



The SAFRA Act: Education Programs in the FY2010 Budget Reconciliation

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Summary

The FY2010 budget resolution (S.Con.Res. 13) included two reconciliation instructions directing the House Committee on Education and Labor to report changes in laws within their jurisdictions to reduce the deficit by \$1 billion each for the period of fiscal year (FY) 2009 through FY2014. The reconciliation instructions specifically noted that \$1 billion of the reduction from the House Committee on Education and Labor should be related to education.

On October 7, 2009, in response to the FY2010 budget reconciliation instructions, the House Committee on Education and Labor submitted H.R. 3221 to the House Budget Committee as education-related reconciliation instructions. Certain provisions of H.R. 3221 were incorporated into H.R. 4872, the Health Care and Education Reconciliation Act of 2010 (HCERA). On March 30, 2010, President Obama signed H.R. 4872 into law (P.L. 111-152).

The SAFRA Act, Title II, Part A of the law, terminates the authority under the Higher Education Act (HEA) of 1965, as amended, to make loans under the Federal Family Education Loan (FFEL) program after June 2010. The Congressional Budget Office (CBO) estimates that this will reduce mandatory spending by \$29 billion over the FY2010-FY2014 period, and by \$61 billion over the FY2010-FY2019 period. These savings are sufficient to achieve the \$1 billion reduction in spending specified in S.Con.Res. 13, while offsetting an increase in mandatory spending as a result of expanding other HEA programs.

A significant portion of the savings estimated to result from enactment of the SAFRA Act offsets additional mandatory appropriations for the Federal Pell Grant program. The SAFRA Act also makes the following changes to several HEA programs: the William D. Ford Federal Direct Loan (DL) program is amended to accommodate the termination of the FFEL program; and existing HEA programs for Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions and the College Access Challenge Grant (CACG) program are extended with mandatory appropriations. The law also amends the income-based repayment (IBR) plan. Overall, CBO estimates that the SAFRA Act reduces mandatory spending by \$5 billion over the FY2010-FY2014 period, and by \$19 billion over the FY2010-FY2019 period.

Title I of the HCERA contains provisions regarding health coverage, Medicare, Medicaid, and various tax revenues. Title I, Part F amends and funds the Department of Labor's Community College and Career Training Grant Program (CCCT).

This report begins with a brief legislative history of the education-related provisions in P.L. 111-152. It then identifies and describes selected amendments made to the HEA and other laws by P.L. 111-152.

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Overview

The 111th Congress enacted the Health Care and Education Reconciliation Act of 2010 (HCERA; P.L. 111-152) to make changes to the Patient Protection and Affordable Care Act (P.L. 111-148), to amend the Higher Education Act of 1965, as amended (HEA; P.L. 89-329), and for other purposes. Aside from health care-related provisions, the HCERA makes major changes to federal student financial assistance programs. The HCERA also extends mandatory appropriations for existing HEA programs and provides mandatory appropriations for a program authorized under the Trade Act of 1974 (19 U.S.C., Chapter 12).

The HEA authorizes a broad array of federal student aid programs that assist students and their families with paying for or financing the cost of postsecondary education, as well as programs that provide aid to institutions of higher education (IHEs). In recent years, major amendments to selected HEA programs—particularly those that receive mandatory funding—have been made as part of recent budget reconciliation measures. In the 109th Congress, the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Loan (DL) program were amended and extended under the Higher Education Reconciliation Act (HERA, part of P.L. 109-171).¹ In the 110th Congress, the College Cost Reduction and Access Act (CCRAA; P.L. 110-84) made significant changes to the FFEL and DL programs, the Federal Pell Grant program, and the federal need analysis formula.² Additionally, in spring 2008, emergency changes to the federal student loan programs were made under the Ensuring Continuing Access to Student Loans Act of 2008 (ECASLA; P.L. 110-227).³ Finally, the 110th Congress enacted the Higher Education Opportunity Act (HEOA; P.L. 110-315) to amend, extend, and authorize new programs under the HEA, including amendments to the FFEL, DL, and Pell Grant programs.⁴

Title II, Part A of the HCERA, entitled the SAFRA Act, contains several education-related provisions. Major proposals in the SAFRA Act amend the HEA as described below.

- The authority to make federal student loans through the FFEL program terminates after June 30, 2010.
- Beginning July 1, 2010, Subsidized Stafford Loans, Unsubsidized Stafford Loans, PLUS Loans, and Consolidation Loans will be made only through the William D. Ford Federal Direct Loan (DL) program. DL program loans will be serviced by private for-profit and not-for-profit servicers under contract with the U.S. Department of Education (ED).
- The income-based repayment (IBR) plan is amended for new borrowers of DL program loans on or after July 1, 2014. For new borrowers who repay according to the IBR plan, monthly payment amounts will be limited to 10% of their discretionary income. Also, new borrowers who repay according to the IBR plan

¹ For additional information about changes made to HEA programs through the HERA, see CRS Report RS22308, *Student Loans and FY2006 Budget Reconciliation*, by (name redacted).

² For information on changes to HEA programs made under the CCRAA, see CRS Report RL34077, *Student Loans, Student Aid, and FY2008 Budget Reconciliation*, by (name redacted), (name redacted), and (name redacted).

³ For information on the ECASLA, see CRS Report RL34452, *The Ensuring Continued Access to Student Loans Act of 2008*, by (name redacted).

⁴ For information on the HEOA, see CRS Report RL34654, *The Higher Education Opportunity Act: Reauthorization of the Higher Education Act*, by (name redacted) et al.

- will be eligible to have any loan balance that remains unpaid after 20 years of IBR plan repayment forgiven at that time.
- Effective March 30, 2010, indefinite mandatory appropriations are provided for the Federal Pell Grant program to supplement annual discretionary appropriations and to fund an increase above the annual appropriated Pell Grant maximum award. From AY2013-2014 to AY2017-2018, these annual increases to the Pell Grant award amount are indexed to the percent change in the Consumer Price Index for All Urban Consumers (CPI-U).
 - Effective FY2011, an additional \$13.5 billion in mandatory appropriations for Pell Grants will be available for obligation until September 30, 2012.
 - Mandatory funding for the HEA College Access and Completion Grant program is provided for FY2010 through FY2014.
 - Mandatory funding for HEA programs serving Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions is provided for FY2010 through FY2019.

Title I, Part F of P.L. 111-152 contains an education provision that funds the Community College and Career Training Grant Program from FY2011 through FY2014.

