HOUSE OF REPRESENTATIVES—*June 17, 1986*

The House met at 12 noon.

The Reverend Dr. Dennis Johnsey, First Baptist Church, Pascagoula, MS, offered the following prayer:

Our Father, to You, who are author of our liberty, and under whom we have our freedom, we make our prayer.

Give to us open minds, to receive and to welcome such new light of knowledge as it is Your will to reveal. Let not what happened yesterday be so great that it sets a limit for the future. Give us courage to change our minds. Help us to be mindful of the thoughts of others, for we never know in what voice You will speak.

Keep our ears open to Your voice, for we know in our hearts that only in Your will is our peace and the prosperity of our land.

In the name of Jesus Christ our Lord. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

THE REVEREND DR. DENNIS JOHNSEY

(Mr. LOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks and to include extraneous material.)

Mr. LOTT. Mr. Speaker, it is a great privilege for me today to rise and introduce to the Members of the House Dr. Dennis L. Johnsey, our guest chaplain today. Dr. Johnsey is pastor of the First Baptist Church in Pascagoula, MS, my hometown church. Dr. Johnsey comes to us with a distinguished background.

He is a native of Corinth, MS, completed his undergraduate work at Mississippi State University and went on for his master's degree from Southwestern Baptist Theological Seminary. He then obtained his doctorate from the New Orleans Baptist Theological Seminary.

Since entering the ministry, Dr. Johnsey has had a distinguished career of preaching and service, both here and abroad. He has traveled and preached extensively throughout South America, the Far East, and Africa. He has pastored two other congregations in my home State of Mississippi before coming to the First Baptist Church of Pascagoula. Dr. Johnsey has led in 47 revivals in Mississippi and has served as camp pastor for Youth Week at the Gulfshore Baptist Assembly for 4 years.

As a member of his congregation in Pascagoula, I am proud to have Dr. Johnsey honored as our guest chaplain today.

PRIVATE CALENDAR

The SPEAKER. This is Private Calendar day. The Clerk will call the bill on the Private Calendar.

STEVEN McKENNA

The Clerk called the bill (H.R. 1598) for the relief of Steven McKenna.

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

The SPEAKER. This concludes the call of the Private Calendar.

PERMISSION FOR SUBCOMMITTEES OF COMMITTEE ON ARMED SERVICES TO SIT DURING 5-MINUTE RULE TODAY AND BALANCE OF THIS WEEK

Mr. MONTGOMERY. Mr. Speaker, I ask leave of the House that subcommittees of the Committee on Armed Services be permitted to sit during the 5-minute rule today and the balance of this week.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

PERMISSION FOR COMMITTEE ON THE JUDICIARY TO SIT TODAY AND TOMORROW DURING 5-MINUTE RULE

Mr. MAZZOLI. Mr. Speaker, I ask that the Committee on the Judiciary be permitted to sit today, Tuesday, June 17, 1986, and tomorrow, Wednesday, June 18, 1986, during proceedings of the House under the 5-minute rule.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

WHAT DID HONDURAS DO TO DESERVE $1.5 MILLION IN CONTRA AID MONEY?

(Mr. PANETTA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PANETTA. Mr. Speaker, I have here a facsimile of a check that is payable to the high command of the Honduran Armed Forces in the amount of $450,000. It is only a fraction of the nearly $1.5 million in aid that was intended for humanitarian assistance to the Contras, that in fact has wound up being paid to the Honduran Army.

Why should the armed forces of a foreign government be paid $1.5 million with money that was appropriated by the Congress specifically for the sole purpose of providing aid to the Contras?

Of the $4.4 million in Contra aid that was looked at by the GAO, as little as 4.2 percent can actually be traced as being for humanitarian purposes.

Mr. Speaker, this investigation by the GAO, this check, raises very serious questions about accountability. We would not tolerate this kind of abuse in any other program. We ought not to tolerate it in this program.

Answers are needed now before any further funds are provided.

WHY DELAY IMPEACHMENT?

(Mr. SENSENBRENNER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SENSENBRENNER. Mr. Speaker, why are we making the impeachment of Federal Judge Harry Claiborne so difficult? Why are we complicating the clearest case for impeachment in American history?

In the 12 previous impeachment proceedings in the House of Representatives, the process has at least started at the full committee or special committee level. Since the existence of the House Judiciary Committee, initial consideration of impeachment, as far as I know, has always been full committee business.

If there were ever a case for impeachment that did not call for another layer of review, the Claiborne case is it. After nearly 6 years of investigation and litigation, the facts are in. All direct appeals are over.

Yet the matter of impeaching a convicted and imprisoned Federal judge who disgraces the judiciary every day

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and whose salary costs taxpayers nearly $215 a day has been referred to a subcommittee. No one expects this matter to reach full committee before the July 4th recess. Since I have already drafted an article of impeachment, why do we need 6 weeks to draft articles of impeachment? Why do we need an unprecedented layer of review? Why make our case harder to try in the Senate? Those who advocate a muddled course of impeachment have the burden of justifying to the American people why we can't move swiftly on Claiborne's impeachment.

REMEMBER THE ALAMO

(Mr. MONTGOMERY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MONTGOMERY. Mr. Speaker, I fully realize Texans do not like to be rescued by outsiders—but we all remember the Alamo and there is a time and place where even Texans need help.

After 2 weeks and 25 tries, the Texas National Guard could not place the 3,000 pound "Goddess of Liberty" on top of the Texas Capitol down in Austin.

A Mississippi National Guard crane helicopter and crew from my hometown of Meridian, MS, were called on to do the job. I talked to the commander of my unit a couple of days before this historic mission—he said it would be a "piece of cake."

It took the Mississippi National Guard unit 10 minutes to install the new Miss Liberty and they did it, in only one try.

Even Texans need help on occasion—remember the Alamo.

A TEXAS-SIZE THANK YOU TO MISSISSIPPI

(Mr. PICKLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PICKLE. Mr. Speaker, of course, we want to extend a Texas-size thank you to the State of Mississippi for helping us install our new statue of the Goddess of Liberty on our State Capitol Building. The Mississippi National Guard did succeed where the Texas National Guard had failed in lowering the statue on the State Capitol Building. I would just say that now we know where all the National Guard Federal funds are going because General Montgomery has seen fit to send all the big choppers to Mississippi. You send us the CH-47 helicopter, but you keep for Mississippi the CH-54—the big helicopter with a 100-foot crane span and a big electronic eye. Even "Blind Tony" from Mississippi couldn't miss with that kind of equipment.

We're proud of our Texas pilots. Right now, Texas has two pilots involved in precision flying competition in England. They are currently ranked No. 1 out of 26 world teams. These are Texas boys, General Montgomery—competing to be world champions.

But we appreciate the help from Mississippi and we are proud to work with Mississippi. Every year a detachment of Texas National Guardsmen go to Mississippi and get aboard a Corps of Engineers barge and literally dredge the Mississippi. So, if you mess with us too much, we might not send those boys over there. And if that happens, it will take more than a CH-54 helicopter to unstop the mighty Mississippi.

But seriously, I just want to respond to the gentleman from Mississippi by saying that it is always a pleasure and a great honor to have Mississippians in our State. If my history serves me correctly, there were a few Mississippians who helped to settle Texas in the early days. As a rule, it has been established that Mississippians, once they set foot in Texas, generally have no desire to return to Mississippi. It is reported to me that several members of the Mississippi helicopter crew are planning to return to Texas for their vacations. It wouldn't surprise me if those Mississippi boys had already put in for a permanent transfer to the Lone Star State. But we welcome Mississippians and will continue to welcome them to Texas, so long as they don't hover over our great State very long.

THE MOST POTENT AGENT OF CIVILIZATION

(Mr. DANNEMEYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANNEMEYER. Mr. Speaker, in 1874, as today, the United States was on a floating dollar standard, and a great debate was going on whether the resumption of a gold standard would have any merit. One of the participants of the debate, Senator John P. Jones, had this to say on the floor of the U.S. Senate on April 1, 1874:

> Does this Congress mean now to leave entirely out of view and discard forever a standard of value? Did any country ever accumulate wealth and achieve greatness or attain a high civilization without such a standard? And what but gold can be that standard? What other thing on earth possesses requisite qualities? Gold is the articulation of commerce. It is the most potent agent of civilization. It is gold that has lifted the nations out of barbarism. So exact a measure is it of human effort, that when it is exclusively used as money it teaches the very habit of honesty. It neither deals in nor tolerates false pretense. It keeps its promise to rich and poor alike.

Thanks to the efforts of men like Senator Jones, Congress decided to resume the gold standard. The country went on to greatness and became the world's leading creditor.

In 1971 we discarded our standard of value, and by 1986 the country became the world's leading debtor, in fulfillment of the word of the Gospel:

"The man who has will be given more, and the man who has not will forfeit even what he thinks he has." (Luke, 8:18.)

□ 1215

INCREASED FLEXIBILITY IN FEDERAL-AID HIGHWAY PROGRAM

(Mr. TALLON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TALLON. Mr. Speaker, today I have introduced legislation to reauthorize the Federal-Aid Highway Program and provide increased flexibility in its operation.

This bill authorizes appropriations for the Federal-Aid Highway Program through 1990 and dramatically increases the funds available for new highway construction.

This legislation is nearly identical to legislation introduced in the other body by Senator SYMMS. The bill eliminates the need for congressional approval of the interstate cost estimate and the interstate substitute cost estimate.

The bill also establishes a combined interstate-primary category allowing total transfer between interstate construction, 4R and primary funds. These funds may then be spent on any construction or reconstruction project on either the interstate or primary system.

This will bring the most cost-effective use of limited highway funds by leaving allocation decisions to be made by the States according to their individual priorities. I urge my colleagues to join me in support of this legislation.

BACK-HOME POLITICS

(Mr. PETRI asked and was given permission to address the House for 1 minute.)

Mr. PETRI. Mr. Speaker, Georgia Gov. Joe Frank Harris doesn't seem to understand why family farmers are upset about plans to establish eleven 2,000-cow dairy operations in his State.

About a week ago, one of Governor Harris' aides said that complaints about these operations were motivated simply by "back-home politics."

Well, Mr. Speaker, the dairy farmers in my State of Wisconsin have every reason to be angry. The Federal Government is paying family farmers to go out of business through the whole-herd buyout program while Federal

tax and price incentives are encouraging new corporate dairy farms to open up.

It's wrong. And it's wrong whether you call it "back-home politics" or not.

The farmers of Wisconsin have no quarrel with free and fair competition from dairy farmers elsewhere in the United States. But the Government sets higher prices for milk produced elsewhere than it pays Wisconsin's dairy farmers.

That's not free and fair competition.

I have introduced a bill, H.R. 4232, to reduce this disparity and get a fairer deal for the Midwest's family farmers. I commend this bill to your attention.

STOP BACKING LOSERS AND END SUPPORT FOR CONTRAS

(Mr. BONIOR of Michigan asked and was given permission to address the House for 1 minute.)

Mr. BONIOR of Michigan. Mr. Speaker, former Contra Commandante Eden Pastora has now told the American people who the Contras really are:

"Their military and political tactics are Somocista," Pastora says in today's Washington Post. "Their commanders are Somocistas."

Before every vote, the administration argues that the Contras have been reformed. But former Contra commander Eden Pastora knows better.

"As proof of their criminal strategies," Pastora notes, "during 4 years of guerrilla warfare, they haven't turned one prisoner over to the International Red Cross.

Can the Contras win their 5-year-old war? Pastora's answer is clear. The Contras have "no chance"—no chance, "whatsoever"—"of military or political victory."

Mr. Speaker, it is time for America to stop backing losers. Let's end support for the Contras.

THREE THOUSAND EIGHT HUNDRED ACRES ARE ENOUGH FOR GETTYSBURG BATTLEFIELD

(Mr. GOODLING asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GOODLING. Mr. Speaker, without being cute, wise, and immature, let me say that one of my colleagues from Pennsylvania proved yesterday on the floor of the House what we have all known time and time again: That, as a matter of fact, we know more about our district than we know about some other Member's district.

He read an article from the Gettysburg newspaper, a newspaper in my district, and from that he assumed that the people in Adams County supported what that editorial had to say. Let me remind all of my colleagues that editorial writers in Gettysburg, PA, pass through Gettysburg on their way to some bigger city or larger town, and by and large they do not represent what the people of Adams County believe and want.

The people of Adams County want us to vote "no" on H.R. 4259. Ninety percent of the people of Adams County feel very strongly that 3,800 acres are enough acres to, as a matter of fact, commemorate the Civil War battle in the Gettysburg area. They do not want us to open the doors so that they can get what the Park Service wants—5,000 acres.

VOTE "YES" ON GETTYSBURG BATTLEFIELD ADDITION

(Mr. KOSTMAYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KOSTMAYER. Mr. Speaker, the Gettysburg Battlefield Preservation Association wants to contribute 31 acres it owns to the National Park Service. The Park Service wants it. The administration supports the bill, H.R. 4259.

There is no cost to the Federal Government and no tax loss to the local government since the 31 acres are owned by a nonprofit citizens' group.

This modest parcel of land was the scene of a crucial engagement at Gettysburg. The donation of land was endorsed in the Gettysburg daily newspaper yesterday and in the Philadelphia Inquirer this morning. Today, the citizens of Gettysburg have journeyed to Washington in Civil War garb and stand on the front steps of the Capitol to lobby for this addition to the national park.

The ranking Republican on the subcommittee and the full committee voted for the legislation and endorsed it yesterday on the floor of the House. I hope the House will do the same. As another fellow once said, "It is altogether fitting and proper that we do so."

TRIBUTE TO MRS. HELEN COPLEY

(Mr. PACKARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PACKARD. Mr. Speaker, the Anti-Defamation League of B'nai B'rith tonight will honor one of America's great ladies, San Diego's own Helen K. Copley.

As chairman of the board and chief executive officer of the Copley Press, she oversees the publication of 12 dailies, 28 weeklies, and 1 biweekly, a giant in the publishing field throughout America.

Mrs. Copley currently serves as the chairman and president of the American Newspaper Publishers Association Foundation. She has also served on the ANPA board of directors for 9 years.

But in San Diego, she is perhaps best known for her charitable work, as a trustee for the world-famous Scripps Clinic in La Jolla, and generous contributor and tireless advocate for dozens of religious, charitable, and educational causes.

Tonight, she will receive the league's national distinguished community service award, honoring her spirit and good works. The league is speaking for the people of San Diego and America in their appreciation of Mrs. Helen Copley, and I want to add my own voice to the chorus of praise.

Thank you for all you have done, Helen, and God bless you.

LEGISLATION TO PROVIDE JUDICIAL REVIEW OF BENEFIT CLAIMS

(Mr. EDWARDS of California asked and was given permission to address the House for 1 minute.)

Mr. EDWARDS of California. Mr. Speaker, today, after House legislative business has been completed, a number of members will speak in support of H.R. 585, the bill that will provide judicial review of benefit claims denied by the VA's Board of Veterans' Appeals.

Mr. Speaker, the 28 million American veterans are the only major group of men and women denied access to the American system of justice. Welfare and social security recipients, illegal aliens, and even convicted felons can appeal to the Federal courts, but not the veterans who defended our Nation in time of need.

H.R. 585 now has 223 cosponsors, of both parties. A Veterans' Affairs Committee vote will come soon.

The legislation has strong opponents, chiefly the Veterans' Administration itself, who naturally wants to keep the total control it now has over veterans' claims.

I invite my colleagues to participate this evening in the special order and urge more cosponsors of this badly needed legislation to provide fundamental justice to our Nation's veterans.

FINANCIAL AND MANAGEMENT STABILITY FOR SOCIAL SECURITY ADMINISTRATION

(Mr. JONES of Oklahoma asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JONES of Oklahoma. Mr. Speaker, I take this occasion to inform the House that today I will be intro-

ducing legislation designed to give financial and management stability to the Social Security Administration.

This legislation, as initial cosponsors, has all the members, Democrat and Republican, of the Social Security Subcommittee, and 150 Members of the House of Representatives of both parties and all political philosophical persuasions.

It does several things, but primarily it does two things that are important to Social Security. No. 1, it makes the Social Security Administration an independent agency and takes it off the political football field entirely.

No. 2, it prohibits entirely in the future any Secretary of the Treasury from dipping into the Social Security surplus reserves and disinvesting those in order to keep the Government operating, as was done in 1984 and 1985.

I am sure my colleagues have heard from senior citizens across this country who are outraged that Social Security reserves have been used to finance the cost of Government and that we had to go in and force the Secretary to repay those funds with interest. I am sure they are outraged because we have had nine different Administrators in the last 12 years.

We must restore financial and management stability to the system, not only for those who are presently retired but for those who are presently working and paying into the system. We must send a signal that Social Security will be there for them when they are ready to retire. I hope other colleagues will join in cosponsoring this legislation.

□ 1225

SOUTH AFRICAN CATASTROPHE

(Mr. LEVIN of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEVIN of Michigan. Mr. Speaker, the Government of South Africa is plunging that nation toward total catastrophe. Repression of freedom is becoming complete, including supression of the press.

Yesterday, I introduced a House concurrent resolution to condemn the Government of South Africa for invoking martial law and to demand an end to martial law in South Africa. The junior Senator from Michigan introduced a similar resolution in the other House.

The South African Government is trying to put a lid on aspirations for freedom in that country. Whatever may be the temporary outcome, it is doomed to failure. Indeed, the longer and harder that government tries to suppress freedom there for all citizens, the more violent will be the ultimate explosion.

It is time, indeed, beyond the appropriate hour, for people and nations of conscience to go beyond words and to join together to act and force the South African Government to its senses.

SALT II SUPPORT

(Mr. RICHARDSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RICHARDSON. Mr. Speaker, because I believe in a strong defense, I feel that President Reagan's decision to abandon SALT II could be a fatal mistake. In doing so, 15 years of arms control negotiations, created and upheld by Presidents Johnson, Nixon, Ford, and Carter, will be entirely shattered. These Presidents pursued arms negotiations not because they believed they were doing the Soviets a favor, but because they knew it was in the best interest to the security of this Nation. And now, the administration has opted to discard what little progress we as a nation have made to resolve disputes with the Kremlin.

Mr. Speaker, there are further consequences which will arise if the SALT II Treaty is destroyed. First, abandoning the SALT II will undoubtedly fuel an ever-increasing arms race which will give both the United States and the Soviet Union an opportunity to double their number of nuclear warheads. Second, the destruction of this treaty will create tension between the United States and our NATO allies, as evidenced by the fact that not one of our Western allies supports the President's decision. Finally, the impact on our budget will be tremendous, for to keep up with Soviet arms expansion will cost us literally billions of dollars.

I feel that it is imperative that both the United States and the Soviet Union make a move to abate the escalation of the arms race. By opposing the President's decision to dismantle the SALT II Treaty, we will decrease the risk of an intensified nuclear dispute. I urge all of my colleagues to support House Concurrent Resolution 350 which proposes that we adhere to the SALT agreements as long as the Soviet Union does likewise.

ANTI-APARTHEID

(Mr. FAUNTROY asked and was given permission to address the House for 1 minutes and to revise and extend his remarks.)

Mr. FAUNTROY. Mr. Speaker, I have asked for this opportunity to explain to my colleagues in the Congress, to my wife, and to my constituents why I continue to be arrested in protest of apartheid in South Africa.

The reason is simply this: Every day that we delay taking action in these United States, we place at risk the lives of thousands, indeed, maybe millions of black men, women, and children in South Africa.

When I talk with the Reverend Allen Boesak or with Bishop Tutu and they tell me of the cruel beatings and the murders that go on daily in South Africa, I must do something to try to raise the consciousness and prick the conscience of the people of this country to take an action.

When the South African Government can do as it did last week and declare a state of emergency and arrest 2,000 labor, church, and other anti-apartheid activists; when they can pay for blacks to kill blacks; as they have done in Crossroads, giving them machetes and guns to shoot other blacks; and when they can pay Savimbi and Angola to protect their diamond interests there by attacking other blacks, it is time for an action.

Quite frankly, today in the Congress, we have an opportunity. This week, we can vote an action that will move the Government of South Africa away from its blind march toward tragedy and destruction and violence and turn them up the road toward reconciliation and brotherhood.

When we take that action, when that day is achieved, then I will stop embarrassing my colleagues in the Congress by following conscience and seeking to prick the conscience of this Nation to move us in the Congress to impose the sanctions that are necessary to bring about peace and stability in that region.

VETERANS NEED JUDICIAL REVIEW

(Mr. KANJORSKI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KANJORSKI. Mr. Speaker, I rise today to speak in support of a veteran's right to appeal decisions by the Veterans' Administration to a court of law. I am a cosponsor of H.R. 585, which would give veterans the same rights as any other citizen who believes that he or she has been considered unfairly by a governmental agency.

There is a basic inequity in a system which allows the VA to go to court if it believes that a veteran owes it money, but which prevents veterans from going to court if they believe the VA owes them money. There is further injustice in that those who have fought and risked their lives in defense of our Nation and our freedom should be denied such a basic right of redress.

Some of my friends in the veterans community have argued that the right of judicial review is unnecessary, because the Board of Veterans' Appeals has done such an exemplary job in adjudicating veterans' claims. They also argue that the flood of cases into the

courts will further tie up our overloaded judicial system, making that slow and costly system even slower and more costly.

Obviously, these claims are contradictory. If the BVA is doing as good a job as some claim, then there will not be that many veterans filing suit to overturn their decisions. If there are a lot of veterans who feel that their case was not fairly heard, and do choose to file suit, then this should indicate that the BVA is not doing as well as some of us had thought.

But putting aside the particulars of judicial review, there is a principal at stake here. Our court system was established as a way to make sure that every citizen has a forum to air his grievances, to seek redress, and to seek justice. As an attorney I know that this right, whether or not it is ever exercised by an individual, is basic to our trust in our legal and political system.

That is why it is especially ironic that legislation is even needed to allow veterans, the defenders of our Nation, to file their grievances in a court of law. Perhaps some of the national organizations which represent veterans do not realize this. But I know that in Pennsylvania, the American Legion and other veterans groups have voted overwhelmingly in support of the concept of judicial review. They believe as I do that veterans deserve the same rights and privileges as any other citizen.

That is why I am proud to be a supporter of H.R. 585.

HIGHER EDUCATION AMENDMENTS OF 1986

Mr. HAWKINS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 1965) to reauthorize and revise the Higher Education Act of 1965, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore (Mr. MONTGOMERY). Is there objection to the request of the gentleman from California?

Mr. GOODLING. Mr. Speaker, I reserve the right to object, although I do not intend to object. I just want to say that this was discussed with this side and we are in unanimous agreement with what the chairman plans to do.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 1965

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE; REFERENCES; TABLE OF CONTENTS

SECTION 1. (a) SHORT TITLE.—This Act may be cited as the "Higher Education Amendments of 1986".

(b) REFERENCES.—References in this Act (except as otherwise provided) to "the Act" are to the Higher Education Act of 1965.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; references; table of contents.
Sec. 2. Effective date.
Sec. 3. Contracting authority subject to appropriations.

TITLE I—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS

SUBPART 1—PELL GRANTS

Sec. 101. Extension of program; eligibility.
Sec. 102. Maximum grant.
Sec. 103. Cost of attendance rules.
Sec. 104. Family contribution schedule for Pell Grants.
Sec. 105. Procedure with respect to award errors and overpayments.

SUBPART 2—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

Sec. 107. Authorization of appropriations.
Sec. 108. Maximum amount of grant.
Sec. 109. Priority for needy students.
Sec. 110. Apportionment.

SUBPART 3—STATE STUDENT INCENTIVE GRANTS

Sec. 112. Authorization of appropriations.
Sec. 113. Authorization of community service work learning study grants.
Sec. 114. Participation of institutions.
Sec. 115. Federal share limitation.

SUBPART 4—STUDENT SUPPORT SERVICE PROGRAMS

Sec. 117. Reauthorization; prior experience provision.
Sec. 118. Student support services.
Sec. 119. Outreach and staff development.

SUBPART 5—SPECIAL PROGRAMS FOR STUDENTS WHOSE FAMILIES ARE ENGAGED IN MIGRANT AND SEASONAL FARMWORK

Sec. 121. Authorization of appropriations.

SUBPART 6—HONORS SCHOLARSHIP PROGRAM

Sec. 123. Authorization of appropriations.

PART B—GUARANTEED LOANS

Sec. 131. Extension of programs.
Sec. 132. Needs basis for the guaranteed student loan program.
Sec. 133. Increasing loan limits.
Sec. 134. Interest rate for new borrowers.
Sec. 135. Prohibiting the practice of forcing students to use certain lenders.
Sec. 136. Administrative fee.
Sec. 137. Repayment schedule; rounding of payments.
Sec. 138. Premiums, inducements, and unsolicited mailings prohibited.
Sec. 139. Deferment rules.
Sec. 140. Transfer of loans authorized.
Sec. 141. Information on default.
Sec. 142. Reporting requirement for multistate guarantors.
Sec. 143. Rule for reinsurance based on default rates.
Sec. 144. Multiple disbursements of loans.
Sec. 145. State guaranty agencies as lender of last resort.
Sec. 146. Auxiliary loan limits.
Sec. 147. Student loan consolidation.
Sec. 148. Authority of the Secretary to impose and enforce limitations, suspensions, and terminations.
Sec. 149. Additional student loan information and contact required.
Sec. 150. Authority of the Secretary to sell defaulted student loans.
Sec. 151. Definition of eligible lender; prohibition of certain inducements by eligible lenders.
Sec. 152. Special eligible institution rule for certain medical schools.
Sec. 153. Special allowance.
Sec. 154. Repeal of duplicative provisions.
Sec. 155. Student loan marketing association.
Sec. 156. Study of practices of State guaranty agencies and multistate guarantors under the guaranteed student loan program.
Sec. 157. Treatment of certain educational loans in bankruptcy proceedings.

PART C—WORK STUDY PROGRAMS

Sec. 161. Authorization of appropriations.
Sec. 162. Apportionment.
Sec. 163. College work study and proprietary institution rules.
Sec. 164. Private sector employment agreement.
Sec. 165. Community services job location and development programs.
Sec. 166. Work study for community service-learning on behalf of low-income individuals and families.

PART D—DIRECT LOANS

Sec. 167. Authorization of appropriations.
Sec. 168. Apportionment.
Sec. 169. Priority of needy students.
Sec. 170. Increasing loan limits.
Sec. 171. Rounding of payments.
Sec. 172. Student loan information.
Sec. 173. Deferment for maternal leave.
Sec. 174. Deferment for mothers with preschool aged children.
Sec. 175. Peace Corps and VISTA forgiveness provisions.

PART E—GENERAL STUDENT AID PROVISIONS

Sec. 181. Need analysis.
Sec. 182. Submission of family contribution schedules.
Sec. 183. Simplified needs test.
Sec. 184. Calendar for awarding financial aid prescribed.
Sec. 185. Less than one-half time course of study rule.
Sec. 186. Satisfactory progress.
Sec. 187. Certification of student eligibility; additional requirements.
Sec. 188. Counseling for borrowers.
Sec. 189. Combined payment plan.
Sec. 190. National student loan data bank.
Sec. 191. Installment deduction for indebtedness due to default for Federal Government employees.
Sec. 192. Installment deduction for indebtedness due to default.
Sec. 193. Truth in advertising.
Sec. 194. Availability of State grant assistance.
Sec. 195. Financial and student support services training.
Sec. 196. Ineligibility for Federal loans and discretionary grants for any loan borrower who is in default.
Sec. 197. Advisory Committee on Student Financial Assistance.
Sec. 198. Clarifying the statute of limitations for administrative offset.

PART F—INCOME CONTINGENT DIRECT LOAN DEMONSTRATION PROJECT

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EFFECTIVE DATE

SEC. 2. Except as otherwise provided in this Act, the amendments made by this Act shall take effect on October 1, 1986.

CONTRACTING AUTHORITY SUBJECT TO APPROPRIATIONS

SEC. 3. The authority to enter into contracts or other obligations under this Act (other than amendments made to part B of title IV of the Act) shall be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

TITLE I—STUDENT ASSISTANCE

PART A—GRANTS TO STUDENTS

SUBPART 1—PELL GRANTS

EXTENSION OF PROGRAM; ELIGIBILITY

SEC. 101. (a) EXTENSION.—Section 411(a)(1)(A) of the Act is amended by striking out "1985" and inserting in lieu thereof "1991".

(b) ELIGIBILITY.—Section 411(a)(2)(B) of the Act is amended—

(1) by redesignating division (iii) as division (iv), and

(2) by inserting after division (ii) the following new division:

"(iii) No basic grant shall be awarded to a student under this subpart if the income of the family of such student is equal to or is greater than $30,000 after subtracting Federal and State income taxes.".

(c) DURATION.—The first sentence of section 411(a)(3) of the Act is amended by adding before the period at the end thereof a comma and the following: "except that such period may not exceed 5 years".

MAXIMUM GRANT

SEC. 102. (a) MAXIMUM AMOUNT.—Section 411(a)(2)(A)(i) of the Act is amended to read as follows:

"(i) The amount of the basic grant for a student eligible under this part shall be—

"(I) $2,400 for academic year 1987–1988,

"(II) $2,600 for academic year 1988–1989,

"(III) $2,800 for academic year 1989–1990,

"(IV) $3,000 for academic year 1990–1991, and

"(V) $3,200 for academic year 1991–1992,

less an amount equal to the amount determined under section 411A to be the expected family contribution with respect to that student for that year.".

(b) COST OF ATTENDANCE.—Section 411(a)(2)(B)(i) of the Act is amended to read as follows:

"(B)(i) The amount of a basic grant to which a student is entitled under this subpart for any academic year shall not exceed 60 per centum of the cost of attendance (in accordance with subsection (c) and section 411A) at the institution at which the student is in attendance for that year.".

(c) TECHNICAL AMENDMENT.—Section 411(a)(1)(B) of the Act is amended—

(1) by striking out "in academic year 1985–1986, 70 per centum" and inserting in lieu thereof "60 per centum"; and

(2) by striking out "not in excess of $3,700".

(d) PAYMENTS.—Section 411(b)(3)(A) of the Act is amended to read as follows:

"(3)(A) Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purposes of this section. Any disbursement allowed to be made by crediting the student's account shall be limited to tuition and fees and, in the case of institutionally owned housing, room and board. The student may elect to have the institution provide other such goods and services by crediting the student's account.".

(e) REPEAL.—Paragraph (5) of section 411(b) of the Act is repealed.

COST OF ATTENDANCE RULES

SEC. 103. Section 411 of the Act is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection:

"(c) For the purpose of this subpart, the term 'cost of attendance' means—

"(1) the student's tuition and uniform compulsory fees at the institution at which the student is in attendance for any award year, plus

"(2)(A) an allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student which shall not be greater than $1,800 for a student without dependents residing at home with parents; and

"(B) an allowance for room and board costs, books, supplies, transportation, child care, and miscellaneous expenses incurred by the student which shall not be greater than $2,400 for all other students;

except that, if the maximum award under such subpart is less than or greater than $2,400, then the dollar amounts specified in subclauses (A) and (B) of clause (2) of this subsection shall be increased or decreased by an amount equal to the amount by which such maximum award is greater than or less than $2,400, respectively.".

FAMILY CONTRIBUTION SCHEDULE FOR PELL GRANTS

SEC. 104. Subpart 1 of part A of title IV of the Act is amended by inserting after section 411 the following new section:

"FAMILY CONTRIBUTION SCHEDULE FOR PELL GRANTS

"SEC. 411A. (a) GENERAL RULE FOR DETERMINATION OF EXPECTED FAMILY CONTRIBUTION.—(1) The expected family contribution for a dependent student and for independent students with dependents (other than a spouse) shall be determined in accordance with subsection (b), and the expected family contribution for each other independent student shall be determined in accordance with subsection (c).

"(2) The following data elements are considered in determining the expected family contribution:

"(A) the effective income of (i) the student and the student's spouse; and (ii) the student's parents, in the case of a dependent student;

"(B) the number of family members in the household;

"(C) the number of family members in the household who are enrolled in, on at least a half-time basis a program of postsecondary education;

"(D) the assets of (i) the student and the student's spouse, and (ii) the student's parents, in the case of a dependent student;

"(E) the marital status of the student;

"(F) the unusual medical expenses of (i) the student's parents, in the case of a dependent student, or (ii) the student and the student's spouse, in the case of an independent student;

"(G) the additional expenses incurred (i) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (ii) in the case of an independent student, when both the student and the student's spouse are employed or when the employed student qualifies as a surviving spouse or as a head of a household under section 2 of the Internal Revenue Code of 1954; and

"(H) the tuition paid (i) in the case of a dependent student, by the student's parents for dependent children, other than the student, who are enrolled in an elementary or secondary school, (ii) in the case of an independent student, by the student or the student's spouse for dependent children who are so enrolled.

"(b) RULES FOR DEPENDENT STUDENTS AND INDEPENDENT STUDENTS WITH DEPENDENTS (OTHER THAN A SPOUSE).—(1) For each dependent student, and independent student with dependents, the expected family contribution is equal to—

"(A) the sum of (i) the family income contribution amount determined under paragraph (2), (ii) the family asset contribution amount determined under paragraph (3), (iii) the student income contribution amount determined under paragraph (4), and (iv) the student asset contribution amount determined under paragraphs (5) and (6); adjusted for—

"(B) the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award year for which Pell Grant assistance is requested in the following manner:

"Number of family members enrolled in programs of postsecondary education	Expected contribution per student from combined contributions
1	100 percent of the contribution determined in subparagraph (A).
2	70 percent of the contribution determined in subparagraph (A).
3	50 percent of the contribution determined in subparagraph (A).
4 or more	40 percent of the contribution determined in subparagraph (A).

"(2)(A) The family income contribution amount is determined by deducting from effective family income (i) a family size offset determined in accordance with subparagraph (B), (ii) an unusual expense offset determined in accordance with subparagraph (C), (iii) an employment expense offset determined in accordance with subparagraph (D), and (iv) an educational expense offset determined in accordance with subparagraph (E). If such discretionary income is a negative amount, the family income contribution amount is zero. If such discretionary income is a positive amount the family income contribution amount is determined in accordance with the following chart:

"Discretionary income	Expected contribution
$0 to $5,000	11% of discretionary income.
$5,001 to $10,000	$550, plus 13% of amount over $5,000.
$10,001 to $15,000	$1,200, plus 18% of amount over $10,000.
$15,001 and above	$2,100, plus 25% of amount over $15,000.

"(B)(i) The family size offset is equal to the amount specified in the following table:

"Family Size Offsets

"Family members	Amount
2	$6,700
3	8,100
4	10,400
5	12,300
6	13,800
7 or more	13,800 plus $1,800 for each member over 6.

"(ii) In determining family size—

"(I) if the parents are not divorced or separated, family members include the student's parents, and the dependents of the student's parents;

"(II) if the parents are divorced or separated, family members include the parent whose income is included in computing the effective family income and that parent's dependents; and

"(III) if the parents are divorced and the parent whose income is so included is remarried, or if the parent was a widow or widower who has remarried, family members also include, in addition to those individuals referred to in subdivision (II) of this division, the new spouse and any dependents of the new spouse if that spouse's income is included in determining effective family income.

"(iii) In determining family size in the case of an independent student with dependents—

"(I) family members include the student, the student's spouse, and the student's dependents; and

"(II) if the student is divorced or separated, family members do not include the spouse (or ex-spouse) but include the student's dependents.

"(C)(i) The unusual expense offset is equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 20 percent of the effective income of the parents. The expenses of both parents are included only if the income of both parents are included in determining effective family income. A stepparent's expenses are included only if the parent's income is included in determining effective family income.

"(ii) The unusual expense offset in the case of an independent student with dependents is equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 20 percent of the effective family income of the independent student with dependents. The expenses of both the student and the student's spouse are included only if the incomes of both are included in determining effective family income.

"(D)(i) The employment expense offset is determined as follows:

"(I) If both parents were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 50 percent of the earned income (income earned by work) of the parent with the lesser earned income.

"(II) If a parent qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 50 percent of the parent's earned income.

"(ii) The employment expense offset in the case of the independent student with dependents is determined as follows:

"(I) If both the student and the student's spouse were employed in the year for which their income is reported and both have their

incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 50 percent of the earned income (income earned by work) of the spouse with the lesser earned income.

"(II) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 50 percent of the student's earned income.

"(E)(i) The educational expense offset is equal to the tuition paid by the student's parents for dependent children, other than the student, enrolled in elementary or secondary school.

"(ii) The educational expense offset in the case of an independent student with dependents is equal to the tuition paid by the student and the student's spouse for dependent children enrolled in elementary or secondary school.

"(3)(A) The expected family contribution from parental assets is determined in the manner described in subparagraphs (B) through (H).

"(B) If the parental assets include a principal place of residence, deduct $25,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(C) If the parental assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(D) If the parental assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(E) If the sum of the farm and business deduction and the deductions in subparagraphs (B) and (C) of this section exceeds $100,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $100,000 or $130,000 as the case may be.

"(F)(i) The expected contribution from parental assets equals 5 percent of the total of the results obtained in subparagraphs (B), (C), and (D) of this paragraph.

"(ii) If the calculation of discretionary income required by this subsection produces a negative number, the expected contribution from parental assets, calculated under this subparagraph, shall be reduced by the amount of that negative discretionary income. If the subtraction required by the preceding sentence of this division produces a negative number, the amount determined under this division shall be zero.

"(G)(i) If the student's parents are separated, or divorced and not remarried, only the assets of the parent whose income is included in computing annual adjusted family income shall be considered.

"(ii) If that parent has remarried, or if the parent was a widow or widower who has remarried, and the parent's spouse's income also is included in computing effective family income, the assets of that parent's spouse shall also be included.

"(H) In the computation of family contributions from effective family income and parental assets for any academic year beginning on or after July 1, 1986, the proceeds of a sale of farm or business assets of the family shall be excluded from family income if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(4)(A) The student income contribution amount is equal to—

"(i) 75 percent of the student's discretionary income in the case of a single dependent student;

"(ii) 25 percent of the student's discretionary income in the case of a married dependent student; or

"(iii) zero if the student's discretionary income is a negative amount.

"(B) A student's discretionary income is equal to the effective student income of such student minus—

"(i) $3,500 in the case of a single student or $5,300 in the case of a married student, if the amount determined under paragraph (2)(A) for parental discretionary income is a positive amount; or

"(ii) if such parental discretionary income is a negative amount, the sum of (I) the amount allowed as an offset under clause (i), plus (II) the amount, if any, by which the result of the subtraction performed under paragraph (3)(A) is less than zero.

"(5) The student asset contribution amount is equal to—

"(A) 33 percent of net value of the student's assets, in the case of a single dependent student; or

"(B) in the case of a married dependent student and spouse, 5 percent of (i) the net asset value, minus (ii) $25,000.

If such value minus such amount (as computed under clause (B) (i) and (ii)) is a negative amount, the student asset contribution amount is zero.

"(6)(A) For an independent student with dependents, the expected family asset contribution from the student and the spouse of the student is determined in the manner described in subparagraphs (B) through (G).

"(B) If the assets include a principal place of residence, deduct $25,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(C) If the assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(D)(i) If the assets include farm or business assets, or both, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets, or both. If the subtraction required by the preceding sentence of this division produces a negative number, the amount determined under this division shall be zero.

"(ii) If the sum of the farm and business deduction and the deductions in subparagraphs (B) and (C) of this paragraph exceeds $100,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $100,000 or $130,000, as the case may be.

"(E)(i) The expected contribution from the assets of the independent student with dependents equals 5 percent of the total of the results obtained in subparagraphs (B), (C), and (D) of this paragraph.

"(ii) If the calculation of discretionary income required by this subsection produces a negative number, the expected contribution from the student's (and spouse's) assets, calculated under this subparagraph, shall be reduced by the amount of that negative discretionary income. If the subtraction required by the preceding sentence of this division produces a negative number, the amount determined under this division shall be zero.

"(F) If the married independent student with dependents is separated, only assets of the independent student shall be considered.

"(G) In the computation of family contributions from effective family income and parental assets for any academic year beginning on or after July 1, 1986, the proceeds of a sale of farm or business assets of the family shall be excluded from family income if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(7) The provisions of this subsection apply to dependent students and independent students with dependents (other than a spouse).

"(c) RULES FOR OTHER INDEPENDENT STUDENTS.—(1) For each independent student, other than an independent student with dependents subject to subsection (b), the expected family contribution is equal to—

"(A) the sum of (i) the family income contribution amount determined under paragraph (2), and (ii) the family asset contribution amount determined under paragraph (3), adjusted for—

"(B) the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award year for which Pell Grant assistance is requested in the following manner:

"Number of family members enrolled in programs of postsecondary education	Expected contribution per student from combined contributions
1	100 percent of the contribution determined in subparagraph (A).
2	70 percent of the contribution determined in subparagraph (A).

"(2)(A) The family income contribution amount is determined by deducting from effective family income (i) a family size offset determined in accordance with subparagraph (B), (ii) an unusual expense offset determined in accordance with subparagraph (C), (iii) an employment expense offset determined in accordance with subparagraph (D), and (iv) an educational expense offset determined in accordance with subparagraph (E). If such discretionary income is a negative amount, the family income contribution amount is zero. If such discretionary income is a positive amount the family income contribution amount is equal to 75 percent of such discretionary income in the case of a single independent student with no dependents or a married independent student without children.

"(B)(i) The family size offset is equal to the amount specified in the following table:

"Family Size Offsets

"Family members	Amount
1	$5,300
2	$6,700

"(ii) In determining family size—

"(I) family members include the student and the student's spouse; and

"(II) if the student is divorced or separated, family members do not include the spouse (or ex-spouse).

"(C) The unusual expense offset is equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 20 percent of the effective family income. The expenses of both the student and the student's spouse are included only if the incomes of both are included in determining effective family income.

"(D) The employment expense offset is determined as follows:

"(i) If both the student and the student's spouse were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such offset is equal to the lesser of $1,500 or 50 percent of the earned income (income earned by work) of the spouse with the lesser earned income.

"(ii) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code of 1954, such offset is equal to the lesser of $1,500 or 50 percent of the student's earned income.

"(3)(A) The family asset contribution amount of an independent student and the student's spouse is equal to 5 percent of (i) the sum of the amounts computed under subparagraphs (C) and (D), reduced by (ii) the amount, if any, by which discretionary income as computed under paragraph (2)(A), is less than zero. If the result of such subtraction is a negative amount, the family asset contribution amount is zero.

"(B) The family asset contribution amount of an independent student is equal to 33 percent of such student's net asset value, reduced by the amount, if any, by which discretionary income as computed under paragraph (2)(A) is less than zero. If such value minus such amount is a negative amount, the family asset contribution amount is zero.

"(C) If the assets of an independent student with a spouse include a principal place of residence, deduct $25,000 from the net value of the principal place of residence. If the subtraction required by the preceding sentence of this subparagraph produces a negative number, the amount determined under this subparagraph shall be zero.

"(D)(i) If the assets include assets other than a principal place of residence and other than farm and business assets, deduct $25,000 from the net value of those other assets. If the subtraction required by the preceding sentence of this division produces a negative number, the amount determined under this division shall be zero.

"(ii)(I) If the assets include farm or business assets, deduct $80,000 in the case of business assets or $100,000 in the case of farm assets from the net value of the farm or business assets. If the subtraction required by the preceding sentence of this division produces a negative number, the amount determined under this division shall be zero.

"(II) If the sum of the farm and business deduction and the deductions in paragraphs (C) and (D)(i) exceeds $100,000 in the case of business deductions or $130,000 in the case of farm deductions, the farm and business deduction shall be reduced by the amount that that sum exceeds $100,000 or $130,000, as the case may be.

"(E) In the computation of family contributions from effective family income and parental assets for any academic year beginning on or after July 1, 1986, the proceeds of a sale of farm or business assets of the family shall be excluded from family income if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(d) REGULATION AUTHORITY LIMITATIONS.—The Secretary shall promulgate only such regulations as may be necessary to require the use of the most recent and relevant data in determining the expected family contribution under this section. Such regulations shall also include procedures for computing family contributions when the student's family or an independent student have encountered extraordinary circumstances.

"(e) SPECIAL RULE FOR DISLOCATED WORKERS.—(1) For the purpose of this section, the income of a dislocated worker shall be the income for the year for which the determination is made.

"(2) For the purpose of this subsection, a dislocated worker is a worker identified pursuant to title III of the Job Training Partnership Act.

"(f) DEFINITIONS.—For the purpose of this section, the terms—

"(1) 'Annual adjusted family income' means the sum received in the year immediately preceding the award year, by the student's parents (in the case of a dependent student), or by the student and the student's spouse (in the case of an independent student), except excludable income under clause (6) of this subsection, from the following sources subject to the following rules:

"(A) Adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1954.

"(B) Investment income upon which no Federal income tax is required to be paid, such as the interest on municipal bonds.

"(C) Other income, such as child support payments and welfare benefits, upon which no Federal income tax is paid except for—

"(i) veterans' benefits paid under chapters 34 and 35 of title 38 of the United States Code;

"(ii) Social Security educational benefits received by or on account of the student; and

"(iii) Social Security educational benefits paid to the student's parents for the student's siblings that would not be paid if those siblings were not students.

"(D) Income from one-half of any veteran's benefits to be paid to the student for the previous year under chapters 34 and 35 of title 38 of the United States Code.

"(E) Income from Social Security educational benefits to be paid to the student, or to the student's parents for the student for the previous award year.

"(F) Income for a student whose parents are divorced or separated is determined under the following procedures:

"(i) Include only the income described in subsection (b) of this section, of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application.

"(ii) If the preceding criterion does not apply, include only the income of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application.

"(iii) If neither of the preceding criteria apply, include only the income of the parent who provided the greater support during the most recent calendar year for which parental support was provided.

"(G) Income in the case of the death of any parent as follows:

"(i) If either of the parents have died, the student shall include only the income of the surviving parent.

"(ii) If both parents have died, the student shall not report any parental income.

"(H) Income in the case of a parent whose income is taken into account under clause (F) of this section, or a parent who is a widow or widower and whose income is taken into account under clause (E) of this section, has remarried, under the following rule: The income of that parent's spouse shall be included in determining the student's annual adjusted family income if, in the 2 previous award years, the student on July 1 of the award year concerned was not 23 years of age or older and—

"(i) has received or will receive financial assistance of more than $750 in either of such award years from that spouse;

"(ii) has lived or will live for more than 6 weeks in either of those years in the home of the parent and that spouse; and

"(iii) was claimed as a dependent by the parent or legal guardian of the student on the appropriate individual Federal income tax return.

"(2) 'Assets' means cash on hand, including amount in checking and savings accounts, time deposits, money market funds, trusts, stocks, bonds, other securities, mutual funds, tax shelters, real estate, income producing property, as well as business assets and farm assets.

"(3) 'Award year' is the period of time between July 1 of 1 year and June 30 of the following year.

"(4) 'Business assets' means property that is used in the operation of a trade or business, including real estate, inventories, buildings, machinery, and other equipment, patents, franchise rights, and copyrights.

"(5) Except as otherwise provided, 'dependent of the student' means the parents of the student, the student's spouse, any of the student's dependent children, dependent children of the student's parents, including those children who are deemed to be dependent students when applying for title IV aid; and other persons who live with and receive more than one-half of their support from the parents and will continue to receive more than half of their support from the parents during the award year.

"(6)(A) The term 'excludible income' means the income described in subclauses (B), (C), and (D) of this clause which is excluded for the purpose of determining 'annual adjusted family income' under clause (1).

"(B) For a Native American student, the annual adjusted family income does not include the income received by the student, the student's spouse, or the student's parents under the Distribution of Judgment Funds Act (25 U.S.C. 1401, et seq.), the Alaska Native Claims Settlement Act (43 U.S.C. 1601, et seq.), or the Maine Indians Claims Settlement Act (25 U.S.C. 1721, et seq.).

"(C) In the case of a student who is divorced or separated, or whose spouse has died, the spouse's income shall not be considered in determining the effective family income.

"(D) The annual adjusted family income does not include any student financial assistance except veterans' or Social Security benefits set forth in clause (1) of this subsection.

"(7) 'Farm assets' means any property owned and used in the operation of a farm for profit, including real estate, livestock, livestock products, crops, farm machinery, and other equipment inventories. A farm is not considered to be operated for profit if crops or livestock are raised mainly for the use of the family, even if some income is derived from incidental sales.

"(8) 'Medical expenses' means unreimbursed medical and dental expenses that may be deducted under section 213 of the Internal Revenue Code of 1954 and that were paid in the taxable year immediately preceding the award year, unless the student files an application with the Secretary under the provisions of regulations promulgated by the Secretary. In that case, the expenses reported are expenses paid in the award year.

"(9) 'Net assets' means the current market value at the time of application of the assets included in the definition of 'assets' minus the outstanding liabilities (indebtedness) against the assets.

"(10) 'State income tax' means the tax on income paid to one or more of the 50 States of the United States or the District of Columbia.

"(11) 'Effective family income' is the annual adjusted family income minus the Federal taxes and State income taxes paid or payable for the year that adjusted gross income is used in the calculation of the student's Pell Grant.".

PROCEDURE WITH RESPECT TO AWARD ERRORS AND OVERPAYMENTS

SEC. 105. Section 411 of the Act (as amended by section 103(1)) is amended by adding at the end thereof the following new subsection:

"(e)(1) Each contractor processing applications for awards under this subpart shall, in a timely manner, furnish to the student financial aid administrator at each institution of higher education which a student awarded a basic grant under this subpart is attending an estimate of the eligibility index for each such student. Each such student financial aid administrator shall—

"(A) examine and assess the data used to calculate the eligibility index of the student furnished pursuant to this subsection;

"(B) recalculate the eligibility index of the student if there has been a change in circumstances of the student or in the data submitted;

"(C) make the award to the student in the correct amount; and

"(D) report the corrected data, if necessary, to such contractor for a confirmation of the correct computation of amount of the eligibility index for each such student.

"(2) Whenever a student receives an award under this subpart, due to recalculation errors by the institution of higher education, that is in excess of the amount which the student is entitled to receive under this subpart, the institution of higher education which such student is attending shall pay to the Secretary the amount of such excess.

"(3) Each contractor processing applications for awards under this subpart shall for each academic year after academic year 1986-1987 prepare and submit a report to the Secretary on the correctness of the computations of amount of the eligibility index, and on the accuracy of the questions on the application form under this subpart for the previous academic year for which the contractor is responsible. The Secretary shall transmit the report, together with the comments and recommendations of the Secretary, to the Committee on Appropriations and the Committee on Labor and Human Resources of the Senate and the Committee on Appropriations and the Committee on Education and Labor of the House of Representatives.".

SUBPART 2—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

AUTHORIZATION OF APPROPRIATIONS

SEC. 107. Section 413A(b) of the Act is amended to read as follows:

"(b)(1) For the purpose of enabling the Secretary to make payments to institutions of higher education which have made agreements with the Secretary in accordance with section 487, for use by such institutions for payments to undergraduate students of a supplemental grant awarded to them under this subpart, there are authorized to be appropriated $433,125,000 for fiscal year 1987, $454,781,000 for fiscal year 1988, $477,520,000 for fiscal year 1989, $501,396,000 for fiscal year 1990, and $526,466,000 for fiscal year 1991.

"(2) Sums appropriated pursuant to this subsection for any fiscal year shall be available for payments to institutions of higher education until the end of the second fiscal year succeeding the fiscal year for which they were appropriated.".

MAXIMUM AMOUNT OF GRANT

SEC. 108. Section 413B(a)(2)(A) of the Act is amended by striking out "$2,000" and inserting in lieu thereof "$3,000".

PRIORITY FOR NEEDY STUDENTS

SEC. 109. Section 413C(b) of the Act is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end thereof the following new paragraph:

"(2)(A) In carrying out paragraph (1) of this subsection, each institution of higher education shall, in the agreement made under section 487, assure that the selection procedures—

"(i) will be designed to award supplemental grants under this subpart, first, to students with exceptional need, and

"(ii) will give a priority for supplemental grants under this subpart to students who receive Pell Grants and meet the requirements of section 484.

"(B) In determining exceptional need under this paragraph, expected family contribution of a student may not exceed 50 percent of the cost of attendance at the institution of higher education.".

APPORTIONMENT

SEC. 110. (a) GENERAL RULE.—Section 413D of the Act is amended—

(1) by redesignating paragraph (3) of subsection (b) as subsection (c);

(2) by redesignating paragraph (4) of subsection (b) as subsection (d); and

(3) by amending subsection (a) and paragraphs (1) and (2) of subsection (b) to read as follows:

"(a)(1)(A) From the sums appropriated pursuant to section 413A(b)(1) for any fiscal year which are equal to or less than the amount appropriated for this subpart for fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the grant program under this subpart an amount equal to the amount so appropriated multiplied by the eligible institution's apportionment percentage.

"(B) For the purpose of subparagraph (A) of this paragraph, an eligible institution's apportionment percentage is the percentage which the amount the institution of higher education was eligible to receive from appropriations made in fiscal year 1985 under this subpart bears to the total amount available under this subpart for that year.

"(2)(A) In any fiscal year in which the amount appropriated for this subpart exceeds the amount appropriated for this subpart in fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the grant program under this subpart an amount which bears the same ratio to such excess as the number of eligible undergraduates who are enrolled full time and the full-time equivalent of the number of eligible undergraduates enrolled part time in the institution of higher education, bears to the total number of such undergraduates in all institutions of higher education.

"(B) For the purpose of subparagraph (A) of this paragraph, the term 'eligible undergraduates' means undergraduates who were eligible to receive a supplemental grant under this subpart for the fiscal year preceding the fiscal year for which the determination is made.

"(b) If the Secretary determines that the sums apportioned to any institution of higher education under paragraph (2) for any fiscal year exceed the aggregate of the amounts that the Secretary determines to be required by that institution for that fiscal year, the Secretary shall reapportion such excess, from time to time, on such date or dates as the Secretary shall fix, to other institutions of higher education in such manner as the Secretary determines will best assist in achieving the purposes of this subpart.".

(b) CONFORMING AMENDMENT.—Subsection (c) of section 413D of the Act (as redesignated by subsection (a) of this section) is amended by striking out "from apportionments made to the State under subsection (a)(1) and under subsection (a)(2)".

SUBPART 3—STATE STUDENT INCENTIVE GRANTS

AUTHORIZATION OF APPROPRIATIONS

SEC. 112. Section 415A(b)(1) of the Act is amended to read as follows:

"(b)(1) There are authorized to be appropriated $76,000,000 for fiscal year 1987, and for each succeeding fiscal year ending prior to October 1, 1991, for payments to the States for grants to eligible students under this subpart.".

AUTHORIZATION OF COMMUNITY SERVICE WORK LEARNING STUDY GRANTS

SEC. 113. (a) PROGRAM AUTHORIZED.—(1) Section 415A(a) of the Act is amended by inserting before the period at the end thereof a comma and the following: "and grants to eligible students for campus-based community service work learning study".

(2)(A) Section 415C(b) of the Act is amended by striking out "50 per centum" and inserting in lieu thereof "the Federal share".

(B) Section 415C(b)(2) of the Act is amended—

(i) by inserting "(A)" after "for"; and

(ii) by inserting before the semicolon a comma and the following: "and (B) for campus-based community service work learning study jobs".

(C) Section 415C of the Act is amended—

(i) by redesignating subsection (c) as subsection (d); and

(ii) by adding after subsection (b) the following new subsection:

"(c) The Federal share for grants described in subsection (b)(2)(A) shall be 50 percent for each fiscal year. The Federal share for grants described in subsection (b)(2)(B) shall be 60 percent for each fiscal year.".

(b) DEFINITION.—Subpart 3 of part A of title 4 of the Act is amended by adding at the end thereof the following new section:

"DEFINITION

"SEC. 415E. For the purposes of this subpart, the term 'community service' means services, including direct service, planning, and applied research which are identified by an institution of higher education, through formal or informal consultation with local non-profit, governmental, and community-based organizations, and which—

"(1) are designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to the needs of such residents, including but not limited to, such fields as health care, child care, education, literary training, welfare, social services, public safety, crime prevention and control, transportation, recreation, housing and neighborhood improvement, rural development, and community improvement; and

"(2) provide participating students with work-learning opportunities related to their educational or vocational programs or goals.".

PARTICIPATION OF INSTITUTIONS

SEC. 114. (a) PROPRIETARY INSTITUTIONS.—Section 415C of the Act is amended by striking out "nonprofit" in clause (4) each time it appears.

(b) TECHNICAL AMENDMENT.—Section 481(a) of the Act is amended by striking out "part 6" and inserting in lieu thereof "part 7".

FEDERAL SHARE LIMITATION

SEC. 115. Section 415C of the Act is amended by adding at the end thereof the following new subsection:

"(e) Each State shall pay the non-Federal share of the cost of the State student incentive grant program authorized by this subpart from State or other public sources.

SUBPART 4—STUDENT SUPPORT SERVICE PROGRAMS

REAUTHORIZATION; PRIOR EXPERIENCE PROVISION

SEC. 117. (a) REAUTHORIZATION.—Section 417A(c) of the Act is amended to read as follows:

"(c)(1) For the purpose of making grants and contracts under this subpart there are authorized to be appropriated $185,249,000 for fiscal year 1987, $194,511,000 for fiscal year 1988, $204,237,000 for fiscal year 1989, $214,449,000 for fiscal year 1990, and $225,171,000 for fiscal year 1991.

"(2) In each fiscal year, $1,000,000 may be available for carrying out programs authorized by section 417D(f).".

(b) PRIOR EXPERIENCE CONSIDERATION.—Section 417A(b)(2) of the Act is amended by adding at the end thereof the following new sentence: "For fiscal years after 1985, the level of consideration given to prior experience shall not vary from the level of consideration given this factor for fiscal year 1985.".

STUDENT SUPPORT SERVICES

SEC. 118. (a) GENERAL RULE.—(1)(A) Section 417D(a) of the Act is amended by striking out "special services for disadvantaged students (hereinafter referred to as 'special services')" and insert in lieu thereof "student support services".

(B) Section 417D of the Act is amended by striking out "special services" each place it appears in subsections (b), (c), and (d) and inserting in lieu thereof "student support services" each such time.

(2) Section 417D of the Act is further amended by adding at the end thereof the following new subsection:

"(e) The Secretary may provide financial assistance to Student Support Service programs which include an outreach and counseling provision for low income and first generation college and university students in their junior and senior years to encourage application and enrollment in graduate programs excluding professional schools. Such a program may include consortium contracts with graduate centers or programs on campus which provide research assistantships in the summer months for such students in their fields of study. Each student receiving service assistantships under this subsection may be paid a stipend not to exceed $2,400.".

(b) TECHNICAL AMENDMENT.—The heading of section 417D of the Act is amended to read as follows:

"STUDENT SUPPORT SERVICES".

(c) REAUTHORIZATION OF VETERANS' COST OF INSTRUCTION PAYMENTS.—(1) Section 420A(a) of the Act is amended—

(A) by striking out "September 30, 1985" in paragraph (1) and inserting in lieu thereof "September 30, 1991"; and

(B) by striking out "September 30, 1986" in paragraph (2) and inserting in lieu thereof "September 30, 1992".

(2) Section 420A of the Act is amended by inserting at the end thereof the following new subsection:

"(h) There are authorized to be appropriated $3,150,000 for fiscal year 1987, $3,307,000 for fiscal year 1988, $3,473,000 for fiscal year 1989, $3,646,000 for fiscal year 1990, and $3,829,000 for fiscal year 1991.".

OUTREACH AND STAFF DEVELOPMENT

SEC. 119. Section 417F of the Act is amended to read as follows:

"OUTREACH AND STAFF DEVELOPMENT ACTIVITIES

"SEC. 417F. For the purposes of improving the operation of the special services programs and projects authorized by this subpart, and to expand the outreach of related activities which extend postsecondary educational opportunities to students from disadvantaged backgrounds, the Secretary is authorized to make grants to institutions of higher education and other public and private nonprofit institutions and organizations to provide training for staff and leadership personnel (including junior and high school counselors) employed in, or preparing for employment in, such programs and projects. Such training shall include—

"(1) conferences, internships, seminars, workshops, and training manuals designed to improve the operation of programs and projects assisted under this subpart; and

"(2) training institutes to enable junior and senior high schools' counselors and teachers, personnel involved in programs and projects assisted under this subpart, college admissions personnel, and community agency staffs to counsel more effectively students and adults regarding postsecondary opportunity and financial aid eligibility. Training under this section shall be carried out in the various regions of the Nation in order to ensure that the training opportunities are appropriate to meet the needs in the local areas being served by such programs and projects. Grants made under this section shall be made only after consultation with regional and State professional associations of persons having special knowledge with respect to the needs and problems of such programs and projects.".

SUBPART 5—SPECIAL PROGRAMS FOR STUDENTS WHOSE FAMILIES ARE ENGAGED IN MIGRANT AND SEASONAL FARMWORK

AUTHORIZATION OF APPROPRIATIONS

SEC. 121. Section 418A(b) of the Act is amended to read as follows:

"(b) There are authorized to be appropriated $7,875,000 for fiscal year 1987, $8,269,000 for fiscal year 1988, $8,682,000 for fiscal year 1989, $9,116,000 for fiscal year 1990, and $9,572,000 for fiscal year 1991, to carry out the provisions of this subpart.".

SUBPART 6—HONORS SCHOLARSHIP PROGRAM

AUTHORIZATION OF APPROPRIATIONS

SEC. 123. Section 419 of the Act is amended by striking out ", 1987, and 1988" and inserting in lieu thereof "through 1991".

PART B—GUARANTEED LOANS

EXTENSION OF PROGRAMS

SEC. 131. (a) Section 424(a) of the Act is amended—

(1) by striking out "1988" and inserting in lieu thereof "1992"; and

(2) by striking out "1992" and inserting in lieu thereof "1996".

(b) Section 428(a)(5) of the Act is amended—

(1) by striking out "1988" and inserting in lieu thereof "1992"; and

(2) by striking out "1992" and inserting in lieu thereof "1996".

NEEDS BASIS FOR THE GUARANTEED STUDENT LOAN PROGRAM

SEC. 132. (a) NEEDS BASIS REQUIRED.—(1) Section 428(a)(2)(B) of the Act is amended to read as follows:

"(B) For the purpose of clause (ii) of subparagraph (A) a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement evidencing a determination of need for a loan and the amount of such need.".

(2)(A) Section 428(a)(2)(B) of the Act is amended to read as follows:

"(D) The schedule of expected family contributions required by section 482 shall apply to the determination required by this paragraph.".

(B) Section 428(a)(2)(E) of the Act is repealed.

(b) INSTITUTIONAL RESPONSIBILITY FOR DETERMINATION OF NEED.—Section 428(a)(2)(F) of the Act is amended to read as follows:

"(E)(i) For the purpose of subparagraph (B), the amount of the loan which is qualified for a payment under paragraph (1) is the amount of the need of such student as determined by the eligible institution.

"(ii) An eligible institution may not, in carrying out the provisions of subparagraphs (A) and (B) of this paragraph, provide a statement which permits the student to receive any loan under this part in excess of the maximum amount applicable to such loan.".

(c) EXPECTED FAMILY CONTRIBUTION OFFSET.—Section 428(a)(2) of the Act is amended by adding at the end thereof the following new subparagraph:

"(F) For the purpose of subparagraphs (B) and (C) of this paragraph, any loan ob-

tained by a student or a parent under section 428B of this Act or under any State-sponsored or private loan program for an academic year for which the determination is made may be used to offset the expected family contribution of the student for that year.".

INCREASING LOAN LIMITS

SEC. 133. (a) FEDERALLY INSURED LOANS.—(1) Section 425(a)(1) of the Act is amended by striking out "$2,500 in the case of a student who has not successfully completed a program of undergraduate education, or $5,000" and inserting in lieu thereof "$3,000 in the case of a student who has not successfully completed 2 years or its equivalent of a program of undergraduate education, $4,000 in the case of a student who has completed 2 years or its equivalent of a program of undergraduate education, but who has not completed such program, or $7,500".

(2)(A) Section 425(a)(1)(A) of the Act is amended by striking out "$2,500" and inserting in lieu thereof "$3,000".

(B) Section 425(b)(1)(B) of the Act is amended by striking out "$1,500" and inserting in lieu thereof "$2,000".

(3) Section 425(a)(2) of the Act is amended—

(A) by striking out "$12,500" and inserting in lieu thereof "$18,000"; and

(B) by striking out "$25,000" and inserting in lieu thereof "$55,500".

(b) GUARANTEED LOANS.—(1) Section 428(b)(1)(A) of the Act is amended by striking out "$2,500 in the case of a student who has not successfully completed a program of undergraduate education, or $5,000" and inserting in lieu thereof "$3,000 in the case of a student who has not successfully completed 2 years or its equivalent of a program of undergraduate education, $4,000 in the case of a student who has completed 2 years or its equivalent of a program of undergraduate education, but who has not completed such program, or $7,500".

(2)(A) Section 428(b)(1)(A)(i) of the Act is amended by striking out "$2,500" and inserting in lieu thereof "$3,000".

(B) Section 428(b)(1)(A)(ii) of the Act is amended by striking out "$1,500" and inserting in lieu thereof "$2,000".

(3) Section 428(b)(1)(B) of the Act is amended—

(A) by striking out "$12,500" and inserting in lieu thereof "$18,000"; and

(B) by striking out "$25,000" and inserting in lieu thereof "$55,500".

(c) LOANS UNDER SUPPLEMENTAL GUARANTY AGREEMENT.—(1)(A) Section 428A(a)(1)(A) of the Act is amended by striking out "$2,500 (in the case of a student who has not successfully completed a program of undergraduate education), or $5,000" and inserting in lieu thereof "$3,000 (in the case of a student who has not successfully completed 2 years or its equivalent of a program of undergraduate education), $4,000 (in the case of a student who has completed 2 years or its equivalent of a program of undergraduate education, but who has not completed such program), or $7,500".

(B) Section 428A(a)(1)(A) of the Act is further amended—

(i) by striking out "$12,500" and inserting in lieu thereof "$18,000"; and

(ii) by striking out "$25,000" and inserting in lieu thereof "$55,500".

(2) Section 428A(a)(2)(A) of the Act is amended by striking out "$2,500 (in the case of a student who has not successfully completed a program of undergraduate education), or $5,000" and inserting in lieu thereof "$3,000 (in the case of a student who has not successfully completed 2 years or its equivalent of a program of undergraduate education), $4,000 (in the case of a student who has completed 2 years or its equivalent of a program of undergraduate education, but who has not completed such program, or $7,500".

(3) Section 428A(a)(2)(A) of the Act is further amended—

(A) by striking out "$12,500" and inserting in lieu thereof "$18,000"; and

(B) by striking out "$25,000" and inserting in lieu thereof "$55,500".

INTEREST RATE FOR NEW BORROWERS

SEC. 134. (a) NEW BORROWERS.—Section 427A of the Act is amended—

(1) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively; and

(2) by adding after subsection (c) the following new subsection:

"(d) INTEREST RATES FOR NEW BORROWERS AFTER JUNE 30, 1986.—Notwithstanding subsections (a) and (b) of this section, with respect to any loan (other than a loan made pursuant to section 428B and section 428C) to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1986, to any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, the applicable rate of interest shall be—

"(1) 8 percent per year on the unpaid principal balance of the loan during the period beginning on the date of the disbursement of the loan and ending with the commencement of the repayment period; and

"(2) 10 percent per year on the unpaid principal balance of the loan during the repayment period.".

(b) CONFORMING AMENDMENTS.—Section 427A is amended—

(1) by inserting after the subsection designation (a) the following: "RATES TO BE CONSISTENT WITH BORROWER'S ENTIRE DEBT.—";

(2) by inserting after the subsection designation (b) the following: "REDUCTION FOR CERTAIN BORROWERS AFTER DECLINE IN CERTAIN RATES.—";

(3) by inserting after the subsection designation (c) the following: "RATES FOR SUPPLEMENTAL AND PARENTAL LOANS.—";

(4) by inserting after the subsection designation (e) (as redesignated by subsection (a)) the following: "LESSER LOAN RATES PERMITTED.—"; and

(5) by inserting after the subsection designation (f) (as redesignated by subsection (a)) the following: "DEFINITIONS.—".

PROHIBITING THE PRACTICE OF FORCING STUDENTS TO USE CERTAIN LENDERS

SEC. 135. Section 428(a)(2) of the Act (as amended by section 132(c)), is further amended by adding at the end thereof the following new subparagraph:

"(H) Except as provided in subparagraph (F), an eligible institution may not, in carrying out the provisions of subparagraphs (A) and (B) of this paragraph, refuse to provide to any eligible lender which has an agreement under subsection (b) of this section with any State or nonprofit private institution or organization, a statement which permits a student to receive any loan under this part.".

ADMINISTRATIVE FEE

SEC. 136. Section 428(b)(1)(H) of the Act is amended to read as follows:

"(H) provides for collection of an insurance premium equal to not more than 3 percent per loan for the first year of the loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and insures that the proceeds of the premium will not be used for incentive payments to lenders;".

REPAYMENT SCHEDULE; ROUNDING OF PAYMENTS

SEC. 137. (a) FEDERALLY INSURED LOANS.—Section 427(a)(2)(B) of the Act is amended—

(1) by striking out "and" at the end of subclause (ii);

(2) by inserting "and" at the end of clause (iii); and

(3) by adding at the end thereof the following new clause:

"(iv) upon the request of the borrower, the lender shall provide a revised repayment schedule which is based upon graduated repayments,".

(b) GUARANTEED LOANS.—Section 428(b)(1)(L) of the Act is amended—

(1) by inserting "(i)" after the clause designation; and

(2) by adding at the end thereof the following new divisions:

"(ii) upon request of the borrower, the lender shall provide a revised repayment schedule which is based upon graduated repayments; and

"(iii) provides that the total payments by a borrower for a monthly or other similar payment period with respect to the aggregate of all loans held by the lender may, when the amount of a monthly or other similar payment is not a multiple of $5, be rounded to the next highest whole dollar amount that is a multiple of $5;".

PREMIUMS, INDUCEMENTS, AND UNSOLICITED MAILINGS PROHIBITED

SEC. 138. Section 428(b) of the Act is amended by adding at the end thereof the following new paragraph:

"(3) Each State and nonprofit private institution or organization shall not—

"(A) offer, directly or indirectly, premiums, payments, or other inducements to any educational institution or its employees in order to secure applicants for loans under this part,

"(B) conduct unsolicited mailings to students enrolled in secondary school of student loan application forms, or

"(C) conduct fraudulent or misleading advertising concerning loan availability.".

DEFERMENT RULES

SEC. 139. (a) DISABILITY RULE.—(1) Section 428(b)(1)(M)(vii) is amended by striking out "spouse" and inserting in lieu thereof "dependent".

(2) Section 427(a)(2)(C)(vii) of the Act is amended by striking out "spouse" and inserting in lieu thereof "dependent".

(b) MATERNAL LEAVE.—(1)(A) Section 428(b)(1)(M) of the Act is amended by striking out "or" at the end of clause (vii) and by adding before the semicolon at the end thereof the following new clause: "or (ix) not in excess of 6 months of maternal leave".

(B) Section 427(a)(2)(C) of the Act is amended by striking out "or" at the end of clause (vii) and by adding before the semicolon at the end thereof the following new clause "or (ix) not in excess of 6 months of maternal leave".

(2) Section 435 of the Act is amended by adding at the end thereof the following new subsection:

"(k) The term 'maternal leave' means a period of time during which the borrower is pregnant, is caring for her newborn child, is caring for her child immediately following

the placement of the child through adoption, if the child has not attained 3 years of age, if the borrower meets the criteria for needs applicable to loans under this part.".

(c) WORKING MOTHERS WITH PRESCHOOL AGED CHILDREN.—(1) Section 428(b)(1)(M) of the Act is amended by striking out "or" at the end of clause (ix) and by adding before the semicolon at the end thereof the following new clause: "or (x) not in excess of 12 months for mothers with preschool age children who are just entering or reentering the workforce and who are compensated at a rate not exceeding $1 in excess of the rate prescribed under section 6 of the Fair Labor Standards Act of 1938".

(d) Section 428(b) of the Act (as amended by section 139) is further amended by adding at the end thereof the following new paragraph:

"(4) For the purpose of paragraph (1)(M) of this subsection, the Secretary shall approve any course of study at a foreign university that is accepted for the completion of a recognized international fellowship program by the administrator of such a program.".

TRANSFER OF LOANS AUTHORIZED

SEC. 140. Section 428(b)(2) of the Act is amended—

(1) by striking out "and" at the end of clause (C);

(2) by striking out the period at the end of clause (D) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new clause:

"(E) provide that any State or nonprofit private institution or organization that has entered into such an agreement with the Secretary can transfer loans which are insured under this part to any State, nonprofit private institution, or organization that also has such an agreement with the Secretary with the approval of the recipient, State, institution, or organization.".

INFORMATION ON DEFAULT

SEC. 141. Section 428 of the Act is amended by adding at the end thereof the following new subsection:

"(j)(1) In order to notify eligible institutions of former students who are in default of their continuing obligation to repay student loans, each guarantee agency may, upon the request of an eligible institution, furnish information with respect to students who were enrolled at the eligible institution and who are in default on the repayment of any loan made, insured, or guaranteed under this part. The information authorized to be furnished under this subsection may include the names and addresses of such students.

"(2) Nothing in paragraph (1) of this subsection shall be construed to authorize public dissemination of the information described in paragraph (1).".

REPORTING REQUIREMENT FOR MULTISTATE GUARANTORS

SEC. 142. (a) GENERAL RULE.—Section 428(b) of the Act (as amended by section 140) is further amended by adding at the end thereof the following new paragraph:

"(5)(A) Each multistate guarantor guaranteeing loans under this part shall, with respect to loans insured by the multistate guarantor for students who are residents of a State for which the multistate guarantor is not the State designated guaranty agency for the purpose of this part, report such loans to the appropriate State-designated guaranty agency.

"(B) The information required by subparagraph (A) shall include—

"(i) the name, the social security number, and the address of the borrower;

"(ii) the amount borrowed, the cumulative amount borrowed, the income reported for application, the purposes and cost of attendance of the borrower.".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to loans made after October 1, 1986, and shall be reported not later than six months after the date of enactment of this Act and at each six-month interval thereafter.

RULE FOR REINSURANCE BASED ON DEFAULT RATES

SEC. 143. Section 428(c)(1)(B) of the Act is amended—

(1) by striking out "90 per centum" in clause (i) and inserting in lieu thereof "80 per centum"; and

(2) by striking out "80 per centum" in clause (ii) and inserting in lieu thereof "70 per centum".

MULTIPLE DISBURSEMENTS OF LOANS

SEC. 144. Section 428(i) of the Act is amended to read as follows:

"(i)(1) Any guaranty agency or eligible lender (hereafter in this subsection referred to as the 'escrow agent') may enter into an agreement with any other eligible lender that is not an eligible institution or an agency or instrumentality of the State (hereafter in this subsection referred to as the 'lender') for the purpose of authorizing multiple disbursements of the proceeds of a loan to a student. Such agreement shall provide that the lender will pay the proceeds of such loans into an escrow account to be administered by the escrow agent in accordance with the provisions of paragraph (2) of this subsection. Such agreement may allow the lender to make payments into the escrow account in amounts that do not exceed the sum of the amounts required for disbursement of initial or subsequent installments to borrowers and to make such payments not more than 45 days prior to the date of the disbursement of such installment to such borrowers. Such agreement shall require the lender to notify promptly the eligible institution when funds are escrowed under this subsection for a student at such institution.

"(2) Each escrow agent entering into an agreement under paragraph (1) of this subsection is authorized to—

"(A) make the disbursements in accordance with the note evidencing the loan;

"(B) commingle the proceeds of all loans paid to the escrow agent pursuant to the escrow agreement entered into under such paragraph (1);

"(C) invest the proceeds of such loans in obligations of the Federal Government or obligations which are insured or guaranteed by the Federal Government;

"(D) retain interest or other earnings on such investment; and

"(E) return to the lender undisbursed funds when the student ceases to carry at an eligible institution at least one-half of the normal full-time academic workload as determined by the institution.".

STATE GUARANTY AGENCIES AS LENDER OF LAST RESORT

SEC. 145. Section 428 of the Act is amended by adding at the end thereof the following new subsection:

"(k) LENDERS OF LAST RESORT.—In each State, the guaranty agency or an eligible lender in the State described in section 435(g)(1)(D) of this Act shall make loans directly, or through an agreement with an eligible lender or lenders, to students eligible to receive interest benefits paid on their behalf under subsection (a) of this section who are otherwise unable to obtain loans under this part. Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under subsection (a)(2)(B) nor be less than $200.".

AUXILIARY LOAN LIMITS INCREASED

SEC. 146. Section 428B of the Act is amended—

(1) by striking out "$3,000" in subsection (b)(1) and inserting in lieu thereof "$4,000";

(2) by striking out "$15,000" in subsection (b)(2) and inserting in lieu thereof "$20,000";

(3) by striking out "$2,500" in subsection (c)(4)(A) and inserting in lieu thereof "$4,500"; and

(4) by striking out "$12,500" in subsection (c)(4)(B) and inserting in lieu thereof "$22,500".

STUDENT LOAN CONSOLIDATION

SEC. 147. (a) LOAN CONSOLIDATION AUTHORIZED.—Part B of title IV of the Act is amended by inserting after section 428B the following new section:

"CONSOLIDATION LOANS

"SEC. 428C. (a)(1) For the purpose of providing loans to eligible borrowers for consolidation of their obligations with respect to student loans—

"(A) made, insured, or guaranteed under this part,

"(B) made under part E of this title, or

"(C) made under subpart II of part C of title VII of the Public Health Service Act,

the Secretary or a guaranty agency shall enter into agreements in accordance with subsection (b) with—

"(i) the Student Loan Marketing Association;

"(ii) agencies described in subparagraphs (D) and (F) of section 435(g)(1); and

"(iii) eligible lenders described in subparagraphs (A), (B), (C), and (E) of such section.

"(2) Except as provided in section 429(e), no contract of insurance under this part shall apply to a consolidation loan unless such loan is made under an agreement pursuant to this section and is covered by a certificate issued in accordance with subsection (b)(2). Loans covered by such a certificate that is issued by a guaranty agency shall be considered to be insured loans for the purpose of reimbursements under section 428(c), but no payment shall be made with respect to such loans under section 428(f) to any such guaranty agency.

"(3) For the purpose of this section, the term 'eligible borrower' means a borrower who—

"(A) has an outstanding indebtedness, at the time of application for a consolidation loan, to one or more lenders or programs described in paragraph (1) of not less than $5,000;

"(B) has not during the previous 4 months carried at an eligible institution at least one-half the normal full-time academic workload;

"(C) if in repayment status, is not delinquent with respect to any required payment on such indebtedness by more than 90 days; and

"(D) is not a parent borrower under section 428B(a)(1).

"(4) An individual's status as an eligible borrower under this section terminates upon receipt of a consolidation loan under

this section except with respect to loans received under this title after the date of receipt of the consolidation loan. For the purpose of computing the outstanding indebtedness of such an individual, only loans received after such date shall be taken into account.

"(b)(1) Any lender described in clause (i), (ii), or (iii) of subsection (a)(1) who wishes to make consolidation loans under this section shall enter into an agreement with the Secretary or a guaranty agency which provides—

"(A)(i) that, in the case of lenders described in subsection (a)(1), the lender will make a consolidation loan to an eligible borrower (on request of that borrower) only if (I) the lender holds an outstanding loan of that borrower which is selected by the borrower for consolidation under this section, or (II) the borrower certifies that the borrower has sought and has been unable to obtain a consolidation loan from the holders of the outstanding loans of that borrower (which are so selected for consolidation);

"(B) that each consolidation loan made by the lender will bear interest, and be subject to repayment, in accordance with subsection (c);

"(C) that each consolidation loan will be made, notwithstanding any other provision of this part limiting the maximum principal amount for all insured loans made to a borrower, in an amount (i) which is not less than the minimum amount required for eligibility of the borrower under subsection (a)(3)(A)(i), and (ii) which is equal to the sum of the unpaid principal, accrued unpaid interest and late charges of all loans received by the eligible borrower under programs described in subsection (a)(1) which are selected by the borrower for consolidation;

"(D) that the proceeds of each consolidation loan will be paid by the lender to the holder or holders of the loans so selected to discharge the liability on such loans; and

"(E) such other terms and conditions as the Secretary or a guaranty agency (whichever is party to the agreement) may specifically require of the lender to carry out this section.

"(2) The Secretary shall issue a certificate of comprehensive insurance coverage under section 429(b) to a lender which has entered into an agreement with the Secretary under paragraph (1) of this subsection. A guaranty agency may issue a certificate of comprehensive insurance coverage to a lender if the lender has entered into an agreement under paragraph (1) of this subsection. The Secretary shall not issue such a certificate under this paragraph to a lender described in clause (ii) or (iii) of subsection (a)(1) if the Secretary determines that such lender has reasonable access in its State, for the purpose of obtaining such a certificate, to a State or guaranty agency. In either case, such certificate shall, at a minimum, provide—

"(A) that all consolidation loans made by such lender in conformity with the requirements of this section will be insured against loss of principal and interest by the issuer of such certificate;

"(B) that a consolidation loan will not be insured unless the lender has determined to its satisfaction, in accordance with reasonable and prudent business practices, for each loan being consolidated (i) that the loan is a legal, valid, and binding obligation of the borrower; (ii) that each such loan was made and serviced in compliance with applicable laws and regulations; and (iii) in the case of loans under this part, that the insurance on such loan is in full force and effect;

"(C) the effective date and expiration date of the certificate;

"(D) the aggregate amount to which the certificate applies;

"(E) that, if the lender prior to the expiration of the certificate no longer proposes to make consolidation loans, the lender will so notify the issuer of such certificate in order that the certificate may be terminated (without affecting the insurance on any consolidation loan made prior to such termination); and

"(F) the terms upon which the issuer of the certificate may limit, suspend, or terminate the lender's authority to make consolidation loans under the certificate (without affecting the insurance on any consolidation loan made prior to such limitation, suspension, or termination).

"(3) A consolidation loan made pursuant to this section shall be insurable under a certificate issued pursuant to paragraph (2) only if the loan is made to an eligible borrower who has agreed to notify the holder of the loan promptly concerning any change of address and the loan is evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by him would not, under applicable law, create a binding obligation, endorsement may be required;

"(B) provides for the payment of interest and the repayment of principal in accordance with subsection (c) of this section and contains notice of the possibility of a revised repayment schedule under paragraph (2) of such subsection;

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

"(i) during which the borrower is pursuing a full-time course of study at an eligible institution, is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary;

"(ii) not in excess of 2 years during which the borrower is serving an internship, the successful completion of which is required in order to receive professional recognition;

"(iii) not in excess of 3 years during which the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a spouse who is so disabled; or

"(iv) which is a single period, not in excess of 12 months, at the request of the borrower, during which the borrower is seeking and unable to find full-time employment; and

that any such period shall not be included in determining the repayment period provided pursuant to subsection (c)(2) of this section;

"(D) entitles the borrower to accelerate without penalty repayment of the whole or any part of the loan; and

"(E)(i) contains a notice of the system of disclosure concerning such loan to credit bureau organizations under section 430(b)(2), and (ii) provides that the lender on request of the borrower will provide information on the repayment status of the note to such organizations.

"(c)(1)(A) Subject to subparagraphs (B), (C), and (D), each consolidation loan made under this section shall bear interest at the rate of 10 per centum per annum on the unpaid principal balance of the loan, except that, if the consolidation loan is used for the purpose of discharging liability on a loan made pursuant to section 428B, the consolidation loan shall bear interest at a rate per annum on such unpaid balance which is equal to the highest applicable interest rate under section 427A on any loan which is selected for consolidation by the borrower. For the purpose of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan.

