

## Pell Grant Program

### **Pell Grant Issue 1: Pell Grant Entitlement. [No comparable section of the HEA; recommendation would substantially modify Section 401]**

**Recommendation:** Create a Pell Grant Program as a "true" entitlement and assure that such an entitlement will extend for ten years into the future. The Pell Grant maximum should double in next five years, with an inflation adjustment after that. The maximum award under this entitlement proposal would be as follows:

AY 2004-2005 \$5,800 authorized	AY 2010-2011 inflation adjustment
AY 2005-2006 \$6,000 entitlement	AY 2011-2012 inflation adjustment
AY 2006-2007 \$6,500 entitlement	AY 2012-2013 inflation adjustment
AY 2007-2008 \$7,000 entitlement	AY 2013-2014 inflation adjustment
AY 2008-2009 \$7,500 entitlement	AY 2014-2015 inflation adjustment
AY 2009-2010 \$8,000 entitlement	

**Rationale:** The Federal Pell Grant is the keystone of the financial aid partnership for needy students. We appreciate that the Congress has generously increased the maximum award in recent years. Still, the current appropriated maximum award of \$4,050 is well below the authorized \$5,800 maximum award in the Higher Education Act. For years, many in the higher education community and Members of Congress have been alarmed over increasing student debt and have urged increases in grant funding to redress the "grant/loan imbalance." Only twice since the founding of the Pell Grant Program in 1972 has the appropriated maximum award matched the authorized level. If we are serious about reducing student loan debt; if we are serious about increasing grant assistance; if we are serious about providing increased educational opportunities; then, once again, NASFAA suggests that making the Pell Grant Program a true entitlement, divorced from the vagaries of the appropriations process, is the only way we can help reduce student debt levels, guarantee adequate grant assistance, and increase educational opportunities.

We also recommend setting a new national goal. The Congress this year is poised to complete a five-year process increasing the amount of federal spending on medical research by doubling the budget of the National Institutes of Health (NIH). With the accomplishment of this admirable goal, we call on the Congress to start anew on an ambitious national goal that will benefit so many of our citizens and the nation itself and begin a five-year process to double the Pell Grant maximum award from \$4,050 to \$8,000.

We also suggest the Pell Grant entitlement go outside the bounds of the conventional legislative process and extend for ten years. Doing so accomplishes critical goals, most important, it provides an assurance of funding for current and near-term future students, as

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well as showing students in junior high schools that if they meet financial eligibility requirements and apply themselves academically, then the finances for affording a postsecondary education are in place. Such a long-term entitlement will give those who may be on the margins academically the incentive to apply themselves to their studies, knowing the funding will be there.

Current HEA Law	NASFAA Proposed Statutory Language
<p><b>SEC. 401. FEDERAL PELL GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS.</b>            (a) PROGRAM AUTHORITY AND METHOD OF DISTRIBUTION.—(1) For each fiscal year through fiscal year 2004, the Secretary shall pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a Federal Pell Grant in the amount for which that student is eligible, as determined pursuant to subsection (b). Not less than 85 percent of such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay eligible students until such time as the Secretary determines and publishes in the Federal Register with an opportunity for comment, an alternative payment system that provides payments to institutions in an accurate and timely manner, except that this sentence shall not be construed to limit the authority of the Secretary to place an institution on a reimbursement system of payment.            (2) Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to students, in advance of the beginning of the academic term, an amount for which they are eligible, in cases where the eligible institution elects not to participate in the disbursement system required by paragraph (1).</p> <p>Section 401(b) PURPOSE AND AMOUNT OF GRANTS.—(1)</p>	<p><b>SEC. 401. FEDERAL PELL GRANTS: AMOUNT AND DETERMINATIONS; APPLICATIONS.</b>            (a) PROGRAM AUTHORITY AND METHOD OF DISTRIBUTION.—(1) For each fiscal year through fiscal year <del>2004</del> <b>2014</b>, the Secretary shall pay to each eligible institution such sums as may be necessary to pay to each eligible student (defined in accordance with section 484) for each academic year during which that student is in attendance at an institution of higher education, as an undergraduate, a Federal Pell Grant in the amount <del>for which that student is eligible</del> <b>to which that student is entitled</b>, as determined pursuant to subsection (b). Not less than 85 percent of such sums shall be advanced to eligible institutions prior to the start of each payment period and shall be based upon an amount requested by the institution as needed to pay eligible students until such time as the Secretary determines and publishes in the Federal Register with an opportunity for comment, an alternative payment system that provides payments to institutions in an accurate and timely manner, except that this sentence shall not be construed to limit the authority of the Secretary to place an institution on a reimbursement system of payment.            (2) Nothing in this section shall be interpreted to prohibit the Secretary from paying directly to students, in advance of the beginning of the academic term, an amount <del>for which they are eligible</del> <b>to which they are entitled</b>, in cases where the eligible institution elects not to participate in the disbursement system required by paragraph (1).</p> <p>Section 401(b) PURPOSE AND AMOUNT OF GRANTS.—(1)</p>