The remainder of this report summarizes the legislative history, estimated cost savings, and education-related provisions of P.L. 111-152. The legislative history describes the budget reconciliation process. The cost estimate is subsequently presented and is followed by a description of the HEA programs and other programs that would be amended. This begins with a review of changes that affect the FFEL program and reduce federal spending. This is followed by a review of the corresponding revisions to the DL program. Finally, changes that increase spending under the Pell Grant program and other programs are described.

Legislative History

The House and the Senate approved H.Rept. 111-89, the conference report to accompany S.Con.Res. 13, the Concurrent Resolution on the Budget for Fiscal Year 2010, on April 29, 2009. The FY2010 budget resolution includes six reconciliation instructions to three House committees and two Senate committees. The House Education and Labor Committee received two reconciliation instructions, each directing the committee to report changes in laws within its jurisdictions to reduce the deficit by \$1 billion for the period of FY2009 through FY2014. The first reconciliation instruction included the term “Health Care Reform,” and the second instruction included the term, “Investing in Education,” although the committee has discretion to respond to each directive with any type of legislative language within their jurisdiction that would achieve the budgetary outcome included in the directive.

H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009, was introduced on July 15, 2009, to increase student aid through loan reform, improve college access and completion rates, invest in educational facilities and early childhood education, and other purposes. On July 27, 2009, the House Education and Labor Committee reported H.R. 3221 to the House. On October 7, 2009, the Committee also submitted H.Rept. 111-232, which contained language identical to the text of H.R. 3221, as reconciliation instructions to the House Budget Committee.

On September 17, 2009, the House passed H.R. 3221 by a vote of 253 to 171.⁵ H.R. 3221, as passed by the House, would amend the Higher Education Act (HEA) of 1965, as amended, by making changes to existing programs and by establishing several new programs and benefits. It would also establish several new non-HEA programs. Major proposals in H.R. 3221 include the following.

- The authority to make loans under the Federal Family Education Loan (FFEL) program would be terminated after June 2010.
- Beginning July 1, 2010, all student loans made under Title IV of the HEA would be made under the William D. Ford Federal Direct Loan (DL) program.
- Beginning July 1, 2010, a new Federal Direct Perkins Loan would be offered under the DL program, and authority to make new loans under the current Federal Perkins Loan program would end.
- Beginning in FY2010, indefinite mandatory appropriations would be provided for the Federal Pell Grant program to supplement annual discretionary appropriations.
- Effective for award year (AY) 2011-2012, the HEA, Title IV federal student aid need analysis methodology would be simplified and requirements for aid applicants to report certain asset-related financial information on the Free Application for Federal Student Aid (FAFSA) would be eliminated.
- Mandatory funding for HEA programs serving Historically Black Colleges and Universities (HBCUs) and other Minority-Serving Institutions would be provided for FY2010 through FY2019.
- For FY2010 through FY2014, mandatory funding would be provided for programs in a new HEA College Access and Completion Innovation Fund (CACIF) to promote success in postsecondary education, improve subsequent employment outcomes, and assist states in developing longitudinal data systems.
- Mandatory funding would be provided to establish and fund programs for the modernization, renovation, and repair of K-12 school facilities in FY2010 and FY2011; for the modernization, renovation, and repair of postsecondary school facilities in FY2010; and for the construction and renovation of K-12 school facilities in Louisiana, Mississippi, and Alabama in FY2010 and FY2011.
- For FY2010-FY2017, mandatory funding would be provided to establish and fund an Early Learning Challenge Fund to improve the standards and quality of state early childhood education programs.
- For FY2010-FY2019, mandatory funding would be provided to establish and fund the American Graduation Initiative grant program for the purpose of reforming community colleges, and to improve education and training for workforce development.

⁵ For a detailed description of H.R. 3221 as passed by the House, see CRS Report R40742, *The Student Aid and Fiscal Responsibility Act of 2009*, coordinated by (name redacted).

- The “Defund ACORN Act” would prohibit organizations that have run afoul of certain federal or state campaign finance, election, or voter registration laws from being awarded federal grants or contracts and from receiving federal funds.

The House Budget Committee prepared the Reconciliation Act of 2010 (H.R. 4872) by packaging education-related reconciliation instructions submitted by the House Education and Labor Committee with health care-related reconciliation instructions submitted by both the House Committee on Ways and Means and the House Committee on Education and Labor. On December 24, 2009, the Senate passed health care reform legislation, the Patient Protection and Affordable Care Act (H.R. 3590).

In early March 2010, the Congressional Budget Office (CBO) released revised estimates of the savings associated with eliminating the FFEL program. Whereas in July 2009, CBO estimated savings of \$86.8 billion⁶ over the FY2009-FY2019 period, in March 2010, CBO estimated savings of \$67 billion over the FY2011-FY2020 period.⁷ In part, as a result of the lower estimates of the savings that would result from terminating the FFEL program and because some of the education provisions might have violated Senate rules regarding reconciliation bills—rules that require provisions be related to spending or revenues⁸—the House Rules Committee made public an amendment in the nature of a substitute to H.R. 4872 on March 18, 2010. The amendment in the nature of a substitute proposed to change several controversial elements contained in H.R. 3590 and removed or modified several education provisions contained in H.Rept. 111-232 (H.R. 3221). On March 21, 2010, the House agreed to a special rule (H.Res. 1203) that brought to the floor H.R. 4872, as amended by the amendment in the nature of a substitute to H.R. 4872. Later on March 21, 2010, the House passed H.R. 4872 by a vote of 220 to 211, after having passed H.R. 3590 by a vote of 219 to 212. H.R. 3590 (P.L. 111-148) was signed into law by the President on March 23, 2010.

In response to a ruling by the Senate parliamentarian, the Senate struck two provisions from H.R. 4872 before passing it on March 25, 2010, by a vote of 56 to 43. The provisions were deemed to be in violation of the Senate Byrd rule because they had no effect on federal outlays and revenue and thus were extraneous. One provision would have eliminated a requirement established in the CCRAA that the Secretary of Education either reduce or increase the additional mandatory Pell Grant amount in each award year if the budget authority provided for each year was insufficient or exceeded, respectively, the amount necessary to fully fund the prescribed additional mandatory amount in each year. This requirement had never been implemented by ED and would have had no effect on the new provisions offered in H.R. 4872. The other provision would have established a new rule specifying that the additional mandatory Pell Grant award amount in each award year, as determined by a new formula in H.R. 4872, could not be less than the additional mandatory award amount for the previous award year. Later on March 25, 2010, the House passed H.R. 4872, as amended by the Senate, by a vote of 220 to 207, and it was signed into law by the President as P.L. 111-152.