"(B) The rate of interest applicable to any consolidated loan shall be adjusted by the holder of the loan in the first month of the tenth year of the repayment period of the loan to a market rate equal to the rate established by the Secretary of the Treasury pursuant to subparagraph (C).

"(C) The Secretary of the Treasury shall, for each calendar year beginning in the first calendar year beginning 10 years after the date of enactment of this section, establish the interest rate to be applicable under subparagraph (B) of this paragraph—

"(i) by determining the average of the bond equivalent rates of 91-day Treasury bills auctioned for the 4 quarters preceding the period for which the determination is made; and

"(ii) by adding 3.25 per centum to the per centum determined in clause (i).

The Secretary, after consultation with the Secretary of the Treasury, shall publish for each calendar year beginning with the first calendar year beginning 10 years after the date of enactment of this section the interest rate determined by the Secretary of the Treasury under this subparagraph for each calendar year.

"(D) No interest rate adjustment shall be made under subparagraph (B) of this paragraph for any eligible borrower who, at the time the determination is made—

"(i) is a low-income individual, and

"(ii) who has a high ratio of outstanding loans under programs described under subsection (a)(1) of this section (whether or not such loans are consolidated), to income,

as determined pursuant to regulations prescribed by the Secretary.

"(2)(A) Notwithstanding any other provision of this part, to the extent authorized by its certificate of insurance under subsection (b)(2)(F) and approved by the issuer of such certificate, the lender of a consolidation loan, with the agreement of the borrower, may establish such repayment terms as will promote the objectives of this section, including the establishment of graduated repayment schedules, except that the minimum payment must equal the accrued unpaid interest for the payment period.

"(B)(i) Except as provided in division (ii) a consolidation loan shall be repaid in not more than 15 years.

"(ii) In any case in which the original amount of the consolidated loan exceeds $25,000, and the borrower has loans under subpart I of part C of title VII of the Public Health Service Act, which together with the original amount of the consolidated loan exceed $30,000, the consolidated loan shall be repaid in not more than 20 years.

"(C) The lender of a consolidation loan may, with respect to repayment on the loan, when the amount of a monthly or other similar payment on the loan is not a multiple of $5, round the payment to the next

highest whole dollar amount that is a multiple of $5.

"(3) Repayment of a consolidation loan shall commence within 60 days after all holders have, pursuant to subsection (b)(1)(D), discharged the liability of the borrower on the loans selected for consolidation.

"(4) No origination fee or insurance premium shall be charged to the borrower on any consolidation loan, and no insurance premium shall be payable by the lender to the issuer of the certificate of insurance with respect to any such loan.

"(d) The authority to make loans under this section expires at the close of September 30, 1991. Nothing in this section shall be construed to authorize the Secretary to promulgate rules or regulations governing the terms or conditions of the agreements and certificates under subsection (b). Loans made under this section shall not be considered to be new loans made to students for purposes of section 424(a).".

(b) CONFORMING AMENDMENTS.—(1) Section 427(a) of the Act is amended by striking out "A loan" and inserting in lieu thereof "Except as provided in section 428C, a loan".

(2) Section 435(g)(1) of the Act is amended—

(A) by striking out "section 439 (o) and (q)" in subparagraph (G) and inserting in lieu thereof "sections 428C and 439(q)"; and

(B) by striking out "section 428(j)" in subparagraph (H) and inserting in lieu thereof "sections 428(h) and 428C".

(3) Section 435 of the Act is amended by adding at the end thereof the following new subsection:

"(l) The term 'guaranty agency' means a State or nonprofit private institution or organization with which the Secretary has an agreement pursuant to section 428(b).".

(4) Section 438 of the Act is amended—

(A) in subsection (b)(5)(A)(ii), by inserting ", 428C," after "428B"; and

(B) in subsection (c)(2), by striking out "section 428B and section 439(o)" and inserting in lieu thereof "sections 428B and 428C".

(5) Section 439(d)(1)(C) of the Act is amended by striking out "428(A), and except with respect to loans under section 439(o)," and inserting in lieu thereof "428A, and except with respect to loans under section 428C,".

(c) COST EVALUATION REPORT.—The Secretary of Education shall evaluate the cost, efficiency, and impact of the consolidation loan program established by the amendments made by this section and shall report to the Congress not later than June 30, 1988, on the findings and recommendations required by this subsection.

AUTHORITY OF THE SECRETARY TO IMPOSE AND ENFORCE LIMITATIONS, SUSPENSIONS, AND TERMINATIONS

SEC. 148. (a) GENERAL RULE.—Section 432 of the Act is amended by adding at the end thereof the following new subsection:

"(f)(1) If the Secretary, after a reasonable notice and opportunity for hearing to an eligible lender, finds that the eligible lender—

"(A) has substantially failed—

"(i) to exercise reasonable care and diligence in the making and collecting of loans under the provisions of this part,

"(ii) to make the reports or statements under section 428(a)(4),

"(iii) to pay the required loan insurance premiums to any guaranty agency, or

"(B) has engaged in—

"(i) fraudulent or misleading advertising or in solicitations that have resulted in the making of loans insured or guaranteed under this part to borrowers who are ineligible; or

"(ii) the practice of making loans that violate the certification for eligibility provided in section 428,

the Secretary shall limit, suspend, or terminate that lender from participation in the insurance programs operated by guaranty agencies under this part. The Secretary shall not lift any such limitation, suspension, or termination until the Secretary is satisfied that the lender's failure under clause (A) of this paragraph or practice under clause (B) of this paragraph has ceased and finds that there are reasonable assurances that the lender will—

"(I) exercise the necessary care and diligence,

"(II) comply with the requirements described in clause (A), or

"(III) cease to engage in the practices described in clause (B),

as the case may be.

"(2)(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428A(a)(1)(F) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the lender. The Secretary shall disqualify such lender from participation in the student loan insurance program of each guaranty agency under this part, and notify each such guaranty agency of such disqualification—

"(i) if such review is waived; or

"(ii) if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination was not imposed in accordance with the requirements of such section.

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the lender has corrected the failures or practices which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the lender will comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.

"(3)(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428A(a)(1)(E) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the institution. The Secretary shall disqualify such institution from participation in the student loan insurance program of each guaranty agency under this part, and notify each such guaranty agency of such disqualification—

"(i) if such review is waived; or

"(ii) if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination was not imposed in accordance with the requirements of such section.

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the institution has corrected the failures or practices which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the institution will comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.".

(b) CONFORMING AMENDMENT.—(1) Section 428A(a)(1)(F) of the Act is amended to read as follows:

"(F) provides (i) for the eligibility of all lenders described in section 435(g)(1) under reasonable criteria, unless (I) that lender is eliminated as a lender under regulations for the limitation, suspension, or termination of lender under the Federal student loan insurance program or is eliminated as a lender pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility as a lender issued under the Federal student loan insurance program, or (II) there is a State constitutional prohibition affecting the eligibility of a lender, and (ii) assurances that the guaranty agency will report to the Secretary annually concerning such criteria, including any procedures in effect under such program to limit, suspend, or terminate lenders.".

(2) Section 428A(a)(2)(F) of the Act is amended to read as follows:

"(F) provides (i) for the eligibility of all lenders described in section 435(g)(1) under reasonable criteria, unless (I) that lender is eliminated as a lender under regulations for the limitation, suspension, or termination of lender under the Federal student loan insurance program or is eliminated as a lender pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility as a lender issued under the Federal student loan insurance program, or (II) there is a State constitutional prohibition affecting the eligibility of a lender, and (ii) assurances that the guaranty agency will report to the Secretary annually concerning such criteria, including any procedures in effect under such program to limit, suspend, or terminate lenders.".

ADDITIONAL STUDENT LOAN INFORMATION AND CONTACT REQUIRED

SEC. 149. (a) LOAN INFORMATION.—Section 433A of the Act is amended—

(1) by redesignating clauses (8), (9), (10), (11), and (12), as clauses (9), (10), (11), (12), and (13), respectively, and

(2) by adding after clause (7) the following new clause:

"(8) a statement of the total cumulative balance, including the loan applied for, owed by the student, the projected level of indebtedness of the student based on a four-year college career, and an estimate of the projected monthly repayment given the level of indebtedness over a four- or five-year college career;".

(b) SEPARATE STATEMENT.—Section 433A of the Act is amended by adding at the end thereof the following new subsection:

"(d) Each eligible lender shall, at the time such lender disperses a loan with respect to a borrower which is insured or guaranteed under this part, provide the borrower with a separate paper which summarizes the rights and responsibilities of the borrower with respect to the loan, including a statement of the consequences of defaulting on the loan and a statement that each borrower who defaults will be reported to a credit bureau. The requirement of this paragraph shall be

in addition to the information required by subsection (a) of this section.".

AUTHORITY OF THE SECRETARY TO SELL DEFAULTED STUDENT LOANS

SEC. 150. Section 432 of the Act (as amended by section 149) is amended by adding at the end thereof the following new subsection:

"(q) The Secretary is authorized to sell defaulted student loans assigned to the United States under this part to collection agencies on such terms as the Secretary determines are in the best financial interests of the United States.".

DEFINITION OF ELIGIBLE LENDER; PROHIBITION OF CERTAIN INDUCEMENTS BY ELIGIBLE LENDERS

SEC. 151. (a) DEFINITION.—(1) Section 435(g)(1)(A) of the Act is amended by inserting after "Association" a comma and the following: "stock savings bank, trust companies".

(2) Section 435(g)(1)(A)(ii) of the Act is amended by inserting before the semicolon a comma and the following: "and unless it is a trust company which makes student loans as a trustee pursuant to an express trust".

(b) PROHIBITION OF CERTAIN INDUCEMENTS.—Section 435(g) of the Act is amended—

(1) by striking out "Except" in paragraph (1) and inserting in lieu thereof "Subject to paragraph (5), except"; and

(2) by adding at the end thereof the following new paragraph:

"(5) An eligible lender under this part may not—

"(A) offer, directly or indirectly, points, premiums, payments, or other inducements to any educational institution or individual in order to secure applicants for loans under this part;

"(B) offer, directly or indirectly, loans under this part as an inducement to a prospective borrower to purchase a policy of insurance or other product; or

"(C) engage in fraudulent or misleading advertising.".

(c) REPORT REQUIRED.—Section 438 of the Act (as amended by subsection (b)) is amended by adding at the end thereof the following new paragraph:

"(6) In order to evaluate the program authorized by this part, each eligible lender shall report annually to the Secretary such data relating to the payment of special allowance under section 438 received by such lender as the Secretary determines are required. The Secretary may make information furnished under this paragraph available only in the aggregate and may not identify any individual eligible lender.".

SPECIAL ELIGIBLE INSTITUTION RULE FOR CERTAIN MEDICAL SCHOOLS

SEC. 152. Section 435(a) of the Act is amended—

(1) by inserting "(1)" after "(a)",

(2) by redesignating clauses (1), (2), and (3), as clauses (A), (B), and (C), respectively, and

(3) by adding at the end thereof the following:

"(2) For the purpose of qualifying an institution under clause (C) of this subsection, the Secretary shall establish criteria by regulation. In the case of a medical school outside the United States, such criteria shall include a requirement, with respect to the eligibility of students attending such medical schools for loans made, insured, or guaranteed under part B, that a student is ineligible for such loans unless the student is attending such a medical school in which at least 75 percent of the students enrolled are nationals of the country in which such medical school is located.".

SPECIAL ALLOWANCE

SEC. 153. (a) GENERAL RULE.—Section 438(b)(2)(A) of the Act is amended by striking out "3.5 per centum" and inserting in lieu thereof "3.25 per centum".

(b) SPECIAL RULE FOR HOLDERS OBTAINING LOANS FROM TAX EXEMPT OBLIGATIONS.—The first sentence of section 438(b)(2)(B)(i) of the Act is amended by inserting before the period at the end thereof a comma and the following: "except that in setting the rate under this division the per centum prescribed in clause (iii) of subparagraph (A) shall be 3.5 per centum.".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) of this section shall take effect with respect to loans made on or after July 1, 1986.

REPEAL OF DUPLICATIVE PROVISION

SEC. 154. Section 438 of the Act is amended—

(1) by striking out subsection (d); and

(2) by redesignating subsection (e) as subsection (d).

STUDENT LOAN MARKETING ASSOCIATION

SEC. 155. (a) GENERAL AUTHORITY.—Section 439(d)(1)(D) of the Act is amended by striking out the period at the end of such section and inserting in lieu thereof a comma and the following: "except that—

"(i) in carrying out all such activities the purpose shall always be to provide secondary market and other support for lending programs offered by other organizations and not to replace or compete with such other programs;

"(ii) nothing in this clause (D) shall be deemed to authorize the Association to acquire, own, operate, or control any bank, savings and loan association, savings bank or credit union; and

"(iii) not later than 30 days prior to the initial implementation of a program undertaken pursuant to this clause (D), the Association shall advise the Chairman and the Ranking Member on the Committee on Human Resources of the Senate and the Chairman and the Ranking Member of the Committee on Education and Labor of the House of Representatives in writing of its plans to offer such program and shall provide information relating to the general terms and conditions of such program.".

(b) REINSURANCE AUTHORITY.—(1) Section 439(d)(1) of the Act, as amended by subsection (a), is amended—

(A) by striking out "and" at the end of clause (c);

(B) by striking out the period at the end of clause (D) and inserting in lieu thereof a semicolon and "and"; and

(C) by adding after clause (D) the following new clause:

"(E) to buy, sell, hold, insure, underwrite, and otherwise deal in obligations issued for the purpose of financing or refinancing the construction, reconstruction, renovation, or purchase of educational and training facilities and housing for students and faculties (including the underlying real property), and related equipment, instrumentation, and furnishings, subject to paragraph (6); and".

(2) Section 439(d) of the Act is amended by adding at the end thereof the following new paragraph:

"(5) The authority contained in clause (E) of paragraph (1) of this subsection shall be available only for educational facilities purposes described in each clause which do not qualify under usual business practice because of—

"(A) the difficulty or inability of the institution to otherwise obtain financing on reasonable terms for such purposes;

"(B) the difficulty or inability to obtain financing through the use of the proceeds of bonds or other evidence of indebtedness by the institution or reasonable terms for such purposes; or

"(C) the difficulty or inability to obtain guarantees or insurance by the institution on reasonable terms for such purposes.".

STUDY OF PRACTICES OF STATE GUARANTY AGENCIES AND MULTISTATE GUARANTORS UNDER THE GUARANTEED STUDENT LOAN PROGRAM

SEC. 156. (a) STUDY REQUIRED.—The Comptroller General shall conduct a complete study of the practices of State guaranty agencies and multistate guarantors under the guaranteed student loan program authorized by part B of title IV of the Higher Education Act of 1965. The study shall investigate, on a comparative basis—

(1) due diligence practice of lenders;

(2) default rates and recovery rates on student loans;

(3) changes in loan volume;

(4) methods of soliciting student borrowers;

(5) potential for fraudulent double borrowing by students;

(6) participation agreements between the types of guarantor and lenders;

(7) eligible institution participation agreements;

(8) adequacy of reserved funds in relation to guaranty commitments made by the agency;

(9) types of services provided to lenders, eligible institutions, and borrowers;

(10) use of funds generated through participation in the guaranteed student loan program by amount and nature of expenses for administrative support for programs other than the guaranteed student loan program;

(11) to what extent the guarantors meet the requirements of truth-in-lending provisions;

(12) profile of defaulters and other characteristics;

(13) coordination of the loan guaranty program with grant programs; and

(14) general student access to loan assistance.

(b) REPORT.—The Comptroller General of the United States shall prepare and submit a report, not later than June 30, 1987, to the Committee on Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives on the findings of the study required by subsection (a) of this section, together with such recommendations as the Comptroller General deems appropriate.

TREATMENT OF CERTAIN EDUCATION LOANS IN BANKRUPTCY PROCEEDINGS

SEC. 157. (a) GENERAL RULE.—Section 1328(a)(2) of title 11, United States Code, is amended by striking out "section 523(a)(5)" and inserting in lieu thereof "paragraph (5) or (8) of service 523(a)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall not apply to any case under title 11, United States Code, commenced before the date of the enactment of this Act.

PART C—WORK STUDY PROGRAMS

AUTHORIZATION OF APPROPRIATIONS

SEC. 161. Section 441(b) of the Act is amended to read as follows:

"(b) There are authorized to be appropriated for carrying out this part $622,125,000 for fiscal year 1987, $653,231,000 for fiscal year 1988, $685,893,000 for fiscal year 1989, $720,187,000 for fiscal year 1990, and $756,197,000 for fiscal year 1991.".

APPORTIONMENT

SEC. 162. (a) GENERAL RULE.—Section 442 of the Act is amended to read as follows:

"APPORTIONMENT

"SEC. 442. (a)(1)(A) From the sums appropriated pursuant to section 441(b) for any fiscal year which are equal to or less than the amount appropriated for this part for fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the grant program under this part an amount equal to the amount so appropriated multiplied by the eligible institution's apportionment percentage.

"(B) For the purpose of subparagraph (A) of this paragraph, an eligible institution's apportionment percentage is the percentage which the amount the institution of higher education was eligible to receive from appropriations made in fiscal year 1985 under this part bears to the total amount available under this part for that year.

"(2)(A) In any fiscal year in which the amount appropriated for this part exceeds the amount appropriated for this part in fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the grant program under this part an amount which bears the same ratio to such excess as the number of eligible students who are enrolled full time and the full-time equivalent of the number of eligible students enrolled part time in the institution of higher education, bears to the total number of such students in all institutions of higher education.

"(B) For the purpose of subparagraph (A) of this paragraph, the term 'eligible students' means students who were eligible for the work study program under this part for the fiscal year preceding the fiscal year for which the determination is made.

"(b) If the Secretary determines that the sums apportioned to any institution of higher education under subsection (a) for any fiscal year exceed the aggregate of the amounts that the Secretary determines to be required by that institution for that fiscal year, the Secretary shall reapportion such excess, from time to time, on such date or dates as the Secretary shall fix, to other institutions of higher education in such manner as the Secretary determines will best assist in achieving the purposes of this part.".

(b) CONFORMING AMENDMENTS.—(1) Section 446(a) of the Act is repealed.

(2) Section 446 of the Act is amended—

(A) by redesignating subsections (b) and (c) as subsections (a) and (b), respectively; and

(B) by striking out "in the same State" in subsection (a) (as redesignated by this clause).

(3) The heading of section 446 of the Act is amended to read as follows:

"AVAILABILITY OF ASSISTANCE".

COLLEGE WORK STUDY AND PROPRIETARY INSTITUTION RULES

SEC. 163. Section 443(b) of the Act is amended—

(1) by striking out "(except in the case of a proprietary institution of higher education) in clause (1);

(2) by striking out "and" at the end of clause (8); and

(3) by redesignating clause (9) as clause (10) and by inserting after clause (8) the following new clause:

"(9) provide assurances, in the case of each proprietary institution, that students attending the proprietary institution receiving assistance under this part may be employed by the institution in jobs—

"(A) on campus only;

"(B) solely related to the students' educational objectives; and

"(C) furnishing student services, as determined by the Secretary pursuant to regulations, except that no student shall be employed in any position that would involve the solicitation of other potential students to enroll in the school; and".

PRIVATE SECTOR EMPLOYMENT AGREEMENT

SEC. 164. Section 443 of the Act is amended by adding at the end thereof the following new subsection:

"(c) PRIVATE SECTOR EMPLOYMENT AGREEMENT.—In addition to the agreement described in subsection (b), an institution of higher education may, at its option, enter into an additional agreement with the Secretary which shall—

"(1) provide for the operation by the institution of a program of part-time employment of its students in work for a private for-profit organization under an arrangement between the institution and such organization that complies with the requirements of subparagraphs (A) through (D) of subsection (b)(1);

"(2) provide that the institution will use not more than 25 percent of the funds made available to such institution under this part for any fiscal year for the operation of the program described in paragraph (1);

"(3) provide that, notwithstanding subsection (b)(6), the Federal share of the compensation of students employed in such program will not exceed 60 percent for academic years 1987-1988 and 1988-1989, 55 percent for academic years 1989-1990, and 50 percent for academic year 1990-1991 and succeeding academic years, and that the non-Federal share of such compensation will be provided by the private for-profit organization by which the student is employed;

"(4) provide that jobs under the work study program will be academically relevant; and

"(5) provide that the for-profit organization will not use funds made available under this part to pay any employee who would otherwise be employed by the organization.".

COMMUNITY SERVICES JOB LOCATION AND DEVELOPMENT PROGRAMS

SEC. 165. (a) PROGRAM AUTHORIZED.—Section 447(a) of the Act is amended to read as follows:

"SEC. 447. (a) The Secretary is authorized to enter into agreements with eligible institutions under which such institution may use not more than 10 percent or $20,000 of its allotment under section 446, whichever is less, to establish or expand a program under which such institution, separately or in combination with other eligible institutions and through formal or informal consultation with local nonprofit, governmental, educational, and community-based organizations, locates and develops community services jobs for students eligible under this part which are suitable to the scheduling needs, and to the maximum extent practicable, complement and reinforce the educational programs or vocational goals of such students.".

(b) CONFORMING AMENDMENTS.—(1) Section 447(b)(2) of the Act is amended by inserting before the semicolon at the end thereof a comma and the following: "unless such jobs directly relate to the objectives described in subsection (a) of this section".

(2) Section 447 of the Act is amended by adding at the end thereof the following new subsections:

"(c) An eligible institution may use funds, reserved under subsection (a) of this Act but not used, to pay wages to students who are engaged in community services work learning jobs pursuant to section 448.

"(d) For the purpose of this section, the term 'community services' means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs including, but not limited to, such fields as health care, child care, literacy training, education (including tutorial services), housing and neighborhood improvement, rural development, and community improvement.".

(c) PRIORITY CONSIDERATION FOR LITERACY TRAINING.—Section 447 of the Act is further amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision in this section, the Secretary shall give priority consideration to applications which propose community service projects involving literacy training and education.".

WORK STUDY FOR COMMUNITY SERVICE-LEARNING ON BEHALF OF LOW-INCOME INDIVIDUALS AND FAMILIES

SEC. 166. (a) GENERAL RULE.—(1) Section 448(b)(1)(B) of the Act is amended to read as follows:

"(B) to the maximum extent practicable, provides participating students with work-learning opportunities which complement and reinforce their educational programs or vocational goals; and".

(2) Section 448(b)(2) of the Act is amended to read as follows:

"(2) 'community services' means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs including, but not limited to, such fields as health care, child care, literacy training, education (including tutorial services), housing and neighborhood improvement, rural development, and community improvement.".

(3) Section 448(c)(3) of the Act is amended by inserting after "planning" a comma and the following: "development,".

(b) FEDERAL SHARE.—(1) Section 443(b)(2) of the Act is amended by inserting after "except that" the following: "(A) an institution may use not to exceed 10 per centum of the funds granted to the institution in any fiscal year to carry out the work study program described in section 448 at the increased Federal share specified in clause (6)(B) of this subsection, and (B)".

(2) Section 443(b)(6) of the Act is amended—

(A) by inserting "(A)" after "except that"; and

(B) by adding before the semicolon at the end thereof a comma and the following: "and (B) the Federal share of the compensation of the students employed in the work

study for community service-learning programs described in section 448 from funds available under clause (2)(A) in accordance with the agreement will not exceed 90 per centum of such compensation".

(c) REALLOTMENT CONFORMING AMENDMENTS.—(1) Section 442(a)(1) of the Act is amended—

(A) by inserting "(A)" after "except that"; and

(B) by adding before the period at the end thereof the following: "(B) the Secretary shall give preference for not less than one-half of the remainder of such reallotments to eligible institutions for use in initiating, improving, and expanding programs of community service-learning conducted in accordance with section 448 of this part".

(2) Section 442(d)(2) of the Act is amended by—

(A) inserting "(A)" after the paragraph designation; and

(B) adding at the end thereof the following new subparagraph:

"(B) The requirement for preference for reallotment contained in subparagraph (E) of paragraph (1) of this subsection shall be made upon application by the eligible institution to the Secretary in such manner and such form as the Secretary may require. The Secretary shall, in determining the distribution of funds under such preference, give consideration to the ratio of the number of students participating in community service-learning work-study programs at the eligible institution to the number of all students participating in the work-study program at such institution. No eligible institution may receive amounts that exceed 5 per centum of the amount available for preference under paragraph (1)(B) of this subsection.".

PART D—DIRECT LOANS

AUTHORIZATION OF APPROPRIATIONS

SEC. 167. (a) GENERAL.—Section 461(b)(1) of the Act is amended to read as follows:

"(b)(1) For the purpose of enabling the Secretary to make contributions to student loan funds established under this part, there are authorized to be appropriated $228,356,000 for fiscal year 1987, $239,774,000 for fiscal year 1988, $251,763,000 for fiscal year 1989, $264,351,000 for fiscal year 1990, and $277,568,000 for fiscal year 1991, except that no funds are authorized to be appropriated for any fiscal year which begins after there has been a capital distribution under section 466(a).".

(b) CONTINUING.—Section 461(b)(2) of the Act is amended by striking out "1985" each time it appears and inserting in lieu thereof "1991".

APPORTIONMENT

SEC. 168. (a) GENERAL RULE.—Section 462(a) of the Act is amended to read as follows:

"(a)(1)(A) From the sums appropriated pursuant to section 461(b)(1) for any fiscal year which are equal to or less than the amount appropriated for this part for fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the loan program under this part an amount equal to the amount so appropriated multiplied by the eligible institution's apportionment percentage.

"(B) For the purpose of subparagraph (A) of this paragraph, an eligible institution's apportionment percentage is the percentage which the amount the institution of higher education was eligible to receive from appropriations made in fiscal year 1985 under this part bears to the total amount available under this part for that year.

"(2)(A) In any fiscal year in which the amount appropriated for this part exceeds the amount appropriated for this part in fiscal year 1985, the Secretary shall apportion to each institution of higher education participating in the loan program under this part an amount which bears the same ratio to such excess as the number of eligible students who are enrolled full time and the full-time equivalent of the number of eligible students enrolled part time in the institution of higher education, bears to the total number of such students in all institutions of higher education.

"(B) For the purpose of subparagraph (A) of this paragraph, the term 'eligible students' means students who were eligible to receive a loan under this part for the fiscal year preceding the fiscal year for which the determination is made.

"(3) If the Secretary determines that the sums apportioned to any institution of higher education under paragraphs (1) and (2) for any fiscal year exceed the aggregate of the amounts that the Secretary determines to be required by that institution for that fiscal year, the Secretary shall reapportion such excess, from time to time, on such date or dates as the Secretary shall fix, to other institutions of higher education in such manner as the Secretary determines will best assist in achieving the purposes of this part.".

(b) CONFORMING AMENDMENTS.—(1)(A) Section 462(b)(1) of the Act is amended by striking out "from the apportionment of the State in which it is located".

(B) Section 462(b)(2) of the Act is amended by striking out ", from the amount apportioned to the State in which it is located,".

(2)(A) Section 462(c)(1)(A) of the Act is amended by striking out "from a State" and "to that State".

(B) Section 462(c)(1)(B) of the Act is amended by striking out "in a State in" and inserting in lieu thereof "for".

(C) Section 462(c) of the Act is amended—

(i) by striking out "(A)" in paragraph (1);

(ii) by striking out paragraph (2);

(iii) by redesignating subparagraph (B) as paragraph (2); and

(iv) by striking out "subparagraph (A)" in paragraph (2) as redesignated and inserting in lieu thereof "paragraph (1)".

(c) DEFAULT PENALTY.—Section 462 of the Act is amended by adding at the end thereof the following new subsection:

"(d)(1) For award year 1987–88, no new Federal capital contribution shall be made to an institution which has a default rate in excess of 20 percent; and for any institution which has a default rate which exceeds 7.5 percent, such institution's new Federal capital allocation shall be reduced in accordance with regulations of the Secretary.

"(2) For award year 1988–89 and subsequent award years, no new Federal capital contribution shall be made to an institution which has a default rate in excess of 15 percent; and for any institution which has a default rate which exceeds 5 percent, such institution's new Federal capital allocation shall be reduced in accordance with regulations of the Secretary.".

PRIORITY FOR NEEDY STUDENTS

SEC. 169. Section 463(a) of the Act is amended—

(1) by redesignating clause (9) as clause (10); and

(2) by inserting after clause (8) the following new clause:

"(9) provide that the institution of higher education will make loans first to students with exceptional need; and".

INCREASING LOAN LIMITS

SEC. 170. Section 464(a)(2) of the Act is amended—

(1) by striking out "$12,000" in clause (A) and inserting in lieu thereof "$16,000";

(2) by striking out "$6,000" in clause (B) and inserting in lieu thereof "$8,000"; and

(3) by striking out "$3,000" in clause (C) and inserting in lieu thereof "$4,000".

ROUNDING OF PAYMENTS

SEC. 171. Section 464(c)(1)(C) of the Act is amended—

(1) by inserting "(i)" after the clause designation; and

(2) by adding at the end thereof the following new subclause:

"(ii) may provide that the total payments by a borrower for a monthly or similar payment period with respect to the aggregate of all loans held by the institution may, when the amount of a monthly or other similar payment is not a multiple of $5, be rounded to the next highest whole dollar amount that is a multiple of $5;".

STUDENT LOAN INFORMATION

SEC. 172. Section 463A of the Act is amended—

(1) by redesignating clauses (8), (9), (10), (11), and (12), as clauses (9), (10), (11), (12), and (13), respectively, and

(2) by adding after clause (7) the following new clause:

"(8) a statement of the total cumulative balance owed by the student, the projected level of indebtedness of the student based on a two- or four-year college career, and an estimate the projected monthly repayment given the level of indebtedness over a two-, four-, or five-year college career;".

DEFERMENT FOR MATERNAL LEAVE

SEC. 173. (a) GENERAL RULE.—Section 464(c)(2)(A) of the Act is amended—

(1) by striking out "or" at the end of clause (vi);

(2) by striking out the period at the end of clause (vii) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding at the end thereof the following new clause:

"(viii) is on maternal leave, as defined in section 435(h).".

(b) CONFORMING AMENDMENT.—Section 464(c)(2)(A) of the Act is further amended by adding at the end thereof the following new sentence: "The period during which the repayment may be deferred by reason of clause (viii) shall not exceed six months.".

DEFERMENT FOR MOTHERS WITH PRESCHOOL AGED CHILDREN

SEC. 174. (a) GENERAL RULE.—Section 464(c)(2)(A) of the Act is amended—

(1) by striking out "or" at the end of clause (vii);

(2) by striking out the period at the end of clause (viii) and insert in lieu thereof a semicolon and the word "or"; and

(3) by adding at the end thereof the following new clause:

"(ix) is a mother with preschool age children who is just entering or reentering the workforce and who is compensated at a rate not to exceed the rate prescribed by section 6 of the Fair Labor Standards Act of 1938.".

(b) CONFORMING AMENDMENT.—Section 464(c)(2)(A) of the Act is further amended by adding at the end thereof the following new sentence: "The period during which the

repayment may be deferred by reason of clause (ix) shall not exceed 12 months.".

PEACE CORPS AND VISTA FORGIVENESS PROVISIONS

SEC. 175. (a) GENERAL RULE.—Section 465(a)(2) of the Act is amended—

(1) by striking out the comma and the word "or" at the end of clause (B) and inserting in lieu thereof a semicolon;

(2) by striking out "or" at the end of clause (C);

(3) by striking out the period at the end of clause (D) and inserting in lieu thereof a semicolon and the word "or"; and

(4) by adding at the end thereof the following new clause:

"(E) as a volunteer under the Peace Corps Act or a volunteer under the Domestic Volunteer Service Act of 1973.".

(b) CONFORMING AMENDMENTS.—Section 465(a)(3)(A) of the Act is amended—

(1) by striking out the period at the end thereof and inserting in lieu thereof a semicolon and the word "and"; and

(2) by adding at the end thereof the following new clause:

"(iv) in the case of service described in clause (E) of paragraph (2) at the rate of 15 per centum for the first or second year of such service and 20 per centum for the third or fourth year of such service.".

(c) APPLICABILITY.—The amendments made by subsections (a) and (b) of this section shall take effect with respect to borrowers to cover the cost of instruction for any period of enrollment beginning on or after July 1, 1986.

PART E—GENERAL STUDENT AID PROVISIONS

NEED ANALYSIS

SEC. 181. Section 482 of the Act is amended to read as follows:

"NEED ANALYSIS

"SEC. 482. (a) GENERAL AUTHORITY.—(1) The Secretary, in cooperation with the Advisory Committee on Student Financial Assistance established under section 491 of this title, shall prepare and publish a schedule of expected family contributions for programs under subpart 2 of part A, part B for loans for which an interest subsidy is paid pursuant to section 428, part C, and part E of this title in accordance with the master schedule established under section 482B.

"(2) In preparing the schedule of expected family contributions under this section, the Secretary shall, in evaluating the ability of the family to pay and the eligibility of the student for assistance under the program subject to the schedule, apply the following policies:

"(A) Parents of dependent students have a responsibility to finance their children's education to the extent that they are able to do so.

"(B) The ability of parents to pay derives from an evaluation of their financial resources at the time their dependent son or daughter applies for assistance.

"(C) Both income and assets of the parents and student are considered in arriving at an estimate of a family's ability to contribute to educational costs. Both income and assets of the parent, in the case of a divorced or separated parent, who is responsible for the dependent student are considered in such estimate.

"(D) Basic and nondiscretionary expenses for food, shelter, and clothing and obligatory expenditures, such as taxes, are assumed not to be available to the family to pay for the children's educational costs. A portion of the remaining discretionary income is assumed to be available for postsecondary educational expenses.

"(E) Students who are dependent on their parents also are expected to contribute to their own educational expenses through their earnings, savings, or other resources (including an $800 minimum contribution) that may be available directly to them, such as veterans' benefits.

"(F) Students are expected to contribute a greater proportion of their income and assets for education than their parents.

"(G) To qualify as self-supporting, students must meet age or other criteria established in this title.

"(H) Students determined to be self-supporting who have not accumulated sufficient personal resources should be able to receive financial assistance to pay for direct educational costs and minimum living costs for themselves and their dependents.

"(I) Through a combination of financial aid and personal resources, all self-supporting students and their families should be able to maintain a minimum living standard.

"(J) Students with no minor dependent children and their spouses who earn income should be expected to contribute most of that income toward direct and indirect educational expenses and be allowed to retain a portion of that income in order to improve their standard of living.

"(K) Self-supporting students with minor dependent children should be expected to contribute the same proportion of income and assets toward direct and indirect educational expenses as families of dependent students.

"(L) All self-supporting students and their spouses should be expected to contribute a minimum amount of resources toward their education.

"(b) BASIC CRITERIA.—The basic criteria to be followed in promulgating the expected family contribution are as follows:

"(1) The total income, including Adjusted Gross Income and other untaxed income, of the student and the student's spouse; or the student and the student's parents, in the case of a dependent student.

"(2) Allowances against income shall include:

"(A) United States income tax, Social Security taxes paid under sections 1401 and 3101 of the Internal Revenue Code of 1954, and a standard allowance for State income taxes.

"(B) A standard living allowance, based on consumption and other living costs for a family at a low standard of living as estimated by the Bureau of Labor Statistics, or a comparable standard as recommended by the Advisory Committee on Student Financial Assistance.

"(C) Any unusual medical and dental expenses, and expenses which may arise from a catastrophe such as a natural disaster, of the student and the student's spouse; or the student and the student's parents, in the case of a dependent student.

"(D) An allowance for unreimbursed tuition paid for dependent children other than the student enrolled in private elementary or secondary institutions not to exceed for each such child the national average per pupil instructional cost as published by the National Center for Educational Statistics, using the most recent available data.

"(E) An allowance for employment-related expenses in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed.

"(3) The net assets of the student and the student's spouse in the case of an independent student; and the student and the student's parents, in the case of a dependent student, including—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the equity in a principal place of residence;

"(C) the net value of investments and other real estate; and

"(D) the net worth of a business or farm.

"(4) An asset protection allowance based on the age of the older parent or the age of the student, in the case of the independent student.

"(5) An $800 mandatory expected minimum contribution for dependent students and for independent students with dependents from savings, summer earnings, or academic year employment. For independent students without dependents the mandatory expected contribution shall be $1,200 for the student and $4,200 for the student's spouse.

"(6) The number of dependents in the family of the student, including the student's spouse in the case of an independent student, and the number of dependents in the family of the student, in the case of a dependent student.

"(7) The number of dependents in the family of the student who are enrolled in, on at least a half-time basis, a program of postsecondary education.

"(8) In the case of an independent student, the marital status of the student and the number of minor dependents in the student's family.

"(9) In determining the expected family contribution under this section, a schedule of marginal taxation rates shall be applied to the amount of Adjusted Available Income. Separate taxation rates shall be developed for the parents of dependent undergraduate students, independent students with minor dependents, parents of dependent graduate students, and for independent students without minor dependents.

"(c) SEPARATE SCHEDULES.—Separate schedules of expected family contributions shall be developed for independent students and independent students with dependent minor children. Such separate schedules shall be consistent with the basic criteria set forth in subsection (b), except that such schedules shall—

"(1) provide that the portion of assets which shall be exempt from assessment for contribution for an independent student who has one or more dependent minor children shall be the same as the portion so exempt for the family of a dependent student;

"(2) provide that the rate of assessment for contribution on that portion of assets of such an independent student with minor dependents which is not exempt under subsection (b)(3) shall be the same as the rate applied to the comparable portion of assets of the family of a dependent student; and

"(3) in determining the family contribution for an independent student who has one or more dependent minor children, provide that the assessment rate which is to be applied to the student's available income shall be the same as the assessment rate applied to the available income of the family of a dependent student.

"(d) ASSESSMENT FROM ADJUSTED AVAILABLE INCOME.—(1) The Adjusted Available Income for the parents of dependent students and for independent students with dependents is assessed according to the following table:

"Assessment From Adjusted Available Income (AAI)

If AAI is—	The Assessment is—
Less than —$3,409	—$750
—$3,409–$7,600	22% of AAI
$7,601–$9,500	$1,672 + 25% of AAI over $7,600
$9,501–$11,400	$2,147 + 29% of AAI over $9,500
$11,401–$13,300	$2,698 + 34% of AAI over $11,400
$13,301–$15,200	$3,344 + 40% of AAI over $13,300
$15,201 or more	$4,104 + 47% of AAI over $15,200.

"(2) The Available Taxable Income of an independent student (and that student's spouse) with no dependent children is assessed according to the following table:

"Family Size	If ATI is—	Assessment and contribution is—
1	0 to $8,900	70% of ATI
	$8,901 or more	$6,230 + 90% of ATI over $8,900
2	0 to $11,970	70% of ATI
	$11,971 or more	$8,380 + 90% of ATI over $11,970

"(3) The Secretary shall, for each subsequent academic year, revise the assessment tables in paragraphs (1) and (2) of this subsection by increasing each dollar amount that refers to Adjusted Available Income or Available Taxable Income, as the case may be, by a percentage equal to the percentage increase in the Consumer Price Index, rounded to the nearest $100.

"(e) COST OF ATTENDANCE.—For purposes of this title, the term 'cost of attendance' means—

"(1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution of higher education, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;

"(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution;

"(3) an allowance (as determined by the institution) for room and board costs incurred by the student which—

"(A) shall be an allowance of not less than $1,500 for a student without dependents residing at home with parents;

"(B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount assessed its residents for room and board; and

"(C) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board, except that the amount may not be less than $2,500;

"(4) for a student engaged in a program of study by correspondence, only tuition and fees and, if required, books and supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training;

"(5) for a student enrolled in an academic program which normally includes a formal program of study abroad, reasonable costs associated with such study;

"(6) an allowance based on actual expenses for child care for minor dependent children who require care, during the hours the student is in class or engaged in academic-related activities or in transit; and

"(7) for a handicapped student, an allowance for those expenses related to his handicap, including special services, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies.

"(f) INDEPENDENT STUDENT.—(1) For the purpose of this title, the term 'independent student' means a student who is determined, pursuant to regulations of the Secretary, to be independent of the parents or legal guardians of the students.

"(2) In carrying out paragraph (1) of this subsection, the Secretary shall apply the criteria specified in paragraph (3) for the relevant years described in paragraph (4).

"(3) A student qualifies as an independent student for an award year if the student—

"(A) does not, during any of the relevant years described in paragraph (4), live for more than 6 weeks in the home of the student's parent for whom income must be reported;

"(B) is not, for any of the relevant years described in paragraph (4), claimed as a dependent for Federal income tax purposes by such parent; and

"(C) does not, during any of the relevant years described in paragraph (4), receive financial assistance of more than $750 from such parent.

"(4) Except as provided in paragraph (5), to qualify as an independent student for any award year—

"(A) an unmarried student who has not attained 23 years of age by January 1 of the first calendar year of the award year must satisfy the criteria set forth in paragraph (3) for the first calendar year of an award year and the 2 preceding calendar years;

"(B) an unmarried student who has attained 23 years of age by January 1 of the first calendar year of the award year must satisfy the criteria set forth in paragraph (3) for the first calendar year of an award year and the preceding calendar year;

"(C) a married student must satisfy the criteria set forth in paragraph (3) for the first calendar year of the award year and the preceding year; and

"(D) an unmarried student with minor dependents (excluding a minor spouse) must satisfy the criteria set forth in paragraph (3) for the first calendar year of the award year and the preceding year.

"(5) Any student will qualify to be an independent student if, before the end of the award year—

"(A) the student is an orphan;

"(B) the student is declared a ward of a court; or

"(C) the student is a veteran.

"(g) ADDITIONAL TERMS.—For the purpose of this title, the term—

"(1) 'available income' is the difference between the parent's income and allowances against income;

"(2) 'Adjusted Available Income' is the sum of available income and a supplement from assets;

"(3) 'Available Taxable Income' means the total estimated annual taxable income of the student (and the spouse of the student if applicable) minus the estimated United States income taxes and the standard allowance for State income taxes; and

"(4) 'family contribution' is the amount which the student and the family of the student may be reasonably expected to contribute toward the student's postsecondary education for the academic year for which the determination is made, as determined in accordance with the family contribution schedule required by this section.

"(h) SPECIAL RULE FOR FORECLOSURE, FORFEITURE, LIQUIDATION, OR BANKRUPTCY.—(1) In the computation of family contributions for the programs under this title for any academic year beginning on or after July 1, 1986, the proceeds of a sale of farm or business assets of the family shall be excluded from family income if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(2) SPECIAL RULE FOR DISLOCATED WORKERS.—(A) For the purpose of this section, the income of a dislocated worker shall be the income for the year for which the determination is made.

"(B) For the purpose of this subsection, a dislocated worker is a worker identified pursuant to title III of the Job Training Partnership Act.

"(i) FINANCIAL AID ADMINISTRATOR DISCRETION PERMITTED.—Nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator to make necessary adjustments to the cost of attendance and expected family contribution computations to allow for treatment of individual students with special circumstances. For the purpose of the preceding sentence, each student financial aid administrator must maintain adequate documentation of adjustments. In addition, nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator to use supplementary information about the financial status of eligible applicants in selecting recipients and determining the amount of awards under subparts 1 and 2 of part A and parts C and E of this title.".

SUBMISSION OF FAMILY CONTRIBUTION SCHEDULES

SEC. 182. Title IV of the Act is amended by inserting after section 482 the following new section:

"SUBMISSION OF EXPECTED FAMILY CONTRIBUTION SCHEDULES

"SEC. 482A. (a) SUBMISSION; JOINT RESOLUTION.—Each schedule of expected family contribution required under section 482 shall be submitted to the President of the Senate and to the Speaker of the House of Representatives not later than March 1 of the year preceding the year for which the schedule is applicable. Before each such schedule shall become effective, both the Senate and the House of Representatives must adopt a joint resolution approving or modifying, in whole or in part, the proposed schedule.

"(b) DISAPPROVAL.—If, not later than September 1, any such schedule has not been approved by both the Senate and the House of Representatives pursuant to subsection (a) of this section, and has been signed by the President, the Secretary shall, not later than September 15 in any year in which the schedule was submitted—

"(1) publish the family contribution schedule for the previous academic year for Pell Grants under subpart 1 of part A modified to reflect the most recent and relevant data; and

"(2) publish the family contribution schedules for the previous academic year for the programs under subpart 2 of part A, part B for loans for which an interest subsidy is paid pursuant to section 428, part C, and part E modified to reflect the most recent and relevant data.".

SIMPLIFIED NEEDS TEST

SEC. 183. Section 482 of the Act (as amended by section 181 of this Act) is amended by

adding at the end thereof the following new subsection:

"(j)(1) The Secretary may use a simplified needs analysis based upon the elements set forth in paragraph (2) for the calculation of the expected family contribution for families which have adjusted gross incomes which are equal to or less than $15,000 per year and which are eligible to file a form 1040A pursuant to the Internal Revenue Code of 1954.

"(2) The five elements to be used for the simplified needs analysis are—

"(A) adjusted gross income,

"(B) Federal and State taxes paid,

"(C) untaxed income and benefits,

"(D) the number of family members, and

"(E) the number of family members in postsecondary education.".

CALENDAR FOR AWARDING FINANCIAL AID PRESCRIBED

SEC. 184. Title IV of the Act is amended by adding after section 482A (as added by section 182 of this Act) the following new section:

"MASTER CALENDAR

"SEC. 482B. (a) SECRETARY REQUIRED TO COMPLY WITH SCHEDULE.—To assure adequate notification and timely delivery of student aid funds under this title, the Secretary shall adhere to the following calendar dates in the year preceding the award year:

"(1) Development and distribution of Federal and multiple data entry forms—

"(A) by February 1: first meeting of the Education Department's technical committee on forms design;

"(B) by March 1: Proposed family contribution schedule published in the Federal Register;

"(C) by June 1: final family contribution schedule;

"(D) by August 15: application for Federal student assistance and multiple data entry data elements and instructions approved;

"(E) by August 30: final approved forms delivered to servicers and printers;

"(F) by October 1: Federal and multiple data entry forms and instructions printed; and

"(G) by November 1: Federal and multiple data entry forms, instructions, and training materials distributed.

"(2) Allocations of campus-based and Pell Grant funds—

"(A) by August 1: distribution of institutional application for campus-based funds (FISAP) to institutions;

"(B) by October 1: final date for submission of FISAP by institutions to Department of Education;

"(C) by November 15: edited FISAP and computer printout received by institutions;

"(D) by December 1: appeals procedures received by institutions;

"(E) by December 15: edits returned by institutions to Department of Education;

"(F) by February 1: tentative award levels received by institutions and final Pell Grant payment schedule;

"(G) by February 15: closing date for receipt of institutional appeals by the Department of Education;

"(H) by March 1: appeals process completed;

"(I) by April 1: final award notifications sent to institutions; and

"(J) by June 1: Pell Grant authorization levels sent to institutions.

"(b) TIMING FOR REALLOCATIONS.—With respect to any funds reallocated under section 413D or section 442, the Secretary shall reallocate such funds at any time during the course of the year that will best meet the purposes of the programs under subpart 2 of part A and part C, respectively. Such reallocation shall occur at least once each year, not later than September 30 of that year.

"(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.—Any additional regulatory changes initiated by the Secretary affecting the general administration of the programs pursuant to this title that have not been published in final form by December prior to the start of the award year shall not become effective until the beginning of the second award year after the December 1 date.

"(d) NOTICE TO CONGRESS.—The Secretary shall notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives when the items specified in the calendar have been completed and provide all relevant forms, rules and instructions with such notice. When a deadline included in the calendar is not met, the Secretary, within 7 days, shall submit to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives a written report, including proper documentation, as to why the deadline was not adhered to and a detailed plan for ensuring that subsequent dates are met. Nothing in this section shall be interpreted to penalize institutions or deny them the specified times allotted to enable them to return information to the Secretary based on the failure of the Secretary to adhere to the dates specified in this section.".

LESS THAN ONE-HALF TIME COURSE OF STUDY RULE

SEC. 185. (a) GENERAL RULE.—Section 484 of the Act is amended—

(1) by redesignating subsection (b) as subsection (c), and

(2) by inserting after subsection (a) the following new subsection:

"(b)(1) A student may be eligible for student assistance described in paragraph (2) if—

"(A) the student carries less than one-half the normal full-time workload for the course of study the student is pursuing, as determined by the institution of higher education, and

"(B) the institution of higher education has met the need for assistance under each such program described in paragraph (2) for students enrolled at the institution described in clause (2) of subsection (a).

"(2) The student assistance to which paragraph (1) of this subsection applies are—

"(A) supplemental education opportunity grants under subpart 2 of part A of this title;

"(B) work-study programs under part C of this title; and

"(C) direct student loans under part E of this title.".

(b) REPEALS.—(1) Section 413C(c) of the Act is repealed.

(2) Section 443(b)(3) of the Act is amended by striking out "except that each eligible institution may reserve and award not more than 10 per centum of the funds made available under this part for each fiscal year for less-than-half-time students who are determined by the institution to be in need of such grants and who meet the requirements of section 484, other than the requirement of clause (2) of section 484(a)".

SATISFACTORY PROGRESS

SEC. 186. (a) GENERAL RULE.—(1) Section 484(a)(3) of the Act is amended—

(A) by inserting after "progress" the following: "toward a degree or certificate"; and

(B) by striking out "according to the standards and practices of the institution at which the student is in attendance" and inserting in lieu thereof the following: "in accordance with the provisions of subsection (c) of this section".

(2) Section 484 of the Act is amended by adding at the end thereof the following new subsection:

"(d)(1) For the purpose of clause (3) of subsection (a) of this section, a student is maintaining satisfactory progress if—

"(A) the institution at which the student is in attendance, reviews the progress of the student at the end of each academic year, or its equivalent, as determined by the institution, and

"(B) the student has a cumulative C average, or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, at the end of the second such academic year.

"(2) Whenever a student fails to meet the eligibility requirements of clause (3) of subsection (a) as a result of the application of this subsection and subsequent to that failure the student has a cumulative C average for any grading period, the student may, subject to this subsection, again be eligible under such clause (3) for a grant, loan, or work assistance under this title.

"(3) Any institution of higher education at which the student is in attendance may, for the purpose of clause (3), waive the provisions of paragraph (1) or paragraph (2) of this subsection for undue hardship based on—

"(A) the death of a relative of the student,

"(B) the personal injury or illness of the student, or

"(C) special circumstances as determined by the institution.".

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect for the first academic year, or its equivalent, as determined by the Secretary of Education, beginning after the date of enactment of this Act.

(c) SURVEY AUTHORIZED.—The Secretary of Education, through the Office of Educational Research and Improvement, shall conduct a survey on the impact, if any, on grades of students of the amendments made by subsection (a) of this section. The study required by this subsection shall be conducted over the 5-year period ending September 30, 1991. The Secretary, after the end of each year of the study, shall submit to the Congress a report of the survey required by this subsection, together with such recommendations as the Secretary of Education deems appropriate.

CERTIFICATION OF STUDENT ELIGIBILITY; ADDITIONAL REQUIREMENTS

SEC. 187. (a) CERTIFICATION RULES.—Section 484 of the Act is amended by inserting at the end thereof the following new subsection:

"(c) Each eligible institution may certify student eligibility for a loan by an eligible lender under part B of this title prior to completing the review for accuracy of the information submitted by the applicant required by regulations issued under this title, if—

"(1) checks for the loans are mailed to the eligible institution prior to disbursements;

"(2) the disbursement is not made until the review is complete; and

"(3) the eligible institution has no evidence or documentation on which the insti-

tution may base a determination that the information submitted by the applicant is incorrect.".

(b) REQUIREMENTS.—(1) Section 484 of the Act (as amended by subsection (a)) is amended by adding at the end thereof the following:

"(d) No student shall be eligible to receive any grant, loan, or work assistance under this title if the eligible institution determines that the student borrowed in violation of the annual loan limits under part B or part E of this title in the same academic year, or if the student borrowed in excess of the cumulative maximum loan limits under such part B or part E.".

(2) Section 484 of the Act (as amended by paragraph (1)) is amended by adding at the end thereof the following new subsection:

"(e) A student who is admitted on the basis of the ability to benefit from training shall in order to remain eligible for any grant, loan, or work assistance under this title, receive the general education diploma or complete by the end of the first year of the course of study an institutionally prescribed course of remedial or developmental education. In the case of such a student who is attending an institution for less than one year the student shall complete an institutionally prescribed course of remedial or developmental education, or receive a general education diploma prior to certification or graduation.".

COUNSELING FOR BORROWERS

SEC. 188. Section 485 of the Act is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection:

"(c) Each eligible institution shall through financial aid officers or otherwise, provide counseling to borrowers of loans which are made, insured, or guaranteed under part B of this title or made under part E of this title prior to the completion of the course of study for which the borrower enrolled at the institution or at the time of departure from such institution. The counseling required by this subsection shall include—

"(1) general information with respect to the average indebtedness of students who have loans under part B or part E; and

"(2) the average anticipated monthly repayments, a review of the repayment options available, together with such debt and management strategies as the institution determines are designed to facilitate the repayment of such indebtedness.

In the case of a borrower who leaves an institution without the prior knowledge of the institution, the institution shall attempt to provide the information to the student in writing.".

COMBINED PAYMENT PLAN

SEC. 189. Part F of title IV of the Act is amended by inserting after section 485 the following new section:

"COMBINED PAYMENT PLAN

"SEC. 485A. (a)(1) Upon the request of the borrower, a lender described in clause (i), (ii), or (iii) of section 428C(a)(1) of this Act, or defined in subpart I of part C of title VII of the Public Health Service Act may, with respect to all loans eligible for consolidation under section 428C of this Act and loans guaranteed under subpart I of part C of title VII of the Public Health Service Act, offer a combined payment plan under which the lender shall submit one bill to the borrower for the repayment of all such loans for the monthly or other similar period of repayment.

"(2) A lender offering a combined payment plan must comply with all provisions of section 428C applicable to loans to be consolidated under this section and must comply with all provisions of subpart I of part C of title VII of the Public Health Service Act applicable to loans under that subpart which are made part of the combined payment plan.

"(3) Such lender may offer a combined payment plan only if—

"(A) the lender holds an outstanding loan of that borrower which is selected by the borrower for incorporation into a combined payment plan pursuant to this section (including loans which are selected by the borrower for consolidation under this section); or

"(B) the borrower certifies that the borrower has sought and has been unable to obtain a combined payment plan from the holders of the outstanding loans of that borrower.

"(4) In the case of multiple offers by lenders to administer a combined payment plan for a borrower, the borrower shall select from among them the lender to administer the combined payment plan including its loan consolidation component, if any.

"(5) Upon selection of a lender to administer the combined payment plan, the proceeds of such loan selected by the borrower for incorporation in the combined payment plan will be paid by the lender to the holder or holders of the loans so selected to discharge the liability on such loans, except that—

"(A) the lender selected to administer the combined payment plan has determined to its satisfaction, in accordance with reasonable and prudent business practices, for each loan made part of the combined payment plan (i) that the loan is a legal, valid, and binding obligation of the borrower; (ii) that each such loan was made and serviced in compliance with applicable laws and regulations; and (iii) that in the case of loans under this part or under subpart I of part C of title VII of the Public Health Service Act, the insurance on such loan is in full force and effect.

"(6) Lenders offering combined payment plans that include loans eligible for and selected by the borrower for consolidation must comply with all provisions of section 428C of this Act in order to consolidate such loans.

"(7) The status of an individual as an eligible combined payment plan borrower terminates upon receipt of a combined payment plan or upon receipt of a consolidation loan under this section except with respect to loans received under this title or pursuant to subpart I of part C of title VII of the Public Health Service Act after the date of receipt of the combined payment plan or the consolidation loan.

"(8) No origination or insurance premium shall be charged to the borrower on any combined payment plan.

"(9) Repayment of a combined payment plan shall commence within 60 days after all holders have, pursuant to paragraph (5), discharged the liability of the borrower on the loans selected for consolidation.

"(b) Upon the request of the borrower, each lender, with respect to all loans of a borrower made, insured, or guaranteed under part B of this title which are held by the lender, shall provide a combined payment plan under which the lender will submit one bill to the borrower for the repayment of all such loans for the monthly or other similar period of repayment.".

NATIONAL STUDENT LOAN DATA BANK

SEC. 190. Part F of title IV of the Act is amended by inserting after section 485A (as added by section 189) the following:

"NATIONAL STUDENT LOAN DATA BANK

"SEC. 485B. (a) In order to assure improved and accurate information on student loan indebtedness and institutional lending practices, and to insure improved compliance with the repayment and loan limitation provisions of this title, the Secretary is authorized to establish and carry out a nationwide computerized student loan data bank containing information regarding loans made, insured, or guaranteed under part B and loans made under part E. The information in the data bank shall include—

"(1) the exact amount of such loans made,

"(2) the names, social security numbers, and addresses of the student borrowers (and in the case of dependent students the names and addresses of the parents of such students), and

"(3) the guarantee agency responsible for the guarantee of the loan in the case of loans made, insured, or guaranteed under part B.

The information to be stored in the student loan data bank established by this subsection shall be furnished by guaranty agencies.

"(b)(1) Subject to the provisions of paragraph (2) and (3), and notwithstanding the provisions of section 552(a) of title 5, United States Code, relating to freedom of information, access to information in the data bank established and maintained pursuant to subsection (a) of this section shall be restricted to individuals and Federal agencies, specifically authorized by the Secretary to have such access.

"(2) In carrying out this subsection, the Secretary shall approve access to information for—

"(A) research on student loan practices, student and parental indebtedness, repayment and debt collection trends, Federal costs associated with the guaranteed student loan program under part B of this title, including the cost of interest subsidies and special allowance payments;

"(B) the improvement of Federal debt collection practices and Federal criminal prosecutions under this title, relating to loans made, insured, or guaranteed under part B or loans under part E of this title; and

"(C) furnishing information in response to an official request made by any committee of the Congress.

"(3) No name, address, or social security number of any individual borrower may be made available to any requesting individual, Federal agency, or organization, unless the Secretary determines that the request is connected with the enforcement or debt collection responsibilities imposed by Federal law on such individual, agency, or organization;

"(c) The Secretary shall prepare and submit to the Congress twice in each fiscal year a report describing the results obtained by the establishment and operation of the student loan data bank authorized by this section.".

INSTALLMENT DEDUCTION FOR INDEBTEDNESS DUE TO DEFAULT FOR FEDERAL GOVERNMENT EMPLOYEES

SEC. 191. Part F of title IV of the Act is amended by inserting after section 485B the following new section:

"INSTALLMENT DEDUCTION FOR INDEBTEDNESS DUE TO DEFAULT FOR FEDERAL GOVERNMENT EMPLOYEES

"SEC. 485C. (a)(1) Notwithstanding any other provision of law, when the head of any Federal agency receives notice under subsection (c) of this section—

"(A) that an individual is in default on any loan which is made, insured, or guaranteed under part B of this title, or is made under part E of this title, and

"(B) of the amount of the debt,

the head of such agency shall, in accordance with the provisions of this section, collect the amount of indebtedness furnished under subsection (c), in monthly installments, by deduction from the pay account of the individual employed in that agency.

"(2) The amount deducted for any monthly installment may not exceed 15 percent of the amount otherwise payable to such individual.

"(3) In carrying out the provisions of this section, the head of each agency shall follow the procedures set forth in paragraphs (2) and (3) of section 5514(a) of title 5, United States Code.

"(b) The head of each Federal agency shall transfer to the Secretary the amounts collected by deduction pursuant to subsection (a) of this section.

"(c) The Secretary shall notify the head of each Federal agency promptly of the names and social security numbers of each borrower of a loan described in subsection (a) who is in default and of the amount of the debt owed on such loan.

"(d) The head of each Federal agency shall notify each individual subject to the provisions of this section of the amount of each deduction made by reason of this section.

"(e) Notwithstanding any other provision of law, in any case in which the indebtedness relates to loans described in this section and has been reduced to judgment in a court of the United States, the deductions from basic pay shall be 25 percent.

"(f) For the purpose of this section—

"(1) the term 'Federal agency' has the same meaning given that term by section 5514(4)(B) of title 5 of the United States Code; and

"(2) the term 'pay account' means basic pay, special pay, incentive pay, retired pay, retainer pay, or, in the case of an individual not entitled to basic pay, other authorized pay.".

INSTALLMENT DEDUCTION FOR INDEBTEDNESS DUE TO DEFAULT

SEC. 192. Part F of title IV of the Act is amended by inserting after section 485C the following new section:

"INSTALLMENT DEDUCTION FROM BENEFITS FOR INDEBTEDNESS DUE TO DEFAULT

"SEC. 485D. (a)(1) Notwithstanding any other provision of law, when the head of any Federal agency receives notice under subsection (c) of this section—

"(A) that an individual is in default on any loan which is made, insured, or guaranteed under part B of this title, or is made under part E of this title, and

"(B) of the amount of the debt,

the head of such agency shall, in accordance with the provisions of this section, collect the amount of indebtedness furnished under subsection (c), in monthly installments, by deduction from the amount of the benefits payable to such individual under any program for which the head of the Federal agency is responsible.

"(2) The amount deducted for any monthly installment may not exceed 25 percent of the amount otherwise payable to such individual, except that the Secretary is authorized in demonstrated cases of exceptional need to waive the deductions required by this section.

"(b) The head of each Federal agency shall transfer to the Secretary the amounts collected by deduction pursuant to subsection (a) of this section.

"(c) The Secretary shall notify the head of each Federal agency promptly of the names and social security numbers of each borrower of a loan described in subsection (a) who is in default and of the amount of the debt owed on such loan.

"(d) The head of such Federal agency shall notify each individual subject to the provisions of this section of the amount of each deduction made by reason of this section.

"(e) For the purpose of this section—

"(1) the term 'Federal agency' has the same meaning given that term by section 5514(4)(B) of title 5 of the United States Code; and

"(2) the term 'benefits' means cash assistance or its equivalent which is payable under a Federal program and which is specified by regulations issued by the Secretary, after consultation with the Director of the Office of Management and Budget, except that such term does not include—

"(A) benefits paid under the Food Stamp Act of 1977;

"(B) benefits paid under a State plan approved under part A of title IV of the Social Security Act, relating to aid to families with dependent children;

"(C) compensation paid to an officer or employee of any Federal agency;

"(D) benefits paid under a State plan approved under title XIX of the Social Security Act relating to Medicaid; and

"(E) Supplemental Security Income.".

TRUTH IN ADVERTISING

SEC. 193. Section 487(a) of the Act is amended by adding at the end thereof the following new paragraph:

"(7) In the case of an institution that advertises job placement rates as a means of attracting students to enroll in the institution, the institution will publish in the catalog of the institution actual employment statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements.".

AVAILABILITY OF STATE GRANT ASSISTANCE

SEC. 194. Section 487(a) of the Act (as amended by section 193 of this Act) is amended by adding at the end thereof the following new paragraph:

"(8) In the case of an institution participating in a program under part B, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance.".

FINANCIAL AND STUDENT SUPPORT SERVICES TRAINING

SEC. 195. Section 486(c) of the Act is amended by striking out "1985" and inserting in lieu thereof "1986".

INELIGIBILITY FOR FEDERAL LOANS AND DISCRETIONARY GRANTS FOR ANY LOAN BORROWER WHO IS IN DEFAULT

SEC. 196. Part F of title IV of the Act is amended by adding after section 490 the following new section:

"INELIGIBILITY FOR FEDERAL LOANS AND DISCRETIONARY GRANTS FOR ANY LOAN BORROWER WHO IS IN DEFAULT

"SEC. 490A. No borrower of a loan made, insured, or guaranteed under part B of this title or made under part E of this title who is in default may be eligible for the period of default to receive any loan or discretionary grant under any provision of Federal law.".

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

SEC. 197. (a) ADVISORY COMMITTEE AUTHORIZED.—Section 491 of the Act is amended to read as follows:

"ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

"SEC. 491. (a) ESTABLISHMENT AND PURPOSE.—(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the 'Advisory Committee') which shall provide advice and counsel to the Congress and to the Secretary on student financial aid matters.

"(2) The purpose of the Advisory Committee is—

"(A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance;

"(B) to provide technical expertise with regard to systems of needs analysis and application forms; and

"(C) to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students.

"(b) INDEPENDENCE OF ADVISORY COMMITTEE.—In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department.

"(c) MEMBERSHIP.—(1) The Advisory Committee shall have 11 members of which—

"(A) 3 members shall be appointed by the President pro tempore of the Senate upon the recommendation of the Majority Leader and the Minority Leader,

"(B) 3 members shall be appointed by the Speaker of the House of Representatives upon the recommendation of the Majority Leader and the Minority Leader, and

"(C) 5 members shall be appointed by the Secretary including, but not limited to representatives of States, institutions of higher education, secondary schools, credit institutions, students, and parents.

"(2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.

"(d) FUNCTIONS OF THE COMMITTEE.—The Advisory Committee shall—

"(1) develop, review, and comment upon the system of needs analysis established under section 482 of this title;

"(2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements;

"(3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the de-

livery of student aid and in assessing the impact of legislative and administrative policy proposals;

"(4) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations;

"(5) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met;

"(6) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; and

"(7) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs.

"(e) OPERATIONS OF THE COMMITTEE.—(1) Each member of the Advisory Committee shall be appointed for a term of 3 years, except that, of the members first appointed—

"(A) 4 shall be appointed for a term of 1 year;

"(B) 4 shall be appointed for a term of 2 years; and

"(C) 3 shall be appointed for a term of 3 years,

as designated at the time of appointment by the Secretary.

"(2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee shall, upon request, continue to serve after the expiration of a term until a successor has been appointed. A member of the Advisory Committee may be reappointed to successive terms on the Advisory Committee.

"(3) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members.

"(4) Six members of the Advisory Committee shall constitute a quorum.

"(5) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

"(f) SUBMISSION TO DEPARTMENT FOR COMMENT.—The Advisory Committee shall submit any of its proposed studies or recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

"(g) COMPENSATION AND EXPENSES.—(1) Members of the Advisory Committee who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States; but they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(2) Members of the Advisory Committee who are not officers or full-time employees of the United States may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(h) PERSONNEL AND RESOURCES.—(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subtitle III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule.

"(2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible.

"(3) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman.

"(4) The Advisory Committee is authorized to obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code.

"(5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section.

"(6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

"(i) AVAILABILITY OF FUNDS.—An amount not to exceed $1,000,000 in any fiscal year, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.".

(b) TERMINATION.—(1) The Advisory Committee shall cease to exist 1 year after the first meeting of the Advisory Committee.

(2) Effective 1 year after the first meeting of the Advisory Committee, section 491 of the Act is repealed.

CLARIFYING THE STATUTE OF LIMITATIONS FOR ADMINISTRATIVE OFFSET

SEC. 198. Section 2415(i) of title 28 of the United States Code is amended to read as follows:

"(i) The provisions of this section shall not prevent the United States or an officer or agency thereof from collecting by means of administrative offset at any time, any claim of the United States or an officer or agency thereof from money payable to or held on behalf of an individual. Whenever the head of an agency or the designee attempts to collect a claim of the United States by administrative offset pursuant to an applicable statute or the common law, the head of an agency or the designee shall prescribe regulations and establish standards for the exercise of such administrative offset which are consistent with the standards promulgated under section 3711(e) of title 31, and are based on the best interest of the United States, the likelihood of collecting by offset, and the cost effectiveness of carrying an open claim beyond 6 years.".

PART F—INCOME CONTINGENT DIRECT LOAN DEMONSTRATION PROJECT

DEMONSTRATION PROJECT AUTHORIZED

SEC. 199. The Act is amended by adding after part C the following:

"PART D—INCOME CONTINGENT DIRECT LOAN DEMONSTRATION PROJECT

"STATEMENT OF PURPOSE

"SEC. 451. It is the purpose of this part to examine the feasibility of a direct loan program which uses the income contingent repayment method in order to increase the economic and full use of direct student loan funds.

"DEMONSTRATION PROJECT AUTHORIZED

"SEC. 452. (a) The Secretary shall from the amounts appropriated each fiscal year carry out demonstration projects in accordance with the provisions of this part.

"(b) For the purpose of making contributions to student loan funds established pursuant to this part there are authorized to be appropriated $5,000,000 for the fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

"(c)(1) The Secretary shall allot the amounts appropriated in each fiscal year pursuant to subsection (b) among institutions of higher education which desire to participate in the pilot project authorized by this part and which have agreements with the Secretary under section 453.

"(2) The Secretary may not enter into agreements with more than 10 institutions of higher education under this part.

"AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION

"SEC. 453. An agreement with an institution of higher education under this part shall—

"(1) provide for the establishment and maintenance of a student loan fund for the purpose of this part;

"(2) provide for the deposit in such fund of Federal capital contributions from funds appropriated pursuant to section 452;

"(3) provide for the deposit in such fund of a capital contribution by such institution equal to not less than one-ninth of the amount of the Federal capital contribution described in clause (2);

"(4) provide for the deposit in such fund of collections of principal and interest on student loans made from deposited funds and any other earnings of such funds;

"(5) provide that such student loan fund shall be used only for—

"(A) loans to students, in accordance with the provisions of this part,

"(B) administrative expenses; and

"(C) costs of litigation, and other collection costs agreed to by the Secretary in connection with the collection of a loan from the fund (and interest thereon) or a charge assessed pursuant to regulations;

"(6) provide that repayment of the loans made from such student loan funds will be made in accordance with a repayment schedule, which will be adjusted annually on the basis of the total amount borrowed by the student and the adjusted gross income of the student borrower for the most recent calendar year preceding the year in which the payment determination is made, together with such adjustments in the schedule as the Secretary and the institution determine will best carry out the purpose of this part, except that for the first two years of the repayment period the schedule shall require a fixed payment plan;

"(7) provide for the distribution of assets from student loan funds under this part in accordance with criteria prescribed by the Secretary, based upon the provisions of section 466; and

"(8) provide for such other assurances and limitations as the Secretary may reasonably require.

"TERMS OF LOAN UNDER THE PILOT PROGRAM

"SEC. 454. (a)(1) Loans from any student loan fund established pursuant to an agreement under section 453, to any student by any institution shall, subject to such conditions, limitation, and requirements as the Secretary shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

"(2) The aggregate amount of all loans made by institutions of higher education from loan funds established pursuant to agreements under this part to any student may not exceed $17,500.

"(3) The total amount of loans made by institutions of higher education from loan funds established pursuant to such agreement for any academic year may not exceed—

"(A) $2,500 in the case of a student who is in the first or second academic year of a program of education leading to a bachelor's degree;

"(B) $3,500 in the case of a student who is in the third such year; and

"(C) $4,500 in the case of a student who is in the fourth and fifth such year.

"(4) The interest rate on all such loans shall be the rate equal to the rate obtained for each calendar year (A) by computing the average of the bond equivalent rates of ninety-one day Treasury bills auctioned for such three-month period preceding such year, and (B) by adding 3 per centum to the resulting per centum.

"(5) Loans made from loan funds established pursuant to such agreements shall contain such agreements for deferments, interest accrual during deferments, and loan cancellation, as are consistent with the provisions of part E of this title, subject to such modifications as the Secretary may, by regulation, prescribe.

"(b) The Secretary may by regulation prescribe such other terms for loans made from loan funds established pursuant to such agreements as the Secretary determines will contribute to carrying out the provisions of this part.

"FEASIBILITY STUDY

"SEC. 455. (a) The Secretary shall, based upon the projects assisted under this part, conduct a study of the feasibility of extending the pilot project to a direct student loan fund program of general applicability beginning after September 30, 1990.

"(b) The Secretary shall prepare and submit to the Congress a report on the feasibility study begun pursuant to subsection (a) not later than October 1, 1991 and October 1, 1995, together with such recommendations as the Secretary deems appropriate.".

PART G—ADDITIONAL STUDENT ASSISTANCE SAVINGS PROVISIONS

ADDITIONAL STUDENT ASSISTANCE SAVINGS PROVISIONS

SEC. 199A. Notwithstanding any other provision of this Act, or the amendments made by this Act—

(1) the maximum amount for a Pell Grant under section 411(a)(2)(A)(i) of the Act shall be—

(A) $2,300 for academic year 1987-1988,

(B) $2,500 for academic year 1988-1989,

(C) $2,700 for academic year 1989-1990,

(D) $2,900 for academic year 1990-1991, and

(E) $3,100 for academic year 1991-1992;

(2) the per centum to be applied under clause (iii) of section 438(b)(2)(A) of the Act shall be 3 per centum; and

(3) a student shall qualify as an independent student for an award year if, in addition to the requirements otherwise applicable, the student demonstrates to the satisfaction of the institution, in accordance with guidelines prescribed by the Secretary, how, for any of the relevant years prescribed, such student was self-supporting.

TITLE II—INSTITUTIONAL AND PROGRAM ASSISTANCE

PART A—CONTINUING POSTSECONDARY EDUCATION PROGRAM AND PLANNING

REPEAL OF TITLE I

SEC. 201. Title I of the Act is repealed.

NATIONAL ADVISORY COUNCIL ON CONTINUING EDUCATION

SEC. 202. (a) COUNCIL ESTABLISHED.—Title II of the Department of Education Organization Act is amended by adding at the end thereof the following:

"NATIONAL ADVISORY COUNCIL ON CONTINUING EDUCATION

"SEC. 215. (a) The President shall appoint a National Advisory Council on Continuing Education consisting of eight representatives of Federal agencies having postsecondary continuing education and training responsibilities, including, but not limited to—

"(1) one representative each from—

"(A) the Department of Education,

"(B) the Department of Agriculture,

"(C) the Department of Defense,

"(D) the Department of Labor, and

"(E) the Veterans' Administration; and

"(2) twelve members, not full-time employees of the Federal Government, who are knowledgeable and experienced in the field of continuing education, including State and local government officials, representatives of business, labor, and community groups, and adults whose educational needs have been inadequately served.

The Advisory Council shall meet at the call of the Chairman but not less than twice a year.

"(b) The Advisory Council shall advise the Secretary in the preparation of general regulations and with respect to policies and procedures arising in the administration of the Higher Education Act of 1965 with respect to continuing education.

"(c) The Advisory Council shall examine all federally supported continuing education and training programs and make recommendations with regard to policies to eliminate duplication and to effectuate the coordination of programs under the Higher Education Act of 1965 with respect to continuing education and other federally funded continuing education and training programs and services.

"(d) The Advisory Council shall make annual reports to the President, the Congress, and the Secretary of its findings and recommendations, including recommendations for changes in the provisions of the Higher Education Act of 1965 with respect to continuing education and other Federal laws relating to continuing education and training activities. The President shall transmit each such report to the Congress with his comments and recommendations. The Advisory Council shall make such other reports or recommendations to the President, the Congress, the Secretary, or the head of any other Federal department or agency as may be appropriate.

"(e) The Advisory Council may utilize the services and facilities of any agency of the Federal Government as may be necessary. The Advisory Council may accept, employ, and dispose of gifts or bequests to carry out its responsibilities under this section.".

(b) CONFORMING AMENDMENT.—The table of contents of such Act is amended by adding after item "Sec. 214." the following new item:

"Sec. 215. National Advisory Council on Continuing Education.".

PART B—LIBRARIES

REAUTHORIZATION

SEC. 211. Section 201(b) of the Act is amended to read as follows:

"(b)(1) There are authorized to be appropriated to carry out part A $5,000,000 for fiscal year 1987, $5,250,000 for fiscal year 1988, $5,512,500 for fiscal year 1989, $5,788,125 for fiscal year 1990, and $6,077,530 for fiscal year 1991.

"(2) There are authorized to be appropriated to carry out part B $1,050,000 for fiscal year 1987, $1,103,000 for fiscal year 1988, $1,158,000 for fiscal year 1989, $1,216,000 for fiscal year 1990, and $1,277,000 for fiscal year 1991.

"(3) There are authorized to be appropriated to carry out part C $6,300,000 for fiscal year 1987, $6,615,000 for fiscal year 1988, $6,940,000 for fiscal year 1989, $7,280,000 for fiscal year 1990, and $7,650,000 for fiscal year 1991.".

COLLEGE LIBRARY RESOURCES

SEC. 212. (a) GRANT AMOUNT; NEED CRITERIA.—Section 211 of the Act is amended to read as follows:

"COLLEGE LIBRARY RESOURCES

"SEC. 211. (a) From the amount appropriated for this part, the Secretary shall make grants to eligible institutions of higher education or combinations thereof (and to branches of institutions which are located in different communities from that in which its parent institution is located). The amount of a grant under this part shall not be less than $2,000 nor more than $10,000 and shall reflect the number of full-time equivalent students enrolled at the recipient institution. If the funds are not sufficient to provide grants to all eligible institutions, grants shall be made to those institutions demonstrating the greatest need, based on the eligibility criteria in section 211(c).

"(b) A grant under this part may be made only if the application provides—

"(1) information about the institution and its library resources as prescribed by the Secretary in regulations;

"(2) satisfactory assurance that the applicant has expended for all library materials (exclusive of construction) during the institutional fiscal year preceding the year of application for which the grant is sought (hereafter in this section called the 'base year'), from funds other than funds received under this part, an amount not less than the average annual aggregate amount or the average amount per full-time equivalent student it expended for such purposes during the 2 years preceding the base year;

"(3) for such fiscal control and fund accounting procedures as are necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part;

"(4) for making such reports as the Secretary may require, including a report on how such funds received under a grant were ex-

pended, and for keeping such records and for affording such access thereto as the Secretary deems necessary to assure the correctness and verification of such reports; and

"(5) a statement setting forth how the funds received under this part will be used to improve the quality of the institution's library services.

"(c) In order to be considered an eligible institution, an institution must provide the Secretary assurance that—

"(1) the expenditures of the institution per full-time equivalent student for library materials is less than the average of the expenditures for library materials per full-time equivalent student by other institutions of comparable size and program, as determined by the Secretary in accordance with definitions established by the National Center for Education; and

"(2) the number of volumes per full-time equivalent student is less than the average of such number of volumes held by institutions of comparable size and program, as determined by the Secretary in accordance with definitions established by the National Center for Education Statistics.

"(d) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent the applicant from making the assurance required by subsection (b)(2), the requirement for such assurance may be waived. For purposes of this subsection, the term 'very unusual circumstances' means theft, vandalism, fire, flood, earthquake, or other occurrence which may temporarily reduce the level of expenditures for library materials, or which resulted in unusually high expenditures for library materials.

"(e) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent an otherwise eligible institution from qualifying under subsection (c), the requirements of subsection (c) may be waived. The Secretary may not grant such waivers to more than 5 percent of the eligible institutions receiving grants under this part.

"(f) Grants under this part may be used only for books, periodicals, documents, magnetic tapes, phonographic records, audiovisual materials, and other related library materials (including necessary binding) and for the establishment and maintenance of networks for sharing library resources with other institutions of higher education.".

STUDY OF THE EFFECTIVENESS OF THE NEEDS CRITERIA FOR THE COLLEGE LIBRARY RESOURCE PROGRAM AUTHORIZED

SEC. 213. Title II of the Act is amended by inserting after section 211 the following new section:

"STUDY OF THE EFFECTIVENESS OF THE NEEDS CRITERIA FOR THE COLLEGE LIBRARY RESOURCE PROGRAM AUTHORIZED

"SEC. 212. (a) The National Commission on Libraries and Information Sciences shall conduct a study on the effectiveness in directing assistance to libraries with the greatest need of the needs criteria specified in section 211 under this part.

"(b) The National Commission on Libraries and Information Sciences shall prepare and submit a report to the Congress not later than 3 years after the conclusion of the first fiscal year in which appropriations are made for the College Library Resource Program authorized by section 211, as amended by section 212 of the Higher Education Amendments of 1985, together with such recommendations as the Commission on Libraries and Information Sciences deems appropriate.".

STRENGTHENING RESEARCH LIBRARY RESOURCES

SEC. 214. Section 231 of the Act is further amended by inserting at the end thereof the following new subsection:

"(c) In determining eligibility for assistance under this part, the Secretary shall permit institutions that do not otherwise qualify to provide additional information or documents to demonstrate the national or international significance for scholarly research of the particular collection described in the grant proposal.".

REPEAL OF PART D

SEC. 215. Part D of title II of the Act is repealed.

PART C—INSTITUTIONAL AID

INSTITUTIONAL AID REAUTHORIZED

SEC. 221. Title III of the Act is amended to read as follows:

"TITLE III—INSTITUTIONAL AID

"FINDINGS AND PURPOSES

"SEC. 301. (a) FINDINGS.—The Congress finds that—

"(1) many institutions of higher education in this era of declining enrollments and scarce resources face problems which threaten their ability to survive;

"(2) the problems relate to the management and fiscal operations of certain institutions of higher education, as well as to an inability to engage in long-range planning, recruitment activities, and development activities, including endowment building;

"(3) the title III program prior to 1985 did not always meet the specific development needs of historically black colleges and universities and other institutions with large concentrations of minority, low-income students;

"(4) the solution of the problems of these institutions would enable them to become viable, fiscally stable and independent, thriving institutions of higher education;

"(5) providing a minimum level of assistance to all categories of eligible institutions will assure the continued participation of the institutions in the program established in title III and enhance their role in providing access and quality education to low-income and minority students; and

"(6) these institutions play an important role in the American system of higher education, and there is a strong national interest in assisting them in solving their problems and in stabilizing their management and fiscal operations, and in becoming financially independent.

"(b) PURPOSE.—It is the purpose of this title to assist such institutions through a program of Federal assistance.

"PART A—STRENGTHENING INSTITUTIONS

"PROGRAM PURPOSE

"SEC. 311. (a) GENERAL AUTHORIZATION.—The Secretary shall carry out a program, in accordance with this part, to improve the academic quality, institutional management, and fiscal stability of eligible institutions, in order to increase their self-sufficiency and strengthen their capacity to make a substantial contribution to the higher education resources of the Nation.

"(b) GRANTS AWARDED; SPECIAL CONSIDERATION.—(1) From the sums available for this part under section 358(a)(1), the Secretary may award grants to any eligible institution with an application approved under section 351 in order to assist such an institution to plan, develop, or implement activities that promise to strengthen the institution.

"(2) Special consideration shall be given to any eligible institution—

"(A) which has endowment funds (other than any endowment fund built under section 332 of this Act as in effect on September 30, 1986, and under part B) the market value of which, per full-time equivalent student, is less than the average current market value of the endowment funds, per full-time equivalent student (other than any endowment fund built under section 332 of this Act as in effect on September 30, 1986, and under part B) at similar institutions; or

"(B) which has expenditures per full-time equivalent student for library materials which is less than the average of the expenditures for library materials per full-time equivalent student by other similarly situated institutions.

"(3) Special consideration shall be given to applications which propose, pursuant to the institution's plan, to engage in—

"(A) faculty development;

"(B) funds and administrative management;

"(C) development and improvement of academic programs;

"(D) acquisition of equipment for use in strengthening funds management and academic programs;

"(E) joint use of facilities such as libraries and laboratories; and

"(F) student services.

"DEFINITIONS

"SEC. 312. For purposes of this part:

"(1) The term 'educational and general expenditures' means the total amount expended by an institution of higher education for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation and maintenance expenditures for the physical plant, and any mandatory transfers which the institution is required to pay by law.