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The purpose of this subpart is to provide a Federal Pell Grant that in combination with reasonable family and student contribution and supplemented by the programs authorized under subparts 3 and 4 of this part, will meet at least 75 percent of a student's cost of attendance (as defined in section 472), unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.

(2)(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

- (i) \$4,500 for academic year 1999–2000;
- (ii) \$4,800 for academic year 2000–2001;
- (iii) \$5,100 for academic year 2001–2002;
- (iv) \$5,400 for academic year 2002–2003; and
- (v) \$5,800 for academic year 2003–2004, less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.

The purpose of this subpart is to provide a Federal Pell Grant that in combination with reasonable family and student contribution and supplemented by the programs authorized under subparts 3 and 4 of this part, will meet at least 75 percent of a student's cost of attendance (as defined in section 472), unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.

(2)(A) The amount of the Federal Pell Grant for a student eligible under this part shall be—

- ~~(i) \$4,500 for academic year 1999–2000;~~
- ~~(ii) \$4,800 for academic year 2000–2001;~~
- ~~(iii) \$5,100 for academic year 2001–2002;~~
- ~~(iv) \$5,400 for academic year 2002–2003; and~~
- ~~(v) \$5,800 for academic year 2003–2004, less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.~~
- (i) \$5,800 for academic year 2004–2005;**
- (ii) \$6,000 for academic year 2005–2006;**
- (iii) \$6,500 for academic year 2006–2007;**
- (iv) \$7,000 for academic year 2007–2008;**
- (v) \$7,500 for academic year 2008–2009;**
- (vi) \$8,000 for academic year 2009–2010; less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year and,**
- (vii) in the case of academic years 2010–2011 through 2014–2015 the amount in subsection (b)(2)(A)(vi) shall be increased by an amount equal to—**
  - (I) such dollar amount, multiplied by**
  - (II) by a percentage equal to the estimated percentage increase in the Consumer Price Index (as determined by the Secretary), less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.**

Section (b)(7) Notwithstanding any other provision of this subpart, the Secretary shall allow the amount of the Federal Pell Grant to be exceeded for students participating in a program of study abroad approved for credit by the institution at which the student is enrolled when the reasonable costs of such program are greater than the cost of attendance at the student's home institution, except that the amount of such Federal Pell Grant in any fiscal year shall not exceed the grant level specified in the appropriate Appropriation Act for this subpart for such year. If the preceding sentence applies, the financial aid administrator at the home institution may use the cost of the study abroad program, rather than the home institution's cost, to determine the cost of attendance of the student.

(g) INSUFFICIENT APPROPRIATIONS.--If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).

No comparable provision.

**(B) ROUNDING-** If any amount as adjusted under subparagraph (A) is not a multiple of \$50, such amount shall be rounded to the next nearest multiple of \$50.