⁶ U.S. Congressional Budget Office, Cost Estimate, H.R. 3221, Student Aid and Fiscal Responsibility Act of 2009, as ordered reported by the House Committee on Education and Labor on July 21, 2009, July 24, 2009, at <http://www.cbo.gov/ftpdocs/104xx/doc10479/hr3221.pdf>. CBO has not prepared a cost estimate on H.R. 3221 as passed by the House.

⁷ U.S. Congressional Budget Office, *An Analysis of the President’s Budgetary Proposals for Fiscal Year 2011*, March 2010, p. 8, <http://www.cbo.gov/ftpdocs/112xx/doc11280/03-24-apb.pdf>.

⁸ For more information on Senate reconciliation rules, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate’s “Byrd Rule”*, by (name redacted).

Cost Estimate

According to the CBO estimate of the SAFRA Act dated March 20, 2010, terminating FFEL program lending and replacing it with increased lending under the DL program will reduce mandatory spending by \$29 billion over the FY2010-FY2014 period, and by \$61 billion over the FY2010-FY2019 period.⁹ CBO also estimates that the SAFRA Act will increase discretionary spending by \$1.3 billion over the FY2010-FY2014 period, and by \$5.0 billion over the FY2010-FY2019 period.¹⁰ Most of these discretionary costs are estimated to be for the administrative costs of increased DL program lending.

The increase in mandatory appropriations for Pell Grants are estimated to increase mandatory spending by \$21 billion over the FY2010-FY2014 period, and by \$36 billion over the FY2010-FY2019 period.¹¹

Overall, the CBO estimates that the SAFRA Act will reduce mandatory spending by \$5 billion over the FY2010-FY2014 period, and by \$19 billion over the FY2010-FY2019 period.¹² These estimated savings exceed the \$1 billion reduction in spending specified in S.Con.Res. 13.

Federal Student Loan Reform

Federal Student Loan Programs Administered by the Department of Education

ED administers three major federal student loan programs that are authorized under Title IV of the HEA: the FFEL program, the DL program,¹³ and the Federal Perkins Loan program.¹⁴ These programs are briefly described below, followed by descriptions of changes made to the federal student loan programs under the SAFRA Act.

⁹ U.S. Congressional Budget Office, Cost estimate for the amendment in the nature of a substitute for H.R. 4872, incorporating a proposed manager's amendment made public on March 20, 2010, March 20, 2010, pp. 6-8, <http://www.cbo.gov/ftpdocs/113xx/doc11379/Manager%27sAmendmenttoReconciliationProposal.pdf>.

¹⁰ U.S. Congressional Budget Office, "Estimate of Title II, Subtitle A in an Amendment in the Nature of a Substitute to H.R. 4872, as Reported," (Preliminary), March 18, 2010.

¹¹ U.S. Congressional Budget Office, Cost estimate for the amendment in the nature of a substitute for H.R. 4872, incorporating a proposed manager's amendment made public on March 20, 2010, March 20, 2010, pp. 6-8, <http://www.cbo.gov/ftpdocs/113xx/doc11379/Manager%27sAmendmenttoReconciliationProposal.pdf>.

¹² Ibid.

¹³ For additional information on the FFEL and DL programs, see CRS Report R40122, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, by (name redacted).

¹⁴ For additional information on the Federal Perkins Loan program, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*, by (name redacted).

Federal Family Education Loan (FFEL) Program

The origin of the FFEL program can be traced to the Guaranteed Student Loan (GSL) program, originally enacted in Title IV of the HEA. Under the FFEL program, capital for making loans is provided by private lenders, and the federal government guarantees lenders against losses due to borrower default. The federal government also provides private lenders a variety of subsidies designed to ensure that private capital will consistently be available to make FFEL program student loans.¹⁵ FFEL program loans are originated, held, and serviced by private lenders; and state and nonprofit guaranty agencies receive federal funds to administer the federal loan guarantee. Costs of the FFEL program are mostly mandatory.

In 2008, as a financial crisis developed and following the enactment of reductions in lender subsidies under the College Cost Reduction and Access Act (CCRAA; P.L. 110-84),¹⁶ lenders began to experience difficulties raising capital to continue making FFEL program loans. As a response, the Ensuring Continued Access to Student Loans Act (ECASLA; P.L. 110-227)¹⁷ was enacted to facilitate the continuation of lending under the FFEL program. During FY2009, ED estimates that approximately 80% of new FFEL program loans were financed through ECASLA programs.

During AY2009-2010, approximately 3,900 institutions of higher education (IHEs) are participating in the FFEL program. ED estimates that approximately 8.2 million new FFEL program loans (not including Consolidation Loans), averaging \$4,309 and totaling \$35.4 billion, will be made in FY2010. This would be a decrease from the 14.5 million loans, totaling \$67 billion, made in FY2009. By the end of FY2010, ED estimates that there will be \$497 billion in outstanding FFEL program loans.¹⁸

William D. Ford Federal Direct Loan (DL) Program

In 1993, authorization for the DL program was enacted under the Student Loan Reform Act of 1993, part of the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66).¹⁹ The program was established with the goals of streamlining the student loan delivery system and achieving cost savings. When enacted, the program was originally intended to gradually expand and replace the FFEL program; however, provisions calling for a “phase-in” of the DL program were repealed under the Higher Education Amendments of 1998 (P.L. 105-244). For nearly two decades, both

¹⁵ One such incentive is the special allowance payment (SAP), a market-indexed loan subsidy payment that is made by the government and is designed to compensate lenders for the difference between the statutorily set interest rate charged to borrowers and a different statutorily set lender interest rate.

¹⁶ For additional information on amendments to the FFEL program made through the CCRAA, see CRS Report RL34077, *Student Loans, Student Aid, and FY2008 Budget Reconciliation*, by (name redacted), (name redacted), and (name redacted).

¹⁷ For additional information on ECASLA programs, see CRS Report RL34452, *The Ensuring Continued Access to Student Loans Act of 2008*, by (name redacted).

¹⁸ U.S. Department of Education, *Fiscal Year 2011 Justifications of Appropriation Estimates to the Congress: Volume II*, “Student Loans Overview,” p. T-20, <http://www2.ed.gov/about/overview/budget/budget11/justifications/t-loansoverview.pdf>.

¹⁹ A Federal Direct Loan Demonstration Program was enacted under the Education Amendments of 1992 (P.L. 102-325); however, prior to being fully implemented, the demonstration program was succeeded by the Federal Direct Student Loan program that was enacted under P.L. 103-66.

programs have been in operation, and IHEs have been able to participate in the program of their choice.

Under the DL program, the federal government essentially serves as the banker and makes loans to students and their families using federal capital (i.e., funds from the U.S. Treasury), and owns the loans. Schools may serve as direct loan originators, or the loans may be originated by an ED contractor. Loan servicing and collections are also performed by contractors. DL program subsidy costs are mostly mandatory, and administrative costs are mostly discretionary.