"(2) The term 'eligible institution' means—

"(A) an institution of higher education—

"(i)(I) which, in the case of an institution which awards a bachelor's degree, has an enrollment which includes at least 50 percent of the students so enrolled who are receiving need-based assistance under title IV of this Act (other than loans for which an interest subsidy is paid pursuant to section 428), unless this requirement is waived under section 352(a), and (II) which, in the case of junior or community colleges, has an enrollment which includes at least 50 percent of the students so enrolled who are receiving need-based assistance under title IV of this Act (other than loans for which an interest subsidy is paid pursuant to section 428) unless this requirement is waived under section 352(a);

"(ii) except as provided in section 352(b), the average educational and general expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction;

"(iii)(I) is legally authorized to provide, and provides within the State, an educational program for which it awards a bachelor's degree, or (II) is a junior or community college;

"(iv) is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be reliable authority as to the quality of training offered

or is, according to such an agency or association, making reasonable progress toward accreditation;

"(v) except as provided in section 352(b) has, during the 5 academic years preceding the academic year for which it seeks assistance under this part—

"(I) met the requirement of either subclause (iii)(I) or (iii)(II), or of both such subclauses (simultaneously or consecutively); and

"(II) met the requirement of subclause (iv); and

"(vi) meets such other requirements as the Secretary may prescribe;

"(B) any branch of any institution of higher education described under clause (A) which by itself satisfies the requirements contained in subclauses (i) and (ii) of such clause;

"(C) any institution of higher education which has an enrollment of which at least 20 percent are Mexican American, Puerto Rican, Cuban, or other Hispanic students, or combination thereof, and which also satisfies the requirements of subclauses (i) and (ii) of such clause;

"(D) any institution of higher education which has an enrollment of at least 60 percent American Indian, or in the case of Alaska natives, an enrollment of at least 5 percent, and which also satisfies the requirements of subclauses (i), (ii), (iii), and (iv) of such clause; and

"(E) any institution of higher education which has an enrollment of which at least 5 percent are Native Hawaiian, Asian American, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian, or any combination thereof, and which also satisfies the requirements of subclauses (i) and (ii) of such clause.

For purposes of the determination of whether an institution is an eligible institution under this paragraph, the factor described under clause (A)(i) shall be given twice the weight of the factor described under clause (A)(ii).

"(3) The term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by 12) at such institution.

"(4) The term 'junior or community college' means an institution of higher education—

"(A) that admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution;

"(B) that does not provide an educational program for which it awards a bachelor's degree (or an equivalent degree); and

"(C) that—

"(i) provides an educational program of not less than 2 years that is acceptable for full credit toward such a degree, or

"(ii) offers a 2-year program in engineering, mathematics, or the physical or biological sciences, designed to prepare a student to work as a technician or at the semiprofessional level in engineering, scientific, or other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"DURATION OF GRANT

"SEC. 313. (a) GENERAL RULE.—The Secretary may award a grant to an eligible institution under this part for—

"(1) not to exceed 3 years,

"(2) not to exceed 4 years if the eligible institution provides assurances that the eligible institution will not reapply for a grant under this part for 4 years; and

"(3) not to exceed 5 years if the eligible institution provides assurances that the eligible institution will not reapply for a grant under this part for 5 years.

"(b) PLANNING GRANTS.—Notwithstanding subsection (a), the Secretary may award a grant to an eligible institution under this part for a period of 1 year for the purpose of preparation of plans and applications for a grant under this part.

"PART B—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

"FINDINGS AND PURPOSES

"SEC. 321. The Congress finds that—

"(1) the historically black colleges and universities have contributed significantly to the effort to attain equal opportunity through postsecondary education for black, low-income, and educationally disadvantaged Americans;

"(2) States and the Federal Government have discriminated in the allocation of land and financial resources to support black public institutions under the Morrill Act of 1862 and its progeny, and against public and private black colleges and universities in the award of Federal grants and contracts, and the distribution of Federal resources under this Act and other Federal programs which benefit institutions of higher education;

"(3) the current state of black colleges and universities is partly attributable to the discriminatory action of the States and the Federal Government and this discriminatory action requires the remedy of enhancement of black postsecondary institutions to ensure their continuation and participation in fulfilling the Federal mission of equality of educational opportunity; and

"(4) financial assistance to establish or strengthen the physical plants, financial management, academic resources, and endowments of the historically black colleges and universities are appropriate methods to enhance these institutions and facilitate a decrease in reliance on governmental financial support and to encourage reliance on endowments and private sources.

"DEFINITIONS

"SEC. 322. For the purposes of this part:

"(1) The term 'graduate' means an individual who has attended an institution for at least three semesters and fulfilled academic requirements for undergraduate studies in not more than 5 consecutive school years.

"(2) The term 'part B institution' means any historically black college or university that was established prior to 1964 and whose principal mission was, and is, the education of black Americans.

"(3) The term 'Pell Grant recipient' means a recipient of financial aid under title IV, part A, subpart 1 of this Act.

"(4) The term 'professional and academic areas in which blacks are underrepresented' shall be determined by the Assistant Secretary for Educational Research and Improvement and the Commissioner of the Bureau of Labor Statistics, on the basis of the most recent available satisfactory data, as professional and academic areas in which the percentage of black Americans who have been educated, trained, and employed is less than the percentage of blacks in the general population.

"(5) The term 'school year' means the period of 12 months beginning July 1 of any calendar year and ending June 30 of the following calendar year.

"GRANTS TO INSTITUTIONS

"SEC. 323. (a) GENERAL AUTHORIZATION; USES OF FUNDS.—From amounts available under section 358(a)(2) in any fiscal year the Secretary shall make grants (under section 324) to institutions which have applications approved by the Secretary (under section 325) for any of the following uses:

"(1) Purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes.

"(2) Renovation and improvement in classroom, library, laboratory, and other instructional facilities.

"(3) Support of faculty exchanges and faculty fellowships to assist in attaining advanced degrees in their field of instruction.

"(4) Academic instruction in disciplines in which black Americans are underrepresented.

"(5) Purchase of library books, periodicals, microfilm, and other educational materials.

"(6) Tutoring, counseling, and student service programs designed to improve academic success.

"(b) LIMITATION.—No grant may be made under this Act for any educational program, activity, or service related to sectarian instruction or religious worship, or provided by a school or department of divinity. For purposes of this subsection, the term 'school or department of divinity' means an institution whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation, or to prepare them to teach theological subjects.

"ALLOTMENTS TO INSTITUTIONS

"SEC. 324. (a) ALLOTMENT; PELL GRANT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-half that amount as the number of Pell Grant recipients in attendance and in good standing at such institution at the end of the school year preceding the beginning of that fiscal year bears to the total number of Pell Grant recipients at all part B institutions.

"(b) ALLOTMENT; GRADUATES BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates for such school year at such institution bears to the total number of graduates for such school year at all part B institutions.

"(c) ALLOTMENT; GRADUATE AND PROFESSIONAL STUDENT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates, who are admitted to and in attendance at a graduate or professional school in a degree program in disciplines in which blacks are underrepresented, bears to the number of such graduates for all part B institutions.

"(d) REALLOTMENT.—The amount of any part B institution's allotment under subsection (a), (b), or (c) for any fiscal year which the Secretary determines will not be required for such institution for the period

such allotment is available shall be available for reallotment from time to time on such date during such period as the Secretary may determine to other part B institutions in proportion to the original allotment to such other institutions under this section for such fiscal year.

"(e) SPECIAL MERGER RULE.—(1) The Secretary shall permit any eligible institution for a grant under part B in any fiscal year prior to the fiscal year 1986 to apply for a grant under this part if the eligible institution has merged with another institution of higher education which is not so eligible or has merged with an eligible institution.

"(2) The Secretary may establish such regulations as may be necessary to carry out the requirement of paragraph (1) of this subsection.

"(f) SPECIAL RULE FOR CERTAIN DISTRICT OF COLUMBIA ELIGIBLE INSTITUTIONS.—In any fiscal year that the Secretary determines that Howard University or the University of the District of Columbia will receive an allotment under subsections (b) and (c) of this section which is not in excess of amounts received by Howard University under the Act of March 2, 1867 (14 Stat. 438; 20 U.S.C. 123), relating to annual authorization of appropriations for Howard University, or by the University of the District of Columbia under the District of Columbia Self-Government and Governmental Reorganization Act (87 Stat. 774) for such fiscal year, then Howard University and the University of the District of Columbia, as the case may be, shall be ineligible to receive an allotment under this section.

"APPLICATIONS

"SEC. 325. (a) CONTENTS.—No part B institution shall be entitled to its allotment of Federal funds for any grant under section 324 for any period unless that institution meets the requirements of section 312(2)(A) (iii), (iv), and (v) and submits an application to the Secretary at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require. Each such application shall—

"(1) provide that the payments under this Act will be used for the purposes set forth in section 322; and

"(2) provide for making an annual report to the Secretary and provide for—

"(A) conducting, except as provided in clause (B), a financial and compliance audit of an eligible institution, with regard to any funds obtained by it under this title at least once every two years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(B) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (A) for the period covered by such audit.

"(b) APPROVAL.—The Secretary shall approve any application which meets the requirements of subsection (a) and shall not disapprove any application submitted under this part, or any modification thereof, without first affording such institution reasonable notice and opportunity for a hearing.

"PROFESSIONAL OR GRADUATE INSTITUTIONS

"SEC. 326. (a) GENERAL AUTHORIZATION.—(1) Subject to the availability of funds appropriated to carry out this section, the Secretary shall award program grants to each of the postgraduate institutions listed in subsection (e) that is determined by the Secretary to be making a substantial contribution to the legal, medical, dental, veterinary, or other graduate education opportunities for black Americans.

"(2) No grant in excess of $500,000 may be made under this section unless the postgraduate institution provides assurances that 50 per centum of the cost of the purposes for which the grant is made will be paid from non-Federal sources.

"(b) DURATION.—Grants shall be made for a period not to exceed 5 years. No more than two 5-year grants (for a period of not more than 10 years) may be made to any one undergraduate or postgraduate institution.

"(c) USES OF FUNDS.—A grant under this section may be used for—

"(1) any of the purposes enumerated under section 323;

"(2) to establish or improve a development office to strengthen and increase contributions from alumni and the private sector; and

"(3) to assist in the establishment or maintenance of an institutional endowment to facilitate financial independence pursuant to section 333 of this title.

"(d) APPLICATION.—Any institution eligible for a grant under this section shall submit an application which—

"(1) demonstrates how the grant funds will be used to improve graduate educational opportunities for black and low-income students, and lead to greater financial independence; and

"(2) provides, in the case of applications for grants in excess of $500,000, the assurances required by subsection (a)(2) and specifies the manner in which the eligible institution is going to pay the non-Federal share of the cost of the application.

"(e) ELIGIBLE PROFESSIONAL OR GRADUATE INSTITUTIONS.—Independent professional or graduate institutions eligible for grants under subsection (a) include—

"(1) Morehouse School of Medicine;

"(2) Meharry Medical School;

"(3) Charles R. Drew Postgraduate Medical School;

"(4) Atlanta University; and

"(5) Tuskegee Institute School of Veterinary Medicine.

"REPORTING AND AUDIT REQUIREMENTS

"SEC. 327. (a) RECORDKEEPING.—Each recipient of a grant under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose—

"(1) the amount and disposition by such recipient of the proceeds of such assistance;

"(2) the cost of the project or undertaking in connection with which such assistance is given or used;

"(3) the amount of that portion of the cost of the project or undertaking supplied by other sources; and

"(4) such other records as will facilitate an effective audit.

"(b) REPAYMENT OF UNEXPENDED FUNDS.—Any funds paid to an institution and not expended or used for the purposes for which the funds were paid within 10 years following the date of the initial grant awarded to an institution under part B of this title shall be repaid to the Treasury of the United States.

"PART C—CHALLENGE GRANTS FOR INSTITUTIONS ELIGIBLE FOR ASSISTANCE UNDER PART A OR PART B

"ESTABLISHMENT OF CHALLENGE GRANT PROGRAM

"SEC. 331. (a) GENERAL AUTHORIZATION; ELIGIBILITY.—(1) From the sums available under section 360(a)(3) for each fiscal year, the Secretary may award a challenge grant to each institution—

"(A) which is an eligible institution under part A or would be considered to be such an institution if section 312(2)(A)(iii) referred to a postgraduate degree rather than a bachelor's degree; or

"(B) which is an institution under part B or would be considered to be such an institution if section 324 referred to a postgraduate degree rather than a baccalaureate degree.

"(2) The Secretary may waive the requirements set forth in subparagraphs (A) and (B) of paragraph (1) with respect to a postgraduate degree in the case of any institution otherwise eligible under such paragraph for a challenge grant upon determining that the institution makes a substantial contribution to medical education opportunities for minorities and the economically disadvantaged.

"(b) USES OF FUNDS.—A grant under this section may be used by an institution eligible for a grant under this section to assist the institution to achieve financial independence.

"(c) CONTENTS OF APPLICATIONS.—Any institution eligible for a challenge grant under this section may apply for such a grant under section 351, except that the application for the purpose of this part shall—

"(1) provide assurances that funds will be available to the applicant within 1 year to match funds that the Secretary is requested to make available to the institution as a challenge grant;

"(2) in the case of an application by a public institution, contain the recommendations of an appropriate State agency responsible for higher education in the State, or provide evidence that the institution requested the State agency to comment but the State agency failed to comment; and

"(3) demonstrate how challenge grant funds will be used to achieve financial independence.

"(d) NOTICE OF APPROVAL.—Not later than April 1 of the fiscal year preceding the fiscal year in which any grant is to be made under this section, the Secretary shall determine which institutions will receive challenge grants under such section and notify the institutions of the amount of the grant.

"(e) PREFERENCE.—In approving applications for such grants, preference shall be given to institutions which are receiving, or have received, grants under part A or part B of this title.

"ENDOWMENT CHALLENGE GRANTS

"SEC. 332. (a) PURPOSE; DEFINITIONS.—(1) The purpose of this section is to establish a program to provide matching grants to eligible institutions of higher education in order to establish or increase endowment funds at such institutions, to provide additional incentives to promote fund raising activities by such institutions, and to foster increased independence and self-sufficiency at such institutions.

"(2) For purposes of this section:

"(A) The term 'endowment fund' means a fund established by State law, by an institution of higher education, or by a foundation which is exempt from taxation and is main-

tained for the purpose of generating income for the support of the institution, but which shall not include real estate.

"(B) The term 'endowment fund corpus' means an amount equal to the grant or grants awarded under this section plus an amount equal to such grant or grants provided by the institution.

"(C) The term 'endowment fund income' means an amount equal to the total value of the endowment fund established under this section minus the endowment fund corpus.

"(b) GRANTS AUTHORIZED.—(1) From sums available for this section under section 360, the Secretary is authorized to award challenge grants to eligible institutions of higher education to establish or increase an endowment fund at such institution. Such grants shall be made only to eligible institutions described in paragraph (4) whose applications have been approved pursuant to subsection (g).

"(2)(A) Except as provided in subparagraph (B), no institution shall receive a grant under this section, unless such institution has deposited in its endowment fund established under this section an amount equal to the amount of such grant. The source of funds for this institutional match shall not include Federal funds or funds from an existing endowment fund.

"(B) In any fiscal year in which the appropriations for this part exceeds $10,000,000, the Secretary may make a grant under this part to an eligible institution of higher education if such institution—

"(i) has deposited in its endowment fund established under this section an amount which is equal to one-half of the amount of such grant;

"(ii) applies for a grant in an amount exceeding $1,000,000; and

"(iii) provides assurances that the institution will not make an application for a grant under this section for a period of 10 years after the approval of its application pursuant to this subparagraph.

"(3) The period of a grant under this section shall be not more than 20 years. During the grant period, an institution may not withdraw or expend any of the endowment fund corpus. After the termination of the grant period, an institution may use the endowment fund corpus plus any endowment fund income for any educational purpose.

"(4)(A) An institution of higher education is eligible to receive a grant under this section if it is an eligible institution as described in section 331(a)(1).

"(B) No institution shall be ineligible for a challenge grant under this section for a fiscal year by reason of the previous receipt of such a grant but no institution shall be eligible to receive such a grant for more than 2 fiscal years out of any period of 5 consecutive fiscal years.

"(5) Except as provided in paragraph (2)(B), a challenge grant under this section to an eligible institution year shall—

"(A) not be less than $50,000 for any fiscal year; and

"(B) not be more than (i) $250,000 for fiscal year 1987; or (ii) $500,000 for fiscal year 1988 or any succeeding fiscal year.

"(6)(A) An eligible institution may designate a foundation, which was established for the purpose of raising money for the institution, as the recipient of the grant awarded under this section.

"(B) The Secretary shall not award a grant to a foundation on behalf of an institution unless—

"(i) the institution assures the Secretary that the foundation is legally authorized to receive the endowment fund corpus and is legally authorized to administer the fund in accordance with this section and any implementing regulation;

"(ii) the foundation agrees to administer the fund in accordance with the requirements of this section and any implementing regulation; and

"(iii) the institution agrees to be liable for any violation by the foundation of the provisions of this section and any implementing regulation, including any monetary liability that may arise as a result of such violation.

"(c) GRANT AGREEMENT; ENDOWMENT FUND PROVISIONS.—(1) An institution awarded a grant under this section shall enter into an agreement with the Secretary containing satisfactory assurances that it will (A) immediately comply with the matching requirements of subsection (b)(2), (B) establish an endowment fund independent of any other such fund of the institution, (C) invest the endowment fund corpus, and (D) meet the other requirements of this section.

"(2)(A) An institution shall invest the endowment fund corpus and endowment fund income in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located such as a federally insured bank savings account or comparable interest-bearing account, certificate of deposit, money market fund, mutual fund, or obligations of the United States.

"(B) The institution, in investing the endowment fund established under this section, shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion, and intelligence would exercise in the management of such person's own affairs.

"(3)(A) An institution may withdraw and expend the endowment fund income to defray any expenses necessary to the operation of such college, including expenses of operations and maintenance, administration, academic and support personnel, construction and renovation, community and student services programs, and technical assistance.

"(B)(i) Except as provided in clause (ii), an institution may not spend more than 50 percent of the total aggregate endowment fund income earned prior to the time of expenditure.

"(ii) The Secretary may permit an institution to spend more than 50 percent of the endowment fund income notwithstanding clause (i) if the institution demonstrates such an expenditure is necessary because of (I) a financial emergency, such as a pending insolvency or temporary liquidity problem; (II) a life-threatening situation occasioned by a natural disaster or arson; or (III) any other unusual occurrence or exigent circumstance.

"(d) REPAYMENT PROVISIONS.—(1) If at any time an institution withdraws part of the endowment fund corpus, the institution shall repay to the Secretary an amount equal to 50 percent of the withdrawn amount, which represents the Federal share, plus income earned thereon. The Secretary may use such repaid funds to make additional challenge grants, or to increase existing endowment grants, to other eligible institutions.

"(2) If an institution expends more of the endowment fund income than is permitted under subsection (c), the institution shall repay the Secretary an amount equal to 50 percent of the amount improperly expended (representing the Federal share thereof). The Secretary may use such repaid fund to make additional challenge grants, or to increase existing challenge grants, to other eligible institutions.

"(e) AUDIT INFORMATION.—An institution receiving a grant under this section shall provide to the Secretary (or a designee thereof) such information (or access thereto) as may be necessary to audit or examine expenditures made from the endowment fund corpus or income in order to determine compliance with this section.

"(f) SELECTION CRITERIA.—In selecting eligible institutions for grants under this section for any fiscal year, the Secretary shall—

"(1) give priority to an applicant which is a recipient of a grant made under part A or part B of this title during the academic year in which the applicant is applying for a grant under this section; and

"(2) give priority to an applicant with a greater need for such a grant, based on the current market value of the applicant's existing endowment in relation to the number of full-time equivalent students enrolled at such institution;

"(3) consider—

"(A) the effort made by the applicant to build or maintain its existing endowment fund; and

"(B) the degree to which an applicant proposes to match the grant with nongovernmental funds.

"(g) APPLICATION.—Any institution which is eligible for assistance under this section may submit to the Secretary a grant application at such time, in such form, and containing such information as the Secretary may prescribe. Subject to the availability of appropriations to carry out this section and consistent with the requirement of subsection (f), the Secretary may approve an application for a grant if an institution, in its application, provides adequate assurances that it will comply with the requirements of this section.

"(h) TERMINATION AND RECOVERY PROVISIONS.—(1) After notice and an opportunity for a hearing, the Secretary may terminate and recover a grant awarded under this section if the grantee institution—

"(A) expends portions of the endowment fund corpus or expends more than the permissible amount of the endowment funds income as prescribed in subsection (c)(3);

"(B) fails to invest the endowment fund in accordance with the investment standards set forth in subsection (c)(2); or

"(C) fails to properly account to the Secretary concerning the investment and expenditures of the endowment funds.

"(2) If the Secretary terminates a grant under paragraph (1), the grantee shall return to the Secretary an amount equal to the sum of each original grant under this section plus income earned thereon. The Secretary may use such repaid funds to make additional endowment grants, or to increase existing challenge grants, to other eligible institutions under this part.

"PART D—GENERAL PROVISIONS

"APPLICATIONS FOR ASSISTANCE

"SEC. 351. (a) APPLICATION REQUIRED; APPROVAL.—Any institution which is eligible for assistance under this title shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate its need for assistance. Subject to the availability of appropriations to carry out this title, the Secretary may approve an application for a grant under this title if the application

meets the requirements of subsection (b) and shows that the applicant is eligible for assistance in accordance with the part of this title under which the assistance is sought.

"(b) CONTENTS.—An institution, in its application for a grant, shall—

"(1) set forth, or describe how the institution (other than an institution applying under part C) will develop, a comprehensive development plan to strengthen the institution's academic quality and institutional management, and otherwise provide for institutional self-sufficiency and growth (including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title);

"(2) set forth policies and procedures to ensure that Federal funds made available under this title for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of section 311(b) or 323, and in no case supplant those funds;

"(3) set forth policies and procedures for evaluating the effectiveness in accomplishing the purpose of the activities for which a grant is sought under this title;

"(4) provide for such fiscal control and fund accounting procedures as may be necessary to ensure proper disbursement of and accounting for funds made available to the applicant under this title;

"(5) provide (A) for making such reports, in such form and containing such information, as the Secretary may require to carry out the functions under this title, including not less than one report annually setting forth the institution's progress toward achieving the objectives for which the funds were awarded, and (B) for keeping such records and affording such access thereto, as the Secretary may find necessary to assure the correctness and verification of such reports;

"(6) provide that the institution will comply with the limitations set forth in section 356;

"(7) describe in a comprehensive manner any proposed project for which funds are sought under the application and include—

"(A) a description of the various components of the proposed project, including the estimated time required to complete each such component;

"(B) in the case of any development project which consists of several components (as described by the applicant pursuant to subparagraph (A)), a statement identifying those components which, if separately funded, would be sound investments of Federal funds and those components which would be sound investments of Federal funds only if funded under this title in conjunction with other parts of the development project (as specified by the applicant);

"(C) an evaluation by the applicant of the priority given any proposed project for which funds are sought in relation to any other projects for which funds are sought by the applicant under this title, and a similar evaluation regarding priorities among the components of any single proposed project (as described by the applicant pursuant to subparagraph (A));

"(D) in the case of a request for an award for a period of more than 1 year, a statement of reasons explaining why funds are necessary for each year of such period and why a single year award would be inadequate;

"(E) information explaining the manner in which the proposed project will assist the applicant to prepare for the critical financial problems that all institutions of higher education will face during the subsequent decade as a result of declining enrollment, and other problems;

"(F) a detailed budget showing the manner in which funds for any proposed project would be spent by the applicant; and

"(G) a detailed description of any activity which involves the expenditure of more than $25,000, as identified in the budget referred to in subparagraph (F); and

"(8) include such other information as the Secretary may prescribe.

"(c) PRIORITY CRITERIA PUBLICATION REQUIRED.—The Secretary shall publish in the Federal Register, pursuant to chapter 5 of title 5, United States Code, all policies and procedures required to exercise the authority set forth in subsection (a). No other criteria, policies, or procedures shall apply.

"(d) ELIGIBILITY DATA.—The Secretary shall use the most recent and relevant data concerning the number and percentage of students receiving need-based assistance under title IV of this Act in making eligibility determinations under section 312 and shall advance the base-year forward following each annual grant cycle.

"WAIVER AUTHORITY AND REPORTING REQUIREMENT

"SEC. 352. (a) WAIVER REQUIREMENTS; NEED-BASED ASSISTANCE STUDENTS.—The Secretary shall waive the requirements set forth in section 312(2)(A)(i)(I) in the case of an institution (1) which is extensively subsidized by the State in which it is located and charges low or no tuition; (2) which serves a substantial number of low- and middle-income students as a percentage of its total student population; (3) which is contributing substantially to increasing higher education opportunities for educationally disadvantaged, underrepresented, or minority students, who are low-income individuals; or (4) which is substantially increasing higher educational opportunities for individuals in rural or other isolated areas which are unserved by postsecondary institutions.

"(b) WAIVER DETERMINATIONS; EXPENDITURES.—(1) The Secretary may waive the requirements set forth in section 312(2)(A)(ii) if the Secretary determines, based on persuasive evidence submitted by the institution, that the institution's failure to meet that criterion is due to factors which, when used in the determination of compliance with such criterion, distort such determination, and that the institution's designation as an eligible institution under part A is otherwise consistent with the purposes of such parts.

"(2) The Secretary shall submit to the Congress every other year a report concerning the institutions which, although not satisfying the criterion contained in section 312(2)(A)(ii), have been determined to be eligible institutions under part A institutions which enroll significant numbers of Hispanic, Native American, Asian American, or Native Hawaiian students under part A, as the case may be. Such report shall—

"(A) identify the factors referred to in paragraph (1) which were considered by the Secretary as factors that distorted the determination of compliance with section 312(2)(A) (i) and (ii); and

"(B) contain a list of each institution determined to be an eligible institution under part A including a statement of the reasons for each such determination.

"(c) WAIVER DETERMINATIONS; AUTHORITY AND ACCREDITATION.—The Secretary may waive the requirement set forth in section 312(2)(v) in the case of an institution—

"(1) located on or near an Indian reservation or a substantial population of Indians, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of American Indians;

"(2) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of Hispanic Americans, Native Americans, Asian Americans, or Pacific Islanders, including Native Hawaiians;

"(3) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of individuals living in rural areas, whose needs are for the most part unserved by other postsecondary education institutions;

"(4) wherever located, if the Secretary determines that the waiver will substantially increase higher education opportunities appropriate to the needs of low-income individuals; or

"(5) wherever located, if the Secretary determines that the institution has traditionally served substantial numbers of black students.

"APPLICATION REVIEW PROCESS

"SEC. 353. (a) REVIEW PANEL.—(1) All applications submitted under this title by institutions of higher education shall be read by a panel of readers composed of individuals selected by the Secretary. The Secretary shall assure that no individual assigned under this section to review any application has any conflict of interest with regard to the application which might impair the impartiality with which the individual conducts the review under this section.

"(2) The Secretary shall take care to assure that representatives of historically black colleges, Hispanic institutions, Native American institutions, and Asian Americans and Native American Pacific Islanders, including Native Hawaiians are included as readers.

"(3) All readers selected by the Secretary shall receive thorough instruction from the Secretary regarding the evaluation process for applications submitted under this title and consistent with the provisions of this title, including—

"(A) explanations and examples of the types of activities referred to in section 311(b) that should receive special consideration for grants awarded under part A and of the types of activities referred to in section 323 that should receive special consideration for grants awarded under part B;

"(B) an enumeration of the factors to be used to determine the quality of applications submitted under this title; and

"(C) an enumeration of the factors to be used to determine whether a grant should be awarded for a project under this title, the amount of any such grant, and the duration of any such grant.

"(b) RECOMMENDATIONS OF PANEL.—In awarding grants under this title, the Secretary shall take into consideration the recommendations of the panel made under subsection (a).

"(c) NOTIFICATION.—Not later than June 30 of each year, the Secretary shall notify each institution of higher education making an application under this title of—

"(1) the scores given the applicant by the panel pursuant to this section;

"(2) the recommendations of the panel with respect to such application; and

"(3) the reasons for the decision of the Secretary in awarding or refusing to award a grant under this title, and any modifications, if any, in the recommendations of the panel made by the Secretary.

"COOPERATIVE ARRANGEMENTS

"SEC. 354. (a) GENERAL AUTHORITY.—The Secretary may make grants to encourage cooperative arrangements—

"(1) with funds available to carry out part A, between institutions eligible for assistance under part A and between such institutions and institutions not receiving assistance under this title; or

"(2) with funds available to carry out part B, between institutions eligible for assistance under part B and institutions not receiving assistance under this title;

for the activities described in section 311(b) or section 323, as the case may be, so that the resources of the cooperating institutions might be combined and shared to achieve the purposes of such parts and avoid costly duplicative efforts and to enhance the development of part A and part B eligible institutions.

"(b) PRIORITY.—The Secretary shall give priority to grants for the purposes described under subsection (a) whenever the Secretary determines that the cooperative arrangement is geographically and economically sound or will benefit the applicant institution.

"(c) DURATION.—Grants to institutions having a cooperative arrangement may be made under this section for a period as determined under section 313.

"SPECIAL PAYMENTS RULES

"SEC. 355. (a) HISTORICALLY BLACK COLLEGE PAYMENTS RULE.—Any historically black college or university which, prior to September 30, 1986, received a grant under part A of this title in effect prior to such date and continues to receive a grant under such part A for any fiscal year beginning after September 30, 1986, and ending prior to October 1, 1991, shall be paid from amounts appropriated to carry out part B of this title.

"(b) OTHER INSTITUTIONS SPECIAL PAYMENT RULE.—Each eligible institution other than an historically black college or university which received a grant under part B of this title in effect prior to such date and continues to receive a grant under such part B for any fiscal year beginning after September 30, 1986, and ending prior to October 1, 1991, shall be paid out of appropriations made pursuant to part A.

"(c) SPECIAL RULE FOR UNOBLIGATED PART A AND PART B FUNDS.—In any fiscal year in which amounts appropriated pursuant to part A or part B for this title are available for obligation in the year succeeding the year in which the funds were appropriated, the Secretary shall make such funds available for grants under section 332, relating to the Endowment Challenge Program, for the same type of institution for which the grants would have been made had the funds been paid pursuant to such part A or part B.

"ASSISTANCE TO INSTITUTIONS UNDER OTHER PROGRAMS

"SEC. 356. (a) ASSISTANCE ELIGIBILITY.—Each institution which the Secretary determines to be an institution eligible under part A or an institution eligible under part B shall be eligible for waivers in accordance with subsection (b).

"(b) WAIVER APPLICABILITY.—(1) Subject to, and in accordance with, regulations promulgated for the purpose of this section, in the case of any application by an institution referred to in subsection (a) for assistance under any programs specified in paragraph (2), the Secretary is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or, to the extent not inconsistent with other law, to give, or require to be given, priority consideration of the application in relation to applications from other institutions.

"(2) The provisions of this section shall apply to any program authorized by title II, IV, VII, or VIII of this Act.

"(c) LIMITATION.—The Secretary shall not waive, under subsection (b), the non-Federal share requirement for any program for applications which, if approved, would require the expenditure of more than 10 percent of the appropriations for the program for any fiscal year.

"LIMITATIONS

"SEC. 357. The funds appropriated under section 360 may not be used—

"(1) for a school or department of divinity or any religious worship or sectarian activity;

"(2) for an activity that is inconsistent with a State plan for desegregation of higher education applicable to such institution;

"(3) for an activity that is inconsistent with a State plan of higher education applicable to such institution; or

"(4) for purposes other than the purposes set forth in the approved application under which the funds were made available to the institution.

"PENALTIES

"SEC. 358. Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any recipient of Federal financial assistance or grant pursuant to this title embezzles, willfully misapplies, steals, or obtains by fraud any of the funds which are the subject of such grant or assistance, shall be fined not more than $10,000 or imprisoned for not more than 2 years, or both.

"CHALLENGE GRANT APPLICATION REQUIRED

"SEC. 359. The Secretary shall not make a Challenge Grant to any grantee institution under section 313(a)(2) or under part B which has not applied for funds under part C and complied with section 332(a)(1) of part C after September 30, 1989.

"AUTHORIZATIONS OF APPROPRIATIONS

"SEC. 360. (a) AUTHORIZATIONS.—(1) There are authorized to be appropriated to carry out part A $85,000,000 for fiscal year 1987, $89,250,000 for fiscal year 1988, $93,710,000 for fiscal year 1989, $98,398,000 for fiscal year 1990, and $103,318,000 for fiscal year 1991.

"(2)(A) There are authorized to be appropriated to carry out part B (other than section 326) $55,000,000 for fiscal year 1987, $57,750,000 for fiscal year 1988, $60,637,000 for fiscal year 1989, $63,669,000 for fiscal year 1990, and $66,850,000 for fiscal year 1991.

"(B) There are authorized to be appropriated to carry out section 326 $5,000,000 for fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

"(3) There are authorized to be appropriated to carry out part C $20,000,000 for fiscal year 1987, $21,250,000 for fiscal year 1988, $22,560,000 for fiscal year 1989, $23,940,000 for fiscal year 1990, and $25,387,000 for fiscal year 1991.

"(4) Funds appropriated for part C shall remain available until expended.

"(b) USE OF MULTIPLE YEAR AWARDS.—In the event of a multiple year award to any institution under this title, the Secretary shall make funds available for such award from funds appropriated for this title for the fiscal year in which such funds are to be used by the recipient.

"(c) PRIORITY; SPECIAL CONSIDERATION.—(1) Of the sums appropriated under subsection (a)(1) for any fiscal year for part A, the Secretary shall make available for use for the purposes of parts A and C to institutions that are junior or community colleges not less than $51,400,000 for the fiscal year 1987 and each fiscal year ending prior to October 1, 1991, if the appropriations for part A for each such fiscal year are equal to or exceed the amount appropriated for part A for fiscal year 1986.

"(2) Of the sums appropriated under subsection (a)(1) for any fiscal year which exceed the amount appropriated in fiscal year 1986 for part A, the Secretary shall give priority to applications from eligible institutions with significant groups of students who are minority, or who are underrepresented in higher education, or who are educationally disadvantaged.

"(d) RATABLE REDUCTION IN FISCAL YEARS IN WHICH AMOUNTS APPROPRIATED ARE INSUFFICIENT.—In any fiscal year in which the sums appropriated for part A are insufficient to make the reservations required by subsection (c) of this section, the Secretary shall ratably reduce the amount of the reservation.".

PART D—TEACHER TRAINING AND DEVELOPMENT

SUBPART 1—TEACHER TRAINING PROGRAMS FOR HIGHER EDUCATION PERSONNEL

REPEAL OF PART B

SEC. 231. Part B of title V of the Act is repealed.

SUBPART 2—TRAINING FOR SCHOOL TEACHERS TO TEACH HANDICAPPED CHILDREN

REPEAL OF PART C

SEC. 232. Part C of title V of the Act is repealed.

SUBPART 3—COORDINATION

REPEAL OF PART D

SEC. 233. Part D of title V of the Act is repealed.

SUBPART 4—CARL D. PERKINS SCHOLARSHIP PROGRAM

EXTENSION OF AUTHORIZATION

SEC. 234. Section 561(b) of the Act is amended to read as follows:

"(b) There are authorized to be appropriated to carry out the provisions of this part $10,500,000 for fiscal year 1987, $11,050,000 for fiscal year 1988, $11,570,000 for fiscal year 1989, $12,150,000 for fiscal year 1990, and $12,760,000 for fiscal year 1991.".

SUBPART 5—THE CHRISTA MCAULIFFE TALENTED TEACHER FELLOWSHIP PROGRAM

FELLOWSHIP DESIGNATION

SEC. 235. (a) Section 571 of the Act is amended by inserting before the period a comma and the following: "to honor Christa McAuliffe".

(b) Section 571 of the Act is further amended by inserting "(a)" after the section designation and by adding at the end thereof the following new subsection:

"(b) Individuals awarded fellowships under this part shall be known as the 'Christa McAuliffe Fellows'.".

EXTENSION OF AUTHORIZATION

SEC. 236. (a) AUTHORIZATION.—The first sentence of section 572 of the Act is amended to read as follows: "There are authorized to be appropriated to carry out the provisions of this part $5,250,000 for fiscal year 1987, $5,513,000 for fiscal year 1988, $5,788,000 for fiscal year 1989, $6,080,000 for fiscal year 1990, and $6,380,000 for fiscal year 1991.".

(b) TECHNICAL AMENDMENT.—The heading of section 572 is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS".

PART E—INTERNATIONAL EDUCATION

FINDINGS AND PURPOSE; INTERNATIONAL EDUCATION

SEC. 241. Section 601 of the Act is amended to read as follows:

"FINDINGS AND PURPOSE

"SEC. 601. (a) The Congress finds that—

"(1) the well-being of the United States, its economy and long-range security, is dependent on the education and training of Americans in international and foreign language studies and on a strong research base in these areas;

"(2) knowledge of other countries and the ability to communicate in other languages is essential to the promotion of mutual understanding and cooperation among nations; and

"(3) present and future generations of Americans must be afforded the opportunity to develop to the fullest extent possible their intellectual capacities in all areas of knowledge.

"(b) It is the purpose of this part to assist in the development of knowledge, international study, resources, and trained personnel, to stimulate the attainment of foreign language acquisition and fluency, and to coordinate the programs of the Federal Government in the areas of foreign language and international studies and research.".

LANGUAGE AND AREA CENTERS

SEC. 242. (a) COMPREHENSIVE CENTERS.—(1) Section 602(a)(1) of the Act is amended—

(A) by striking out ", and enter into contracts with,";

(B) by striking out "graduate and undergraduate" and inserting in lieu thereof "comprehensive";

(C) by inserting before "aspects" the following: "and foreign language"; and

(D) by inserting before the period at the end thereof a comma and the following: "or for instruction and research on issues in world affairs which concern one or more countries.".

(2) Section 602(a)(2) of the Act is amended by striking out "or contract".

(3) Section 602(a) of the Act is amended by adding at the end thereof the following new paragraphs:

"(4)(A) The Secretary is authorized to make grants to institutions of higher education or combinations of such institutions for the purpose of paying stipends to individuals undergoing advanced training under this subsection in any center or program approved by the Secretary under this part.

"(B) Stipend recipients must be individuals who are engaged in a program of competency-based language training in combination with area studies, international studies, or the international aspects of a professional studies program.

"(C) Stipends awarded to graduate level recipients may include allowances for dependents and for travel for research and study in the United States and abroad.

"(5)(A) The Secretary is also authorized to award, on the basis of a national competition, stipends to students beginning their third year of graduate training under this subsection.

"(B) Stipend recipients will be selected by a nationally recognized panel of scholars on the basis of exceptional performance (on a nationally referenced test, if available) in the specialty language and evidence of substantial multidisciplinary area training.

"(C) Stipends may be held for up to a maximum 4 years contingent on periodic demonstration of a high level of language proficiency.

"(D) Stipends are tenable for continuation of studies at the institution where the recipient is currently enrolled and for the conduct of research and advanced language study abroad.".

(b) UNDERGRADUATE CENTERS.—Section 602(b) of the Act is amended to read as follows:

"(b)(1) The Secretary is authorized to make grants to institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating undergraduate centers and programs which will be national resources for the teaching of any modern foreign language, for instruction in fields needed to provide a full understanding of the areas, regions, or countries in which such language is commonly used, or for research and training in international studies and the international and foreign language aspects of professional and other fields of study, or for instruction and research on issues in world affairs which concern one or more countries.

"(2) Any such grant may be used to pay all or part of the cost of establishing or operating a center or program—

"(A) the cost of faculty and staff travel in foreign areas, regions, or countries,

"(B) the cost of teaching and research materials, the cost of curriculum planning and development,

"(C) the cost of bringing visiting scholars and faculty to the center to teach or to conduct research,

"(D) the cost of acquiring periodicals published outside the United States which are not commonly held by an American academic library and which are of scholarly and research importance, together with the cost of maintaining and preserving such periodicals and making them available to researchers and scholars, and

"(E) the cost of training and improvement of the staff, for the purpose of, and subject to such conditions as the Secretary finds necessary for carrying out the objectives of this section.

"(3) The Secretary may make grants to centers described in paragraph (1) having important library collections for the maintenance of such collections.".

FOREIGN LANGUAGE RESOURCE CENTERS

SEC. 243. Section 603 of the Act is amended to read as follows:

"LANGUAGE RESOURCE CENTERS

"SEC. 603. (a) The Secretary is authorized to make grants to and enter into contracts with institutions of higher education, or combinations of such institutions, for the purpose of establishing, strengthening, and operating language training centers, which shall serve as resources to improve the capacity to teach and learn foreign languages effectively. Activities carried out by such centers may include—

"(1) the conduct of research on new and improved teaching methods, including the use of advanced educational technology;

"(2) the development of new teaching materials reflecting the use of such research in effective teaching strategies;

"(3) the development and application of proficiency testing appropriate to an educational setting for use as a standard and comparable measurement of skill levels in all languages;

"(4) the training of teachers in the administration and interpretation of proficiency tests, the use of effective teaching strategies, and the use of new technologies;

"(5) the publication of instructional materials in the less commonly taught languages; and

"(6) the widespread dissemination of research results, teaching materials, and improved pedagogical strategies to others within the postsecondary education community.

"(b) Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the provisions of this section.".

INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS

SEC. 244. (a) CLARIFYING PROVISION.—The matter preceding clause (1) of section 604 of the Act is amended by striking out "comprehensive" each time it appears.

(b) TYPE OF TRAINING.—Section 604(a)(7) of the Act is amended by inserting before "teacher" the following: "pre-service and in-service".

SUMMER INSTITUTES FOR FOREIGN LANGUAGES

SEC. 245. The Act is amended—

(1) by redesignating sections 605, 606, and 607 as sections 606, 607, and 608, respectively; and

(2) by inserting after section 604 the following new section:

"INTENSIVE SUMMER LANGUAGE INSTITUTES

"SEC. 605. (a)(1) The Secretary is authorized to make grants to institutions of higher education, or combinations of such institutions, for the purpose of establishing and conducting intensive summer language institutes.

"(2) Training authorized by this section shall be provided through—

"(A) institutes designed to meet the needs for intensive language training by advanced students; or

"(B) institutes designed to provide professional development and improve instruction through pre-service and in-service training for language teachers.

"(3) Grants made under this section may be used for—

"(A) intensive training in languages critical to the national economic and political future;

"(B) training in neglected languages; and

"(C) stipends for students and faculty attending the institutes authorized by this section.

"(4) Institutes supported under this section may provide instruction on a full-time or part-time basis to supplement instruction not fully available in centers supported under sections 602.

"(b) Grants made under this section shall be awarded on the basis of recommendations made by peer review panels composed of broadly representative professionals.".

RESEARCH

SEC. 246. Section 606(a) of the Act (as redesignated by section 245 of this Act) is amended—

(1) by striking out "and part N of title III of the Elementary and Secondary Education Act of 1965";

(2) by striking out "and" at the end of clause (2);

(3) by redesignating clause (3) as clause (4);

(4) by inserting after clause (2) the following new clause:

"(3) the application of proficiency tests and standards across all areas of instruction and classroom use; and"; and

(5) by inserting "and publication" after "development" in clause (4) (as redesignated by this section).

DISTRIBUTION OF FUNDS

SEC. 247. Section 607 of the Act (as redesignated by section 245) is amended to read as follows:

"EQUITABLE DISTRIBUTION OF FUNDS

"SEC. 607. (a) The Secretary shall establish criteria based on excellence for the selection of grants awarded under section 602, employing separate but no less rigorous criteria for undergraduate and comprehensive programs.

"(b) The Secretary shall, to the extent practicable, award grants under this part (other than section 602(a)) in such manner as to achieve an equitable distribution of assistance throughout the Nation, based on the merit of a proposal with peer review by broadly representative professionals.".

REAUTHORIZATION OF PART A

SEC. 248. Section 608 of the Act (as redesignated by section 245) is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 608. There are authorized to be appropriated to carry out the provisions of this part $35,000,000 for fiscal year 1987, $36,750,000 for fiscal year 1988, $38,587,500 for fiscal year 1989, $40,576,875 for fiscal year 1990, and $42,775,312 for fiscal year 1991.".

REAUTHORIZATION OF PART B

SEC. 249. Section 613 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 613. There are authorized to be appropriated to carry out the provisions of this part $2,200,000 for the fiscal year 1987, $2,310,100 for fiscal year 1988, $2,425,600 for fiscal year 1989, $2,546,900 for fiscal year 1990, and $2,674,250 for fiscal year 1991.".

ADVISORY BOARD RESTRUCTURED

SEC. 250. Section 621 of the Act is amended to read as follows:

"ADVISORY BOARD

"SEC. 621. (a) Not less than two times each year, the Secretary shall convene an advisory board on the conduct of programs under this title. The Advisory Board shall consist of—

"(1) five members selected by the Secretary from among members of the postsecondary educational community, at least two of whom shall be considered by their peers to be specialists in one or more fields of language, area or international studies;

"(2) two members selected by the Secretary from among members of the public; and

"(3) two members selected by the Secretary from among representatives of the business community.

"(b) The Secretary may consult with or include as ad hoc ex officio participants in Advisory Board meetings a representative from any appropriate executive agency.

"(c) The Advisory Board shall advise the Secretary on—

"(1) any geographic areas of special concern to the United States;

"(2) innovative approaches which may help to fulfill the purposes of this title;

"(3) changes which should be made in the operation of programs under this part to ensure that the attention of scholars is attracted to problems of critical concern to United States international relations;

"(4) emerging trends within various segments—pre-college, undergraduate, graduate, and postgraduate—of the international education community;

"(5) administrative and staffing requirements of international education programs in the Department; and

"(6) special needs with regard to the programs operated under part B.

"(d) The Advisory Board shall advise the Secretary and the Congress on adequate budget levels for part A and part B of this title.".

STUDY AUTHORIZED

SEC. 250A. Title VI of the Act is amended by adding at the end thereof the following new section:

"NATIONAL ENDOWMENT FOR INTERNATIONAL STUDIES

"SEC. 622. (a) The Secretary shall, in consultation with the Director of the United States Information Agency, the Director of the Agency for International Development, the Secretary of State, and the Secretary of Defense, conduct a study on the establishment of a National Endowment for International Studies. The study shall develop a program, a plan funding, and priorities for such an Endowment.

"(b) In carrying out the study required by this section, the Secretary shall consider—

"(1) the extent of the need for international studies programs at all educational levels, not served by this title;

"(2) the programs at the Agency for International Development, the United States Information Agency and the Departments of State, Defense, and Education which can be coordinated to increase the scope and number and kinds of participants in international educational programs;

"(3) the feasibility of an Endowment for International Studies, by whom it shall be administered, and procedures for receiving corporate and other private contributions for supplemental funding, similar to Treasury fund accounts at other Federal agencies; and

"(4) a comprehensive evaluation of the weaknesses and strengths in international education and foreign language training at all levels of education in our Nation and the role of the Endowment to remedy these weaknesses, and encourage expansion of these strengths.

"(c) The Secretary shall prepare and submit to the Congress, not later than 6 months after the date of enactment of this section, a report on the study required by this section, together with such recommendations, including recommendations for legislation, as the Secretary deems appropriate.".

PART F—CONSTRUCTION AND RENOVATION

REAUTHORIZATION

SEC. 251. Section 702 of the Act is amended to read as follows:

"APPROPRIATIONS AUTHORIZED

"SEC. 702. There are authorized to be appropriated $5,000,000 for fiscal year 1987, $5,525,000 for fiscal year 1988, $6,076,250 for fiscal year 1989, $6,655,063 for fiscal year 1990, and $7,262,816 for fiscal year 1991 for part A. There are authorized to be appropriated $5,000,000 for fiscal year 1987, $5,525,000 for fiscal year 1988, $6,076,250 for fiscal year 1989, $6,655,063 for fiscal year 1990, and $7,262,816 for fiscal year 1991 for part B. There are authorized to be appropriated $18,795,000 for fiscal year 1987, $19,734,750 for fiscal year 1988, $20,721,488 for fiscal year 1989, $21,757,562 for fiscal year 1990, and $22,845,440 for fiscal year 1991 for part C. There are authorized to be appropriated $24,675,000 for fiscal year 1987, $25,908,750 for fiscal year 1988, $27,204,188 for fiscal year 1989, $28,564,397 for fiscal year 1990, and $29,992,617 for fiscal year 1991 for section 734.".

GENERAL PROVISIONS FOR LOAN PROGRAM

SEC. 252. (a) GENERAL RULE.—Section 732(b)(5)(B) of the Act is amended to read as follows:

"(B) granting to a borrower of a loan made before October 1, 1986, the option of repaying the loan at a discount computed in accordance with subsection (c) if the repayment is (i) made from non-Federal sources, (ii) not derived from proceeds of obligations the income of which is exempt from taxation under the Internal Revenue Code of 1954, and (iii) made on a loan that has been outstanding for at least five years; and".

(b) COMPUTATION OF ALLOWABLE DEDUCTIONS.—Section 732 of the Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall compute the discount which may be offered to a borrower as an inducement to early repayment under subsection (b)(5) in an amount determined by the Secretary to be in the best financial interests of the Government, taking into account the yield on outstanding marketable obligations of the United States having maturities comparable to the remaining term of such loan, if (A) the repayment is made from non-Federal sources, (B) the Secretary has received satisfactory assurances that the housing or other educational facilities financed with the loan will continue to be used for purposes related to the educational institution for the original term of the loan, and (C) the repayment is made prior to October 1, 1991.".

HOUSING AND OTHER EDUCATIONAL FACILITIES LOANS REAUTHORIZED

SEC. 253. Title VII of the Act is amended—

(1) by redesignating part D as part E;

(2) by redesignating section 741 and section 742 as section 751 and section 752, respectively; and

(3) by adding after part C the following new part:

"PART D—HOUSING AND OTHER EDUCATIONAL FACILITIES LOANS

"FEDERAL ASSISTANCE IN THE FORM OF LOANS

"SEC. 741. (a) AUTHORITY AND CONDITIONS FOR LOANS.—To assist undergraduate postsecondary educational institutions in the construction, reconstruction, or renovation of housing, undergraduate academic facilities, and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction, reconstruction, or renovation of such facilities. No such assistance shall be provided unless—

"(1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favor-

able as the terms and conditions applicable to loans under this title; and

"(2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials.

"(b) USE OF LOANS FOR PREVIOUSLY MADE CONTRACTS.—Any undergraduate postsecondary educational institution which, prior to the date of enactment of this section, has contracted for housing or other educational facilities may, in connection therewith, receive loans authorized under this title, as the Secretary may determine. No such loan shall be made for any housing or other educational facilities, the construction of which was begun prior to the effective date of this section, or completed prior to the filing of an application under this title.

"(c) AMOUNT AND CONDITIONS OF LOANS.—A loan to an undergraduate postsecondary educational institution—

"(1) may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary;

"(2) shall be secured in such manner and be repaid within such period, not exceeding forty years, as may be determined by the Secretary; and

"(3) shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the contract for such loan is made.

"(d) USE OF FUNDS FROM TITLE IV OF THE HOUSING ACT OF 1950.—Funds obtained pursuant to section 401(d) of the Housing Act of 1950 shall be available for the purposes of carrying out this part. For such purposes, the total amount of notes and obligations which the Secretary may continue to issue and have outstanding for purchase by the Secretary of the Treasury shall not exceed the amount issued and outstanding under such section 401(d) as of September 30, 1985. Such notes and other obligations shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. Such notes or other obligations issued to obtain funds for loan contracts entered into after the effective date of the Higher Education Act Amendments of 1985 shall bear interest at a rate determined by the Secretary of the Treasury which shall not be more than the average current yield on outstanding obligations of the United States of comparable maturities in the month preceding the month in which the contract for such loan is made. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued under this part and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired under this part. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"(e) USE OF FUNDS.—Not less than 10 percent of the funds held by the Secretary under subsection (d) of this section shall be made available for loans under this part for each fiscal year.

"(f) APPROPRIATION TO COVER NOTES AND OBLIGATIONS NOT COVERED BY LOAN REPAYMENT.—There are authorized to be appropriated to the Secretary such sums as may be necessary, together with principal and interest payments made by postsecondary educational institutions assisted with loans made under this part (or under title IV of the Housing Act of 1950), for payment on notes and obligations issued by the Secretary under this part or such title.

"GENERAL PROVISIONS

"SEC. 742. (a) BUDGET AND ACCOUNTING.—In the performance of, and with respect to, the functions, powers, and duties under this part, the Secretary notwithstanding the provisions of any other law, shall—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

"(2) maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of chapter 35 of title 31, United States Code, but such financial transactions of the Secretary, as the making of loans and vouchers approved by the Secretary, in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

"(b) USE OF FUNDS.—Funds made available to the Secretary pursuant to the provisions of this part shall be deposited in a checking account or accounts with the Treasurer of the United States. Receipts and assets obtained or held by the Secretary in connection with the performance of functions under this part, and all funds available for carrying out the functions of the Secretary under this part (including appropriations therefore, which are hereby authorized), shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with the performance of such functions.

"(c) LEGAL POWERS.—In the performance of, and with respect to, the functions, powers, and duties under this part, the Secretary, notwithstanding the provisions of any other law, may—

"(1) prescribe such rules and regulations as may be necessary to carry out the purposes for this part;

"(2) sue and be sued;

"(3) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any property in connection with which the Secretary has made a loan pursuant to this part;

"(4) in the event of any such acquisition, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease and otherwise deal with, such property, but any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

"(5) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as the Secretary may fix;

"(6) obtain insurance against loss in connection with property and other assets held;

"(7) subject to the specific limitations in this part, consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which the Secretary is a party or which has been transferred to the Secretary pursuant to this part granting to a borrower of a loan made before October 1, 1986, the option of repaying the loan at a discount computed in accordance with subsection (d) if the repayment is (A) made from non-Federal sources, (B) not derived from proceeds of obligations the income of which is exempt from taxation under the Internal Revenue Code of 1954, and (C) made on a loan that has been outstanding for at least five years; and

"(8) include in any contract or instrument made pursuant to this title such other covenants, conditions, or provisions as may be necessary to assure that the purposes of this part will be achieved.

"(d) COMPUTATION OF ALLOWABLE DISCOUNTS.—The Secretary shall, in consultation with the Secretary of the Treasury and to the extent consistent with the best financial interests of the Federal Government, compute the discount which may be offered to a borrower as an inducement to early repayment under subsection (b)(5). The price which may be offered shall be the present value of the scheduled future payments on the loan discounted by using, as an imputed interest rate, the current market yields on outstanding marketable obligations of the United States having comparable maturities.

"(e) CONTRACTS FOR SUPPLIES OR SERVICES.—Section 3709 of the Revised Statutes shall not apply to any contract for services or supplies on account of any property acquired pursuant to this part if the amount of such contract does not exceed $1,000.

"(f) APPLICABILITY OF GOVERNMENT CORPORATION CONTROL ACT.—The provisions of section 9107(a) of title 31, United States Code, which are applicable to corporations or agencies subject to chapter 91 of such title, shall also be applicable to the activities of the Secretary under this part.

"(g) WAGE RATES.—The Secretary shall take such action as may be necessary to ensure that all laborers and mechanics employed by contractors or subcontractors or any project assisted under this part, the construction or rehabilitation of which was commenced after the date of enactment of the Housing Act of 1950—

"(1) shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with the Act of March 3, 1931 (Davis-Bacon Act), as amended; and

"(2) shall be employed not more than forty hours in any one week unless the employee receives wages for his employment in excess of the hours specified above at a rate not less than one and one-half times the regular rate at which he is employed;

but the Secretary may waive the application of this subsection in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such project, voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to

the educational institution undertaking the construction.

"APPORTIONMENT; PRIORITIES; LIMITATION

"SEC. 743. (a) APPORTIONMENT.—Not more than 12.5 percent of the amount of the funds provided for in this part in the form of loans shall be made available to educational institutions within any one State.

"(b) PRIORITIES.—In awarding loans under this part, the Secretary shall give priority—

"(A) to loans for renovation or reconstruction of undergraduate academic facilities;

"(B) to loans for renovation or reconstruction of older undergraduate academic facilities and undergraduate academic facilities that have gone without major renovation or reconstruction for an extended period.

"(c) LIMITATION.—No loan application may be made under this part until 10 years after the date on which an undergraduate postsecondary educational institution received a loan under this part.

"DEFINITIONS

"SEC. 744. For the purposes of this part—

"(1) HOUSING.—The term 'housing' means—

"(A) new or existing structures suitable for dwelling use, including single-room dormitories and apartments; and

"(B) dwelling facilities provided for rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for the proposed dwelling use.

"(2) EDUCATIONAL INSTITUTION.—The term 'undergraduate postsecondary educational institution' means—

"(A)(i) any educational institution which offers, or provides satisfactory assurance to the Secretary that it will offer within a reasonable time after completion of a facility for which assistance is requested under this part, at least a two-year program acceptable for full credit toward a baccalaureate degree (including any public educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual); or

"(ii) any public educational institution which—

"(I) is administered by a college or university which is accredited by a nationally recognized accrediting agency or association;

"(II) offers technical or vocational instruction; and

"(III) provides residential facilities for some or all of the students receiving such instruction;

"(B) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships, by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

"(C) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual)—

"(i) established for the sole purpose of providing housing or other educational facilities for students or students and faculty of one or more institutions included in clause (A) of this paragraph without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization; and

"(ii) upon dissolution of which all title to any property purchased or built from the proceeds of any loan which is made under section 741, will pass to such institution (or to anyone or more of such institutions) unless it is shown to the satisfaction of the Secretary that such property or the proceeds from its sale will be used for some other nonprofit educational purpose;

"(D) any agency, public authority, or other instrumentality of any State, established for the purpose of providing or financing housing or other educational facilities for students or faculty of any educational institution included in clause (A) of this paragraph, but nothing in this paragraph shall require an institution included in clause (A) of this paragraph to obtain loans or grants through any instrumentality included in this clause; and

"(E) any nonprofit student housing cooperative corporation established for the purpose of providing housing for students or students and faculty of any institution included in clause (A) of this paragraph.

In the case of any loan made under section 741 to a corporation described in clause (C) of this paragraph which was not established by the institution or institutions for whose students or students and faculty it would provide housing, or to a student housing cooperative corporation described in clause (E) of this paragraph, and in the case of any loan which is obtained from other sources by such a corporation, the Secretary shall require that the note securing such loan be cosigned by such institution (or by any one or more of such institutions). Where the law of any State in effect on the date of enactment of the Housing Act of 1964 prevents the institution or institutions, for whose students or students and faculty housing is to be provided, from cosigning the note, the Secretary shall require the corporation and the proposed project to be approved by such institution (or by any one or more of such institutions) in lieu of such cosigning.

"(3) UNDERGRADUATE ACADEMIC FACILITIES.—(A) Except as provided in subparagraph (B) of this paragraph, the term 'undergraduate academic facilities' means structures suitable for use as classrooms, laboratories, libraries, and related facilities, the primary purpose of which is the instruction of students pursuing a baccalaureate degree, or for administration of the educational programs serving such students, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities, as well as infirmaries or other facilities designed to provide primarily for outpatient care of student and instructional personnel. Plans for such facilities shall be in compliance with such standards as the Secretary may prescribe or approve in order to insure that projects assisted with the use of Federal funds under this title shall be, to the extent appropriate in view of the uses to be made of the facilities, accessible to and usable by handicapped persons.

"(B) The term 'undergraduate academic facilities' shall not include—

"(i) any facility intended primarily for events for which admission is to be charged to the general public,

"(ii) any gymnasium or other facility specially designed for athletic or recreational activities, other than for an academic course in physical education or where the Secretary finds that the physical integration of such facilities with other undergraduate academic facilities included under this part is required to carry out the objectives of this part,

"(iii) any facility used or to be used for sectarian instruction or as a place for religious worship, or

"(iv) any facility which (although not a facility described in the preceding clause) is used or to be used primarily in connection with any part of the program of a school or department of divinity.

"(4) DEVELOPMENT COST.—The term 'development cost' means costs of the construction of the housing or other educational facilities and the land on which it is located, including necessary site improvements to permit its use for housing or other educational facilities; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary.

"(5) FACULTIES.—The term 'faculties' means member of the faculty and their families.

"(6) OTHER EDUCATIONAL FACILITIES.—The term 'other educational facilities' means (A) new or existing structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities, and (B) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.".

ESTABLISHMENT OF THE COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

SEC. 254. Title VII of the Act is amended by adding at the end thereof the following new part:

"PART F—COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

"CONGRESSIONAL DECLARATION OF PURPOSE; DEFINITION; INCORPORATION

"SEC. 761. (a) PURPOSE.—The Congress declares that it is the purpose of this part to authorize participation of the United States Government and the Student Loan Marketing Association in a private, for profit corporation to be known as the College Construction Loan Insurance Association (hereafter in this part referred to as the 'Corporation') which will, directly or indirectly, alone or in collaboration with others—

"(1) guarantee, insure and reinsure bonds, debentures, notes, evidences of debt, loans and interests therein, the proceeds of which are to be used for an education facilities purpose;

"(2) guarantee and insure leases of personal, real or mixed property to be used for an education facilities purpose; and

"(3) issue such letters of credit and undertake such obligations and commitments as the Corporation deems necessary to carry out the purposes described in clauses (1) and (2).

"(b) STATUS AS NON-GOVERNMENTAL ENTITY.—The Corporation shall not be an agency, instrumentality or establishment of the United States Government and shall not be a 'Government corporation' nor a 'Government controlled corporation' as defined in section 103 of title 5, United States Code. No action under section 1491 of title 28, United States Code (commonly known as the Tucker Act) shall be allowable against the United States based on the actions of the Corporation.

"(c) CORPORATE POWERS AND LIMITATIONS; APPLICABILITY OF THE PROVISIONS OF THIS PART.—The Corporation shall be subject to the provisions of this part and, to the extent not inconsistent with this part, to the District of Columbia Business Corporation Act. The business activities of the Corporation shall always be limited to the purposes set forth in subsection (a) of this sec-

tion. It shall have the powers conferred upon a corporation by the District of Columbia Business Corporation Act as from time to time in effect in order to conduct its corporate affairs and to carry out its purposes and activities incidental thereto.

"(d) DEFINITION OF EDUCATION FACILITIES PURPOSE.—As used in this section, an 'education facilities purpose' includes any activity relating to the construction, reconstruction, renovation, acquisition or purchase of (1) education, training or research facilities or housing for students, faculty or staff, (2) any underlying real property or any interest therein, (3) furniture, fixtures and equipment to be used in connection with any education or training facility or housing for students, faculty or staff, and (4) instructional equipment and research instrumentation including site preparation for such equipment and instrumentation.

"CRITERIA FOR GUARANTEES AND INSURANCE

"SEC. 762. (a) GENERAL RULE.—In carrying out the purposes and activities described in section 761, the Corporation shall assure that not less than 100 percent of the aggregate amount of—

"(1) the bonds, debentures, notes, evidences of debt, loans, and interest therein, the proceeds of which are to be used for an education facilities purpose, and

"(2) the lease of personal, real, or mixed property to be used for such purpose,

shall be made available for educational facilities purposes which do not qualify under usual business practice because of—

"(A) the difficulty or inability of the institution to otherwise obtain financing on reasonable terms for such purposes;

"(B) the difficulty or inability to obtain financing through the use of the proceeds of bonds or other evidence of indebtedness by the institution on reasonable terms for such purposes; or

"(C) the difficulty or inability to obtain guarantees or insurance by the institution on reasonable terms for such purposes.

"(b) CRITERIA REQUIRED.—The incorporators of the Corporation appointed pursuant to section 763 shall establish uniform criteria for the requirement imposed by subsection (a) of this section.

"(c) NONDISCRIMINATION REQUIRED.—(1) The Corporation may not carry out any activities with respect to any education facilities purpose of a participating institution if the institution discriminates on account of race, color, religion, national origin, sex (to the extent provided in title IX of the Education Amendments of 1972), or handicapping condition.

"(2) Each participating institution shall certify to the corporation that the institution does not discriminate as required by the provisions of paragraph (1).

"PROCESS OF ORGANIZATION

"SEC. 763. The Secretary of the Treasury, the Secretary of Education and the Student Loan Marketing Association shall each appoint two persons to be incorporators of the Corporation. If either the Secretary of the Treasury or the Secretary of Education fail to appoint incorporators within 90 days after the date of enactment of the Higher Education Amendments of 1986, the Student Loan Marketing Association, after consultation with the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives, shall have the authority to name the incorporators which have not been so appointed. The incorporators so appointed shall each sign the articles of incorporation and shall serve as the initial Board of Directors until the members of the first regular Board of Directors shall have been appointed and elected. Such incorporators shall take whatever actions are necessary or appropriate to establish the Corporation, including the filing of articles of incorporation.

"OPERATION AND ELECTION OF BOARD OF DIRECTORS

"SEC. 764. (a) IN GENERAL.—The Corporation shall have a Board of Directors which shall consist of eleven members, of whom one shall be elected annually by the Board to serve as chairman. Directors shall serve for terms of one year or until their successors have been appointed and qualified, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the Director whom he succeeds. Two Directors shall be appointed by the Secretary of the Treasury; two Directors shall be appointed by the Secretary of Education; three Directors shall be appointed by the Student Loan Marketing Association; and the remaining four Directors shall be elected by the holders of the Corporation's voting common stock at least one of whom shall be a college or university administrator.

"(b) CUMULATIVE VOTING.—The articles of incorporation of the Corporation shall provide for cumulative voting under section 27(d) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-327(d)).

"INITIAL CAPITAL

"SEC. 765. (a) AUTHORITY TO ISSUE COMMON STOCK.—The Corporation shall issue shares of voting common stock of no par value at such time within six months of its incorporation as shall be designated by the initial Board of Directors, for an aggregate consideration of not more than $16,000,000. During each of the four years thereafter, the Corporation shall issue additional voting common stock at such date or dates in each year determined by the Board for an aggregate consideration of not more than $41,000,000 in each year.

"(b) SUBSCRIPTION BY SECRETARY OF EDUCATION.—The Secretary of Education is authorized and directed to subscribe to and purchase, in each of the five years referred to in subsection (a) of this section, voting common stock of the Corporation having an aggregate purchase price of not more than $11,000,000, subject to availability of appropriations.

"(c) SUBSCRIPTION BY ASSOCIATION.—The Student Loan Marketing Association is authorized to subscribe to and purchase in each of the five years referred to in subsection (a) of this section voting common stock of the Corporation having an aggregate purchase price of not more than $5,000,000.

"(d) ANNUAL ISSUANCE.—The Corporation is authorized to offer for subscription and purchase to the general public in each of the second through fifth years referred to in subsection (a) of this section voting common stock having an aggregate purchase price of not more than $25,000,000. Not less than $10,000,000 of such stock shall be set aside for purchase by institutions of higher education prior to being offered to the general public.

"ISSUE OF NONVOTING STOCK AND DEBT TO THE PUBLIC

"SEC. 766. The Corporation may issue without limitation as to amount or restriction as to ownership such nonvoting common, preferred and preference stock, debt and such other securities and obligations, in such amounts, at such times and having such terms and conditions as may be deemed necessary or appropriate by its Board of Directors.

"OBLIGATIONS NOT FEDERALLY GUARANTEED

"SEC. 767. No obligation which is insured, guaranteed or otherwise backed by the Corporation, shall be deemed to be an obligation which is guaranteed by the full faith and credit of the United States.

"AUTHORITY OF SECRETARY TO SELL COMMON STOCK; RIGHT OF FIRST REFUSAL

"SEC. 768. (a) AUTHORITY TO SELL.—The Secretary of Education may, at any time after a date which is five years after the date of incorporation of the Corporation, sell (in one or more transactions) the voting common stock of the Corporation owned by the Secretary. Prior to offering such common stock for sale to any other person, the Secretary shall offer such stock to the Student Loan Marketing Association at the price determined pursuant to subsection (b). Not later than 30 days prior to the sale of such stock, the Secretary shall advise, in writing, the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives of plans of the Secretary.

"(b) PURCHASE PRICE.—The price at which the Secretary may sell the voting common stock of the Corporation under subsection (a) of this section shall be the market value of such shares as determined by the Secretary, on the basis of an independent appraisal, but shall not be less than the value of such shares as shown on the books of account of the Corporation as of the date of closing of such purchase. In no event shall the purchase price be less than the original issuance price.

"(c) BOARD OF DIRECTORS ELECTED AFTER MAJORITY BUY-OUT.—If the Student Loan Marketing Association acquires from the Secretary of Education sufficient voting common stock so as to own more than 50 percent of the issued and outstanding voting common stock of the Corporation, section 764 (except subsection (b)) of this Act shall be of no further force or effect and the Board of Directors of the Corporation shall thereafter be elected entirely by the voting common shareholders.

"(d) RIGHT OF FIRST REFUSAL TO ASSOCIATION.—Until such time as the Student Loan Marketing Association acquires all of the voting common stock owned by the Secretary, the Student Loan Marketing Association shall have the right to purchase all, or any lesser portion it shall select, of each of the issues of equity securities or other securities convertible into equity of the Corporation as the Corporation may issue from time to time, on the same terms and conditions as such securities are to be offered to other persons.

"(e) AUTHORITY OF ASSOCIATION WITH RESPECT TO CORPORATION.—The Student Loan Marketing Association is authorized and empowered to purchase stock and to carry out such other activities as are necessary and appropriate for carrying out the Association's obligations and responsibilities with respect to the Corporation. The Student Loan Marketing Association is also authorized to enter into such other transactions with the Corporation, including the acquisition of securities and obligations of the Corporation referred to in this section and sections 765 and 766, and arrangements for the provision of management and other services to the Corporation, as shall be approved by

the Student Loan Marketing Association and the Corporation.

"RETURN OF STOCK SALE PROCEEDS

"SEC. 769. The proceeds received by the Secretary of Education upon the sale of any of its shares of the Corporation to the Student Loan Marketing Association shall be deposited in the general fund of the Treasury.

"AUDITS; REPORTS TO THE PRESIDENT AND THE CONGRESS

"SEC. 770. (a) ACCOUNTING REQUIREMENT.—The books of account of the Corporation shall be maintained in accordance with generally accepted accounting principles and shall be subject to an annual audit by an independent public accountant.

"(b) REPORTS.—The Corporation shall transmit to the President and the Congress, annually and at such other times as it deems desirable, a report of its operations and activities under this part, which annual report shall include a copy of the Corporation's financial statements and the opinion with respect thereto prepared by the independent public accountant reviewing such statements and a copy of any report made on an audit conducted under subsection (a).

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 771. There are authorized to be appropriated $11,000,000 to carry out the provisions of this part, to remain available until expended.".

PART G—COOPERATIVE EDUCATION

COOPERATIVE EDUCATION REAUTHORIZED

SEC. 261. Title VIII of the Act is amended to read as follows:

"TITLE VIII—COOPERATIVE EDUCATION

"APPROPRIATIONS AUTHORIZED; RESERVATIONS

"SEC. 801. (a) APPROPRIATIONS AUTHORIZED.—There are authorized to be appropriated $15,120,000 for fiscal year 1987, $15,876,000 for fiscal year 1988, $16,670,000 for fiscal year 1989, $17,500,000 for fiscal year 1990, and $18,380,000 for fiscal year 1991 to carry out the cooperative education program authorized by this title.

"(b) RESERVATIONS.—Of the amounts appropriated in each fiscal year—

"(1) not less than 75 percent shall be available for carrying out grants to institutions of higher education and combinations of such institutions for cooperative education under section 802;

"(2) not to exceed 12½ percent shall be available for demonstration projects under clause (1) of section 803(a);

"(3) not to exceed 10 percent shall be available for training and resource centers under clause (2) of section 803(a); and

"(4) not to exceed 2½ percent shall be available for research under clause (3) of section 803(a).

"(c) AVAILABILITY OF APPROPRIATIONS.—Appropriations under this title shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this title.

"GRANTS FOR COOPERATIVE EDUCATION PROGRAMS

"SEC. 802. (a) GRANTS AUTHORIZED; MAXIMUM AMOUNT OF GRANT.—(1) The Secretary is authorized, from the amount available under section 801(b)(1) in each fiscal year and in accordance with the provisions of this title, to make grants to institutions of higher education, or to combinations of such institutions, to pay the Federal share of the cost of planning, establishing, expanding, or carrying out programs of cooperative education by such institutions or combinations of institutions.

"(2)(A) Cooperative education programs assisted under this section shall provide alternating or parallel periods of academic study and of public or private employment, giving work experience related to their academic or occupational objectives and the opportunity to earn the funds necessary for continuing and completing their education.

"(B) The amount of each grant shall not exceed $500,000 to any one institution of higher education in any fiscal year, and shall not exceed an amount equal to the product of $345,000 times the number of institutions participating in such combination, for any fiscal year.

"(b) APPLICATIONS.—Each institution of higher education, or combination of institutions desiring to receive a grant under this title shall submit an application to the Secretary at such time and in such manner as the Secretary shall prescribe. Each such application shall—

"(1) set forth the program or activities for which a grant is authorized under this section;

"(2) specify each portion of such program or activities which will be performed by a nonprofit organization or institution other than the applicant and the compensation to be paid for such performance;

"(3) provide that the applicant will expend during such fiscal year for the purpose of such program or activities not less than the amount expended for such purpose during the previous fiscal year;

"(4) describe the plans which the applicant will carry out to assure that the applicant will continue the cooperative education program beyond the 5-year period of Federal assistance described in subsection (c)(1);

"(5) provide that, in the case of an institution of higher education that provides a 2-year program which is acceptable for full credit toward a bachelor's degree, the cooperative education program will be available to students who are certificate candidates and who carry at least one-half the normal full time academic workload;

"(6) provide that the applicant will—

"(A) make such reports as may be essential to insure that the applicant is complying with the provisions of this section, including in the reports for the second and each succeeding fiscal year for which the applicant receives a grant data with respect to the impact of the cooperative education program in the previous fiscal year, including—

"(i) the number of students enrolled in the cooperative education program,

"(ii) the number of employers involved in the program,

"(iii) the income of the students enrolled, and

"(iv) the increase or decrease of enrollment in the program in the second previous year compared to such previous fiscal year; and

"(B) keep such records as are essential to insure that the applicant is complying with the provisions of this title;

"(7) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this title; and

"(8) include such other information as is essential to carry out the provisions of this title.

"(c) DURATION OF GRANTS; FEDERAL SHARE.—(1)(A) Except as provided in paragraph (3), no individual institution of higher education, and no individual participant in a combination of such institutions may receive grants under this section for more than 5 fiscal years.

"(B) The limitation contained in subparagraph (A) shall apply to each institution of higher education or participant in a combination of such institutions whether the grant was received before or after the date of enactment of the Cooperative Education Act of 1985.

"(2) The Federal share of a grant under this section may not exceed—

"(A) 90 percent of the cost of carrying out the application in the first year the applicant receives a grant under this section;

"(B) 80 percent of such cost in the second such year;

"(C) 70 percent of such cost in the third such year;

"(D) 60 percent of such cost in the fourth such year; and

"(E) 30 percent of such cost in the fifth such year.

"(3) Any institution of higher education, or participant in a combination of such institutions which—

"(A) has received a grant for 5 fiscal years under this section;

"(B) has conducted without Federal assistance a cooperative education program for at least 2 academic years subsequent to the end of the fifth such fiscal year;

"(C) has expended for the cooperative education program for each such subsequent academic year an amount at least equal to the total cost of the program in the fifth fiscal year in which the institution, or participant, received assistance under this section; and

"(D) provides statistics in the application required under subsection (b) on the number of students enrolled in the cooperative education program, the number of institutional personnel, including faculty advisers and cooperative education coordinators, and the income of the students enrolled, for each such year

may apply under subsection (b) as an institution, or participant, to which clause (A) of paragraph (2) applies.

"(4) Any provision of law to the contrary notwithstanding, the Secretary shall not waive the provisions of this subsection.

"(d) FACTORS FOR SPECIAL CONSIDERATION OF APPLICATIONS.—In approving applications under this section, the Secretary shall give special consideration to applications from institutions of higher education for programs which show the greatest promise of success because of—

"(1) the extent to which programs in the academic discipline with respect to which the application is made have had a favorable reception by public and private sector employers,

"(2) the commitment of the institution of higher education to cooperative education has demonstrated by the plans which such institution has made to continue the program after the termination of Federal financial assistance,

"(3) the extent to which the institution is committed to extending cooperative education on an institution-wide basis for all students who can benefit, and

"(4) such other factors as are consistent with the purposes of this section.

"DEMONSTRATION AND INNOVATION PROJECTS; TRAINING AND RESOURCE CENTERS; AND RESEARCH

"SEC. 803. (a) AUTHORIZATION.—The Secretary is authorized, in accordance with the

provisions of this section, to make grants and enter into contracts for—

"(1) the conduct of demonstration projects designed to demonstrate or determine the feasibility or value of innovative methods of cooperative education from the amounts available in each fiscal year under section 801(b)(2);

"(2) the conduct of training and resource centers designed to—

"(A) train personnel in the field of cooperative education;

"(B) improve materials used in cooperative education programs;

"(C) furnish technical assistance to institutions of higher education to increase the potential of the institution to continue to conduct a cooperative education program without Federal assistance;

"(D) encourage model cooperative education programs which furnish education and training in occupations in which there is a national need; and

"(E) support partnerships under which an institution carrying out a comprehensive cooperative education program joins with another institution of higher education in order to (i) assist the institution other than the comprehensive cooperative education institution to develop and expand an existing program of cooperative education, or (ii) establish and improve or expand comprehensive cooperative education programs,

from the amounts available in each fiscal year under section 801(b)(3); and

"(3) the conduct of research relating to cooperative education, from the amounts available in each fiscal year under section 801(b)(4).

"(b) ADMINISTRATIVE PROVISION.—To carry out this section, the Secretary may—

"(1) make grants to or contracts with institutions of higher education, or combinations of such institutions, and

"(2) make grants to or contracts with other public or private nonprofit agencies or organizations, whenever such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

"(c) SUPPLEMENT NOT SUPPLANT.—A recipient of a grant or contract under this section may use the funds provided only so as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such funds, be made available from non-Federal sources to carry out the activities supported by such grant or contract, and in no case to supplant such funds from non-Federal sources.".

PART H—GRADUATE AND PROFESSIONAL PROGRAMS

SUBPART 1—GRANTS TO INSTITUTIONS OF HIGHER EDUCATION

REPEAL OF PART A

SEC. 271. Part A of title IX of the Act is repealed.

SUBPART 2—FELLOWSHIPS FOR GRADUATE AND PROFESSIONAL STUDY

INSTITUTIONAL AND INDIVIDUAL GRANT AMOUNTS

SEC. 272. (a) INSTITUTIONAL AMOUNT REPEALED.—Section 922(b) of the Act is amended—

(1) by striking out paragraph (2); and

(2) by redesignating paragraph (3) as paragraph (2).

(b) MINIMUM INSTITUTIONAL PAYMENT.—Section 922(f) of the Act is amended by inserting at the end thereof the following new sentence: "The amount paid to an institution of higher education under this subsection for any such person may not be less than $4,200".

(c) MAXIMUM INDIVIDUAL AWARD.—Section 923(a) of the Act is amended by striking out "$4,500" and inserting in lieu thereof "$7,000".

APPLICATION PROCEDURES

SEC. 273. Section 922(c) of the Act is amended by adding at the end thereof the following: "Each such application may be made on behalf of any professional school, academic department or similar organizational unit, or interdisciplinary or interdepartmental program within the institution of higher education meeting the requirements of this subsection.".

REAUTHORIZATION

SEC. 274. Section 924 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 924. There are authorized to be appropriated to carry out the provisions of this part $18,480,000 for fiscal year 1987, $19,404,000 for fiscal year 1988, $20,374,000 for fiscal year 1989, $21,393,000 for fiscal year 1990, and $22,463,000 for fiscal year 1991.".

SUBPART 3—NATIONAL GRADUATE FELLOWS PROGRAM

REAUTHORIZATION; DESIGNATION OF AWARDEES

SEC. 275. (a) EXTENSION OF PROGRAM.—Section 931(a) of the Act is amended by striking out "1985" and inserting in lieu thereof "1991".

(b) DESIGNATION OF FELLOWS.—Section 931(a) of the Act is further amended by inserting "(1)" after the subsection designation and by adding at the end thereof the following new paragraph:

"(2) Students receiving awards under this part shall be known as 'Jacob J. Javits Fellows'.".

(c) LIMITATION ON APPROPRIATIONS.—Section 932(c) of the Act is amended by adding at the end thereof the following new sentence: "No sums are authorized to be appropriated to carry out the provisions of this part in excess of $2,625,000 for fiscal year 1987, $2,756,000 for fiscal year 1988, $2,894,000 for fiscal year 1989, $3,039,000 for fiscal year 1990, and $3,191,000 for fiscal year 1991.".

RECONSTITUTING NATIONAL GRADUATE FELLOWS PROGRAM FELLOWSHIP BOARD

SEC. 276. (a) APPOINTING AUTHORITY; COMPOSITION.—Section 932(a)(1) of the Act is amended—

(1) by striking out "President" and inserting in lieu thereof "Secretary"; and

(2) by striking out "15 individuals" and inserting in lieu thereof the following: "13 individuals after July 31, 1987, and prior to August 1, 1989, 11 individuals after July 31, 1989, and prior to August 1, 1991, and 9 individuals after July 31, 1991"; and

(3) by adding at the end thereof the following new sentence: "The Secretary shall assure that individuals appointed to the Board are broadly knowledgeable about and have experience in doctoral education in the arts, humanities, and social sciences.".

(b) DUTIES.—Section 932(a)(2) of the Act is amended to read as follows:

"(2) The Board shall—

"(A) establish general policies for the program established by this part and oversee its operations;

"(B) establish general criteria for the distribution of fellowships among eligible academic fields identified by the Board;

"(C) appoint panels of academic scholars with distinguished backgrounds in the arts, humanities, and social sciences for the purpose of directing fellows; and

"(D) prepare and submit to the Congress at least once in every 3-year period a report on any modifications in the program that the Board determines are appropriate.".

(c) TERMS OF OFFICE.—Section 932(a)(4) of the Act is amended to read as follows:

"(4) The term of office of each member of the Board shall be four years; except that any member appointed to fill a vacancy shall serve for the remainder of the term for which the predecessor of the member was appointed. No member may serve for a period in excess of six years.".

(d) MEETINGS REQUIRED.—Section 932(a)(6)(B) of the Act is amended to read as follows:

"(B) The Board shall meet at least once a year, or more frequently, as may be necessary to carry out its responsibilities.".

(e) SELECTION CRITERIA.—Section 932(b) of the Act is amended to read as follows:

"(b) The recipients of fellowships shall be selected from among all applicants nationwide by distinguished panels appointed by the Fellowship Board to make selections under criteria of academic excellence established by the Board.".

(f) EFFECTIVE DATE.—The amendments made by subsections (a) and (c) of this section shall take effect with respect to individuals appointed to the Fellowship Board to fill vacancies occurring after the date of enactment of this Act on the Fellowship Board as constituted prior to the amendments made by this section. The Secretary shall make initial appointments under this subsection so that the terms of three members expire at the end of two years, three members expire at the end of three years, and three members expire at the end of four years.

SUBPART 4—TRAINING IN THE LEGAL PROFESSION

REAUTHORIZATION

SEC. 277. Section 942 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 942. There are authorized to be appropriated to carry out the provisions of this part $1,575,000 for fiscal year 1987, $1,653,750 for fiscal year 1988, $1,736,437 for fiscal year 1989, $1,823,259 for fiscal year 1990, and $1,874,421 for fiscal year 1991.".

SUBPART 5—LAW SCHOOL CLINICAL EXPERIENCE PROGRAMS

REAUTHORIZATION

SEC. 278. Section 953 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 953. There are authorized to be appropriated to carry out the provisions of this part $1,575,000 for fiscal year 1987, $1,653,750 for fiscal year 1988, $1,736,437 for fiscal year 1989, $1,823,259 for fiscal year 1990, and $1,874,421 for fiscal year 1991.".