**Renumber (b)(2)(B) to (C)**

Section (b)(7) Notwithstanding any other provision of this subpart, the Secretary shall allow the amount of the Federal Pell Grant to be exceeded for students participating in a program of study abroad approved for credit by the institution at which the student is enrolled when the reasonable costs of such program are greater than the cost of attendance at the student's home institution, except that the amount of such Federal Pell Grant in any fiscal year shall not exceed the grant level specified in the appropriate Appropriation Act for this subpart for such year subsection (b). If the preceding sentence applies, the financial aid administrator at the home institution may use the cost of the study abroad program, rather than the home institution's cost, to determine the cost of attendance of the student.

Section 401(g) is amended to read as follows: (g)

~~INSUFFICIENT APPROPRIATIONS.--If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).~~

**(g) CONTRACTUAL RIGHT TO GRANT.--Each student who has qualified for a grant under this section shall have a contractual right against the United States for the amount to which the student is entitled under this section.**

**Pell Grant Issue 2: Pell Grant Authorized Maximum (If Not an Entitlement.) [Section 401(b)(2)(A)]**

**Recommendation:** Double the Pell Grant maximum award. Should Pell Grant not be made into a "true" entitlement, the authorized maximum should at least double in the next five years.

**Rationale:** The Federal Pell Grant is the keystone of the financial aid partnership for needy students. We appreciate that the Congress has generously increased the maximum award in recent years. Still, the current appropriated maximum award of \$4,050 is well below the authorized \$5,800 maximum award in the Higher Education Act. For years, many in the higher education community and Members of Congress have been alarmed over increasing student debt and have urged increases in grant funding to redress the "grant/loan imbalance." Only twice since the founding of the Pell Grant Program in 1972 has the appropriated maximum award matched the authorized level.

We also recommend setting a new national goal. The Congress this year is poised to complete a five-year process to increase the amount of federal spending on medical research by doubling the budget of the National Institutes of Health (NIH). With the accomplishment of this admirable goal, we call on the Congress to start anew on an ambitious national goal that will benefit so many of our citizens and the nation itself and begin a six-year process to double the Pell Grant maximum authorized award from \$5,800 to \$11,800. It is our strongly held belief that the authorized maximum award needs to be increased to serve as a benchmark statement from the authorizing committees giving guidance to the appropriations committees as to what the true need for funding is to meet our goal of providing the necessary assistance to our Title IV recipients and their families. To do less just masks the extent of any funding shortfalls and, worse, may preclude the appropriations committees from providing necessary funding because they are constrained by artificially low authorized levels.

Current HEA Law	NASFAA Proposed Statutory Language
<p>Section 401(b) PURPOSE AND AMOUNT OF GRANTS.—(1) The purpose of this subpart is to provide a Federal Pell Grant that in combination with reasonable family and student contribution and supplemented by the programs authorized under subparts 3 and 4 of this part, will meet at least 75 percent of a student’s cost of attendance (as defined in section 472), unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.</p> <p>(2)(A) The amount of the Federal Pell Grant for a student eligible</p>	<p>Section 401(b) PURPOSE AND AMOUNT OF GRANTS.—(1) The purpose of this subpart is to provide a Federal Pell Grant that in combination with reasonable family and student contribution and supplemented by the programs authorized under subparts 3 and 4 of this part, will meet at least 75 percent of a student’s cost of attendance (as defined in section 472), unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.</p> <p>(2)(A) The amount of the Federal Pell Grant for a student eligible</p>