In AY2009-2010, more than 2,000 IHEs are participating in the DL program. Many IHEs that participate in the FFEL program have taken steps toward becoming certified to participate in the DL program. ED's Office of Inspector General reports that as of May 7, 2009, all but 162 of the IHEs actively participating in the FFEL program (excluding foreign schools) had obtained approval to participate in the DL program.²⁰ By March 4, 2010, ED reported that 47% of IHEs were "DL ready"; 40% were in transition to DL; 11% used the common origination and disbursement (COD) system, but had not taken steps to transition to the DL program; and 2% did not use COD and had not taken steps to transition.²¹

ED estimates that 15.2 million new DL program loans (not including Consolidation Loans), averaging \$5,801 and totaling \$88.4 billion, will be made in FY2010. This would be an increase over the 6.5 million loans totaling \$42.3 billion made in FY2009. By the end of FY2010, ED estimates that there will be \$207 billion in outstanding DL program loans.²² ED projects that upon the repeal of future lending through the FFEL program, in FY2011, 24.8 million loans, totaling \$134 billion, will be made through the DL program.

While the FFEL and DL programs rely on different sources of capital and different administrative structures, they make available essentially the same set of loans: Subsidized Stafford Loans and Unsubsidized Stafford Loans for undergraduate and graduate students; PLUS Loans for graduate students and the parents of dependent undergraduate students; and Consolidation Loans through which borrowers may combine their loans into a single loan.

Amendments Related to the FFEL Program

The SAFRA Act makes the following amendments relating to the FFEL program.

Termination of Lending Under the FFEL Program

The SAFRA Act amends the HEA to terminate the authority for new loans to be made or insured under the FFEL program after June 30, 2010. Beginning with AY2010-2011, all new Subsidized and Unsubsidized Stafford Loans, PLUS Loans, and Consolidation Loans will be made under the

²⁰ U.S. Department of Education, Office of Inspector General, "Audit of the Department's Oversight of the Direct Loan Program Control Number ED-OIG/X19I0006," November 24, 2009, p. 8, <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2010/x19i0006.pdf>.

²¹ U.S. Department of Education, Office of Federal Student Aid, *Direct Loan Source*, "Direct Loan Readiness Assessment," (March 2010), <http://www.direct.ed.gov/newsletters/mar10.html>.

²² *Ibid.*, p. T-21.

DL program. Holders of existing FFEL program loans will continue to be responsible for servicing the loans, and guaranty agencies will continue to administer the federal loan insurance.

CBO projects that the termination of lending under the FFEL program and the shift to all HEA Title IV federal student loans (other than Perkins Loans) being made under the DL program will result in a reduction of \$28.6 billion in mandatory spending over the period from FY2010 through FY2014, and of \$61.0 billion in mandatory spending over the period from FY2010 through FY2019. These savings in mandatory spending are expected to result in part due to the shift of approximately \$5.0 billion in administrative costs from mandatory spending under the FFEL program to discretionary spending under the DL program over the period from FY2010 through FY2019.²³

Payments for FFEL Servicer Job Retention

The SAFRA Act provides \$25 million for each of FY2010 and FY2011 for payments to servicers of FFEL program loans for the purpose of retaining jobs at locations in the United States where those servicers were operating in the capacity of FFEL servicers on January 1, 2010.

Amendments Related to the Federal Direct Loan Program

The SAFRA Act amends the HEA to require that, effective July 1, 2010, all new Subsidized and Unsubsidized Stafford Loans, PLUS Loans, and Consolidation Loans will be made under the DL program. In addition, the SAFRA Act makes the following changes to the DL program.

Extension of the DL Program to Foreign IHEs

Through the end of AY2009-2010, the only form of federal student aid available under HEA, Title IV to eligible students enrolled in IHEs located outside the United States is loans made through the FFEL program. Effective July 1, 2010, and concurrent with the termination of lending under the FFEL program, the SAFRA Act extends the availability of DL program loans to eligible students enrolled in foreign schools.

Consolidation Loans

Consolidation Loans enable borrowers to simplify the repayment of their federal student loans by combining multiple loans into a single loan. In general, to be eligible to obtain a Consolidation Loan, a borrower must have an outstanding principal balance on at least one loan made under either the FFEL or DL programs that is eligible for inclusion in a Consolidation Loan.²⁴ Applicants for Consolidation Loans must be either (1) in repayment status, (2) in the grace period before entering repayment, or (3) in default, but have made satisfactory repayment arrangements for their loans, or have agreed to repay according to the FFEL program income-sensitive

²³ U.S. Congressional Budget Office, "Estimate of Title II, Subtitle A in an Amendment in the Nature of a Substitute to H.R. 4872, as Reported," (Preliminary), March 18, 2010.

²⁴ For a detailed description of Consolidation Loans, see CRS Report R40122, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, by (name redacted).

repayment plan or the DL program income-based repayment (IBR) plan. Also, to obtain a Consolidation Loan under the DL program, an applicant must have borrowed one or more eligible loans under the DL program.²⁵ Interest rates on Consolidation Loans are determined by taking the weighted average of the interest rates on the loans being consolidated and rounding the result up to the nearest higher one-eighth of 1%, with a cap of 8.25%.

The SAFRA Act amends the eligibility requirements for certain borrowers to obtain DL program Consolidation Loans during the period from July 1, 2010, to June 30, 2011. During this one-year period, borrowers who have multiple types of federal student loans and who have not yet entered repayment on at least one of their loans will be eligible to consolidate their loans into DL program Consolidation Loans without having the interest rate rounded up to the nearest higher one-eighth of 1%. To be eligible to consolidate loans under this temporary provision, a borrower must have at least two of the following three types of federal student loans:

- DL program loans;
- FFEL program loans that have been purchased by the Secretary through any of the ECASLA programs; and
- FFEL program loans that are held by an eligible FFEL program lender.

Direct Loan Program Contracts

Origination, servicing, and collections on DL program loans are contracted out by ED according to procedures designed to ensure that these services are performed by qualified entities at competitive prices. In 2009, ED awarded performance-based contracts to four entities to service loans in its portfolio of federal student loans, including those made under the Direct Loan program.²⁶ The servicing of DL program loans is an administrative expense, and discretionary funds for administrative expenses are appropriated through annual appropriations acts.

