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California Postsecondary Education Commission

Federal Education Update, December 2004

- *This update presents some of the major issues affecting education occurring at the national level. At the Commission meeting, staff will also provide an oral update on any late-breaking events at the federal level.*
- *Also included in the update is the text of President Bush's campaign plan for education during his next term.*

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The Commission advises the Governor and Legislature on higher education policy and fiscal issues. Its primary focus is to ensure that the state's educational resources are used effectively to provide Californians with postsecondary education opportunities. More information about the Commission is available at www.cpec.ca.gov.

Higher Education Act Extended for One Year

Unable to reauthorize the Higher Education Act (HEA) during the past two years, on October 9, 2004, Congress passed a bill (HR 5185) to extend the HEA until September 30, 2005. HR 5185 was signed by the President and became law (Public Law 108-366) on October 25, 2004. Under HR 5185, programs under the HEA will continue as last reauthorized. The HEA authorizes most federal student financial assistance programs; programs to aid developing institutions such as Hispanic Serving Institutions; graduate and international education programs; and teacher education programs. While a number of HEA reauthorization measures were considered in the House during the 2004 legislative session, the Senate did virtually nothing, and the process will begin anew when the 109th Congress arrives in January 2005.

New Law Increases Loan Forgiveness for Teachers

Prior to leaving Washington for a pre-election recess, also on October 9, Congress passed legislation that would partially close a loophole that allows lenders in the Federal Family Education Loan (FFEL) program to earn inflated interest rates on student loans financed with certain types of bonds.

It is estimated that the practice currently costs the government up to \$1 billion per year. Under HR 5186, savings from curtailing these excess payments would fund increased student loan forgiveness for highly qualified math, science, and special education teachers serving in disadvantaged or low-income areas. These teachers, who currently qualify for up to \$5,000 in student loan forgiveness, would receive up to \$17,500. The President signed the legislation into law on October 30, but the

issue is likely to remain contentious. Democrats, despite voting unanimously for the bill, argue that it does not completely eliminate the excess subsidy, and note that its duration is only one year. It is anticipated that Congress will revisit this issue next year as it works to reauthorize the Higher Education Act, and that any savings generated by permanently closing the loophole would be used to provide increased benefits for students.

Domestic Appropriations Measures Completed

Congress left Washington in early October without completing work on nine of the 13 domestic appropriations bills for the fiscal year that began October 1. Before adjourning, Congress had completed its work on FY 05 funding measures for Military Construction, Homeland Security, the District of Columbia, and Defense. Before leaving on October 9, Congress passed a Continuing Resolution (CR) to keep most of the federal government running at FY 04 levels through November 21, 2004.

Congress reconvened for a lame-duck session on November 16. The purpose of the lame-duck session was to pass the remaining federal appropriations bills, raise the debt ceiling, and reorganize the federal government's intelligence organizations.

Since recessing in early October, key members of Congress and staff of the Appropriations Committee had been working to resolve differences between the House and Senate on the nine remaining appropriations bills, including appropriations for Labor, Health and Human Services, and Education

On November 20, Congress completed work on the bulk of domestic spending appropriations for FY 2005, wrapping all unfinished measures into a single omnibus appropriations bill, HR 4818. The measure includes \$388.4 billion in discretionary spending across nine funding areas: Agriculture; Commerce-Justice-State; Energy and Water; Foreign Operations; Interior; Labor-HHS-Education; Legislative Branch; Treasury and Transportation; and VA-HUD-Independent Agencies. HR 4818 is a relatively austere measure, with all discretionary funding subject to an across-the-board reduction of 0.8%. Until the spending bill is completely finalized, Congress passed another continuing resolution (HJR 114) that permits the federal funding to continue at FY 04 levels through December 3, 2004. In addition, both houses have remained in session, holding out the possibility that they will be able to reach agreement on an overhaul of the nation's intelligence system before finally adjourning next month.