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<p>under this part shall be—</p> <ul style="list-style-type: none"><li>(i) \$4,500 for academic year 1999–2000;</li><li>(ii) \$4,800 for academic year 2000–2001;</li><li>(iii) \$5,100 for academic year 2001–2002;</li><li>(iv) \$5,400 for academic year 2002–2003; and</li><li>(v) \$5,800 for academic year 2003–2004, less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.</li></ul>	<p>under this part shall be—</p> <ul style="list-style-type: none"><li><del>(i) \$4,500 for academic year 1999–2000;</del></li><li><del>(ii) \$4,800 for academic year 2000–2001;</del></li><li><del>(iii) \$5,100 for academic year 2001–2002;</del></li><li><del>(iv) \$5,400 for academic year 2002–2003; and</del></li><li><del>(v) \$5,800 for academic year 2003–2004, less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.</del></li><li><b>(i) \$6,800 for academic year 2004-2005;</b></li><li><b>(ii) \$7,800 for academic year 2005-2006;</b></li><li><b>(iii) \$8,800 for academic year 2006-2007;</b></li><li><b>(iv) \$9,800 for academic year 2007-2008;</b></li><li><b>(v) \$10,800 for academic year 2008-2009; and</b></li><li><b>(vi) \$11,800 for academic year 2009-2010</b> less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.</li></ul>
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**Pell Grant Issue 3: Negative EFC Needy Student Targeting Provision. [No comparable section of the HEA]**

**Recommendation:** Add Pell Grant funding in the amount of any calculated negative Expected Family Contribution (EFC) to the student's Pell Grant award, not to exceed the cost of attendance. Students who qualify for the low-income by-pass (for TANF & General Relief recipients) automatically receive an additional \$750 in Pell Grant funding.

**Rationale:** NASFAA believes that the poorest of the poor—as evidenced by individuals with negative EFCs—should qualify for a bonus Pell Grant award. In the past, when parents’ income was lower than the allowances in the formula, a negative EFC was calculated in amounts ranging to negative \$750. The negative amount was not supported using federal aid funds; however, it enabled financial aid administrators to recognize that these families had a greater need for assistance and could be used to rank the neediest students for purposes of packaging awards.

For example, a student with a negative EFC of \$750 would have \$750 added to the maximum award they qualify for. Consequently, a student with a negative \$750 EFC, who otherwise qualifies now for a \$4,050 maximum award, under this proposal would receive a Pell Grant award of \$4,800. NASFAA recognizes that negative EFCs can be calculated beyond \$750, but currently are not. We suggest not going beyond this level for reasons of cost to the government, but believe the extra cost of this recommendation is a reasonable solution to reducing student debt and increasing the amount of grant assistance in a fiscally responsible way.

Current HEA Law	NASFAA Proposed Statutory Language
No comparable provision.	<p><b>Section 401(b)(2) Add new subparagraph (C)</b></p> <p><b>(C) In the case of a student with a negative expected family contribution equal to or less than -\$750, the negative amount shall be added to the maximum award such a student normally would qualify for, but in no case, shall such an award exceed the requirements of paragraph (b)(4) of this section.</b></p>

**Pell Grant Issue 4: Tuition Sensitivity. [Section 401(b)(3)]**

**Recommendation:** Eliminate current statutory “tuition sensitivity” provision mandating that a student eligible for a maximum Pell Grant will have that award reduced in the following fashion: For any academic year for which an Appropriation Act provides a maximum basic grant in an amount in excess of \$2,700, the amount of a student's basic grant shall equal \$2,700 plus one-half of the amount by which such maximum basic grant exceeds \$2,700; plus the lesser of- (a) the remaining one-half of such excess; or (b) the sum of the student's tuition and, if the student has dependent care expenses (as described in section 472(8)) or disability-related expenses (as described in section 472(9)), an allowance determined by the institution for such expenses.

**Rationale:** The result of this provision is to reduce the award for the neediest Pell Grant recipient attending a lower cost college. Currently, only California community college students are affected by this provision, but as the Pell Grant maximum award increases, students at other lower cost schools across the nation will be impacted by this provision. The provision was developed as a compromise more than ten years ago and has outlived its usefulness. It perpetrates an injustice on poor students that will be extended to other postsecondary institutions that attempt to give postsecondary opportunities to students through a policy of lower costs. The law defines Cost of Attendance as also including room and board, books and transportation and when these costs are considered even the full maximum Pell Grant is insufficient.