Servicing of DL Program Loans by Not-for-Profit Servicers

Effective the date of enactment, the SAFRA Act amends the requirements of the DL program for the awarding of contracts to service DL program loans to establish a separate category of contracts specifically applicable to not-for-profit servicers. Not-for-profit servicers that satisfy certain requirements—including that they meet standards for servicing federal assets, that they have adequate capacity to service the loan volume they are assigned, and that they meet performance requirements—are entitled to service DL program loans. In accordance with this new provision, the Secretary is required to contract with eligible not-for-profit servicers for each to service 100,000 borrower loan accounts. Eligible not-for-profit servicers are to be compensated at competitive market rates. The Secretary is permitted to subsequently adjust the number of

²⁵ Certain exceptions apply. An applicant who has borrowed under the FFEL program, but not the DL program, may obtain a Consolidation Loan under the DL program if the borrower (1) is unable to obtain a Consolidation Loan from a FFEL program lender, (2) is unable to obtain a FFEL Consolidation Loan with income-sensitive or income-based repayment plan terms acceptable to the borrower, or (3) intends to apply for loan forgiveness through the Loan Forgiveness for Public Service Employees program under the DL program.

²⁶ For additional information on these servicing contracts, see U.S. Department of Education, “Announcement of Title IV Student Loan Management/Servicing Contract,” June 17, 2009, at <http://www.ifap.ed.gov/eannouncements/061709TitleIVStudentLoanMgmt.html>.

accounts serviced by each not-for-profit servicer based on its performance. The SAFRA Act provides mandatory funding for administrative costs for not-for-profit servicing contracts for FY2010 through FY2019.

Technical Assistance and Outreach

The SAFRA Act provides \$50 million for FY2010 for technical assistance to IHEs that participate in or seek to participate in the DL program. The Secretary is required to provide technical assistance—which may include the provision of technical support, training, materials, and other technical or financial assistance—to assist IHEs in establishing and administering DL programs at their schools.

Amendments to the Income-Based Repayment (IBR) Plan

The SAFRA Act amends the income-based repayment (IBR) plan for new borrowers²⁷ of DL program loans²⁸ on or after July 1, 2014. The threshold for these new borrowers to qualify for repayment according to the IBR plan and for setting maximum monthly payment amounts is reduced by 33⅓%, from 15% of income that exceeds 150% of the poverty line to 10% of income that exceeds 150% of the poverty line. For these new borrowers, the SAFRA Act also reduces the maximum IBR plan repayment period—after which any remaining federal student loan balance will be forgiven—by 20%, from 25 years to 20 years.

Income-Based Repayment Plan—Existing Borrowers

The IBR plan is a repayment plan for federal student loans made under the FFEL and DL programs (except Parent PLUS Loans, and Consolidation Loans used to repay Parent PLUS Loans), that is designed to present qualified borrowers the opportunity to have the amount of their monthly student loan payments limited based on the relationship between their payments on federal student loan debt and what might be considered their “discretionary” income, or the portion of their adjusted gross income (AGI) that is in excess of 150% of the poverty line²⁹ applicable to their family size. A borrower qualifies to repay according to the IBR plan on the basis of having a “partial financial hardship,” which occurs if a borrower’s total annual payments on eligible FFEL and DL program loans, as calculated according to a standard 10-year repayment schedule at the time the borrower’s loans initially entered repayment, are greater than 15% of the amount by which the borrower’s AGI exceeds 150% of the poverty line applicable to the borrower’s family size.

²⁷ Under HEA, “The term ‘new borrower’ when used with respect to any date means an individual who on that date has no outstanding balance of principal or interest owing on any loan made, insured, or guaranteed under Title IV.” (HEA, § 103(12))

²⁸ For additional information on the IBR plan and on FFEL and DL program loans in general, see CRS Report R40122, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, by (name redacted); and U.S. Department of Education, Office of Federal Student Aid, “Income Based Repayment Plan,” <http://www.studentaid.ed.gov/PORTALSWebApp/students/english/IBRPlan.jsp>.

²⁹ U.S. Department of Health and Human Services, *Poverty Guidelines for All States (except Alaska and Hawaii) and the District of Columbia, 2009*, <http://www.aspe.hhs.gov/POVERTY/09extension.shtml>.

Payments made by borrowers repaying under the IBR plan must first be credited to interest due on the loan, then to any fees, and then to principal. If a borrower's required payment is not sufficient to cover the interest that accrues on a Subsidized Stafford Loan (or the subsidized portion of a Consolidation Loan), the interest not covered by the monthly payment is paid by the Secretary for a period not to exceed three years.³⁰ Any unpaid interest that accrues on an unsubsidized loan³¹ or on a Subsidized Stafford Loan after the three-year period continues to accrue while the borrower has a partial financial hardship. However, accrued interest is only capitalized (i.e., added to the principal balance of the loan) once a borrower no longer demonstrates a partial hardship or elects to no longer repay according to the IBR plan. (The accrual and capitalization of unpaid interest on a loan is referred to as negative amortization.) If a borrower's required monthly payment is not sufficient to repay the amount of principal due, then the payment of any principal due will be postponed until the borrower no longer has a partial financial hardship or exits the IBR plan.

Once a borrower's AGI increases to the point where he no longer has a partial financial hardship, the borrower's monthly payment amount will increase to an amount equal to the monthly payment amount that would have been required based on a standard 10-year repayment period calculated by using the amount owed when the borrower initially entered the IBR plan. According to the design of the IBR plan, this monthly payment amount will be no more than 15% of the amount by which the borrower's AGI exceeds 150% of the poverty line.

If a borrower has any federal student loan balance remaining after repaying according to the IBR plan for 25 years, the remaining balance will be forgiven at that time. If a borrower makes 120 monthly payments (10 years of payments) on DL program loans repaid according to the IBR plan while concurrently employed in a public service occupation, any loan balance remaining at that time will be forgiven under the DL Loan Forgiveness for Public Service Employees program.³²

Income-Based Repayment Plan—New Borrowers On or After July 1, 2014

The SAFRA Act amends two aspects of the IBR plan for individuals who, on or after July 1, 2014, are new borrowers of DL program loans. First, the SAFRA Act reduces by 33⅓% the thresholds used in determining whether borrowers have a partial financial hardship and in determining their maximum monthly payment amounts while they have a partial financial hardship. The thresholds are reduced from 15% of income in excess of 150% of the poverty line (or discretionary income) to 10% of discretionary income. For new borrowers, these changes will allow those with lower student loan balances relative to their incomes (or higher incomes relative to their loan balances) to qualify for IBR plan repayment. They would likely lead to increases in the number of borrowers who become eligible to repay according to the IBR plan. In addition, the changes will decrease the rate at which borrowers pay down their loan principal and will increase the time in repayment (subject to the 20-year repayment term limit discussed below).