As with most federal agencies, FY 05 is a lean year for U.S. Department of Education programs. Overall, the Department will receive an increase of \$1.4 billion over FY 04, bringing its total funding to \$57 billion. In the FY 05 appropriations bill, the maximum Pell Grant award remains \$4,050 for the third consecutive year, despite the addition of more than \$823 million in new funds to meet growing demand for Pell Grants. Most other federal student financial aid programs were funded at the same level. Also of note, both the TRIO and GEAR UP programs received increases of \$11 million and the Hispanic Serving Institutions (HSI) program was increased by \$1.9 million over FY 04 to \$95.9 million.

At the end of the lame-duck session, the 108th Congress will adjourn. The 109th Congress will start in January, featuring a Republican majority that is larger in both the House and Senate.

Change in Federal Student Aid Rules Could Impact Nearly 1.3 Million Students Nationally

Nearly a quarter of low- and moderate-income college students who currently qualify for federal Pell grants will see their awards reduced or eliminated under a change in federal rules that Congress adopted as part of the FY 2005 omnibus appropriations bill, according to an estimate from higher education analysts.

According to estimates from the American Council on Education (ACE), about 85,000 of the 5.2 million students currently eligible to receive Pell grants will become ineligible. And 1.2 million others will get a smaller award under a new formula the government will use to determine how much families can afford to pay for college. The change will take effect for students starting or returning to classes this summer or next fall.

Higher education officials worry that the change, estimated to save the government about \$300 million in next year's budget, will hurt students already struggling to pay for college. While accurate estimates are not available for the number of California students potentially affected, it is anticipated that some Californians will see their federal financial aid assistance reduced.

Pell grants, the main federal program to help low- and moderate-income families pay for college, will cost \$12.5 billion next year, according to ACE estimates. Although the \$4,050 maximum grant has been virtually frozen for four years, about 1.2 million more students have become eligible for the Pell grants in that time, leading to the budget squeeze. It is not clear yet which students will lose their Pell grants, but it most likely will be those with family incomes at the higher levels of Pell eligibility, perhaps \$35,000 to \$40,000.

The Pell grant is covering less of the cost of a college education each year. According to the College Board, the average Pell grant covered a third of the cost of the average four-year public college in the 1980-81 school year. Last year, the average Pell grant covered a quarter of the cost.

Bush Advisor Nominated To Be Education Secretary In Second Term

On the heels of President Bush's re-election, Education Secretary Rod Paige, who has served in that post since the onset of Bush's first administration, announced he would leave the Cabinet. The President quickly nominated his Domestic Policy Advisor, Margaret Spellings, to replace Secretary Paige. Spellings, a Texan who has served as an education advisor to Bush since his days as Texas governor, has received favorable comments from Congressional Democrats and Republicans alike.

Diploma Mills Provide Grist For House Hearing

On September 23, the House Subcommittee on 21st Century Competitiveness, chaired by Rep. Howard P. "Buck" McKeon (R-CA), held a hearing entitled, "Are Current Safeguards Protecting Taxpayers Against Diploma Mills?" The hearing focused on two issues of concern to academe and government, both of which have intensified with the growth of the Internet. The first, diploma mills, are entities that sell fraudulent or worthless degrees or certificates. They operate both domestically and from abroad. Often, they sell not only false certifications, but also offer services such as falsified institutional transcripts as well as phony reference phone numbers and addresses designed to mislead potential employers. The second topic was counterfeit diplomas -- falsified documents from legitimate institutions. Apparently, in many instances these knock-off credentials are nearly indistinguishable from the real thing, and include the use of authentic watermarked paper and forged signatures of genuine institutional authorities.

One witness estimated that this is a \$500 million per year business, and that 1 million Americans have purchased fraudulent degrees. Degrees of all types and levels are for sale, and apparently deaths have occurred at the hands of individuals with fraudulent medical degrees. Particularly disturbing to subcommittee members was that federal employees, sometimes using or being reimbursed with federal funds, have purchased false credentials, and in one instance, the Department of Education certified an overseas diploma mill for participation in the federal student loan programs. A number of individuals

with security clearances have been found to possess fraudulent degrees. Remedies discussed include more stringent enforcement of existing state and federal laws, dedicating one person at the FBI and certain other federal agencies to pursue such cases, asset forfeiture for those purchasing or using fraudulent diplomas, and the creation of a website at the Department of Education to list all accredited institutions of higher education.