<b>Current HEA Law</b>	<b>NASFAA Proposed Statutory Language</b>
Section 401(3)(A) For any academic year for which an appropriation Act provides a maximum basic grant in an amount in excess of \$2,700, the amount of a student’s basic grant shall equal \$2,700 plus— (i) one-half of the amount by which such maximum basic grant exceeds \$2,700; plus (ii) the lesser of—(I) the remaining one-half of such excess; or (II) the sum of the student’s tuition and, if the student has dependent care expenses (as described in section 472(8)) or disability-related expenses (as described in section 472(9)), an allowance determined by the institution for such expenses. (B) An institution that charged only fees in lieu of tuition as of October 1, 1998, may include in the institution’s determination of tuition charged, fees that would normally constitute tuition.	<b>Strike Section 401(b) paragraph (3).</b>

**Pell Grant Issue 5: Pell Grant Minimum Award. [Section 401(b)(5)]**

**Recommendation:** Phase-in an increased Pell Grant minimum award to \$750.

**Rationale:** Currently, if an individual evidences Pell Grant eligibility for an award of from \$200 to \$399, then the individual qualifies for a grant of \$400. NASFAA recommends eliminating this bonus payment and phasing-in an increase in the minimum Pell Grant award to \$750 so that the grant will be truly meaningful for recipients. The minimum grant has not been changed in over a decade and goes primarily to students from middle-income rather than poor families. Operationally, the phase-in mandates a minimum eligible EFC of 3800. As the Pell Grant maximum increases, eventually, use of a 3800 EFC results in achievement of the \$750 minimum. This shift will target Pell Grant funding to the neediest recipients and will free up funding that can be used to provide even greater increases in the Pell Grant maximum award.

Current HEA Law	NASFAA Proposed Statutory Language
Section 401(b)(5) No Federal Pell Grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this subsection for any academic year is less than \$400, except that a student who is eligible for a Federal Pell Grant that is equal to or greater than \$200 but less than \$400 shall be awarded a Federal Pell Grant of \$400.	Section 401(b)(5) No Federal Pell Grant shall be awarded to <b>a any</b> student under this subpart if the amount of <b>the that grant for that student as determined under this subsection for any academic year is less than \$400, except that a student who is eligible for a Federal Pell Grant that is equal to or greater than \$200 but less than \$400 shall be awarded a Federal Pell Grant of \$400.</b> expected family contribution is greater than or equal to \$3,800.

**Pell Grant Issue 6: Insufficient Pell Grant Funding. [Section 401(g)]**

**Recommendation:** Reaffirm current congressional disclosure language and reject Administration's proposal that Secretary set the level of Pell Grant maximum award if funding is insufficient.

**Rationale:** Current law mandates the Secretary inform the Congress whenever funding for the Federal Pell Grant Program is insufficient to fully fund the congressionally mandated maximum award level. We reaffirm this approach in the current law and oppose a proposal made by the Administration in both their February FY 2003 and FY 2004 Budget submissions. The Administration proposed that whenever ED estimates that funding is insufficient to fully fund the congressionally mandated maximum award, then the Secretary has the authority to reduce the maximum award below the level set in the appropriations bill. This gives the Secretary broad authority to set the maximum award that no prior ED Secretaries have had. We believe the Congress has the responsibility to fund the program to fully pay for the maximum award that that body has set and only the Congress should have the authority to reduce a prior decision concerning the proper level of the maximum award.

<b>Current HEA Law</b>	<b>NASFAA Proposed Statutory Language</b>
Section 401(g) INSUFFICIENT APPROPRIATIONS.—If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).	<b>Retain unchanged current provision.</b>

**Pell Grant Issue 7: Loss of Pell Grant Eligibility Due to a School's Default Rate. [Section 401(j)]**

**Recommendation:** Eliminate current statutory provision that mandates that schools losing eligibility to participate in the FFEL or Direct Loan Programs due to high default rates also lose their eligibility to participate in the Federal Pell Grant Program.

