007 To Senate Committee on Health, Education, Labor and Pensions

S 899

SPONSOR: Dodd (D)

TITLE: Federal Pell Grant Maximum Amount

INTRODUCED: 03/15/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: A bill to amend section 401(b)(2) of the Higher Education Act of 1965 regarding the Federal Pell Grant maximum amount.

STATUS: 03/15/2007 To Senate Committee on Health, Education, Labor and Pensions

S 938

SPONSOR: Reed (D)

TITLE: College Access and College Persistence

INTRODUCED: 03/20/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: Expands college access and increase college persistence; relates to other purposes.

STATUS: 03/20/2007 To Senate Committee on Health, Education, Labor and Pensions

S 939

SPONSOR: Reed (D)

TITLE: Applying for Student Assistance Process Improvement

INTRODUCED: 03/20/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: Amends the Higher Education Act of 1965 to simplify and improve the process of applying for student assistance, and for other purposes.

STATUS: 03/20/2007 To Senate Committee on Health, Education, Labor and Pensions

Congress Adopts Budget Resolution

On Thursday, May 17, Congress adopted a budget resolution for fiscal year 2008 (FY08). The \$2.9 trillion budget includes a discretionary spending cap of \$954 billion, setting the framework from which appropriators will begin. The House and Senate had adopted previously their separate versions of the budget resolution for FY08 that were then reconciled during conference negotiations.

The FY08 budget resolution recommends \$85.7 billion for discretionary education and training programs, \$300 million above both the House and Senate versions and \$9.5 billion above the president's request. While appropriators are not required to adhere to the budget resolution recommendations for sub-allocations within the discretionary limit, they have indicated that the appropriations bills will provide for education the full amount recommended in the budget resolution. Additionally, the conference report accompanying the budget resolution noted that education funding has "been insufficient to meet the mandates created by federal laws" and "to ensure that every child receives world-class education."

"On all the basics, our budget is better than the President's," said Rep. John Spratt (D-SC), House Budget Committee Chairman in a press release. "Our budget does more for veterans' health care, more for education, and more for children's health care." The conference agreement also includes a higher education reserve fund to make postsecondary education more accessible and affordable. The reserve funds are a way to accommodate deficit-neutral legislative initiatives. The Conference Report suggests

the reserve funds could be used to facilitate legislation that would enhance benefits for post-secondary students, including, reductions in interest rates on student loans, significant increases in grant aid for students, or tax benefits. The Democrat's budget plan would also institute a "pay-go" rule that requires any spending increases or tax cuts to be funded by spending cuts or tax increases, so the deficit is not increased.

Congress's rejection of the president's budget request sets up a likely clash between Congress and the president as appropriations bills begin to make their way through the committees. Following Congress's significant increase in the discretionary spending cap, Office of Management and Budget Director Rob Portman reiterated his threat that President Bush may veto spending bills which exceed the administration's request.

Overview of the FY 2008 Budget Conference Agreement

http://budget.house.gov/analyses/08Budget_Conference_Agreement_Overview051607.pdf

Spellings Testifies Before House Education and Labor Committee

The U.S. Department of Education has been criticized over the last few months for the Administration's lack of oversight and role in managing relationships between schools and lenders regarding inducements, conflicts of interest, and unethical practices.

On May 10th, Secretary Margaret Spellings testified before the House Education and Labor Committee on the U.S. Department of Education's (ED) oversight of both the student lending industry and the Reading First program. Unlike the previous hearings on these topics, Secretary Spellings was present to defend her agency's actions. Representative George Miller, Chairman of the House Committee on Education and Labor, did not seem overly satisfied with the explanations Spellings offered, but the hearing ended with a tentative agreement that Congress and ED have more work to do to oversee these programs.

Chairman Miller immediately pointed to conflicts of interest uncovered in both programs under investigation. He mentioned copies of contracts between a student lender and five school financial aid officers or other officials. The lender in question compensated the school officials for promoting their services. He also mentioned the conflicts of interest that existed regarding Reading First program officers and royalties they received when the program used a specific instructional tool in which they had a financial stake. Miller made it clear that the responsibility for oversight in these areas lay with ED, and that ED failed to properly enforce the rules and regulations that govern conflicts of interest in government agencies.