Student Loan Default Rates Hit All Time Low

On September 14, the Education Department released data, including individual school default rates, indicating that the default rate on federal student loans has dropped to an all-time low of 5.2%. The Department cited a number of factors that have contributed to the lower rate. Schools and partners in the student loan industry have made debt repayment a priority, and interest rates are at historic lows. In July 2004, student loan interest rates dropped to 3.37% -- the lowest in 35 years -- saving student loan borrowers millions of dollars and making repayment more affordable.

The default rates released (FY 2002) represent the most current data available and include data on borrowers who attended nearly 6,000 postsecondary education institutions that participate in the Federal Family Education Loan and William D. Ford Federal Direct Loan programs. The FY 2002 default rate is the percentage of borrowers who began repaying their loans between October 1, 2001, and September 30, 2002, and who defaulted before September 30, 2003.

Individual school default rates are posted on the Department of Education's website at: <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

IPEDS Student Unit Record Feasibility Study

The National Center for Education Statistics (NCES) – a unit of the U.S. Department of Education -- recently held a series of Technical Review Panel (TRP) meetings about its IPEDS Student Unit Record Feasibility Study. NCES is exploring the feasibility of redesigning the IPEDS collection to include individual student unit records. If implemented, this system would completely replace the submission of institution-level data for the enrollment, completions, graduation rates, and student financial aid components; and it would replace parts of the institutional characteristics component related to net price of attendance.

NCES would use the unit record data to generate the existing IPEDS institutional data that make up its Peer Analysis System and College Opportunities On-Line (COOL). The use of unit records in the collection process would allow for improved calculations of graduation rates and other policy variables. The redesigned IPEDS could provide aggregate reports on transfers across states or sectors, as well as more detailed data on retention. It has been suggested that it could reduce institutional burden by using the data to generate the 1098-T tax forms required by the Internal Revenue Service.

The feasibility study is examining all issues related to this proposal, including but not limited to privacy, reporting burden, technical capabilities, the coordination of reporting for public institutions, timing/census dates, and implementation.

The College Board's Annual Reports on College Pricing and Financial Aid Show Tuition Increases are Smaller than Last Year

On October 19, the College Board announced that tuition increases in higher education this year are smaller than last year's increases, but they are still high by historical standards. Further, the board reported that all forms of student aid are growing rapidly, but that loans outpaced grant aid for the second

year in a row. Evidence of these findings, along with this year's average college prices and 2003-04 student aid data, are documented in the College Board's reports, *Trends in College Pricing 2004* and *Trends in Student Aid 2004*.

The College Board's new report, *Education Pays*, shows that investment in higher education has a significant return both for the individual and for society as a whole. *Education Pays* includes evidence that higher levels of education result in higher earnings for all racial/ethnic groups, that college graduates display higher levels of civic participation than others, and that their children attain higher levels of education. Copies of these reports are available on-line at:

<http://www.collegeboard.com/press/article/0,3183,38993,00.html>.

Materials for the above update were gathered from several sources including the CSU Office of Federal Relations. That Office deserves special recognition and thanks.

President Bush's Campaign Plan For A Bold New Direction In Education

President Bush believes that education is the key to opportunity and America's best tool in an increasingly competitive global economy. This means that every child deserves a world-class education and every worker deserves the support of a Government that makes a lifetime of learning a top priority.

Implementing No Child Left Behind

Three days after taking office, President Bush submitted as his first legislative proposal the No Child Left Behind Act (NCLB). Less than a year later, a bipartisan coalition in Congress passed the most comprehensive restructuring of K-12 education since 1965 - and the first education bill to demand results for every child.

Since President Bush signed NCLB into law, every state has developed a specific plan to ensure that its schools improve. We are already seeing hopeful results. Fourth graders in urban schools are showing strong gains in both reading and math. And from Georgia, North Carolina, and Maryland, to Illinois, Wisconsin, and New Mexico, minority children are showing improved test scores and they are narrowing the achievement gap. President Bush will continue to demand accountability so that every student is proficient in reading and math by 2014, as promised by NCLB.