PART I—FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

REAUTHORIZATION

SEC. 281. Section 1005 of the Act is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1005. There are authorized to be appropriated to carry out this title $13,350,000 for fiscal year 1987, $14,010,000 for fiscal year 1988, $14,710,000 for fiscal year 1989, $15,450,000 for fiscal year 1990, and $16,220,000 for fiscal year 1991.".

INNOVATIVE PROJECTS FOR COMMUNITY SERVICES AND STUDENT FINANCIAL INDEPENDENCE

SEC. 282. (a) INNOVATIVE PROJECTS AUTHORIZED.—Part B of title X of the Act is amended to read as follows:

"PART B—INNOVATIVE PROJECTS FOR COMMUNITY SERVICES AND STUDENT FINANCIAL INDEPENDENCE

"STATEMENT OF PURPOSE

"SEC. 1021. It is the purpose of this part to support innovative projects in order to determine the feasibility of encouraging student participation in community service projects in exchange for educational services or financial assistance and thereby reduce the debt acquired by students in the course of completing postsecondary educational programs.

"INNOVATIVE PROJECTS FOR COMMUNITY SERVICES AND STUDENT FINANCIAL INDEPENDENCE

"SEC. 1022. (a) GENERAL AUTHORITY.—The Secretary is authorized, in accordance with the provisions of this part, to make grants to and contracts with institutions of higher education (including combinations of such institutions) and with such other public agencies and nonprofit private organizations as the Secretary deems necessary for innovative projects designed to carry out the purpose of this part.

"(b) APPLICATIONS.—No grant may be made and no contract may be entered into under this section unless an application is made at such time, in such manner, and contained or accompanied by such information as the Director may require.

"(c) APPLICABLE PROCEDURES.—(1) No application may be approved under subsection (b) unless the National Board Fund for Improvement of Postsecondary Education, under procedures established by the Director, approves the application.

"(2) The provisions of section 1004(b) shall apply to grants made under this part.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1023. (a) There are authorized to be appropriated to carry out this part, $3,800,000 for fiscal year 1987, $4,000,000 for fiscal year 1988, $4,200,000 for fiscal year 1989, $4,400,000 for fiscal year 1990, and $4,600,000 for fiscal year 1991.

"(b) No funds may be appropriated pursuant to subsection (a) of this section for any fiscal year unless funds are appropriated for part A of this title for such fiscal year.".

(b) CONFORMING AMENDMENT.—Section 205 of the Department of Education Organization Act is amended—

(1) by inserting "(a)" after the section designation; and

(2) by adding at the end thereof the following new subsection:

"(b)(1) There is established, in the Office of Postsecondary Education, a Community College Unit (hereafter in this section referred to as the 'Unit') which shall have the responsibility for coordinating all programs administered by the Secretary which affect, or can benefit, community colleges, including such programs assisted under this Act, and the Carl D. Perkins Vocational Educational Act.

"(2) The Unit shall be headed by a Director who shall be placed in grade 17 of the General Schedule under section 5332 of title 5, United States Code.".

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM REAUTHORIZATION

SEC. 283. Title X of the Act is amended by adding at the end thereof the following new part:

"PART C—MINORITY INSTITUTIONS SCIENCE IMPROVEMENT PROGRAM

"PROGRAM AUTHORIZED

"SEC. 1031. There are authorized to be appropriated for the purpose of carrying out the Minority Institutions Science Improvement Program transferred to the Secretary from the National Science Foundation by section 304 of the Department of Education Organization Act, $5,250,000 for fiscal year 1987, $5,512,500 for fiscal year 1988, $5,789,125 for fiscal year 1989, $6,078,580 for fiscal year 1990, and $6,382,500 for fiscal year 1991.".

PART J—URBAN UNIVERSITY PROGRAM

REPEAL OF TITLE XI

SEC. 286. Title XI of the Act is repealed.

PART K—MISCELLANEOUS HIGHER EDUCATION PROGRAMS

REAUTHORIZATION OF TREATMENT OF TERRITORIAL STUDENT ASSISTANCE

SEC. 291. Section 1204(c) of the Act is amended by striking out "October 1, 1985" and inserting in lieu thereof "October 1, 1991".

REAUTHORIZATION OF THE NATIONAL ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY

SEC. 292. Section 1205(f) of the Act is amended by striking out "September 30, 1985" and inserting in lieu thereof "September 30, 1991".

COMMISSION TO STUDY POSTSECONDARY INSTITUTIONAL AND PROGRAMMATIC RECOGNITION PROCESS

SEC. 293. Title XII of the Act is amended by adding at the end thereof the following new section:

"COMMISSION TO STUDY POSTSECONDARY INSTITUTIONAL AND PROGRAMMATIC RECOGNITION PROCESS

"SEC. 1206. (a) There is established in the legislative branch a Joint Study Commission on Postsecondary Institutional Recognition (hereafter in this section referred to as the 'Commission').

"(b) The Commission shall be composed of 5 members appointed jointly by the President pro tempore of the Senate, upon the recommendation of the Majority Leader and the Minority Leader, and by the Speaker of the House of Representatives, upon the recommendation of the Majority Leader and the Minority Leader.

"(c)(1) Members of the Commission shall be appointed, on the basis of their integrity, impartiality, and good judgment, from among individuals who, as a result of their training, experience, and attainment, are widely recognized by professionals in the fields of education and governmental administration as experts in those fields.

"(2) Members of the Commission and staff of the Commission may not, at the time of their appointment, be serving as either employees or officers of any accrediting agency or an organization of accrediting agencies, currently serving as administrators of accredited institutions, or be current or past members of the Advisory Committee on Accreditation and Institutional Eligibility of the Department.

"(3) Vacancies in the membership of the Commission shall not affect the power of the remaining members to perform the duties of the Commission and shall be filled in the same manner in which the original appointment was made.

"(4) Each member of the Commission not otherwise employed by the United States Government shall receive the daily equivalent of the annual basic pay for level V of the Executive Schedule under section 5316 of title 5, United States Code, for each day during which such member is actually engaged in the performance of the duties of the Commission. Each member of the Commission shall be allowed travel expenses in the same manner as any individual employed intermittently by the Federal Government is allowed travel expenses under section 5703 of title 5, United States Code.

"(d)(1) The Commission shall conduct a thorough study of the institutional and programmatic recognition process used by the Department of Education in determining institutional or programmatic eligibility for student participation in Federal student assistance programs under this Act with attention being given to the various types of public and private postsecondary institutions and programs.

"(2) The study shall address, analyze, and report specifically on—

"(A) the comprehensiveness of the standards and criteria used by existing accreditation agencies;

"(B) the reliability and validity of the institutional and programmatic review processes used by the existing accreditation agencies;

"(C) the adequacy of the current accreditation methodology and system;

"(D) alternative structures, standards, criteria, and processes that might be used in accrediting institutions and programs;

"(E) the indicators of educational quality that might be incorporated into the accreditation process;

"(F) the educational outcome measurements that might be used in the accreditation process;

"(G) the indicators of institutional and programmatic quality that should be provided to applicants and students; and

"(H) alternative approaches that might be used by the Secretary for institutional and programmatic recognition to permit student participation in Federal student assistance programs,

as each factor bears on eligibility for participation in Federal student assistance programs.

"(e) The Commission shall adopt procedures allowing any interested party to submit information with respect to the recognition process, including critiques of current accrediting agency recognition procedures, accreditation procedures, possible alternative procedures, and proposed changes in criteria for recognition of individual accrediting agencies.

"(f) The Commission shall prepare a narrative and statistical report consisting of—

"(1) an overview description of the voluntary accrediting process used for postsecondary education in the United States; and

"(2) a brief description of each accrediting agency recognized by the Department.

The report shall include at least a statement of the agency's purpose and a description of the organizational and governance structure of the agency, the agency's accreditation and visitation procedures, employers of members of the accrediting agency's governing body, the agency's sources of financial support, and a ten-year record of the number of members, number of candidates for accreditation, number of members voluntarily withdrawn after membership, number of applications withdrawn before membership, number of members dropped, and number of applicants denied accreditation. The report shall include the types of

information shared among the various accrediting agencies, the degree of duplication among accrediting agencies in the current system, and an analysis of reported complaints by the agency and its member institutions and programs.

"(g)(1)(A) By agreement between the President pro tempore of the Senate and the Speaker of the House of Representatives, the Commission is authorized to secure on a reimbursable basis, office space, clerical personnel, travel expenses, and such supplies and equipment as may be necessary for the Commission to carry out the study.

"(B) Subject to such limitations as the President pro tempore of the Senate and the Speaker of the House of Representatives may jointly prescribe, the Commission may appoint such personnel as the Commission deems necessary and fix the compensation at an annual rate that does not exceed the rate of basic pay then payable for GS-18 of the General Schedule under section 5332 of title 5, United States Code, and may procure by contract the temporary and intermittent services of clerical personnel and experts or consultants, or organizations thereof.

"(2) In conducting the study authorized by this section, the Commission is authorized to—

"(A) seek such assistance and support as may be required to conduct the study from appropriate Federal agencies;

"(B) arrange for the detail of staff personnel from other Federal agencies;

"(C) enter into contracts and make other arrangements, as may be necessary for the conduct of the study;

"(D) convene such technical groups as deemed necessary to secure information about the existing recognition process; and

"(E) provide transportation and subsistence for persons serving without compensation.

"(3) Upon request by the Commission, the head of any Federal agency is authorized to detail, on a reimbursable basis, any of the personnel of such agency to the Commission to assist in the conduct of the study.

"(h) The Commission shall submit a report of the findings and recommendations of the study required by this section to the Postsecondary Education Subcommittee of the Education and Labor Committee of the House of Representatives and the Subcommittee on Education, Arts, and Humanities of the Labor and Human Resources Committee of the Senate not later than nine months after funds are appropriated and made available for this study.

"(i) There are authorized to be appropriated $1,000,000 to carry out the study authorized by this section.".

DISCLOSURES OF FOREIGN GIFTS

SEC. 294. (a) GENERAL RULE.—Title XII of the Act is further amended by adding at the end thereof the following new section:

"DISCLOSURES OF FOREIGN GIFTS

"SEC. 1207. (a) Whenever any institution receives a gift from or enters into a contract with a foreign source, the value of which is $250,000 or more, considered alone or in combination with all other gifts from or contracts with that foreign source within a calendar year, the institution shall file a disclosure report with the Secretary on January 31 or July 31, whichever is sooner.

"(b) Each report to the Secretary required by this Act shall contain:

"(1) For gifts received from or contracts entered into with a foreign source other than a foreign government, the aggregate dollar amount of such gifts and contracts attributable to a particular country. The country to which a gift is attributable is the country of citizenship, or if unknown, the principal residence for a foreign source who is a natural person, and the country of incorporation, or if unknown, the principal place of business, for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the aggregate amount of such gifts and contracts received from each foreign government.

"(c) Notwithstanding the provisions of subsection (b), whenever any institution receives a restricted or conditional gift or contract from a foreign source, the institution shall disclose:

"(1) For such gifts received from or contracts entered into with a foreign source other than a foreign government, the amount, the date, and a description of such conditions or restrictions. The report shall also disclose the country of citizenship, or if unknown, the principal residence for a foreign source which is a natural person, and the country of incorporation, or if unknown, the principal place of business for a foreign source which is a legal entity.

"(2) For gifts received from or contracts entered into with a foreign government, the amount, the date, a description of such conditions or restrictions, and the name of the foreign government.

"(d)(1) If an institution described under subsection (a) is within a State which has enacted requirements for public disclosure of gifts from or contracts with a foreign source that are substantially similar to the requirements of this section, a copy of the disclosure report filed with the State may be filed with the Secretary in lieu of a report required under subsection (a). The State in which the institution is located shall provide to the Secretary such assurances as the Secretary may require to establish that the institution has met the requirements for public disclosure under State law if the State report is filed.

"(2) If an institution receives a gift from, or enters into a contract with, a foreign source, where any other department, agency, or bureau of the executive branch requires a report containing requirements substantially similar to those required under this Act, a copy of this report may be filed with the Secretary in lieu of a report required under subsection (a).

"(e) All disclosure reports required by this Act shall be public records open to inspection and copying during business hours.

"(f)(1) Whenever it appears that an institution has failed to comply with the requirements of this section, including any rule or regulation promulgated thereunder, a civil action may be brought in an appropriate district court of the United States, or the appropriate United States court of any territory or other place subject to the jurisdiction of the United States, to request such court to compel compliance with the requirements of the Act.

"(2) For knowing or willful failure to comply with the requirements of this section, including any rule or regulation promulgated thereunder, an institution shall pay to the Treasury of the United States the full costs to the United States of obtaining compliance, including all associated costs of investigation and enforcement.

"(g) The Secretary may promulgate regulations to carry out the ministerial duties imposed on the Secretary by this section.

"(h) For purposes of this section—

"(1) the term 'contract' means any agreement for the acquisition by purchase, lease, or barter of property or services by the foreign source, for the direct benefit or use of either of the parties;

"(2) the term 'foreign source' means—

"(A) a foreign government, including an agency of a foreign government;

"(B) a legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

"(C) an individual who is not a citizen or a national of the United States or a trust territory or protectorate thereof; and

"(D) an agent, including a subsidiary or affiliate of a foreign legal entity, acting on behalf of a foreign source;

"(3) the term 'gift' means any gift of money or property;

"(4) the term 'institution' means any institution, public or private, or, if a multicampus institution, any single campus of such institution, in any State which—

"(A) is legally authorized within such State to provide a program of education beyond high school;

"(B) provides a program for which it awards a bachelor's degree (or provides not less than a two-year program which is acceptable for full credit toward such a degree) or more advanced degrees; and

"(C) is accredited by a nationally recognized accrediting agency or association and to which institution Federal financial assistance is extended (directly or indirectly through another entity or person), or which institution receives support from the extension of Federal financial assistance to any of its subunits; and

"(5) the term 'restricted or conditional gift or contract' means any endowment, gift, grant, contract, award, present, or property of any kind which includes provisions regarding (A) the employment, assignment, or termination of faculty; (B) the establishment of departments, centers, research or lecture programs, or new faculty positions; (C) the selection or admission of students; or (D) the award of grants, loans, scholarships, fellowships, or other forms of financial aid restricted to students of a specified country, religion, sex, ethnic origin, or political opinion.".

(b) REPEALER.—Section 1207 of the Act, as added by subsection (a) of this section is repealed on August 1, 1989.

PART L—ROBERT A. TAFT INSTITUTE

REAUTHORIZATION

SEC. 296. Section 1373 of the Education Amendments of 1980, relating to the Robert A. Taft Institute, is amended by inserting after "1985" a comma and the following: "$750,000 for the fiscal year 1986 and for each succeeding fiscal year ending prior to October 1, 1988".

TITLE III—EDUCATION ADMINISTRATION

PART A—RESEARCH AND IMPROVEMENT

PROGRAM AUTHORIZED

SEC. 301. Section 405 of the General Education Provisions Act (hereafter in this title referred to as "the Act") is amended to read as follows:

"OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

"SEC. 405. (a)(1) The Congress declares it to be the policy of the United States to provide to every individual an equal opportunity to receive an education of high quality regardless of race, color, religion, sex, age,

handicap, national origin, or social class. Although the American educational system has pursued this objective, it has not attained the objective. To achieve the goal of quality education requires the continued pursuit of knowledge about education through research, improvement activities, data collection, and information dissemination. While the direction of American education remains primarily the responsibility of State and local governments, the Federal Government has a clear responsibility to provide leadership in the conduct and support of scientific inquiry into the educational process.

"(2) The Congress further declares it to be the policy of the United States to—

"(A) promote the quality and equity of American education;

"(B) advance the practice of education as an art, science, and profession;

"(C) support educational research of the highest quality;

"(D) strengthen the educational research and development system;

"(E) improve educational techniques and training;

"(F) assess the national progress of this Nation's schools and educational institutions, particularly special populations; and

"(G) collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(3) For purposes of this section—

"(A) the term 'Assistant Secretary' means the Assistant Secretary for Educational Research and Improvement established by section 202 of the Department of Education Organization Act;

"(B) the term 'Council' means the National Advisory Council on Educational Research and Improvement established by subsection (c);

"(C) the term 'educational research' includes basic and applied research, development, planning, surveys, assessments, evaluations, investigations, experiments, and demonstrations in the field of education and other fields relating to education;

"(D) the term 'Office' means the Office of Educational Research and Improvement established by section 209 of the Department of Education Organization Act; and

"(E) the terms 'United States' and 'State' include the District of Columbia and the Commonwealth of Puerto Rico.

"(b)(1) It shall be the purpose of the Office to carry out the policies set forth in subsection (a) of this section. The Office shall be administered by the Assistant Secretary and shall include—

"(A) the National Advisory Council on Educational Research and Improvement established in subsection (c);

"(B) the Center for Education Statistics established by section 406; and

"(C) such other units as the Secretary deems appropriate to carry out the purposes of the Office.

"(2) The Office shall, in accordance with the provisions of this section, seek to improve education in the United States through concentrating the resources of the Office on the priority research and development needs described in paragraph (3).

"(3) The needs to which paragraph (2) apply are—

"(A) improving student achievement;

"(B) improving the ability of schools to meet their responsibilities to provide equal educational opportunities for all students, including those with limited English-speaking ability, women, older students, part-time students, minority students, gifted and talented students, handicapped students, and students who are socially, economically, or educationally disadvantaged;

"(C) collecting, analyzing, and disseminating statistics and other data related to education in the United States and other nations;

"(D) improving the dissemination and application of knowledge gained from educational research and data gathering;

"(E) encouraging the study of the sciences, the arts, and the humanities, including foreign languages and cultures;

"(F) improving the data base of information on special populations and their educational status;

"(G) conducting research on adult educational achievement, particularly literacy and illiteracy as it affects employment, crime, health, and human welfare;

"(H) conducting research on postsecondary opportunities, especially access for minorities and women; and

"(I) conducting research on education professionals, especially at the elementary and secondary levels including issues of recruitment, training, retention, and compensation.

"(c)(1) The Council shall consist of fifteen members appointed by the President, by and with the advice and consent of the Senate. In addition, there shall be such ex officio members who are officers of the United States as the President may designate, including the Assistant Secretary. A majority of the appointed members of the Council shall constitute a quorum. The chairperson of the Council shall be designated by the President from among the appointed members. Ex officio members shall not have a vote on the council. The members of the Council shall be appointed to ensure that the Council is broadly representative of the general public; the education professions, including practitioners; policymakers and researchers; and the various fields and levels of education.

"(2)(A) Except as provided in subparagraph (B), members shall be appointed to terms of three years.

"(B) Of the members first appointed—

"(i) five shall be appointed for terms of one year;

"(ii) five shall be appointed for terms of two years; and

"(iii) five shall be appointed for terms of three years;

as designated by the President at the time of appointment.

"(C) Any member appointed to fill a vacancy occurring before the expiration of the term for which the predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of a term until a successor has taken office.

"(D) An appointed member who has been a member of the Council for six consecutive years shall be ineligible for appointment to the Council during the two-year period following the expiration of the sixth year.

"(3) The Council shall—

"(A) advise the Secretary and the Assistant Secretary on the policies and activities carried out by the Office;

"(B) review and publicly comment on the policies and activities of the Office;

"(C) conduct such activities as may be necessary to fulfill its functions under this subsection;

"(D) prepare such reports to the Secretary on the activities of the Office as are appropriate; and

"(E) submit, no later than March 31 of each year, a report to the President and the Congress on the activities of the Office, and on education, educational research, and data gathering in general.

"(d)(1) In order to carry out the objectives of the Office under this section, the Secretary within the limits of available resources shall—

"(A) conduct educational research;

"(B) collect, analyze, and disseminate the findings of education research;

"(C) train individuals in educational research;

"(D) assist and foster such research, collection, dissemination, and training through grants, cooperative arrangements, and technical assistance;

"(E) promote the coordination of educational research and research support within the Federal Government and otherwise assist and foster such research; and

"(F) collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(2) The Secretary may carry out the activities in paragraph (1) directly, or through grants, contracts, and cooperative agreements with institutions of higher education, public agencies, private organizations and institutions, and individuals. When making awards under this subsection, the Secretary shall, to the fullest extent possible—

"(A) solicit recommendations and advice regarding research priorities, opportunities, and strategies from qualified experts, such as education professionals and policymakers, personnel of the regional education laboratories and of the research and development centers supported under paragraph (3), and the Council, as well as parents and other members of the general public;

"(B) employ suitable selection procedures utilizing the principles of peer review; and

"(C) determine that the activities to be supported by the award will be conducted efficiently, are of high quality, and are consistent with the purposes and priorities of the Office.

"(3)(A) In carrying out the functions of the Office, the Secretary shall, in accordance with the provisions of this subsection, support—

"(i) regional educational laboratories established by public agencies or private nonprofit organizations to serve the needs of a specific region of the Nation under the guidance of a regionally representative governing board, the regional agendas of which shall, consistent with the priority research and development needs established by subsection (b) (2) and (3), be determined by the governing boards of such labs;

"(ii) research and development centers that are established by institutions of higher education, public agencies, private nonprofit organizations, or by interstate agencies established by compact which operate subsidiary bodies established to conduct postsecondary educational research and development;

"(iii) meritorious unsolicited proposals for educational research and related activities that are authorized by this subsection; and

"(iv) proposals that are specifically invited or requested by the Secretary, on a competitive basis, which meet objectives authorized by this subsection.

"(B) Each application for assistance under clause (i) or (ii) of subparagraph (A) as a regional educational laboratory or a research and development center shall contain such information as the Secretary may reasonably require, including assurances that the applicant will—

"(i) be responsible for the conduct of the research and development activities;

"(ii) prepare a long-range plan relating to the conduct of such research and development activities;

"(iii) ensure that information developed as a result of such research and development activities, including new educational methods, practices, techniques, and products, will be appropriately disseminated;

"(iv) provide technical assistance to appropriate educational agencies and institutions; and

"(v) to the extent practicable, provide training for individuals, emphasizing training opportunities for women and members of minority groups, in the use of new educational methods, practices, techniques, and products developed in connection with such activities.

"(C) No regional educational laboratory or research and development center receiving assistance under this subsection shall, by reason of the receipt of that assistance, be ineligible to receive any other assistance from the Office authorized by law.

"(4) The Secretary may, from funds appropriated under this section, establish and maintain research fellowships in the Office, for scholars, researchers, and statisticians engaged in the collection and dissemination of information about education and educational research. Subject to regulations prescribed by the Secretary, the fellowships may include such stipends and allowance, including travel and subsistence expenses provided for under title 5, United States Code, as the Secretary deems appropriate.

"(e)(1) In addition to the other responsibilities of the Office under this section, the Secretary, through the Office, shall carry out, by grant to or cooperative agreement with a nonprofit educational organization, a National Assessment of Educational Progress which shall have as a primary purpose the assessment of the performance of children and young adults in the basic skills of reading, mathematics, communication, and other subjects and skills. Such a National Assessment shall—

"(A) collect and report at least once every five years data assessing the performance of students at various age or grade levels in each of the areas of reading, writing, and mathematics;

"(B) report periodically data on changes in knowledge and skills of such students over a period of time;

"(C) conduct special assessments of other educational areas, as the need for additional national information arises;

"(D) include in assessment activities information on special groups of individuals;

"(E) provide technical assistance to State educational agencies and to local educational agencies on the use of National Assessment objectives, primarily pertaining to—

"(i) the basic skills of reading, mathematics, and communication, and

"(ii) on making comparisons of such assessments with the national profile (including special population profiles) and change data developed by the National Assessment; and

"(F) with respect to each State which voluntarily participates in accordance with paragraph (5), provide a statement of information collected by the National Assessment for each such State.

"(2)(A) The educational organization through which the Office carries out the National Assessment shall be responsible for overall management of the National Assessment. Such organization shall delegate authority to design and supervise the conduct of the National Assessment to an Assessment Policy Committee, established with the advice of the Secretary. The Assessment Policy Committee shall be composed of—

"(i) five members appointed by the educational organization of whom two members shall be representative of business and industry and three members shall be representative of the general public, and

"(ii) fourteen members appointed by the educational organization from the categories of membership specified in subparagraph (B).

"(B) Members of the Assessment Policy Committee appointed in accordance with clause (ii) of subparagraph (A) shall be—

"(i) one chief State school officer;

"(ii) two State legislators;

"(iii) two school district superintendents;

"(iv) one member of a State board of education;

"(v) one member of a local school board;

"(vi) one Governor of a State;

"(vii) four classroom teachers;

"(viii) one elementary school principal; and

"(ix) one secondary school principal.

"(C) The Assistant Secretary shall serve as an ex officio member of the Assessment Policy Committee. The Assistant Secretary shall also appoint a member of the Council to serve as a nonvoting member of the Assessment Policy Committee.

"(D) Members appointed in accordance with clauses (i) and (ii) of subparagraph (A) shall be appointed for terms of three years on a staggered basis.

"(3) The Assessment Policy Committee shall be responsible for the design of the National Assessment, including the selection of the learning areas to be assessed, the development and selection of goal statements and assessment items, the assessment methodology, the form and content of the reporting and dissemination of assessment results, and studies to evaluate and improve the form and utilization of the National Assessment. The appropriateness of all cognitive, background, and attitude items developed as part of the National Assessment shall be the responsibility of the Assessment Policy Committee. Such items shall be subject to review by the Department of Education and the Office of Management and Budget for a single period of not more than sixty days.

"(4) Each learning area assessment shall have goal statements devised through a national consensus approach, providing for active participation of teachers, curriculum specialists, subject matter specialists, local school administrators, parents, and members of the general public. All items selected for use in the assessment shall be reviewed to exclude items which might reflect racial, sex, cultural, or regional bias.

"(5) Participation in the National Assessment by State and local educational agencies selected as part of a sample of such agencies shall be voluntary.

"(6) The Secretary shall provide for a periodic review of the National Assessment. The review shall provide an opportunity for public comment on the conduct and usefulness of the National Assessment and shall result in a report to the Congress and to the Nation on the findings and recommendations of the review, if any. The Secretary shall consider the findings and recommendations in designing the competition to select the educational organization through which the Office carries out the National Assessment.

"(f)(1)(A) There are authorized to be appropriated to carry out the provisions of this section (other than subsection (d)(3)(A)(i)) and section 406 $53,231,000 for fiscal year 1987 and such sums as may be necessary for each of the succeeding fiscal years ending prior to October 1, 1991.

"(B) There are authorized to be appropriated to carry out the provisions of subsection (d)(3)(A)(i) $19,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the succeeding fiscal years ending prior to October 1, 1991.

"(C) The Secretary may not enter into a contract for the purpose of regional educational laboratories under subsection (d)(3)(A)(i) for a period in excess of five years.

"(2) Not less than 90 per centum of the funds appropriated pursuant to this subsection for any fiscal year shall be expended to carry out this section through grants, cooperative agreements, or contracts.

"(3) When more than one Federal agency uses funds to support a single project under this section, the Office may act for all such agencies in administering such funds.

"(g) In each fiscal year in which appropriated funds equal or exceed the amount of funds appropriated in fiscal year 1986 to carry out sections 405 and 406, the Secretary shall at least maintain the level of funding provided for the operations during fiscal year 1986 of the Center for Educational Statistics, the National Assessment of Educational Progress, and the Educational Resources Information Center for such fiscal year.".

CENTER FOR EDUCATION STATISTICS

SEC. 302. (a) GENERAL AUTHORITY.—(1) Section 406 of the Act is amended—

(A) in the heading to read as follows: "CENTER FOR EDUCATION STATISTICS";

(B) by striking out subsections (e) and (g); and

(C) by redesignating subsections (f), (h), and (i) as subsections (e), (f), and (g), respectively.

(2) The first sentence of section 406(a) of the Act is amended by striking out "Office" and everything that follows through the end thereof, and inserting in lieu thereof "Office of Educational Research and Improvement, a Center for Education Statistics (hereafter in this section referred to as the 'Center').". The second sentence of such section 406(a) is amended by striking out "an Administrator" and inserting in lieu thereof "a Director".

(3) The first sentence of section 406(b) of the Act is amended by inserting a comma and "analyze," immediately after "collect".

(b) ADVISORY COUNCIL.—Section 406(c) of the Act is amended—

(1) in paragraph (2)—

(A) by striking out subparagraph (A);

(B) by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively; and

(C) by striking out in subparagraph (A) (as redesignated in subparagraph (A)) "Director of the National Institute of Education," and inserting in lieu thereof "Assistant Secretary,";

(2) by striking out paragraphs (3) and (5); and

(3) by redesignating paragraphs (4), (6), and (7) as paragraphs (3), (4), and (5), respectively.

(c) ANNUAL REPORT.—Section 406(d)(1) of the Act is amended to read as follows:

"(d)(1) The Secretary shall not later than June 1 of each year submit to the Congress an annual report which—

"(A) includes a statistical report on the condition of education in the United States during the two preceding fiscal years and a projection, for the three succeeding fiscal years, of estimated statistics related to education in the United States; and

"(B) clearly sets forth areas of critical need for additional qualified education personnel in local educational agencies and, after discussion and review by the Advisory Council on Education Statistics, identifies priorities within the areas of need and includes recommendations of the Council with respect to the most effective manner in which the Nation and the Federal Government may address such needs.".

(d) STATISTICAL RECORDS.—Section 406(e) of the Act (as redesignated by subsection (a)(3)) is amended—

(1) in paragraph (1)—

(A) by striking out the subparagraph designation "(A)";

(B) in the fourth sentence therein by striking out "Assistant Secretary" each place it appears and inserting in lieu thereof "Secretary"; and

(C) by striking out subparagraph (B); and

(2) by striking out paragraph (3).

(e) UNIFORM FINANCING DATA.—Section 406(f) (as redesignated by subsection (a)(3)) is amended to read as follows:

"(f) In addition to its other responsibilities, the Center shall collect uniform data from the States on the financing of elementary and secondary education. Each State receiving funds under the Education Consolidation and Improvement Act of 1981 shall cooperate with the Center in carrying out this subsection.".

PERSONNEL

SEC. 303. Section 401(c) of the Department of Education Organization Act is amended in the last sentence therein by striking out "be equal to" and everything that follows through the end thereof and inserting in lieu thereof "exceed the maximum rate of pay for grade GS-15 in section 5332 of title 5, United States Code, except that the pay of any employee originally appointed under section 405(e)(5) of the General Education Provisions Act (effective prior to the amendments of section 301 of the Higher Education Amendments of 1986) shall not be reduced by reason of such maximum rate.".

USE OF COUNCIL STAFF AND FACILITIES

SEC. 304. Neither the National Advisory Council on Educational Research and Improvement nor the Advisory Council on Education Statistics, nor any of their respective members, may use Council staff, facilities, equipment, supplies, or franking privileges for activities unrelated to the purposes of the respective Councils.

REPEAL

SEC. 305. Section 400A of the Act is repealed.

PART B—STUDY ON THE ESCALATING COST OF HIGHER EDUCATION

STUDY REQUIRED

SEC. 311. (a) STUDY REQUIRED.—The Comptroller General shall conduct a study on the escalating cost of higher education. The study required by this section shall—

(1) identify the current cost of obtaining a higher education and determine how that cost has changed in recent years,

(2) forecast the future cost of obtaining a higher education with consideration given to prospective demographic changes in student enrollments,

(3) determine the specific causes of recent changes in cost and the extent to which each of those causes has contributed to such changes,

(4) evaluate the impact of such changes in cost on institutions of higher education, their students, and lower and middle income families,

(5) make recommendations on how such changes in cost can be minimized in the future, and

(6) outline State and Federal policy options which may help to minimize such changes in cost in the future.

(b) SPECIAL CONSIDERATION.—In conducting such study, the Comptroller General shall give special consideration to the impact of escalating costs on lower and middle income students and families, the impact of escalating costs on female and minority students, the impact of escalating costs on the career choices made by students, and the relationship between escalating costs and the Federal student financial assistance programs.

(c) CONSULTATION REQUIREMENTS.—During the conduct of such study, the Comptroller General shall consult frequently with the Department of Education, the Chairman of the Senate Committee on Labor and Human Resources, and the Chairman of the House Committee on Education and Labor.

(d) REPORT TO CONGRESS.—The Comptroller General shall, within one year of the date of enactment of this Act, submit to the Congress a report on the study required by this section, together with recommendations, including recommendations for legislation, as the Comptroller General deems appropriate.

PART C—STUDY ON EQUITABLE FUNDING ON FINANCIAL AID FOR FARM FAMILIES

STUDY REQUIRED

SEC. 321. STUDY REQUIRED.—The United States Secretary of Education shall commence a study under title IV of the Higher Education Act of 1965 with respect to financial aid formulas for students in postsecondary educational institutions with special attention to devising a more equitable formula for farm families.

PART D—USE OF VOLUNTEERS IN THE CLASSROOM STUDY

STUDY REQUIRED

SEC. 331. (a)(1) STUDIES REQUIRED.—The Secretary of Education (hereafter referred to in this section as "Secretary") shall conduct a thorough study of how volunteers can best be used in the classroom. The study required by this section shall include—

(A) the feasibility of using recipients of student loans made, assured, or guaranteed under part B of title IV of the Higher Education Act of 1965 or part E of such title as part of repayment of such loans;

(B) the use of older Americans as such volunteers;

(C) the use of business persons and other professionals as volunteers; and

(D) the place of incentives to encourage volunteerism.

The study required by this section shall examine the methods of using volunteers designed to provide the greatest flexibility for local educational agencies.

(2) The Secretary shall also contract with the National Academy of Sciences to conduct a concurrent independent study for the purposes described in paragraph (1). For purposes of such study, the Secretary shall provide to the National Academy of Sciences any relevant data available to the Secretary at the onset of the study and on a continuing basis.

(3) REPORTS REQUIRED.—The Secretary and the National Academy of Sciences shall, not later than 1 year after the date of enactment of this Act, prepare and submit to the Congress their respective reports, together with a description of programs on the use of volunteers and with such recommendations as the Secretary deems appropriate.

(b) AVAILABILITY OF FUNDS.—Funds available for the administration of the Department of Education shall be used for the study required by this section.

TITLE IV—PINPOINT DISASTER ASSISTANCE UNDER FEDERAL IMPACT AID

APPLICATION REQUIRED

SEC. 401. Notwithstanding the notice relating to applications for pinpoint disaster assistance (43 Federal Register 57194 (1978)) or any other provision of Federal law or regulation, the Secretary of Education shall accept an application from Preston County Board of Education, West Virginia, under section 16 of the Act of September 23, 1950 (Public Law 815, Eighty-first Congress) filed after the date of enactment of this Act.

TITLE V—NATIVE AMERICAN CULTURE AND ART DEVELOPMENT

SHORT TITLE

SEC. 501. This title may be cited as the "Native American Culture and Art Development Act".

FINDINGS

SEC. 502. The Congress finds and declares that—

(1) Native American art and culture has contributed greatly to the artistic and cultural richness of the Nation;

(2) Native American art and culture occupies a unique position in American history as being our only native art form and cultural heritage;

(3) the enhancement and preservation of this Nation's native art and culture has a fundamental influence on the American people;

(4) although the encouragement and support of Native American arts and crafts are primarily a matter for private, local, and Native American initiative, it is also an appropriate matter of concern to the Federal Government;

(5) it is appropriate and necessary for the Federal Government to support research and scholarship in Native American art and culture and to complement programs for the advancement of Native American art and culture by tribal, private, and public agencies and organizations;

(6) current Federal initiatives in the area of Native American art and culture are fragmented and inadequate; and

(7) in order to coordinate the Federal Government's effort to preserve, support, revitalize, and disseminate Native American art and culture, it is desirable to establish a national Institute of Native American Culture and Arts Development.

DEFINITIONS

SEC. 503. For purposes of this title—

(1) The term "Native American art and culture" includes, but is not limited to, the traditional and contemporary expressions of Native American language, history, visual and performing arts, and crafts.

(2) The term "Institute" means the Institute of Native American Culture and Arts Development established by this title.

(3) The term "Native American" means any person who is a member of an Indian tribe or is a Native Hawaiian.

(4) The term "Indian tribe" means any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act), which is recognized as eligible for special programs and services provided by the United States to Indians because of their status as Indians.

(5) The term "Native Hawaiian" means any descendent of a person who, prior to 1778, was a native of the Hawaiian Islands.

(6) The term "Secretary" means the Secretary of the Interior.

(7) The term "Board" means the Board of Trustees established under this title.

ESTABLISHMENT OF INSTITUTE

SEC. 504. (a) IN GENERAL.—There is hereby established a corporation to be known as the "Institute of Native American Culture and Arts Development", which shall be under the direction and control of the Board of Trustees established under this title.

(b) SUCCESSION AND AMENDMENT OF CHARTER.—The corporation established under subsection (a) shall have succession until dissolved by Act of Congress. Only the Congress shall have the authority to revise or amend the charter of such corporation.

BOARD OF TRUSTEES

SEC. 505. (a) IN GENERAL.—The Board of Trustees of the Institute shall be composed of 18 members as follows:

(1) 12 individuals appointed by the President of the United States by and with the advice and consent of the Senate from among individuals from private life who are Native Americans widely recognized in the field of Native American art and culture;

(2) 3 Members of the Senate appointed by the President pro tempore of the Senate, upon the recommendation of the majority leader and the minority leader of the Senate, and

(3) 3 Members of the House of Representatives appointed by the Speaker of the House of Representatives, upon the recommendation of the majority leader and the minority leader of the House of Representatives.

(b) APPOINTMENTS.—In making appointments pursuant to subsection (a)(1), the President of the United States shall—

(1) consult with the Indian tribes and the various organizations of Native Americans; and

(2) give due consideration to the appointment of individuals who will provide appropriate regional and tribal representation on the Board.

(c) TERMS OF OFFICE.—

(1) The term of office of each member of the Board appointed pursuant to subsection (a)(1) shall be 6 years, except that of such members first appointed, 4 shall serve for a term of 2 years, 4 for a term of 4 years, and 4 for a term of 6 years, as designated by the President as of the time of appointment. Any member of the Board appointed pursuant to subsection (a)(1) to fill a vacancy occurring prior to the expiration of the term to which his predecessor was appointed shall be appointed for the remainder of the term. No member of the Board appointed pursuant to subsection (a)(1) shall be eligible to serve in excess of 2 consecutive terms, but may continue to serve until his successor is appointed.

(2) The term of office of each Member of Congress appointed to the Board under subsection (a) shall expire at the end of the congressional term of office which such Member holds at the time of such appointment.

(d) CHAIRMAN AND VICE CHAIRMAN.—The President of the United States shall designate the initial Chairman and Vice Chairman of the Board from among the members of the Board appointed pursuant to subsection (a)(1). Such Chairman and Vice Chairman so designated shall serve for 12 calendar months. The Chairman and Vice Chairman shall thereafter be elected by the members of the Board appointed pursuant to subsection (a)(1) and shall serve for terms of 2 years. In the case of a vacancy in the office of Chairman or Vice Chairman, such vacancy shall be filled by the members of the Board appointed pursuant to subsection (a)(1) and the member filling such vacancy shall serve for the remainder of the unexpired term.

(e) CONGRESSIONAL MEMBERS.—Members of Congress appointed to the Board under subsection (a) shall not be eligible to vote on any matter considered by the Board; but such Members of Congress shall be entitled to attend any meetings of the Board and to provide advice to the Board on any matter relating to the Institute.

(f) QUORUM.—Unless otherwise provided by the bylaws of the Institute, a majority of the members of the Board appointed under subsection (a)(1) shall constitute a quorum.

(g) POWERS.—The Board is authorized—

(1) to formulate the policy of the Institute;

(2) to direct the management of the Institute; and

(3) to make such bylaws and rules as it deems necessary for the administration of its functions under this title, including the organization and procedures of the Board.

(h) COMPENSATION.—Members of the Board appointed pursuant to subsection (a)(1) shall, for each day they are engaged in the performance of the duties under this title, receive compensation at the rate of $125 per day, including traveltime. All members of the Board, while so serving away from their homes or regular places of business, shall be allowed travel expenses (including per diem in lieu of subsistence), as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

PRESIDENT; EMPLOYEES

SEC. 506. (a) PRESIDENT.—The Board shall appoint a President of the Institute. The President of the Institute shall serve as the chief executive officer of the Institute. Subject to the direction of the Board and the general supervision of the Chairman, the President of the Institute shall have the responsibility for carrying out the policies and functions of the Institute, and shall have authority over all personnel and activities of the Institute.

(b) COMPENSATION.—The President of the Institute shall be compensated at an annual rate not to exceed that prescribed for GS-18 of the General Schedule under section 5332 of title 5, United States Code.

(c) STAFF.—The President of the Institute, with the approval of the Board, shall have the authority to appoint and fix the compensation and duties of such officers and employees as may be necessary for the efficient administration of the Institute. Such appointments and compensation may be made without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and chapter 51 and subchapter III of chapter 53 of title 5, United States Code.

(d) The Institute shall be considered an agency for purposes of chapter 71 of title 5, United States Code.

(e) Employees of the Institute shall receive compensation for work injuries and illnesses in accordance with chapter 81 of title 5, United States Code.

GENERAL POWERS OF THE INSTITUTE

SEC. 507. In carrying out the provisions of this title, the Institute shall have the power, consistent with the provisions of this title—

(1) to adopt and alter a corporate seal, which shall be judicially noticed;

(2) to make agreements and contracts with persons, Indian tribes, and private or governmental entities and to make payments or advance payments under such agreements or contracts without regard to section 3324 of title 31, United States Code;

(3) to sue and be sued in its corporate name and to complain and defend in any court of competent jurisdiction;

(4) to represent itself, or to contract for representation, in all judicial, legal, and other proceedings;

(5) with the approval of the agency concerned, to make use of services, facilities, and property of any board, commission, independent establishment, or executive agency or department of the executive branch in carrying out the provisions of this title and to pay for such use (such payments to be credited to the applicable appropriation that incurred the expense);

(6) to use the United States mails on the same terms and conditions as the executive departments of the United States Government;

(7) to obtain insurance or make other provisions against losses;

(8) to obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, and to accept and utilize the services of voluntary and noncompensated personnel and reimburse them for travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code;

(9) to solicit, accept, and dispose of gifts, bequests, devises of money, securities, and other properties of whatever character, for the benefit of the Institute;

(10) to receive grants from, and enter into contracts and other arrangements with, Federal, State, or local governments, public and private agencies, organizations, and institutions, and individuals;

(11) to acquire, hold, maintain, use, operate, and dispose of such real property, including improvements thereon, personal property, equipment, and other items, as may be necessary to enable the Institute to carry out the purposes of this title;

(12) to use any funds or property received by the Institute to carry out the purposes of this title; and

(13) to exercise all other lawful powers necessarily or reasonably related to the establishment of the Institute in order to carry out the provisions of this title and the exercise of the powers, purposes, functions, duties, and authorized activities of the Institute.

FUNCTIONS OF THE INSTITUTE

SEC. 508. (a) IN GENERAL.—The primary functions of the Institute shall be—

(1) to provide scholarly study of, and instruction in, the arts and culture of Native Americans, and

(2) to establish programs which culminate in the awarding of degrees in the various fields of Native American art and culture.

(b) SPECIAL CENTERS.—There shall be established within the Institute—

(1) a Center for Culture and Art Studies to be administered by a director (appointed by the President of the Institute, with the approval of the Board), which shall include, but not be limited to, Departments of Arts and Sciences, Visual Arts, Performing Arts, Language, Literature, and Museology; and

(2) a Center for Research and Cultural Exchange, administered by a director (appointed by the President of the Institute, with the approval of the Board), which shall include—

(A) a museum of Native American arts,

(B) a learning resources center,

(C) programs of institutional support and development,

(D) research programs,

(E) fellowship programs,

(F) seminars,

(G) publications,

(H) scholar-in-residence and artist-in-residence programs, and

(I) inter-institutional programs of cooperation at national and international levels.

(c) OTHER FUNCTIONS.—In addition to the centers and programs described in subsection (b), the Institute shall develop such programs and centers as the Board determines are necessary to—

(1) foster research and scholarship in Native American art and culture through—

(A) resident programs,

(B) cooperative programs, and

(C) grant programs;

(2) complement existing tribal programs for the advancement of Native American art and culture; and

(3) coordinate efforts to preserve, support, revitalize and develop evolving forms of Native American art and culture.

NATIVE AMERICAN PREFERENCE

SEC. 509. Notwithstanding any other provision of Federal or State law, the Institute is authorized to extend a preference to Native Americans in—

(1) admissions to, and enrollment in, programs conducted by the Institute,

(2) employment by the Institute, and

(3) contracts, fellowships, and grants awarded by the Institute.

NONPROFIT AND NONPOLITICAL NATURE OF THE INSTITUTE

SEC. 510. (a) STOCK.—The Institute shall have no power to issue any shares of stock or to declare or pay any dividends.

(b) NONPROFIT NATURE.—No part of the income or assets of the Institute shall inure to the benefit of any director, officer, employee, or any other individual except as salary or reasonable compensation for services.

(c) NONPOLITICAL NATURE.—The Institute may not contribute to, or otherwise support, any political party or candidate for elective public office.

TAX STATUS

SEC. 511. The Institute and the franchise, capital, reserves, income, and property of the Institute shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, county, municipality, Indian tribe, or local taxing authority.

TRANSFER OF FUNCTIONS

SEC. 512. (a) IN GENERAL.—There are hereby transferred to the Institute, and the Institute shall perform, the functions of the Institute of American Indian Arts established by the Secretary of the Interior in 1962.

(b) PERSONNEL, PROPERTY, AND LIABILITIES.—

(1) All personnel, liabilities, contracts, personal property, and records as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with any function transferred under the provisions of subsection (a) shall be transferred to the Institute.

(2) Personnel engaged in functions transferred by subsection (a) shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions, except that such transfer shall be without reduction in classification or compensation for one year after such transfer.

(c) REFERENCES IN OTHER LAWS.—All laws and regulations relating to the Institute of American Indian Arts established by the Secretary in 1962 shall, insofar as such laws and regulations are appropriate, and not inconsistent with the provisions of this title, remain in full force and effect and apply with respect to the Institute. All references in any other Federal law to the Institute of American Indian Arts, or any officer transferred to the Institute under subsection (b), shall be deemed to refer to the Institute or an officer of the Institute.

ANNUAL REPORT

SEC. 513. The President of the Institute shall submit an annual report to the Congress and to the Board concerning the status of the Institute during the 12 calendar months preceding the date of the report. Such report shall include, among other matters, a detailed statement of all private and public funds, gifts, and other items of a monetary value received by the Institute during such 12-month period and the disposition thereof as well as any recommendations for improving the Institute.

HEADQUARTERS

SEC. 514. The site of the Institute of American Indian Arts, at Santa Fe, New Mexico, shall be maintained as the location for the Institute of Native American Culture and Arts Development. To facilitate this action and the continuity of programs being provided at the Institute of American Indian Arts, the Secretary is authorized to enter into negotiations with State and local governments for such exchanges or transfers of lands and such other assistance as may be required.

COMPLIANCE WITH OTHER ACTS

SEC. 515. (a) IN GENERAL.—The Institute shall comply with the provisions of—

(1) Public Law 95-341 (42 U.S.C. 1996), popularly known as the American Indian Religious Freedom Act,

(2) the Archeological Resources Protection Act of 1979 (16 U.S.C. 470aa, et seq.), and

(3) the National Historic Preservation Act (16 U.S.C. 470, et seq.).

(b) CRIMINAL LAWS.—All Federal criminal laws relating to larceny, embezzlement, or conversion of the funds or property of the United States shall apply to the funds and property of the Institute.

AUTHORIZATION

SEC. 516. There are authorized to be appropriated to carry out the purposes of this title—

(1) for the fiscal year beginning October 1, 1986, the sum of $4,000,000, and

(2) for each fiscal year thereafter, $4,000,000.

TITLE VI—UNITED STATES INSTITUTE OF PEACE

AUTHORIZATIONS OF APPROPRIATIONS

SEC. 601. (a) AUTHORIZATIONS OF APPROPRIATIONS.—(1) The first sentence of section 1710(a) of the United States Institute of Peace Act (22 U.S.C. 4609(a)) is amended—

(A) by striking out "fiscal year 1985" and inserting in lieu thereof "fiscal year 1987"; and

(B) by striking out "fiscal year 1986" and inserting in lieu thereof "fiscal year 1988".

(2) The amendments made by paragraph (1) shall take effect on October 1, 1986.

(b) AVAILABILITY OF FUNDS.—The second sentence of section 1710(a) of such Act (22 U.S.C. 4609(a)) is amended to read as follows: "Amounts appropriated under this section are authorized to remain available to the Institute until expended.".

TITLE VII—APPROPRIATION PROVISION

APPROPRIATION PROVISION

SEC. 701. Funds appropriated in Public Law 97-377 under the terms of H.R. 3598 (97th Congress) shall be available as a direct appropriation.

TITLE VIII—SHELTER FOR THE HOMELESS IN THE DISTRICT OF COLUMBIA

RELEASE OF FUNDS FOR HOMELESS SHELTER

SEC. 801. (a) The Senate finds that—

(1) the Federal Government has agreed to provide for an adequate shelter for the homeless in the District of Columbia;

(2) the Federal Government has agreed to provide $5,000,000 for the renovation and remodeling for such a shelter; and

(3) it is essential that construction begin immediately in order to be completed by the cold weather months.

(b) It is the sense of the Senate that—

(1) the Administration should immediately release a portion of the $5,000,000 the Administration has agreed to provide for the renovation and construction of the homeless shelter at 425 Second Street, Northwest, in the District of Columbia; and

(2) the remaining funds should be immediately released upon the official conveyance of title to the shelter from the Federal Government to the District of Columbia.

MOTION OFFERED BY MR. HAWKINS

Mr. HAWKINS. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. HAWKINS moves to strike all after the enacting clause of the Senate bill, S. 1965, and to insert in lieu thereof the texts of the House-passed bills, H.R. 3700, Higher Education Amendments of 1985, and H.R. 2246, Education Research and Statistics Amendments of 1986, as follows:

SECTION 1. SHORT TITLE; REFERENCES.

(a) SHORT TITLE.—This Act may be cited as the "Higher Education Amendments of 1985".

(b) REFERENCES.—References in this Act to "the Act" are to the Higher Education Act of 1965.

SEC. 2. EFFECTIVE DATE.

Except as otherwise provided therein, the amendments made by this Act shall take effect on October 1, 1986.

SEC. 3. CONTRACTING AUTHORITY SUBJECT TO APPROPRIATIONS.

The authority to enter into contracts or other obligations under this Act shall be effective for any fiscal year only to such

extent or in such amounts as are provided in appropriation Acts.

TITLE I—AMENDMENT TO TITLE I OF THE ACT

SEC. 101. REVISION OF TITLE I.

Title I of the Act is amended to read as follows:

"TITLE I—POSTSECONDARY PROGRAMS FOR NON-TRADITIONAL STUDENTS

"SEC. 101. FINDINGS.

"The Congress finds that—

"(1) the increasing incidence of relocation and dislocation of industries and workers, the entry and reentry of adults into the labor force, and the rapid rate of change in technology, the economy, population demographics, and social conditions, necessitate significant improvement in postsecondary educational opportunities for adults in all stages of life;

"(2) the majority of adults who continue their education do so for job-related and career-oriented reasons or to fulfill admissions requirements for educational or vocational training;

"(3) minority-group citizens comprise the fastest growing segment of the population and labor force, yet are underrepresented in adult education programs;

"(4) access to postsecondary educational opportunities is limited for adults whose educational needs have been inadequately served, or for those whose age, sex, race, disability, national origin, rural isolation, or economic or personal circumstances (such as marital status or responsibility with regard to dependent children) are barriers to such opportunities;

"(5) enrollment of adult learners (including individuals aged 50 and over) approaches or equals that of traditional students in postsecondary institutions and such enrollment patterns are changing the demography of postsecondary education;

"(6) the organizational structure and administration of postsecondary institutions often represents a significant barrier to matriculation for the adult learner and such institutions need to adapt themselves to integrate adult learners;

"(7) the Federal Government should encourage the development of institutional partnerships between the public and private sectors and postsecondary institutions for the purpose of planning and implementing effective educational programs and services for the adult learner; and

"(8) it is in the interest of the Federal Government to support continuing education for adults in order to reduce unemployment and underemployment, enhance job opportunities, and promote a well-trained, flexible, internationally competitive workforce and an educated citizenry.

"SEC. 102. DEFINITIONS.

"For the purposes of this title—

"(1) the term 'continuing education' means postsecondary instruction and support services that are designed to meet the educational needs of adult learners;

"(2) the term 'adult learner' means an individual who by reason of personal circumstance, age, gender, disability, minority status, income, rural isolation, economic or educational disadvantage, marital status, presence of dependent children, lack of or need for new employment skills (including those needed to pursue a new career) or other significant barrier (A) is not a traditional student and (B) engages in some form of structured postsecondary study to improve his or her knowledge, information skills, or employment opportunities;

"(3) the term 'eligible institution' means an institution of higher education, combinations of institutions of higher education, or consortia of any such institutions; and

"(4) the term 'qualified entity' means a public or nonprofit private organization which has—

"(A) experience in administering a program consistent with the requirements of this title; and

"(B) demonstrated the ability to coordinate, manage, and provide technical assistance to programs that receive grants under this title.

"SEC. 103. LIMITATION ON CONTRACT AUTHORITY.

"The authority to enter into contracts under this title is subject to the availability of appropriations.

"PART A—PROGRAM AND PLANNING GRANTS

"SEC. 111. INSTITUTIONAL DEVELOPMENT.

"(a) PURPOSES.—It is the purpose of this section—

"(1) to assist eligible institutions to establish programs relating postsecondary education resources more closely to the continuing educational training needs of the American work force;

"(2) to help strengthen the capacity of postsecondary institutions to respond to the continuing education needs of adults, especially those—

"(A) dislocated by technological and economic change,

"(B) seeking entry, reentry, or progression in the work force after prolonged absences due to marriage and child-rearing;

"(C) isolated from educational resources due to age or geographic location;

"(D) seeking entry into nontraditional occupations for their race or sex;

"(E) receiving Aid to Families with Dependent Children;

"(F) who are functionally illiterate; and

"(G) adults desiring to pursue a new career; and

"(3) to support cooperative arrangements between eligible institutions, community-based organizations, and private and public sector employers that will facilitate meeting the goals of paragraphs (1) and (2).

"(b) GRANTS.—To carry out the purposes of this section, the Secretary shall make grants to, and enter into contracts with, eligible institutions for activities, such as—

"(1) structuring an academic program designed to facilitate the attendance of working students, parents caring for dependent children, and individuals seeking to reenter the educational system;

"(2) making academic programs available to adult learners at convenient times and locations;

"(3) the encouragement of resource sharing for innovative uses of technology, including telecommunications (on an interstate or intrastate basis) to overcome barriers to continuing education opportunities and to develop innovative delivery systems for education programs;

"(4) the creation or expansion of education programs and curriculum, including adult literacy efforts, designed to meet the present and future needs of the labor market;

"(5) development of cooperative relationships between business and labor organizations, community-based organizations, and agencies which provide opportunities for continuing education;

"(6) the removal of barriers posed by previous education or training, age, sex, race, handicap, national origin, rural isolation or economic circumstance which may place adults at a disadvantage in seeking continuing educational opportunities;

"(7) educational information, including literacy information, student financial assistance information, and occupational information and counseling services designed to meet the special needs of inadequately served adults and to assist their entry or reentry into continuing education and the labor force;

"(8) training for administrators, faculty, and staff to improve their ability to teach and serve adult learners; and

"(9) development of remedial instruction programs for adult learners to enable them to enroll in college-level educational programs.

"(c) ADDITIONAL USE OF FUNDS.—(1) Funds awarded under this section to any eligible institution shall be used for the purposes under subsection (b), except that, to a limited extent as approved by the Secretary, such funds may also be used for program planning and development to carry out the purposes of this section including—

"(A) making adult and continuing educational opportunities available at convenient times and locations, including off-campus locations;

"(B) evaluating the responsiveness of continuing education programs to the work and career-related objectives of adults;

"(C) developing or expanding educational and occupational information and counseling services to meet the special needs of adults, including information concerning available forms of student financial assistance;

"(D) training of personnel in continuing education programs to improve their ability to serve adult learners;

"(E) developing or expanding high-technology delivery systems and curricula to ensure closer development and career transitions for adult learners;

"(F) joint planning and implementation activities between institutional and private sector representatives to expand educational opportunities;

"(G) promoting the sharing of personnel and resources between an eligible institution and an employer;

"(H) contributing to dependent care programs for low income participants in adult and continuing education and the development of dependent care programs; and

"(I) encouraging and developing collaborative efforts between the institution or institutions and combinations of education institutions, private and public institutions, organizations, business, and labor to develop programs responsive to current employment and economic conditions.

"(2) Funds made available under this section may not be used—

"(A) to purchase or rent facilities to be used in connection with the program or for general operational overhead of the eligible institution; or

"(B) to pay stipends or provide direct financial assistance to any individual participating in the programs established under this section.

"(d) APPLICATIONS FOR ASSISTANCE.—(1) Any eligible institution may submit an application to the Secretary at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate the need for assistance. The Secretary shall make awards on a competitive basis.

"(2) Each such application shall—

"(A) provide evidence that the eligible institution has identified the educational needs of potential adult learners in the area served by the applicant, especially those adults identified in subsection (a)(2);

"(B) describe the current continuing education program offered by the eligible institution (including information concerning the professional competence of faculty and staff, their degree of participation in the continuing education program, and institutional resources committed to the continuing education program) and the activities proposed to be developed or assisted to meet the purposes of this section;

"(C) provide assurance that Federal funds made available under this section will comprise not more than 87.5 percent of the cost of the program in the second year, 75 percent in the third year, and 62.5 percent in the fourth year;

"(D) describe procedures for evaluating the effectiveness of the activities for which a grant or contract is awarded under this section;

"(E) provide for such financial controls and accounting procedures as are necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section and to ensure that funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purpose of this section and in no case supplant those funds;

"(F) provide assurances that the continuing education programs, services, and activities, funded under this section will not be limited to individuals who are enrolled in programs of study that lead to baccalaureate or graduate degrees, but will also include programs for adults enrolled in noncredit continuing education programs, that address the purposes of this section;

"(G) provide assurances that the program funded under this section does not duplicate existing State funded programs, and, in the case of any public institution, that the proposed program is consistent with the State's goals for that institution;

"(H) provide the projected number of students who will participate in the program and the proposed operational budget for the program, including the specific amounts proposed to be expended for salaries;

"(I) include assurances that the applicant intends to continue the activities to be supported under the grant after termination of the grant, including a detailed plan for obtaining funds to continue such activities;

"(J) provide assurances that funds made available under this section will be used only for the purposes of this section;

"(K) provide for a reasonable period of review and comment on the proposed program by the appropriate State agency and include any such comments with the application to the Secretary; and

"(L) include such other information as the Secretary may reasonably require to carry out the provisions of this section.

"(3) In awarding grants or contracts the Secretary shall give priority consideration to eligible institutions which—

"(A) as appropriate, include area employer and employee organizations in the planning of the proposed continuing education activity and provide assurances of the continued participation of such organizations in the implementation, operation, and evaluation of the funded activities;

"(B) include assurances that the appropriate State agencies concerned with postsecondary education and State labor market and economic agencies have been consulted in the development of the proposal;

"(C) demonstrate a willingness to conduct and integrate into the curriculum work-oriented professional and technical continuing education programs;

"(D) demonstrate the capacity to obtain contributions of staff, equipment, and resources for such programs from nonacademic sources, particularly employers;

"(E) provide assurances that adults enrolled in such programs will have access to suitable and adequate financial assistance opportunities, including Federal student aid funds available for students enrolled less than half-time.

"SEC. 112. ESTABLISHMENT OF OFF-CAMPUS PROGRAM GRANTS.

"(a) PURPOSE; OFF-CAMPUS EDUCATION PROGRAMS.—The Secretary shall establish a grant program to assist postsecondary institutions in developing programs to encourage the establishment and growth of off-campus educational programs.

"(b) USES OF FUNDS.—Grants made under this section to any institution may be used for planning, developing, or operating a program designed by the institution to carry out the purposes of this section including—

"(1) the development and use of high-technology educational delivery systems using computers, radio, television, teleconferencing, video-disc, print, any combination of such components, or such other means as may provide direct use and access by individuals to off-campus programs;

"(2) the development of interstate educational delivery systems, cooperative, and consortia arrangements and programs (including telecommunications) which more effectively address regional needs for education;

"(3) training of faculty and staff to develop educational programs using creative and innovative delivery systems;

"(4) development of technological systems designed to enhance the teaching capabilities of faculty for students off-campus;

"(5) the development of curricula and student support services for students off-campus; and

"(6) acquisition (by lease or purchase) of necessary equipment, except that not more than 10 percent of such funds may be used for such acquisition.

"(c) APPLICATIONS FOR ASSISTANCE.—(1) Any eligible institution requesting assistance under this section shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be required by the Secretary. The Secretary shall make awards on a competitive basis taking into consideration the relative cost and effectiveness of the proposed program.

"(2) An institution, in its application for a grant, shall—

"(A) describe a program for establishing or improving delivery systems for students off-campus which shall include (i) the proposed operational budget for the program or activities to be conducted with funds received under the grant; (ii) the educational program or courses which would be made available off-campus; and (iii) the educational needs which the program is designed to address;

"(B) describe the applicant's current off-campus program or plans for an off-campus program;

"(C) provide for such financial control and accounting procedures as may be necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section;

"(D) set forth policies and procedures to ensure that Federal funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of this section and in no case supplant those funds;

"(E) provide assurances that Federal funds made available under this section will comprise not more than 87.5 percent of the cost of the program in the second year, 75 percent in the third year, and 62.5 percent in the fourth year;

"(F) set forth policies and procedures for evaluating the effectiveness of the institution in accomplishing the purposes of the activities for which a grant is awarded under this section; and

"(G) provide such other information as the Secretary may require.

"(3) Funds made available under this section to any institution may not be used for rent or the purchase of facilities to be used in connection with the program, for general operational overhead of the institution or combination of institutions, or for salaries or stipends to students participating in the program.

"SEC. 113. ADULT AND CONTINUING EDUCATION STAFF DEVELOPMENT.

"(a) PURPOSE.—It is the purpose of this section to assist eligible institutions to provide in-service training to individuals involved in providing adult and continuing education services, including personnel involved in training offered under the Adult Education Act, the Job Training Partnership Act, the Carl D. Perkins Vocational Education Act, the Rehabilitation Act of 1973, the National Apprenticeship Act, the Older Americans Act of 1965, and the Social Security Act.

"(b) GRANTS AUTHORIZED.—To carry out the purposes of this section, the Secretary shall make grants to eligible postsecondary institutions that have entered into agreements with the Secretary to carry out an adult and continuing education staff development training program in accordance with the requirements of this section, which may include—

"(1) programs designed to enhance the pedagogical skills of the staff involved in programs offering adult and continuing education, including the training of staff and volunteers for literacy programs;

"(2) technical assistance to programs of adult education, with particular emphasis on federally funded programs; and

"(3) development of adult and continuing educational curricula materials, including adult literacy curricula, that may be used in adult and continuing education staff development training, especially materials that focus on utilization of new technologies.

"(c) APPLICATIONS FOR ASSISTANCE.—(1) Any eligible institution requesting assistance under this section shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be required by the Secretary. The Secretary shall make awards on a competitive basis taking into consideration the relative cost and effectiveness of the proposed program.

"(2) An institution, in its application for a grant, shall—

"(A) describe a proposal for establishing or improving staff development programs including the proposed operational budget

for the program or activities to be conducted with funds made available under this section;

"(B) describe the applicant's current staff development program;

"(C) provide for such financial control and accounting procedures as may be necessary to ensure proper disbursement and accounting for funds made available to the applicant under this section;

"(D) set forth policies and procedures to ensure that Federal funds made available under this section for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of this part and in no case supplant those funds;

"(E) set forth policies and procedures for evaluating the effectiveness of the institution in accomplishing the purposes of the activities for which a grant is awarded under this section; and

"(F) provide such other information as the Secretary may require.

"(3) Funds made available under this section to any institution may not be used for rent or the purchase of facilities to be used in connection with the program, for general operational overhead of the institution or combination of institutions, or for salaries or stipends to students participating in the program.

"(4) A grant under this section may not exceed $50,000 for any fiscal year and may be awarded for a period not to exceed three years.

"SEC. 114. ADMINISTRATION OF PROGRAMS BY THE SECRETARY.

"The Secretary shall ensure the equitable geographic distribution of funds under this part. In making awards under this part, the Secretary shall consider the appropriate levels of funding for urban and rural areas. Grants and contracts under sections 111 or 112 may be awarded for a period not to exceed four years and may not exceed $125,000 in the first year of funding, except that a grant or contract involving combinations of institutions of higher education or a consortia with other institutions or organizations may not exceed $175,000 in the first year.

"SEC. 115. AUTHORIZATIONS OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out this part $30,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years. Not less than fifty-five percent of the funds appropriated under this section for any fiscal year shall be available only to carry out section 111.

"PART B—NATIONAL PROGRAMS

"SEC. 121. EVALUATION.

"(a) EVALUATION.—The Secretary shall enter into a contract with a qualified entity to study and evaluate the programs established under part A of this title.

"(b) SECRETARY'S RESPONSIBILITIES.—The Secretary shall assist in evaluating the status and progress of adult education and postsecondary continuing education in achieving the purposes of this title. Such assistance shall include—

"(1) an analysis of the findings of the report under subsection (a) together with suggestions for improvements in planning or program operation; and

"(2) an information network on research in adult and continuing education, the operation of model or innovative programs, successful experiences in the planning, administration, and conduct of adult and continuing education programs, and advances in curriculum and instructional practices and technologies.

"(c) REPORTS TO CONGRESS.—Not later than January 1, 1988, and every two years thereafter, the Secretary shall submit a report to the Congress on the program evaluations required under this title and on any progress in fulfilling the goals and purposes of this title. The Secretary may include in the report appropriate recommendations or legislative proposals.

"SEC. 122. ADULT LEARNING RESEARCH.

"(a) ESTABLISHMENT OF PROGRAM.—To carry out the purpose of this section by providing assistance to institutions of higher education, the Secretary is authorized to make grants to, and to enter into contracts with, eligible institutions to ensure a sustained capacity to undertake independent research and research application activities in adult and continuing education.

"(b) USES OF FUNDS.—Funds made available under this section to any eligible institution may be used for planning, developing, or operating a program which may include—

"(1) identifying and analyzing the special problems and needs of adult learners;

"(2) collecting, analyzing, and disseminating information relating to adult learners and their educational and employment objectives, with particular focus on analyzing and disseminating information on the current and projected needs of the labor market;

"(3) examining and applying uses of education technologies to reach new and isolated learners;

"(4) collecting and disseminating relevant data from Federal agencies and other national and State resources applicable to postsecondary institutional planning for continuing education, including information related to Federal and other forms of student financial assistance;

"(5) supporting training programs designed to enhance the effectiveness of faculty to teach adult learners;

"(6) developing curriculum and instructional methods for adults seeking new employment opportunities;

"(7) demonstrating and disseminating new and existing programs designed for the adult learner; and

"(8) promoting resource sharing for innovative uses of technology, including telecommuncations, to overcome barriers to postsecondary educational opportunities.

"(c) APPLICATION FOR ASSISTANCE.—A grant or contract authorized by this part may be awarded by the Secretary on a competitive basis upon receipt of an application, which is submitted to the Secretary at such time or times and contains such information as the Secretary may prescribe. Each such application shall—

"(1) contain provisions that demonstrate the existing resources and academic reputation of the institution of higher education in the field of continuing education and its ability to conduct such activities; and

"(2) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part.

"SEC. 123. AUTHORIZATION OF APPROPRIATIONS.

"There is authorized to be appropriated to carry out the purposes of this part $5,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.".

TITLE II—AMENDMENTS TO TITLE II OF THE ACT

SEC. 201. PURPOSE; AUTHORIZATION.

(a) DESIGNATION OF TITLE.—The heading of title II is amended to read as follows:

"TITLE II—ACADEMIC LIBRARY AND INFORMATION TECHNOLOGY ENHANCEMENT".

(b) PURPOSE.—Section 201(a) of the Act is amended by striking out paragraph (4) and inserting in lieu thereof the following:

"(4) college and university libraries in acquiring technological equipment and in conducting research in information technology in accordance with part D.".

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 201(b) of the Act is amended to read as follows:

"(b)(1) There are authorized to be appropriated to carry out part A $12,500,000 for the fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years. Additionally, there is authorized to be appropriated $75,000 for carrying out the study mandated in section 212.

"(2) There are authorized to be appropriated to carry out part B $5,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(3) There are authorized to be appropriated to carry out part C $12,500,000 for the fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(4) There are authorized to be appropriated to carry out part D $5,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.".

SEC. 202. COLLEGE LIBRARY RESOURCES.

(a) AMENDMENT TO SECTION 211.—Section 211 of the Act is amended to read as follows:

"COLLEGE LIBRARY RESOURCES

"SEC. 211. (a) From the amount appropriated for this part, the Secretary shall make grants to eligible institutions of higher education or combinations thereof (and to branches of institutions which are located in different communities from that in which its parent institution is located). The amount of a grant under this part shall not be less than $2,000 nor more than $10,000 and shall reflect the number of full-time equivalent students enrolled at the recipient institution. If the funds are not sufficient to provide grants to all eligible institutions, grants shall be made to those institutions demonstrating the greatest need, based on the eligibility criteria in section 211(c).

"(b) A grant under this part may be made only if the application provides—

"(1) information about the institution and its library resources as prescribed by the Secretary in regulations;

"(2) satisfactory assurance that the applicant has expended for all library materials (exclusive of construction) during the institutional fiscal year preceding the year of application for which the grant is sought (hereafter called the 'base year'), from funds other than funds received under this part, an amount not less than the average annual aggregate amount or the average amount per full-time equivalent student it expended for such purposes during the two years preceding the base year;

"(3) for such fiscal control and fund accounting procedures as are necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part;

"(4) for making such reports as the Secretary may require, including a report on how such funds received under a grant were expended, and for keeping such records and for affording such access thereto as the Secretary deems necessary to assure the correctness and verification of such reports; and

"(5) a statement setting forth how the funds received under this part will be used to improve the quality of the institution's library services.

"(c) In order to be considered an eligible institution, an institution must provide the Secretary assurance that—

"(1) the expenditures of the institution per full-time equivalent student for library materials is less than the average of the expenditures for library materials per full-time equivalent student by other institutions of comparable size and program, as determined by the Secretary in accord with definitions established by the National Center for Education Statistics; and

"(2) the number of volumes per full-time equivalent student is less than the average of such number of volumes held by institutions of comparable size and program, as determined by the Secretary in accord with definitions established by the National Center for Education Statistics.

"(d) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent the applicant from making the assurance required by subsection (b)(2), the requirement for such assurance may be waived. For purposes of this subsection, the term 'very unusual circumstances' means theft, vandalism, fire, flood, earthquake, or other occurrence which may temporarily reduce the level of expenditures for library materials, or which resulted in unusually high expenditures for library materials.

"(e) If the Secretary determines, in accordance with regulations, that there are very unusual circumstances which prevent an otherwise eligible institution from qualifying under subsection (c), the requirements of subsection (c) may be waived. The Secretary may not grant such waivers to more than five percent of the eligible institutions receiving grants under this part.

"(f) Grants under this part may be used only for books, periodicals, documents, magnetic tapes, computer software, phonographic records, audiovisual materials, and other related library materials (including necessary binding) and for the establishment and maintenance of networks for sharing library resources with other institutions of higher education.".

(b) STUDY OF CRITERIA AND DEFINITION OF FULL-TIME EQUIVALENT STUDENT.—Part A of title II of the Act is further amended by inserting after section 211 the following new sections:

"STUDY OF EFFECTIVENESS OF CRITERIA

"SEC. 212. The National Commission on Libraries and Information Science will conduct a study on the effectiveness of the criteria specified in section 211(c) in directing funds to libraries with the greatest need. The study shall be forwarded to the Congress no later than three years after the conclusion of the first fiscal year in which appropriations are made available for this purpose.

"DEFINITION

"SEC. 213. For purposes of this part the term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time at such institution (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by twelve).".

SEC. 203. REPEAL OF SPECIAL PURPOSE GRANTS.

(a) REPEAL.—Section 224 of the Act is repealed.

(b) CONFORMING AMENDMENTS.—(1) Section 221 of the Act is amended to read as follows:

"GRANTS AUTHORIZED

"SEC. 221. From the amounts appropriated for this part for any fiscal year, the Secretary shall make grants in accordance with sections 222 and 223. Of such amount, two-thirds shall be available for purposes of section 222 and one-third shall be available for purposes of section 223.".

(2) Section 231(b) of the Act is amended by striking out "or 224".

SEC. 204. RESEARCH AND DEMONSTRATION.

Section 223 of the Act is amended by striking out "and information technology,".

SEC. 205. STRENGTHENING RESEARCH LIBRARY RESOURCES.

Section 231 of the Act is further amended by inserting at the end thereof the following new subsection:

"(c) In determining eligibility for assistance under this part, the Secretary shall permit institutions that do not otherwise qualify to provide additional information or documents to demonstrate the national or international significance for scholarly research of the particular collection described in the grant proposal.".

SEC. 206. COLLEGE LIBRARY TECHNOLOGY AND COOPERATION.

Part D of title II of the Act is amended to read as follows:

"PART D—COLLEGE LIBRARY TECHNOLOGY AND COOPERATION GRANTS

"ESTABLISHMENT OF PROGRAM

"SEC. 241. (a) The Secretary is authorized to make grants for technological equipment and other special purposes to—

"(1) institutions of higher education which demonstrate a need for special assistance for the planning, development, acquisition, installation, maintenance, or replacement of technological equipment (including computer hardware and software) necessary to participate in networks for sharing of library resources;

"(2) combinations of higher education institutions which demonstrate a need for special assistance in establishing and strengthening joint-use library facilities, resources, or equipment;

"(3) other public and private nonprofit organizations which provide library and information services to institutions of higher education on a formal, cooperative basis for the purpose of establishing, developing, or expanding programs or projects that improve their services to institutions of higher education; and

"(4) institutions of higher education conducting research or demonstration projects to meet special national or regional needs in utilizing technology to enhance library or information sciences.

"(b) From funds appropriated for this part, the Secretary shall make competitive awards to institutions or combinations of institutions in each of the categories described in clauses (1) through (4) of subsection (a). The minimum award shall be $15,000 and may be expended over a three-year period.

"(c) A grant under this section may be made only if the application (whether by an individual institution or a combination of institutions) is approved by the Secretary on the basis of criteria prescribed in regulations and provides satisfactory assurance that the applicant will expend during the three-year period for which the grant is sought (from funds other than funds received under this title), for the same purpose as such grant, an amount from such other sources equal to not less than one-third of such grant.

"(d) This program shall be administered in the Department of Education by an expert in library technology.".

TITLE III—AMENDMENT TO TITLE III OF THE ACT

SEC. 301. REVISION OF TITLE III.

Title III of the Act is amended to read as follows:

"TITLE III—INSTITUTIONAL AID

"SEC. 301. FINDINGS AND PURPOSES.

"(a) FINDINGS.—The Congress finds that—

"(1) many institutions of higher education in this era of declining enrollments and scarce resources face problems which threaten their ability to survive;

"(2) the problems relate to the management and fiscal operations of certain institutions of higher education, as well as to an inability to engage in long-range planning, recruitment activities, and development activities;

"(3) the title III program prior to 1985 did not always meet the specific development needs of historically Black colleges and universities and other institutions with large concentrations of minority and low-income students;

"(4) the solution to the problems of these institutions would enable them to become viable, thriving institutions of higher education;

"(5) providing a minimum level of assistance to each category of eligible institutions will assure the continued participation of the institutions in the programs established in title III and enhance their role in providing access to low-income and minority students;

"(6) these institutions play an important role in the American system of higher education, and there is a strong national interest in assisting them in solving their problems and in stabilizing their management and fiscal operations; and

"(7) there is a particular national interest in aiding those institutions of higher education that have historically served students who have been denied access to postsecondary education because of race or national origin and whose participation in the American system of higher education is in the Nation's interest so that equality of access and quality of postsecondary education opportunities may be enhanced for all students.

"(b) PURPOSE.—It is the purpose of this title to assist such institutions in equalizing educational opportunity through a program of Federal assistance.

"PART A—STRENGTHENING INSTITUTIONS

"SEC. 311. PROGRAM PURPOSE.

"(a) GENERAL AUTHORIZATION.—The Secretary shall carry out a program, in accordance with this part, to improve the academic quality, institutional management, and fiscal stability of eligible institutions, in order to increase their self-sufficiency and strengthen their capacity to make a substantial contribution to the higher education resources of the Nation.

"(b) GRANTS AWARDED; SPECIAL CONSIDERATION.—From the sums available for this part under section 357(a)(1), the Secretary

may award grants to any eligible institution with an application approved under section 351 in order to assist such an institution to plan, develop, or implement activities that promise to strengthen the institution. Special consideration shall be given to applications which propose, pursuant to the institution's plan, to engage in—

"(1) faculty development;

"(2) funds and administrative management;

"(3) development and improvement of academic programs;

"(4) acquisition of equipment for use in strengthening funds management and academic programs;

"(5) joint use of facilities such as libraries and laboratories; and

"(6) student services.

"SEC. 312. DEFINITIONS.

"For purposes of this part:

"(1) The term 'educational and general expenditures' means the total amount expended by an institution of higher education for instruction, research, public service, academic support (including library expenditures), student services, institutional support, scholarships and fellowships, operation, and maintenance expenditures for the physical plant, and any mandatory transfers which the institution is required to pay by law.

"(2) The term 'eligible institution' means—

"(A) an institution of higher education—

"(i)(I) which, in the case of an institution which awards a bachelor's degree, has an enrollment which includes a substantial percentage of students receiving Pell Grants in the second preceding fiscal year, in comparison with the percentage of students receiving Pell Grants at all such institutions in such fiscal year, and (II) which, in the case of junior or community colleges, has an enrollment which includes a substantial percentage of students receiving Pell Grants in the second preceding fiscal year, in comparison with the percentage of students receiving Pell Grants at all such institutions in such fiscal year;

"(ii) the average educational and gen- eral expenditures of which are low, per full-time equivalent undergraduate student, in comparison with the average educational and general expenditures per full-time equivalent undergraduate student of institutions that offer similar instruction;

"(iii)(I) is legally authorized to provide, and provides within the State, an educational program for which it awards a bachelor's degree, or (II) is a junior or community college;

"(iv) is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation;

"(v) has, during the five academic years preceding the academic year for which it seeks assistance under this part—

"(I) met the requirement of either clause (iii)(I) or (iii)(II), or of both such clauses (simultaneously or consecutively); and

"(II) met the requirement of clause (iv); and

"(vi) meets such other requirements as the Secretary may prescribe;

"(B) any branch of any institution of higher education described under subparagraph (A) which by itself satisfies the requirements contained in clauses (i) and (ii) of such subparagraph;

"(C) any institution of higher education which has an enrollment of which at least 20 percent are Mexican American, Puerto Rican, Cuban, or other Hispanic students, or combination thereof, and which also satisfies the requirements of clauses (i) and (ii) of such subparagraph;

"(D) any institution of higher education which has an enrollment of at least 60 percent American Indian, Alaskan Native or Aleut, or combination thereof, and which also satisfies the requirements of clauses (i) and (ii) of such subparagraph; and

"(E) any institution of higher education which has an enrollment of which at least 5 percent are Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian, or any combination thereof, and which also satisfies the requirements of clauses (i) and (ii) of such subparagraph.

For purposes of the determination of whether an institution is an eligible institution under this paragraph, the factor described under subparagraph (A)(i) shall be given twice the weight of the factor described under subparagraph (A)(ii).

"(3) The term 'full-time equivalent students' means the sum of the number of students enrolled full time at an institution, plus the full-time equivalent of the number of students enrolled part time (determined on the basis of the quotient of the sum of the credit hours of all part-time students divided by twelve) at such institution.

"(4) The term 'junior or community college' means an institution of higher education—

"(A) that admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit from the training offered by the institution;

"(B) that does not provide an educational program for which it awards a bachelor's degree (or an equivalent degree); and

"(C) that—

"(i) provides an educational program of not less than two years that is acceptable for full credit toward such a degree, or

"(ii) offers a two year program in engineering, mathematics, or the physical or biological sciences, designed to prepare a student to work as a technician or at the semiprofessional level in engineering, scientific, or other technological fields requiring the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"SEC. 313. DURATION OF GRANT.

"(a) GRANTS OF 3 TO 7 YEARS DURATION.—The Secretary shall award a grant to an eligible institution under this part for not less than three nor more than seven years, subject for each fiscal year to the availability of appropriations therefor.

"(b) LIMITATION ON CONSECUTIVE YEARS OF PARTICIPATION.—An institution shall not receive a grant under this part for more than seven consecutive years. As regards an institution which had received a grant or grants under part A or B of this title during fiscal years 1981 through 1986, the Secretary shall include the period of such grant or grants in determining the remaining duration of such institution's eligibility.

"(c) RESUMPTION OF ELIGIBILITY.—An institution shall resume eligibility (for an additional seven consecutive years) to apply for a subsequent grant after a period of nonparticipation equal to the total number of years for which the institution received its immediately preceding grant under this part, excluding any year that the institution received a grant pursuant to subsection (d)(1) or (d)(2). As regards an institution which had received a grant or grants under part A or B of this title during fiscal years 1981 through 1986, the Secretary shall add the period of such grant or grants to the period of the immediately preceding grant referred to in the previous sentence for the purpose of determining the first period of nonparticipation.

"(d) EXCEPTIONS.—(1) Notwithstanding subsection (a), the Secretary may award a grant to an eligible institution under this part for a period of one year for the purpose of assisting such institution in the preparation of plans and applications under this part.

"(2) The Secretary may waive the requirements of subsections (a), (b), and (c) and permit an institution to receive a grant under this part for an additional year or years if the Secretary determines that the institution has not achieved the purposes of the grant but has made, and requires extension of grant eligibility to continue to make, substantial progress in achieving such purposes. The Secretary shall make such determinations on the basis of evaluations conducted pursuant to a contract with an organization qualified to make an independent judgment on the merits of granting the waiver.

"PART B—STRENGTHENING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

"SEC. 321. FINDINGS AND PURPOSES.

"The Congress finds that—

"(1) the historically Black colleges and universities have contributed significantly to the effort to attain equal opportunity through postsecondary education for Black, low-income, and educationally disadvantaged Americans;

"(2) States and the Federal Government have discriminated in the allocation of land and financial resources to support Black public institutions under the Morrill Act of 1862 and its progeny, and against public and private Black colleges and universities in the award of Federal grants and contracts, and the distribution of Federal resources under the Higher Education Act of 1965 and other Federal programs which benefit institutions of higher education;

"(3) the current state of Black colleges and universities is partly attributable to the discriminatory action of the States and the Federal Government and this discriminatory action requires the remedy of enhancement of Black postsecondary institutions to ensure their continuation and participation in fulfilling the Federal mission of equality of educational opportunity; and

"(4) financial assistance to establish or strengthen the physical plants, financial management, academic resources, and endowments of the historically Black colleges and universities are appropriate methods to enhance these institutions and facilitate a decrease in reliance on governmental financial support and to encourage reliance on endowments and private sources.

"SEC. 322. DEFINITIONS.

"For the purposes of this part:

"(1) The term 'graduate' means an individual who has attended an institution for at least three semesters and fulfilled academic requirements for undergraduate studies in not more than five consecutive school years.

"(2) The term 'part B institution' means any historically Black college or university that was established prior to 1964, whose principal mission was, and is, the education

of Black Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Secretary to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation.