Secretary Spellings countered that ED has initiated "thousands" of audits of colleges across the country, even levying fines on specific schools found to be out of compliance with department regulations regarding lending practices. Chairman Miller seemed to disagree with her assessment, mentioning that ED's audits did not address the specific issues that New York Attorney General Andrew Cuomo uncovered in recent months. However, Spellings countered that most of the loan scandals involved private lenders, over whom ED has no jurisdiction or oversight. Republicans on the committee, such as McKeon and Rep. Ric Keller (R-FL) reaffirmed Spellings' claim that she is powerless to

stop private lender abuse without Congressional involvement. Rep. Keller was deliberate in explaining that, despite Attorney General Cuomo's comments blaming ED for "falling asleep at the switch," his investigations focused solely on private lenders, and not the two federal loan programs.

Spellings did take time to point out that, in her few short years in office, she has brought together the Commission on the Future of Higher Education, as well as beginning a new rulemaking process to deal with lender practices. Not one to sit and take abuse, Spellings made a point to mention that she has initiated the rulemaking process because of inaction on Capitol Hill. Most of Spellings' testimony, as well as statements from the committee's Republicans, focused more on how ED and Congress have and can continue to fix the problems in the student lending industry.

Although Spellings did not win over Democrats with her explanations and promises of future action, all parties agreed they can do more to reform the troubled system. Miller has referred to the Student Loan Sunshine Act as one step in reforming the student lending practices and college affordability as a whole. While Congress works towards legislation, Secretary Spellings has promised further action towards reforming the lending industry, by forming a task force, along with the Federal Trade Commission and the Federal Deposit Insurance Corp., to look into how the government might better regulate the private student loan market. Spellings is certainly not done with answering to House oversight, and she still has to deal with Senator Edward Kennedy (D-MA) and his committee.

Secretary Spellings' Prepared Testimony before the House Committee on Education and Labor <http://www.ed.gov/news/pressreleases/2007/05/05102007.html>

House Passes Student Loan Sunshine Act

Investigations at the federal and state level and by news organizations over the last several months have highlighted a number of unethical practices in the student loan industry, such as lenders offering gifts or other inducements to college financial aid offices in exchange for higher loan volume. "Families are already paying too much to send their kids to college, so the idea that lenders would enhance their profits - at the expense of students and families - by offering gifts or other inducements to college officials or engaging in other unethical behavior is especially abhorrent," said Representative George Miller, Chairman of the House Education and Labor Committee, in a press release on May 9th.

In response to the daily revelations of alleged abusive practices, the House of Representatives on May 9th accelerated its action by passing the Student Loan Sunshine Act by a vote of 414 to 3. The revised bill is a substitute for H.R. 890, which was introduced earlier this year by Miller. Details were worked out with Representative Buck McKeon, the Ranking Republican on the Committee. McKeon had previously introduced his own bill addressing the same subject matter (H.R. 1994, the Financial Aid Accountability Act). The revised Sunshine Act, with the support of both Miller and McKeon, was brought to a House vote on the Suspension Calendar, thus dispensing with normal procedural rules.

The Student Loan Sunshine Act would prevent and limit these practices in the future by taking the following steps, among others:

- Requiring institutions and lenders to adopt strict codes of conduct that adhere to specific guidelines;
 - Banning all gifts, participation on advisory boards, and revenue-sharing agreements between lenders and schools;
 - Requiring institutions to disclose all relationships with lenders;
 - Only allowing "preferred lender lists" on campuses with strict assurances that the list was created with the students' best interest in mind;
 - Ensuring that students have access to all lenders of their choice, including those not on the preferred lender lists;
 - Banning staffing of school financial aid offices by lenders;
 - Giving students full and fair information when taking out and repaying loans;
 - Protecting students from aggressive marketing practices; and
 - Providing students information on all federal student aid opportunities through a new "one-stop" link on the Department of Education website.
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ED, FTC Issue Annual Report On Student Aid Fraud

Complaints about financial aid fraud have remained fairly constant over the past decade, but financial aid-related complaints have diminished steadily as a percentage of all complaints, according to the U.S. Department of Education and Federal Trade Commission's (FTC's) annual report to Congress.

The nature of complaints about financial aid has changed over time, shifting from scholarship search services to financial aid consulting services, according to the recent report. Operators of financial aid scams generally promise their services will ensure that students receive a scholarship or more financial aid than students and parents could get on their own.