"Under the No Child Left Behind Act, every student in this country will be held to high standards, and every school will be held accountable for results."

President George W. Bush, June 10, 2003

Ensuring Early Childhood Development for a Successful Start

Early childhood development is one of the best investments America can make to ensure that children are successful in school and later in life. Studies show that vocabulary, letter knowledge, and phonological awareness, in addition to social and emotional factors, have a significant impact on later success in school. Whether in pre-school or at home with parents or other caregivers, every young child should have the opportunity to develop the skills they need to succeed in school.

President Bush is continuing his efforts to improve early childhood education through the Healthy Start, Grow Smart program, including his proposal to strengthen Head Start. The President will:

- **Strengthen Head Start** - Focus Head Start more clearly on school readiness, and allow states to integrate Head Start programs into their existing pre-school preparedness efforts in order to make bet-

ter use of combined Federal and state resources. The President will give priority consideration for funding to states that have a coordinated early childhood plan involving Head Start, pre-K, and child care services.

- **Promote Literacy** - Train parents in early literacy through Head Start.
- **Continue to Fund Research** - President Bush will fund development of the most effective curricula and programs for teaching children early literacy and math skills; establish developmentally appropriate measurements; and identify effective adult and family literacy programs.
- **Expand the Reach Out and Read Program** - Expand Reach Out and Read, which seeks to make early literacy a standard part of pediatric primary care.
- **Expand Healthy Start, Grow Smart** - Continue and expand distribution of Healthy Start, Grow Smart booklets to provide parents the information they need to enhance their children's early development.
- **Engage Faith and Community-Based Organizations** - Help provide parents with the skills they need to advance their children's healthy development.
- **Increase Minority Outreach** - Increase outreach efforts to minority families to better disseminate effective early childhood development strategies.

Improving America's High Schools

The No Child Left Behind Act demands accountability in exchange for the record levels of Federal spending now going to K-12 public education, an increase of 49 percent since 2001. These reforms are already beginning to show strong results, but President Bush also wants to take the next steps to ensure that all high school students are better prepared to enter higher education or the workforce. In his second term, President Bush will:

Make Sure a Diploma Means Something

- **Improve High School Assessments** - President Bush proposes extending state assessments in grades three through eleven in reading and math. More than \$250 million in annual funding will be provided to help states design and administer these assessments, which would require states to add two tests in high school over the next several years.
- **Require Twelfth Grade NAEP** - The President's plan includes 12th graders in the National Assessment of Educational Progress (NAEP).

Help Students Succeed

- **Support Early Intervention** - President Bush proposed the establishment of a \$200 million fund for states to encourage schools, with the input of parents, to use 8th grade test data to develop performance plans for entering high school students and to use assessments to monitor progress.
- **Expand Funding for the Striving Readers Initiative** - President Bush proposes to increase funding to \$200 million annually for his Striving Readers initiative for high school students who have fallen behind in reading.

- ***Expand the Mathematics and Science Partnership*** - The President will increase funding to \$269 million for a partnership to improve high school math achievement by providing professional development for teachers.
- ***Improve Advanced Placement*** - The President's 2005 budget provides a \$28 million increase, bringing total spending for advanced placement courses for low-income students to nearly \$52 million.
- ***Encourage Students to Take More Rigorous Courses*** - By expanding the State Scholars program, the business community and educators can partner to encourage students to take rigorous classes to prepare them to succeed in college or the workplace.
- ***Strengthen and Modernize Vocational Education*** - The President's proposal directs \$1 billion in annual funding from the Perkins Vocational Education program into a new Secondary and Technical Education program to ensure participating schools offer four years of English, three years of math and science, and three-and-a-half years of social studies as part of their vocational education curriculum.