**Rationale:** We understand that as a result of this provision in the 1998 reauthorization that many schools whose primary missions are to provide educational opportunities for needy students have dropped their participation in the FFEL or Direct Loan Programs so that they would not lose Pell Grant eligibility for their students. These schools should not be disadvantaged in their Pell Grant participation, since many such schools (especially community colleges) have few borrowers. Consequently, a few defaults could tilt them in a loss of loan eligibility and consequent loss of Pell eligibility. NASFAA opposed the inclusion of this provision in the last reauthorization.

Current HEA Law	NASFAA Proposed Statutory Language
<p>Section 401(j) INSTITUTIONAL INELIGIBILITY BASED ON DEFAULT RATES.—</p> <p>(1) IN GENERAL.—No institution of higher education shall be an eligible institution for purposes of this subpart if such institution of higher education is ineligible to participate in a loan program under part B or D as a result of a final default rate determination made by the Secretary under part B or D after the final publication of cohort default rates for fiscal year 1996 or a succeeding fiscal year.</p> <p>(2) SANCTIONS SUBJECT TO APPEAL OPPORTUNITY.—No institution may be subject to the terms of this subsection unless the institution has had the opportunity to appeal the institution’s default rate determination under regulations issued by the Secretary for the loan program authorized under part B or D, as applicable. This subsection shall not apply to an institution that was not participating in the loan program authorized under part B or D on the date of enactment of the Higher Education Amendments of 1998, unless the institution subsequently participates in the loan programs.</p>	<p><b>Strike subsection Section 401(j).</b></p>

**Pell Grant Issue 8: Front-Loading Demonstration Pilot Project. [No comparable section of the HEA]**

**Recommendation:** Establish a front-loading demonstration project.

**Rationale:** This demonstration project would be modeled after the distance education demonstration project placed into the law by the reauthorization of the HEA in 1998 (Section 486). It would be entirely voluntary; would be limited to a small number of volunteer schools; would sunset or end with the expiration of the Higher Education Act; would require periodic reports; would be flexible in its parameters; and would test front-loading grants in a way that would give concrete answers as to the benefits and negative consequences of front-loading grants and back-loading loans.

When candidate George W. Bush was campaigning for president, one of the hallmarks of his education proposals was a front-loaded Pell Grant for first-year students. First-year students were to receive a \$5,100 Pell Grant maximum award, rather than a \$3,300 award (the maximum at that time). Early in his Administration, he dropped support for that proposal, however, it would not be surprising if the proposal or a variation of it surfaced in the Administration's reauthorization proposal.

Clearly, many NASFAA members would oppose such a proposal and the Reauthorization Task Force heard that from our early vetting of this proposal with our Reauthorization Advisory Group. The Task Force and Board of Directors concluded otherwise believing as professionals we have an obligation to explore new ways of delivering aid or, at a minimum, testing ideas in the real world. In that spirit, NASFAA believes a small, voluntary demonstration project is desirable to answer many of the practical and theoretical issues surrounding front-loading. It is not enough to state that front-loading is "bait and switch" without testing the validity of that premise with a real world experiment. The proposed demonstration project needs to be given legislative parameters yet needs a certain flexibility to really test both the operational and value premises and assumptions behind front-loading grants as a way to increase college participation and reduce loan debt. Allowing needy students a first year free of loans or lower loan debt may encourage at-risk students to find out their capabilities.