³⁰ Periods during which a borrower receives a deferment for economic hardship are excluded from this three-year period.

³¹ Unsubsidized loans include Unsubsidized Stafford Loans, Graduate PLUS Loans, and portions of Consolidation Loans attributable to the repayment of such loans.

³² For additional information on the Loan Forgiveness for Public Service Employees Program, see CRS Report R40122, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, by (name redacted); and CRS Report RS22762, *Loan Forgiveness for Public Service Employees Under the William D. Ford Direct Loan Program*, by (name redacted).

Second, the SAFRA Act reduces by 20%—from 25 years to 20 years—the period over which new borrowers repaying according to the IBR plan must remain in repayment status or economic hardship deferment before having the remainder of their federal student loan balance forgiven. When considered in combination with the amendment requiring new borrowers to make lower monthly payment amounts under IBR, this change may enable more borrowers to have their IBR repayment schedules extended to the point where they have an outstanding loan balance after 20 years of IBR plan repayment, and thus qualify to have a portion of their loan balance forgiven. Similarly, lower required monthly payment amounts under the IBR plan may also enable more borrowers who are employed in public service occupations to qualify for loan forgiveness through the DL Loan Forgiveness for Public Service Employees program after 10 years of IBR plan repayment.

Federal Pell Grant Program

The Federal Pell Grant program, authorized by Title IV, Part A, Subpart 1 of the HEA, is the largest source of federal grant aid to low-income students for postsecondary education and is the foundation for all federal student aid awarded to undergraduate students. The Federal Pell Grant program is estimated to provide over \$32 billion in aid to approximately 8.3 million undergraduate students in AY2010-2011.³³

Pell Grants are need-based aid, and eligibility is limited to undergraduate students. There is no absolute income threshold that determines who is eligible and who is ineligible for Pell Grants, although Pell Grant recipients primarily have low incomes. For the most recent award year for which complete data are available (AY2007-2008), 83% of Pell Grant recipients considered to be dependent upon their parents for financial support had a total family income below \$40,000. Of Pell Grant recipients considered to be independent of their parents, 84% had a total family income below \$30,000.³⁴

The Federal Pell Grant program is currently funded with both discretionary and mandatory appropriations, although the program is primarily funded with annual discretionary appropriations. The program has garnered considerable attention over the past several years in Congress, resulting in substantial increases in both mandatory and discretionary funding. Since the enactment of CCRAA, the Pell Grant program's cumulative total funding level (consisting of both discretionary and advance mandatory appropriations), for FY2007 through FY2010 and reflecting advance appropriations through FY2017, is approximately \$113.6 billion. The statutory authority for the Pell Grant program was most recently reauthorized by the Higher Education Opportunity Act of 2008 (HEOA; P.L. 110-315).

The maximum appropriated Pell Grant award amount is specified in annual appropriations measures. For AY2010-2011, the maximum appropriated Pell Grant award amount is \$4,860. For AY2008-2009 through AY2012-2013, an automatic additional increase to the appropriated Pell Grant award amount is provided through mandatory funding.³⁵ For AY2010-2011, the mandatory

³³ U.S. Department of Education, *Fiscal Year 2011 Budget Summary*, p.50.

³⁴ Percentages calculated from U.S. Department of Education, *End of Year Report: 2007-2008 Title IV/Federal Pell Grant Program*, Table 11.

³⁵ The CCRAA, the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), and, most recently, the 2009 technical corrections to the HEA (P.L. 111-39) amended the HEA to provide mandatory funding for the Pell (continued...)

add-on is \$690. In order to receive the additional mandatory increase, students must qualify for the minimum appropriated Pell Grant award, which, as defined for eligibility purposes, is 5% of the annually appropriated maximum Pell Grant award.³⁶ For AY2010-2011, the total maximum Pell Grant award amount is \$5,550, and the effective minimum award for a full-time student is \$1,176.

Amendments to the Federal Pell Grant Program

The SAFRA Act changes the method by which future additional mandatory Pell Grant award amounts are determined and increases mandatory spending by providing permanent mandatory budget authority for the program beginning March 30, 2010. The SAFRA Act, however, continues to preserve a larger role for annual discretionary appropriations in determining the base maximum Pell Grant award to which additional mandatory amounts are added each year. According to CBO, the provisions included in the SAFRA Act that affect the future determination of additional mandatory Pell Grant award amounts are estimated to increase mandatory spending by \$23 billion from FY2010 to FY2019.³⁷ In addition, mandatory spending increases by \$13.5 billion as a result of additional appropriated mandatory funds for the Pell Grant program for use through FY2012. In total, the SAFRA Act is expected to increase mandatory spending for the Pell Grant program by \$36 billion from FY2010 to FY2019.

Provisions in the SAFRA Act that affect the future funding and determination of additional mandatory Pell Grant awards include the following.

Mandatory Funding for Additional Pell Grant Award Amounts

The SAFRA Act provides indefinite mandatory appropriations for the Pell Grant program beginning March 30, 2010. The Federal Pell Grant program remains authorized through FY2017 under the HEA, section 401(a)(1). Mandatory budget authority amounts authorized in the CCRAA for FY2010 through FY2017 are eliminated.

Effective March 30, 2010, these permanent mandatory appropriations supplement annual discretionary appropriations and provide an additional amount to the annually appropriated Pell Grant maximum award each year beginning in AY2010-2011. Each fiscal year's mandatory appropriations level will be determined based on the total obligations required to provide the additional Pell Grant amount to all eligible students and will be available for use through the end of September of each succeeding year. For AY2010-2011 and AY2011-2012, the additional mandatory amount will remain \$690, as authorized in the CCRAA. For AY2012-2013, the

(...continued)

Grant program. The CCRAA provided annual mandatory appropriations in each of FY2008 to FY2017, whereas the ARRA provided additional mandatory appropriations for FY2009 and FY2010. The recent 2009 technical corrections to the HEA provided additional mandatory appropriations for FY2013 and FY2015.

³⁶ A so-called "bump" award allows for an additional 5% increase of the appropriated maximum award for those students who qualify at the 5% minimum level. When the \$690 mandatory additional amount is factored in, the effective minimum award for a full-time student in AY2010-2011 is \$1,176 (\$243 + \$243 + \$690).

³⁷ U.S. Congressional Budget Office, Cost estimate for the amendment in the nature of a substitute for H.R. 4872, incorporating a proposed manager's amendment made public on March 20, 2010, March 20, 2010, pp. 6-8, <http://www.cbo.gov/ftpdocs/113xx/doc11379/Manager%27sAmendmenttoReconciliationProposal.pdf>.

additional mandatory amount authorized in the CCRAA will be reduced by \$400, from \$1,090 to \$690.