"(3) The term 'Pell Grant recipient' means a recipient of financial aid under title IV, part A, subpart 1 of the Higher Education Act of 1965.

"(4) The term 'professional and academic areas in which Blacks are underrepresented' shall be determined by the Secretary and the Commissioner of the Bureau of Labor Statistics, on the basis of the most recent available satisfactory data, as professional and academic areas in which the percentage of Black Americans who have been educated, trained, and employed is less than the percentage of Blacks in the general population.

"(5) The term 'school year' means the period of 12 months beginning July 1 of any calendar year and ending June 30 of the following calendar year.

"SEC. 323. GRANTS TO INSTITUTIONS.

"(a) GENERAL AUTHORIZATION; USES OF FUNDS.—From amounts available in any fiscal year the Secretary shall make grants (under section 324) to institutions which have applications approved by the Secretary (under section 325) for any of the following uses:

"(1) Purchase, rental, or lease of scientific or laboratory equipment for educational purposes, including instructional and research purposes.

"(2) Construction, maintenance, renovation, and improvements in classroom, library, laboratory, and other instructional facilities.

"(3) Support of faculty exchanges and faculty fellowships to assist faculty in attaining advanced degrees in their field of instruction.

"(4) Academic instruction in disciplines in which Black Americans are underrepresented.

"(5) Purchase of library books, periodicals, microfilm, and other educational materials.

"(6) Tutoring, counseling, and student service programs designed to improve academic success.

"(b) LIMITATION.—No grant may be made under this Act for any educational program, activity, or service related to sectarian instruction or religious worship, or provided by a school or department of divinity. For purposes of this subsection, the term 'school or department of divinity' means an institution or department whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation, or to prepare them to teach theological subjects.

"SEC. 324. ALLOTMENTS TO INSTITUTIONS.

"(a) ALLOTMENT; PELL GRANT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-half that amount as the number of Pell grant recipients in attendance at such institution in the second preceding fiscal year bears to the total number of Pell Grant recipients at all part B institutions in such fiscal year.

"(b) ALLOTMENT; GRADUATES BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates for such school year at such institution bears to the total number of graduates for such school year at all part B institutions.

"(c) ALLOTMENT; GRADUATE AND PROFESSIONAL STUDENT BASIS.—From the amounts appropriated to carry out this part for any fiscal year, the Secretary shall allot to each part B institution a sum which bears the same ratio to one-fourth that amount as the number of graduates, who are admitted to and in attendance at a graduate or professional school in a degree program in disciplines in which Blacks are underrepresented, bears to the number of such graduates for all part B institutions.

"(d) REALLOTMENT.—The amount of any part B institution's allotment under subsection (a), (b), or (c) for any fiscal year which the Secretary determines will not be required for such institution for the period such allotment is available shall be available for reallotment from time to time, on such date, during such period as the Secretary may determine, to other part B institutions in proportion to the original allotment to such other institutions under this section for such fiscal year.

"(e) SPECIAL RULE.—In any fiscal year that the Secretary determines that Howard University or the University of the District of Columbia will receive an allotment under subsections (b) and (c) of this section which is not in excess of amounts received by Howard University under the act of March 2, 1867 (14 Stat. 438; 20 U.S.C. 123), relating to annual authorization of appropriations for Howard University, or by the University of the District of Columbia under the District of Columbia Self-Government and Governmental Reorganization Act (87 Stat. 774) for such fiscal year, then Howard University and the University of the District of Columbia, as the case may be, shall be ineligible to receive an allotment under this section.

"SEC. 325. APPLICATIONS.

"(a) CONTENTS.—No part B institution shall be entitled to its allotment of Federal funds for any grant under section 324 for any period unless that institution submits an application to the Secretary at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require. Each such application shall—

"(1) provide that the payments under this Act will be used for the purposes set forth in section 323; and

"(2) provide for making an annual report to the Secretary and for auditing the books and monitoring expenditures as may be reasonably required to carry out this Act.

"(b) APPROVAL.—The Secretary shall approve any application which meets the requirements of subsection (a) and shall not disapprove any application submitted under this title, or any modification thereof, without first affording such institution reasonable notice and opportunity for a hearing.

"SEC. 326. PROFESSIONAL OR GRADUATE INSTITUTIONS.

"(a) GENERAL AUTHORIZATION.—(1) Subject to the availability of funds appropriated to carry out this section, the Secretary shall award program grants to each of the postgraduate institutions listed in subsection (e) that is determined by the Secretary to be making a substantial contribution to the legal, medical, dental, veterinary or other graduate educational opportunities for Black Americans.

"(2) No grant in excess of $500,000 may be made under this section unless the postgraduate institution provides assurances that 50 per centum of the cost of the purposes for which the grant is made will be paid from non-Federal sources.

"(b) DURATION.—Grants shall be made for a period not to exceed five years. No more than two five-year grants (for a period of not more than ten years) may be made to any one undergraduate or postgraduate institution.

"(c) USES OF FUNDS.—A grant under this section may be used for—

"(1) any of the purposes enumerated under section 323;

"(2) to establish or improve a development office to strengthen and increase contributions from alumni and the private sector; and

"(3) to assist in the establishment or maintenance of an institutional endowment to facilitate financial independence pursuant to section 333 of this title.

"(d) APPLICATION.—Any institution eligible for a grant under this section shall submit an application which—

"(1) demonstrates how the grant funds will be used to improve graduate educational opportunities for Black and low-income students, and lead to greater financial independence; and

"(2) provides, in the case of applications for grants in excess of $500,000, the assurances required by subsection (a)(2) and specifies the manner in which the eligible institution is going to pay the non-Federal share of the cost of the application.

"(e) ELIGIBLE PROFESSIONAL OR GRADUATE INSTITUTIONS.—Independent professional or graduate institutions eligible for grants under subsection (a) include—

"(1) Morehouse School of Medicine;

"(2) Meharry Medical School;

"(3) Charles R. Drew Postgraduate Medical School;

"(4) Atlanta University; and

"(5) Tuskegee Institute School of Veterinary Medicine.

"SEC. 327. REPORTING AND AUDIT REQUIREMENTS.

"(a) RECORDKEEPING.—Each recipient of a grant under this title shall keep such records as the Secretary shall prescribe, including records which fully disclose—

"(1) the amount and disposition by such recipient of the proceeds of such assistance,

"(2) the cost of the project or undertaking in connection with which such assistance is given or used,

"(3) the amount of that portion of the cost of the project or undertaking supplied by other sources, and

"(4) such other records as will facilitate an effective audit.

"(b) REPAYMENT OF UNEXPENDED FUNDS.—Any funds paid to an institution and not expended or used for the purposes for which such funds were paid within ten years after the beginning of the first fiscal year for which funds are appropriated to carry out this part shall be repaid to the Treasury of the United States.

"PART C—CHALLENGE GRANTS FOR INSTITUTIONS ELIGIBLE FOR ASSISTANCE UNDER PART A OR PART B

"SEC. 331. ESTABLISHMENT OF CHALLENGE GRANT PROGRAM.

"(a) GENERAL AUTHORIZATION; ELIGIBILITY.—(1) From the sums available under section 357(a)(3) for each fiscal year, the Secretary may award a challenge grant to each institution—

"(A) which is an eligible institution under part A or would be considered to be such an institution if section 312(2)(A)(iii) referred

to a postgraduate degree rather than a baccalaureate degree;

"(B) which is a part B institution or would be considered to be such an institution if section 324 referred to a postgraduate degree rather than a baccalaureate degree; or

"(C) which is an institution that makes a substantial contribution to postgraduate medical educational opportunities for minorities and the economically disadvantaged.

"(b) DURATION OF GRANT.—The Secretary may make a grant under this section for a period of not more than five years, subject to annual appropriations.

"SEC. 332. APPLICATIONS FOR CHALLENGE GRANTS.

"(a) CONTENTS.—Any institution eligible for a challenge grant under section 331(a) may apply for such a grant under section 351, except that the application for the purpose of this part shall—

"(1) provide evidence that funds are currently available to the applicant to match funds that the Secretary is requested to make available to the institution as a challenge grant;

"(2) in the case of an application by a public institution, contain the recommendations of an appropriate State agency responsible for higher education in the State, or provide evidence that the institution requested the State agency to comment but the State agency failed to comment; and

"(3) in the case of an application by an institution described under section 331(a)(1)(B), demonstrate how challenge grant funds will be used to achieve financial independence.

"(b) NOTICE OF APPROVAL.—Not later than July 1 of the fiscal year preceding the fiscal year in which any grant is to be made under this part, the Secretary shall determine which institutions will receive challenge grants under this part and notify the institutions of the amount of the grant.

"(c) PREFERENCE.—In approving applications for grants under this part, preference shall be given to institutions which are receiving, or have received, grants under part A or part B.

"SEC. 333. CHALLENGE GRANTS.

"(a) PURPOSE; DEFINITIONS.—(1) The purpose of this section is to establish a program to provide matching grants to eligible institutions of higher education in order to establish or increase endowment funds at such institutions, to provide additional incentives to promote fundraising activities by such institutions, and to foster increased independence and self-sufficiency at such institutions.

"(2) For purposes of this section:

"(A) The term 'endowment fund' means a fund established by State law, by an institution of higher education, or by a foundation which is exempt from taxation and is maintained for the purpose of generating income for the support of the institution, but which shall not include real estate.

"(B) The term 'endowment fund corpus' means an amount equal to the grant or grants awarded under this section plus an amount equal to such grant or grants provided by the institution.

"(C) The term 'endowment fund income' means an amount equal to the total value of the endowment fund established under this section minus the endowment fund corpus.

"(b) GRANTS AUTHORIZED.—(1) From sums available for this section under section 357, the Secretary is authorized to award challenge grants to eligible institutions of higher education to establish or increase an endowment fund at such institution. Such grants shall be made only to eligible institutions described in paragraph (4) whose applications have been approved pursuant to subsection (g).

"(2) No institution shall receive a grant under this section, unless such institution has deposited in its endowment fund established under this section an amount equal to the amount of such grant. The source of funds for this institutional match shall not include Federal funds or funds from an existing endowment fund.

"(3) The period of a grant under this section shall be not more than twenty years. During the grant period, an institution may not withdraw or expend any of the endowment fund corpus. After the termination of the grant period, an institution may use the endowment funds corpus plus any endowment fund income for any educational purpose.

"(4)(A) An institution of higher education is eligible to receive a grant under this section if it is an eligible institution as described in section 331(a)(1).

"(B) No institution shall be ineligible for a challenge grant for a fiscal year by reason of the previous receipt of such a grant but no institution shall be eligible to receive such a grant for more than two fiscal years out of any period of five consecutive fiscal years.

"(5) A challenge grant under this section to an eligible institution shall—

"(A) not be less than $50,000 for any fiscal year; and

"(B) not be more than (i) $250,000 for fiscal year 1987; or (ii) $500,000 for fiscal year 1988 or any succeeding fiscal year.

"(6)(A) An eligible institution may designate a foundation, which was established for the purpose of raising money for the institution, as the recipient of the grant awarded under this section.

"(B) The Secretary shall not award a grant to a foundation on behalf of an institution unless—

"(i) the institution assures the Secretary that the foundation is legally authorized to receive the endowment fund corpus and is legally authorized to administer the fund in accordance with this section and any implementing regulations;

"(ii) the foundation agrees to administer the fund in accordance with the requirements of this section and any implementing regulations; and

"(iii) the institution agrees to be liable for any violation by the foundation of the provisions of this section and any implementing regulations, including any monetary liability that may arise as a result of such violation.

"(c) GRANT AGREEMENT; ENDOWMENT FUND PROVISIONS.—(1) An institution awarded a grant under this section shall enter into an agreement with the Secretary containing satisfactory assurances that it will (A) immediately comply with the matching requirements of subsection (b)(2), (B) establish an endowment fund independent of any other such fund of the institution, (C) invest the endowment fund corpus, and (D) meet the other requirements of this section.

"(2)(A) An institution shall invest the endowment fund corpus and endowment fund income in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located such as a federally insured bank savings account or comparable interest bearing account, certificate of deposit, money market fund, mutual fund, or obligations of the United States.

"(B) The institution, in investing the endowment fund established under this section, shall exercise the judgment and care, under the circumstances then prevailing, which a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs.

"(3)(A) An institution may withdraw and expend the endowment fund income to defray any expenses necessary to the operation of such institution, including expenses of operations and maintenance, administration, academic and support personnel, construction and renovation, community and student services programs, and technical assistance.

"(B)(i) Except as provided in clause (ii), an institution may not spend more than 50 percent of the total aggregate endowment fund income earned prior to the time of expenditure.

"(ii) The Secretary may permit an institution to spend more than 50 percent of the endowment fund income notwithstanding clause (i) if the institution demonstrates such an expenditure is necessary because of (I) a financial emergency, such as a pending insolvency or temporary liquidity problem; (II) a life-threatening situation occasioned by a natural disaster or arson; or (III) any other unusual occurrence or exigent circumstance.

"(d) REPAYMENT PROVISIONS.—(1) If at any time an institution withdraws part of the endowment fund corpus, the institution shall repay to the Secretary an amount equal to 50 percent of the withdrawn amount, which represents the Federal share, plus income earned thereon. The Secretary shall use such repaid funds to make additional challenge grants, or to increase existing challenge or endowment grants, to other eligible institutions.

"(2) If an institution expends more of the endowment fund income than is permitted under subsection (c), the institution shall repay the Secretary an amount equal to 50 percent of the amount improperly expended (representing the Federal share thereof). The Secretary shall use such repaid funds to make additional challenge grants, or to increase existing challenge or endowment grants, to other eligible institutions.

"(e) AUDIT INFORMATION.—An institution receiving a grant under this section shall provide to the Secretary (or a designee thereof) such information (or access thereto) as may be necessary to audit or examine expenditures made from the endowment fund corpus or income in order to determine compliance with this section.

"(f) SELECTION CRITERIA.—In selecting eligible institutions for grants under this section for any fiscal year, the Secretary shall—

"(1) give priority to an applicant which is a recipient of a grant made under part A or B of this title during the academic year in which the applicant is applying for a grant under this section; and

"(2) give priority to an applicant with a greater need for such a grant, based on the current market value of the applicant's existing endowment in relation to the number of full-time equivalent students enrolled at such institution;

"(3) consider—

"(A) the effort made by the applicant to build or maintain its existing endowment fund; and

"(B) the degree to which an applicant proposes to match the grant with nongovernmental funds.

"(g) APPLICATION.—Any institution which is eligible for assistance under this section may submit to the Secretary a grant application at such time, in such form, and containing such information as the Secretary may prescribe. Subject to the availability of appropriations to carry out this section and consistent with the requirement of subsection (f), the Secretary may approve an application for a grant if an institution, in its application, provides adequate assurances that it will comply with the requirements of this section.

"(h) TERMINATION AND RECOVERY PROVISIONS.—(1) After notice and an opportunity for a hearing, the Secretary may terminate and recover a grant awarded under this section if the grantee institution—

"(A) expends portions of the endowment fund corpus or expends more than the permissible amount of the endowment funds income as prescribed in subsection (c)(3);

"(B) fails to invest the endowment fund in accordance with the investment standards set forth in subsection (c)(2); or

"(C) fails to properly account to the Secretary concerning the investment and expenditures of the endowment funds.

"(2) If the Secretary terminates a grant under paragraph (1), the grantee shall return to the Secretary an amount equal to the sum of each original grant or grants under this section plus income earned thereon. The Secretary shall use such repaid funds to make additional challenge grants, or to increase existing challenge or endowment grants, to other eligible institutions under this part.

"PART D—RESERVATION FROM PART A APPROPRIATION

"SEC. 341. STATEMENT OF FINDINGS AND PURPOSE.

"(a) FINDINGS.—The Congress finds that—

"(1) Hispanic, Asian American, and Black students in the United States are heavily concentrated in public postsecondary institutions, especially in two-year community colleges;

"(2) Hispanic, Black, and Native American, including Native American Pacific Islander, students rarely transfer to a four-year institution of higher education, after receiving an associate degree, and often do not complete the requirements for a baccalaureate degree even when they enroll in a four-year institution;

"(3) Black students in the United States have historically been denied equal educational opportunities in postsecondary education and are significantly underrepresented in 4-year baccalaureate programs as well as graduate and professional programs;

"(4) Native American students are the most grossly underrepresented of all American minorities in higher education, constituting one-half of 1 percent of all students, and 0.3 percent of those receiving degrees; and Hispanics comprise 3 percent of all students in higher education, with less than 3 percent receiving bachelors, masters, and doctoral degrees;

"(5) Native Hawaiians represent less than 5 percent of the population of Hawaii who hold a college degree; less than 25 percent of the traditional college-age population actually attends college;

"(6) although in some of the Pacific Basin territories (Northern Mariana Islands) fewer than 20 percent actually complete more than a high school education, (A) a single community college may be the only form of postsecondary education available on the island, (B) many teachers possess an associate's degree or less, and (C) literacy rates in both English and the native language rank far-below national averages;

"(7) the special problems of providing higher education opportunities for Puerto Ricans in the Commonwealth of Puerto Rico require separate attention and different solutions than those which relate to Hispanics in the United States; and

"(8) many Asian American students attain a reduced level of academic achievement in postsecondary institutions as a consequence of low socio-economic background, welfare dependency, limited English proficiency, and other cultural impediments.

"(b) PURPOSE.—It is therefore the purpose of this part to provide a set-aside to address the special needs of Black, Hispanic, Native American, Asian American, and Pacific Basin students, when they constitute a significant portion of the institutional student population.

"SEC. 342. RESERVATIONS.

"Of the sums appropriated under section 357(a)(1) for any fiscal year for part A, the Secretary shall make available for use for the purpose of such part—

"(1) $45,700,000 to eligible institutions under part A (excluding institutions receiving assistance under part B of this title) which serve the highest percentages of Black, Mexican American, Puerto Rican, Cuban, other Hispanic, American Indian, Alaskan Native, Aleut, Asian American, Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro), and Northern Marianian students or any combination thereof; and

"(2) not less than 30 percent to institutions that are junior or community colleges.

"PART E—GENERAL PROVISIONS

"SEC. 351. APPLICATIONS FOR ASSISTANCE.

"(a) APPLICATION REQUIRED; APPROVAL.—Any institution which is eligible for assistance under this title shall submit to the Secretary an application for assistance at such time, in such form, and containing such information, as may be necessary to enable the Secretary to evaluate its need for assistance. Subject to the availability of appropriations to carry out this title, the Secretary may approve an application for a grant under this title if the application meets the requirements of subsection (b) and shows that the applicant is eligible for assistance in accordance with the part of this title under which the assistance is sought.

"(b) CONTENTS.—An institution, in its application for a grant, shall—

"(1) set forth or describe how it will develop a comprehensive development plan to strengthen the institution's academic quality and institutional management, and otherwise provide for institutional self-sufficiency and growth (including measurable objectives for the institution and the Secretary to use in monitoring the effectiveness of activities under this title);

"(2) set forth policies and procedures to ensure that Federal funds made available under this title for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of section 311(b) or 323, and in no case supplant those funds;

"(3) set forth policies and procedures for evaluating the effectiveness in accomplishing the purpose of the activities for which a grant is sought under this title;

"(4) provide for such fiscal control and fund accounting procedures as may be necessary to ensure proper disbursement of and accounting for funds made available to the applicant under this title;

"(5) provide (A) for making such reports, in such form and containing such information, as the Secretary may require to carry out the functions under this title, including not less than one report annually setting forth the institution's progress toward achieving the objectives for which the funds were awarded, and (B) for keeping such records and affording such access thereto, as the Secretary may find necessary to assure the correctness and verification of such reports;

"(6) provide that the institution will comply with the limitations set forth in section 356;

"(7) describe in a comprehensive manner any proposed project for which funds are sought under the application and include—

"(A) a description of the various components of the proposed project including the estimated time required to complete each such component;

"(B) in the case of any proposed project which consists of several components (as described by the applicant pursuant to subparagraph (A)), a statement identifying those components which, if separately funded, would be sound investments of Federal funds and those components which would be sound investments of Federal funds only if funded under this title in conjunction with other parts of the proposed project (as specified by the applicant);

"(C) an evaluation by the applicant of the priority given any proposed project for which funds are sought in relation to any other projects for which funds are sought by the applicant under this title, and a similar evaluation regarding priorities among the components of any single proposed project (as described by the applicant pursuant to subparagraph (A));

"(D) information explaining the manner in which the proposed project will assist the applicant to prepare for the critical financial problems that all institutions of higher education will face during the subsequent decade as a result of declining enrollments, increased energy costs, and other problems;

"(E) a detailed budget showing the manner in which funds for any proposed project would be spent by the applicant; and

"(F) a detailed description of any activity which involves the expenditure of more than $25,000, as identified in the budget referred to in subparagraph (E); and

"(8) include such other information as the Secretary may prescribe.

"(c) PRIORITY CRITERIA PUBLICATION REQUIRED.—The Secretary shall publish in the Federal Register, pursuant to chapter 5 of title 5, United States Code, all policies and procedures required to exercise the authority set forth in subsection (a). No other criteria, policies, or procedures shall apply.

"SEC. 352. APPLICATION REVIEW PROCESS.

"(a) REVIEW PANEL.—(1) All applications submitted under this title by institutions of higher education shall be read by a panel of readers composed of individuals selected by the Secretary. The Secretary shall assure that no individual assigned under this section to review any application has any conflict of interest with regard to the application which might impair the impartiality with which the individual conducts the review under this section.

"(2) The Secretary shall take care to assure that representatives of historically and predominantly Black colleges, Hispanic institutions, Native American colleges and

universities and institutions with substantial numbers of Hispanics, Native Americans, Asian Americans, and Native American Pacific Islanders are included as readers.

"(3) All readers selected by the Secretary shall receive thorough instruction from the Secretary regarding the evaluation process for applications submitted under this title and consistent with the provisions of this title, including—

"(A) explanations and examples of the types of activities referred to in section 311(b) that should receive special consideration for grants awarded under part A and of the types of activities referred to in section 323 that should receive special consideration for grants awarded under part B;

"(B) an enumeration of the factors to be used to determine the quality of applications submitted under this title; and

"(C) an enumeration of the factors to be used to determine whether a grant should be awarded for a project under this title, the amount of any such grant, and the duration of any such grant.

"(b) RECOMMENDATIONS OF PANEL.—In awarding grants under this title, the Secretary shall take into consideration the recommendations of the panel made under subsection (a).

"(c) NOTIFICATION.—Not later than June 30 of each year, the Secretary shall notify each institution of higher education making an application under this title of—

"(1) the scores given the applicant by the panel pursuant to this section,

"(2) the recommendations of the panel with respect to such application, and

"(3) the reasons for the decision of the Secretary in awarding or refusing to award a grant under this title, and modifications, if any, in the recommendations of the panel made by the Secretary.

"SEC. 353. COOPERATIVE ARRANGEMENTS.

"(a) GENERAL AUTHORITY.—The Secretary may make grants to encourage cooperative arrangements—

"(1) with funds available to carry out part A, between institutions eligible for assistance under part A and between such institutions and institutions not receiving assistance under this title; or

"(2) with funds available to carry out part B, between institutions eligible for assistance under part B and institutions not receiving assistance under this title;

for the activities described in section 311(b) or section 323, as the case may be, so that the resources of the cooperating institutions might be combined and shared to achieve the purposes of such parts and avoid costly duplicative efforts and to enhance the development of part A and part B eligible institutions.

"(b) PRIORITY.—The Secretary shall give priority to grants for the purposes described under subsection (a) whenever the Secretary determines that the cooperative arrangement is geographically and economically sound or will benefit the applicant institution.

"(c) DURATION.—Grants to institutions having a cooperative arrangement may be made under this section for a period as determined under section 313 or section 323.

"SEC. 354. PENALTIES.

"Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any recipient of Federal financial assistance or grant pursuant to this title embezzles, willfully misapplies, steals, or obtains by fraud any of the funds which are the subject of such grant or assistance, shall be fined not more than $10,000 or imprisoned for not more than two years, or both.

"SEC. 355. ASSISTANCE TO INSTITUTIONS UNDER OTHER PROGRAMS.

"(a) ASSISTANCE ELIGIBILITY.—Each institution which the Secretary determines to be an institution eligible under part A or an institution eligible under part B shall be eligible for waivers in accordance with subsection (b).

"(b) WAIVER APPLICABILITY.—(1) Subject to, and in accordance with, regulations promulgated for the purpose of this section, in the case of any application by an institution referred to in subsection (a) for assistance under any programs specified in paragraph (2), the Secretary is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or, to the extent not inconsistent with other law, to give, or require to be given, priority consideration of the application in relation to applications from other institutions.

"(2) The provisions of this section shall apply to any program authorized by title II, IV, VII, or VIII of this Act.

"(c) LIMITATION.—The Secretary shall not waive, under subsection (b), the non-Federal share requirement for any program for applications which, if approved, would require the expenditure of more than 10 percent of the appropriations for the program for any fiscal year.

"SEC. 356. LIMITATIONS.

"The funds appropriated under section 357 may not be used—

"(1) for a school or department of divinity or any religious worship or sectarian activity;

"(2) for an activity that is inconsistent with a State plan for desegregation of higher education applicable to such institution;

"(3) for an activity that is inconsistent with a State plan of higher education applicable to such institution; or

"(4) for purposes other than the purposes set forth in the approved application under which the funds were made available to the institution.

"SEC. 357. AUTHORIZATIONS OF APPROPRIATIONS.

"(a) AUTHORIZATIONS.—(1) There are authorized to be appropriated to carry out part A $175,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(2)(A) There are authorized to be appropriated to carry out part B (other than section 326) $110,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(B) There are authorized to be appropriated to carry out section 326 $2,500,000 for fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(3) There are authorized to be appropriated to carry out part C $35,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the 4 succeeding fiscal years.

"(b) USE OF MULTIPLE YEAR AWARDS.—(1) In the event of a multiple year award to any institution under this title, the Secretary shall make funds available for such award from funds appropriated for this title for the fiscal year in which such funds are to be used by the recipient.

"(2) From the sums appropriated for part C, the Secretary shall reserve such sums as may be necessary to fund continuation awards for institutions which had received multiple year challenge grants under part C prior to fiscal year 1987. From the sums appropriated for part B, the Secretary shall reserve such sums as may be necessary to fund continuation awards for historically Black colleges and universities which had received multiple year awards under part A or B prior to such year. From the sums appropriated for part A, the Secretary shall reserve such sums as may be necessary to fund continuation grants for all other institutions which had received multiple year awards under part A or B prior to such year.".

TITLE IV—REVISIONS TO TITLE IV OF THE ACT

PART A—REVISION OF PART A OF TITLE IV

SEC. 401. AMENDMENT TO PART A OF TITLE IV.

(a) AMENDMENT.—Part A of title IV of the Act (20 U.S.C. 1070 et seq.) is amended to read as follows:

"TITLE IV—STUDENT ASSISTANCE

"PART A—GRANTS TO STUDENTS IN ATTENDANCE AT INSTITUTIONS OF HIGHER EDUCATION

"SEC. 401. STATEMENT OF PURPOSE; PROGRAM AUTHORIZATION.

"(a) PURPOSE.—It is the purpose of this part, to assist in making available the benefits of postsecondary education to eligible students (defined in accordance with section 484) in institutions of higher education by—

"(1) providing basic educational opportunity grants (hereinafter referred to as "basic grants") to all eligible students;

"(2) providing supplemental educational opportunity grants (hereinafter referred to as "supplemental grants") to those students who demonstrate financial need;

"(3) providing for payments to the States to assist them in making financial aid available to such students;

"(4) providing for special programs and projects designed (A) to identify and encourage qualified youths with financial or cultural need with a potential for postsecondary education, (B) to prepare students from low-income families for postsecondary education, and (C) to provide remedial (including remedial language study) and other services to students; and

"(5) providing assistance to institutions of higher education.

"(b) SECRETARY REQUIRED TO CARRY OUT PURPOSES.—The Secretary shall, in accordance with subparts 1 through 8, carry out programs to achieve the purposes of this part.

"Subpart 1—Basic Educational Opportunity Grants

"SEC. 411. BASIC EDUCATIONAL OPPORTUNITY GRANTS: AMOUNT AND DETERMINATIONS: APPLICATIONS.

"(a) PROGRAM AUTHORITY AND METHOD OF DISTRIBUTION.—(1) The Secretary shall, during the period beginning July 1, 1972, and ending September 30, 1992, advance 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 basic grant in the amount for which that student is eligible, as determined pursuant to paragraph (2). 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.

"(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).

"(3) Basic grants made under this subpart shall be known as "Pell Grants".

"(b) PURPOSE AND AMOUNT OF GRANTS.—(1) The purpose of this subpart is to provide a basic grant that (A) as determined under paragraph (2), will meet 60 percent of a student's cost of attendance; and (B) in combination with reasonable parental or independent student contribution and supplemented by the programs authorized under subparts 2 and 3 of this part, will meet 75 percent of a student's cost of attendance, unless the institution determines that a greater amount of assistance would better serve the purposes of section 401.

"(2) The amount of the basic grant for a student eligible under this part shall be—

"(A) $2,300 for academic year 1987-1988,

"(B) $2,500 for academic year 1988-1989,

"(C) $2,700 for academic year 1989-1990,

"(D) $2,900 for academic year 1990-1991, and

"(E) $3,100 for academic year 1991-1992,

less an amount equal to the amount determined under part F to be the expected family contribution with respect to that student for that year.

"(3) The amount of a basic grant to which a student is entitled under this subpart for any academic year shall not exceed 60 percent of the cost of attendance (as defined in sections 472 and 478) at the institution at which the student is in attendance for that year.

"(4) No basic grant under this subpart shall exceed the difference between the expected family contribution for a student and the cost of attendance at the institution at which that student is in attendance. If with respect to any student, it is determined that the amount of a basic grant plus the amount of the expected family contribution for that student exceeds the cost of attendance for that year, the amount of the basic grant shall be reduced until the combination of expected family contribution and the amount of the basic grant does not exceed the cost of attendance at such institution.

"(5) No basic grant shall be awarded to a student (other than a less-than-half-time 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 $200. In the case of a less-than-half-time student, no basic grant shall be awarded under this subpart if the amount of that grant for that student as determined under this paragraph for any academic year is less than $50.

"(c) PERIOD OF ELIGIBILITY FOR GRANTS.—The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance. Nothing in this section shall exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language instruction) which are determined by the institution as necessary to help the student be prepared for the pursuit of a first undergraduate baccalaureate degree or, in the case of courses in English language instruction, are necessary to enable the student to utilize already existing knowledge, training, or skills. No student is entitled to receive Pell Grant payments concurrently from more than one institution or from the Secretary and an institution.

"(d) APPLICATIONS FOR GRANTS.—(1) The Secretary shall from time to time set dates by which students must file applications for basic grants under this subpart.

"(2) Each student desiring a basic grant for any year must file an application therefor containing such information and assurances as the Secretary may deem necessary to enable him to carry out the functions and responsibilities of this subpart.

"(e) DISTRIBUTION OF GRANTS TO STUDENTS.—Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purposes of this section. Such regulations shall include a provision that will enable an institution, at its option, to recalculate the amount of the grant under this subpart to any student when the institution discovers that there is a change in circumstances or an error in the application data that affects the amount of the student's eligibility. Changes made by an institution shall be subject to review and approval or disapproval by the Secretary.

"(f) ADJUSTMENTS FOR INSUFFICIENT APPROPRIATIONS.—(1) 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), the amount paid with respect to each entitlement shall be—

"(A) the full amount for any student whose expected family contribution is $200 or less, or

"(B) a percentage of that entitlement, as determined in accordance with a schedule of reductions established by the Secretary for this purpose, for any student whose expected family contribution is more than $200.

"(2) Any schedule established by the Secretary for the purpose of paragraph (1) of this subsection shall contain a single linear reduction formula in which the percentage reduction increases uniformly as the entitlement decreases, and shall provide that if an entitlement is reduced to less than $50, no payment shall be made.

"(g) USE OF EXCESS FUNDS.—(1) If, at the end of a fiscal year, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by 15 percent or less, then all of the excess funds shall remain available for making payments under this subpart during the next succeeding fiscal year.

"(2) If, at the end of a fiscal year, the funds available for making payments under this subpart exceed the amount necessary to make the payments required under this subpart to eligible students by more than 15 percent, then all of such funds shall remain available for making such payments but payments may be made under this division only with respect to entitlements for that fiscal year.

"(h) NONCONTRACTOR STATUS OF INSTITUTIONS.—Any institution of higher education which enters into an agreement with the Secretary to disburse to students attending that institution the amounts those students are eligible to receive under this subpart shall not be deemed, by virtue of such agreement, a contractor maintaining a system of records to accomplish a function of the Secretary.

"Subpart 2—Supplemental Educational Opportunity Grants

"SEC. 413A. PURPOSE; APPROPRIATIONS AUTHORIZED.

"(a) PURPOSE OF SUBPART.—It is the purpose of this subpart to provide, through institutions of higher education, supplemental grants to assist in making available the benefits of postsecondary education to qualified students who demonstrate financial need in accordance with the provisions of part F of this title.

"(b) AUTHORIZATION OF APPROPRIATIONS.—(1) For the purpose of enabling the Secretary to make payments to institutions of higher education which have made agreements with the Secretary in accordance with section 413C(a), for use by such institutions for payments to undergraduate students of supplemental grants awarded to them under this subpart, there are authorized to be appropriated $500,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(2) Sums appropriated pursuant to this subsection for any fiscal year shall be available for payments to institutions until the end of the second fiscal year succeeding the fiscal year for which they were appropriated.

"SEC. 413B. AMOUNT AND DURATION OF GRANTS.

"(a) AMOUNT OF GRANT.—From the funds received by it for such purpose under this subpart, an institution which awards a supplemental grant to a student for an academic year under this subpart shall, for each year, pay to that student an amount not to exceed the lesser of (1) the amount determined by the institution, in accordance with the provisions of part F of this title, to be needed by that student to enable him or her to pursue a course of study at the institution, or (2) $4,000.

"(b) PERIOD FOR RECEIPT OF GRANTS; CONTINUING ELIGIBILITY.—(1) The period during which a student may receive supplemental grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student.

"(2) A supplemental grant awarded under this subpart shall entitle the student (to whom it is awarded) to payments pursuant to such grant only if the student meets the requirements of section 484, except as provided in section 413C(c).

"(c) DISTRIBUTION OF GRANT DURING ACADEMIC YEAR.—Nothing in this section shall be construed to prohibit an institution from making payments of varying amounts from a supplemental grant to a student during an academic year to cover costs for a period which are not applicable to other periods of such academic year.

"SEC. 413C. AGREEMENTS WITH INSTITUTIONS; SELECTION OF RECIPIENTS.

"(a) INSTITUTIONAL ELIGIBILITY.—Assistance may be made available under this subpart only to an institution which—

"(1) has, in accordance with section 487, an agreement with the Secretary applicable to this subpart;

"(2) agrees that the Federal share of awards under this subpart will not exceed 90 percent of such awards in fiscal year 1989, will not exceed 85 percent of such awards in fiscal year 1990, and will not exceed 80 percent of such awards in fiscal year 1991 and thereafter, except that the Federal share may be exceeded if the Secretary determines, pursuant to regulations establishing objective criteria for such determinations,

that a larger Federal share is required in furtherance of the purposes of this subpart; and

"(3) agrees that the non-Federal share of awards made under this subpart shall be made from the institution's own resources, including—

"(A) institutional grants and scholarships;

"(B) tuition or fee waivers;

"(C) State scholarships; and

"(D) foundation or other charitable organization funds.

"(b) ELIGIBILITY FOR SELECTION.—Awards may be made under this subpart only to a student who—

"(1) is an eligible student under section 484; and

"(2) makes application at a time and in a manner consistent with the requirements of the Secretary and that institution.

"(c) SELECTION OF INDIVIDUALS AND DETERMINATION OF AMOUNT OF AWARDS.—From among individuals who are eligible for supplemental grants for each fiscal year, the institution shall, in accordance with the agreement under section 487, and within the amount allocated to the institution for that purpose for that year under section 413D, select individuals who are to be awarded such grants and determine, in accordance with section 413B, the amounts to be paid to them. Not less than three-quarters of the individuals so selected for that year shall be individuals who will receive Pell Grants for that year pursuant to subpart 1 of this part. In selecting such individuals and determining the amount of such grants, the institution shall give preference to those individuals who demonstrate the greatest need for assistance under this subpart, and who, for lack of such assistance, would, in the opinion of the institution, be unable to obtain the benefits of a postsecondary education.

"(d) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.—If the institution's allocation under this subpart is based in part on the financial need demonstrated by students attending the institution less than full-time, a reasonable proportion of the institution's allocation shall be made available to such students.

"(e) USE AND TRANSFER OF FUNDS FOR ADMINISTRATIVE EXPENSES.—An agreement entered into pursuant to this section shall provide that funds granted to an institution of higher education may be used only to make payments to students participating in a grant program authorized under this subpart, except that an institution may use a portion of the sums allocated to it under this subpart to meet administrative expenses in accordance with section 489 of this title, and may transfer such funds in accordance with the provisions of section 488 of this Act.

"SEC. 413D. ALLOCATION OF FUNDS.

"(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1) From the amount appropriated pursuant to section 413A(b), the Secretary shall first allocate to each eligible institution—

"(A) for fiscal year 1987 or 1988, an amount equal to 100 percent of the amount such institution received and used under this subpart for fiscal year 1979; and

"(B) for each succeeding fiscal year, an amount equal to 95 percent of the amount such institution received and used under this subpart for the second preceding fiscal year.

"(2) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this subpart after fiscal year 1979, an amount equal to the greatest of—

"(A) $5,000;

"(B) an amount equal to (i) 90 percent of the amount received and used under this part in the second preceding fiscal year by eligible institutions offering comparable programs of instruction, divided by (ii) the number of full-time equivalent students enrolled at such comparable institutions in such fiscal year, multiplied by (iii) the number of full-time equivalent students enrolled at the applicant institution in such fiscal year; or

"(C) 90 percent of the institution's allocation under this part for the preceding fiscal year.

"(3) If the amount appropriated for any fiscal year is less than the amount required to be allocated to eligible institutions under paragraphs (1) and (2) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced. If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

"(b) ALLOCATION OF EXCESS BASED ON SHARE OF EXCESS ELIGIBLE AMOUNTS.—(1) From the remainder of the amount appropriated pursuant to section 413A(b) after making the allocations required by subsection (a), the Secretary shall allocate to each eligible institution which has an excess eligible amount (other than an institution participating in the program under this subpart for the first or second time) an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions (having such excess eligible amounts).

"(2) For any eligible institution (other than an institution participating in the program under this subpart for the first or second time), the excess eligible amount is the amount, if any, by which—

"(A)(i) the amount of that institution's need (as determined under subsection (c)), divided by (ii) the sum of the need of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 413A(b) of the fiscal year; exceeds

"(B) the amount required to be allocated to that institution under subsection (a).

"(c) DETERMINATION OF INSTITUTION'S NEED.—(1) The amount of an institution's need is equal to—

"(A) the sum of the need of the institution's eligible undergraduate students; minus

"(B) the sum of grant aid received by students under subparts 1 and 3 of this part.

"(2) To determine the need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 75 percent of the average cost of attendance (computed in accordance with section 472) for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance (computed in accordance with section 472) for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) of this paragraph for each income category of dependent students;

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 75 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) of this paragraph for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G) of this paragraph.

"(d) REALLOCATION OF EXCESS ALLOCATIONS.—If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year the Secretary shall, in accordance with regulations, reallocate such excess to other institutions.

"(e) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

"Subpart 3—Grants to States for State Student Incentives

"SEC. 415A. PURPOSE; APPROPRIATIONS AUTHORIZED.

"(a) PURPOSE OF SUBPART.—It is the purpose of this subpart to make incentive grants available to the States to assist them in providing grants or State work-study jobs to eligible students attending institutions of higher education.

"(b) AUTHORIZATION OF APPROPRIATIONS; AVAILABILITY.—(1) There are authorized to be appropriated $100,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years to carry out the purposes of this subpart.

"(2) Sums appropriated pursuant to paragraph (1) for any fiscal year shall remain available for payments to States under this subpart until the end of the fiscal year succeeding the fiscal year for which such sums were appropriated.

"SEC. 415B. ALLOTMENT AMONG STATES.

"(a) ALLOTMENT BASED ON NUMBER OF ELIGIBLE STUDENTS IN ATTENDANCE.—(1) From the sums appropriated pursuant to section 415A(b)(1) for any fiscal year, the Secretary shall allot to each State an amount which bears the same ratio to such sums as the number of students who are deemed eligible in such State for participation in the grant program authorized by this subpart bears to the total number of such students in all the States, except that no State shall receive

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less than the State received for fiscal year 1979.

"(2) For the purposes of this subsection, the number of students who are deemed eligible in a State for participation in the grant program authorized by this subpart, and the number of such students in all the States, shall be determined for the most recent year for which satisfactory data are available.

"(b) REALLOTMENT.—The amount of any State's allotment under subsection (a) for any fiscal year which the Secretary determines will not be required for such fiscal year for the State student grant incentive program of that State shall be available for reallotment from time to time, on such dates during such year as the Secretary may fix, to other States in proportion to the original allotments to such States under such part for such year, but with such proportionate amount for any of such States being reduced to the extent it exceeds the sum the Secretary estimates such State needs and will be able to use for such year for carrying out the State plan. The total of such reductions shall be similarly reallotted among the States whose proportionate amounts were not so reduced. Any amount reallotted to a State under this part during a year from funds appropriated pursuant to section 415A(b)(1) shall be deemed part of its allotment under subsection (a) for such year.

"(c) ALLOTMENTS SUBJECT TO CONTINUING COMPLIANCE.—The Secretary shall make payments for continuing incentive grants only to those States which continue to meet the requirements of section 415C(b).

"SEC. 415C. APPLICATIONS FOR STATE STUDENT INCENTIVE GRANT PROGRAMS.

"(a) SUBMISSION AND CONTENTS OF APPLICATIONS.—A State which desires to obtain a payment under this subpart for any fiscal year shall submit annually an application therefor through the State agency administering its program under this subpart as of July 1, 1985, unless the Governor of that State so designates, in writing, a different agency to administer the program. The application shall contain such information as may be required by, or pursuant to, regulation for the purpose of enabling the Secretary to make the determinations required under this subpart.

"(b) PAYMENT OF FEDERAL SHARE OF GRANTS MADE BY QUALIFIED PROGRAM.—From a State's allotment under this subpart for any fiscal year the Secretary is authorized to make payments to such State for paying up to 50 percent of the amount of student grants or State work-study jobs (as provided for in paragraph (3)) pursuant to a State program which—

"(1) is administered by a single State agency;

"(2) provides that such grants will be in amounts not in excess of $3,000 per academic year for attendance on a full-time basis at an institution of higher education;

"(3) for any fiscal year beginning after September 30, 1985, for which allotment to the State exceeds allotment received in fiscal year 1985, uses the amount of additional funds received to provide for student grants (as defined in this section) or to provide funds for students participating in State work-study programs;

"(4) provides for the selection of recipients of such grants or of such State work-study jobs on the basis of substantial financial need determined annually on the basis of criteria established by the State and approved by the Secretary;

"(5) provides that, effective with respect to any academic year beginning on or after October 1, 1978, all nonprofit institutions of higher education in the State are eligible to participate in the State program, except in any State in which participation of nonprofit institutions of higher education is in violation of the constitution of the State or in any State in which participation of nonprofit institutions of higher education is in violation of a statute of the State which was enacted prior to October 1, 1978;

"(6) provides for the payment of the non-Federal portion of such grants or of such State work-study jobs from funds supplied by such State which represent an additional expenditure for such year by such State for grants or work-study jobs for students attending institutions of higher education over the amount expended by such State for such grants or State work-study jobs, if any, during the second fiscal year preceding the fiscal year in which such State initially received funds under this subpart;

"(7) provides for State expenditures under such program of an amount not less than the average annual aggregate expenditures for the preceding three fiscal years or the average annual expenditure per full-time equivalent student for such years;

"(8) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State agency under this subpart, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Secretary to perform his functions under this subpart; and

"(9) for any fiscal year beginning after September 30, 1988, provides the non-Federal share of the amount of student grants or State work-study jobs under this subpart through a direct appropriation of State funds for the program under this subpart.

"(c) RESERVATION AND DISBURSEMENT OF ALLOTMENTS AND REALLOTMENTS.—Upon his approval of any application for a payment under this subpart, the Secretary shall reserve from the applicable allotment (including any applicable reallotment) available therefor, the amount of such payment, which (subject to the limits of such allotment or reallotment) shall be equal to the Federal share of the cost of the students' incentive grants or State work-study jobs covered by such application. The Secretary shall pay such reserved amount, in advance or by way of reimbursement, and in such installments as he may determine. The Secretary may amend the reservation of any amount under this section, either upon approval of an amendment of the application or upon revision of the estimated cost of the student grants or State work-study jobs with respect to which such reservation was made. If the Secretary approves an upward revision of such estimated cost, the Secretary may reserve the Federal share of the added cost only from the applicable allotment (or reallotment) available at the time of such approval.

"(d) RESTRICTION ON USE OF FUNDS FOR STATE WORK-STUDY PROGRAMS.—None of the funds made available under this subpart may be used for any State work-study program unless such program is conducted in accordance with the requirements of section 443(b)(1) of this title.

"SEC. 415D. ADMINISTRATION OF STATE PROGRAMS; JUDICIAL REVIEW.

"(a) DISAPPROVAL OF APPLICATIONS; SUSPENSION OF ELIGIBILITY.—(1) The Secretary shall not finally disapprove any application for a State program submitted under section 415C, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(2) Whenever the Secretary, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this subpart, finds—

"(A) that the State program has been so changed that it no longer complies with the provisions of this subpart, or

"(B) that in the administration of the program there is a failure to comply substantially with any such provisions,

the Secretary shall notify such State agency that the State will not be regarded as eligible to participate in the program under this subpart until he is satisfied that there is no longer any such failure to comply.

"(b) REVIEW OF DECISIONS.—(1) If any State is dissatisfied with the Secretary's final action with respect to the approval of its State program submitted under this subpart or with his final action under subsection (a), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Commissioner shall forthwith certify and file in the court the transcript of the proceedings and the record on which he based his action.

"(2) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

"Subpart 4—Special Programs for Students From Disadvantaged Backgrounds

"SEC. 417A. PROGRAM AUTHORITY; AUTHORIZATION OF APPROPRIATIONS.

"(a) GRANTS AND CONTRACTS AUTHORIZED.—The Secretary shall, in accordance with the provisions of this subpart, carry out a program of making grants and contracts designed to identify qualified individuals from disadvantaged backgrounds, to prepare them for a program of postsecondary education, to provide support services for such students who are pursuing programs of postsecondary education, and to train persons serving or preparing for service in programs and projects so designed.

"(b) ELIGIBLE GRANT AND CONTRACT RECIPIENTS.—(1) For the purposes described in subsection (a), the Secretary is authorized, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), to make grants to, and contracts with, institutions of higher education, public and private agencies and organizations, and, in exceptional circumstances, secondary schools for planning, developing, or carrying out one or more of the services assisted under this subpart.

"(2) In making grants and contracts under this subpart, the Secretary shall consider the prior experience of service delivery under the particular program for which funds are sought by each applicant. For fiscal years after 1985, the level of consideration given to prior experience shall not vary from the level of consideration given this factor for fiscal year 1985.

"(c) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants and contracts under this subpart there are authorized to be appropriated $400,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(d) DEFINITIONS.—For the purposes of this subpart—

"(1) the term 'first generation college student' means—

"(A) an individual both of whose parents did not complete a baccalaureate degree; or

"(B) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree;

"(2) the term 'low-income individual' means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census; and

"(3) no veteran shall be deemed ineligible to participate in any program under this subpart by reason of such individual's age who—

"(A) served on active duty for a period of more than 180 days, any part of which occurred after January 31, 1955, and was discharged or released therefrom under conditions other than dishonorable; or

"(B) served on active duty after January 31, 1955, and was discharged or released therefrom because of a service connected disability.

"SEC. 417B. TALENT SEARCH.

"(a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as talent search which shall be designed—

"(1) to identify qualified youths with potential for education at the postsecondary level and to encourage such youth to complete secondary school and to undertake a program of postsecondary education;

"(2) to publicize the availability of student financial assistance available to persons who pursue a program of postsecondary education; and

"(3) to encourage persons who have not completed programs of education at the secondary or postsecondary level, but who have the ability to complete such programs, to reenter such programs.

"(b) TUTORIAL SERVICES.—A talent search project assisted under this subpart may include, in addition to the services described in paragraphs (1), (2), and (3) of subsection (a), tutorial services for youths being encouraged to undertake or reenter programs of postsecondary education if such tutorial services are not otherwise available to such youths through a project assisted under this subpart.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for talent search projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the youths participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) require that such participants be persons who either have completed six years of elementary education or are at least twelve years of age but not more than twenty-seven years of age, unless the imposition of any such limitation with respect to any person would defeat the purposes of this section or the purposes of section 417E;

"(3) require an assurance that individuals participating in the project proposed in the application do not have access to services from another project funded under this section or under section 417E; and

"(4) require assurances that the project will be located in a setting accessible to the persons proposed to be served by the project.

"SEC. 417C. UPWARD BOUND.

"(a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as upward bound which shall be designed to generate skills and motivation necessary for success in education beyond high school.

"(b) PERMISSIBLE SERVICES.—Any upward bound project assisted under the subpart may provide services such as—

"(1) instruction in reading, writing, study skills, mathematics, and other subjects necessary for success beyond high school;

"(2) personal counseling;

"(3) academic advice and assistance in high school course selection;

"(4) tutorial services;

"(5) exposure to cultural events, academic programs, and other activities not usually available to disadvantaged youth;

"(6) activities designed to acquaint youths participating in the project with the range of career options available to them;

"(7) instruction designed to prepare youths participating in the project for careers in which persons from disadvantaged backgrounds are particularly underrepresented;

"(8) on-campus residential programs; and

"(9) programs and activities as described in paragraphs (1) through (8) which are specially designed for students of limited English proficiency.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for upward bound projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the youths participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) require an assurance that the remaining youths participating in the project proposed to be carried out under any application be either low-income individuals or be first generation college students;

"(3) require that there be determination, with respect to each participant in such project, that the participant has a need for academic support in order to pursue successfully a program of education beyond high school; and

"(4) require that such participants be persons who have completed eight years of elementary education and are at least thirteen years of age but not more than nineteen years of age, unless the imposition of any such limitation would defeat the purposes of this section.

"(d) MAXIMUM STIPENDS.—Youths participating in a project proposed to be carried out under any application may be paid stipends not in excess of $60 per month during June, July, and August, and not in excess of $40 per month during the remaining period of the year.

"SEC. 417D. STUDENT SUPPORT SERVICES.

"(a) PROGRAM AUTHORITY.—The Secretary shall carry out a program to be known as student support services (hereinafter referred to as 'support services').

"(b) PERMISSIBLE SERVICES.—A support services project assisted under this subpart may provide services such as—

"(1) instruction in reading, writing, study skills, mathematics, and other subjects necessary for success beyond high school;

"(2) personal counseling;

"(3) academic advice and assistance in course selection;

"(4) tutorial services and counseling and peer counseling;

"(5) exposure to cultural events and academic programs not usually available to disadvantaged students;

"(6) activities designed to acquaint students participating in the project with the range of career options available to them;

"(7) activities designed to assist students participating in the project in securing admission and financial assistance for enrollment in graduate and professional programs;

"(8) activities designed to assist students currently enrolled in two year institutions in securing admission and financial assistance for enrollment in a four-year program of postsecondary education; and

"(9) programs and activities as described in paragraphs (1) through (8) which are specially designed for students of limited English proficiency.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for support services projects under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the persons participating in the project proposed to be carried out under any application—

"(A) be physically handicapped, or

"(B) be low-income individuals who are first generation college students;

"(2) require an assurance that the remaining students participating in the project proposed to be carried out under any application either be low-income individuals, first generation college students, or physically handicapped;

"(3) require that there be a determination, with respect to each participant in such project, that the participant has a need for academic support in order to pursue successfully a program of education beyond high school;

"(4) require that such participants be enrolled or accepted for enrollment at the institution which is the recipient of the grant or contract; and

"(5) require an assurance from the institution which is the recipient of the grant or contract that each student enrolled in the project will receive sufficient financial assistance to meet that student's full financial need.

"SEC. 417E. EDUCATIONAL OPPORTUNITY CENTERS.

"(a) PROGRAM AUTHORITY; SERVICES PROVIDED.—The Secretary shall carry out a program to be known as educational opportunity centers which shall be designed—

"(1) to provide information with respect to financial and academic assistance available for individuals desiring to pursue a program of postsecondary education; and

"(2) to provide assistance to such persons in applying for admission to institutions at which a program of postsecondary educa-

tion is offered, including preparing necessary applications for use by admissions and financial aid officers.

"(b) TUTORIAL AND COUNSELING SERVICES.—An educational opportunity center assisted under this subpart may provide, in addition to the services described in clauses (1) and (2) of subsection (a), tutorial and counseling services for persons participating in the project if such tutorial and counseling services are not otherwise available through a project assisted under this subpart.

"(c) REQUIREMENTS FOR APPROVAL OF APPLICATIONS.—In approving applications for educational opportunity centers under this subpart for any fiscal year the Secretary shall—

"(1) require an assurance that not less than two-thirds of the persons participating in the project proposed to be carried out under any application be low-income individuals who are first generation college students;

"(2) require that such participants be persons who are at least nineteen years of age, unless the imposition of such limitation with respect to any person would defeat the purposes of this section or the purposes of section 417B; and

"(3) require an assurance that individuals participating in the project proposed in the application do not have access to services from another project funded under this section or under section 417B.

"SEC. 417F. STAFF DEVELOPMENT ACTIVITIES.

"For the purpose of improving the operation of the programs and projects authorized by this subpart, the Secretary is authorized to make grants to institutions of higher education and other public and private nonprofit institutions and organizations to provide training for staff and leadership personnel employed in, or preparing for employment in, such programs and projects. Such training shall include conferences, internships, seminars, workshops, and the publication of manuals designed to improve the operation of such programs and projects and shall be carried out in the various regions of the Nation in order to ensure that the training opportunities are appropriate to meet the needs in the local areas being served by such programs and projects. Grants for the purposes of this section shall be made only after consultation with regional and State professional associations of persons having special knowledge with respect to the needs and problems of such programs and projects.

"SEC. 417G. NATIONAL CENTER FOR POSTSECONDARY OPPORTUNITY.

"(a) ANNUAL PLAN FOR DISSEMINATION THROUGH CENTER.—To help ensure equal opportunity in postsecondary education and to increase students' awareness of their potential eligibility for financial assistance, the Secretary shall, in consultation and cooperation with agencies and organizations involved in counseling and student financial assistance, annually prepare a plan for disseminating information on Federal student assistance programs through a National Center for Postsecondary Opportunity (hereafter in this section referred to as the 'national center'). The national center shall help ensure that adequate information and counseling regarding Federal financial aid programs is readily available to students, parents, and others interested in postsecondary education opportunities.

"(b) CONTRACTS AUTHORIZED.—The Secretary shall contract with appropriate institutions, private non-profit organizations, or States for the purpose of establishing the national center which will—

"(1) coordinate the development and dissemination of pre-eligibility information for Federal, State, and institutional student assistance, as well as information regarding postsecondary access;

"(2) develop materials as necessary to increase student awareness of those Federal student assistance programs and postsecondary opportunities;

"(3) operate short-term training institutes to enable junior and senior high schools counselors and teachers, TRIO personnel, college admissions personnel, and community agency staffs to more effectively counsel students and adults regarding postsecondary opportunity and financial aid eligibility.

"(c) EMPHASIS ON PROVIDING INFORMATION TO CERTAIN INDIVIDUALS.—Particular emphasis shall be placed upon providing information to—

"(1) disadvantaged, minority, and handicapped individuals;

"(2) adults and non-traditional students;

"(3) geographically isolated or rural communities;

"(4) other groups who may be under-represented in postsecondary education;

"(5) junior high school students and parents; and

"(6) individuals who normally serve as counselors, teachers, or service providers to persons interested in obtaining postsecondary education.

"(d) CONTRACTOR SUITABILITY.—In determining whether to enter into a contract under this subpart, the Secretary shall consider the ability of the potential contractor to involve organizations representing a broad range of professionals including student financial aid administrators, TRIO personnel, high school counselors, and college admissions counselors.

"(e) COSTS FOR PROGRAM.—An amount of $5,000,000 shall be allocated each year from the appropriations for salaries and expenses of the Department of Education to cover the costs associated with the center.

"Subpart 5—Special Programs for Students Whose Families Are Engaged in Migrant and Seasonal Farmwork

"SEC. 418A. MAINTENANCE AND EXPANSION OF EXISTING PROGRAMS.

"(a) PROGRAM AUTHORITY.—The Secretary shall maintain and expand existing secondary and postsecondary high school equivalency program and college assistance migrant program projects located at institutions of higher education or at private nonprofit organizations working in cooperation with institutions of higher education.

"(b) SERVICES PROVIDED BY HIGH SCHOOL EQUIVALENCY PROGRAM.—The services authorized by this subpart for the high school equivalency program include—

"(1) recruitment services to reach persons who are 17 years of age and over, who themselves or whose parents have spent a minimum of 75 days during the past twenty-four months in migrant and seasonal farmwork, and who lack a high school diploma or its equivalent;

"(2) educational services which provide instruction designed to help students obtain a general education diploma which meets the guidelines established by the State in which the project is located for high school equivalency;

"(3) supportive services which include the following:

"(A) personal, vocational, and academic counseling;

"(B) placement services designed to place students in a university, college, or junior college program, or in military service or career positions; and

"(C) health services;

"(4) information concerning and assistance in obtaining available student financial aid;

"(5) weekly stipends for high school equivalency program participants;

"(6) housing for those enrolled in residential programs;

"(7) exposure to cultural events, academic programs, and other educational and cultural activities usually not available to migrant youth; and

"(8) other essential supportive services, as needed to ensure the success of eligible students.

"(c) SERVICES PROVIDED BY COLLEGE ASSISTANCE MIGRANT PROGRAM.—Services authorized by this subpart for the college assistance migrant program include—

"(1) outreach and recruitment services to reach persons who themselves or whose parents have spent a minimum of 75 days during the past 24 months in migrant and seasonal farmwork, and who meet the minimum qualifications for attendance at a college or university;

"(2) supportive and instructional services which include:

"(A) personal, academic, and career counseling as an ongoing part of the program;

"(B) tutoring and academic skill building instruction and assistance;

"(C) assistance with special admissions;

"(D) health services;

"(E) other services as necessary to assist students in completing program requirements;

"(3) assistance in obtaining student financial aid which includes, but is not limited to:

"(A) stipends;

"(B) scholarships;

"(C) student travel;

"(D) career oriented work study;

"(E) books and supplies;

"(F) tuition and fees;

"(G) room and board; and

"(H) other assistance necessary to assist students in completing their first year of college;

"(4) housing support for students living in institutional facilities and commuting students;

"(5) exposure to cultural events, academic programs, and other activities not usually available to migrant youth; and

"(6) other support services as necessary to ensure the success of eligible students.

"(d) MANAGEMENT PLAN REQUIRED.—Each project application shall include a management plan which contains assurances that staff shall have a demonstrated knowledge and be sensitive to the unique characteristics and needs of the migrant and seasonal farmworker population, and provisions for:

"(1) staff inservice training;

"(2) training and technical assistance;

"(3) staff travel;

"(4) student travel;

"(5) interagency coordination; and

"(6) an evaluation plan.

"(e) THREE-YEAR GRANT PERIOD; CONSIDERATION OF PRIOR EXPERIENCE.—Except under extraordinary circumstances, the Secretary shall award grants for a three year period. For the purpose of making grants under this subpart, the Secretary shall consider the prior experience of service delivery under the particular project for which funds are sought by each applicant. Such prior experience shall be awarded the same

level of consideration given this factor for applicants for programs authorized by subpart 4 of this part in accordance with section 417A(b)(2).

"(f) MINIMUM ALLOCATIONS.—The Secretary shall not allocate an amount less than—

"(1) $150,000 for each project under the high school equivalency program, and

"(2) $150,000 for each project under the college assistance migrant program.

"(g) AUTHORIZATION OF APPROPRIATIONS.—(1) There is authorized to be appropriated for the high school equivalency program $9,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(2) There are authorized to be appropriated for the college assistance migrant program $3,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"Subpart 6—Federal Merit Scholarships

"SEC. 419A. STATEMENT OF PURPOSE.

"It is the purpose of this subpart to establish a Federal Merit Scholarship Program to promote student excellence and achievement and to recognize exceptionally able students who show promise of continued excellence.

"SEC. 419B. DEFINITION.

"For the purpose of this subpart—

"(1) the term 'secondary school' has the same meaning given that term under section 198(a)(7) of the Elementary and Secondary Education Act of 1965; and

"(2) the term 'State' means each of the several States, the District of Columbia, and the Commonwealth of Puerto Rico.

"SEC. 419C. SCHOLARSHIPS AUTHORIZED.

"(a) PROGRAM AUTHORITY.—The Secretary is authorized, in accordance with the provisions of this subpart, to make grants to States to enable the States to award scholarships to individuals who have demonstrated outstanding academic achievement and who show promise of continued academic achievement.

"(b) PERIOD OF AWARD.—Scholarships under this section shall be awarded for a period of one academic year for the first year of study at an institution of higher education.

"(c) USE AT ANY INSTITUTION PERMITTED.—A student awarded a scholarship under this subpart may attend any institution of higher education.

"SEC. 419D. ALLOCATION AMONG STATES.

"From the sums appropriated pursuant to section 419K for any fiscal year, the Secretary shall allocate to each State having an agreement under section 419E—

"(1) $1,500 multiplied by the number of individuals in the State eligible for merit scholarships pursuant to section 419G(b), plus

"(2) $10,000, plus 5 percent of the amount to which a State is eligible under clause (1) of this section.

"SEC. 419E. AGREEMENTS.

"The Secretary shall enter into an agreement with each State desiring to participate in the merit scholarship program authorized by this subpart. Each such agreement shall include provisions designed to assure that—

"(1) the State educational agency will administer the merit scholarship program authorized by this subpart in the State;

"(2) the State educational agency will comply with the eligibility and selection provisions of this subpart;

"(3) the State educational agency will conduct outreach activities to publicize the availability of Federal merit scholarships to all eligible students in the State, with particular emphasis on activities designed to assure that students from low-income and moderate-income families have access to the information on the opportunity for full participation in the merit scholarship program authorized by this subpart;

"(4) the State educational agency will pay to each individual in the State who is awarded a merit scholarship under this subpart $1,500 at an awards ceremony in accordance with section 419I; and

"(5) the State educational agency will use the amount of the allocation described in clause (2) of section 419D for administrative expenses, including the conduct of the awards ceremony required by section 419I.

"SEC. 419F. ELIGIBILITY OF MERIT SCHOLARS.

"(a) HIGH SCHOOL GRADUATION OR EQUIVALENT AND ADMISSION TO INSTITUTION REQUIRED.—Each student awarded a scholarship under this subpart shall be a graduate of a public or private secondary school or have the equivalent of a certificate of graduation as recognized by the State in which the student resides and must have been admitted for enrollment at an institution of higher education.

"(b) SELECTION BASED ON PROMISE OF ACADEMIC ACHIEVEMENT.—Each student awarded a scholarship under this subpart must demonstrate outstanding academic achievement and show promise of continued academic achievement.

"SEC. 419G. SELECTION OF MERIT SCHOLARS.

"(a) ESTABLISHMENT OF CRITERIA.—The State educational agency is authorized to establish the criteria for the selection of merit scholars under this subpart.

"(b) ADOPTION OF PROCEDURES.—The State educational agency shall adopt selection procedures which are designed to assure that ten individuals will be selected from among residents of each congressional district in a State (and in the case of the District of Columbia and the Commonwealth of Puerto Rico not to exceed ten individuals will be selected in such district or Commonwealth).

"(c) CONSULTATION REQUIREMENT.—In carrying out its responsibilities under subsections (a) and (b), the State educational agency shall consult with school administrators, school boards, teachers, counselors, and parents.

"SEC. 419H. STIPENDS AND SCHOLARSHIP CONDITIONS.

"(a) AMOUNT OF AWARD.—Each student awarded a merit scholarship under this subpart shall receive a stipend of $1,500 for the academic year of study for which the scholarship is awarded.

"(b) USE OF AWARD.—The State educational agency shall establish procedures to assure that a merit scholar awarded a scholarship under this subpart pursues a course of study at an institution of higher education.

"SEC. 419I. AWARDS CEREMONY.

"(a) LOCAL CEREMONY. The State educational agency shall make arrangements to award merit scholarships under this subpart at a place in each State which is convenient to the individuals selected to receive such scholarships. To the extent possible, the award shall be made by Members of the Senate and Members of the House of Representatives (by the Delegate in the case of the District of Columbia and the Resident Commissioner in the case of the Commonwealth of Puerto Rico) who represent the State, Commonwealth, or District, as the case may be, from which the individuals come.

"(b) TIMING OF SELECTION.—The selection process shall be completed, and the awards made prior to the end of each secondary academic year.

"SEC. 419J. CONSTRUCTION OF NEEDS PROVISIONS.

"Nothing in this subpart, or any other Act, shall be construed to permit the receipt of a merit scholarship under this subpart to be counted for any needs test in connection with the awarding of any grant or the making of any loan under this Act or any other provision of Federal law relating to educational assistance.

"SEC. 419K. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated $8,000,000 for each of fiscal years 1986, 1987, and 1988 to carry out the provisions of this subpart.

"Subpart 7—Assistance to Institutions of Higher Education

"SEC. 420. PAYMENTS TO INSTITUTIONS OF HIGHER EDUCATION.

"(a) COST OF EDUCATION PAYMENTS.—Each institution of higher education shall be entitled for each fiscal year to a cost-of-education payment in accordance with the provisions of this section.

"(b) COMPUTATION OF AMOUNT.—(1) The amount of the cost-of-education payment to which an institution shall be entitled under this section for a fiscal year shall be, subject to subsection (d), the amount determined under paragraph (2)(A) plus the amount determined under paragraph (2)(B).

"(2)(A)(i) The Secretary shall determine the amount to which an institution is entitled under this subparagraph on the basis of the total number of undergraduate students who are in attendance at the institution and the number of students who are also recipients of basic grants under subpart 1, in accordance with the following table:

"If the total number of students in attendance is—	The amount of the grant is—
Not over 1,000	$500 for each recipient.
Over 1,000 but not over 2,500.	$500 for each of 100 recipients; plus $400 for each recipient in excess of 100.
Over 2,500 but not over 5,000.	$500 for each of 100 recipients; plus $400 for each of 150 recipients in excess of 100; plus $300 for each recipient in excess of 250.
Over 5,000 but not over 10,000.	$500 for each 100 recipients; plus $400 for each of 150 recipients in excess of 100; plus $300 for each of 250 recipients in excess of 250; plus $200 for each recipient in excess of 500.
Over 10,000	$500 for each of the 100 recipients; plus $400 for each of 150 recipients in excess of 100; plus $300 for each of 250 recipients in excess of 250; plus $200 for each of 500 recipients in excess of 500; plus $100 for each recipient in excess of 1,000.

"(ii) In any case where a recipient of a basic grant under subpart 1 attends an institution receiving a cost-of-education payment under this subpart on less than a full-time basis, the amount determined under this subparagraph with respect to the student shall be reduced in proportion to the

degree to which that student is not attending on a full-time basis.

"(iii) If during any period of any fiscal year the funds available for making payments on the basis of entitlements established under this subparagraph are insufficient to satisfy fully all such entitlements, the amount paid with respect to each such entitlement shall be ratably reduced. When additional funds become available for such purpose, the amount of payment from such additional funds shall be in proportion to the degree to which each such entitlement is unsatisfied by the payments made under the first sentence of this division.

"(B)(i) The Secretary shall determine with respect to each institution an amount equal to the appropriate percent (specified on the table below) of the aggregate of—

"(I) supplemental educational opportunity grants under subpart 2;

"(II) work-study payments under part C; and

"(III) loans to students under part E;

made for such year to students who are in attendance at such institution. The Secretary shall determine such amounts on the basis of percentages of such aggregate, and the number of students in attendance at institutions during the most recent academic year ending prior to such fiscal year, in accordance with the following table:

"If the number of students in attendance at the institution is—	*The percentage of such aggregate shall be—*
Not over 1,000	50 percent.
Over 1,000 but not over 3,000	46 percent.
Over 3,000 but not over 10,000	42 percent.
Over 10,000	38 percent.

"(ii) If during any period of any fiscal year the funds available for making payments on the basis of entitlements established under this subparagraph are insufficient to satisfy fully all such entitlements, the amount paid with respect to each such entitlement shall be ratably reduced. When additional funds become available for such purpose, the amount of payment from such additional funds shall be in proportion to the degree to which each such entitlement is unsatisfied by the payments made under the first sentence of this division.

"(3)(A) In determining the number of students in attendance at institutions of higher education under this subsection, the Secretary shall compute the full-time equivalent of part-time students.

"(B) The Secretary shall make a separate determination of the number of students in attendance at an institution of higher education and the number of recipients of basic grants at any such institution at each branch or separate campus of that institution located in a different community from the principal campus of that institution pursuant to criteria established by him.

"(c) APPLICATIONS; CONTENTS AND MANNER OF FILING.—An institution of higher education may receive a cost-of-education payment in accordance with this section only upon application therefor. An application under this section shall be submitted at such time or times, in such manner, and containing such information as the Secretary determines necessary to carry out his functions under this title, and shall—

"(1) set forth such policies, assurances, and procedures as will insure that—

"(A) the funds received by the institution under this section will be used solely to defray instructional expenses in academically related programs of the applicant;

"(B) the funds received by the institution under this section will not be used for a school or department of divinity or for any religious worship or sectarian activity;

"(C) the applicant will expend, during the academic year for which a payment is sought, for all academically related programs of the institution, an amount equal to at least the average amount so expended during the three years preceding the year for which the grant is sought; and

"(D) the applicant will submit to the Secretary such reports as the Secretary may require by regulation; and

"(2) contain such other statement of policies, assurances, and procedures as the Secretary may require by regulation in order to protect the financial interests of the United States.

"(d) APPORTIONMENT OF APPROPRIATIONS.—(1) The Secretary shall pay to each institution of higher education for each fiscal year the amount to which it is entitled under this section.

"(2) Of the total sums appropriated to make payments on the basis of entitlements established under this section and to make payments under part D of title IX—

"(A) 45 percent shall be available for making payments on the basis of entitlements established under paragraph (2)(A) of subsection (a);

"(B) 45 percent shall be available for making payments on the basis of entitlements established under paragraph (2)(B) of subsection (a); and

"(C) 10 percent shall be available for making payments under part D of title IX.

"(3) No payments on the basis of entitlements established under paragraph (2)(A) of subsection (a) may be made during any fiscal year for which the appropriations for making grants under subpart 1 does not equal at least 50 percent of the appropriation necessary for satisfying the total of all entitlements established under such subpart. In no event shall, during any fiscal year, the aggregate of the payments to which this paragraph applies exceed that percentage of the total entitlements established under such paragraph (2)(A) which equals the percentage of the total entitlements established under subpart 1 which are satisfied by appropriations for such purpose for that fiscal year.

"SEC. 420A. VETERANS EDUCATION OUTREACH PROGRAM.

"(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the provisions of this section $15,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(b) SIZE AND DURATION OF AWARDS.—(1) The minimum grant that may be awarded to an institution under this section is $1,000, which may remain available for expenditure over a period not to exceed two academic years.

"(2) The amount of the payment to which any institution shall be entitled under this section for any fiscal year shall be—

"(A) $300 for each person who is a veteran receiving vocational rehabilitation under chapter 31 of title 38, United States Code, or a veteran receiving educational assistance under chapter 34 of such title 38, and who is in attendance at such institution as an undergraduate student during such year;

"(B) $150 for each person who is in attendance at such institution as an undergraduate student during such year and who has been the recipient of educational assistance under subchapter V or VI of chapter 34 of such title 38, or who has a service-connected disability as defined in section 101(16) of such title 38, or who is disabled, as determined in accordance with regulations promulgated by the Secretary after consultation with the Administrator of Veterans' Affairs; and

"(C) $100 for each person who is in attendance at such institution as an undergraduate student during such year and who has received an honorable discharge from military service but who is no longer eligible to or does not receive educational benefits under chapter 31 or chapter 34 of title 38 of the United States Code.

"(3) In any case where a person on behalf of whom a payment is made under this section attends an institution on less than a full-time basis, the amount of the payment on behalf of that person shall be reduced in proportion to the degree to which that person is not attending on a full-time basis.

"(4)(A) The Secretary shall pay to each institution of higher education which has had an application approved under subsection (c) the amount to which it is entitled under this section. If the amount appropriated for any fiscal year is not sufficient to pay the amounts to which all such institutions are entitled, the Secretary shall ratably reduce such payments. If any amounts become available for a fiscal year after such reductions have been imposed, such reduced payments shall be increased on the same basis as they were reduced.

"(B) The maximum amount of payments to any institution of higher education, or any branch thereof which is located in a community which is different from that in which the parent institution thereof is located, in any fiscal year shall be $75,000. In making payments under this section for any fiscal year, the Secretary shall apportion the appropriation for making such payments, from funds which become available as a result of the limitation on payments set forth in the preceding sentence, in such a manner as will result in the receipt by each institution which is eligible for payment under this section of the first $9,000 (or the amount of its entitlement for that fiscal year, but not less than $1,000, whichever is the lesser) and then additional amounts up to the limitation set forth in the preceding sentence.

"(5) Not less than 90 percent of the amounts paid to any institution under paragraph (3)(A) in any fiscal year shall be used to implement the requirement of subsection (c)(2)(C)(i), and to the extent that such funds remain after implementing such requirement, funds limited by such 90 percent requirement shall be used for implementing the requirements of clauses (ii) through (v) of subsection (c)(2)(C), except that the Secretary may, in accordance with criteria established in regulations jointly prescribed by the Secretary with the Administrator, waive the requirement of this subsection to the extent that he finds that such institution is adequately carrying out all such requirements without the necessity for such application of such amount of the payments received under this subsection.

"(c) ELIGIBILITY FOR AWARDS.—(1) During the period beginning July 1, 1987 and ending September 1, 1991, each institution of higher education shall be entitled to a payment under, and in accordance with, this section during any fiscal year if the number of persons who are veterans with honorable

discharges and are in attendance as undergraduate students at the institution is at least 100.

"(2) An institution of higher education shall be eligible to receive the payment to which it is entitled under this section only if it makes application therefor to the Secretary. An application under this section shall be submitted at such time or times, in such manner, in such form and containing such information as the Secretary determines necessary to carry out the functions of the Secretary under this title, and shall—

"(A) set forth such policies, assurances, and procedures as will insure that—

"(i) the funds received by the institution under this section and available to it after the requirements of subsection (e) have been met will be used solely to defray instructional expenses in academically related programs of the applicant;

"(ii) the funds received by the institution under this section will not be used for a school or department of divinity or for any religious worship or sectarian activity;

"(iii) the applicant will expend, during the academic year for which a payment is sought, for all academically related programs of the institution, an amount equal to at least the average amount so expended during the three years preceding the year for which the grant is sought;

"(iv) the applicant will expend, during the academic year for which a payment is sought, for enhancing the functions of the Veterans Education Outreach Program, an amount equal to at least the amount of the award under this section from sources other than this or any other Federal program; and

"(v) the applicant will submit to the Secretary such reports as the Secretary may require by regulation;

"(B) contain such other statement of policies, assurances, and procedures as the Secretary may require by regulation in order to protect the financial interests of the United States; and

"(C) set forth such plans, policies, assurances, and procedures as will insure that the applicant will make an adequate effort—

"(i) to maintain an office of veterans' affairs which has responsibility for veterans' outreach, recruitment, and special education programs, including the provision of educational, vocational, and personal counseling for veterans,

"(ii) to carry out programs designed to prepare educationally disadvantaged veterans for postsecondary education (I) under subchapter V of chapter 34 of title 38, United States Code, and (II) in the case of any institution located near a military installation, under subchapter VI of such chapter 34,

"(iii) to carry out active outreach (with special emphasis on service-connected disabled veterans, other disabled or handicapped veterans, incarcerated veterans, and educationally disadvantaged veterans), recruiting, and counseling activities through the use of funds available under federally assisted work-study programs (with special emphasis on the veteran-student services program under section 1685 of such title 38),

"(iv) to carry out an active tutorial assistance program for veterans, including dissemination of information regarding such program, with special emphasis on making maximum use of the benefits available under section 1692 of such title 38, and

"(v) to coordinate activities carried out under this part with the readjustment counseling program authorized under section 612A of title 38, United States Code, and with the programs of veterans employment and training authorized under the Job Training Partnership Act and under chapters 41 and 42 of title 38, United States Code, in order to assist in serving the readjustment, rehabilitation, personal counseling, and employment needs of veterans,

except that an institution which the Secretary determines, in accordance with regulations jointly prescribed by the Secretary and the Administrator of Veterans' Affairs (hereinafter referred to as the 'Administrator'), cannot feasibly itself, in terms of the number of veterans in attendance there, carry out any or all of the programs set forth in subclauses (i) through (v) of clause (C), may carry out such program or programs through a consortium agreement with one or more other institutions of higher education and shall be required to carry out such programs only to the extent that the Secretary determines, in accordance with regulations jointly prescribed by the Secretary and the Administrator, is appropriate in terms of the number of veterans in attendance at such institution. The adequacy of efforts to meet the requirements of clause (C) of this paragraph shall be determined by the Secretary, based upon the recommendations of the Administrator, in accordance with criteria established in regulations jointly prescribed by the Secretary and the Administrator.

"(3) The Secretary shall not approve an application under this subsection unless he determines that the applicant will implement the requirements of clause (C) of paragraph (1) within the first academic year during which it receives a payment under this section.

"(4) Any institution which has been eligible under this section prior to September 30, 1985, for a continuous period of three of the last five years, and has at least 100 persons counted pursuant to subsection (b)(2), shall be determined eligible under the terms of this section.

"(d) COORDINATION OF PROGRAMS.—The Secretary, in carrying out the provisions of this section, shall seek to assure the coordination of programs assisted under this section with programs carried out by the Veterans' Administration pursuant to title 38, United States Code, and the Administrator shall provide all assistance, technical consultation, and information otherwise authorized by law as necessary to promote the maximum effectiveness of the activities and programs assisted under this section.

"(e) ADMINISTRATION OF PROGRAM.—The program provided for in this section shall be administered by an identifiable administrative unit in the Department of Education.

"(f) DISSEMINATION OF INFORMATION.—From the amounts appropriated for this section, the Secretary shall retain one percent or $10,000, whichever is less, for the purpose of collecting information about exemplary Veterans Educational Outreach Programs and disseminating that information to other institutions of higher education having such programs on their campuses. Such collection and dissemination shall be done on an annual basis.

"Subpart 8—Special Child Care Services for Disadvantaged College Students

"SEC. 420B. SPECIAL CHILD CARE SERVICES FOR DISADVANTAGED COLLEGE STUDENTS.

"(a) PROGRAM AUTHORITY.—Funds appropriated pursuant to subsection (c) shall be used by the Secretary to make grants to institutions of higher education to provide special child care services to disadvantaged students.

"(b) APPLICATIONS.—Any institution wishing to receive a grant under this section shall submit an application to the Secretary. Such application shall include—

"(1) a description of the program to be established;

"(2) assurances by the applicant to the Secretary that—

"(A) not less than two-thirds of the participants in the program are low-income individuals;

"(B) the remaining participants in the program are either low-income individuals;

"(C) the participants require the services to pursue a successful program of education beyond high school;

"(D) the participants are enrolled at the institution which is the recipient of the grant;

"(E) all participants will receive sufficient assistance (under this subpart, other provisions of this title, or otherwise) to meet that student's full financial need for child care services related to such enrollment; and

"(F) the institution will meet such need of participants by providing child care through vouchers, contracted services, or direct provision of services; and

"(3) such information (and meet such conditions) as may be required by the Secretary.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the purposes of this section, $15,000,000 for the fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(d) DEFINITIONS.—For the purposes of this subpart—

"(1) the term 'first generation college student' means—

"(A) an individual both of whose parents did not complete a baccalaureate degree; or

"(B) in the case of any individual who regularly resided with and received support from only one parent, an individual whose only such parent did not complete a baccalaureate degree;

"(2) the term 'low-income individual' means an individual from a family whose taxable income for the preceding year did not exceed 150 percent of an amount equal to the poverty level determined by using criteria of poverty established by the Bureau of the Census.".

PART B—REVISION OF PART B OF TITLE IV

SEC. 411. AMENDMENT TO PART B OF TITLE IV.

(a) AMENDMENT.—Part B of title IV of the Act (20 U.S.C. 1071 et seq.) is amended to read as follows:

"PART B—GUARANTEED STUDENT LOAN PROGRAM

"SEC. 421. STATEMENT OF PURPOSE; NONDISCRIMINATION; AND APPROPRIATIONS AUTHORIZED.

"(a) PURPOSE; DISCRIMINATION PROHIBITED.—

"(1) PURPOSE.—The purpose of this part is to enable the Secretary—

"(A) to encourage States and nonprofit private institutions and organizations to establish adequate loan insurance programs for students in eligible institutions (as defined in section 435),

"(B) to provide a Federal program of student loan insurance for students or lenders who do not have reasonable access to a State or private nonprofit program of student loan insurance covered by an agreement under section 428(b),

"(C) to pay a portion of the interest on loans to qualified students which are insured under this part, and

"(D) to guarantee a portion of each loan insured under a program of a State or of a nonprofit private institution or organization which meets the requirements of section 428(a)(1)(B).

"(2) DISCRIMINATION BY CREDITORS PROHIBITED.—No agency, organization, institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall exclude from receipt or deny the benefits of, or discriminate against any borrower or applicant in obtaining, such credit or insurance on the basis of race, national origin, religion, sex, marital status, age, or handicapped status.

"(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of carrying out this part—

"(1) there are authorized to be appropriated to the student loan insurance fund (established by section 431) (A) the sum of $1,000,000, and (B) such further sums, if any, as may become necessary for the adequacy of the student loan insurance fund,

"(2) there are authorized to be appropriated, for payments under section 428 with respect to interest on student loans and for payments under section 437, such sums for the fiscal year ending June 30, 1966, and succeeding fiscal years, as may be required therefor,

"(3) there is authorized to be appropriated the sum of $17,500,000 for making advances pursuant to section 422 for the reserve funds of State and nonprofit private student loan insurance programs,

"(4) there are authorized to be appropriated (A) the sum of $12,500,000 for making advances after June 30, 1968, pursuant to sections 422 (a) and (b), and (B) such sums as may be necessary for making advances pursuant to section 422(c), for the reserve funds of State and nonprofit private student loan insurance programs, and

"(5) there are authorized to be appropriated such sums as may be necessary for the purpose of paying an administrative cost allowance in accordance with section 428(f) to guaranty agencies.

Sums appropriated under paragraphs (1), (2), (4), and (5) of this subsection shall remain available until expended.

"SEC. 422. ADVANCES FOR RESERVE FUNDS OF STATE AND NONPROFIT PRIVATE LOAN INSURANCE PROGRAMS.