Other typical claims state that:

1. millions (in some cases billions) of dollars of scholarships go unclaimed every year, with promises to get the student his or her fair share;
2. the advertiser has extremely high success rates, including "testimonials" from satisfied customers; and
3. the advertiser is endorsed or approved by a federal or state agency, a chamber of commerce, or a Better Business Bureau.

In fact, for fees ranging from \$50 to more than \$1,000, these operators provide few, if any, services to help students and their families find financial aid.

The College Scholarship Fraud Prevention Act of 2000 requires that the Attorney General, the Secretary of Education, and the FTC jointly submit to Congress each year a

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report on that year's incidence of fraud by businesses or individuals marketing financial aid assistance services to consumers.

The Department and FTC also reported that they continue to regularly revise and update their materials, available in both English and Spanish, aimed at teaching consumers how to avoid scholarship fraud. Both agencies use a variety of formats to convey their messages, including Web sites, booklets, brochures, video conferences, flyers, posters, and bookmarks.

In terms of law enforcement, the FTC has continued its Scholarship Scam campaign designed to prosecute and prevent financial aid fraud. This year, the FTC obtained an injunction permanently banning a fraudulent purveyor of college financial aid services from marketing such services. In addition, the Department of Justice (DOJ) brought several actions against individuals engaged in financial aid fraud. Three of these cases resulted sentencing enhancement, provided by the 2000 fraud act, for fraud in connection with obtaining, providing, or furnishing financial assistance for an institution of higher education.

The report also notes the recent allegations of financial relationships between student loan companies, college financial aid officers, and others in the financial aid lending industry. The Department and FTC said they will continue to monitor and investigate these developments as appropriate.

The report highlights actions taken in response to the recent allegations including the creation of the Student Loan Task Force. The Task Force will examine issues such as preferred lender lists, financial benefits provided to schools to obtain referrals, and access to the National Student Loan Data System, and advise ED on appropriate regulatory responses. Based on this information and negotiated rulemaking discussions, ED expects to issue regulations, after public comment, by Nov. 1.

College Scholarship Fraud Prevention Act Of 2000, Annual Report to Congress
<http://www.ftc.gov/reports/collagescholarshipfraud/2006CollegeScholarshipFraudPreventionReport.pdf>

Scholarship Scam <http://www.ftc.gov/scholarshipscams>

Update on Recent Events Related to The Student Loan Industry

The student loan industry is being affected by recent media attention related to an investigation into student loan incentives and questionable activities by some financial aid personnel on various campuses. At the State level, in response to AB 1652 (Lieber), the Commission's Executive Director and the President of EDFUND sent a letter, based on the Commissioners direction at the March 30, 2007 Commission meeting. The following are the basics tenets of the letter.

- The Commission understands the serious nature of the allegations that have been brought forward by New York's Attorney General, Andrew Cuomo.
- The Commission would like to see actions taken to halt unscrupulous behavior and to emphasize what is best for students rather than for any financial aid administrator or campus official.
- The Commission agreed with the statement included Assembly Member Lieber's press release and in AB 1652 that reflects the Commission's thoughts about the actions of a few that have caused concern among the financial aid community and the students we serve. "... *We also would to get to the bottom of the allegations, both to stop any abuses and to correct any unfair characterization of our many honest and ethical student aid officers*".
- The Commission believes it would be beneficial to discuss potential advocacy on the part of California's elected officials toward enactment of a federal policy that would guide all states regarding the ethical standards related to the administration of student aid programs.
- Above all else, the highest priority in these discussions should focus on what is best for the students we collectively serve and the support we provide through states and the federal government that allows them to achieve their dream's of pursuing and completing a higher education.

The following article June 2, 2007 New York Times article provides an update on student loan industry issues being addressed at the national level.

U.S. Puts Limits on Lenders' Ties to Universities

By Jonathan D. Glater

The Education Department, criticized for lax oversight of student loans released proposed rules yesterday that would set new standards for universities and ban lenders' marketing practices that have resulted, in some cases, in loan company payoffs to university officials. The 225-page package represents a change in direction by the department, which for years had ignored calls by its inspector general, Democratic lawmakers and even some loan-industry officials for it to be more aggressive in policing the \$85 billion student loan industry.