Mandatory Pell Grant Award Amount Formula

Beginning in AY2013-2014, and for all subsequent years, a new statutorily defined formula will be established for the purposes of determining the additional mandatory Pell Grant award amount, as described below.

- For AY2013-2014 only, the formula will arrive at the additional mandatory Pell Grant award amount according to the following four steps: (1) determine the greater value between the AY2012-2013 total maximum award (i.e., the FY2012 discretionary maximum award amount, plus \$690) and \$5,550; (2) adjust the greater value by the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) as measured from December 2011 to December 2012; (3) subtract from this amount the greater of the previous year's discretionary appropriated maximum award amount or \$4,860; and (4) round the resulting amount to the nearest \$5 increment.
- For AY2014-2015 through AY2017-2018, a new statutorily defined formula is established for determining the additional mandatory Pell Grant award amount. The additional mandatory Pell Grant award amount will be determined according to the following three steps: (1) adjust the previous year's total maximum award (i.e., the discretionary maximum award amount, plus the mandatory additional amount) by the percentage change in the CPI-U as measured from the most recently completed calendar year before the start of the award year; (2) subtract from this amount the greater of the previous year's discretionary appropriated maximum award amount or \$4,860; and (3) round the resulting amount to the nearest \$5 increment.
- For AY2018-2019 and all subsequent award years, the additional mandatory Pell Grant award amount will be the same amount as determined for AY2017-2018 under the formula described above.

Since the additional Pell Grant award amounts will be determined beginning in AY2013-2014 primarily by two factors that are not known at the present time—the annual discretionary appropriated maximum award amount and the annual percentage change in the CPI-U—future total maximum award levels are not available at this time.

Pell Grant Eligibility Rules

The SAFRA Act also includes provisions that change the award rules for determining eligibility for a Pell Grant award. These provisions include the following:

- Authorized maximum Pell Grant award amounts specified for AY2009-2010 through AY2014-2015 are eliminated, as is the additional mandatory Pell Grant award amount of \$1,090 in AY2012-2013. Beginning in AY2013-2014, total maximum Pell Grant award amounts will be determined according to the revised formulas described above.
- Effective March 30, 2010, qualification for Pell Grant awards will be based on the total maximum Pell Grant award amount. Prior to enactment of the SAFRA

Act, students had to qualify for the minimum appropriated Pell Grant award, which, as defined for eligibility purposes, is 5% of the annually appropriated maximum Pell Grant award, in order to receive the additional mandatory increase. This rule is eliminated under the SAFRA Act, and the new minimum Pell Grant award is based on 5% of the total maximum Pell Grant award. In effect, eligibility for the program will now be determined from 5% of a larger Pell Grant maximum amount, which would increase the number of recipients, but reduce the amount of the Pell Grant minimum award.

Since this rule is effective March 30, 2010, there could be implications for students who have yet to apply for a Pell Grant in AY2009-2010,³⁸ and for students who have already applied for a Pell Grant between the beginning of the application period for AY2010-2011 (January 2010) and March 30, 2010.³⁹ Since the qualification parameters of the program and award amounts change under the SAFRA Act, ED may publish revised *AY2010-11 Pell Grant Payment and Disbursement Schedules*, although eligibility and awards have been determined since January 2010 under the statute as authorized prior to the SAFRA Act.⁴⁰ Consequently, some students who did not qualify for a Pell Grant for the upcoming AY2010-2011 based on their calculated expected family contribution (EFC)⁴¹ of \$4,816 or higher now qualify for a minimum Pell Grant award under the new rule.⁴² Additionally, Pell Grant awards calculated from the current payment schedule that are less than the maximum Pell Grant of \$5,550 could be different under the new rule established in the SAFRA Act. The effective minimum award in AY2010-2011 for a full-time student changes from \$1,176 to \$555 under the SAFRA Act. Changes to expected Pell Grant award levels for the upcoming AY2010-2011 could affect aid packaging outcomes for some students.

Additional Mandatory Appropriations for Pell Grants

Effective FY2011, the SAFRA Act will provide an additional \$13.5 billion in mandatory appropriations for Pell Grants, which will be available for obligation in any active award year prior to September 30, 2012. Ostensibly, these additional mandatory funds will be used to pay for the estimated \$6.1 billion discretionary cumulative funding shortfall in AY2010-2011.⁴³ Any

³⁸ AY2009-10 will end on June 30, 2010. According to data in the U.S. Department of Education's *Fiscal Year 2011 Justification of Appropriation Estimates to the Congress, Volume II*, page P-7, approximately 16.7 million students are expected to submit a valid application for a Pell Grant in AY2009-2010. According to ED, only 15.7 million students have submitted applications for AY2009-2010 as of February 28, 2010. It is unclear if ED would change the qualification parameters for students who apply for a Pell Grant in AY2009-2010 between March 30, 2010, and June 30, 2010.

³⁹ Although students can apply for a Pell Grant in AY2010-2011 beginning in January 2010, disbursements are not made until after the award year commences, which is July 1, 2010.

⁴⁰ ED published the AY2010-2011 Pell Grant Payment and Disbursement Schedules on January 13, 2010; <http://www.ifap.ed.gov/dpccletters/P1001.html>

⁴¹ The EFC is the amount that the federal need analysis system determines can be expected to be contributed by a student and the student's family toward the student's cost of education.

⁴² Under the SAFRA Act, students with an EFC of \$5,273 or less qualify for a Pell Grant in AY2010-2011.

⁴³ According to unpublished data from CBO, the program's estimated discretionary cumulative funding shortfall through AY2010-2011 is \$6.1 billion as of March 2010. In addition, according to CBO, a funding gap of approximately \$19 billion exists between the FY2010 discretionary funding level of \$17.5 billion and the amount required to fully fund a discretionary maximum award of \$4,860 in AY2011-2012 and pay for the cumulative shortfall in AY2010-2011.

remaining mandatory appropriations may be used to offset the costs of the base discretionary maximum Pell Grant award for AY2011-2012 in FY2011.

Although the SAFRA Act provides significant mandatory appropriations for the Pell Grant program for use in the short term (i.e., \$13.5 billion in FY2011 through FY2012) and provides permanent mandatory appropriations to supplement the base maximum award determined in annual discretionary appropriations over the long term, Congress still faces increasing discretionary costs associated with funding the annual base maximum award in the years beyond FY2011. Under March 2010 CBO estimates, these discretionary costs average \$32.0 billion annually from FY2012 to FY2019, assuming a \$4,860 maximum base award in each year.⁴⁴

College Access Challenge Grant Program

The College Access Challenge Grant Program (CACG; HEA Title VII, Part E; 20 U.S.C. § 1141) fosters partnerships between federal, state, and local governments and philanthropic organizations through matching formula grants that are intended to increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The CACG was enacted under the CCRAA. The CCRAA provided mandatory funding of \$66 million for the program in each of FY2008 and FY2009. The HEOA amended the CACG program to also authorize discretionary appropriations in such sums as may be necessary for FY2009 through FY2014. The program did not receive a discretionary appropriation in either FY2009 or FY2010.