"(a) PURPOSE OF AND AUTHORITY FOR ADVANCES TO RESERVE FUNDS.—

"(1) PURPOSE; ELIGIBLE RECIPIENTS.—From sums appropriated pursuant to paragraphs (3) and (4)(A) of section 421(b), the Secretary is authorized to make advances to any State with which the Secretary has made an agreement pursuant to section 428(b) for the purpose of helping to establish or strengthen the reserve fund of the student loan insurance program covered by that agreement. If for any fiscal year a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Secretary determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Secretary may make advances for such year for the same purpose to one or more nonprofit private institutions or organizations with which the Secretary has made an agreement pursuant to section 428(b) in order to enable students in the State to participate in a program of student loan insurance covered by such an agreement. The Secretary may make advances under this subsection both to a State program (with which he has such an agreement) and to one or more nonprofit private institutions or organizations (with which he has such an agreement) in that State if he determines that such advances are necessary in order that students in each eligible institution have access through such institution to a student loan insurance program which meets the requirements of section 428(b)(1).

"(2) MATCHING REQUIREMENT.—No advance shall be made after June 30, 1968, unless matched by an equal amount from non-Federal sources. Such equal amount may include the unencumbered non-Federal portion of a reserve fund. As used in the preceding sentence, the term 'unencumbered non-Federal portion' means the amount (determined as of the time immediately preceding the making of the advance) of the reserve fund less the greater of—

"(A) the sum of—

"(i) advances made under this section prior to July 1, 1968;

"(ii) an amount equal to twice the amount of advances made under this section after June 30, 1968, and before the advance for purposes of which the determination is made; and

"(iii) the proceeds of earnings on advances made under this section; or

"(B) any amount which is required to be maintained in such fund pursuant to State law or regulation, or by agreement with lenders, as a reserve against the insurance of outstanding loans.

"(3) TERMS AND CONDITIONS; REPAYMENT.—Advances pursuant to this subsection shall be upon such terms and conditions (including conditions relating to the time or times of payment) consistent with the requirements of section 428(b) as the Secretary determines will best carry out the purposes of this section. Advances made by the Secretary under this subsection shall be repaid within such period as the Secretary may deem to be appropriate in each case in the light of the maturity and solvency of the reserve fund for which the advance was made.

"(b) LIMITATIONS ON TOTAL ADVANCES.—

"(1) IN GENERAL.—The total of the advances from the sums appropriated pursuant to paragraph (4)(A) of section 421(b) to nonprofit private institutions and organizations for the benefit of students in any State and to such State may not exceed an amount which bears the same ratio to such sums as the population of such State aged 18 to 22, inclusive, bears to the population of all the States aged 18 to 22 inclusive, but such advances may otherwise be in such amounts as the Secretary determines will best achieve the purposes for which they are made. The amount available, however, for advances to any State shall not be less than $25,000 and any additional funds needed to meet this requirement shall be derived by proportionately reducing (but not below $25,000) the amount available for advances to each of the remaining States.

"(2) CALCULATION OF POPULATION.—For the purposes of this subsection, the population aged 18 to 22, inclusive, of each State and of all the States shall be determined by the Secretary on the basis of the most recent satisfactory data available to him.

"(c) ADVANCES FOR INSURANCE OBLIGATIONS.—

"(1) USE FOR PAYMENT OF INSURANCE OBLIGATIONS.—From sums appropriated pursuant to section 421(b)(4)(B), the Secretary shall advance to each State which has an agreement with the Secretary under section 428(c) with respect to a student loan insurance program, an amount determined in accordance with paragraph (2) of this subsection to be used for the purpose of making payments under the State's insurance obligations under such program.

"(2) AMOUNT OF ADVANCES.—(A) Except as provided in subparagraph (B), the amount to be advanced to each such State shall be equal to 10 percent of the principal amount of loans made by lenders and insured by such agency on those loans on which the first payment of principal became due during the fiscal year immediately preceding the fiscal year in which the advance is made.

"(B) The amount of any advance determined according to subparagraph (A) of this paragraph shall be reduced by—

"(i) the amount of any advance or advances made to such State pursuant to this subsection at an earlier date; and

"(ii) the amount of the unspent balance of the advances made to a State pursuant to subsection (a).

Notwithstanding subparagraph (A) and the preceding sentence of this subparagraph, but subject to subparagraph (D) of this paragraph, the amount of any advance to a State described in paragraph (5)(A) for the first year of its eligibility under such paragraph, and the amount of any advance to any State described in paragraph (5)(B) for each year of its eligibility under such paragraph, shall not be less than $50,000.

"(C) For purposes of subparagraph (B), the unspent balance of the advances made to a State pursuant to subsection (a) shall be that portion of the balance of the State's reserve fund (remaining at the time of the State's first request for an advance pursuant to this subsection) which bears the same ratio to such balance as the Federal advances made and not returned by such State, pursuant to subsection (a), bears to the total of all past contributions to such reserve funds from all sources (other than interest on investment of any portion of the reserve fund) contributed since the date such State executed an agreement pursuant to section 428(b).

"(D) If the sums appropriated for any fiscal year for paying the amounts determined under subparagraphs (A) and (B) are not sufficient to pay such amounts in full, then such amounts shall be reduced—

"(i) by ratably reducing that portion of the amount allocated to each State which exceeds $50,000; and

"(ii) if further reduction is required, by equally reducing the $50,000 minimum allocation of each State.

If additional sums become available for paying such amounts for any fiscal year during which the preceding sentence has been applied, such reduced amounts shall be increased on the same basis as they were reduced.

"(3) USE OF EARNINGS FOR INSURANCE OBLIGATIONS.—The earnings, if any, on any investments of advances received pursuant to this subsection must be used for making payments under the State's insurance obligations.

"(4) REPAYMENT OF ADVANCES.—Advances made by the Secretary under this subsection shall, subject to subsection (d), be repaid within such period as the Secretary may deem to be appropriate and shall be deposited in the fund established by section 431.

"(5) LIMITATION ON NUMBER OF ADVANCES.—Advances pursuant to this subsection shall be made to a State—

"(A) in the case of a State which is actively carrying on a program under an agreement pursuant to section 428(b) which was entered into before the date of enactment of this subsection, upon such date as such State may request, but not before October 1, 1977, and on the same day of each of the two succeeding calendar years after the date so requested; and

"(B) in the case of a State which enters into an agreement pursuant to section 428(b) on or after the date of enactment of this subsection or which is not actively carrying on a program under an agreement pursuant to such section on such date, upon such date as such State may request, but not before October 1, 1977, and on the same day of each of the four succeeding calendar years after the date so requested of the advance.

"(6) PAYMENT OF ADVANCES WHERE NO STATE PROGRAM.—(A) If for any fiscal year a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Secretary determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Secretary may make advances pursuant to this subsection for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to subsection (c), as well as subsection (b), of section 428 and subparagraph (B) of this paragraph in order to enable students in that State to participate in a program of student loan insurance covered by such agreements.

"(B) The Secretary may enter into an agreement with private nonprofit institution or organization for purposes of this paragraph under which such institution or organization—

"(i) agrees to establish within such State at least one office with sufficient staff to handle written and telephone inquiries from students, eligible lenders, and other persons in the State, to encourage maximum commercial lender participation within the State, and to conduct periodic visits to at least the major eligible lenders within the State;

"(ii) agrees that its insurance will not be denied any student because of his or her choice of eligible institutions or the student's lack of need; and

"(iii) certifies that it is neither an eligible institution, nor has any substantial affiliation with an eligible institution.

"(d) RECOVERY OF ADVANCES DURING FISCAL YEAR 1988.—

"(1) AMOUNT AND USE OF RECOVERED FUNDS.—Notwithstanding any other provision of this section, advances made by the Secretary under this section shall be repaid in accordance with this subsection and shall be deposited in the fund established by section 431. The Secretary shall, in accordance with the requirements of paragraph (2), recover (and so deposit) an amount equal to $50,000,000 during fiscal year 1988.

"(2) DETERMINATION OF GUARANTY AGENCY OBLIGATIONS.—In determining the amount of advances which shall be repaid by a guaranty agency under paragraph (1), the Secretary—

"(A) shall consider the solvency and maturity, as determined by the Comptroller General, of the reserve and insurance funds of the State or nonprofit private institution or organization assisted by such advances; and

"(B) shall not seek repayment of such advances from any State described in subsection (c)(5)(B) during any year of its eligibility under such subsection.

"(3) STANDARDS FOR COMPTROLLER GENERAL REVIEW.—In making determinations under paragraph (2)(A) of this subsection, the Comptroller General shall take into account the requirements of State law in effect on the date of enactment of this paragraph.

"SEC. 423. EFFECTS OF ADEQUATE NON-FEDERAL PROGRAMS.

"(a) FEDERAL INSURANCE BARRED TO LENDERS WITH ACCESS TO STATE OR PRIVATE INSURANCE.—Except as provided in subsection (b), the Secretary shall not issue certificates of insurance under section 429 to lenders in a State if he determines that every eligible institution has reasonable access in that State to a State or private nonprofit student loan insurance program which is covered by an agreement under section 428(b).

"(b) EXCEPTIONS.—The Secretary may issue certificates of insurance under section 429 to a lender in a State—

"(1) for insurance of a loan made to a student borrower who does not, by reason of his residence, have access to loan insurance under the loan insurance program of such State (or under any private nonprofit loan insurance program which has received an advance under section 422 for the benefit of students in such State);

"(2) for insurance of all the loans made to student borrowers by a lender who satisfies the Secretary that, by reason of the residence of such borrowers, such lender will not have access to any single State or nonprofit private loan insurance program which will insure substantially all of the loans such lender intends to make to such student borrowers; or

"(3) under such circumstances as may be approved by the guaranty agency in such State, for the insurance of a loan to a borrower for whom such lender previously was issued such a certificate if the loan covered by such certificate is not yet repaid.

"SEC. 424. SCOPE AND DURATION OF FEDERAL LOAN INSURANCE PROGRAM.

"(a) LIMITATIONS ON AMOUNTS OF LOANS COVERED BY FEDERAL INSURANCE.—The total principal amount of new loans made and installments paid pursuant to lines of credit (as defined in section 435) to students covered by Federal loan insurance under this part shall not exceed $2,000,000,000 for the period from July 1, 1976, to September 30, 1976, and for each of the succeeding fiscal years ending prior to October 1, 1992. Thereafter, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to enable students, who have obtained prior loans insured under this part, to continue or complete their educational program; but no insurance may be granted for any loan made or installment paid after September 30, 1997.

"(b) APPORTIONMENT OF AMOUNTS.—The Secretary may, if he or she finds it necessary to do so in order to assure an equitable distribution of the benefits of this part, assign, within the maximum amounts specified in subsection (a), Federal loan insurance quotas applicable to eligible lenders, or to States or areas, and may from time to time reassign unused portions of these quotas.

"SEC. 425. LIMITATIONS ON INDIVIDUAL FEDERALLY INSURED LOANS AND ON FEDERAL LOAN INSURANCE.

"(a) ANNUAL AND AGGREGATE LIMITS.—

"(1) ANNUAL LIMITS.—(A) The total of loans made to a student in any academic year or its equivalent (as determined by the Secretary), excluding any amount of such loans made available (pursuant to section 428(a)(2)(D)) to cover the origination fee with respect to such loans, which may be covered by Federal loan insurance under this part may not exceed—

"(i) $2,500, in the case of a student who has not successfully completed the first and second year of a program of undergraduate education;

"(ii) $5,000, in the case of a student who has completed such first and second year but who has not completed the remainder of a program of undergraduate education; or

"(iii) in the case of a graduate or professional student (as defined in regulations of the Secretary)—

"(I) $5,000, if such student attends an institution for which the sum of the tuition, fees, and costs (as determined under section 472(1)) is less than $5,000;

"(II) an amount equal to such sum, if such sum is equal to or greater than $5,000 but less than $8,000; and

"(III) $8,000, if such sum is equal to or greater than $8,000.

"(B) The annual insurable limits contained in subparagraph (A) shall not apply in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education. The annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any year in excess of the annual limit.

"(2) AGGREGATE LIMITS.—(A) The aggregate insured unpaid principal amount for all such insured loans made to any student shall not at any time exceed—

"(i) $14,500 in the case of any student who has not successfully completed a program of undergraduate education; and

"(ii) an amount equal to the sum of the annual limits applicable to the borrower under paragraph (1)(A)(iii) of this subsection for each of the first five academic years of graduate or professional study for which the borrower obtained loans under this part, plus $14,500, in the case of any graduate or professional student (as defined by regulations of the Secretary and including any loans which are insured by the Secretary under this part, or by a guaranty agency, made to such person before he or she became a graduate or professional student).

"(B) The Secretary shall increase the aggregate insurable limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive.

"(b) LEVEL OF INSURANCE COVERAGE BASED ON DEFAULT RATE.—

"(1) REDUCTION FOR DEFAULTS IN EXCESS OF 5 OR 9 PERCENT.—(A) Except as provided in subparagraph (B), the insurance liability on any loan insured by the Secretary under this part shall be 100 percent of the unpaid balance of the principal amount of the loan plus interest, except that—

"(i) if, for any fiscal year, the total amount of payments under section 430 by the Secretary to any eligible lender as de-

scribed in section 435(d)(1)(D) exceeds 5 percent of the sum of the loans made by such lender which are insured by the Secretary and which were in repayment at the end of the preceding fiscal year, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 90 percent of the amount of such portion; or

"(ii) if, for any fiscal year, the total amount of such payments to such a lender exceeds 9 percent of such sum, the insurance liability under this subsection for that portion of such excess which represents loans insured after the applicable date with respect to such loans, as determined under subparagraph (C), shall be equal to 80 percent of the amount of such portion.

"(B) Notwithstanding subparagraph (A), the provisions of clauses (i) and (ii) of such subparagraph shall not apply to an eligible lender as described in section 435(d)(1)(D) for the fiscal year in which such lender begins to carry on a loan program insured by the Secretary, or for any of the four succeeding fiscal years.

"(C) The applicable date with respect to a loan made by an eligible lender as described in section 435(d)(1)(D) shall be—

"(i) the 90th day after the adjournment of the next regular session of the appropriate State legislature which convenes after the date of enactment of the Education Amendments of 1967, or

"(ii) if the primary source of lending capital for such lender is derived from the sale of bonds, and the constitution of the appropriate State prohibits a pledge of such State's credit as security against such bonds, the day which is one year after such 90th day.

"(2) COMPUTATION OF AMOUNTS IN REPAYMENT.—For the purposes of this subsection, the sum of the loans made by a lender which are insured by the Secretary and which are in repayment shall be the original principal amount of loans made by such lender which are insured by the Secretary reduced by—

"(A) the amount the Secretary has been required to pay to discharge his or her insurance obligations under this part;

"(B) the original principal amount of loans insured by the Secretary which have been fully repaid;

"(C) the original principal amount insured on those loans for which payment of first installment of principal has not become due pursuant to section 427(a)(2)(B) or such first installment need not be paid pursuant to section 427(a)(2)(C); and

"(D) the original principal amount of loans repaid by the Secretary under section 437.

"(3) PAYMENTS TO ASSIGNEES.—For the purposes of this subsection, payments by the Secretary under section 430 to an assignee of the lender with respect to a loan shall be deemed payments made to such lender.

"(4) PLEDGE OF FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the provisions of section 430 or 437 of this part.

"SEC. 426. SOURCES OF FUNDS.

"Loans made by eligible lenders in accordance with this part shall be insurable by the Secretary whether made from funds fully owned by the lender or from funds held by the lender in a trust or similar capacity and available for such loans.

"SEC. 427. ELIGIBILITY OF STUDENT BORROWERS AND TERMS OF FEDERALLY INSURED STUDENT LOANS.

"(a) LIST OF REQUIREMENTS.—A loan by an eligible lender shall be insurable by the Secretary under the provisions of this part only if—

"(1) made to a student who (A) is an eligible student under section 484, (B) has agreed to notify promptly the holder of the loan concerning any change of address, and (C) is carrying at least one-half the normal full-time academic workload for the course of study he or she is pursuing (as determined by the institution); and

"(2) evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by him or her would not, under the applicable law, create a binding obligation, endorsement may be required;

"(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than five years (unless sooner repaid or unless the student, during the nine months preceding the start of the repayment period, specifically requests that repayment be made over a shorter period) nor more than ten years beginning nine months after the month in which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except—

"(i) as provided in subparagraph (C);

"(ii) that the note or other written instrument may contain such reasonable provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default by the borrower, as may be authorized by regulations of the Secretary in effect at the time the loan is made; and

"(iii) that the lender and the student, after the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, may agree to a repayment schedule which begins earlier, or is of shorter duration, than required by this subparagraph, but in the event a student has requested and obtained a repayment period of less than five years, he or she may at any time prior to the total repayment of the loan, have the repayment period extended so that the total repayment period is not less than five years;

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

"(i) during which the borrower is pursuing at least a half-time course of study at an eligible institution, is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary;

"(ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act;

"(iv) not in excess of three years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

"(v) not in excess of three years during which the borrower is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) not in excess of three years during which the borrower is engaged as a full-time teacher in a public or private elementary or secondary school;

"(vii) not in excess of two years during which the borrower is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(viii) not in excess of three years during which the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a spouse who is so disabled;

"(ix) not in excess of three years during which a single parent borrower is unable to secure employment by reason of the care required by a disabled child of such borrower (as defined in section 435(g)(3));

"(x) during a single period, not in excess of twelve months, at the request of the borrower, during which the borrower is seeking and unable to find full-time employment; or

"(xi) not in excess of six months of parental leave,

and that any such period shall not be included in determining the ten-year period provided in subparagraph (B);

"(D) provides for interest on the unpaid principal balance of the loan at a yearly rate, not exceeding the applicable maximum rate prescribed in section 427A, which interest shall be payable in installments over the period of the loan except that, if provided in the note or other written agreement, any interest payable by the student may be deferred until not later than the date upon which repayment of the first installment of principal falls due, in which case interest accrued during that period may be added on that date to the principal;

"(E) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Secretary under this part, and that the lender will enter into such agreements with the Secretary as may be necessary for the purposes of section 437;

"(F) entitles the student borrower to accelerate without penalty repayment of the whole or any part of the loan;

"(G)(i) contains a notice of the system, of disclosure of information concerning such loan to credit bureau organizations under section 430A, and (ii) provides that the lender on request of the borrower will provide information on the repayment status of the note to such organizations; and

"(H) contains such other terms and conditions, consistent with the provisions of this part and with the regulations issued by the Secretary pursuant to this part, as may be agreed upon by the parties to such loan, including, if agreed upon, a provision requiring the borrower to pay the lender, in addition to principal and interest, amounts equal to the insurance premiums payable by the lender to the Secretary with respect to such loan;

"(3) the funds borrowed by a student are disbursed to the institution by check or

other means that is payable to and requires the endorsement or other certification by such student, except nothing in this title shall be interpreted to allow the Secretary to require checks to be made co-payable to the institution and the borrower or to prohibit the disbursement of loan proceeds by means other than by check; and

"(4) in the case of a loan made for any period of enrollment of more than six months, one semester, two quarters, or 600 clock hours and for an amount of $1,000 or more, the proceeds of the loan will be disbursed directly by the lender in two or more installments, none of which exceeds one-half of the loan, with the interval between the first and second installment being not less than one-third of such period (except as necessary to permit the second installment to be disbursed at the beginning of the second semester, quarter, or similar division of such period of enrollment).

For purposes of paragraph (4), all loans issued for the same period of enrollment shall be considered as a single loan.

"(b) MINIMUM REPAYMENT RATE.—The total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not, unless the borrower and the lender otherwise agree, be less than $600 or the balance of all such loans (together with interest thereon), whichever amount is less, except that in the case of a husband and wife, both of whom have such loans outstanding, the total of the combined payments for such a couple during any year shall not be less than $600 or the balance of all such loans, whichever is less.

"SEC. 427A. APPLICABLE INTEREST RATES.

"(a) RATES TO BE CONSISTENT FOR BORROWER'S ENTIRE DEBT.—With respect to any loan to cover the cost of instruction for any period of instruction beginning on or after January 1, 1981, the rate of interest applicable to any borrower shall—

"(1) not exceed 7 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has an outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, for which the interest rate does not exceed 7 percent;

"(2) except as provided in paragraph (3), be 9 percent per year on the unpaid principal balance of the loan in the case of any borrower who, on the date of entering into the note or other written evidence of that loan, has no outstanding balance of principal or interest on any loan described in paragraph (1) or any loan for which the interest rate is determined under paragraph (1); or

"(3) be 8 percent per year on the unpaid principal balance of the loan for a loan to cover the cost of education for any period of enrollment beginning on or after a date which is three months after a determination made under subsection (b) in the case of any borrower who, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan for which the interest rate is determined under paragraph (1) or (2) of this subsection.

"(b) REDUCTION FOR NEW BORROWERS AFTER DECLINE IN TREASURY BILL RATES.—If for any twelve-month period beginning on or after January 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of ninety-one-day Treasury bills auctioned for such twelve-month period is equal to or less than 9 percent, the interest rate for loans under this part shall be the rate prescribed in subsection (a)(3) for borrowers described in such subsection.

"(c) RATES FOR SUPPLEMENTAL LOANS FOR STUDENTS AND LOANS FOR PARENTS.—

"(1) IN GENERAL.—Except as otherwise provided in this subsection, the applicable rate of interest on loans made pursuant to section 428B or 428C on or after October 1, 1981, shall be 14 percent per year on the unpaid principal balance of the loan.

"(2) REDUCTION OF RATE AFTER DECLINE IN TREASURY BILL RATES.—If for any twelve-month period beginning on or after October 1, 1981, the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of ninety-one-day Treasury bills auctioned for such twelve-month period is equal to or less than 14 percent, the applicable rate of interest for loans made pursuant to section 428B or 428C on and after the first day of the first month beginning after the date of publication of such determination shall be 12 percent per year on the unpaid principal balance of the loan.

"(3) INCREASE OF RATE AFTER INCREASE IN TREASURY BILL RATES.—If for any twelve-month period beginning on or after the date of publication of a determination under paragraph (2), the Secretary, after consultation with the Secretary of the Treasury, determines that the average of the bond equivalent rates of ninety-one-day Treasury bills auctioned for such twelve-month period exceeds 14 percent, the applicable rate of interest for loans made pursuant to section 428B or 428C on and after the first day of the first month beginning after the date of publication of that determination under this paragraph shall be 14 percent per year on the unpaid principal balance of the loan.

"(d) INTEREST RATES FOR NEW BORROWERS AFTER OCTOBER 1, 1987.—Notwithstanding subsections (a) and (b) of this section, with respect to any loan (other than a loan made pursuant to section 428B, 428C, and 428D) to cover the cost of instruction for any period of enrollment beginning on or after October 1, 1987, to any borrower who on, on the date of entering into the note or other written evidence of the loan, has no outstanding balance of principal or interest on any loan made, insured, or guaranteed under this part, the applicable rate of interest shall be—

"(1) 8 percent per year on the unpaid principal balance of the loan during the period beginning on the date of the disbursement of the loan and ending 4 years after the commencement of repayment; and

"(2) 10 percent per year on the unpaid principal balance of the loan during the remainder of the repayment period.

"(e) LESSER RATES PERMITTED.—Nothing in this section shall be construed to prohibit a lender from charging a borrower interest at a rate less than the rate which is applicable under this part.

"(f) DEFINITIONS.—For the purposes of subsections (a) and (d) of this section—

"(1) the term 'period of instruction' shall, at the discretion of the lender, be any academic year, semester, trimester, quarter, or other academic period; or shall be the period for which the loan is made as determined by the institution of higher education; and

"(2) the term 'period of enrollment' shall be the period for which the loan is made as determined by the institution of higher education and shall coincide with academic terms such as academic year, semester, trimester, quarter, or other academic period as defined by such institution.

"SEC. 428. FEDERAL PAYMENTS TO REDUCE STUDENT INTEREST COSTS.

"(a) FEDERAL INTEREST SUBSIDIES.—

"(1) TYPES OF LOANS THAT QUALIFY.—Each student who has received a loan for study at an eligible institution—

"(A) which is insured by the Secretary under this part; or

"(B) which is insured under a program of a State or of a nonprofit private institution or organization which was contracted for, and paid to the student, within the period specified in paragraph (5), and which—

"(i) in the case of a loan insured prior to July 1, 1967, was made by an eligible lender and is insured under a program which meets the requirements of subparagraph (E) of subsection (b)(1) and provides that repayment of such loan shall be in installments beginning not earlier than sixty days after the student ceases to pursue a course of study (as described in subparagraph (D) of subsection (b)(1)) at an eligible institution, or

"(ii) in the case of a loan insured after June 30, 1967, was made by an eligible lender and is insured under a program covered by an agreement made pursuant to subsection (b),

shall be entitled to have paid on his or her behalf and for his or her account to the holder of the loan a portion of the interest on such loan under circumstances described in paragraph (2).

"(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.—(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall—

"(i) have provided to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which—

"(I) sets forth such student's estimated cost of attendance (as determined under section 472); and

"(II) sets forth such student's estimated financial assistance; and

"(ii) meet the requirements of subparagraph (B).

"(B) For the purposes of clause (ii) of subparagraph (A), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement evidencing a determination of need for a loan (as determined under part F of this title) and the amount of such need, subject to the provisions of subparagraph (D).

"(C) For the purpose of paragraph (1) and this paragraph—

"(i) a student's estimated financial assistance means, for the period for which the loan is sought, the amount of assistance such student will receive under subpart 1 of part A (as determined in accordance with section 484(b)), subpart 2 of part A, and parts C and E of this title, and any amount paid the student under chapters 32, 34, and 35 of title 38, United States Code, plus other scholarship, grant, or loan assistance; and

"(ii) the determination of need and of the amount of a loan by an eligible institution under subparagraph (B) with respect to a student shall be calculated by subtracting from the estimated cost of attendance at the eligible institution the total of the expected family contribution with respect to

such student plus any estimated financial assistance reasonably available to such student.

"(D) For the purpose of subparagraph (B), the amount of the loan which is qualified for a payment under paragraph (1) is the amount of the need of such student as determined by the eligible institution, increased by an amount necessary to cover the origination fee with respect to such loan (as authorized by section 438(c)).

"(3) AMOUNT OF INTEREST SUBSIDY.—(A) Subject to section 438(c), the portion of the interest on a loan which a student is entitled to have paid on his or her behalf and for his or her account to the holder of the loan pursuant to paragraph (1) of this subsection shall be equal to the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, or which accrues during a period in which principal need not be paid (whether or not such principal is in fact paid) by reason of a provision described in subsection (b)(1)(M) of this section or in section 427(a)(2)(C). Such portion of the interest on a loan shall not exceed, for any period, the amount of the interest on that loan which is payable by the student after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his or her behalf for that period under any State or private loan insurance program. The holder of a loan with respect to which payments are required to be made under this section shall be deemed to have a contractual right, as against the United States, to receive from the Secretary the portion of interest which has been so determined without administrative delay after the receipt by the Secretary of an accurate and complete request for payment pursuant to paragraph (4). The Secretary shall pay this portion of the interest to the holder of the loan on behalf of and for the account of the borrower at such times as may be specified in regulations in force when the applicable agreement entered into pursuant to subsection (b) was made, or, if the loan was made by a State or is insured under a program which is not covered by such an agreement, at such times as may be specified in regulations in force at the time the loan was paid to the student.

"(B) If (i) a State student loan insurance program is covered by an agreement under subsection (b), (ii) a statute of such State limits the interest rate on loans insured by such program to a rate which is less than the applicable interest rate under this part, and (iii) the Secretary determines that subsection (d) does not make such statutory limitation inapplicable and that such statutory limitation threatens to impede the carrying out of the purposes of this part, then the Secretary may pay an administrative cost allowance to the holder of each loan which is insured under such program and which is made during the period beginning on the sixtieth day after the date of enactment of the Higher Education Amendments of 1968 and ending 120 days after the adjournment of such State's first regular legislative session which adjourns after January 1, 1969. Such administrative cost allowance shall be paid over the term of the loan in an amount per year (determined by the Secretary) which shall not exceed 1 percent of the unpaid principal balance of the loan.

"(4) SUBMISSION OF STATEMENTS BY HOLDERS ON AMOUNT OF PAYMENT.—Each holder of a loan with respect to which payments of interest are required to be made by the Secretary shall submit to the Secretary, at such time or times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Secretary to determine the amount of the payment which he must make with respect to that loan.

"(5) DURATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS.—The period referred to in subparagraph (B) of paragraph (1) of this subsection shall begin on the date of enactment of this Act and end at the close of September 30, 1992, except that, in the case of a loan made or insured under a student loan or loan insurance program to enable a student who has obtained a prior loan made or insured under such program to continue his or her education program, such period shall end at the close of September 30, 1996.

"(6) ASSESSMENT OF BORROWER'S FINANCIAL CONDITION NOT PROHIBITED OR REQUIRED.—Nothing in this or any other Act shall be construed to prohibit or require, unless otherwise specifically provided by law, a lender to evaluate the total financial situation of a student making application for a loan under this part, or to counsel a student with respect to any such loan, or to make a decision based on such evaluation and counseling with respect to the dollar amount of any such loan.

"(b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.—

"(1) REQUIREMENTS OF INSURANCE PROGRAM.—Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program—

"(A) authorizes the insurance in any academic year or its equivalent (as determined under regulations of the Secretary) for any student who is carrying at an eligible institution at least one-half the normal full-time academic workload (as determined by the institution) in any amount, excluding any amount of such loans made available (pursuant to section 428(a)(2)(D)) to cover the origination fee with respect to such loans, up to a maximum of—

"(i) $2,500 in the case of a student who has not successfully completed the first or second year of a program of undergraduate education;

"(ii) $5,000, in the case of a student who has completed such first and second year but who has not completed the remainder of a program of undergraduate education;

"(iii) in the case of a graduate or professional student (as defined in regulations of the Secretary)—

"(I) $5,000, if such student attends an institution for which the sum of the tuition, fees, and costs (as determined under section 472(1)) is less than $5,000;

"(II) an amount equal to such sum, if such sum is equal to or greater than $5,000 but less than $8,000; and

"(III) $8,000, if such sum is equal to or greater than $8,000;

except in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purposes of this part with respect to students engaged in specialized training requiring exceptionally high costs of education, but the annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit;

"(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of—

"(i) $14,500 in the case of any student who has not successfully completed a program of undergraduate education; and

"(ii) an amount equal to the sum of the annual limits applicable to the borrower under subparagraph (A)(iii) of this subsection for each of the first five academic years of graduate or professional study for which the borrower obtained loans under this part, plus $14,500, in the case of any graduate or professional student (as defined by regulations of the Secretary and including any loans which are insured by the Secretary under this part, or by a guaranty agency, made to such person before he became a graduate or professional student),

except that the Secretary shall increase the limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive;

"(C) authorizes the insurance of loans to any individual student for at least six academic years of study or their equivalent (as determined under regulations of the Secretary);

"(D) provides that (i) the student borrower shall be entitled to accelerate without penalty the whole or any part of an insured loan, (ii) except as provided in subparagraph (M) of this paragraph, the repayment period of any insured loan may not exceed 10 years, and (iii) the note or other written evidence of any loan, may contain such reasonable provisions relating to repayment in the event of default by the borrower as may be authorized by regulations of the Secretary in effect at the time such note or written evidence was executed;

"(E) subject to subparagraphs (D) and (L) of this paragraph and except as provided by subparagraph (M) of this paragraph, provides that repayment of loans shall be in installments over a period of not less than five years (unless the student, during the nine months preceding the start of the repayment period, specifically requests that repayment be made over a shorter period) nor more than ten years beginning nine months after the month in which the student ceases to carry at least one-half the normal full-time academic workload as determined by the institution;

"(F) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of 7 percent per year on the unpaid principal balance of the loan (exclusive of any premium for insurance which may be passed on to the borrower), except as otherwise required by section 427A;

"(G) insures not less than 100 percent of the unpaid principal of loans insured under the program;

"(H) provides for collection of an insurance premium equal to not more than 3 percent per loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and insures that the proceeds of the premium will not be used for incentive payments to lenders;

"(I) provides that the benefits of the loan insurance program will not be denied any student who is eligible for interest benefits under subsection (a) (1) and (2);

"(J) provides that a student may obtain insurance under the program for a loan for any year of study at an eligible institution;

"(K) in the case of a State program, provides that such State program is administered by a single State agency, or by one or more nonprofit private institutions or organizations under supervision of a single State agency;

"(L) provides that the total of the payments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower which are insured under this part shall not, unless the borrower and the lender otherwise agree, be less than $600 or the balance of all such loans (together with interest thereon), whichever amount is less, except that, in the case of a husband and wife, both of whom have such loans outstanding, the total of the combined payments for such a couple during any year shall not be less than $600 or the balance of all such loans, whichever is less;

"(M) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period—

"(i) during which the borrower is carrying at least one-half the full-time academic workload as determined by an eligible institution, is pursuing a course of study pursuant to a graduate fellowship program approved by the Secretary, or pursuant to a rehabilitation training program for disabled individuals approved by the Secretary;

"(ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act;

"(iv) not in excess of three years during which the borrower is in service as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

"(v) not in excess of three years during which the borrower is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) not in excess of three years during which the borrower is engaged as a full-time teacher in a public or private elementary or secondary school;

"(vii) not in excess of two years during which the borrower is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(viii) not in excess of three years during which the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a spouse who is so disabled;

"(ix) not in excess of three years during which a single parent borrower is unable to secure employment by reason of the care required by a disabled child of such borrower (as defined in section 435(g)(3));

"(x) during a single period, not in excess of twelve months, at the request of the borrower, during which the borrower is seeking and unable to find full-time employment; and

"(xi) not in excess of six months of parental leave;

"(N) provides that funds borrowed by a student are disbursed to the institution by check or other means that is payable to and requires the endorsement or other certification by such student, except nothing in this title shall be interpreted to allow the Secretary to require checks to be made co-payable to the institution and the borrower or to prohibit the disbursement of loan proceeds by means other than by check;

"(O) provides that the proceeds of any loan made for any period of enrollment of more than six months, one semester, two quarters, or 600 clock hours and for an amount of $1,000 or more—

"(i) will be disbursed directly by the lender in two or more installments, none of which exceeds one-half of the loan, with the interval between the first and second installment being not less than one-third of such period (except as necessary to permit the second installment to be disbursed at the beginning of the second semester, quarter, or similar division of such period of enrollment), or

"(ii) will be disbursed in such installments pursuant to the escrow provisions of subsection (i) of this section,

but all loans issued for the same period of enrollment shall be considered as a single loan for purposes of this subparagraph;

"(P) requires the borrower and the institution at which the borrower is in attendance to promptly notify the holder of the loan, directly or through the guaranty agency, concerning any change of address or status;

"(Q) provides for the guarantee of loans made to students and parents under sections 428B and 428C;

"(R) with respect to lenders which are eligible institutions, provides for the insurance of loans by only such institutions as are located within the geographic area served by such guaranty agency;

"(S) provides no restrictions with respect to the insurance of loans for students who are otherwise eligible for loans under such program if such a student is accepted for enrollment in or is attending an eligible institution within the State, or if such a student is a legal resident of the State and is accepted for enrollment in or is attending an eligible institution outside that State;

"(T) provides no restrictions with respect to eligible institutions which are more onerous than eligibility requirements for institutions under the Federal student loan insurance program as in effect on January 1, 1985, unless—

"(i) that institution is ineligible under regulations for the limitation, suspension, or termination of eligible institutions under the Federal student loan insurance program or is ineligible pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility issued under the Federal student loan insurance program; or

"(ii) there is a State constitutional prohibition affecting the eligibility of such an institution; and

"(U) provides (i) for the eligibility of all lenders described in section 435(d)(1) under reasonable criteria, unless (I) that lender is eliminated as a lender under regulations for the limitation, suspension, or termination of lender under the Federal student loan insurance program or is eliminated as a lender pursuant to criteria issued under the student loan insurance program which are substantially the same as regulations with respect to such eligibility as a lender issued under the Federal student loan insurance program, or (II) there is a State constitutional prohibition affecting the eligibility of a lender, and (ii) assurances that the guaranty agency will report to the Secretary annually concerning such criteria, including any procedures in effect under such program to limit, suspend, or terminate lenders.

"(2) CONTENTS OF INSURANCE PROGRAM AGREEMENT.—Such an agreement shall—

"(A) provide that the holder of any such loan will be required to submit to the Secretary, at such time or times and in such manner as the Secretary may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Secretary to determine the amount of the payment which must be made with respect to that loan;

"(B) include such other provisions as may be necessary to protect the United States from the risk of unreasonable loss and promote the purposes of this part, including such provisions as may be necessary for the purpose of section 437, and as are agreed to by the Secretary and the guaranty agency, as the case may be;

"(C) provide for making such reports, in such form and containing such information, as the Secretary may reasonably require to carry out the Secretary's functions under this part, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports; and

"(D) provide for—

"(i) conducting, except as provided in clause (ii), financial and compliance audits of the guaranty agency at least once every two years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(ii) with regard to a guaranty program of a State which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period of time covered by such audit.

"(c) GUARANTY AGREEMENTS FOR REIMBURSING LOSSES.—

"(1) AUTHORITY TO ENTER INTO AGREEMENTS.—(A) The Secretary may enter into a guaranty agreement with any guaranty agency, whereby the Secretary shall undertake to reimburse it, under such terms and conditions as the Secretary may establish, with respect to losses (resulting from the default of the student borrower) on the unpaid balance of the principal and accrued interest of any insured loan. The guaranty agency shall be deemed to have a contractual right against the United States, during the life of such loan, to receive reimbursement according to the provisions of this subsection. Upon receipt of an accurate and complete request by a guaranty agency for reimbursement with respect to such losses, the Secretary shall pay promptly and without administrative delay. Except as provided in subparagraph (B) of this paragraph and in paragraph (7), the amount to be paid a guaranty agency as reimbursement under this subsection shall be equal to 100 percent of the amount expended by it in discharge of its insurance obligation incurred under

its loan insurance program. In no case shall a guaranty agency file a claim under this subsection for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

"(B) Notwithstanding subparagraph (A)—

"(i) if, for any fiscal year, the amount of such reimbursement payments by the Secretary under this subsection exceeds 5 percent of the loans which are insured by such guaranty agency under such program and which were in repayment at the end of the preceding fiscal year, the amount to be paid as reimbursement under this subsection for such excess shall be equal to 90 percent of the amount of such excess; and

"(ii) if, for any fiscal year, the amount of such reimbursement payments, exceed 9 percent of such loans, the amount to be paid as reimbursement under this subsection for such excess shall be equal to 80 percent of the amount of such excess.

"(C) For purposes of this subsection, the amount of loans of a guaranty agency which are in repayment shall be the original principal amount of loans made by a lender which are insured by such a guaranty agency reduced by—

"(i) the amount the insurer has been required to pay to discharge its insurance obligations under this part;

"(ii) the original principal amount of loans insured by it which have been fully repaid; and

"(iii) the original principal amount insured on those loans for which payment of the first installment of principal has not become due pursuant to subsection (b)(1)(E) of this section or such first installment need not be paid pursuant to section 428(b)(1)(M).

"(2) CONTENTS OF GUARANTY AGREEMENTS.—The guaranty agreement—

"(A) shall set forth such administrative and fiscal procedures as may be necessary to protect the United States from the risk of unreasonable loss thereunder, to insure proper and efficient administration of the loan insurance program, and to assure that due diligence will be exercised in the collection of loans insured under the program, including a requirement that each beneficiary of insurance on the loan submit proof that reasonable attempts were made to locate the borrower (when the location of the borrower is unknown) and proof that contact was made with the borrower (when the location is known);

"(B) shall provide for making such reports, in such form and containing such information, as the Secretary may reasonably require to carry out the Secretary's functions under this subsection, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports;

"(C) shall set forth adequate assurances that, with respect to so much of any loan insured under the loan insurance program as may be guaranteed by the Secretary pursuant to this subsection, the undertaking of the Secretary under the guaranty agreement is acceptable in full satisfaction of State law or regulation requiring the maintenance of a reserve;

"(D) shall provide that if, after the Secretary has made payment under the guaranty agreement pursuant to paragraph (1) of this subsection with respect to any loan, any payments are made in discharge of the obligation incurred by the borrower with respect to such loan (including any payments of interest accruing on such loan after such payment by the Secretary), there shall be paid over to the Secretary (for deposit in the fund established by section 431) such proportion of the amounts of such payments as is determined (in accordance with paragraph (6)) to represent his equitable share thereof, but (i) shall provide for subrogation of the United States to the rights of any insurance beneficiary only to the extent required for purposes of paragraph (8); and (ii) except as the Secretary may otherwise by or pursuant to regulation provide, amounts so paid by a borrower on such a loan shall be first applied in reduction of principal owing on such loan;

"(E) shall set forth adequate assurance that an amount equal to each payment made under paragraph (1) will be promptly deposited in or credited to the accounts maintained for purposes of section 422(c);

"(F) set forth adequate assurances that the guaranty agency will not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, handicapped status, income, attendance at a particular eligible institution within the area served by the guaranty agency, length of the borrower's educational program, or the borrower's academic year in school; and

"(G) may include such other provisions as may be necessary to promote the purposes of this part.

"(3) FORBEARANCE.—To the extent provided in regulations of the Secretary, a guaranty agreement under this subsection may contain provisions which permit such forbearance for the benefit of the student borrower as may be agreed upon by the parties to an insured loan and approved by the insurer. Such regulations shall not preclude guaranty agencies from permitting the parties to such a loan from entering into a forbearance agreement solely because the loan is in default.

"(4) DEFINITIONS.—For purposes of this subsection, the terms 'insurance beneficiary' and 'default' have the meanings assigned to them by section 435.

"(5) APPLICABILITY TO EXISTING LOANS.—In the case of any guaranty agreement with a guaranty agency, the Secretary may, in accordance with the terms of this subsection, undertake to guarantee loans described in paragraph (1) which are insured by such guaranty agency and are outstanding on the date of execution of the guaranty agreement, but only with respect to defaults occurring after the execution of such guaranty agreement or, if later, after its effective date.

"(6) SECRETARY'S EQUITABLE SHARE.—(A) For the purpose of paragraph (2)(D), the Secretary's equitable share of payments made by the borrower shall be that portion of the payments remaining after the guaranty agency with which the Secretary has an agreement under this subsection has deducted from such payments—

"(i) a percentage amount equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

"(ii) an amount equal to 30 percent of such payments (subject to subparagraph (D) of this paragraph) for the administrative costs of collection of loans reimbursed under this subsection, the administrative costs of preclaims assistance for default prevention, the administrative costs of supplemental preclaims assistance for default prevention, and the administrative costs of monitoring the enrollment and repayment status of students (as such terms are defined in subparagraph (B) or (C) of this paragraph).

"(B) For the purpose of this paragraph, the term—

"(i) 'administrative costs of collection of loans' means any administrative costs incurred by a guaranty agency which are directly related to the collection of the loan on which a default claim has been paid to the participating lender, including the attributable compensation of collection personnel (and in the case of personnel who perform several functions for such an agency only the portion of the compensation attributable to the collection activity), attorney's fees, fees paid to collection agencies, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable;

"(ii) 'administrative costs of preclaim assistance for default prevention' means any administrative costs incurred by a guaranty agency which are directly related to providing collection assistance to the lender on a delinquent loan, prior to the loan's being legally in a default status, including the attributable compensation of appropriate personnel (and in the case of personnel who perform several functions for such an agency only the portion of compensation attributable to the collection activity), fees paid to locate a missing borrower, postage, equipment, supplies, telephone and similar charges, but does not include the overhead costs of such agency whether or not attributable; and

"(iii) 'administrative costs of monitoring the enrollment and repayment status of students' means any administrative costs by a guaranty agency which are directly related to ascertaining the student's enrollment status, prompt notification to the lender of such status, an audit of the note or written agreement to determine if the provisions of that note or agreement are consistent with the records of the guaranty agency as to the principal amount of the loan guaranteed, and an examination of the note or agreement to assure that the repayment provisions are consistent with the provisions of this part,

subject to such additional criteria as the Secretary may by regulation prescribe.

"(C)(i) For purposes of this paragraph, 'administrative costs of supplemental preclaims assistance' means (subject to divisions (ii) through (iv)) any administrative costs—

"(I) incurred by a guaranty agency in connection with a loan on which the guarantor has exercised pre-claims assistance required or permitted under paragraph (2)(A) of this subsection and subsection (f), and which has been in delinquent status for at least 120 days; and

"(II) which are directly related to providing collection assistance to the lender on a delinquent loan, prior to a claim being filed with the guaranty agency,

including the attributable compensation of appropriate personnel (and in the case of personnel who perform several functions, only the portion of compensation attributable to the collection assistance), fees paid to locate a missing borrower, postage, equipment, supplies, telephone, and similar charges, but does not include overhead costs.

"(ii) The administrative costs for which reimbursement is authorized under this subparagraph must be clearly supplemental to the preclaim assistance for default prevention which the guaranty agency is required or permitted to provide pursuant to paragraph (2)(A) of this subsection and subsection (f).

"(iii) The services associated with carrying out this subparagraph may be provided by the guaranty agency directly or under contract, except that such services may not be carried out by an organization or entity (other than the guaranty agency)—

"(I) that is the holder or servicer of the loan or an organization or entity that owns or controls the holder or servicer of the loan; or

"(II) that is owned or controlled by the same corporation, partnership, association, or individual that owns or controls the holder or servicer of the loan.

"(iv) The costs for each delinquent loan associated with carrying out this subparagraph may not exceed 2 percent of the outstanding principal balance of each such loan subject to the supplemental preclaims assistance authorized by this subparagraph or $100, whichever is less.

"(D)(i) In the case of a State which enacts a garnishment law that complies with the requirements of this subparagraph, subparagraph (A)(ii) shall be applied by substituting '35 percent' for '30 percent'.

"(ii) A garnishment law complies with the requirements of this subparagraph if such law—

"(I) provides that the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted upon the written consent of the individual involved;

"(II) provides the individual with a minimum of 30 days written notice, informing such individual of the nature and amount of the indebtedness determined by such agency to be due, the intention of the agency to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under such law;

"(III) provides the individual with an opportunity to inspect and copy records relating to the debts;

"(IV) provides the individual with an opportunity to enter into a written agreement with the agency, under terms agreeable to the head of the agency or his designee, to establish a schedule for the repayment of the debt;

"(V) provides the individual with an opportunity for a hearing in accordance with division (iii) on the determination of the agency concerning the existence or the amount of the debt, and in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to clause (IV), concerning the terms of the repayment schedule, but does not permit additional administrative or judicial procedures that would delay collection of the debt (such as reduction of the debt to a judgment);

"(VI) provides that the employer will be held liable to the agency for any amount which such employer fails to withhold from wages due an employee following receipt by such employer of proper notice under clause (II), but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this clause; and

"(VII) provides for the imposition of a fine against any employer who discharges from employment, refuses to employ, or takes disciplinary action against any individual subject to wage withholding required by this subparagraph because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer.

"(iii) A hearing described in division (ii)(V) shall be provided if the individual, on or before the 15th day following receipt of the notice described in division (ii)(II), and in accordance with such procedures as the head of the agency may prescribe, files a petition requesting such a hearing. The timely filing of a petition for hearing shall stay the commencement of collection proceedings. A hearing under division (ii)(V) may not be conducted by an individual under the supervision or control of the head of the agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.

"(iv) The notice given to the employer pursuant to division (ii)(II) shall contain only such information as may be necessary for the employer to comply with the withholding order.

"(v) For purposes of this subparagraph, the term 'disposable pay' means that part of pay of any individual remaining after the deduction of any amounts required by law to be withheld.

"(7) NEW PROGRAMS ELIGIBLE FOR 100 PERCENT REINSURANCE.—(A) Notwithstanding paragraph (1)(B), the amount to be paid a guaranty agency for any fiscal year—

"(i) which begins on or after the effective date of this paragraph; and

"(ii) which is either the fiscal year in which such guaranty agency begins to actively carry on a student loan insurance program which is subject to a guaranty agreement under subsection (b) of this section, or is one of the four succeeding fiscal years,

shall be 100 percent of the amount expended by such guaranty agency in discharge of its insurance obligation insured under such program.

"(B) The Secretary shall continuously monitor the operations of those guaranty agencies to which the provisions of subparagraph (A) are applicable and revoke the application of such subparagraph to any such guaranty agency which the Secretary determines has not exercised reasonable prudence in the administration of such program.

"(8) ASSIGNMENT TO PROTECT FEDERAL FISCAL INTEREST.—If the Secretary determines that the protection of the Federal fiscal interest so requires, a guaranty agency shall assign to the Secretary any loan of which it is the holder and for which the Secretary has made a payment pursuant to paragraph (1) of this subsection.

"(9) REHABILITATION OF DEFAULTED LOANS.—(A) Upon securing consecutive payments for 12 months of amounts owed on a loan for which the Secretary has made a payment under paragraph (1) of this subsection, or upon a determination that a loan was in default due to clerical or data processing error and would not, in the absence of such error, be in a delinquent status, the guaranty agency (pursuant to an agreement with the Secretary) or the Secretary shall, if practicable, sell the rehabilitated loan to an eligible lender, other than an eligible lender who has been found by the guaranty agency or the Secretary to have substantially failed to exercise the due diligence required of lenders under this part. Such agreement between the guaranty agency and the Secretary shall provide—

"(i) for the repayment by the agency to the Secretary of 70 percent of the amount of the principal balance outstanding at the time of such sale multiplied by a percentage amount equal to the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the loan; and

"(ii) for the reinstatement by the Secretary (I) of the obligation to reimburse such agency for the amount expended by it in discharge of its insurance obligation under its loan insurance program and (II) of the obligation to pay to the holder of the rehabilitated loan a special allowance pursuant to section 438.

"(B) Amounts received by the Secretary pursuant to the sale of rehabilitated loans by a guaranty agency under this paragraph shall be deducted from the calculations of the amount of reimbursement for which the agency is eligible under paragraph (1)(B) of this section for the fiscal year in which the amount was received, notwithstanding the fact that the default occurred in a prior fiscal year.

"(C) Any borrower whose loan is rehabilitated under subparagraph (A) shall not be precluded by section 484 from receiving additional loans under this title (for which he or she is otherwise eligible) on the basis of defaulting on the loan prior to rehabilitation.

"(D) A loan which is rehabilitated under this paragraph shall, so long as the borrower continues to make scheduled repayments thereon, be subject to the same terms and conditions and qualify for the same benefits and privileges as other loans made under this part.

"(d) APPLICABILITY OF OTHER LAW.—

"(1) USURY LAWS INAPPLICABLE.—No provision of any law of the United States (other than this Act) or of any State (other than a statute applicable principally to such State's student loan insurance program) which limits the rate or amount of interest payable on loans shall apply to a loan—

"(A) which bears interest (exclusive of any premium for insurance) on the unpaid principal balance at a rate not in excess of the rate specified in this part; and

"(B) which is insured (i) by the United States under this part, or (ii) by a guaranty agency under a program covered by an agreement made pursuant to subsection (b) of this section.

"(2) STATUTES OF LIMITATIONS.—Notwithstanding any provision of State law that would set an earlier deadline for filing suit—

"(A) a guaranty agency which has an agreement with the Secretary under subsection (c) may file suit for collection of the amount due from a borrower on a loan made under this part during a period of time extending at least until a date six years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date such guaranty agency reimburses the previous holder of the loan for its loss on account of the default of the borrower; and

"(B) subject to the provisions of section 2416 of title 28 of the United States Code, the Attorney General may file suit for collection of the amount due the Secretary from a borrower pursuant to subsections (c)(2)(D) and (c)(8) of this section until six

years following the date on which the loan is assigned to the Secretary under this part.

"(3) DEFENSE OF INFANCY.—Notwithstanding any provision of State law to the contrary, in collecting any obligation arising from a loan made under this part, a guaranty agency or the Secretary shall not be subject to a defense raised by any borrower based on a claim of infancy.

"(e) PAYMENTS FOR LENDER REFERRAL SERVICES.—

"(1) IN GENERAL.—The Secretary shall make payments in accordance with this paragraph to a guaranty agency in any State which provides a lender referral service for students who meet the requirements of paragraph (2).

"(2) STUDENT ELIGIBILITY.—A student is eligible to apply for lender referral services to a guaranty agency in a State if—

"(A) such student is either a resident of such State or is accepted for enrollment in or is attending an eligible institution in such State; and

"(B) such student has sought and was unable to find a lender willing to make a loan under this part.

"(3) AMOUNT OF PAYMENT.—The amount which the Secretary shall pay to any eligible guaranty agency under this paragraph shall be equal to one-half of 1 percent of the total principal amount of the loans (upon which insurance was issued under this part) to a student described in paragraph (2) who subsequently obtained such loans because of such agency's referral service.

"(4) INCENTIVE FEES TO LENDERS.—Nothing in this or any law shall prohibit an agency from using all or a portion of the funds received under this part for the payment of incentive fees to lenders who agree to participate in a lender referral service.

"(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as are necessary to carry out the provisions of this paragraph.

"(f) PAYMENTS OF CERTAIN COSTS.—

"(1) PAYMENTS BASED ON INSURANCE PROGRAM AGREEMENT.—(A) The Secretary shall make payments in accordance with the provisions of this paragraph to any guaranty agency for the purposes of—

"(i) the administrative cost of promotion of commercial lender participation;

"(ii) the administrative costs of collection of loans;

"(iii) the administrative costs of preclaims assistance for default prevention;

"(iv) the administrative costs of monitoring the enrollment and repayment status of students; or

"(v) other such costs related to the student loan insurance program subject to such agreement.

"(B) The total amount of payments for any fiscal year made under this paragraph shall be equal to 1 percent of the total principal amount of the loans upon which insurance was issued under this part during such fiscal year by such guaranty agency. The guaranty agency shall be deemed to have a contractual right against the United States to receive payments according to the provisions of this subparagraph. Payments shall be made promptly and without administrative delay to any guaranty agency submitting an accurate and complete application therefor under this subparagraph.

"(2) APPLICATIONS FOR PAYMENTS.—No payment may be made under paragraph (1) of this subsection unless the guaranty agency submits to the Secretary an application at such time, at least annually, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require. Each such application shall—

"(A) set forth assurances that the student loan insurance program subject to the guaranty agreement complies with subparagraphs (A), (B), (G), (R), (S), (T), and (U) of subsection (b)(1);

"(B) contain provisions designed to demonstrate the capability of carrying out a necessary and successful program of collection of and preclaim assistance for the loan program subject to that agreement;

"(C) set forth an estimate of the costs which are eligible for payment under the provisions of this subsection;

"(D) provide for such administrative and fiscal procedures, including an audit, as are necessary to carry out the provisions of this subsection; and

"(E) set forth assurances that the guaranty agency will furnish such data and information, including where necessary estimates, as the Secretary may reasonably require to carry out the provisions of this subsection.

"(g) ACTION ON INSURANCE PROGRAM AND GUARANTY AGREEMENTS.—If a nonprofit private institution or organization—

"(1) applies to enter into an agreement with the Secretary under subsections (b) and (c) with respect to a student loan insurance program to be carried on in a State with which the Secretary does not have an agreement under subsection (b), and

"(2) as provided in the application, undertakes to meet the requirements of section 422(c)(6)(B) (i), (ii), and (iii),

the Secretary shall consider and act upon such application within 180 days, and shall forthwith notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives of his actions.

"(h) LENDING BY GUARANTY AGENCIES.—

"(1) LENDING FROM SALLIE MAE ADVANCES.—From sums advanced by the Association pursuant to section 439(p), each guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) of the Act is authorized to make loans directly to students otherwise unable to obtain loans under this part.

"(2) AMOUNT OF ADVANCES.—(A) Each guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) which has an application approved under section 439(p)(2) may receive advances under section 439(p) for each fiscal year in an amount necessary to meet the demand for loans under this section. The amount such agency or lender is eligible to receive may not exceed 25 percent of the average of the loans guaranteed by that agency or lender for the three years preceding the fiscal year for which the determination is made. Whenever the determination required by the preceding sentence cannot be made because the agency or lender does not have three years previous experience, the amount such agency or lender is eligible to receive may not exceed 25 percent of the loans guaranteed under a program of a State of comparable size.

"(B) Each guaranty agency and each eligible lender in a State described in section 435(d)(1) (D) or (F) shall repay advances made under section 439(p) in accordance with agreements entered into between the Association and such agency or lender.

"(3) LOAN TERM, CONDITIONS, AND BENEFITS.—Loans made pursuant to this subsection shall have the same terms, conditions, and benefits as all other loans made under this part.

"(i) MULTIPLE DISBURSEMENT OF LOANS.—

"(1) ESCROW ACCOUNTS ADMINISTERED BY ESCROW AGENT.—Any guaranty agency or eligible lender (hereafter in this subsection referred to as the 'escrow agent') may enter into an agreement with any other eligible lender that is not an eligible institution or an agency or instrumentality of the State (hereafter in this subsection referred to as the 'lender') for the purpose of authorizing multiple disbursements of the proceeds of a loan to a student. Such agreement shall provide that the lender will pay the proceeds of such loans into an escrow account to be administered by the escrow agent in accordance with the provisions of paragraph (2) of this subsection. Such agreement may allow the lender to make payments into the escrow account in amounts that do not exceed the sum of the amounts required for disbursement of initial or subsequent installments to borrowers and to make such payments not more than 45 days prior to the date of the disbursement of such installment to such borrowers. Such agreement shall require the lender to notify promptly the eligible institution when funds are escrowed under this subsection for a student at such institution.

"(2) AUTHORITY OF ESCROW AGENT.—Each escrow agent entering into an agreement under paragraph (1) of this subsection is authorized to—

"(A) make the disbursements in accordance with the note evidencing the loan;

"(B) commingle the proceeds of all loans paid to the escrow agent pursuant to the escrow agreement entered into under such paragraph (1);

"(C) invest the proceeds of such loans in obligations of the Federal Government or obligations which are insured or guaranteed by the Federal Government;

"(D) retain interest or other earnings on such investment; and

"(E) return to the lender undisbursed funds when the student ceases to carry at an eligible institution at least one-half of the normal full-time academic workload as determined by the institution.

"(j) LENDERS-OF-LAST-RESORT.—In each State, the guaranty agency or an eligible lender in the State described in section 435(d)(1)(D) of this Act shall make loans directly, or through an agreement with an eligible lender or lenders, to students eligible to receive interest benefits paid on their behalf under subsection (a) of this section who are otherwise unable to obtain loans under this part. Loans made under this subsection shall not exceed the amount of the need of the borrower, as determined under subsection (a)(2)(B), nor be less than $200.

"SEC. 428A. COMMINGLING OF FUNDS.

"Notwithstanding any other provision of this part, funds received by a guaranty agency under any provision of this part may be commingled with funds received under any other provision of this part and may be used to carry out the purposes of such other provision, except that—

"(1) the total amount expended for the purposes of such other provision shall not exceed the amount the guaranty agency would otherwise be authorized to expend; and

"(2) the authority to commingle such funds shall not relieve such agency of any accounting or auditing obligations under this part.

"SEC. 428B. SUPPLEMENTAL LOANS FOR STUDENTS.

"(a) AUTHORITY TO BORROW.—Students shall be eligible to borrow funds under this section in amounts specified in subsection (b), and unless otherwise specified in subsections (c) and (d), loans under this section shall have the same terms, conditions, and benefits as all other loans made under this part.

"(b) LIMITATIONS ON AMOUNTS OF LOANS.—

(1) ANNUAL LIMIT.—Subject to paragraphs (2) and (3), the maximum amount a student may borrow in any academic year or its equivalent (as defined by regulation by the Secretary) is $4,000.

"(2) AGGREGATE LIMIT.—The aggregate insured principal amount for insured loans made to any student under this section shall not exceed $20,000.

"(3) LIMITATION BASED ON NEED.—Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loans may be made to any student under this section which would cause his or her combined loans for any academic year to exceed the student's estimated cost of attendance minus such student's estimated financial assistance as certified by the eligible institution under section 428(a)(2)(A) of this part. The annual insurable limit on account of the student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

"(c) INTEREST RATES AND SUBSIDIES.—

"(1) CAPITALIZATION OF INTEREST.—Interest on loans made under this section for which payments of principal and interest are deferred shall, at the option of the lender (A) be paid quarterly or (B) be added to the principal amount of the loan on a quarterly basis by the lender. Such capitalization of interest shall not be deemed to exceed the annual insurable limit on account of the student.

"(2) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this section.

"(3) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to this section shall be at the rate provided in section 427A(c).

"(d) REFINANCING.—Notwithstanding the annual insurable limit on account of the student, an eligible lender may provide for the consolidation of loans made under this section, including loans made under section 428B as in effect prior to the enactment of this Act, under a single repayment schedule, and shall calculate the repayment period for each included loan from the date of the commencement of repayment of the most recent included loan.

"SEC. 428C. LOANS FOR PARENTS.

"(a) AUTHORITY TO BORROW.—Parents of a student shall be eligible to borrow funds under this section in amounts specified in subsection (b), and unless otherwise specified in subsections (c) and (d), such loans shall have the same terms, conditions, and benefits as all other loans made under this part. Whenever necessary to carry out the provisions of this section, the term 'student' and 'borrower' used in this part shall include a parent borrower under this section, but such a parent borrower shall not be eligible for any deferment pursuant to section 427(a)(2)(C) or 428(b)(1)(M) except for the deferments allowed under clauses (viii) and (x) of such sections.

"(b) LIMITATIONS ON AMOUNTS OF LOANS.—

"(1) ANNUAL LIMIT.—Subject to paragraphs (2) and (3), the maximum amount parents may borrow for one student in any academic year or its equivalent (as defined by regulation of the Secretary) is $4,000.

"(2) AGGREGATE LIMIT.—The aggregate insured principal amount for insured loans made to parents on account of a student shall not exceed $20,000.

"(3) LIMITATION BASED ON NEED.—Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loan may be made to any parent under this section which would cause the combined loans of the parent and the student for any academic year to exceed the student's estimated cost of attendance minus such student's estimated financial assistance as certified by the eligible institution under section 428(a)(2)(A) of this part. The annual insurable limit on account of any student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.

"(c) PAYMENT OF PRINCIPAL AND INTEREST.—

"(1) COMMENCEMENT OF REPAYMENT.—Repayment of principal on loans made under this section shall commence not later than 90 days after the date such loan is disbursed by a lender.

"(2) SUBSIDIES PROHIBITED.—No payments to reduce interest costs shall be paid pursuant to section 428(a) of this part on loans made pursuant to this section.

"(3) APPLICABLE RATES OF INTEREST.—Interest on loans made pursuant to this section shall be at the rate provided in section 427A(c).

"(d) REFINANCING.—Notwithstanding the annual insurable limit on account of the parent, an eligible lender, may provide for the consolidation of loans made under this section, including loans made under section 428B as in effect prior to the enactment of Higher Education Amendments of 1985, under a single repayment schedule, and shall calculate the repayment period for each included loan from the date of the commencement of repayment of the most recent included loan.

"SEC. 428D. CONSOLIDATION LOANS.

"(a) AGREEMENTS WITH ELIGIBLE LENDERS.—

"(1) AGREEMENT REQUIRED FOR INSURANCE COVERAGE.—For the purpose of providing loans to eligible borrowers for consolidation of their obligations with respect to student loans made, insured, or guaranteed under this part or made under part E of this title, the Secretary or a guaranty agency shall enter into agreements in accordance with subsection (b) with the following eligible lenders:

"(A) the Student Loan Marketing Association;

"(B) State agencies described in subparagraphs (D) and (F) of section 435(d)(1); and

"(C) other eligible lenders described in subparagraphs (A), (B), (C), and (E) of such section.

"(2) INSURANCE COVERAGE OF CONSOLIDATIONS LOANS.—Except as provided in section 429(e) and 439(o), no contract of insurance under this part shall apply to a consolidation loan unless such loan is made under an agreement pursuant to this section and is covered by a certificate issued in accordance with subsection (b)(2). Loans covered by such a certificate that is issued by a guaranty agency shall be considered to be insured loans for the purposes of reimbursements under section 428(c), but no payment shall be made with respect to such loans under section 428(f) to any such agency.

"(3) DEFINITION OF ELIGIBLE BORROWER.—(A) For the purpose of this section, the term 'eligible borrower' means a borrower who, at the time of application for a consolidation loan—

"(i) has an outstanding indebtedness of not less than $7,500;

"(ii) is in repayment status, or in a grace period preceding repayment, and is not delinquent with respect to any required payment on such indebtedness by more than 90 days; and

"(iii) is not a parent borrower under section 428C.

"(B) An individual's status as an eligible borrower under this section terminates upon receipt of a consolidation loan under this section except with respect to loans received under this title after the date of receipt of the consolidation loan. Loans made under this section shall, to the extent used to discharge loans made under this part, be counted against the applicable limitations on aggregate indebtedness contained in sections 425(a)(2) and 428(b)(1)(B).

"(b) CONTENTS OF AGREEMENTS, CERTIFICATES OF INSURANCE, AND LOAN NOTES.—

"(1) AGREEMENTS WITH LENDERS.—Any lender described in subparagraph (A), (B), or (C) of subsection (a)(1) who wishes to make consolidation loans under this section shall enter into an agreement with the Secretary or a guaranty agency which provides—

"(A) that, in the case of all lenders described in subsection (a)(1), the lender will make a consolidation loan to an eligible borrower (on request of that borrower) only if the borrower certifies that he or she has no other application pending for a loan under this section and (I) the lender holds an outstanding loan of that borrower which is selected by the borrower for consolidation under this section, or (II) the borrower certifies that the borrower has sought and has been unable to obtain a consolidation loan from the holders of the outstanding loans of that borrower (which are so selected for consolidation);

"(B) that each consolidation loan made by the lender will bear interest, and be subject to repayment, in accordance with subsection (c);

"(C) that each consolidation loan will be made, notwithstanding any other provision of this part limiting the maximum principal amount for all insured loans made to a borrower, in an amount (i) which is not less than the minimum amount required for eligibility of the borrower under subsection (a)(2), and (ii) which is equal to the sum of the unpaid principal and accrued unpaid interest and late charges of all loans received by the eligible borrower under this title which are selected by the borrower for consolidation;

"(D) that the proceeds of each consolidation loan will be paid by the lender to the holder or holders of the loans so selected to discharge the liability on such loans;

"(E) that the lender will make a reasonable effort to notify each borrower who has received a loan or loans under this title which are held by the lender of the availability and terms of consolidation loans under this section; and

"(F) such other terms and conditions as the Secretary or the guaranty agency may specifically require of the lender to carry out this section.

"(2) ISSUANCE OF CERTIFICATE OF COMPREHENSIVE INSURANCE COVERAGE.—The Secre-

tary shall issue a certificate of comprehensive insurance coverage under section 429(b) to a lender which has entered into an agreement with the Secretary under paragraph (1) of this subsection. The guaranty agency may issue a certificate of comprehensive insurance coverage to a lender with which it has an agreement under such paragraph. The Secretary shall not issue a certificate to a lender described in subparagraph (B) or (C) of subsection (a)(1) unless the Secretary determines that such lender has been denied a certificate of insurance by the guaranty agency which insures the preponderance of its loans (by value).

"(3) CONTENTS OF CERTIFICATE.—A certificate issued under paragraph (2) shall, at a minimum, provide—

"(A) that all consolidation loans made by such lender in conformity with the requirements of this section will be insured by the Secretary or the guaranty agency (whichever is applicable) against loss of principal and interest;

"(B) that a consolidation loan will not be insured unless the lender has obtained from the holder or holders of each loan being consolidated a certificate—

"(i) that the loan is a legal, valid, and binding obligation of the borrower;

"(ii) that each loan was made and serviced in compliance with applicable laws and regulations; and

"(iii) in the case of loans under this part, that the insurance on such loan is in full force and effect;

"(C) the effective date and expiration date of the certificate;

"(D) the aggregate amount to which the certificate applies;

"(E) the reporting requirements of the Secretary on the lender and an identification of the office of the Department of Education or of the guarantee agency which will process claims and perform other related administrative functions;

"(F) the alternative repayment terms which will be offered to borrowers by the lender;

"(G) that, if the lender prior to the expiration of the certificate no longer proposes to make consolidation loans, the lender will so notify the issuer of the certificate in order that the certificate may be terminated (without affecting the insurance on any consolidation loan made prior to such termination); and

"(H) the terms upon which the issuer of the certificate may limit, suspend, or terminate the lender's authority to make consolidation loans under the certificate (without affecting the insurance on any consolidation loan made prior to such limitation, suspension, or termination).

"(4) TERMS AND CONDITIONS OF LOANS.—A consolidation loan made pursuant to this section shall be insurable by the Secretary or a guaranty agency pursuant to paragraph (2) only if the loan is made to an eligible borrower who has agreed to notify the holder of the loan promptly concerning any change of address and the loan is evidenced by a note or other written agreement which—

"(A) is made without security and without endorsement, except that if the borrower is a minor and such note or other written agreement executed by him or her would not, under applicable law, create a binding obligation, endorsement may be required;

"(B) provides for the payment of interest and the repayment of principal in accordance with subsection (c) of this section;

"(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period for which the borrower would be eligible for a deferral under section 427(a)(2)(C) or 428(b)(1)(M), and that any such period shall not be included in determining the repayment period pursuant to subsection (c)(2) of this section;

"(D) entitles the borrower to accelerate without penalty repayment of the whole or any part of the loan; and

"(E)(i) contains a notice of the system of disclosure concerning such loan to credit bureau organizations under section 430A, and (ii) provides that the lender on request of the borrower will provide information on the repayment status of the note to such organizations.

"(c) PAYMENT OF PRINCIPAL AND INTEREST.—

"(1) INTEREST RATES.—(A) Consolidation loans made under this section shall bear interest at rates determined under subparagraph (B) or (C). For the purposes of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan.

"(B) Except as provided in subparagraph (C), a consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan equal to—

"(i) 8 percent during the period beginning on the date of disbursement of the loan and ending four years after the commencement of repayment;

"(ii) 9 percent during the 5th through 7th years after such commencement of repayment;

"(iii) 10 percent during the 8th through 10th years after such commencement of repayment; and

"(iv) 12 percent during the 11th through 25th years after such commencement of repayment.

"(C) A consolidation loan shall bear interest at an annual rate on the unpaid principal balance of the loan which is not less than the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent.

"(2) REPAYMENT SCHEDULES.—Notwithstanding any other provision of this part, to the extent authorized by its certificate of insurance under subsection (b)(2)(F) and approved by the issuer of such certificate, the lender of a consolidation loan shall establish repayment terms as will promote the objectives of this section, including the establishment of graduated, income sensitive repayment schedules. However, a consolidation loan shall be repaid as follows:

"(A) In the case of a consolidation loan which is less than $15,000, such loan shall be repaid in not more than 15 years.

"(B) In the case of a consolidation loan which equals or exceeds $15,000, but is less than $35,000, or if the sum of the consolidation loan and the amount outstanding on other student loans to the same individual equals or exceeds $15,000, but is less than $35,000, such loan shall be repaid in not more than 20 years.

"(C) In the case of a consolidation loan which equals or exceeds $35,000, or if the sum of the consolidation loan and the amount outstanding on other student loans to the same individual equals or exceeds $35,000, such loan shall be repaid in not more than 25 years.

"(3) COMMENCEMENT OF REPAYMENT.—Repayment of a consolidation loan shall commence within 60 days after all holders have, pursuant to subsection (b)(1)(D), discharged the liability of the borrower on the loans selected for consolidation.

"(4) INSURANCE PREMIUMS PROHIBITED.—No insurance premium shall be charged to the borrower on any consolidation loan, and no insurance premium shall be payable by the lender to the Secretary with respect to any such loan.

"(d) TERMINATION OF AUTHORITY.—The authority to make loans under this section expires at the close of September 30, 1992. Loans made under this section shall be considered to be new loans made to students for purposes of section 424(a).

"SEC. 429. CERTIFICATE OF FEDERAL LOAN INSURANCE—EFFECTIVE DATE OF INSURANCE.

"(a) LOAN-BY-LOAN INSURANCE.—

"(1) AUTHORITY TO ISSUE CERTIFICATES ON APPLICATION.—If, upon application by an eligible lender, made upon such form, containing such information, and supported by such evidence as the Secretary may require, and otherwise in conformity with this section, the Secretary finds that the applicant has made a loan to an eligible student which is insurable under the provisions of this part, he may issue to the applicant a certificate of insurance covering the loan and setting forth the amount and terms of the insurance.

"(2) EFFECTIVENESS OF CERTIFICATE.—Insurance evidenced by a certificate of insurance pursuant to subsection (a)(1) shall become effective upon the date of issuance of the certificate, except that the Secretary is authorized, in accordance with regulations, to issue commitments with respect to proposed loans, or with respect to lines (or proposed lines) of credit, submitted by eligible lenders, and in that event, upon compliance with subsection (a)(1) by the lender, the certificate of insurance may be issued effective as of the date when any loan, or any payment by the lender pursuant to a line of credit, to be covered by such insurance was made. Such insurance shall cease to be effective upon sixty days' default by the lender in the payment of any installment of the premiums payable pursuant to subsection (c).

"(3) CONTENTS OF APPLICATIONS.—An application submitted pursuant to subsection (a)(1) shall contain (A) an agreement by the applicant to pay, in accordance with regulations, the premiums fixed by the Secretary pursuant to subsection (c), and (B) an agreement by the applicant that if the loan is covered by insurance the applicant will submit such supplementary reports and statement during the effective period of the loan agreement, upon such forms, at such times, and containing such information as the Secretary may prescribe by or pursuant to regulation.

"(b) COMPREHENSIVE INSURANCE COVERAGE CERTIFICATE.—

"(1) ESTABLISHMENT OF SYSTEM BY REGULATION.—In lieu of requiring a separate insurance application and issuing a separate certificate of insurance for each student loan made by an eligible lender as provided in subsection (a), the Secretary may, in accordance with regulations consistent with section 424, issue to any eligible lender applying therefor a certificate of comprehensive insurance coverage which shall, without further action by the Secretary, insure all insurable loans made by that lender, on or after the date of the certificate and before a specified cutoff date, within the limits of an aggregate maximum amount stated in the certificate. Such regulations may provide for conditioning such insurance, with respect to any loan, upon compliance by the lender with such requirements (to be stated or incorporated by reference in the certifi-

cate) as in the Secretary's judgment will best achieve the purpose of this subsection while protecting the United States from the risk of unreasonable loss and promoting the objectives of this part, including (but not limited to) provisions as to the reporting of such loans and information relevant thereto to the Secretary and as to the payment of initial and other premiums and the effect of default therein, and including provision for confirmation by the Secretary from time to time (through endorsement of the certificate) of the coverage of specific new loans by such certificate, which confirmation shall be incontestable by the Secretary in the absence of fraud or misrepresentation of fact or patent error.

"(2) UNCOVERED LOANS.—If the holder of a certificate of comprehensive insurance coverage issued under this subsection grants to a student a line of credit extending beyond the cutoff date specified in that certificate, loans or payments thereon made by the holder after that date pursuant to the line of credit shall not be deemed to be included in the coverage of that certificate except as may be specifically provided therein; but, subject to the limitations of section 424, the Secretary may, in accordance with regulations, make commitments to insure such future loans or payments, and such commitments may be honored either as provided in subsection (a) or by inclusion of such insurance on comprehensive coverage under the subsection for the period or periods in which such future loans or payments are made.

"(c) CHARGES FOR FEDERAL INSURANCE.—The Secretary shall, pursuant to regulations, charge for insurance on each loan under this part a premium in an amount not to exceed one-fourth of 1 percent per year of the unpaid principal amount of such loan (excluding interest added to principal), payable in advance, at such times and in such manner as may be prescribed by the Secretary. Such regulations may provide that such premium shall not be payable, or if paid shall be refundable, with respect to any period after default in the payment of principal or interest or after the borrower has died or becomes totally and permanently disabled, if (1) notice of such default or other event has been duly given, and (2) requests for payment of the loss insured against has been made or the Secretary has made such payment on his own motion pursuant to section 430(a).

"(d) ASSIGNABILITY OF INSURANCE.—The rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section may be assigned as security by such lender only to another eligible lender, and subject to regulation by the Secretary.

"(e) CONSOLIDATION NOT TO AFFECT INSURANCE.—The consolidation of the obligations of two or more federally insured loans obtained by a student borrower in any fiscal year into a single obligation evidenced by a single instrument of indebtedness shall not affect the insurance by the United States. If the loans thus consolidated are covered by separate certificates of insurance issued under subsection (a), the Secretary may upon surrender of the original certificates issue a new certificate of insurance in accordance with that subsection upon the consolidated obligation; if they are covered by a single comprehensive certificate issued under subsection (b), the Secretary may amend that certificate accordingly.

"SEC. 430. DEFAULT OF STUDENT UNDER FEDERAL LOAN INSURANCE PROGRAM.

"(a) NOTICE TO SECRETARY AND PAYMENT OF LOSS.—Upon default by the student borrower on any loan covered by Federal loan insurance pursuant to this part, and prior to the commencement of suit or other enforcement proceedings upon security for that loan, the insurance beneficiary shall promptly notify the Secretary, and the Secretary shall if requested (at that time or after further collection efforts) by the beneficiary, or may on the Secretary's own motion, if the insurance is still in effect, pay to the beneficiary the amount of the loss sustained by the insured upon that loan as soon as that amount had been determined. The 'amount of the loss' on any loan shall, for the purposes of this subsection and subsection (b), be deemed to be an amount equal to the unpaid balance of the principal amount and accrued interest, including interest accruing from the date of submission of a valid default claim (as determined by the Secretary) to the date on which payment is authorized by the Secretary, reduced to the extent required by section 425(b). Such beneficiary shall be required to meet the standards of due diligence in the collection of the loan and shall be required to submit proof that reasonable attempts were made to locate the borrower (when the location of the borrower is unknown) and proof that contact was made with the borrower (when the location is known). The Secretary shall make the determination required to carry out the provisions of this section not later than ninety days after the notification by the insurance beneficiary and shall make payment in full on the amount of the beneficiary's loss pending completion of the due diligence investigation.

"(b) EFFECT OF PAYMENT OF LOSS.—Upon payment of the amount of the loss pursuant to subsection (a), the United States shall be subrogated for all of the rights of the holder of the obligation upon the insured loan and shall be entitled to an assignment of the note or other evidence of the insured loan by the insurance beneficiary. If the net recovery made by the Secretary on a loan after deduction of the cost of that recovery (including reasonable administrative costs and collection costs, to the extent set forth in regulations issued by the Secretary) exceeds the amount of the loss, the excess shall be paid over to the insured. The Secretary may, in attempting to make recovery on such loans, contract with private business concerns, State student loan insurance agencies, or State guaranty agencies, for payment for services rendered by such concerns or agencies in assisting the Secretary in making such recovery. Any contract under this subsection entered into by the Secretary shall provide that attempts to make recovery on such loans shall be fair and reasonable, and do not involve harassment, intimidation, false or misleading representations, or unnecessary communications concerning the existence of any such loan to persons other than the student borrower.

"(c) FORBEARANCE NOT PRECLUDED.—Nothing in this section or in this part shall be construed to preclude any forbearance for the benefit of the student borrower which may be agreed upon by the parties to the insured loan and approved by the Secretary, or to preclude forbearance by the Secretary in the enforcement of the insured obligation after payment on that insurance. Any forbearance which is approved by the Secretary under this subsection with respect to the repayment of a loan, including a forbearance during default, shall not be considered as indicating that a holder of a federally insured loan has failed to exercise reasonable care and due diligence in the collection of the loan.

"(d) CARE AND DILIGENCE REQUIRED OF HOLDERS.—Nothing in this section or in this part shall be construed to excuse the holder of a federally insured loan from exercising reasonable care and diligence in the making and collection of loans under the provisions of this part. If the Secretary, after a reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially failed to exercise such care and diligence or to make the reports and statements required under section 428(a)(4) and section 429(a)(3), or to pay the required Federal loan insurance premiums, the Secretary shall disqualify that lender for further Federal insurance on loans granted pursuant to this part until the Secretary is satisfied that its failure has ceased and finds that there is reasonable assurance that the lender will in the future exercise necessary care and diligence or comply with such requirements, as the case may be.

"SEC. 430A. REPORTS TO CREDIT BUREAUS AND INSTITUTIONS OF HIGHER EDUCATION.

"(a) AGREEMENTS TO EXCHANGE INFORMATION.—For the purpose of promoting responsible repayment of loans covered by Federal loan insurance pursuant to this part or covered by a guaranty agreement pursuant to section 428, the Secretary, and each guaranty agency having a guaranty agreement with the Secretary under section 428, shall enter into agreements with credit bureau organizations to exchange information concerning student borrowers, in accordance with the requirements of this section. For the purpose of assisting such organizations in complying with the Fair Credit Reporting Act, such agreements may provide for timely response by the Secretary, concerning loans covered by Federal loan insurance, or by a guaranty agency, concerning loans covered by a guaranty agreement, to requests from such organizations for responses to objections raised by borrowers. Subject to the requirements of subsection (c), such agreements shall require the Secretary or the guaranty agency, as appropriate, to disclose to such organizations, with respect to any loan under this part—

"(1) the date of disbursement and the amount of the loan;

"(2) information concerning the date of any default on the loan and the collection of the loan, including information concerning the repayment status of any defaulted loan on which the Secretary has made a payment pursuant to section 430(a) or the guaranty agency has made a payment to the previous holder of the loan; and

"(3) the date of cancellation of the note upon completion of repayment by the borrower of the loan or payment by the Secretary pursuant to section 437.

"(b) ADDITIONAL INFORMATION.—Such agreements may also provide for the disclosure by such organizations to the Secretary or a guaranty agency, whichever insures or guarantees a loan, upon receipt of a notice under subsection (a)(2) that such a loan is in default, of information concerning the borrower's location or other information which may assist the Secretary, the guaranty agency, the eligible lender, or the subsequent holder in collecting the loan.

"(c) CONTENTS OF AGREEMENTS.—Agreements entered into pursuant to this section

shall contain such provisions as may be necessary to ensure that—

"(1) no information is disclosed by the Secretary or the guaranty agency unless its accuracy and completeness have been verified and the Secretary or the guaranty agency has determined that disclosure would accomplish the purposes of this section;

"(2) as to any information so disclosed, such organizations will be promptly notified of, and will promptly record, any change submitted by the Secretary or the guaranty agency with respect to such information, or any objections by the borrower with respect to any such information, as required by section 611 of the Fair Credit Reporting Act (15 U.S.C. 1681i);

"(3) no use will be made of any such information which would result in the use of collection practices with respect to such a borrower that are not fair and reasonable or that involve harassment, intimidation, false or misleading representations, or unnecessary communication concerning the existence of such loan or concerning any such information; and

"(4) with regard to notices of default under subsection (a)(2) of this section, except for disclosures made to obtain the borrower's location, the Secretary, or the guaranty agency, whichever is applicable (A) shall not disclose any such information until the borrower has been notified that such information will be disclosed to credit bureau organizations unless the borrower enters into repayment of his or her loan, but (B) shall, if the borrower has not entered into repayment within a reasonable period of time, but not less than thirty days, from the date such notice has been sent to the borrower, disclose the information required by this subsection.

"(d) CONTRACTOR STATUS OF PARTICIPANTS.—A guaranty agency or credit bureau organization which discloses or receives information under this section shall not be considered a Government contractor within the meaning of section 552a of title 5, United States Code.

"(e) DISCLOSURE TO INSTITUTIONS.—The Secretary and each guaranty agency, eligible lender, and subsequent holder of a loan are authorized to disclose information described in subsections (a) and (b) concerning student borrowers to the eligible institutions such borrowers attend or previously attended.

"(f) DURATION OF AUTHORITY.—Notwithstanding paragraphs (4) and (6) of subsection (a) of section 605 of the Fair Credit Reporting Act (15 U.S.C. 1681c(a)(4), (a)(6)), a consumer reporting agency may make a report containing information received from the Secretary or a guaranty agency, eligible lender, or subsequent holder regarding the status of a borrower's defaulted account on a loan guaranteed under this part until—

"(1) seven years from the date on which the Secretary or the agency paid a claim to the holder on the guaranty, or

"(2) with regard to an account on a loan on which the Secretary or the guaranty agency has paid a claim but not reported the account to a consumer reporting agency on or before October 1, 1985, seven years from that date.