Promote High-Quality Teaching

- ***Provide Extra Incentives for Teachers*** - President Bush will provide an incentive fund for states and schools to reward effective teachers when students achieve a higher level of results.
- ***Expand Loan Forgiveness for Teachers*** - President Bush would increase loan forgiveness from \$5,000 to \$17,500 for highly qualified math, science, and special education teachers who serve low-income communities.
- ***Promote the Adjunct Teacher Corps*** - The \$40 million Adjunct Teacher Corps initiative will bring experienced professionals into the classroom and allow them to teach one or more courses while on leave from their jobs, or teach online courses.

Strengthening Post-Secondary Education

President Bush is committed to expanding access to higher education and training for all Americans. To accomplish this, President Bush will:

- ***Increase Student Financial Aid to Help More Students Afford College*** - More than 10.3 million students will be able to afford college through President Bush's record \$73 billion in financial aid assistance - an increase of \$25.9 billion, or 55 percent, over 2001. The President's plan will provide a record \$12.9 billion investment in Pell Grants, a 47 percent increase over 2001, to help an additional one million students afford college.
 - ***Offer an Enhanced Pell Grant*** - The President will allow low-income students who take the rigorous high school curriculum required by the State Scholars program to receive up to \$1,000 in additional Pell Grant funding, bringing the total maximum award up to \$5,050.
 - ***Increase AmeriCorps Education Awards*** - The President is increasing to 75,000 the number of AmeriCorps members. Full-time members will receive an education award of \$4,725 to pay for college or graduate school.
- ***Reform Student Loans to Better Serve Students*** - The President will increase loan limits for first-year students from \$2,625 to \$3,000 and allow low-default schools more flexibility in loan disbursements.

- **Encourage Dual Enrollment** - President Bush would provide \$125 million in grants to serve as an incentive for community colleges to provide dual enrollment programs, which allow high school students to earn college credit and graduate in less time. In addition, he will provide incentives for states to make it easier for students to transfer credits earned at community colleges to four-year institutions.

Providing Opportunities for Life-Long Learning and Job Training

The President believes that workers need educational opportunities throughout their lives to ensure that they remain competitive in the workplace. In his second term, the President will:

- **Reform Federal Job-Training Programs to Double the Number of Workers Trained**
 - The President will invest \$250 million annually for Community-Based Job Training Grants to strengthen the role of community colleges in workforce development.
 - The President will provide more workers with Innovation Training Accounts, flexible accounts that which allow workers to choose the training that best serves their needs.
 - President Bush will reduce Federal red tape to save an estimated \$300 million and give governors more flexibility in distributing training funds.
- **Eliminate Restrictions That Prevent Adult or Part-Time Students From Receiving Federal Student Aid** - The President's proposal makes financial aid more flexible and effective in helping these non-traditional students acquire necessary skills. The proposal eliminates restrictions through:
 - **Short-Term Training** - Allows student loans to be used for short-term training, especially for dislocated workers and older Americans who need retraining.
 - **Student Aid to be Used for Competency-Based Programs and Traditional Credit Hour Programs** - Competency-based programs assess skill levels and provide students with degrees or certifications, including teaching certifications.
 - **Year-Round Pell Grants for Low-Income Students** - The President proposed providing an additional \$84 million for year-round Pell Grants for students who graduate early. In the current system, students are allowed to receive only one Pell Grant during a traditional school year.
 - **Eliminating Barriers to Distance Learning and Developing an eLearning Clearinghouse** -The President's proposals enable greater access to web-based programs and virtual schools and expand the number of students who can be enrolled in distance education to help those in underserved areas.
 - **Improving Adult Literacy** - The President proposed developing a comprehensive web-based literacy tool for adults aimed at increasing adult literacy across the U.S.
 - **Providing Workers with Additional Flexibility for Selecting Services to Help Them Return to Work** - Under the President's Personal Reemployment Accounts pilot program, certain unemployed workers would be eligible to receive up to \$3,000 that could be used for training and services, such as child care and transportation, that they believe will help them get back to work. As an incentive, the program would allow the recipients to keep the balance of the account as a cash bonus if they find a job within 13 weeks.

Source: <http://www.georgewbush.com/Education>.