Current HEA Law	NASFAA Proposed Statutory Language
No comparable provision.	<p><b>Add the follow section unnumbered “Pell Grant And Other Grant Frontloading Demonstration Program”</b>  <b>(a) PURPOSE.—It is the purpose of this section—</b>  <b>(1) to allow demonstration programs that are strictly monitored by the Department of Education to test the quality and viability of frontloading Title IV grant programs and</b></p>

	<p>backloading Title IV loan programs;</p> <p>(2) to provide for increased student access to higher education through Title IV programs; and</p> <p>(3) to help determine—</p> <p>(A) the most effective means of delivering federal student assistance;</p> <p>(B) the specific statutory and regulatory requirements which should be altered to provide greater access to high quality education programs; and</p> <p>(C) the appropriate level of Federal assistance for students enrolled in a frontloading grant and backloading loan programs.</p> <p><b>(b) DEMONSTRATION PROGRAMS AUTHORIZED.—</b></p> <p><b>(1) IN GENERAL.—</b>In accordance with the provisions of subsection (d), the Secretary is authorized to select institutions of higher education, systems of such institutions, or consortia of such institutions for voluntary participation in a Grant Frontloading Demonstration Program that provides participating institutions with the ability to offer eligible students Title IV grants or loans that do not meet all or a portion of the sections or regulations described in paragraph (2).</p> <p><b>(2) WAIVERS.—</b>The Secretary is authorized to waive for any institution of higher education, system of institutions of higher education, or consortium participating in a Grant Frontloading Demonstration Program, the requirements of Title I or Title IV or one or more of the regulations prescribed under those titles which inhibit the operation of a quality grant frontloading and loan backloading programs.</p> <p><b>(3) ELIGIBLE APPLICANTS.—</b></p> <p><b>(A) ELIGIBLE INSTITUTIONS.—</b>Except as provided in subparagraphs (B), only an institution of higher education that is eligible to participate in programs under this title shall</p>
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be eligible to participate in the demonstration program authorized under this section.

**(B) PROHIBITION.**—An institution of higher education described in section 102(a)(1)(C) shall not be eligible to participate in the demonstration program authorized under this section.

**(c) APPLICATION.**—

**(1) IN GENERAL.**—Each institution, system, or consortium of institutions desiring to participate in a demonstration program under this section shall submit an application to the Secretary at such time and in such manner as the Secretary may require.

**(2) CONTENTS.**—Each application shall include—

**(A)** a description of the statutory and regulatory requirements described in subsection (b)(2) for which a waiver is sought and the reasons for which the waiver is sought;

**(B)** a description of the grant frontloading and loan backloading programs to be offered, including Title IV grant and loan levels offered;

**(C)** a description of the students to whom such a grant frontloading and loan backloading programs will be offered;

**(D)** an assurance that the institution, system, or consortium will offer full cooperation with the ongoing evaluations of the demonstration program provided for in this section; and

**(E)** such other information as the Secretary may require.

**(d) SELECTION.**—

**(1) IN GENERAL.**—For the first year of the demonstration program authorized under this section, the Secretary is authorized to select for participation in the program not more than 30 institutions, systems of institutions, or consortia of institutions. For the third year, and subsequent years of the demonstration program authorized under this section, the

Secretary may select not more than 70 institutions, systems, or consortia, for a total of 100 eligible postsecondary institutions, systems of institutions, or consortia of institutions, to participate in the demonstration program if the Secretary determines that such expansion is warranted based on the evaluations conducted in accordance with subsections (f) and (g).

**(2) CONSIDERATIONS.**—In selecting institutions to participate in the demonstration program in the first or succeeding years of the program, the Secretary shall take into account—

**(A)** the number and quality of applications received;

**(B)** the Department's capacity to oversee and monitor each institution's participation;

**(C)** an institution's—

**(i)** financial responsibility;

**(ii)** administrative capability; and

**(iii)** the grant front loading and/or loan backloading program or programs being offered; and

**(D)** ensure the participation of a diverse group of institutions with respect to size, mission, and geographic distribution.

**(e) NOTIFICATION.**—The Secretary shall make available to the public and to the Committee on Health, Education, Labor and Pensions of the Senate and the Committee on Education and the Workforce of the House of Representatives a list of institutions, systems or consortia selected to participate in the demonstration program authorized by this section. Such notice shall include a listing of the specific statutory and regulatory requirements being waived for each institution, system or consortium and a description of the grant frontloading and/or loan backloading program to be offered.