"SEC. 431. INSURANCE FUND.

"(a) ESTABLISHMENT.—There is hereby established a student loan insurance fund (hereinafter in this section called the 'fund') which shall be available without fiscal year limitation to the Secretary for making payments in connection with the default of loans insured by the Secretary under this part, or in connection with payments under a guaranty agreement under section 428(c). All amounts received by the Secretary as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Secretary in connection with operations under this part, any excess advances under section 422(c)(4)(C), and any other moneys, property, or assets derived by the Secretary from operations in connection with this section, shall be deposited in the fund. All payments in connection with the default of loans insured by the Secretary under this part, or in connection with such guaranty agreements shall be paid from the fund. Moneys in the fund not needed for current operations under this section may be invested in bonds or other obligations guaranteed as to principal and interest by the United States.

"(b) BORROWING AUTHORITY.—If at any time the moneys in the fund are insufficient to make payments in connection with the default of any loan insured by the Secretary under this part, or in connection with any guaranty agreement made under section 428(c), the Secretary is authorized, to the extent provided in advance by appropriations Acts, to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under the subsection shall be deposited in the fund and redemption of such notes and obligations shall be made by the Secretary from such fund.

"SEC. 432. LEGAL POWERS AND RESPONSIBILITIES.

"(a) GENERAL POWERS.—In the performance of, and with respect to, the functions, powers, and duties, vested in him by this part, the Secretary may—

"(1) prescribe such regulations as may be necessary to carry out the purposes of this part;

"(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and action instituted under this subsection by or against the Secretary shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in that office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or property under the Secretary's control and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 509, 517, 547, and 2679 of title 28 of the United States Code;

"(3) include in any contract for Federal loan insurance such terms, conditions, and covenants relating to repayment of principal and payment of interest, relating to the Secretary's obligations and rights to those of eligible lenders, and borrowers in case of default, and relating to such other matters as the Secretary determines to be necessary to assure that the purposes of this part will be achieved; and any term, condition, and covenant made pursuant to this paragraph or pursuant to any other provision of this part may be modified by the Secretary, after notice and opportunity for a hearing on the record, if the Secretary finds that the modification is necessary to protect the United States from the risk of unreasonable loss;

"(4) subject to the specific limitations in this part, consent to modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note or other instrument evidencing a loan which has been insured by the Secretary under this part;

"(5) enforce, pay, or compromise, any claim on, or arising because of, any such insurance or any guaranty agreement under section 428(c); and

"(6) enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption.

"(b) FINANCIAL OPERATIONS RESPONSIBILITIES.—The Secretary shall, with respect to the financial operations arising by reason of this part—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

"(2) maintain with respect to insurance under this part an integral set of accounts and prepare financial statements in accordance with generally accepted accounting principles, which shall be audited annually by the General Accounting Office in conformity with generally accepted government auditing standards except that the transactions of the Secretary, including the settlement of insurance claims and of claims for payments pursuant to section 428, and transactions related thereto and vouchers approved by the Secretary in connection with such transactions, shall be final and conclusive upon all accounting and other officers of the Government.

"(c) DATA COLLECTION.—

"(1) COLLECTION BY CATEGORY OF LOAN.—(A) For loans insured after December 31, 1976, or in the case of each insurer after such earlier date where the data required by this subsection are available, the Secretary and all other insurers under this part shall collect and accumulate all data relating to (i) loan volume insured and (ii) defaults reimbursed or default rates according to the categories of loans listed in subparagraph (B) of this paragraph.

"(B) The data indicated in subparagraph (A) of this paragraph shall be accumulated according to the category of lender making the loan and shall be accumulated separately for lenders who are (i) eligible institu-

tions, (ii) State or private, nonprofit direct lenders, (iii) commercial financial institutions who are banks, savings and loan associations, or credit unions, and (iv) all other types of institutions or agencies.

"(C) The Secretary may designate such additional subcategories within the categories specified in subparagraph (B) as the Secretary deems appropriate.

"(D) The category or designation of a loan shall not be changed for any reason, including its purchase or acquisition by a lender of another category.

"(2) COLLECTION AND REPORTING REQUIREMENTS.—(A) The Secretary shall collect data under this subsection from all insurers under this part and shall publish not less often than once every fiscal year a report showing loan volume guaranteed and default data for each category specified in subparagraph (B) of paragraph (1) of this subsection and for the total of all lenders.

"(B) The reports specified in subparagraph (A) of this paragraph shall include a separate report for each insurer under this part including the Secretary, and where an insurer insures loans for lenders in more than one State, such insurer's report shall list all data separately for each State.

"(3) INSTITUTIONAL, PUBLIC, OR NONPROFIT LENDERS.—For purposes of clarity in communications, the Secretary shall separately identify loans made by the lenders referred to in clause (i) and loans made by the lenders referred to in clause (ii) of paragraph (1)(B) of this subsection.

"(d) DELEGATION.—

"(1) REGIONAL OFFICES.—The functions of the Secretary under this part listed in paragraph (2) of this subsection may be delegated to employees in the regional office of the Office of Education established pursuant to section 403(c)(2) of the General Education Provisions Act.

"(2) DELEGABLE FUNCTIONS.—The functions which may be delegated pursuant to this subsection are—

"(A) reviewing applications for loan insurance under section 429 and issuing contracts for Federal loan insurance, certificates of insurance, and certificates of comprehensive insurance coverage to eligible lenders which are financial or credit institutions subject to examination and supervision by an agency of the United States or of any State;

"(B) receiving claims for payments under section 430(a), examining those claims, and pursuant to regulations of the Secretary, approving claims for payment, or requiring lenders to take additional collection action as a condition for payment of claims; and

"(C) certifying to the central office when collection of defaulted loans has been completed, compromising or agreeing to the modification of any Federal claim against a borrower (pursuant to regulations of the Secretary issued under section 432(a)), and recommending litigation with respect to any such claim.

"(e) USE OF INFORMATION ON BORROWERS.—Notwithstanding any other provision of law, the Secretary may provide to eligible lenders, and to any guaranty agency having a guaranty agreement under section 428(c)(1), any information with respect to the names and addresses of borrowers or other relevant information which is available to the Secretary, from whatever source such information may be derived.

"(f) AUDIT OF FINANCIAL TRANSACTIONS.—

"(1) COMPTROLLER GENERAL AND INSPECTOR GENERAL AUTHORITY.—The Comptroller General and the Inspector General of the Department of Education shall each have the authority to conduct an audit of the financial transactions of—

"(A) any guaranty agency operating under an agreement with the Secretary pursuant to section 428(b);

"(B) any eligible lender as defined in section 435(d)(1) (D), (F), or (H); and

"(C) any Authority required to file a plan for doing business under section 438(c).

"(2) ACCESS TO RECORDS.—For the purpose of carrying out this subsection, the records of any entity described in subparagraphs (A), (B), or (C) of paragraph (1) shall be available to the Comptroller General and the Inspector General of the Department of Education. For the purposes of section 716(c) of title 31, United States Code, such records shall be considered to be records to which the Comptroller General has access by law, and for purposes of section 6(a)(4) of the Inspector General Act of 1978, such records shall be considered to be records necessary in the performance of functions assigned by that Act to the Inspector General.

"(3) DEFINITION OF RECORDS.—For the purposes of this subsection, the term 'record' includes any information, document, report, answer, account, paper, or other data or documentary evidence.

"(g) CIVIL PENALTIES.—

"(1) AUTHORITY TO IMPOSE PENALTIES.—Upon determination, after reasonable notice and opportunity for a hearing on the record, that a lender or a guaranty agency—

"(A) has violated or failed to carry out any provision of this part or any regulation prescribed under this part, or

"(B) has engaged in substantial misrepresentation of the nature of its financial charges,

the Secretary may impose a civil penalty upon such lender or agency of not to exceed $25,000 for each violation, failure, or misrepresentation.

"(2) LIMITATIONS.—No civil penalty may be imposed under paragraph (1) of this subsection unless it is determined that the violation, failure, or substantial misrepresentation referred to in that paragraph resulted from—

"(A)(i) a clear and consistent pattern or practice of violations, failures, or substantial misrepresentations in which the lender or guaranty agency did not maintain procedures reasonably adapted to avoid the violation, failure, or substantial representation;

"(ii) gross negligence; or

"(iii) willful actions on the part of the lender or guaranty agency; and

"(B) the violation, failure, or substantial representation is material.

"(3) CORRECTION OF FAILURE.—A lender or guaranty agency has no liability under paragraph (1) of this subsection if, prior to the institution of an action under that paragraph, the lender or guaranty agency cures or corrects the violation or failure or notifies the person who received the substantial misrepresentation of the actual nature of the financial charges involved.

"(4) CONSIDERATION AS SINGLE VIOLATION.—For the purposes of paragraph (1) of this subsection, violations, failures, or substantial misrepresentations arising from a specific practice of a lender or guaranty agency shall be deemed to be a single violation, failure, or substantial misrepresentation even if the violation, failure, or substantial misrepresentation affects more than one loan or more than one borrower, or both, and the Secretary may only impose a single civil penalty for each such violation, failure, or substantial misrepresentation.

"(5) ASSIGNEES NOT LIABLE FOR VIOLATIONS BY OTHERS.—If a loan affected by a violation, failure, or substantial misrepresentation is assigned to another holder, the lender or guaranty agency responsible for the violation, failure, or substantial misrepresentation shall remain liable for any civil money penalty provided for under paragraph (1) of this subsection, but the assignee shall not be liable for any such civil money penalty.

"(6) COMPROMISE.—Until a matter is referred to the Attorney General, any civil penalty under paragraph (1) of this subsection may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the Secretary shall consider the appropriateness of the penalty to the resources of the lender or guaranty agency subject to the determination; the gravity of the violation, failure, or substantial misrepresentation; the frequency and persistence of the violation, failure, or substantial misrepresentation; and the amount of any losses resulting from the violation, failure, or substantial misrepresentation. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United States to the lender or agency charged, unless the lender or agency has, in the case of a final agency determination, commenced proceedings for judicial review within 90 days of the determination, in which case the deduction may not be made during the pendency of the proceeding.

"(h) AUTHORITY OF THE SECRETARY TO IMPOSE AND ENFORCE LIMITATIONS, SUSPENSIONS, AND TERMINATIONS.—(1) If the Secretary, after a reasonable notice and opportunity for hearing to an eligible lender, finds that it has substantially failed (A) to exercise reasonable care and diligence in the making and collecting of loans under the provisions of this part, (B) to make the reports or statements under section 428(a)(4), or (C) to pay the required loan insurance premiums to any guaranty agency, the Secretary shall limit, suspend, or terminate that lender from participation in the insurance programs operated by guaranty agencies under this part. The Secretary shall not lift any such limitation, suspension, or termination until the Secretary is satisfied that the lender's failure has ceased and finds that there are reasonable assurances that the lender will, in the future, exercise the necessary care and diligence or comply with such requirements, as the case may be.

"(2)(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428(b)(1)(U) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the lender. The Secretary shall disqualify such lender from participation in the student loan insurance program of each of the guaranty agencies under this part, and notify such guaranty agencies of such disqualification—

"(i) if such review is waived; or

"(ii) if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination was not imposed in accordance with requirements of such section.

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the lender has corrected the fail-

ures which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the lender will, in the future, comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.

"(3)(A) The Secretary shall, in accordance with sections 556 and 557 of title 5, United States Code, review each limitation, suspension, or termination imposed by any guaranty agency pursuant to section 428(b)(1)(T) within 60 days after receipt by the Secretary of a notice from the guaranty agency of the imposition of such limitation, suspension, or termination, unless the right to such review is waived in writing by the institution. The Secretary shall disqualify such institution from participation in the student loan insurance program of each of the guaranty agencies under this part, and notify such guaranty agencies of such disqualification—

"(i) if such review is waived; or

"(ii) if such review is not waived, unless the Secretary determines that the limitation, suspension, or termination was not imposed in accordance with requirements of such section.

"(B) The Secretary shall not lift any such disqualification until the Secretary is satisfied that the institution has corrected the failures which led to the limitation, suspension, or termination, and finds that there are reasonable assurances that the institution will, in the future, comply with the requirements of this part. The Secretary shall notify each guaranty agency of the lifting of any such disqualification.

"SEC. 433A. STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS.

"(a) REQUIRED DISCLOSURE BEFORE DISBURSEMENT.—Each eligible lender shall, at or prior to the time such lender disburses a loan which is insured or guaranteed under this part, provide thorough and accurate loan information on such loan to the borrower. Any disclosure required by this subsection may be made by an eligible lender as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosures shall include—

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the principal amount of the loan;

"(3) the amount of any charges, such as the origination fee and insurance premium, collected by the lender at or prior to the disbursal of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

"(4) the stated interest rate on the loan;

"(5) the yearly and cumulative maximum amounts that may be borrowed;

"(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

"(7) a statement as to the minimum and maximum repayment term which the lender may impose, and the minimum annual payment required by law;

"(8) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(9) a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141, note);

"(10) a definition of default and the consequences to the borrower if the borrower defaults, including a statement that the default may be reported to a credit bureau or credit reporting agency;

"(11) to the extent practicable, the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

"(12) an explanation of any cost the borrower may incur in the making or collection of the loan.

"(b) REQUIRED DISCLOSURE BEFORE REPAYMENT.—Each eligible lender shall, at or prior to the start of the repayment period of the student borrower on loans made, insured, or guaranteed under this part, disclose to the borrower the information required under this subsection. Any disclosure required by this subsection may be made by an eligible lender either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosures shall include:

"(1) the name of the eligible lender, and the address to which communications and payments should be sent;

"(2) the scheduled date upon which the repayment period is to begin;

"(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

"(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

"(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

"(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

"(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

"(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

"(c) COST OF DISCLOSURE AND CONSEQUENCES OF NONDISCLOSURE.—Such information shall be available without cost to the borrower. The failure of an eligible lender to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary under a contract of insurance or reinsurance, or the obligation of a guaranty agency under a contract of guaranty. Nothing in this section shall be construed as subjecting the lender to the Truth in Lending Act with regard to loans made under this part. The Secretary may limit, suspend, or terminate the continued participation of an eligible lender in making loans under this part for failure by that lender to comply with this section.

"SEC. 434. PARTICIPATION BY FEDERAL CREDIT UNIONS IN FEDERAL, STATE, AND PRIVATE STUDENT LOAN INSURANCE PROGRAMS.

"Notwithstanding any other provision of law, Federal credit unions shall, pursuant to regulations of the National Credit Union Administration, have power to make insured loans to student members in accordance with the provisions of this part relating to federally insured loans, or in accordance with the provisions of any State or nonprofit private student loan insurance program which meets the requirements of section 428(a)(1)(B).

"SEC. 435. DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM.

"As used in this part:

"(a) ELIGIBLE INSTITUTION.—The term 'eligible institution' means—

"(1) an institution of higher education;

"(2) a vocational school; or

"(3) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Secretary for purposes of this part,

except that such term does not include any such institution or school which employs or uses commissioned salesmen to promote the availability of any loan program described in section 428(a)(1), 428B, or 428C at that institution or school. For the purposes of qualifying an institution under paragraph (3) of this subsection, the Secretary may establish criteria by regulation. In the case of a graduate medical school outside the United States, such criteria may include a requirement that not less than 90 percent of the students who are nationals of the United States enrolled in such school shall have scored in the top one-quarter on an approved medical college admissions examination; and that such students achieve a pass rate of not less than 50 percent on the examinations administered by the Educational Commission for Foreign Medical Graduates.

"(b) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an educational institution in any State which—

"(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, or who are beyond the age of compulsory school attendance;

"(2) is legally authorized within such State to provide a program of education beyond secondary education;

"(3) provides an educational program for which it awards a bachelor's degree or provides not less than a two-year program which is acceptable for full credit toward such a degree;

"(4) is a public or other nonprofit institution; and

"(5) is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose or, if not so accredited—

"(A) is an institution with respect to which the Secretary has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time; or

"(B) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

Such term includes any school which provides not less than one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of paragraphs (1), (2), (4), and (5). If the Secretary determines that a particular category of such schools does not meet the requirements of paragraph (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, the Secretary shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope, and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of paragraph (5) meet those standards. For purposes of this subsection the Secretary shall publish a list of nationally recognized accrediting agencies or associations which the Secretary determines to be reliable authorities as to the quality of training offered.

"(c) VOCATIONAL SCHOOL.—The term 'vocational school' means a business or trade school, or technical institution or other technical or vocational school, in any State, which—

"(1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit (as determined by the institution under section 481(d)) from the training offered by such institution;

"(2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations;

"(3) has been in existence for two years or has been specially accredited by the Secretary as an institution meeting the other requirements of this subsection; and

"(4) is accredited—

"(A) by a nationally recognized accrediting agency or association listed by the Secretary pursuant to this paragraph;

"(B) if the Secretary determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Secretary pursuant to this paragraph; and

"(C) if the Secretary determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by the Secretary and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine whether particular schools meet those standards.

For the purpose of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations and State agencies which the Secretary determines to be reliable authority as to the quality of education or training afforded.

"(d) ELIGIBLE LENDER.—

"(1) IN GENERAL.—Except as provided in paragraphs (2) through (5), the term 'eligible lender' means—

"(A) a National or State chartered bank, a mutual savings bank, a savings and loan association, or a credit union which—

"(i) is subject to examination and supervision by an agency of the United States or of the State in which its principal place of operation is established, and

"(ii) does not have as its primary consumer credit function the making or holding of loans made to students under this part unless it is a bank which is wholly owned by a State;

"(B) a pension fund as defined in the Employee Retirement Income Security Act;

"(C) an insurance company which is subject to examination and supervision by an agency of the United States or a State;

"(D) in any State, a single agency of the State or a single nonprofit private agency designated by the State;

"(E) an eligible institution which meets the requirements of paragraphs (2) through (5) of this subsection;

"(F) for purposes only of purchasing and holding loans made by other lenders under this part, the Student Loan Marketing Association or an agency of any State functioning as a secondary market;

"(G) for purposes of making loans under section 439 (o) and (q), the Student Loan Marketing Association;

"(H) for purposes of making loans under section 428(j), a guaranty agency; and

"(I) a Rural Rehabilitation Corporation, or its successor agency, which has received Federal funds under Public Law 499, Eighty-first Congress (Ch. 152, 64 Stat. 98 (1950)).

"(2) ADDITIONAL REQUIREMENTS OF ELIGIBLE INSTITUTIONS.—To be an eligible lender under this part, an eligible institution—

"(A) shall employ at least one person whose full-time responsibilities are limited to the administration of programs of financial aid for students attending such institution; and

"(B) shall not be a home study school.

"(3) DISQUALIFICATION FOR HIGH DEFAULT RATES.—The term 'eligible lender' does not include any eligible institution in any fiscal year immediately after the fiscal year in which the Secretary determines, after notice and opportunity for a hearing, that for each of two consecutive years, 15 percent or more of the total amount of such loans as are described in section 428(a)(1) made by the institution with respect to students at that institution and repayable in each such year, are in default, as defined in section 435(o).

"(4) WAIVER OF DISQUALIFICATION.—Whenever the Secretary determines that—

"(A) there is reasonable possibility that an eligible institution may, within one year after a determination is made under paragraph (3), improve the collection of loans described in section 428(a)(1), so that the application of paragraph (3) would be a hardship to that institution, or

"(B) the termination of the lender's status under paragraph (3) would be a hardship to the present or for prospective students of the eligible institution, after considering the management of that institution, the ability of that institution to improve the collection of loans, the opportunities that institution offers to economically disadvantaged students, and other related factors,

the Secretary shall waive the provisions of paragraph (3) with respect to that institution. Any determination required under this paragraph shall be made by the Secretary prior to the termination of an eligible institution as a lender under the exception of paragraph (3). Whenever the Secretary grants a waiver pursuant to this paragraph, the Secretary shall provide technical assistance to the institution concerned in order to improve the collection rate of such loans.

"(5) DISQUALIFICATION FOR USE OF CERTAIN INCENTIVES.—The term 'eligible lender' does not include any lender that the Secretary determines, after notice and opportunity for a hearing, has after the date of enactment of this paragraph—

"(A) offered, directly or indirectly, points, premiums, payments, or other inducements, to any educational institution or individual in order to secure applicants for loans under this part; or

"(B) offered, directly or indirectly, loans under this part as an inducement to a prospective borrower to purchase a policy of insurance or other product.

"(e) LINE OF CREDIT.—The term 'line of credit' means an arrangement or agreement between the lender and the borrower whereby a loan is paid out by the lender to the borrower in annual installments, or whereby the lender agrees to make, in addition to the initial loan, additional loans in subsequent years.

"(f) DUE DILIGENCE.—The term 'due diligence' requires the utilization by a lender, in the servicing and collection of loans insured under this part, of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans.

"(g) TEMPORARILY TOTALLY DISABLED.—

(1) IN GENERAL.—The term 'temporarily totally disabled' when used with respect to a borrower means a borrower who, by reason of injury or illness, cannot be expected to be able to attend an eligible institution or to be gainfully employed during a reasonable period of recovery from such injury or illness not to exceed three years.

"(2) SPOUSE OF A BORROWER.—Such term when used with respect to the spouse of a borrower means a spouse who, by reason of injury or illness, cannot be expected to be gainfully employed during a reasonable period of recovery from such injury or illness not to exceed three years, and who during such period required continuous nursing or other similar services.

"(3) CHILD OF A DISABLED BORROWER.—Such term when used with respect to the disabled child of a single parent borrower means a dependent child who, by reason of injury or illness, cannot be expected to be able to attend school or to be gainfully employed during a period of injury or illness of not less than 3 months and who during such period requires continuous nursing or similar services.

"(4) DETERMINATIONS.—The determination that a borrower, a spouse, or dependent child is temporarily totally disabled must be established by a sworn affidavit of a qualified physician.

"(h) DEFINITION OF PARENTAL LEAVE.—The term 'parental leave' means a period—

"(1) during which the borrower is pregnant, caring for his or her newborn child, or caring for his or her child immediately following the placement of the child through adoption;

"(2) during which such borrower is not in attendance at an eligible institution or gainfully employed; and

"(3) which follows, by six months or less, a period during which the borrower was in attendance at an eligible institution.

"(i) HOLDER.—The term 'holder' means an eligible lender in possession of a loan.

"(j) GUARANTY AGENCY.—The term 'guaranty agency' means any State or nonprofit private institution or organization with which the Secretary has an agreement under section 428(b).

"(k) INSURANCE BENEFICIARY.—The term 'insurance beneficiary' means the insured or its authorized representative assigned in accordance with section 429(d).

"(l) DEFAULT.—The term 'default' includes only such defaults as have existed for (1) 180 days in the case of a loan which is repayable in monthly installments, or (2) 240 days in the case of a loan which is repayable in less frequent installments.

"SEC. 436. DISTRICT OF COLUMBIA STUDENT LOAN INSURANCE PROGRAM.

"(a) AUTHORITY.—The government of the District of Columbia is authorized (1) to establish a student loan insurance program which meets the requirements of this part for a State loan insurance program in order to enter into agreements with the Secretary for the purposes of this title, (2) to enter into such agreements with the Secretary, (3) to use amounts appropriated for the purposes of this section to establish a fund for such purposes and for expenses in connection therewith, and (4) to accept and use donations for the purposes of this section.

"(b) BINDING EFFECT ON MINORS.—Notwithstanding the provisions of any applicable law, if the borrower, on any loan insured under the program established pursuant to this section, is a minor, any otherwise valid vote or other written agreement executed by him for the purposes of such loan shall create a binding obligation.

"(c) APPROPRIATIONS AUTHORIZED.—There are authorized to be appropriated such amounts as may be necessary for the purposes of this section.

"SEC. 437. REPAYMENT BY THE SECRETARY OF LOANS OF BANKRUPT, DECEASED, OR DISABLED BORROWERS.

"(a) REPAYMENT IN FULL.—If a student borrower who has received a loan described in subparagraph (A) or (B) of section 428(a)(1) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Secretary), then the Secretary shall discharge the borrower's liability on the loan by repaying the amount owed on the loan.

"(b) REPAYMENT OF AMOUNT DISCHARGED.—If a student borrower who has received a loan described in subparagraph (A) or (B) of section 428(a)(1) is relieved of his obligation to repay such loan, in whole or in part, through a discharge in bankruptcy, the Secretary shall repay the amount of the loan so discharged.

"SEC. 438. SPECIAL ALLOWANCES.

"(a) FINDINGS.—In order to assure (1) that the limitation on interest payments or other conditions (or both) on loans made or insured under this part, do not impede or threaten to impede the carrying out of the purposes of this part or do not cause the return to holders of loans to be less than equitable, (2) that incentive payments on such loans are paid promptly to eligible lenders, and (3) that appropriate consideration of relative administrative costs and money market conditions is made in setting the quarterly rate of such payments, the Congress finds it necessary to establish an improved method for the determination of the quarterly rate of the special allowances on such loans, and to provide for a thorough, expeditious and objective examination of alternative methods for the determination of the quarterly rate of such allowances.

"(b) COMPUTATION AND PAYMENT.—

"(1) QUARTERLY PAYMENT BASED ON UNPAID BALANCE.—A special allowance shall be paid for each of the three-month periods ending March 31, June 30, September 30, and December 31 of every year and the amount of such allowance paid to any holder with respect to any three-month period shall be a percentage of the average unpaid balance of principal (not including unearned interest added to principal) of all eligible loans held by such holder during such period.

"(2) RATE OF SPECIAL ALLOWANCE.—(A) Subject to subparagraph (B) and paragraph (4), the special allowance paid pursuant to this subsection on loans shall be computed (i) by determining the average of the bond equivalent rates of ninety-one-day Treasury bills auctioned for such three month period, (ii) by subtracting the applicable interest rate on such loans from such average, (iii) by adding 3.5 percent to the resultant percent, and (iv) by dividing the resultant percent by four.

"(B)(i) The quarterly rate of the special allowance for holders of loans which were made or purchased with funds obtained by the holder from the issuance of obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954 shall be one-half the quarterly rate of the special allowance established under subparagraph (A). Such rate shall also apply to holders of loans which were made or purchased with funds obtained by the holder from collections or default reimbursements on, or interests or other income pertaining to, eligible loans made or purchased with funds described in the preceding sentence of this subparagraph or from income on the investment of such funds. This subparagraph shall not apply to loans which were made or insured prior to October 1, 1980.

"(ii) The rate set under division (i) shall not be less than (I) 2.5 percent per year in the case of loans for which the applicable interest rate is 7 percent per year, (II) 1.5 percent per year in the case of loans for which the applicable interest rate is 8 percent per year, or (II) 0.5 percent in the case of loans for which the applicable rate is 9 percent per year.

"(iii) No special allowance may be paid under this subparagraph unless the issuer of such obligations complies with subsection (c) of this section.

"(3) CONTRACTUAL RIGHT OF HOLDERS TO SPECIAL ALLOWANCE.—The holder of an eligible loan shall be deemed to have a contractual right against the United States, during the life of such loan, to receive the special allowance according to the provisions of this section. The special allowance determined for any such three-month period shall be paid promptly after the close of such period, and without administrative delay after receipt of an accurate and complete request for payment, pursuant to procedures established by regulations promulgated under this section.

"(4) PENALTY FOR LATE PAYMENT.—(A) If payments of the special allowances payable under this section or of interest payments under section 428(a) with respect to a loan have not been made within thirty days after the Secretary has received an accurate, timely, and complete request for payment thereof, the special allowance payable to such holder shall be increased by an amount equal to the daily interest accruing on the special allowance and interest benefits payments due the holder.

"(B) Such daily interest shall be computed at the daily equivalent rate of the sum of the special allowance rate computed pursuant to paragraph (2) and the interest rate applicable to the loan and shall be paid for the later of (i) the thirty-first day after the receipt of such request for payment from the holder, or (ii) the thirty-first day after the final day of the period or periods covered by such request, and shall be paid for each succeeding day until, and including, the date on which the Secretary authorizes payment.

"(C) For purposes of reporting to the Congress the amounts of special allowances paid under this section, amounts of special allowances paid pursuant to this paragraph shall be segregated and reported separately.

"(5) DEFINITION OF ELIGIBLE LOAN.—As used in this section, the term 'eligible loan' means a loan—

"(A)(i) on which a portion of the interest is paid on behalf of the student and for his account to the holder of the loan under section 428(a);

"(ii) which is made under section 428B, 428C, 428D, or 439(o); or

"(iii) which was made prior to October 1, 1981; and

"(B) which is insured under this part, or made under a program covered by an agreement under section 428(b) of this Act.

"(6) REGULATION OF TIME AND MANNER OF PAYMENT.—The Secretary shall pay the holder of an eligible loan, at such time or times as are specified in regulations, a special allowance prescribed pursuant to this subsection subject to the condition that such holder shall submit to the Secretary, at such time or times and in such a manner as the Secretary may deem proper, such information as may be required by regulation for the purpose of enabling the Secretary to carry out his functions under this section and to carry out the purposes of this section.

"(c) ORIGINATION FEES.—

"(1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.—Notwithstanding subsection (b), the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder shall be reduced by the Secretary by the amount which the lender is authorized to charge as an origination fee in accordance with paragraph (2) of this subsection. If the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount the lender was authorized to charge borrowers for origination fees in that quarter, the Secretary shall deduct the excess amount from the subsequent quarters' payments until the total amount has been deducted.

"(2) AMOUNT OF ORIGINATION FEES.—With respect to any loan (other than loans made under sections 428B, 428C, 428D, and 439(o)) for which a completed note or other written evidence of the loan was sent or delivered to the borrower for signing on or after 10 days after the date of enactment of the Postsecondary Student Assistance Amendments of 1981, each eligible lender under this part is authorized to charge the borrower an origination fee in an amount not to exceed 5 percent of the principal amount of the loan, which may be deducted from the proceeds of the loan prior to payment to the borrower.

"(3) RELATION TO APPLICABLE INTEREST.—Such origination fee shall not be taken into

account for purposes of determining compliance with section 427A.

"(4) DISCLOSURE REQUIRED.—The lender shall disclose to the borrower the amount and method of calculating the origination fee.

"(5) PROHIBITION ON DEPARTMENT COMPELLING ORIGINATION FEE COLLECTIONS BY LENDERS.—Nothing in this subsection shall be construed to permit the Secretary to require any lender that is making loans that are insured or guaranteed under this part, but for which no amount will be payable for interest under section 428(a)(3)(A) or for special allowances under subsection (b) of this section, to collect any origination fee or to submit the sums collected as originations fees to the United States. The Secretary shall, not later than January 1, 1987, return to any such lender any such sums collected before the enactment of this paragraph, together with interest thereon.

"(d) LENDING FROM PROCEEDS OF TAX EXEMPT OBLIGATIONS.—

"(1) PLAN FOR DOING BUSINESS REQUIRED.—In order for the holders of loans any portion of which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section, the Authority shall submit to the Governor of the State, and to the guaranty agency determined by the Secretary to be the principal guaranty agency for the State, a plan for doing business. The Governor shall, after consultation with the guaranty agency, approve or disapprove the plan within 30 days of the receipt of the proposed plan from the Authority. Such plan shall also be transmitted to the Secretary within 60 days after approval.

"(2) CONTENTS OF PLAN.—Each such plan shall contain provisions designed to assure that—

"(A) no eligible lender in the area served by the Authority will be excluded from participation in the program of the Authority and all eligible lenders may participate in the program on the same terms and conditions if eligible lenders are going to participate in the program;

"(B) no director or staff member of the Authority who receives compensation from the Authority may own stock in, or receive compensation from, any agency that would contract to service and collect the loans of the Authority;

"(C) student loans will not be purchased from participating lenders at a premium or discount amounting to more than 1 percent of the unpaid principal amount borrowed plus accrued interest to the date of acquisition, but a reasonable loan transfer fee may be paid by the purchaser;

"(D) the Authority will, within the limit of funds available and subject to the applicable State and Federal law, make loans to, or purchase loans incurred by, all eligible students who are residents of, or who attend an eligible institution within, the area served by the Authority;

"(E) the Authority has a plan under which the Authority will pursue the development of new lender participation in a continuing program of benefits to students together with assurances of existing lender commitments to the program;

"(F) there will be an annual audit of the Authority by a certified public accounting firm which will include review of compliance by the Authority with the provisions of the plan; and

"(G) the Authority will not issue obligations for amounts in excess of the reasonable needs for student loan credit within the area served by the Authority, after taking into account existing sources of student loan credit in that area.

"(3) NONDISCRIMINATION.—In order for the holders of loans which were made or purchased with funds obtained by the holder from an Authority issuing obligations, the income from which is exempt from taxation under the Internal Revenue Code of 1954, to be eligible to receive a special allowance under subsection (b)(2) of this section on any such loans, the Authority shall not engage in any pattern or practice which results in a denial of a borrower's access to loans under this part because of the borrower's race, sex, color, religion, national origin, age, handicapped status, income, attendance at a particular eligible institution within the area served by the Authority, length of the borrower's educational program, or the borrower's academic year in school.

"(4) REPORT BY THE SECRETARY.—The Secretary shall, no later than September 30, 1988, and each succeeding September 30th, submit a report to the Committee on Education and Labor of the House of Representatives and the Committee on Labor and Human Resources of the Senate specifying—

"(A) the amount of student loan credit provided through the use of tax-exempt obligations for the most recent fiscal year;

"(B) an assessment of the impact of the availability of such financing on the availability of student credit in the areas served by the authorities issuing such obligations;

"(C) an assessment of the need for additional tax-exempt financing for student credit for the next fiscal year, as evidenced by the information submitted under paragraph (2)(G) of this subsection; and

"(D) any other information determined by the Secretary to be relevant to the purposes of the report.

"(e) REGULATIONS TO PREVENT DENIAL OF LOANS TO ELIGIBLE STUDENTS.—The Secretary shall adopt or amend appropriate regulations pertaining to programs carried on under this part to prevent, where practicable, any practices which the Secretary finds have denied loans to a substantial number of eligible students.

"SEC. 439. STUDENT LOAN MARKETING ASSOCIATION.

"(a) PURPOSE.—The Congress hereby declares that it is the purpose of this section (1) to establish a private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for student loans, including loans which are insured by the Secretary under this part or by a guaranty agency, and which will provide liquidity for student loan investments; (2) in order to facilitate secured transactions involving student loans, to provide for perfection of security interests in student loans either through the taking of possession or by notice filing; and (3) to assure nationwide the establishment of adequate loan insurance programs for students, to provide for an additional program of loan insurance to be covered by agreements with the Secretary.

"(b) ESTABLISHMENT.—

"(1) IN GENERAL.—There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the 'Association'). The Association shall have succession until dissolved. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and jurisdiction in civil actions, to be a resident and citizen thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

"(2) EXEMPTION FROM STATE AND LOCAL TAXES.—The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"(3) APPROPRIATIONS AUTHORIZED FOR ESTABLISHMENT.—There is hereby authorized to be appropriated to the Secretary $5,000,000 for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association. Such advances shall bear interest at a rate not less than (A) a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining period to maturity comparable to the maturity of such advances, adjusted to the nearest one-eighth of 1 percent, plus (B) an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses. Repayments of such advances shall be deposited into miscellaneous receipts of the Treasury.

"(c) BOARD OF DIRECTORS.—

"(1) BOARD MEMBERSHIP.—The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.

"(2) INTERIM BOARD.—An interim Board of Directors shall be appointed by the President, one of whom he shall designate an interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders pursuant to this section, seven of whom shall be representative of educational institutions, and seven of whom shall be representative of the general public. The interim Board shall arrange for an initial offering of common and preferred stocks and take whatever other actions are necessary to proceed with the operations of the Association.

"(3) REGULAR BOARD.—When, in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institutions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors, who shall be representative of the general public.

"(4) SUCCESSION OF REGULAR BOARD.—At the time the events described in paragraph (3) have occurred, the interim Board shall turn

over the affairs of the Association to the regular Board so chosen or appointed.

"(5) TERMS OF APPOINTED AND ELECTED MEMBERS.—The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and shall serve until their successors have been elected and have qualified. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

"(6) MEETINGS AND FUNCTIONS OF BOARD.—The Board of Directors shall meet at the call of its Chairman, but at least semiannually. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"(d) AUTHORITY OF ASSOCIATION.—

"(1) IN GENERAL.—The Association is authorized, subject to the provisions of this section—

"(A) pursuant to commitments or otherwise to make advances on the security of, purchase, or repurchase, service, sell or resell, offer participations, or pooled interests or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured by the Secretary under this part or by a guaranty agency;

"(B) to buy, sell, hold, underwrite, and otherwise deal in obligations, if such obligations are issued, for the purpose of making or purchasing insured loans, by a guaranty agency or by an eligible lender in a State described in section 435(d)(1) (D) or (F);

"(C) to buy, sell, hold, insure, underwrite, and otherwise deal in obligations issued for the purpose of financing or refinancing the construction, reconstruction, renovation, or purchase of educational and training facilities and housing for students and faculties (including the underlying real property), and related equipment, instrumentation, and furnishings;

"(D) to undertake a program of loan insurance pursuant to agreements with the Secretary under section 428, and except with respect to loans under subsection (o), the Secretary may enter into an agreement with the Association for such purpose only if the Secretary determines that (i) eligible borrowers are seeking and unable to obtain loans under this part, and (ii) no guaranty agency is capable of or willing to provide a program of loan insurance for such borrowers; and

"(E) to undertake any other activity which the Board of Directors of the Association determines to be in furtherance of the programs of insured student loans authorized under this part or will otherwise support the credit needs of students.

The Association is further authorized to undertake any activity with regard to student loans which are not insured or guaranteed as provided for in this subsection as it may undertake with regard to insured or guaranteed student loans. Any warehousing advance made on the security of such loans shall be subject to the provisions of paragraph (3) of this subsection to the same extent as a warehousing advance made on the security of insured loans.

"(2) WAREHOUSING ADVANCES.—Any warehousing advance made under paragraph (1)(A) of this subsection shall be made on the security of (A) insured loans, (B) marketable obligations and securities issued, guaranteed or insured by, the United States, or for which the full faith and credit of the United States is pledged for the repayment of principal and interest thereof, or (C) marketable obligations issued, guaranteed, or insured by any agency, instrumentality or corporation of the United States for which the credit of such agency, instrumentality or corporation is pledged for the repayment of principal and interest thereof, in an amount equal to the amount of such advance. The proceeds of any such advance secured by insured loans shall either be invested in additional insured loans or the lender shall provide assurances to the Association that during the period of the borrowing it will maintain a level of insured loans in its portfolio not less than the aggregate outstanding balance of such loans held at the time of the borrowing. The proceeds from any such advance secured by collateral described in clauses (B) and (C) shall be invested in additional insured student loans.

"(3) PERFECTION OF SECURITY INTERESTS IN STUDENT LOANS.—Notwithstanding the provisions of any State law to the contrary, including the Uniform Commercial Code as in effect in any State, a security interest in insured student loans created on behalf of the Association or any eligible lender as defined in section 435(a) may be perfected either through the taking of possession of such loans or by the filing of notice of such security interest in such loans in the manner provided by such State law for perfection of security interests in accounts.

"(4) FORM OF SECURITIES.—Securities issued pursuant to the offering of participations or pooled interests under paragraph (1) of this subsection may be in the form of debt obligations, or trust certificates of beneficial ownership, or both. Student loans set aside pursuant to the offering of participations or pooled interests shall at all times be adequate to ensure the timely principal and interest payments on such securities.

"(e) ADVANCES TO LENDERS THAT DO NOT DISCRIMINATE.—The Association, pursuant to such criteria as the Board of Directors may prescribe, shall make advances on security or purchase student loans pursuant to subsection (d) only after the Association is assured that the lender (1) does not discriminate by pattern or practice against any particular class or category of students by requiring that, as a condition to the receipt of a loan, the student or his family maintain a business relationship with the lender, except that this clause shall not apply in the case of a loan made by a credit union, savings and loan association, mutual savings bank, institution of higher education, or any other lender with less than $75,000,000 in deposits, and (2) does not discriminate on the basis of race, sex, color, creed, or national origin.

"(f) STOCK OF THE ASSOCIATION.—

"(1) COMMON STOCK TO INSURED LENDERS AND ELIGIBLE INSTITUTIONS ONLY.—The Association shall have common stock having such par value as may be fixed by its Board of Directors from time to time which may be issued only to lenders under this part, pertaining to guaranteed student loans, who are qualified as insured lenders under this part or who are eligible institutions, as defined in section 435(a), other than an institution outside of the United States.

"(2) VOTING RIGHTS.—Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of Directors. Voting shall be by classes as described in subsection (c)(3).

"(3) NUMBER OF SHARES; TRANSFERABILITY.—The maximum number of shares of common stock that the Association may issue and have outstanding at any one time shall be fixed by the Board of Directors from time to time. Any common share issued shall be fully transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

"(4) DIVIDENDS.—To the extent that net income is earned and realized, subject to subsection (g)(2), dividends may be declared on common stock and nonvoting common stock by the Board of Directors. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of common stock and nonvoting common stock, except that no such dividends shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"(5) NONVOTING COMMON STOCK.—The Association is authorized to issue nonvoting common stock having such par value as may be fixed by its Board of Directors from time to time. Any nonvoting common stock shall be freely transferable, except that, as to the Association, it shall be transferable only on the books of the Association.

"(g) PREFERRED STOCK.—

"(1) AUTHORITY OF BOARD.—The Association is authorized to issue nonvoting preferred stock having such par value as may be fixed by its Board of Directors from time to time. Any preferred share issued shall be freely transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

"(2) RIGHTS OF PREFERRED STOCK.—The holders of the preferred shares shall be entitled to such rate of cumulative dividends and such shares shall be subject to such redemption or other conversion provisions as may be provided for at the time of issuance. No dividends shall be payable on any share of common stock at any time when any dividend is due on any share of preferred stock and has not been paid.

"(3) PREFERENCE ON TERMINATION OF BUSINESS.—In the event of any liquidation, dissolution, or winding up of the Association's business, the holders of the preferred shares shall be paid in full at par value thereof, plus all accrued dividends, before the holders of the common shares receive any payment.

"(h) DEBT OBLIGATIONS.—

"(1) APPROVAL BY SECRETARIES OF EDUCATION AND THE TREASURY.—The Association is authorized with the approval of the Secretary of Education and the Secretary of the Treasury to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association. The authority of the Secretary of Education to approve the issuance of such obligations is limited to obligations issued by the Association and guaranteed by the Secretary pursuant to paragraph (2) of this subsection. Such obligations may be redeemable at the option of the Association before maturity in such

manner as may be stipulated therein. The Secretary of the Treasury may not direct as a condition of his approval that any such issuance of obligations by the Association be made or sold to the Federal Financing Bank. To the extent that the average outstanding amount of the obligations owned by the Association pursuant to the authority contained in subsection (d)(1) (B) and (C) of this section and as to which the income is exempt from taxation under the Internal Revenue Code of 1954 does not exceed the average stockholders' equity of the Association, the interest on obligations issued under this paragraph shall not be deemed to be interest on indebtedness incurred or continued to purchase or carry obligations for purposes of section 265 of the Internal Revenue Code of 1954.

"(2) GUARANTEE OF DEBT.—The Secretary is authorized, prior to October 1, 1984, to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury. Nothing in this section shall be construed so as to authorize the Secretary of Education or the Secretary of the Treasury to limit, control, or constrain programs of the Association or support of the Guaranteed Student Loan Program by the Association.

"(3) BORROWING AUTHORITY TO MEET GUARANTEE OBLIGATIONS.—To enable the Secretary to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the months preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There is authorized to be appropriated to the Secretary such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"(4) ACTION ON REQUEST FOR GUARANTEES.—Upon receipt of a request from the Association under this subsection requiring approvals by the Secretary of Education or the Secretary of the Treasury, the Secretary of Education or the Secretary of the Treasury shall act promptly either to grant approval or to advise the Association of the reasons for withholding approval. In no case shall such an approval be withheld for a period longer than sixty days unless, prior to the end of such period, the Secretary of Education and the Secretary of the Treasury submit to the Congress a detailed explanation of reasons for doing so.

"(5) AUTHORITY OF TREASURY TO PURCHASE DEBT.—The Secretary of the Treasury is authorized to purchase any obligations issued by the Association pursuant to this subsection as now or hereafter in force, and for such purpose the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force are extended to include such purchases. The Secretary of the Treasury shall not at any time purchase any obligations under this subsection if such purchase would increase the aggregate principal amount of his then outstanding holdings of such obligations under this subsection to an amount greater than $1,000,000,000. Each purchase of obligations by the Secretary of the Treasury under this subsection shall be upon such terms and conditions as to yield a return at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the making of such purchase. The Secretary of the Treasury may, at any time, sell, upon such terms and conditions and at such price or prices as he shall determine, any of the obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this subsection shall be treated as public debt transactions of the United States.

"(6) SALE OF DEBT TO FEDERAL FINANCING BANK.—Notwithstanding any other provision of law the Association is authorized to sell or issue obligations on the security of student loans, the payment of interest or principal of which has at any time been guaranteed under section 428 or 429 of this part, to the Federal Financing Bank.

"(i) GENERAL CORPORATE POWERS.—The Association shall have power—

"(1) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(2) to adopt, alter, and use the corporate seal, which shall be judicially noticed;

"(3) to adopt, amend, and repeal by its Board of Directors, bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(4) to conduct its business, carry on its operations, and have officers and exercise the power granted by this section in any State without regard to any qualification or similar statute in any State;

"(5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(8) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them and fix the penalty thereof; and

"(9) to enter into contracts, to execute instruments, to incur liabilities, and do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"(j) ACCOUNTING, AUDITING, AND REPORTING.—The accounts of the Association shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States, except that independent public accountants licensed to practice by such regulatory authority after December 31, 1970, and persons who, although not so certified or licensed, meet, in the opinion of the Secretary, standards of education and experience representative of the highest standards prescribed by the licensing authorities of the several States which provide for the continuing licensing of public accountants and which are prescribed by the Secretary in appropriate regulations may perform such audits until December 31, 1975. A report of each such audit shall be furnished to the Secretary of the Treasury. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the Secretary shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Association and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians.

"(k) REPORT ON AUDITS BY TREASURY.—A report of each such audit for a fiscal year shall be made by the Secretary of the Treasury to the President and to the Congress not later than six months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the President and the Congress informed of the operations and financial condition of the Association, together with such recommendations with respect thereto as the Secretary may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary, and to the Association.

"(l) LAWFUL INVESTMENT INSTRUMENTS; EFFECT OF AND EXEMPTIONS FROM OTHER LAWS.—All obligations issued by the Association including those made under subsection (d)(4) shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this section shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States. The Association shall, for the purposes of section 14(b)(2) of

the Federal Reserve Act, be deemed to be an agency of the United States. The obligations of the Association shall be deemed to be obligations of the United States for purposes of section 3701 of the Revised Statutes (31 U.S.C. 742). For the purpose of the distribution of its property pursuant to section 726 of title 11, United States Code, the Association shall be deemed a person within the meaning of such title. The priority established in favor of the United States by section 3466 of the Revised Statutes (31 U.S.C. 191) shall not establish a priority over the indebtedness of the Association. The Federal Reserve Banks are authorized to act as depositaries, custodians or fiscal agents, or a combination thereof, for the Association in the general performance of its powers under this section.

"(m) PREPARATION OF OBLIGATIONS.—In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations. The Secretary of the Treasury is authorized to promulgate regulations on behalf of the Association so that the Association may utilize the book-entry system of the Federal Reserve Banks.

"(n) REPORT ON OPERATIONS AND ACTIVITIES.—The Association, shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year.

"(o) LOAN CONSOLIDATIONS.—

"(1) IN GENERAL.—The Association or its designated agent may, upon request of a borrower, consolidate loans received under this title in accordance with section 428D.

"(2) USE OF EXISTING AGENCIES AS AGENT.—The Association in making loans pursuant to this subsection in any State served by a guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) may designate as its agent such agency or lender to perform such functions as the Association determines appropriate. Any agreements made pursuant to this subparagraph shall be on such terms and conditions as agreed upon by the Association and such agency or lender.

"(p) ADVANCES FOR DIRECT LOANS BY GUARANTY AGENCIES.—

"(1) IN GENERAL.—The Association shall make advances in each fiscal year from amounts available to it to each guaranty agency and eligible lender described in subsection 428(h)(1) which has an agreement with the Association which sets forth that advances are necessary to enable such agency or lender to make student loans in accordance with section 428(h) of this title and that such advances will be repaid to the Association in accordance with such terms and conditions as may be set forth in the agreement and agreed to by the Association and such agency or lender. Advances made under this subsection shall not be subject to subsection (d)(2) of this section.

"(2) LIMITATION.—No advance may be made under this subsection unless the guaranty agency or lender makes an application to the Association, which shall be accompanied by such information as the Association determines to be reasonably necessary.

"(q) LENDER OF LAST RESORT.—

"(1) ACTION AT REQUEST OF SECRETARY.—(A) Whenever the Secretary determines that eligible borrowers in a State not served by a guaranty agency or an eligible lender in a State described in section 435(d)(1) (D) or (F) are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary. The Association shall give preference to such States in making loans under this subsection.

"(B) Loans made pursuant to this subsection shall be insurable by the Secretary under section 429 with a certificate of comprehensive insurance coverage provided for under section 429(b)(1).

"(2) ISSUANCE AND COVERAGE OF LOANS.—(A) Whenever the Secretary, after consultation with, and with the agreement of, representatives of the guaranty agency in a State, or an eligible lender in a State described in section 435(d)(1)(D), determines that a substantial portion of eligible borrowers in such State or within an area of such State are seeking and are unable to obtain loans under this part, the Association or its designated agent may begin making loans in accordance with this subsection at the request of the Secretary.

"(B) Loans made pursuant to this subsection shall be insurable by the agency identified in subparagraph (A) having an agreement pursuant to section 428(b). For loans insured by such agency, the agency shall provide the Association with a certificate of comprehensive insurance coverage, if the Association and the agency have mutually agreed upon a means to determine that the agency has not already guaranteed a loan under this part to a student which would cause a subsequent loan made by the Association to be in violation of any provision under this part.

"(3) TERMINATION OF LENDING.—The Association or its designated agent shall cease making loans under this part in any State at such time as it is determined by the Secretary, with regard to loans made under paragraph (1), or by any party to the agreement required by paragraph (2), that—

"(A) the conditions which caused the implementation of this subsection have ceased to exist; or

"(B) the implementation of this subsection has either (i) further reduced the availability of loans from other sources in the applicable geographical area, or (ii) inhibited the formation in a State of an agency which would have an agreement pursuant to section 428(b) of this part which would have the responsibility of developing local sources of funds for student loans.".

(b) EFFECTIVE DATES.—The changes made in part B of title IV of the Act by the amendment made by subsection (a) of this section shall take effect on October 1, 1986, except—

(1) as otherwise provided in such part B;

(2) that the extension of authority to make loans under such part shall be effective on the date of enactment of this Act;

(3) that the extension of the grace period (under sections 427(a)(2)(B) and 428(b)(1)(E)) from six to nine months shall only apply with respect to loans made after October 1, 1987, to borrowers who, on the date of entering into the note or other written evidence of the loan, have no outstanding balance of principal or interest on any loan made, insured, or guaranteed under such part B;

(4) the changes in sections 427(a)(2)(C) and 428(b)(1)(M) of the Act shall apply only to loans made on or after July 1, 1987; and

(5) the changes in sections 435(d)(5) and 438(d) of the Act shall take effect 30 days after the date of enactment of this Act.

(c) CHANGES EFFECTIVE WITHOUT REGARD TO REGULATIONS; REGULATIONS SUBJECT TO APPROVAL.—The changes made in part B of title IV of the Act by the amendment made by subsection (a) of this section shall be effective in accordance with subsection (b) of this section without regard to whether such changes are reflected in the regulations prescribed by the Secretary of Education for purposes of such part. No change in any regulation relating to such part that is prescribed by the Secretary on or after October 1, 1985, shall be effective unless approved by a joint resolution of the Congress.

SEC. 412. STUDY OF USE OF MULTIPLE-YEAR LINES OF CREDIT.

The Secretary of Education shall evaluate the feasibility and efficiency of permitting students to establish lines of credit with eligible lenders under part B of title IV of the Act that cover more than one year of attendance at an institution of higher education. Such evaluation shall determine the extent to which such an arrangement would reduce the administrative costs associated with making separate loans annually under such part. In conducting such evaluation, the Secretary shall consult institutions of higher education and eligible lenders under such part. Within six months after the date of enactment of this Act, the Secretary shall submit to the Congress a report on the results of such evaluation together with such recommendations as the Secretary considers appropriate.

SEC. 413. STUDY OF MULTIPLE DISBURSEMENT.

The Comptroller General shall evaluate the impact of the multiple disbursement system required for student loans under part B of title IV of the Act on the ability of both students and institutions of higher education to meet their expenses as they arise. Such evaluation shall include an assessment of any other impacts of such system on such students or institutions that the Comptroller General determines to be significant. A report on the results of such evaluation shall be submitted to the Congress not later than two years after the date of the enactment of this Act.

SEC. 414. STUDY OF ADMINISTRATIVE COST ALLOWANCES TO STATE GUARANTEE AGENCIES.

The Secretary shall conduct a comprehensive study of administrative cost allowances paid to guaranty agencies under part B of title IV of the Act and report to Congress within one year of enactment of this section. The Secretary shall evaluate guaranty agency reserves and outlays and identify cost-saving measures to reduce Federal expenditures and make recommendations on such measures.

PART C—COLLEGE WORK-STUDY AMENDMENT

SEC. 411. REVISION OF PART C.

Part C of title IV of the Act is amended to read as follows:

"PART C—WORK-STUDY PROGRAMS

"SEC. 441. PURPOSE; APPROPRIATIONS AUTHORIZED.

"(a) PURPOSES.—The purpose of this part is to stimulate and promote the part-time employment of students who are enrolled as undergraduates or graduate or professional students and who are in need of earnings

from employment to pursue courses of study at eligible institutions.

"(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $700,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"SEC. 442. ALLOCATION OF FUNDS.

"(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1) From the amount appropriated pursuant to section 441(b), the Secretary shall first allocate to each eligible institution—

"(A) for fiscal year 1987 or 1988, an amount equal to 100 percent of the amount such institution received and used under this part for fiscal year 1979; and

"(B) for each succeeding fiscal year, an amount equal to 95 percent of the amount such institution received and used under this part for the second preceding fiscal year.

"(2) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1979, an amount equal to the greatest of—

"(A) $5,000;

"(B) an amount equal to (i) 90 percent of the amount received and used under this part in the second preceding fiscal year by eligible institutions offering comparable programs of instruction, divided by (ii) the number of full-time equivalent students enrolled at such comparable institutions in such fiscal year, multiplied by (iii) the number of full-time equivalent students enrolled at the applicant institution in such fiscal year; or

"(C) 90 percent of the institution's allocation under this part for the preceding fiscal year.

(3) If the amount appropriated for any fiscal year is less than the amount required to be allocated to eligible institutions under paragraphs (1) and (2) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced. If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

"(b) ALLOCATION OF EXCESS BASED ON SHARE OF EXCESS ELIGIBLE AMOUNTS.—(1) From the remainder of the amount appropriated pursuant to section 441(b) after making the allocations required by subsection (a), the Secretary shall allocate to each eligible institution which has an excess eligible amount (other than an institution participating in the program under this subpart for the first or second time) an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions (having such excess eligible amounts).

"(2) For any eligible institution (other than an institution participating in the program under this subpart for the first or second time), the excess eligible amount is the amount, if any, by which—

"(A)(i) the amount of that institution's need (as determined under subsection (c)), divided by (ii) the sum of the need of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 441(b) for the fiscal year; exceeds

"(B) the amount required to be allocated to that institution under subsection (a).

"(c) DETERMINATION OF INSTITUTION'S NEED.—(1) The amount of an institution's need is equal to the sum of the self-help need of the institution's eligible undergraduate students and the self-help need of the institution's eligible graduate and professional students.

"(2) To determine the need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 25 percent of the average cost of attendance (computed in accordance with section 472) for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance (computed in accordance with section 472) for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) of this paragraph for each income category of dependent students;

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) of this paragraph for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G) of this paragraph.

"(3) To determine the self-help need of an institution's eligible graduate and professional students, the Secretary shall—

"(A) establish various income categories of graduate and professional students;

"(B) establish an expected family contribution for each income category of graduate and professional students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) determine the average cost of attendance (computed in accordance with section 472) for all graduate and professional students;

"(D) subtract from the average cost of attendance for all graduate and professional students (determined under subparagraph (C)), the expected family contribution (determined under subparagraph (B)) for each income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(E) multiply the amounts determined under subparagraph (D) by the number of eligible students in each category;

"(F) add the amounts determined under subparagraph (E) of this paragraph for each income category.

"(d) REALLOCATION OF EXCESS ALLOCATIONS.—If an institution returns to the Secretary any portion of the sums allocated to such institution under this section for any fiscal year the Secretary shall, in accordance with regulations, reallocate such excess to other institutions; except that the first $5,000,000 or portion thereof shall be reserved and divided equally between college work-study programs at the institutions which currently receive grants under title VIII of this Act and college work-study programs which provide opportunities for literacy related jobs.

"(e) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

"SEC. 443. GRANTS FOR WORK-STUDY PROGRAMS.

"(a) AGREEMENTS REQUIRED.—The Secretary is authorized to enter into agreements with institutions of higher education under which the Secretary will make grants to such institutions to assist in the operation of work-study programs as provided in this part.

"(b) CONTENTS OF AGREEMENTS.—An agreement entered into pursuant to this section shall—

"(1) provide for the operation by the institution of a program for the part-time employment of its students in work for the institution itself or work in the public interest for a Federal, State, or local public agency or private nonprofit organization under an arrangement between the institution and such agency or organization, and such work—

"(A) will not result in the displacement of employed workers or impair existing contracts for services;

"(B) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee;

"(C) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and

"(D) will not pay any wage to students employed under this subpart that is less than the current Federal minimum wage as mandated by section 6(a) of the Fair Labor Standards Act of 1938;

"(2) provide that funds granted an institution of higher education, pursuant to section 443, may be used only to make payments to students participating in work-study programs, except that an institution may use a portion of the sums granted to it to meet administrative expenses in accordance with section 489 of this Act, may use a portion of the sums granted to it to meet the cost of a job location and development program in accordance with section 446 of this part, and may transfer funds in accordance with the provisions of section 488 of this Act;

"(3) provide that in the selection of students for employment under such work-study program, only students who demonstrate financial need in accordance with the provisions of section 482, and who meet the requirements of section 484 will be assisted, except that, if the institution's grant under this part is based in part on the financial need demonstrated by students attending the institution less than full-time, a reasonable proportion of the institution's grant shall be made available to such students;

"(4) provide that for a student employed in a work-study program under this part, at the time income derived from any employment (including non-work-study or both) is in excess of the determination of the amount of such student's need by more than $200, continued employment shall not be subsidized with funds appropriated under this part;

"(5) provide that the Federal share of the compensation of students employed in the work study program in accordance with the agreement will not exceed 80 percent for academic years 1987-1988 and 1988-1989, 75 percent for academic year 1989-1990, and 70 percent for academic year 1990-1991 and succeeding academic years, except that the Federal share may exceed such amounts of such compensation if the Secretary determines, pursuant to regulations adopted and promulgated by him or her establishing objective criteria for such determinations, that a Federal share in excess of such amounts is required in furtherance of the purposes of this part;

"(6) include provisions to make employment under such work-study program reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof, and to make equivalent employment offered or arranged by the institution reasonably available (to the extent of available funds) to all students in the institution who desire such employment;

"(7) provide assurances that employment made available from funds under this part will, to the maximum extent practicable, complement and reinforce the educational program or vocational goals of each student receiving assistance under this part;

"(8) include such other reasonable provisions as the Secretary shall deem necessary or appropriate to carry out the purposes of this part; and

"(9) provide that students attending proprietary institutions and receiving assistance under this part may be employed by the institution in jobs solely related to providing student services, as determined by the Secretary pursuant to regulations.

"(c) PRIVATE SECTOR EMPLOYMENT AGREEMENT.—In addition to the agreement described in subsection (b), an institution of higher education may, at its option, enter into an additional agreement with the Secretary which shall—

"(1) provide for the operation by the institution of a program of part-time employment of its students in work for a private for-profit organization under an arrangement between the institution and such organization that complies with the requirements of subparagraphs (A) through (D) of subsection (b)(1);

"(2) provides that the institution will use not more than 25 percent of the funds made available to such institution under this part for any fiscal year for the operation of the program described in paragraph (1);

"(3) provide that, notwithstanding subsection (b)(6), the Federal share of the compensation of students employed in such program will not exceed 60 percent for academic years 1987-1988 and 1988-1989, 55 percent for academic year 1989-1990, and 50 percent for academic year 1990-1991 and succeeding academic years, and that the non-Federal share of such compensation will be provided by the private for-profit organization to which the student is employed.

"SEC. 444. SOURCES OF MATCHING FUNDS.

"Nothing in this part shall be construed as restricting the source (other than this part) from which the institution may pay its share of the compensation of a student employed under a work-study program covered by an agreement under this part, and such share may be paid to such student in the form of services and equipment (including tuition, room, board, and books) furnished by such institution.

"SEC. 445. FLEXIBLE USE OF FUNDS.

"(a) CARRY-OVER AUTHORITY.—Of the sums granted to an eligible institution under this part for any fiscal year, 10 percent may, at the discretion of the institution, remain available for expenditure during the succeeding fiscal year to carry out programs under this part. Any of the sums so granted to an institution for a fiscal year which are not needed by that institution to operate work-study programs during that fiscal year, and which it does not wish to use during the next fiscal year as authorized in the preceding sentence, shall remain available to the Secretary for making grants under section 443 to other institutions in the same State until the close of the second fiscal year next succeeding the fiscal year for which such funds were appropriated.

"(b) CARRY-BACK AUTHORITY.—Up to 10 percent of the sums the Secretary determines an eligible institution may receive from funds which have been appropriated for a fiscal year may be used by the Secretary to make grants under this part to such institution for expenditure during the fiscal year preceding the fiscal year for which the sums were appropriated.

"SEC. 446. JOB LOCATION AND DEVELOPMENT PROGRAMS.

"(a) AGREEMENTS REQUIRED.—The Secretary is authorized to enter into agreements with eligible institutions under which such institution may use not more than 20 percent or $50,000 of its allotment under section 445, whichever is less, to establish or expand a program under which such institution, separately, in combination with other eligible institutions, or through a contract with a nonprofit organization, locates and develops jobs for currently enrolled students which are suitable to the scheduling and other needs of such students.

"(b) CONTENTS OF AGREEMENTS.—Agreements under subsection (a) shall—

"(1) provide that the Federal share of the cost of any program under this section will not exceed 80 percent of such cost;

"(2) provide satisfactory assurance that funds available under this section will not be used to locate or develop jobs at an eligible institution;

"(3) provide satisfactory assurance that the institution will continue to spend in its own job location and development programs, from sources other than funds received under this section, not less than the average expenditures per year made during the most recent three fiscal years preceding the effective date of the agreement;

"(4) provide satisfactory assurance that funds available under this section will not be used for the location or development of jobs for students to obtain upon graduation, but rather for the location and development of jobs available to students during and between periods of attendance at such institution;

"(5) provide satisfactory assurance that the location or development of jobs pursuant to programs assisted under this section will not result in the displacement of employed workers or impair existing contracts for services;

"(6) provide satisfactory assurance that Federal funds used for the purposes of this section can realistically be expected to help generate student wages exceeding in the aggregate the amount of such funds and that if such funds are used to contract with another organization, appropriate performance standards are part of such contract; and

"(7) provide that the institution will submit to the Secretary an annual report on the uses made of funds provided under this section and an evaluation of the effectiveness of such program in benefiting the students of such institution.

"SEC. 447. WORK STUDY FOR COMMUNITY SERVICE-LEARNING ON BEHALF OF LOW-INCOME INDIVIDUALS AND FAMILIES.

"(a) PURPOSE.—The purpose of this section is to encourage and enable institutions of higher education to develop work study programs involving eligible students in community service-learning designed to develop, improve, or expand services for low-income individuals and families or to solve particular problems related to the needs of low-income individuals.

"(b) DEFINITIONS.—For the purpose of this section—

"(1) 'community service-learning' means a program of student work that—

"(A) provides tangible community services for or on behalf of low-income individuals or families; and

"(B) provides participating students with work-learning opportunities related to their educational or vocational programs or goals; and

"(2) 'community services' means direct service, planning or applied research activities designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs including, but not limited to, such fields as health care, education, welfare, social services, public safety, crime prevention and control, transportation, recreation, housing and neighborhood improvement, rural development, and community improvement.

"(c) USE OF OTHER FUNDS TO CONDUCT PROGRAM.—Each institution participating under this part may use funds made available under the last sentence of section 489(a) to conduct that institution's program of community service-learning, including—

"(1) development of mechanisms to assure the academic quality of the student experience,

"(2) assuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives, and

"(3) collaboration with public and private nonprofit agencies in the planning and administration of such programs.".

PART E—PERKINS LOANS

SEC. 161. AMENDMENT TO PART E OF THE ACT.

Part E of title IV of the Act is amended to read as follows:

"PART E—DIRECT LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"SEC. 461. APPROPRIATIONS AUTHORIZED.

"(a) PROGRAM AUTHORITY.—The Secretary shall carry out a program of stimulating and assisting in the establishment and maintenance of funds at institutions of higher education for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions. Loans made under this part shall be known as 'Perkins Loans'.

"(b) AUTHORIZATION OF APPROPRIATIONS.—(1) For the purpose of enabling the Secretary to make contributions to student loan funds established under this part, there are authorized to be appropriated $300,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(2) In addition there are hereby authorized to be appropriated such sums for fiscal year 1991 and each of the five succeeding fiscal years as may be necessary to enable students who have received loans for academic years ending prior to October 1, 1991, to continue or complete courses of study.

"(c) USE OF APPROPRIATIONS.—Any sums appropriated pursuant to subsection (b) for any fiscal year shall be available for apportionment pursuant to section 462 and for payments of Federal capital contributions therefrom to institutions of higher education which have agreements with the Secretary under section 463. Such Federal capital contributions and all contributions from such institutions shall be used for the establishment, expansion, and maintenance of student loan funds.

"SEC. 462. ALLOCATION OF FUNDS.

"(a) ALLOCATION BASED ON PREVIOUS ALLOCATION.—(1) From the amount appropriated pursuant to section 461(b), the Secretary shall first allocate to each eligible institution—

"(A) for fiscal year 1987 or 1988, an amount equal to 100 percent of the amount such institution expended under this part for fiscal year 1979; and

"(B) for each succeeding fiscal year, an amount equal to 95 percent of the amount such institution expended under this part for the second preceding fiscal year.

"(2) From the amount so appropriated, the Secretary shall next allocate to each eligible institution that began participation in the program under this part after fiscal year 1979, an amount equal to the greatest of—

"(A) $5,000;

"(B) an amount equal to (i) 90 percent of the amount expended under this part in the second preceding fiscal year by eligible institutions offering comparable programs of instruction, divided by (ii) the number of full-time equivalent students enrolled at such comparable institutions in such fiscal year, multiplied by (iii) the number of full-time equivalent students enrolled at the applicant institution in such fiscal year; or

"(C) 90 percent of the institution's allocation under this part for the preceding fiscal year.

(3) If the amount appropriated for any fiscal year is less than the amount required to be allocated to eligible institutions under paragraphs (1) and (2) of this subsection, then the amount of the allocation to each such institution shall be ratably reduced. If additional amounts are appropriated for any such fiscal year, such reduced amounts shall be increased on the same basis as they were reduced (until the amount allocated equals the amount required to be allocated under paragraphs (1) and (2) of this subsection).

"(b) ALLOCATION OF EXCESS BASED ON SHARE OF EXCESS ELIGIBLE AMOUNTS.—(1) From the remainder of the amount appropriated pursuant to section 461(b) after making the allocations required by subsection (a), the Secretary shall allocate to each eligible institution which has an excess eligible amount (other than an institution participating in the program under this subpart for the first or second time) an amount which bears the same ratio to such remainder as such excess eligible amount bears to the sum of the excess eligible amounts of all such eligible institutions (having such excess eligible amounts).

"(2) For any eligible institution (other than an institution participating in the program under this subpart for the first or second time), the excess eligible amount is the amount, if any, by which—

"(A)(i) the amount of that institution's need (as determined under subsection (c)), divided by (ii) the sum of the need of all institutions (as so determined), multiplied by (iii) the amount appropriated pursuant to section 461(b) for the fiscal year; exceeds

"(B) the amount required to be allocated to that institution under subsection (a).

"(3) For any eligible institution other than an institution that began participation in the program under this part after fiscal year 1979, the eligible amount of that institution is equal to—

"(A) the amount of the institution's self-help need, as determined under subsection (c); minus

"(B) the sum of (i) the institution's anticipated collections; and (ii) the institutions cash-on-hand, as determined under subsection (d); multiplied by

"(C)(i) the institution's default penalty, as determined under subsection (e), if the institution has a default rate in excess of 10 percent or (ii) one, if the institution has a default rate equal to or less than 10 percent;

except that, if the institution has a default rate in excess of 25 percent, the eligible amount of that institution is zero.

"(c) DETERMINATION OF INSTITUTION'S NEED.—(1) The amount of an institution's self-help need is equal to the sum of the self-help need of the institution's eligible undergraduate students and the self-help need of the institution's eligible graduate and professional students.

"(2) To determine the need of an institution's eligible undergraduate students, the Secretary shall—

"(A) establish various income categories for dependent and independent undergraduate students;

"(B) establish an expected family contribution for each income category of dependent and independent undergraduate students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) compute 25 percent of the average cost of attendance (computed in accordance with section 472) for all undergraduate students;

"(D) multiply the number of eligible dependent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance (computed in accordance with section 472) for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction shall not be less than zero;

"(E) add the amounts determined under subparagraph (D) of this paragraph for each income category of dependent students;

"(F) multiply the number of eligible independent students in each income category by the lesser of—

"(i) 25 percent of the average cost of attendance for all undergraduate students determined under subparagraph (C); or

"(ii) the average cost of attendance (computed in accordance with section 472) for all undergraduate students minus the expected family contribution determined under subparagraph (B) of this paragraph for that income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(G) add the amounts determined under subparagraph (F) of this paragraph for each income category of independent students; and

"(H) add the amounts determined under subparagraphs (E) and (G) of this paragraph.

"(3) To determine the self-help need of an institution's eligible graduate and professional students, the Secretary shall—

"(A) establish various income categories for graduate and professional students;

"(B) establish an expected family contribution for each income category of graduate and professional students, determined on the basis of the average expected family contribution (computed in accordance with part F of this title) of a representative sample within each income category for the second preceding fiscal year;

"(C) determine the average cost of attendance (computed in accordance with section 472) for all graduate and professional students;

"(D) subtract from the average cost of attendance for all graduate and professional students (determined under subparagraph (C)), the expected family contribution (determined under subparagraph (B)) for each income category, except that the amount computed by such subtraction for any income category shall not be less than zero;

"(E) multiply the amounts determined under subparagraph (D) by the number of eligible students in each category;

"(F) add the amounts determined under subparagraph (E) of this paragraph for each income category.

"(d) ANTICIPATED COLLECTIONS; CASH-ON-HAND.—(1) An institution's anticipated collections are equal to 90 percent of the amount which would be collected during the year preceding the beginning of the award period if all outstanding loans under this part were repaid in accordance with their respective repayment schedules.

"(2) An institution's cash-on-hand is the balance of the fund established under section 463 that is not obligated for expenditure as of the close of the preceding fiscal year.

"(e) DEFAULT PENALTY.—For any institution which has a default rate which exceeds 10 percent but does not exceed 25 percent, the institution's default penalty is a percentage equal to the complement of such default rate.

"(f) DEFINITION OF DEFAULT RATE.—(1) For purposes of this section, the default rate is computed by dividing—

"(A) the total principal amount of defaulted loans;
by

"(B) the total principal amount of loans made under this part.

"(2) For purposes of paragraph (1)(A), the total principal amount of defaulted loans is equal to the total amount borrowed under loans that have reached repayment status and that are in default, minus—

"(A) amounts that have been repaid or cancelled on such loans;

"(B) loans discharged in bankruptcy;

"(C) loans referred or assigned to the Secretary for collection under paragraph (5)(A), (5)(B)(i), or (6) of section 463(a); and

"(D) loans that are in default but on which the borrowers have made satisfactory arrangements to resume payment.

"(3) A loan shall be considered to be in default—

"(A) 120 days (in the case of a loan repayable monthly), or

"(B) 180 days (in the case of a loan repayable quarterly),

after the borrower fails to make an installment payment when due or to comply with other terms of the promissory note.

"(g) FILING DEADLINES.—The Secretary shall, from time to time, set dates before which institutions must file applications for allocations under this part.

"SEC. 463. AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION.

"(a) CONTENTS OF AGREEMENTS.—An agreement with any institution of higher education for the payment of Federal capital contributions under this part shall—

"(1) provide for the establishment and maintenance of a student loan fund for the purposes of this part;

"(2) provide for the deposit in such fund of—

"(A) Federal capital contributions from funds appropriated under section 461;

"(B) a capital contribution by such institution in an amount equal to not less than one-ninth of the amount of the Federal capital contributions described in subparagraph (A);

"(C) collections of principal and interest on student loans made from deposited funds;

"(D) charges collected pursuant to regulations under section 464(c)(1)(H); and

"(E) any other earnings of the funds;

"(3) provide that such student loan fund shall be used only for—

"(A) loans to students, in accordance with the provisions of this part,

"(B) administrative expenses, as provided in subsection (b),

"(C) capital distributions, as provided in section 466, and

"(D) costs of litigation, and other collection costs agreed to by the Secretary in connection with the collection of a loan from the fund (and interest thereon) or a charge assessed pursuant to regulations under section 464(c)(1)(H);

"(4) provide that where a note or written agreement evidencing a note has been in default for (A) 120 days, in the case of a loan which is repayable in monthly installments, or (B) 180 days, in the case of a loan which is repayable in less frequent installments, notice of such default shall be given to the Secretary in a report describing the total number of loans from such fund which are in such default, and made to the Secretary at least semiannually;

"(5) provide that where a note or written agreement evidencing a loan has been in default despite due diligence on the part of the institution in attempting collection thereon—

"(A) if the institution has knowingly failed to maintain an acceptable collection record with respect to such loan, as determined by the Secretary in accordance with criteria established by regulation, the Secretary may—

"(i) require the institution to assign such note or agreement to the Secretary, without recompense; and

"(ii) apportion any sums collected on such a loan, less an amount not to exceed 30 percent of any sums collected to cover the Secretary's collection costs, among other institutions in accordance with section 462; or

"(B) if the institution is not one described in subparagraph (A), the Secretary may—

"(i) allow such institution to transfer its interest in such loan to the Secretary, for collection, and the Secretary may use any collections thereon (less an amount not to exceed 30 percent of any such sums collected to cover the Secretary's collection costs) to make allocations to institutions of additional capital contributions in accordance with section 462; or

"(ii) allow such institution to refer such note or agreement to the Secretary, without recompense, except that any sums collected on such a loan (less an amount not to exceed 30 percent of any such sums collected to cover the Secretary's collection costs) shall be repaid to such institution no later than 180 days after collection by the Secretary and treated as an additional capital contribution;

"(6) provide that, if an institution of higher education determines not to service and collect student loans made available from funds under this part, the institution will assign, at the beginning of the repayment period, notes or evidence of obligations of student loans made from such funds to the Secretary and the Secretary shall apportion any sums collected on such notes or obligations; less an amount not to exceed 30 percent of any such sums collected to cover that Secretary's collection costs, among other institution in accordance with section 462;

"(7) provide that, notwithstanding any other provision of law, the Secretary will provide to the institution any information with respect to the names and addresses of borrowers or other relevant information which is available to him, from whatever source such information may be derived;

"(8) provide assurances that the institution will comply with the provisions of section 463A; and

"(9) include such other reasonable provisions as may be necessary to protect the United States from unreasonable risk of loss and as are agreed to by the Secretary and the institution.

"(b) ADMINISTRATIVE EXPENSES.—An institution which has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it makes student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in administering its student loan program under this part during such year. Such payment shall be made in accordance with section 485.

"(c) COOPERATIVE AGREEMENTS WITH CREDIT BUREAU ORGANIZATIONS.—(1) For the purpose of promoting responsible repayment of loans made pursuant to this part, the Secretary shall enter into cooperative agreements with credit bureau organizations to provide for the exchange of information concerning student borrowers concerning whom the Secretary has received a referral pursuant to section 467.

"(2) Each cooperative agreement made pursuant to paragraph (1) shall be made in accordance with requirements of section 430(b)(2) except that such agreement shall provide for the disclosure by the Secretary to such organizations, with respect to any loan for which the Secretary is responsible, of—

"(A) the date of disbursement and the amount of any such loan;

"(B) information concerning collection of any such loan, including information concerning the status of any defaulted loan; and

"(C) the date of cancellation of the note upon completion of repayment by the borrower of any such loan.

"(3) Notwithstanding paragraphs (4) and (6) of subsection (a) of section 605 of the Fair Credit Reporting Act (15 U.S.C. 1681c (a)(4), (a)(6)), a consumer reporting agency may make a report containing information received from the Secretary regarding the status of a borrower's account on a loan made under this part until—

"(A) seven years from the date on which the Secretary accepted an assignment or referral of a loan, or

"(B) seven years from the date the Secretary first reports the account to a consumer reporting agency, if that account has not been previously reported by any other holder of the note.

"SEC. 463A. STUDENT LOAN INFORMATION BY ELIGIBLE INSTITUTIONS.

"(a) DISCLOSURE REQUIRED PRIOR TO DISBURSEMENT.—Each institution of higher education, in order to carry out the provisions of section 463(a)(8), shall, at or prior to the time such institution makes a loan to a student borrower which is made under this part, provide thorough and adequate loan information on such loan to the student borrower. Any disclosure required by this subsection may be made by an institution of higher education as part of the written application material provided to the borrower, or as part of the promissory note evidencing the loan, or on a separate written form provided to the borrower. The disclosures shall include:

"(1) the name of the institution of higher education, and the address to which communications and payments should be sent;

"(2) the principal amount of the loan;

"(3) the amount of any charges collected by the institution at or prior to the disbursal of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;

"(4) the stated interest rate on the loan;

"(5) the yearly and cumulative maximum amounts that may be borrowed;

"(6) an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;

"(7) a statement as to the minimum and maximum repayment term which the institution may impose, and the minimum monthly payment required by law and a description of any penalty imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Secretary or institutions to collect on a loan;

"(8) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(9) a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty, a statement summarizing circumstances in which repayment of the loan or interest that accrues on the loan may be deferred, and a brief notice of the program for repayment of loans, on the basis of military service, pursuant to section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141, note);

"(10) a definition of default and the consequences to the borrower if the borrower defaults, including a statement that the default may be reported to a credit bureau or credit reporting agency;

"(11) to the extent practicable, in effect of accepting the loan on the eligibility of the borrower for other forms of student assistance; and

"(12) an explanation of any cost the borrower may incur in the making or collection of the loan.

"(b) DISCLOSURE REQUIRED PRIOR TO REPAYMENT.—Each institution of higher education shall enter into an agreement with the Secretary under which the institution will, prior to the start of the repayment period of the student borrower on loans made under this part, disclose to the student borrower the information required under this subsection. Any disclosure required by this subsection may be made by an institution of higher education either in a promissory note evidencing the loan or loans or in a written statement provided to the borrower. The disclosures shall include:

"(1) the name of the institution of higher education, and the address to which communications and payments should be sent;

"(2) the scheduled date upon which the repayment period is to begin;

"(3) the estimated balance owed by the borrower on the loan or loans covered by the disclosure as of the scheduled date on which the repayment period is to begin (including, if applicable, the estimated amount of interest to be capitalized);

"(4) the stated interest rate on the loan or loans, or the combined interest rate of loans with different stated interest rates;

"(5) the nature of any fees which may accrue or be charged to the borrower during the repayment period;

"(6) the repayment schedule for all loans covered by the disclosure including the date the first installment is due, and the number, amount, and frequency of required payments;

"(7) an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;

"(8) the projected total of interest charges which the borrower will pay on the loan or loans, assuming that the borrower makes payments exactly in accordance with the repayment schedule; and

"(9) a statement that the borrower has the right to prepay all or part of the loan or loans covered by the disclosure at any time without penalty.

"(c) COSTS AND EFFECTS OF DISCLOSURES.—Such information shall be available without cost to the borrower. The failure of an eligible institution to provide information as required by this section shall not (1) relieve a borrower of the obligation to repay a loan in accordance with its terms, (2) provide a basis for a claim for civil damages, or (3) be deemed to abrogate the obligation of the Secretary to make payments with respect to such loan.

"SEC. 464. TERMS OF LOANS.

"(a) TERMS AND CONDITIONS.—(1) Loans from any student loan fund established pursuant to an agreement under section 463, to any student by any institution shall, subject to such conditions, limitations, and requirements as the Secretary shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

"(2) The aggregate of the loans for all years made by institutions of higher education from loan funds established pursuant to agreements under this part may not exceed—

"(A) $20,000 in the case of any graduate of professional student (as defined by regulations of the Secretary, and including any loans from such funds made to such person before he became a graduate or professional student);

"(B) $10,000 in the case of a student who has successfully completed two years of a program of education leading to a bachelor's degree, but who has not completed the work necessary for such a degree (determined under regulations of the Secretary, and including any loans from such funds made to such person before he became such a student); and

"(C) $5,000 in the case of any other student.

"(3) Regulations of the Secretary under paragraph (1) shall be designed to prevent the impairment of the capital student loan funds to the maximum extent practicable and with a view toward the objective of enabling the student to complete his course of study.

"(b) DEMONSTRATION OF NEED AND ELIGIBILITY REQUIRED.—(1) A loan from a student loan fund assisted under this part may be made only to a student who demonstrates financial need in accordance with section 482 and who meets the requirements of section 484.

"(2) If the institution's Federal capital contribution under section 461 is based in part on the financial need demonstrated by students attending the institution less than full-time, a reasonable proportion of the loans under this part shall be made available to such students.

"(c) CONTENTS OF LOAN AGREEMENT.— (1) Any agreement between an institution and a student for a loan from a student loan fund assisted under this part—

"(A) shall be evidenced by note or other written instrument which, except as provided in paragraph (2), provides for repayment of the principal amount of the loan, together with interest thereon, in equal installments (or, if the borrower so requests, in graduated periodic installments determined in accordance with such schedules as may be approved by the Secretary) payable quarterly, bimonthly, or monthly, at the option of the institution, over a period beginning nine months after the date on which the student ceases to carry, at an institution of higher education or a comparable institution outside the United States approved for this purpose by the Secretary, at least one-half the normal full-time academic workload, and ending ten years and nine months after such date except that such period may begin earlier than nine months after such date upon the request of the borrower;

"(B) shall include provision for acceleration of repayment of the whole, or any part, of such loan, at the option of the borrower;

"(C) may provide, at the option of the institution, in accordance with regulations of the Secretary, that during the repayment period of the loan, payments of principal and interest by the borrower with respect to all outstanding loans made to him from a student loan fund assisted under this part shall be at a rate equal to not less than $30 per month except that the institution may, subject to such regulations, permit a borrower to pay less than $30 per month for a period of not more than one year where necessary to avoid hardship to the borrower, but without extending the ten-year maximum repayment period provided for in clause (A) of this paragraph;

"(D) shall provide that the loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 percent per year or 4 percent per year in the case of any loan made on or after July 1, 1981, or 5 percent per year in the case of any loan made on or after October 1, 1981, except that no interest shall accrue (i) prior to the beginning date of repayment determined under clause (A) (i) or (ii) during any period in which repayment is suspended by reason of paragraph (2);

"(E) unless the borrower is a minor and the note or other evidence of obligation executed by him would not, under applicable law, create a binding obligation, shall provide that the loan shall be made without security and without endorsement;

"(F) shall provide that the liability to repay the loan shall be canceled upon the death of the borrower, or if he becomes permanently and totally disabled as determined in accordance with regulations of the Secretary.