The SAFRA Act makes no changes to the purpose of the CACG program or the uses of funds except to provide mandatory funding of \$150 million for each of FY2010 through FY2014. The SAFRA Act does not preclude additional discretionary appropriations through FY2014. The authority to award grants under the CACG program expires at the end of FY2014. Finally, the SAFRA Act increases the minimum state⁴⁵ grant from 0.5% of the appropriation to 1.0% of the appropriation. The larger grants likewise increase the required non-federal share, which is 50% of the federal grant. ED may reduce the state award proportionately if the state is unable to provide the full amount of the requisite non-federal share. The proportionate reduction may be awarded to a philanthropic organization in the state if that organization is capable of providing the non-federal share.

Investment in Historically Black Colleges and Universities and Minority-Serving Institutions

Title IV, Part J of the CCRAA provided mandatory appropriations for a set of new programs supporting minority-serving institutions. The programs provided funding to improve academic

⁴⁴ ARRA increased the discretionary base maximum award by \$619 to \$4,860 beginning in AY2009-2010. Subsequent annual appropriations measures have maintained the \$4,860 level through AY2010-2011. The base discretionary maximum award level has not been established for AY2011-2012.

⁴⁵ Eligible states include the 50 states, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands, and may, depending on the Compact Agreements, include the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

programs, provide professional development, maintain educational facilities and equipment, strengthen institutional management, and encourage fiscal stability. The institutions supported by the programs are

- Historically Black Colleges and Universities as defined in Title III, Part B of the HEA (20 U.S.C. § 1061);
- Hispanic-Serving Institutions as defined in Title V, Part A of the HEA (20 U.S.C. § 1101a);
- Tribal Colleges or Universities as defined in Title III, Part A, Section 316 of the HEA (20 U.S.C. § 1059c);
- Alaska Native- and Native Hawaiian-Serving Institutions as defined in Title III, Part A, Section 317 of the HEA (20 U.S.C. § 1059d);
- Predominantly Black Institutions as defined in Title III, Part F of the HEA (20 U.S.C. § 1059c);
- Asian American and Native American Pacific Islander-Serving Institutions as defined in Title III, Part F of the HEA (20 U.S.C. § 1059c); and
- Native American-Serving Nontribal Institutions as defined in Title III, Part F of the HEA (20 U.S.C. § 1059c).

The CCRAA provided mandatory funding of \$255 million for the programs in each of FY2008 and FY2009. The authority to award grants under the programs expired at the end of FY2009. The HEOA re-designated these programs under Title III, Part F of the HEA.

The SAFRA Act makes no changes to the Part F programs except to extend mandatory funding of \$255 million for each fiscal year from FY2008 through FY2019. The authority to award grants under Part F expires at the end of FY2019.

Community College and Career Training Grant Program

The Trade Adjustment Assistance for Communities (TAAC) Program was incorporated into the Trade Act of 1974 (19 U.S.C., Chapter 12), as amended, under the Trade and Globalization Adjustment Assistance Act of 2009 (TGAAA), which is part of the American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), to offer assistance to trade-impacted⁴⁶ communities in response to the economic recession that began in 2007. TGAAA amends the Trade Act of 1974 to extend and revise trade adjustment assistance to various constituents. TAAC, as reestablished through TGAAA, includes four subchapters.

- Subchapter A establishes the TAAC program within the U.S. Department of Commerce. Funds are competitively awarded to local governments in trade

⁴⁶ The term *trade-impacted* refers to the adjustment problems faced by firms and workers when trade liberalization introduces stiffer global competition.

impacted areas in support of strategic planning and implementation activities aimed at diversifying and strengthening the area's economy.

- Subchapter B creates the Community College and Career Training Grant (CCCT) program, a competitive grant administered by the U.S. Department of Labor (DOL).⁴⁷ The CCCT supports efforts to strengthen the role of community colleges in addressing the education and skills deficiencies of workers in trade impacted communities.
- Subchapter C establishes the Industry or Sector Partnership Grants program for Communities Impacted by Trade, also administered by DOL. Voluntary public private partnerships in trade impacted communities are awarded competitive grants with the aim of identifying and addressing training and employment gaps in targeted industries and developing strategies to address the labor needs of current or emerging industries.
- Subchapter D includes general provisions related to program implementation.

The CCCT program (19 U.S.C. § 2372) authorizes DOL to award funds for the purpose of developing, offering, or improving educational or career training options for workers eligible for funds under Trade Adjustment Assistance for Workers.⁴⁸ Eligible recipients are IHEs, including proprietary institutions and postsecondary vocational institutions, as defined in Section 102 of the HEA. Eligible programs are two-year and less-than-two-year educational and training programs.

Title I, Part F of P.L. 111-152 amends Section 279(b) of the Trade Act of 1974, as amended, to provide \$500 million in mandatory funding per year for FY2011 through FY2014 for the CCCT program, with the provision that each state receive no less than 0.5% of the funds appropriated for each year. Although ARRA terminates the program authorization on December 31, 2010, P.L. 111-152 implicitly authorizes the program through the appropriations.⁴⁹ Under the statute as authorized prior to P.L. 111-152, there was a stipulation that no eligible institution could be awarded more than one grant under this section or a grant under this section in excess of \$1,000,000. This stipulation is repealed, along with the provision that funds had to be used to supplement, not supplant, other federal, state, and local public funds.

⁴⁷ For more information on the CCCT program, see CRS Report R40863, *Trade Adjustment Assistance for Communities: The Law and Its Implementation*, by (name redacted), pp. 6-7.

⁴⁸ Trade Adjustment Assistance for Workers (TAA) provides extended income support as well as training, job search, and relocation benefits. To be eligible for TAA, workers must have become unemployed for one of three reasons: (1) their jobs moved to another country, (2) their job losses can be attributed to increased imports that contributed importantly to an actual decline in sales or production, or (3) their job losses resulted from the loss of business with a primary firm because of a trade-related reason.

⁴⁹ United States General Accounting Office, *Principles of Federal Appropriations Law*, Third Edition, Volume I, January 2004, pp. 2-69 through 2-71, <http://www.gao.gov/special.pubs/d04261sp.pdf>.

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