The rules would for the first time require universities to include at least three loan companies on any list of lenders they recommend to students and would ban many of the gifts and payments to financial aid officials that lenders have been offering to win student loan volume. The rules would bar everything from travel and entertainment expenses to providing staffing for college aid offices. They would modify the existing framework, which applies only to federally guaranteed loans, "to strengthen and improve the administration of the loan

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programs," the proposal states. The agency said the rules had been sent to the Federal Register for a 60-day comment period. If approved, they would take effect next summer.

Education Secretary Margaret Spellings created a task force in April to draw up the rules after an effort to win consensus on a similar package among representatives of students, lenders and academic institutions in a process known as "negotiated rule making" collapsed.

In the past few months, investigations in Congress and in the states, led by Attorney General Andrew M. Cuomo of New York, turned up an array of undisclosed relationships between universities and lenders, and conflicts of interest on the part of aid administrators. Some university officials who were promoting particular lenders had received stock on favorable terms, consulting payments or gifts from loan companies.

Just this week, the Education Department's own inspector general reported to Congress that the department had made "minimal" progress in dealing with complaints about abuse in the nation's government-backed student loan program.

Lenders by law have long been barred from offering inducements to gain loan applications. But what is an inducement is not entirely clear. In 2003, an assistant inspector general criticized the department for not giving any updated opinions about what kinds of incentives were barred since 1995, even though competition for loan business had escalated sharply since then.

Department officials have said in the past that they did not have the authority to oversee many of these practices because they involved private loans - those not guaranteed by the government. They had said they wanted aid administrators and the loan industry to police themselves.

The proposed regulations would still cover only federally guaranteed loans. They identify specific practices that would be barred, including "offering, directly or indirectly, any points, premiums, payments or other benefits to any school or other party to secure" student loan volume. Lenders who offer inducements run the risk of losing the federal guarantee on affected loans, under the proposal.

The rules would also ban a college's "access to a lender's other financial products, computer hardware, and payment of the cost of printing and distribution of college catalogs and other materials at less than market rate." They also make clear that lenders cannot try to get around them by offering benefits to "school-affiliated" groups, like alumni organizations.

In addition, they would require that a university's list of recommended or "preferred" lenders exclude any that provided incentives. Perhaps most importantly for students, universities would be required to explain how and why they recommend specific lenders and to ensure that all students, not just a few, receive the benefits offered by a lender on a preferred list.

In explaining the need for the regulations on inducements, the department stated that "this guidance, and the general requirements of the law, may no longer be generally known and understood by lenders and other participants" in the federally guaranteed loan program, because the last guidance was provided in 1995.

The rules appeared to be unlikely to meet much resistance. The Consumer Bankers Association indicated that it would seek minimal changes, particularly since Congress is already moving to enact even tougher restrictions. John Dean, special counsel to the Consumer Bankers Association, said, "I think that you'll have a series of largely technical comments." Lenders, he said, "have come to embrace the inevitability of reform and in many cases welcome it."

And on Thursday the trade group representing college financial aid officers agreed to bar its members from accepting most gifts and to stop allowing lenders to sponsor its conferences.

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Democratic lawmakers in both the House and the Senate who have championed legislation on the student loan industry offered cautious support but also criticized the Education Department for not acting more quickly. So did Mr. Cuomo.

"It has taken far too long for the Department of Education to act," Mr. Cuomo said in a statement. He noted that the proposed rules would not require preferred lenders to be selected solely on the basis of the best interests of student borrowers. "This seems to be a gaping hole in the regulations," Mr. Cuomo said.

Robert Shireman, a higher education policy adviser in the Clinton administration who is executive director of the Institute for College Access and Success, said that the rules could still allow philanthropic gifts by lenders to universities that might not be explicitly linked to loan volume. "There can be the same kind of wink and a nod that occurs around campaign contributions," Mr. Shireman said, adding that some of the proposals in Congress are stricter.

Separately, the Education Department announced Friday that Ms. Spellings had named Lawrence Warder as acting chief operating officer of the office of Federal Student Aid, previously overseen by Theresa S. Shaw, who stepped down.

Mr. Warder, who has been chief financial officer of the education agency since July 2006, previously worked for years as a management consultant at Deloitte Consulting.

Investigations of conduct in the student loan industry are not over. Yesterday, Senator Christopher J. Dodd, the Connecticut Democrat who is chairman of the Banking Committee, announced plans for a hearing on Wednesday to explore ties between lenders and colleges and universities.