**(f) EVALUATIONS AND REPORTS.**—

**(1) EVALUATION.**—The Secretary shall evaluate the

	<p>demonstration programs authorized under this section on an annual basis. Such evaluations specifically shall review—</p> <ul style="list-style-type: none"><li>(A) the extent to which the institution, system or consortium has met the goals set forth in its application to the Secretary;</li><li>(B) the number and types of students participating in the programs offered, including the progress of participating students toward recognized certificates or degrees;</li><li>(C) issues related to student debt levels;</li><li>(D) effectiveness of the demonstration program; and</li><li>(E) the extent to which statutory or regulatory requirements not waived under the demonstration program present difficulties for students or institutions.</li></ul> <p>(2) <b>POLICY ANALYSIS.</b>—The Secretary shall review current policies and identify those policies that present impediments to the development and use of grant frontloading and loan backloading and other nontraditional methods of expanding access to education.</p> <p>(3) <b>REPORTS.</b>—</p> <ul style="list-style-type: none"><li>(A) <b>IN GENERAL.</b>—Within 24 months of the initiation of the demonstration program, the Secretary shall report to the Committee on Health, Education, Labor and Pensions of the Senate and the Committee on Education and the Workforce of the House of Representatives with respect to—<ul style="list-style-type: none"><li>(i) the evaluations of the demonstration programs authorized under this section; and</li><li>(ii) any proposed statutory changes designed to enhance the use of grant frontloading and loan backloading.</li></ul></li><li>(B) <b>ADDITIONAL REPORTS.</b>—The Secretary shall provide additional reports to the Committee on Labor and Human Resources of the Senate and the Committee on Education and the Workforce of the House of Representatives on an annual basis regarding—<ul style="list-style-type: none"><li>(i) the demonstration programs authorized under this section;</li></ul></li></ul>
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	<p><b>and</b></p> <p><b>(ii) the number and types of students receiving assistance under this title for instruction leading to a recognized degree or certificate, as provided for in section 484(a)(1), including the progress of such students toward recognized degrees or certificates and the extent to which participation in such programs leading to such credentials increased.</b></p> <p><b>(g) OVERSIGHT.—In conducting the demonstration program authorized under this section, the Secretary shall, on a continuing basis—</b></p> <p><b>(1) assure compliance of institutions, systems or consortia with the requirements of this title (other than the sections and regulations that are waived under subsections (b)(2));</b></p> <p><b>(2) provide technical assistance; and</b></p> <p><b>(3) monitor fluctuations in the student population enrolled in the participating institutions, systems or consortia;</b></p> <p><b>(h) DEFINITION.—For the purpose of this section, the term “grant frontloading” means the use of grant assistance provided by the federal or state government under this title available to an eligible student and the term “loan backloading” means the use of loan assistance provided by the federal government under this title available to an eligible student.</b></p>
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**Pell Grant Issue 9: Reinstatement of Pell Grant Eligibility. [Several Sections]**

**Recommendation:** Reinstatement of student eligibility should be consistent for all Title IV programs.

**Rationale:** Reinstatement of a student’s eligibility should be consistent for all Title IV programs. The student's eligibility should be reinstated for the payment period in which he/she becomes eligible. Once a student has defaulted on a federal student loan or is required to repay an overaward, he/she is ineligible for any Title IV funds until that defaulted loan overaward has been paid in full. Once the default/overaward has been paid the student may regain eligibility for a federal Pell Grant for the period of enrollment in which eligibility was regained.

Currently, when a student regains Title IV eligibility, for example, by clearing a Title IV loan default or Title IV overpayment, the period for which eligibility is regained varies by program. FFEL and Direct loans may be certified retroactive to the beginning of the academic year, but Pell Grant and campus-based funds may be paid only for the payment period during which eligibility was regained.

<b>Current HEA Law</b>	<b>NASFAA Proposed Statutory Language</b>
No comparable provision.	<b>See General Provisions Recommendation Issue #1.</b>