"(G) shall provide that no note or evidence of obligation may be assigned by the lender, except upon the transfer of the borrower to another institution participating under this part (or, if not so participating, is eligible to do so and is approved by the Secretary for such purpose), to such institution, and except as necessary to carry out section 463(a)(6);

"(H) pursuant to regulations of the Secretary, shall provide for an assessment of a charge with respect to the loan for failure of the borrower to pay all or part of an installment when due, which shall include the expenses reasonably incurred in attempting collection of the loan, to the extent permitted by the Secretary, except that no charge imposed under this clause shall exceed 20 percent of the amount of the monthly payment of the borrower; and

"(I) shall contain a notice of the system of disclosure of information concerning default on such loan to credit bureau organizations under section 463(c).

"(2)(A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

"(i) is carrying at least one-half the normal full-time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Secretary;

"(ii) is a member of the Armed Forces of the United States, is an active duty member of the National Oceanic and Atmospheric Administration Corps, or is an officer in the Commissioned Corps of the Public Health Service;

"(iii) is in service as a volunteer under the Peace Corps Act;

"(iv) is in service as a volunteer under the Domestic Volunteer Act of 1973;

"(v) is in service, comparable to the service referred to in clauses (iii) and (iv), as a full-time volunteer for an organization which is

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exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1954;

"(vi) is engaged as a full-time teacher in a public or private elementary or secondary school;

"(vii) is serving an internship, the successful completion of which is required in order to receive professional recognition required to begin professional practice or service;

"(viii) is temporarily totally disabled (as defined in section 435(g)), as established by sworn affidavit of a qualified physician, or during which the borrower is unable to secure employment by reason of the care required by a spouse who is so disabled; or

"(ix) is on parental leave, as defined in section 435(h).

The period during which repayment may be deferred by reason of clause (ii), (iii), (iv), (v), or (viii) shall not exceed three years. The period during which repayment may be deferred by reason of clause (vi) shall not exceed three years. The period during which repayment may be deferred by reason of clause (vii) shall not exceed two years. The period during which repayment may be deferred by reason of clause (ix) shall not exceed six months.

"(B) Any period during which repayment is deferred under subparagraph (A) shall not be included in computing the ten-year maximum period provided for in clause (A) or paragraph (1).

"(C) No repayment of principal of, or interest on, any loan for any period of study, service, or disability described in subparagraph (A) or any combination thereof shall begin until six months after the completion of such period of study, service, disability, or combination thereof.

"(3)(A) The Secretary is authorized, when good cause is shown, to extend, in accordance with regulations, the ten-year maximum repayment period provided for in clause (A) of paragraph (1) with respect to individual loans.

"(B) Pursuant to uniform criteria established by the Secretary, the repayment period for any student borrower who during the repayment period is a low-income individual may be extended for a period not to exceed ten years and the repayment schedule may be adjusted to reflect the income of that individual.

"(4) The institution may elect—

"(A) to add the amount of any charge imposed under paragraph (1)(H) to the principal amount of the loan as of the first day after the day on which the installment was due and to notify the borrower of the assessment of the charge; or

"(B) to make the amount of the charge payable to the institution not later than the due date of the next installment.

"(d) AVAILABILITY OF LOAN FUND TO ALL ELIGIBLE STUDENTS.—An agreement under this part of payment of Federal capital contributions shall include provisions designed to make loans from the student loan fund established pursuant to such agreement reasonably available (to the extent of the available funds in such fund) to all eligible students in such institutions in need thereof.

"SEC. 465. CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE.

"(a) CANCELLATION OF PERCENTAGE OF DEBT BASED ON YEARS OF QUALIFYING SERVICE.—(1) The per centum specified in paragraph (3) of this subsection of the total amount of any loan made after June 30, 1972, from a student loan fund assisted under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

"(2) Loans shall be canceled under paragraph (1) for service—

"(A) as a full-time teacher for service in an academic year in a public or other nonprofit private elementary or secondary school which is in the school district of a local educational agency which is eligible in such year for assistance pursuant to title I of the Elementary and Secondary Education Act of 1965, and which for the purposes of this paragraph and for that year has been determined by the Secretary (pursuant to regulations and after consultation with the State educational agency of the State in which the school is located) to be a school in which the enrollment of children counted under section 111(c) of the Elementary and Secondary Education Act of 1965 exceeds 30 percent of the total enrollment of that school and such determination shall not be made with respect to more than 50 percent of the total number of schools in the State receiving assistance under such title I;

"(B) as a full-time staff member in a preschool program carried on under section 222(a)(1) of the Economic Opportunity Act of 1964 which is operated for a period which is comparable to a full school year in the locality: *Provided*, That the salary of such staff member is not more than the salary of a comparable employee of the local educational agency;

"(C) as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system; or

"(D) as a member of the Armed Forces of the United States, for services that qualifies for special pay under section 310 of title 37, United States Code, as an area of hostilities.

For purposes of this paragraph, the term 'handicapped children' has the meaning set forth in section 602(1) of the Education of the Handicapped Act.

"(3)(A) The percent of a loan which shall be canceled under paragraph (1) of this subsection is—

"(i) in the case of service described in clause (A) or (C) of paragraph (2), at the rate of 15 percent for the first or second year of such service, 20 percent for the third or fourth year of such service, and 30 percent for the fifth year of such service;

"(ii) in the case of service described in clause (B) of paragraph (2), at the rate of 15 percent for each year of such service; or

"(iii) in the case of service described in clause (D) of paragraph (2), not to exceed a total of 50 percent of such loan at the rate of 12½ percent for each year of qualifying service.

"(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

"(C) Nothing in this subsection shall be construed to authorize refunding of any repayment of a loan.

"(4) For the purposes of this subsection, the term 'year' where applied to service as a teacher means academic year as defined by the Secretary.

"(5) The amount of a loan, and interest on a loan, which is canceled under this section shall not be considered income for purposes of the Internal Revenue Code of 1954.

"(b) REIMBURSEMENT FOR CANCELLATION.—The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection.

"SEC. 466. DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS.

"(a) IN GENERAL.—After September 30, 1996, and not later than March 31, 1997, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

"(1) The Secretary shall first be paid an amount which bears the same ratio to the balance in such fund at the close of September 30, 1996, as the total amount of the Federal capital contributions to such fund by the Secretary under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

"(2) The remainder of such balance shall be paid to the institution.

"(b) DISTRIBUTION OF LATE COLLECTIONS.—After March 31, 1997, each institution with which the Secretary has made an agreement under this part, shall pay to the Secretary the same proportionate share of amounts received by this institution after September 30, 1996, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Secretary under subsection (a).

"(c) DISTRIBUTION OF EXCESS CAPITAL.—Upon a finding by the institution or the Secretary prior to October 1, 1997, that the liquid assets of a student loan fund established pursuant to an agreement under this part exceed the amount required for loans or otherwise in the foreseeable future, and upon notice to such institution or to the Secretary, as the case may be, there shall be, subject to such limitations as may be included in regulations of the Secretary or in such agreement, a capital distribution from such fund. Such capital distribution shall be made as follows:

"(1) The Secretary shall first be paid an amount which bears the same ratio to the total to be distributed as the Federal capital contributions by the Secretary to the student loan fund prior to such distribution bear to the sum of such Federal capital contributions and the capital contributions to the fund made by the institution.

"(2) The remainder of the capital distribution shall be paid to the institution.

"SEC. 467. COLLECTION OF DEFAULTED LOANS.

"(a) AUTHORITY OF SECRETARY TO COLLECT REFERRED, TRANSFERRED, OR ASSIGNED LOANS.—With respect to any loan—

"(1) which was made under this part, and

"(2) which is referred, transferred, or assigned to the Secretary by an institution with an agreement under section 463(a),

the Secretary is authorized to attempt to collect such loan by any means authorized by law for collecting claims of the United States (including referral to the Attorney General for litigation) and under such terms and conditions as the Secretary may prescribe, including reimbursement for ex-

penses reasonably incurred in attempting such collection.

"(b) COLLECTION OF REFERRED, TRANSFERRED, OR ASSIGNED LOANS.—The Secretary shall continue to attempt to collect any loan referred, transferred, or assigned under paragraph (5)(A), (5)(B)(i), or (6) of section 463(a) until all appropriate collection efforts, as determined by the Secretary, have been expended.

"SEC. 468. STATUTE OF LIMITATIONS.

"Notwithstanding any provision of State law that would set an earlier deadline for filing suit—

"(1) an institution which has an agreement with the Secretary pursuant to section 463(a) may file suit for collection of the amount due from a borrower on a loan made under this part during a period of time extending at least until a date six years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date of the default of the borrower with respect to that amount; and

"(2) subject to the provisions of section 2416 of title 28 of the United States Code, the Attorney General may file suit for collection of the amount due from a borrower on a loan made under this part until six years following the date on which the loan is assigned or referred to the Secretary under this part.

"SEC. 469. GENERAL AUTHORITY OF SECRETARY.

"In carrying out the provisions of this part, the Secretary is authorized—

"(1) to consent to modification, with respect to rate of interest, time of payment of any installment of principal and interest or any portion thereof, or any other provision of any note evidencing a loan which has been made under this part;

"(2) to enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption;

"(3) to conduct litigation in accordance with the provisions of section 432(a)(2); and

"(4) to enter into a contract or other arrangement with State or nonprofit agencies and, on a competitive basis, with collection agencies for servicing and collection of loans under this part.".

PART F—NEED ANALYSIS

SEC. 471. ADDITION OF A NEW PART F RELATING TO NEED ANALYSIS FOR STUDENT ASSISTANCE.

Title IV of the Act is further amended by redesignating part F as part G and by inserting after part E the following new part:

"PART F—NEED ANALYSIS

"SEC. 471. AMOUNT OF NEED.

"Except as otherwise provided therein, the amount of need of any student for financial assistance under this title (except subpart 3 of part A) is equal to the cost of attendance of such student minus the expected family contribution for such student.

"SEC. 472. COST OF ATTENDANCE.

"For the purposes of this title (subject to section 478), the term 'cost of attendance' means—

"(1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;

"(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution;

"(3) an allowance (as determined by the institution) for room and board costs incurred by the student which—

"(A) shall be an allowance of not less than $1,500 for a student without dependents residing at home with parents;

"(B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; and

"(C) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board, except that the amount may not be less than $2,500;

"(4) for less than half-time students (as determined by the institution) tuition and fees and an allowance for only books, supplies, and transportation (as determined by the institution) and dependent care expenses (in accordance with paragraph (7));

"(5) for a student engaged in a program of study by correspondence, only tuition and fees and, if required, books and supplies, travel, and room and board costs incurred specifically in fulfilling a required period of residential training;

"(6) for a student enrolled in an academic program which normally includes a formal program of study abroad, reasonable costs associated with such study (as determined by the institution);

"(7) for a student with one or more dependents, an allowance (as determined by the institution) based on the expenses reasonably incurred for dependent care based on the number and age of such dependents;

"(8) for a handicapped student, an allowance (as determined by the institution) for those expenses related to his or her handicap, including special services, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies; and

"(9) for a student receiving all or part of his or her instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs.

"SEC. 473. FAMILY CONTRIBUTION.

"For the purposes of this title, except subpart 3 of part A, the term 'family contribution' with respect to any student means the amount which the student and his or her family may be reasonably expected to contribute toward his or her postsecondary education for the academic year for which the determination is made, as determined in accordance with this part.

"SEC. 474. DATA ELEMENTS USED IN DETERMINING EXPECTED FAMILY CONTRIBUTION.

"The following data elements are considered in determining the expected family contribution:

"(1) the available income of (A) the student and his or her spouse; or (B) the student and the student's parents, in the case of a dependent student;

"(2) the number of dependents in the family of the student;

"(3) the number of dependents in the family of the student who are enrolled in, on at least a half-time basis, a program of postsecondary education and for whom the family may reasonably be expected to contribute to their postsecondary education;

"(4) the net assets of (A) the student and his or her spouse, and (B) the student and the student's parents, in the case of a dependent student;

"(5) the marital status of the student;

"(6) any unusual medical and dental expenses of (A) the student and the student's parents, in the case of a dependent student, or (B) the student and his or her spouse, in the case of an independent student;

"(7) the number of dependent children other than the student enrolled in a private elementary or secondary institution and the unreimbursed tuition paid (A) in the case of a dependent student, by the student's parents for such dependent children, or (B) in the case of an independent student with dependents, by the student or his or her spouse for such dependent children who are so enrolled; and

"(8) the additional expenses incurred (A) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (B) in the case of an independent student, when both the student and his or her spouse are employed or when the employed student qualifies as a surviving spouse or as a head of a household under section 2 of the Internal Revenue Code of 1954.

"SEC. 475. FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS.

"(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each dependent student the expected family contribution is equal to the sum of—

"(1) the parents' contribution from adjusted available income (determined in accordance with subsection (b));

"(2) the student contribution from available income (determined in accordance with subsection (g)); and

"(3) the student income supplemental amount from assets (determined in accordance with subsection (h)).

"(b) PARENTS' CONTRIBUTION FROM ADJUSTED AVAILABLE INCOME.—The parents' contribution from adjusted available income is equal to the amount determined by—

"(1) computing adjusted available income by adding—

"(A) the parents' contribution from available income (determined in accordance with subsection (c)); and

"(B) the parents' income supplemental amount from assets (determined in accordance with subsection (d));

"(2) assessing such adjusted available income in accordance with the assessment schedule set forth in subsection (e); and

"(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which assistance under this title is requested.

"(c) PARENTS' CONTRIBUTION FROM AVAILABLE INCOME.—

"(1) IN GENERAL.—The parents' contribution from available income is determined by deducting from total income (as defined in section 480)—

"(A) Federal income taxes;

"(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

"(C) an allowance for social security taxes, determined in accordance with paragraph (3);

"(D) a standard maintenance allowance, determined in accordance with paragraph (4);

"(E) an employment expense allowance, determined in accordance with paragraph (5);

"(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

"(G) an educational expense allowance, determined in accordance with paragraph (7).

"(2) ALLOWANCE FOR STATE AND OTHER TAXES.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"Percentages for Computation of State and Other Tax Allowance

If parents' State or territory of residence is—	And parents' total income is—	
	less than $15,000	$15,000 or more
	then the percentage is—	
American Samoa, Guam, Louisiana, Texas, Trust Territory, Virgin Islands, Wyoming	4	3
Florida, Nevada, Tennessee	5	4
Alabama, Indiana, Mississippi, North Dakota, Oklahoma, Puerto Rico, South Dakota, Washington, West Virginia	6	5
Arizona, Arkansas, Illinois, Kansas, Missouri, New Hampshire, New Mexico, Ohio	7	6
Alaska, Connecticut, Iowa, Georgia, Idaho, Kentucky, Montana, Nebraska, North Carolina, South Carolina	8	7
California, Colorado, Delaware, Maine, New Jersey, Oregon, Pennsylvania, Utah, Virginia, Canada, Mexico	9	8
Hawaii, Michigan, Vermont, District of Columbia	10	9
Maryland, Minnesota, Rhode Island, Wisconsin	11	10
Massachusetts	12	11
New York	14	13

"(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) STANDARD MAINTENANCE ALLOWANCE.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 479):

"Standard Maintenance Allowance

Family Size (including student)	Number in College				
	1	2	3	4	5
2	$8,540				
3	10,640	$9,180			
4	13,140	11,670	$10,210		
5	15,500	14,040	12,570	$11,110	
6	18,140	16,670	15,210	13,750	$12,280
7	20,180	18,720	17,260	15,790	14,330
8	22,230	20,770	19,310	17,840	16,380
9	24,280	22,820	21,350	19,890	18,430
10	26,330	24,870	23,400	21,940	20,480
11	28,380	26,920	25,450	23,990	22,530
12	30,430	28,960	27,500	26,040	24,570
For Each Additional Add:	2,050	2,050	2,050	2,050	2,050

"(5) EMPLOYMENT EXPENSE ALLOWANCE.—The employment expense allowance is determined as follows:

"(A) If both parents were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such allowance is equal to the lesser of $2,000 or 35 percent of the earned income of the parent with the lesser earned income.

"(B) If a parent qualifies as a head of household as defined in section 2 of the Internal Revenue Code, such allowance is equal to the lesser of $2,000 or 35 percent of his or her earned income.

For any fiscal year after fiscal year 1988, this paragraph shall be applied by increasing the dollar amount specified in subparagraphs (A) and (B) to reflect increases in the amount and percent of the Bureau of Labor Standards budget of the marginal costs for meals away from home, apparel and upkeep, transportation, and housekeeping services for a two-worker versus one-worker family.

"(6) MEDICAL-DENTAL EXPENSE ALLOWANCE.—The medical-dental expense allowance is equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 5 percent of the total income of the parents.

"(7) EDUCATIONAL EXPENSE ALLOWANCE.—The educational expense allowance is equal to the unreimbursed tuition and fees paid by the student's parents for each dependent child, other than the student, enrolled in elementary or secondary school, not to exceed for each such child the national average per pupil instructional cost as published by the National Center for Educational Statistics using the most recent available data.

"(d) PARENTS' INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

"(1) IN GENERAL.—The parents' income supplemental amount from assets is equal to—

"(A) the parental net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) PARENTAL NET WORTH.—The parental net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value of the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is:
Less than $1	$0
$1–$65,000	40 percent of NW
$65,001–$195,000	$26,000 plus 50 percent of NW over $65,000
$195,001–$325,000	$91,000 plus 60 percent of NW over $195,000
$325,001 or more	$169,000 plus 100 percent of NW over $325,000

"(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table:

"Asset Protection Allowances for Families and Students

If the age of the oldest parent or student is—	And there are	
	two parents	one parent
	then the asset protection allowance is—	
25 or less	$0	$0
26	1,800	1,400
27	3,600	2,900
28	5,500	4,300
29	7,300	5,800
30	9,100	7,200
31	10,900	8,700
32	12,700	10,100
33	14,600	11,600
34	16,400	13,000
35	18,200	14,500
36	20,000	15,900
37	21,800	17,400
38	23,700	18,800
39	25,500	20,300
40	27,300	21,700
41	27,900	22,200
42	28,600	22,800
43	29,400	23,200
44	30,200	23,800
45	31,000	24,400
46	32,100	25,000
47	32,900	25,500
48	33,800	26,100
49	35,000	26,800
50	35,900	27,500
51	37,100	28,300
52	38,400	29,000
53	39,700	29,800
54	41,000	30,700
55	42,300	31,500
56	43,700	32,400
57	45,200	33,200
58	46,700	34,200
59	48,500	35,300
60	50,000	36,400
61	52,000	37,500
62	54,000	38,600
63	56,000	39,800
64	58,500	41,200
65 or more	60,600	42,400

"(4) ASSET CONVERSION RATE.—The asset conversion rate is determined as follows:

"(A) if the parental net worth (determined in accordance with paragraph (2)) minus the asset protection allowance (determined in accordance with paragraph (3)) is equal to or greater than zero, the conversion rate is 12 percent;

"(B) if such parental net worth minus such asset protection allowance is less than zero and the parents' contribution from available income (determined in accordance with subsection (c)) is greater than $15,000, the conversion rate is zero percent;

"(C) if such parental net worth minus such asset protection allowance is less than zero and such parents' contribution from available income is equal to or greater than zero but less than $15,000, the conversion rate is equal to 6 percent multiplied by a fraction—

"(i) the numerator of which is equal to $15,000 minus such parents' contribution from available income; and

"(ii) the denominator of which is $15,000; and

"(D) if such parental net worth minus such asset protection allowance is less than zero and such parents' contribution from available income is less than zero, the conversion rate is 6 percent.

"(e) ASSESSMENT SCHEDULE.—The adjusted available income (as determined under subsection (b)(1) and hereafter in this subsection referred to as 'AAI') is assessed according to the following table (or a successor table prescribed by the Secretary under section 479):

"Parents' Assessment From Adjusted Available Income (AAI)

If AAI is—	Then the assessment is—
Less than −$3,409	−$750
−$3,409 to $7,600	22% of AAI
$7,601 to $9,500	$1,672 +25% of AAI over $7,600
$9,501 to $11,400	$2,147 +29% of AAI over $9,500
$11,401 to $13,300	$2,698 +34% of AAI over $11,400
$13,301 to $15,200	$3,344 +40% of AAI over $13,300
$15,201 or more	$4,104 +47% of AAI over $15,200

"(f) COMPUTATIONS IN CASE OF SEPARATED OR DIVORCED PARENTS.—

"(1) IN GENERAL.—If the student's parents are separated, or divorced and not remarried, only the income and assets of the parent with whom the student predominantly resided during the preceding year shall be included in computing available income for purposes of this section. If that parent has remarried, or if the parent was a widow or widower who has remarried, and that stepparent's income is also included in computing available income (as determined under paragraph (2)), the assets of that parent's spouse shall also be included for purposes of this section.

"(2) INCLUSION OF STEPPARENT'S INCOME IN AVAILABLE INCOME.—The stepparent's income is included in computing available income if—

"(A) the student's parent and the stepparent are married as of the date of application for the award year concerned; and

"(B) the student is not an independent student (as defined in section 480(d)).

"(g) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—

"(1) IN GENERAL.—The student contribution from available income is equal to—

"(A) the applicable minimum contribution (determined in accordance with paragraph (2)); minus

"(B) the adjustment to student income (determined in accordance with paragraph (3)).

"(2) APPLICABLE MINIMUM CONTRIBUTION.—The applicable minimum contribution is the greater of—

"(A) a mandatory self-help amount of $700 for a first-year undergraduate student;

"(B) a mandatory self-help amount of $900 for any other undergraduate student; or

"(C) an amount equal to 70 percent of the student's total income (determined in accordance with section 480).

"(3) ADJUSTMENT TO STUDENT INCOME.—The adjustment to student income is equal to the sum of—

"(A) estimated Federal income taxes of the student;

"(B) an allowance for State and local income taxes (determined in accordance with paragraph (4)); and

"(C) an allowance for social security taxes determined in accordance with paragraph (5).

"(4) ALLOWANCE FOR STATE AND LOCAL INCOME TAXES.—The allowance for State and local income taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table:

"Percentages for Computation of State and Local Income Tax Allowance

If the students' State or territory of residence is—	The percentage is—
American Samoa, Florida, Guam, Nevada, South Dakota, Tennessee, Texas, Trust Territory, Virgin Islands, Washington, Wyoming	0
Connecticut, Louisiana, New Hampshire	1
Illinois, Indiana, Mississippi, New Mexico, North Dakota, Puerto Rico	2
Alabama, Arizona, Colorado, Kansas, Missouri, Nebraska, Ohio, Oklahoma, West Virginia, New Jersey	3
Alaska, Arkansas, Georgia, Idaho, Iowa, Kentucky, Maine, Michigan, Montana, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, Canada, Mexico	4
California, Massachusetts, Hawaii, North Carolina, Vermont	5
District of Columbia, Maryland, Oregon, Wisconsin	6
Delaware, Minnesota, New York	7

"(5) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(h) STUDENT INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—The student supplemental income amount from assets is determined by multiplying by 35 percent the sum of—

"(1) the current balance of checking and savings accounts and cash on hand;

"(2) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(3) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1–$65,000	40 percent of NW
$65,001–$195,000	$26,000 plus 50 percent of NW over $65,000
$195,001–$325,000	$91,000 plus 60 percent of NW over $195,000
$325,001 or more	$169,000 plus 100 percent of NW over $325,000

"SEC. 476. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITHOUT DEPENDENTS.

"(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student without dependents (including a spouse), the expected family contribution is equal to the sum of—

"(1) the student's contribution from income (determined in accordance with subsection (b)); and

"(2) the student's income supplemental amount from assets (determined in accordance with subsection (c)).

"(b) STUDENT'S CONTRIBUTION FROM INCOME.—

"(1) IN GENERAL.—The student's contribution from income is determined by—

"(A) computing the student's adjusted available income by deducting from the student's adjusted gross income—

"(i) Federal income taxes;

"(ii) an allowance for State and local income taxes, determined in accordance with paragraph (2);

"(iii) the allowance for social security taxes, determined in accordance with paragraph (3); and

"(iv) a maintenance allowance for periods of non-enrollment not to exceed $1,750;

"(B) assessing such adjusted available income in accordance with paragraph (4); and

"(C) adding to the assessment resulting under subparagraph (B) the amount of the untaxed income and benefits of the student (determined in accordance with section 480(c)),

except that the student's contribution from income shall not be less than $1,200.

"(2) ALLOWANCE FOR STATE AND LOCAL INCOME TAXES.—The allowance for State and local income taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"Percentages for Computation of State and Local Income Tax Allowance

If the students' State or territory of residence is—	The percentage is—
American Samoa, Florida, Guam, Nevada, South Dakota, Tennessee, Texas, Trust Territory, Virgin Islands, Washington, Wyoming	0
Connecticut, Louisiana, New Hampshire	1
Illinois, Indiana, Mississippi, New Mexico, North Dakota, Puerto Rico	2
Alabama, Arizona, Colorado, Kansas, Missouri, Nebraska, Ohio, Oklahoma, West Virginia, New Jersey	3
Alaska, Arkansas, Georgia, Idaho, Iowa, Kentucky, Maine, Michigan, Montana, Pennsylvania, Rhode Island, South Carolina, Utah, Virginia, Canada, Mexico	4
California, Massachusetts, Hawaii, North Carolina, Vermont	5
District of Columbia, Maryland, Oregon, Wisconsin	6
Delaware, Minnesota, New York	7

"(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) ASSESSMENT OF ADJUSTED AVAILABLE INCOME.—The student's adjusted available income (determined in accordance with paragraph (1)(A) of this subsection) is assessed as follows:

"(A) if such adjusted available income is equal to or greater than $0 but less than or equal to $8,900, then the assessment is equal to 70 percent of such adjusted available income; and

"(B) if such adjusted available income is greater than $8,900, then the assessment is equal to $6,230 plus 90 percent of such adjusted available income in excess of $8,900.

"(c) STUDENT'S INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

"(1) IN GENERAL.—The student's income supplemental amount from assets is equal to—

"(A) the student's net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) STUDENT'S NET WORTH.—The student's net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1–$65,000	40 percent of NW
$65,001–$195,000	$26,000 plus 50 percent of NW over $65,000
$195,001–$325,000	$91,000 plus 60 percent of NW over $195,000
$325,001 or more	$169,000 plus 100 percent of NW over $325,000

"(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table:

"Asset Protection Allowances for Students

If the age of the student is—	Then the asset protection allowance is—
25 or less	$0
26	1,800
27	3,600
28	5,500
29	7,300
30	9,100
31	10,900
32	12,700
33	14,600
34	16,400
35	18,200
36	20,000
37	21,800
38	23,700
39	25,500
40	27,300
41	27,900
42	28,600
43	29,400
44	30,200
45	31,000
46	32,100
47	32,900
48	33,800
49	35,000
50	35,900
51	37,100
52	38,400
53	39,700
54	41,000
55	42,300
56	43,700
57	45,200
58	46,700
59	48,500
60	50,000
61	52,000
62	54,000
63	56,000
64	58,500
65 or more	60,600

"(4) ASSET CONVERSION RATE.—The asset conversion rate is 35 percent.

"SEC. 477. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS.

"(a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.—For each independent student with dependents (including a spouse) the expected family contribution is equal to the amount determined by—

"(1) computing adjusted available income by adding—

"(A) the family's contribution from available income (determined in accordance with subsection (b)); and

"(B) the family's income supplemental amount from assets (determined in accordance with subsection (c));

"(2) assessing such adjusted available income in accordance with an assessment schedule set forth in subsection (d); and

"(3) dividing the assessment resulting under paragraph (2) by the number of family members who will be attending, on at least a half-time basis, a program of postsecondary education during the award period for which assistance under this title is requested.

"(b) FAMILY'S CONTRIBUTION FROM AVAILABLE INCOME.—

"(1) IN GENERAL.—The family's contribution from available income is determined by deducting from total income (as defined in section 480)—

"(A) Federal income taxes;

"(B) an allowance for State and other taxes, determined in accordance with paragraph (2);

"(C) an allowance for social security taxes, determined in accordance with paragraph (3);

"(D) a standard maintenance allowance, determined in accordance with paragraph (4);

"(E) an employment expense allowance, determined in accordance with paragraph (5);

"(F) a medical-dental expense allowance, determined in accordance with paragraph (6); and

"(G) an educational expense offset, determined in accordance with paragraph (7);

except that the family's contribution from income shall not be less than $700 for a first year undergraduate student or $900 for any other student.

"(2) ALLOWANCE FOR STATE AND OTHER TAXES.—The allowance for State and other taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 479):

"Percentages for Computation of State and Other Tax Allowance

If parents' State or territory-of-residence is—	and parents' total income is	
	less than $15,000	$15,000 or more
	then the percentage is—	
American Samoa, Guam, Louisiana, Texas, Trust Territory, Virgin Islands, Wyoming	4	3
Florida, Nevada, Tennessee	5	4
Alabama, Indiana, Mississippi, North Dakota, Oklahoma, Puerto Rico, South Dakota, Washington, West Virginia	6	5
Arizona, Arkansas, Illinois, Kansas, Missouri, New Hampshire, New Mexico, Ohio	7	6
Alaska, Connecticut, Iowa, Georgia, Idaho, Kentucky, Montana, Nebraska, North Carolina, South Carolina	8	7
California, Colorado, Delaware, Maine, New Jersey, Oregon, Pennsylvania, Utah, Virginia, Canada, Mexico	9	8
Hawaii, Michigan, Vermont, District of Columbia	10	9
Maryland, Minnesota, Rhode Island, Wisconsin	11	10
Massachusetts	12	11
New York	14	13

"(3) ALLOWANCE FOR SOCIAL SECURITY TAXES.—The allowance for social security taxes is equal to the amount earned by each parent multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year.

"(4) STANDARD MAINTENANCE ALLOWANCE.—The standard maintenance allowance is the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The standard maintenance allowance is determined by the following table (or a successor table prescribed by the Secretary under section 479):

"Standard Maintenance Allowance

Family Size (including student)	Number in College				
	1	2	3	4	5
2	$8,540				
3	10,640	$9,180			
4	13,140	11,670	$10,210		
5	15,500	14,040	12,570	$11,110	
6	18,140	16,670	15,210	13,750	$12,280
7	20,180	18,720	17,260	15,790	14,330
8	22,230	20,770	19,310	17,840	16,380
9	24,280	22,830	21,350	19,890	18,430
10	26,330	24,870	23,400	21,940	20,480
11	28,380	26,920	25,450	23,990	22,530
12	30,430	28,960	27,500	26,040	24,570
For Each Additional Add:	2,050	2,050	2,050	2,050	2,050

"(5) EMPLOYMENT EXPENSE ALLOWANCE.—The employment expense allowance is determined as follows:

"(A) If both the student and a spouse were employed in the year for which their income is reported and both have their incomes reported in determining the expected family contribution, such allowance is equal to the lesser of $2,000 or 35 percent of the earned income of the student or spouse with the lesser earned income.

"(B) If a student qualifies as a head of household as defined in section 2 of the Internal Revenue Code, such allowance is equal to the lesser of $2,000 or 35 percent of his or her earned income.

For any fiscal year after fiscal year 1988, this paragraph shall be applied by increasing the dollar amount specified in subparagraphs (A) and (B) to reflect increases in the Consumer Price Index.

"(6) MEDICAL-DENTAL EXPENSE ALLOWANCE.—The medical-dental expense allowance is equal to the amount by which the sum of unreimbursed medical and dental expenses exceeds 5 percent of the total income of the family.

"(7) EDUCATIONAL EXPENSE ALLOWANCE.—The educational expense allowance is equal to the unreimbursed tuition and fees paid by the student or the student's spouse, or both, for each dependent child, enrolled in elementary or secondary school, not to exceed for each such child the national average per pupil instructional cost as published by the National Center for Educational Statistics using the most recent available data.

"(c) FAMILY'S INCOME SUPPLEMENTAL AMOUNT FROM ASSETS.—

"(1) IN GENERAL.—The family's income supplemental amount from assets is equal to—

"(A) the family net worth (determined in accordance with paragraph (2)); minus

"(B) the asset protection allowance (determined in accordance with paragraph (3)); multiplied by

"(C) the asset conversion rate (determined in accordance with paragraph (4)).

"(2) FAMILY NET WORTH.—The family net worth is calculated by adding—

"(A) the current balance of checking and savings accounts and cash on hand;

"(B) the net value of investments and real estate, including the net value in the principal place of residence except in the case of a

dislocated worker (certified in accordance with title III of the Job Training Partnership Act) or a dislocated homemaker (as defined in section 480(e) of this Act); and

"(C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter referred to as 'NW'), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 479):

"Adjusted Net Worth of a Business or Farm

If the net worth of a business or farm is—	Then the adjusted net worth is—
Less than $1	$0
$1–$65,000	40 percent of NW
$65,001–$195,000	$26,000 plus 50 percent of NW over $65,000
$195,001–$325,000	$91,000 plus 60 percent of NW over $195,000
$325,001 or more	$169,000 plus 100 percent of NW over $325,000

"(3) ASSET PROTECTION ALLOWANCE.—The asset protection allowance is calculated according to the following table:

"Asset Protection Allowances for Families and Students

If the age of the student is—	And there are	
	two spouses	one spouse
	then the asset protection allowance is—	
25 or less	$0	$0
26	1,800	1,400
27	3,600	2,900
28	5,500	4,300
29	7,300	5,800
30	9,100	7,200
31	10,900	8,700
32	12,700	10,100
33	14,600	11,600
34	16,400	13,000
35	18,200	14,500
36	20,000	15,900
37	21,800	17,400
38	23,700	18,800
39	25,500	20,300
40	27,300	21,700
41	27,900	22,200
42	28,600	22,800
43	29,400	23,200
44	30,200	23,800
45	31,000	24,400
46	32,100	25,000
47	32,900	25,500
48	33,800	26,100
49	35,000	26,800
50	35,900	27,500
51	37,100	28,300
52	38,400	29,000
53	39,700	29,800
54	41,000	30,700
55	42,300	31,500
56	43,700	32,400
57	45,200	33,200
58	46,700	34,200
59	48,500	35,300
60	50,000	36,400
61	52,000	37,500
62	54,000	38,600
63	56,000	39,800
64	58,500	41,200
65 or more	60,600	42,400

"(4) ASSET CONVERSION RATE.—The asset conversion rate is determined as follows:

"(A) if the family's net worth (determined in accordance with paragraph (2)) minus the asset protection allowance (determined in accordance with paragraph (3)) is equal to or greater than zero, the conversion rate is 12 percent;

"(B) if such family's net worth minus such asset protection allowance is less than zero and the family's contribution from available income (determined in accordance with subsection (c)) is greater than $15,000, the conversion rate is zero percent;

"(C) if such family's net worth minus such asset protection allowance is less than zero and such family's contribution from available income is equal to or greater than zero but less than $15,000, the conversion rate is equal to 6 percent multiplied by a fraction—

"(i) the numerator of which is equal to $15,000 minus such family's contribution from available income; and

"(ii) the denominator of which is $15,000; and

"(D) if such family's net worth minus such asset protection allowance is less than zero and such family's contribution from available income is less than zero, the conversion rate is 6 percent.

"(d) ASSESSMENT SCHEDULE.—The adjusted available income (as determined under subsection (a)(1) and hereafter referred to as 'AAI') is assessed according to the following table (or a successor table prescribed by the Secretary under section 479):

"Assessment from Adjusted Available Income (AAI)

If AAI is—	Then assessment is—
Less than —$3,409	—750
—$3,409 to $7,600	22% of AAI
$7,601 to $9,500	$1,672 + 25% of AAI over $7,600
$9,501 to $11,400	$2,147 + 29% of AAI over $9,500
$11,401 to $13,300	$2,698 + 34% of AAI over $11,400
$13,301 to $15,200	$3,344 + 40% of AAI over $13,300
$15,201 or more	$4,104 + 47% of AAI over $15,200

"SEC. 478. ADJUSTMENTS TO NEED ANALYSIS FOR PURPOSES OF THE PELL GRANT PROGRAM.

"(a) OFFSETS TO STUDENT CONTRIBUTION FROM AVAILABLE INCOME.—For the purposes of making awards under subpart 1 of part A of this title—

"(1) in determining the student contribution from available income for a dependent student under section 475(g)(1), the applicable minimum contribution (referred to in subparagraph (A) of such subsection) shall be reduced by both the adjustment to student income (referred to in subparagraph (B) of such subsection) and an additional allowance of $4,490, except that the subtraction of such additional allowance shall not result in a student contribution from available income that is less than zero; and

"(2) an independent student shall be allowed, in lieu of the offset of $1,750 for periods of nonenrollment under section 476(b)(1)(A)(IV), an offset of $5,520 to be subtracted from the student contribution from available income (as determined under section 476(b)(1)(A)), except that such subtraction shall not result in a student contribution from available income that is less than zero.

"(b) ALLOWANCES FOR ROOM AND BOARD COSTS.—For the purposes of determining the cost of attendance under section 472 for making awards under subpart 1 of part A of this title—

"(1) the allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student shall not be greater than $1,700 for a student without dependents residing at home with parents; and

"(2) the allowance for room and board costs, books, supplies, transportation, and miscellaneous expenses incurred by the student shall not be greater than $2,300 for all other students;

except that, if the maximum award under such subpart is less than or greater than $2,300, then the dollar amounts specified in paragraphs (1) and (2) of this subsection shall be increased or decreased by an amount equal to the amount by which such maximum award is greater than or less than $2,300, respectively.

"SEC. 479. REGULATIONS; UPDATED TABLES.

"(a) AUTHORITY TO PRESCRIBE REGULATIONS RESTRICTED.—Notwithstanding any other provision of law, the Secretary shall not have the authority to prescribe regulations to carry out this part except—

"(1) as required to prescribe updated tables under subsections (b) through (e) of this section; and

"(2) as required by section 480(a)(2).

"(b) STANDARD MAINTENANCE ALLOWANCE.—For each academic year after academic year 1988–1989, the Secretary shall publish in the Federal Register a revised table of standard maintenance allowances for purposes of sections 475(c)(4) and 477(b)(4). Such revised table shall be developed by increasing each of the dollar amounts contained in the table in each such section by a percentage equal to the percentage increase in the Consumer Price Index between December 1987 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $10.

"(c) ADJUSTED NET WORTH OF A FARM OR BUSINESS.—For each academic year after academic year 1988–1989, the Secretary shall publish in the Federal Register a revised table of adjusted net worth of a farm or business for purposes of sections 475(d)(2)(C), 475(h)(3), 476(c)(2)(C), and 477(c)(2)(C). Such revised table shall be developed—

"(1) by increasing each dollar amount that refers to net worth of a farm or business by a percentage equal to the percentage increase in the Consumer Price Index between 1987 and the December next preceding the beginning of such academic year, and rounding the result to the nearest $5,000; and

"(2) by adjusting the dollar amounts '$26,000', '$91,000', and '$169,000' to reflect the changes made pursuant to paragraph (1).

"(d) ASSET PROTECTION ALLOWANCE.—For each academic year after academic year 1988–1989, the Secretary shall publish in the Federal Register a revised table of asset protection allowances for purposes of sections 475(d)(3), 476(c)(3), and 477(c)(3). Such revised table shall be developed by determining the present value cost of an annuity that would provide, for each age cohort, a supplemental income at age 65 (adjusted for inflation) equal to the difference between the moderate family income (as most recently determined by the Bureau of Labor Statistics) and the current average social security retirement benefits. In making such determinations—

"(1) inflation shall be presumed to be 6 percent per year;

"(2) the rate of return of an annuity shall be presumed to be 8 percent; and

"(3) the sales commission on an annuity shall be presumed to be 6 percent.

"(e) ASSESSMENT SCHEDULES AND RATES.—(1) For each academic year after academic year 1988–1989, the Secretary shall publish in the Federal Register a revised table of assessments from adjusted available income for purposes of sections 475(e) and 477(d). Such revised table shall be developed—

"(A) by increasing each dollar amount that refers to adjusted available income by a percentage equal to the percentage increase in the Consumer Price Index between December 1987 and the December next preceding the beginning of such academic year, rounded to the nearest $100; and

"(B) by adjusting the other dollar amounts to reflect the changes made pursuant to subparagraph (A).

(2) For each academic year after academic year 1988–1989, the assessments made pursuant to section 476(b)(4) shall be made—

"(A) by increasing each dollar amount that refers to adjusted available income by a percentage equal to the percentage increase in the Consumer Price Index between December 1987 and the December next preceding the beginning of such academic year, rounded to the nearest $100; and

"(B) by adjusting the other dollar amount to reflect the changes made pursuant to subparagraph (A).

The Secretary shall publish in the Federal Register the adjustments required to carry out this paragraph.

"(f) DEFINITION OF CONSUMER PRICE INDEX.—As used in this section, the term 'Consumer Price Index' means the Consumer Price Index for Wage Earners and Clerical Workers published by the Department of Labor.

"SEC. 480. DEFINITIONS.

"As used in this part:

"(a) TOTAL INCOME.—(1) Except as provided in paragraph (2), the term 'total income' is equal to adjusted gross income plus untaxed income and benefits for the preceding tax year.

"(2) The Secretary shall, within 30 days after the date of enactment of this subsection, promulgate special regulations to permit, in the computation of family contributions for the programs under subpart 1 of part A and part B of this title for any academic year beginning on or after July 1, 1985, the exclusion from family income of any proceeds of a sale of farm or business assets of that family if such sale results from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

"(b) UNTAXED INCOME AND BENEFITS OF PARENTS AND INDEPENDENT STUDENTS WITH DEPENDENTS.—The term 'untaxed income and benefits' when applied to parent contributions or the contributions of independent students with dependents (including spouses) means—

"(1) the Federal income tax deduction for a married couple when both work;

"(2) child support received for the student's children;

"(3) welfare benefits, including aid to families with dependent children and aid to dependent children;

"(4) untaxed portions of unemployment compensation, except in any case in which a student is a dislocated worker certified in accordance with title III of the Job Training Partnership Act;

"(5) workman's compensation;

"(6) veterans benefits such as death pension, dependency and indemnity compensation, and Veterans' Administration vocational rehabilitation program benefits (excluding educational benefits);

"(7) educational benefits received under chapter 31 or chapter 34 of title 38, United States Code, by family members excluding its student;

"(8) interest on tax-free bonds;

"(9) the amount of dividends excluded for Federal income tax purposes;

"(10) untaxed portions of pensions and capital gains;

"(11) housing, food, and other living allowances for military, clergy, and others (including cash payments and cash value of benefits);

"(12) Job Training Partnership Act noneducational benefits;

"(13) payments to individual retirement accounts and Keogh accounts;

"(14) the amount of earned income credit claimed for Federal income tax purposes;

"(15) credit for Federal tax on special fuels;

"(16) the amount of dividend reinvestment excluded for purposes of Federal income taxes;

"(17) the amount of foreign income excluded for purposes of Federal income taxes;

"(18) untaxed social security benefits; and

"(19) any other untaxed income and benefits, such as black lung or railroad retirement benefits.

"(c) UNTAXED INCOME AND BENEFITS OF DEPENDENT STUDENTS OR INDEPENDENT STUDENTS WITHOUT DEPENDENTS.—For the purposes of this part, the term 'untaxable income and benefits' when applied to the contributions of dependent students or independent students without dependents means—

"(1) veterans benefits such as death pension, dependency and indemnity compensation, and Veterans' Administration vocational rehabilitation program benefits (excluding educational benefits);

"(2) educational benefits received under chapter 31 or chapter 34 of title 38, United States Code, by the student;

"(3) interest on tax-free bonds;

"(4) the amount of dividends excluded for purposes of Federal income taxes;

"(5) untaxed portions of pensions and capital gains;

"(6) housing, food, and other living allowances for military, clergy, and others (including cash payments and cash value of benefits);

"(7) Job Training Partnership Act noneducational benefits, except in any case in which a student is a dislocated worker certified in accordance with title III of the Job Training Partnership Act;

"(8) untaxed portions of social security;

"(9) welfare benefits;

"(10) untaxed portions of unemployment compensation;

"(11) workmen's compensation;

"(12) payments to individual retirement accounts and Keogh accounts;

"(13) credit for Federal tax on special fuels;

"(14) the amount of dividend reinvestment excluded for purposes of Federal income taxes;

"(15) the amount of foreign income excluded for purposes of Federal income taxes; and

"(16) any other untaxed income and benefits, such as black lung or railroad retirement benefits.

"(d) INDEPENDENT STUDENT.—The term 'independent' when used with respect to a student means any individual who is—

"(1) an orphan or ward of the court;

"(2) married;

"(3) not married, but has legal dependents;

"(4) a veteran of the Armed Forces of the United States;

"(5) 23 years of age or older on July 1 of the award year concerned;

"(6) a graduate or professional student;

"(7) a student with unusual circumstances as determined by the student financial aid administrator; or

"(8) a student who demonstrates through documentation acceptable to the student financial aid officer, total self-sufficiency during the two-year period preceding July 1 of the year in which the initial award will be granted; and

who, if treated as an independent student during the preceding calendar year, was not claimed as a dependent by any other person for such preceding calendar year.

"(e) DISPLACED HOMEMAKER.—The term 'displaced homemaker' means an individual who—

"(1) has not worked in the labor force for a substantial number of years but has, during those years, worked in the home providing unpaid services for family members;

"(2)(A) has been dependent on public assistance or on the income of another family member but is no longer supported by that income, or (B) is receiving public assistance on account of dependent children in the home; and

"(3) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"SEC. 480A. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

"Nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator to make necessary adjustments to the cost of attendance and expected family contribution computations to allow for treatment of individual students or groups of students with special circumstances. In addition, nothing in this part shall be interpreted as limiting the ability of the student financial aid administrator to use supplementary information about the financial status of eligible applicants in selecting recipients and determining the amount of awards under subparts 1 and 2 of part A and parts C and E of this title.

"SEC. 480B. STUDENT ASSISTANCE AND OTHER FEDERAL PROGRAMS.

"No portion of any student financial assistance received by an individual from any program funded in whole or in part under title IV of this Act which is used by that individual for the payment of tuition and fees, as those terms are used in section 472 (1) and (2) of this title, shall be considered as income or resources in determining eligibility for assistance under any other program funded in whole or in part with Federal funds.".

PART G—REVISION OF GENERAL PROVISIONS

SEC. 481. AMENDMENT TO PART G OF TITLE IV OF THE ACT.

Part G of title IV of the Act, as redesignated by section 471, is amended to read as follows:

"PART G—GENERAL PROVISIONS RELATING TO STUDENT ASSISTANCE PROGRAMS

"SEC. 481. DEFINITIONS.

"(a) INSTITUTION OF HIGHER EDUCATION.—(1) For the purposes of this title, except subpart 6 of part A and part B, the term 'institution of higher education' includes, in addition to the institutions covered by the definition contained in section 1201(a)—

"(A) a proprietary institution of higher education;

"(B) a postsecondary vocational institution;

"(C) a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing; and

"(D) a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited two-year program of education in professional nursing and allied subjects leading

to an associate degree in nursing or to an equivalent degree.

"(2) The term 'accredited' when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Secretary.

"(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.—For the purposes of this section, the term 'proprietary institution of higher education' means a school (1) which provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose, and (5) which has been in existence for at least two years. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under subsection (d) of this section) from the training offered by the institution. For purposes of this subsection, the Secretary shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

"(c) POSTSECONDARY VOCATIONAL INSTITUTION.—For the purposes of this section, the term 'postsecondary vocational institution' means a school (1) which provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1), (2), (4), and (5) of section 1201(a), and (3) which has been in existence for at least two years. Such term also includes an educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located and who have the ability to benefit (as determined by the institution under subsection (d) of this section) from the training offered by the institution.

"(d) DETERMINATION OF ABILITY TO BENEFIT.—(1) An institution shall be presumed to have established acceptable criteria for the admission of students on the basis of their ability to benefit from the education or training offered, if the institution's admissions procedures for such students includes counseling or a validated test measuring the student's aptitude to successfully complete the program to which the student has applied.

"(2) An institution shall maintain complete records of the admissions criteria utilized for all students admitted under paragraph (1) of this subsection.

"(3) The Secretary shall not promulgate regulations defining the examination that may be used under paragraph (1) or other criteria that may be utilized by an institution in admitting students on the basis of their ability to benefit from the education or training offered.

"(e) ACADEMIC YEAR.—For the purpose of any program under this title, the term 'academic year' shall be defined by the Secretary by regulation.

"SEC. 482. MASTER CALENDAR.

"(a) SECRETARY REQUIRED TO COMPLY WITH SCHEDULE.—To assure adequate notification and timely delivery of student aid funds under this title, the Secretary shall adhere to the following calendar dates in the year preceding the award year:

"(1) Development and distribution of Federal and multiple data entry forms—

"(A) by February 1: first meeting of the Education Department's technical committee on forms design;

"(B) by March 1: updated tables published in the Federal Register pursuant to section 479;

"(C) by August 15: application for Federal student assistance and multiple data entry data elements and instructions approved;

"(D) by August 30: final approved forms delivered to servicers and printers;

"(E) by October 1: Federal and multiple data entry forms and instructions printed; and

"(F) by November 1: Federal and multiple data entry forms, instructions, and training materials distributed.

"(2) Allocations of campus-based and Pell Grant funds—

"(A) by August 1: distribution of institutional application for campus-based funds (FISAP) to institutions;

"(B) by October 1: final date for submission of FISAP by institutions to Department of Education;

"(C) by November 15: edited FISAP and computer printout received by institutions;

"(D) by December 1: appeals procedures received by institutions;

"(E) by December 15: edits returned by institutions to Department of Education;

"(F) by February 1: tentative award levels received by institutions and final Pell Grant payment schedule;

"(G) by February 15: closing date for receipt of institutional appeals by the Department of Education;

"(H) by March 1: appeals process completed;

"(I) by April 1: final award notifications sent to institutions;

"(J) by June 1: Pell Grant authorization levels sent to institutions.

"(b) TIMING FOR REALLOCATIONS.—With respect to any funds reallocated under section 413D(e) or 442(e), the Secretary shall reallocate such funds at any time during the course of the year that will best meet the purposes of the programs under subpart 2 of part A and part C, respectively. However, such reallocation shall occur at least once each year, not later than September 30 of that year.

"(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.—Any additional regulatory changes initiated by the Secretary affecting the general administration of the programs pursuant to this title that have not been published in final form by December prior to the start of the award year shall not become effective until the beginning of the second award year after the December 1 date.

"(d) NOTICE TO CONGRESS.—The Secretary shall notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives when the items specified in the calendar have been completed and provide all relevant forms, rules and instructions with such notice. When a deadline included in the calendar is not met, the Secretary, within seven days, shall submit to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives a written report, including proper documentation, as to why the deadline was not adhered to and a detailed plan for ensuring that subsequent dates are met. Nothing in this section shall be interpreted to penalize institutions or deny them the specified times allotted to enable them to return information to the Secretary based on the failure of the Secretary to adhere to the dates specified in this section.

"SEC. 483. FORMS AND REGULATIONS.

"(a) COMMON FINANCIAL AID FORM AND PROCESSING.—(1) The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall prescribe a common Federal financial aid application form to be used to determine the need and eligibility of a student for financial assistance under this title (other than under subpart 3 of part A). No student or parent of a student shall be charged a fee for processing the form prescribed by the Secretary whether the student completes that form or any other approved form. A student or parent may be charged a fee for processing an institutional or a State financial aid form or data elements that is not required by the Secretary.

"(2) The Secretary shall enter into not less than three contracts with States, institutions of higher education, or private organizations for the purpose of processing the application required under this subsection and issuing official eligibility reports.

"(3) The Secretary shall reimburse all approved contractors at a reasonable predetermined rate for processing such applications, for issuing eligibility reports, and for carrying out other services or requirements that may be prescribed by the Secretary.

"(4) All approved contractors will be required to adhere to all editing, processing, and reporting requirements established by the Secretary to ensure consistency.

"(5) The Secretary may contract for additional data gathering services to assist the Department in developing a Management Information System which will provide it with a representative statistical sample of applicants and recipients to assure coordination of financial aid from both Federal and non-Federal sources, and to provide information, training, and similar services to institutions, financial aid administrators, counselors, lenders, parents and students.

"(6) Nothing in this section shall prohibit States, institutions, or private organizations from simultaneously collecting data elements, in addition to the data elements prescribed by the Secretary, as may be necessary to determine the eligibility of a student for financial aid funds not covered by this title.

"(b) INFORMATION TO COMMITTEES OF CONGRESS.—Copies of all rules, regulations, guidelines, instructions, and application forms published or promulgated pursuant to this title shall be provided to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives at least 45 days prior to their effective date.

"(c) INFORMATION ON ELIGIBILITY FOR ASSISTANCE.—To help insure access to postsecondary education by providing early notice to students of their potential eligibility for financial aid, the Secretary is authorized to enter into contracts with States, institutions of higher education, and private organizations for the purpose of—

"(1) developing a common pre-eligibility Federal financial aid form,

"(2) distributing and processing such form on a year-round basis free of charge to students, and

"(3) issuing on the basis of information reported by the student on such form a pre-eligibility index designed to estimate the amount of Federal (and, if feasible, non-Federal) funds for which the student might qualify in later completing and submitting the application form called for under this section.

The Secretary shall widely disseminate the pre-eligibility form through post offices and other appropriate Federal installations, schools, postsecondary institutions, libraries, and community-based agencies, including projects assisted under subparts 4 and 5 of part A of this title.

"(d) TOLL-FREE INFORMATION.—The Secretary shall contract for, or establish, and publicize a toll-free telephone number to provide timely and accurate information to the general public. The information provided shall include specific instructions on completing application forms for assistance under this title.

"(e) NOTICE OF STUDENT AID RECEIPT.—(1) The Secretary shall develop a single form on which the amount of assistance received under this title (except assistance received under subparts 4, 5, and 7 of part A) by each student who receives such assistance can be recorded. This form shall be titled "U.S. Department of Education, Federal Student Assistance Report". Such form shall have prominently displayed the Great Seal of the United States. Such form shall be the same or a closely similar color to that of checks issued by the Treasury Department and be provided by the Secretary free to eligible institutions in sufficient quantity and in a timely manner so that each eligible institution can provide a completed copy to each recipient of assistance under this title (except assistance received under subparts 4, 5, and 7 of part A) at the time awards are made but not less than once annually.

"(2) Eligible institutions shall provide to each recipient of assistance under this title (except assistance received under subparts 4, 5, and 7 of part A) a completed copy of the "United States Department of Education, Federal Student Assistance Report" form at the time awards are made but not less than once annually.

"SEC. 484. STUDENT ELIGIBILITY.

"(a) IN GENERAL.—In order to receive any grant, loan, or work assistance under this title, a student must—

"(1) be enrolled or accepted for enrollment in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487;

"(2) if the student is presently enrolled at an institution, be maintaining satisfactory progress in the course of study the student is pursuing according to the standards and practices of the institution at which the student is in attendance;

"(3) not owe a refund on grants previously received at any institution under this title, or be in default on any loan from a student loan fund at any institution provided for in part E, or a loan made, insured, or guaranteed by the Secretary under this title for attendance at any institution;

"(4) file with the institution of higher education which the student intends to attend, or is attending (or in the case of a loan or loan guarantee with the lender), a statement of educational purpose (which need not be notarized but which shall include such student's social security number or, if the student does not have a social security number, such student's student identification number) stating that the money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution; and

"(5) be a citizen or national of the United States, a permanent resident of the United States, in the United States for other than a temporary purpose and able to provide evidence from the Immigration and Naturalization Service of his or her intent to become a permanent resident, a permanent resident of the Trust Territory of the Pacific Islands, Guam, or the Northern Mariana Islands, or a person having a certificate of graduation from a school providing secondary education in the United States.

"(b) ELIGIBILITY FOR STUDENT LOANS.—In order to be eligible to receive any loan under this title (other than a loan under section 428B or 428D) for any period of enrollment, a student who is not a graduate or professional student (as defined in regulations of the Secretary), and who is enrolled in a program at an institution which has a participation agreement with the Secretary to make awards under subpart 1 of part A of this title, shall—

"(1) have received a determination of eligibility or ineligibility for a grant under such subpart 1 for such period of enrollment; or

"(2) have (A) filed an application with the Pell Grant processor for such institution for such enrollment period; and (B) received from the financial aid administrator of the institution a preliminary determination of the student's eligibility or ineligibility for a grant under such subpart 1.

"SEC. 484A. STATUTE OF LIMITATIONS.

"(a) IN GENERAL.—Notwithstanding any provision of State law that would set an earlier deadline for filing suit—

"(1) an institution which receives funds under this title may file suit for collection of a refund due from a student on a grant made or work assistance awarded under this title during a period of time extending at least until a date six years (exclusive of periods during which the State statute of limitations period otherwise applicable to the suit would be tolled under State law) after the date the refund first became due; and

"(2) subject to the provisions of section 2416 of title 28 of the United States Code, the Attorney General may file suit for payment of a refund due from a student on a grant made under this title until six years following the date on which the refund first became due.

"(b) ASSESSMENT OF COSTS AND OTHER CHARGES.—Notwithstanding any provision of State law to the contrary, a borrower who has defaulted on a loan made under this title shall be required to pay, in addition to other charges specified in this title, reasonable collection costs.

"SEC. 485. INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS.

"(a) INFORMATION DISSEMINATION ACTIVITIES.—(1) Each eligible institution participating in any program under this title shall carry out information dissemination activities for prospective and enrolled students (including those attending or planning to attend less than full-time) regarding the institution and all financial assistance under this title. The information required by this section shall be produced and be made readily available, through appropriate publications and mailings, to all current students, and to any prospective student upon request. The information required by this section shall accurately describe—

"(A) the student financial assistance programs available to students who enroll at such institution;

"(B) the methods by which such assistance is distributed among student recipients who enroll at such institution;

"(C) any means, including forms, by which application for student financial assistance is made and requirements for accurately preparing such application;

"(D) the rights and responsibilities of students receiving financial assistance under this title;

"(E) the cost of attending the institution, including (i) tuition and fees, (ii) books and supplies, (iii) estimates of typical student room and board costs or typical commuting costs, and (iv) any additional cost of the program in which the student is enrolled or expresses a specific interest;

"(F) a statement of the refund policy of the institution for the return of unearned tuition and fees or other refundable portion of cost, as described in clause (E) of this paragraph;

"(G) the academic program of the institution, including (i) the current degree programs and other educational and training programs, (ii) the instructional, laboratory, and other physical plant facilities which relate to the academic program, and (iii) the faculty and other instructional personnel;

"(H) each person designated under subsection (b) of this section, and the methods by which and locations in which any person so designated may be contacted by students and prospective students who are seeking information required by this subsection;

"(I) special facilities and services available to handicapped students;

"(J) the names of associations, agencies, or governmental bodies which accredit, approve, or license the institution and its programs, and the procedures under which any current or prospective student may obtain or review upon request a copy of the documents describing the institution's accreditation, approval, or licensing; and

"(K) the standards which the student must maintain in order to be considered to be making satisfactory progress, pursuant to section 484(a)(2).

"(2) For purposes of this section, the term 'prospective student' means any individual who has contacted an eligible institution requesting information concerning admission to that institution.

"(b) FINANCIAL ASSISTANCE INFORMATION PERSONNEL.—Each eligible institution shall designate an employee or group of employees who shall be available on a full-time basis to assist students or potential students in obtaining information as specified in subsection (a). The Secretary may, by regulation, waive the requirement that an employee or employees be available on a full-time basis for carrying out responsibilities required under this section whenever an institution in which the total enrollment, or the portion of the enrollment participating in programs under this title at that institution, is too small to necessitate such employee or employees being available on a full-time basis. No such waiver may include permission to exempt any such institution from designating a specific individual or a group of individuals to carry out the provisions of this section.

"(c) DEPARTMENTAL PUBLICATION OF DESCRIPTIONS OF ASSISTANCE PROGRAMS.—The Secretary shall make available to eligible institutions, eligible lenders, and secondary

schools descriptions of Federal student assistance programs including the rights and responsibilities of student and institutional participants, in order to (1) assist students in gaining information through institutional sources, and (2) assist institutions in carrying out the provisions of this section, so that individual and institutional participants will be fully aware of their rights and responsibilities under such programs. In particular, such information shall include information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations that will be incurred as a result of receiving loans of varying amounts under this title. Such information shall be provided by eligible institutions and eligible lenders at any time that information regarding loan availability is provided to any student.

"SEC. 486. TRAINING IN FINANCIAL AID AND STUDENT SUPPORT SERVICES.

"(a) PROGRAM AUTHORITY.—The Secretary is authorized to enter into contracts with appropriate public agencies or nonprofit private organizations or institutions of higher education to provide training for financial aid administrators, student peer counselors, student staff or volunteers, and other part-time staff and volunteers who provide financial aid, admissions and academic counseling and outreach, and student support programs in postsecondary education in post-secondary institutions, communities or statewide programs.

"(b) USE OF FUNDS.—Financial assistance under this section may be used for—

"(1) development of materials and inservice training and career awareness programs;

"(2) operation of short-term training institutes designed to improve the skills and career awareness of participants in such institutes; and

"(3) special programs to assist in training of students and part-time staff or volunteers at institutions eligible for assistance under title III of this Act.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $1,000,000 to carry out the provisions of this section for fiscal year 1987 and for each of the succeeding fiscal years ending prior to October 1, 1991.

"SEC. 487. PROGRAM PARTICIPATION AGREEMENTS.

"(a) REQUIRED FOR PROGRAMS OF ASSISTANCE; CONTENTS.—In order to be an eligible institution for the purposes of any program authorized under this title, an institution must be an institution of higher education or an eligible institution (as that term is defined for purposes of that program) and shall, except with respect to a program under subpart 3 of part A, enter into a program participation agreement with the Secretary. The agreement shall condition the initial and continuing eligibility of an institution to participate in a program upon compliance with the following requirements:

"(1) The institution will use funds received by it for any program under this title and any interest or other earnings thereon solely for the purposes specified in and in accordance with the provision of that program.

"(2) The institution shall not charge any student a fee for processing or handling any application, form, or data required to determine the student's eligibility for assistance under this title or the amount of such assistance, or for completing or handling the Federal Student Assistance Report provided for in section 483(e).

"(3) The institution will establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds received from the Secretary or from students under this title.

"(4) The institution will comply with the provisions of subsection (b) of this section and the regulations prescribed under that subsection, relating to fiscal eligibility.

"(5) The institution will submit reports to the Secretary and, in the case of an institution participating in a program under part B or part E, to holders of loans made to the institution's students under such parts at such times and containing such information as the Secretary may reasonably require to carry out the purposes of this title.

"(6) The institution will not provide any student with any statement or certification to any lender under part B that qualifies the student for a loan or loans in excess of the amount that student is eligible to borrow in accordance with sections 425(a), 428(a)(2), and 428(b)(1) (A) and (B).

"(7) The institution will comply with the requirements of section 485.

"(b) RECOVERY OF FUNDS.—If no fraud is involved, the Secretary may seek recovery of funds paid to an institution under this title only in those final audit or program review determinations pending on or made after the date of enactment of this sentence in which the disputed expenditures are not in substantial compliance with the law.

"(c) HEARINGS.—(1) An institution that has received written notice of a final audit or program review determination and that desires to have such determination reviewed by the Secretary shall submit to the Secretary a written request for review not later than forty-five days after receipt of notification of the final audit or program review determination.

"(2) The Secretary shall, upon receipt of written notice in (c)(1), arrange for a hearing on the record and notify the institution within thirty days of receipt of such notice the date, time and place of such hearing. Such hearing shall take place not later than 120 days from the date upon which the Secretary notifies the institution.

"(3) In all final audit or program review determinations pending on or made after the date of enactment of this section, the burden of proof shall be on the Secretary, and discovery shall be available to all parties under procedures provided under Rules 26, 28 through 34, and 36 of the Rules of Civil Procedure of the United States district courts.

"(d) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.—(1) Notwithstanding any other provisions of this title, the Secretary is authorized to prescribe such regulations as may be necessary to provide for—

"(A)(i) except as provided in clause (ii), a financial and compliance audit of an eligible institution, with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title, at least once every two years and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organization, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary; or

"(ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit;

"(B) in matters not governed by specific program provisions, the establishment of reasonable standards of financial responsibility and appropriate institutional capability for the administration by an eligible institution of a program of student financial aid under this title;

"(C) the establishment, by each eligible institution under part B responsible for furnishing to the lender the statement required by section 428(a)(2)(A)(i), of policies and procedures by which the latest known address and enrollment status of any student who has had a loan insured under this part and who has either formally terminated his enrollment, or failed to reenroll on at least a half-time basis, at such institution, shall be furnished either to the holder (or if unknown, the insurer) of the note, not later than sixty days after such termination or failure to reenroll; and

"(D) the limitation, suspension, or termination of the eligibility for any program under this title of any otherwise eligible institution, or the imposition of a civil penalty under paragraph (2)(B) whenever the Secretary has determined, after reasonable notice and opportunity for hearing on the record, that such institution has violated or failed to carry out any provision of this title or any regulation prescribed under this title, except that no period of suspension under this section shall exceed sixty days unless the institution and the Secretary agree to an extension or unless limitation or termination proceedings are initiated by the Secretary within that period of time.

"(2)(A) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, or the employability of its graduates, the Secretary may suspend or terminate the eligibility status for any or all programs under this title of any otherwise eligible institution, in accordance with procedures specified in paragraph (1)(D) of this subsection, until the Secretary finds that such practices have been corrected.

"(B)(i) Upon determination, after reasonable notice and opportunity for a hearing on the record, that an eligible institution—

"(I) has violated or failed to carry out any provision of this title or any regulation prescribed under this title; or

"(II) has engaged in substantial misrepresentation of the nature of its educational program, its financial charges, and the employability of its graduates,

the Secretary may impose a civil penalty upon such institution of not to exceed $25,000 for each violation or misrepresentation.

"(ii) Any civil penalty may be compromised by the Secretary. In determining the amount of such penalty, or the amount agreed upon in compromise, the appropriateness of the penalty to the size of the institution of higher education subject to the determination, and the gravity of the violation, failure, or misrepresentation shall be considered. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United States to the institution charged.

"(3) The Secretary shall publish a list of State agencies which the Secretary determines to be reliable authority as to the

quality of public postsecondary vocational education in their respective States for the purpose of determining eligibility for all Federal student assistance programs.

"(c) DEFINITION OF ELIGIBLE INSTITUTION.—For the purpose of this section the term 'eligible institution' means any such institution described in section 435(a) of this Act.

"SEC. 488. TRANSFER OF ALLOTMENTS.

"Up to 10 percent of the allotment of an eligible institution for a fiscal year under section 413D or 446 of this Act, may be transferred to, and used for the purposes of, the institution's allotment under the other section within the discretion of such institution in order to offer an arrangement of types of aid, including institutional and State aid, which best fits the needs of each individual student. The Secretary shall have no control over such transfer, except as specifically authorized, except for the collection and dissemination of information.

"SEC. 489. ADMINISTRATIVE EXPENSES.

"(a) AMOUNT OF PAYMENTS.—From the sums appropriated for any fiscal year for purposes of the program authorized under subpart 1 of part A, the Secretary shall reserve such sums as may be necessary to pay to each institution with which he has an agreement under section 487, an amount equal to $5 for each student at that institution who receives assistance under subpart 1 of part A. In addition, an institution which has entered into an agreement with the Secretary under subpart 2 of part A or part C (other than section 448), of this title or under part E of this title shall be entitled for each fiscal year which such institution disburses funds to eligible students under any such part to a payment for the purposes set forth in subsection (b). The payment for a fiscal year shall be payable from each such allotment by payment in accordance with regulations of the Secretary and shall be equal to 5 percent of the institution's first $2,750,000 of expenditures plus 4 percent of the institution's expenditures greater than $2,750,000 and less than $5,500,000, plus 3 percent of the institution's expenditures in excess of $5,500,000 during the fiscal year from the sum of its grants to students under subpart 2 of part A, its expenditures during such fiscal year under part C for compensation of students, and the principal amount of loans made during such fiscal year from its student loan fund established under part E, excluding the principal amount of any such loans which the institution has agreed to assign under section 463(a)(6)(B). The payment for a fiscal year for the purpose of subsection (b) with respect to section 447 shall be payable from each allotment under part C in accordance with regulations of the Secretary, and shall be 10 percent of the institution's expenditures during such fiscal year under such section.

"(b) PURPOSE OF PAYMENTS.—The sums paid to institutions under this part are for the sole purpose of offsetting the administrative costs of the programs described in subsection (a).

"SEC. 490. CRIMINAL PENALTIES.

"(a) IN GENERAL.—Any person who knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery any funds, assets, or property provided or insured under this title shall be fined not more than $10,000 or imprisoned for not more than five years, or both; but if the amount so embezzled, misapplied, stolen, or obtained by fraud, false statement, or forgery does not exceed $200, the fine shall not be more than $1,000 and imprisonment shall not exceed one year, or both.

"(b) ASSIGNMENT OF LOANS.—Any person who knowingly and willfully makes any false statement, furnishes any false information, or conceals any material information in connection with the assignment of a loan which is made or insured under this title shall, upon conviction thereof, be fined not more than $1,000 or imprisoned not more than one year, or both.

"(c) INDUCEMENTS TO LEND OR ASSIGN.—Any person who knowingly and willfully makes an unlawful payment to an eligible lender under part B as an inducement to make, or to acquire by assignment, a loan insured under that part shall, upon conviction thereof, be fined not more than $1,000 or imprisoned not more than one year, or both.

"(d) OBSTRUCTION OF JUSTICE.—Any person who knowingly and willfully destroys or conceals any record relating to the provision of assistance under this title with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under this part, shall upon conviction thereof, be fined not more than $10,000 or imprisoned not more than five years, or both.

"SEC. 491. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

"(a) ESTABLISHMENT.—There is hereby established an Advisory Committee on Student Financial Assistance (henceforth referred to as the 'Committee') which shall provide advice and counsel to the Congress on student financial aid matters.

"(b) MEMBERSHIP.—The Advisory Committee shall have twelve members, six appointed by the President Pro Tempore of the Senate and six by the Speaker of the House of Representatives including, but not limited to representatives of States, institutions of postsecondary education, secondary schools, credit institutions, students, and parents.

"(c) OPERATIONS OF THE COMMITTEE.—(1) Each member of the Advisory Committee shall be appointed for a term of three years, except that, of the members first appointed—

"(A) four shall be appointed for a term of one year;

"(B) four shall be appointed for a term of two years; and

"(C) four shall be appointed for a term of three years.

"(2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the committee shall, upon his or her request, continue to serve after the expiration of a term until a successor has been appointed. A member of the committee may be reappointed to successive terms on the committee.

"(3) The Committee shall elect a Chairman and a Vice Chairman from among its members.

"(4) Six members of the Committee shall constitute a quorum but a lesser number of two or more may conduct hearings.

"(5) The Committee shall meet at the call of the Chairman or a majority of its members.

"(d) FUNCTIONS OF THE COMMITTEE.—The Committee shall—

"(1) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements;

"(2) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid and in assessing the impact of legislative and administrative policy proposals;

"(3) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations;

"(4) conduct studies, surveys and analyses of student financial assistance programs, policies and practices, including the special needs of low income, disadvantaged and non-traditional students, and the means by which these needs may be met;

"(5) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs;

"(6) promote research and development activities which will improve the system of data collection;

"(7) review and comment and promote research and development of the student information system established under section 483(c) and (d) of this part;

"(8) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs; and

"(9) publish and disseminate such interim reports as it considers appropriate and submit an annual report to the Congress on the state of student assistance, including assistance under this title, State scholarship assistance, need-based institutional loan and grant programs, and all other forms and sources of such assistance.

"(e) SUBMISSION TO DEPARTMENT FOR COMMENT.—The Committee may submit any of its studies or recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

"(f) COMPENSATION AND EXPENSES.—(1) Members of the Committee who are officers or full-time employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States; but they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(2) Members of the Committee who are not officers or full-time employees of the United States may each receive $150 per diem when engaged in the actual performance of duties vested in the Commission. In addition, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

"(g) PERSONNEL AND RESOURCES.—Such personnel as the Committee deems necessary may be appointed by the Committee without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subtitle III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule:

"(1) The Committee or, on the authorization of the Committee, any subcommittee thereof, may, for the purpose of carrying out the provisions of the Act, hold such

hearings and sit and act at such times and such places as the Committee or such subcommittee may deem advisable.

"(2) In carrying out its duties under the Act, the Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible.

"(3) The Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality, information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment or instrumentality is authorized and directed to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Committee, upon request made by the Chairman.

"(4) For the purpose of securing necessary data and information the Committee may enter into contracts with universities, research institutions, foundations, and other competent public or private agencies. For such purpose, the Committee is authorized to obtain the services of experts and consultants in accordance with section 3109 of title 5, United States Code.

"(5) The heads of all Federal agencies are, to the extent not prohibited by law, directed to cooperate with the Committee in carrying out this section.

"(6) The Committee is authorized to utilize, with their consent, the services, personnel, information and facilities of other Federal, State, local and private agencies with or without reimbursement.

"(h) There is authorized to be appropriated an amount not to exceed $750,000 for each of the fiscal years beginning on or after October 1, 1986, to carry out the provisions of this section, which shall remain available until expended or until the termination of the Committee whichever occurs first.".

"SEC. 492. DATA COLLECTION.

"(a) PURPOSES OF SURVEY.—The Secretary shall survey student aid recipients on a regular cycle, but not less than once every three years, to—

"(1) identify the population of students receiving Federal student aid;

"(2) determine the income distribution and other socioeconomic characteristics of federally aided students;

"(3) describe the combinations of aid from State, Federal, and private sources received by students from all income groups; and

"(4) disseminate such information in both published and machine readable form.

"(b) BREADTH AND DESIGN OF SURVEY.—The survey shall be representative of full-time and part-time, undergraduate, graduate, and professional students in all types of institutions, and should be designed and administered in consultation with the Congress and the postsecondary education community.

"SEC. 493. NATIONAL COMMISSION ON RESPONSIBILITIES FOR FINANCING THE COSTS OF POSTSECONDARY EDUCATION.

"(a) FINDINGS.—The Congress finds—

"(1) that institutions of higher education in our Nation and their human and intellectual resources are critical to the future of the American society, and the Nation's economic potential, its strength, security, and freedom, and the quality of life for all citizens are tied to the quality and extent of higher education available;

"(2) that it is the responsibility of the Federal Government to establish a clearly defined national policy regarding—

"(A) the role and expectations of respective institutions in society (the family unit, institutions of higher education, government, and the individual in financing the costs of postsecondary education);

"(B) the most efficient and effective use of limited Federal, State, and private resources for supplementing the family effort in financing postsecondary education and for creating incentives for individuals and families to plan for financing postsecondary education; and

"(3) the appropriate response to economic, budgetary, demographic, and social changes which will require individuals, families, institutions of higher education, and government to plan and adapt to the future needs for student financial assistance for postsecondary education.

"(b) ESTABLISHMENT OF THE COMMISSION.—(1) There is established as an independent agency in the executive branch a Commission to be known as the National Commission on Family Responsibilities for Financing Postsecondary Education (hereafter in this section referred to as the 'Commission').

"(2) The Commission shall be composed of 9 members, three of whom shall be appointed by the President, three of whom shall be appointed by the Speaker of the House of Representatives, and three of whom shall be appointed by the majority leader of the Senate. The membership of the Commission shall provide expertise and experience in the provision and financing of postsecondary education, including student financial aid administrators, secondary school administrators, individuals skilled in education economics research, individual having expertise in the development of standards and systems of need analysis for student assistance programs, and individuals with particular expertise in credit financing for postsecondary education.

"(c) DUTIES OF THE COMMISSION.—

"(1) IN GENERAL.—The Commission shall study and investigate the extent to which—

"(A) there is a consistent and coherent Federal policy regarding the appropriate family role in financing the costs of postsecondary education for family members;

"(B) the current Federal laws and regulations promote the stated Federal policy; and

"(C) the extent to which State laws which remove parental responsibilities for children over 18 years of age conflict with Federal policy in this area.

"(2) REPORT AND RECOMMENDATIONS.—The Commission shall—

"(A) summarize the appropriate findings of the National Commission on Student Financial Assistance;

"(B) recommend to the Congress a comprehensive analysis on the extent to which a consensus exists regarding the appropriate role of the family in financing postsecondary education;

"(C) to the extent that a consensus exists, recommend changes in current law that would be required to achieve the desired Federal policy, including recommendations on Federal incentives to encourage families to plan and save for their financial responsibilities in financing postsecondary education for family members taking into account the needs of future generations.

"(d) SPECIFIC REQUIREMENTS.—In carrying out its responsibilities under subsection (c), the Commission shall make a study of the following areas:

"(1) NEED ANALYSIS.—

"(A) The most appropriate mechanisms for measuring student and family ability to pay for postsecondary education.

"(B) The incentives and disincentives for family saving in existing need analysis systems.

"(C) The feasibility and impact of different need analysis systems and eligibility formulas for determining student and family contributions for Federal and non-Federal grant, loan, and work-study programs.

"(D) The extent to which existing systems of need analysis take into account the circumstances of older and non-traditional students, students with minor dependents, and divorced and separated parents.

"(E) The extent to which existing systems of need analysis recognize differing regional economic conditions.

"(F) The feasibility of a simplified need analysis system for determining ability to pay for low-income families, economically disadvantaged families, and families receiving public assistance benefits.

"(G) The postsecondary education financing 'partnership', and the impact of external influences, such as economic conditions or State-level initiatives, that affect the balance of financial support among students and their families, the Federal Government, States, postsecondary institutions, credit institutions, and the private sector.

"(2) STUDENT INDEPENDENCE.—The most appropriate mechanisms and factors to be considered in determining student independence and self-support and in determining when families should be expected to provide parental financial information in determining expected family contributions for Federal student assistance programs.

"(3) PARENTAL RESPONSIBILITY.—In consultation and cooperation with associations of higher education institutions and administrators, secondary schools, student and parent associations, and other organizations, the most effective means of reinforcing and promoting the principle of parental responsibility for contributing, to the extent that they are able, to the costs of their children's postsecondary education.

"(4) STUDENT RESPONSIBILITY.—The most effective mechanisms for measuring student ability to contribute to educational cost through earnings and savings, the extent to which such mechanisms reflect the circumstances of students from disadvantaged families, and the existing levels of student contributions from past, current, and future earnings.

"(5) INSTITUTIONAL RESPONSIBILITY.—The most effective mechanisms of reinforcing and promoting the principle of institutional responsibility for providing need-based aid to students attending postsecondary institutions.

"(6) GOVERNMENTAL RESPONSIBILITY.—The most efficient and appropriate mechanisms for providing student assistance from the various levels of government.

"(7) EARLY INFORMATION, PLANNING, AND INFORMATION TECHNOLOGY.—The extent to which programs providing early information on postsecondary education, costs, and financial aid programs to students and their families influence educational opportunity and family saving.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $1,500,000.

"(f) TERMINATION.—The Commission shall terminate two years after the initial appointment of members.".

SEC. 482. CONFORMING PROVISION.

Effective with respect to any academic year beginning on or after July 1, 1987, the Student Financial Assistance Technical Amendments Act of 1982 is repealed.

TITLE V—AMENDMENT TO TITLE V OF THE ACT

SEC. 501. REVISION OF TITLE V.

Title V of the Act is amended to read as follows:

"TITLE V—EDUCATOR RECRUITMENT, RETENTION, AND DEVELOPMENT

"SEC. 501. STATEMENT OF PURPOSE.

"It is the purpose of this title—

"(1) to assist in strengthening the content and delivery of teacher preparation programs;

"(2) to promote school, college, and university partnerships which advance the quality of teacher education programs and provide a stronger link between teacher preparation programs and the challenges facing today's classroom teachers;

"(3) to provide assistance to our Nation's teaching force for the continued improvement of their professional skills and expansion of their subject matter expertise;

"(4) to improve the leadership and administrative skills of elementary and secondary school administrators; and

"(5) to support data collection and research activities on teaching which better direct Federal, State, and local resources.

"SEC. 502. AUTHORIZATION OF APPROPRIATIONS.

"(a) EXCELLENCE IN TEACHER EDUCATION PROGRAMS.—For part A, there are authorized to be appropriated $10,000,000 for subpart 1 for fiscal year 1987 and $4,000,000 for subpart 2 for fiscal year 1987, and such sums as may be necessary to carry out the provisions of such part for each of the four succeeding fiscal years.

"(b) SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS.—For part B, there are authorized to be appropriated $20,000,000 for subpart 1 for fiscal year 1987, $7,500,000 for subpart 2 for fiscal year 1987, and such sums as may be necessary to carry out the provisions of such part for each of the four succeeding fiscal years.

"(c) PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS.—For part C, there are authorized to be appropriated $20,000,000 for subpart 1 and $20,000,000 for subpart 2 for fiscal year 1987, and such sums as may be necessary to carry out the provisions of such part in each of the four succeeding fiscal years.

"(d) TEACHER SCHOLARSHIPS AND FELLOWSHIPS.—For part D, there are authorized to be appropriated $5,000,000 for subpart 1, $20,000,000 for subpart 2, and $2,000,000 for subpart 3 for fiscal year 1987, and such sums as may be necessary to carry out the provisions of such part in each of the four succeeding fiscal years.

"(e) RESEARCH, DATA COLLECTION, AND PLANNING.—For part E, there are authorized to be appropriated $2,000,000 for subpart 1 for fiscal year 1987, $1,000,000 for subpart 2 for fiscal year 1987, and such sums as may be necessary to carry out the provisions of such part in each of the four succeeding fiscal years.

"PART A—EXCELLENCE IN TEACHER EDUCATION PROGRAMS

"Subpart 1—Enhancing the Quality of Teacher Education Programs.

"SEC. 511. PROGRAM AUTHORITY AND REQUIREMENTS.

"(a) PROGRAM AUTHORITY.—The Secretary is authorized to make grants, in accordance with the provisions of this subpart, to institutions of higher education and combinations of such institutions, including community and technical colleges, for programs which are designed and implemented jointly with local elementary and secondary schools, to provide institutional support for teacher education programs, to promote accessibility, diversity, and quality curricula, and to provide convenient and economical services for the participants.

"(b) USE OF FUNDS.—Grants under this subpart may be used for developing and implementing—

"(1) high quality teacher education programs having selective admissions criteria, and encouraging talented students to enter into such programs, including recruitment of students from minority populations;

"(2) cooperative projects and programs involving faculties of liberal arts and sciences and faculties of education to revise and strengthen general studies and professional education programs, including programs incorporating clinical experiences and nontraditional teacher preparation programs involving course curricula in excess of four years;

"(3) joint projects between local education agencies and institutions of higher education to provide programs of assistance for beginning teachers;

"(4) clinical experience programs for teacher education candidates which are interspersed throughout their training program and involve classroom teachers from the school site;

"(5) assistance in the design and development of staff development units involving teams of faculty, elementary and secondary school teachers, and administrators to work together on school site projects;

"(6) projects jointly involving college and university faculty and elementary and secondary school faculty in the practical application of educational research and evaluation findings, and the integration of such research into the teacher education program;

"(7) alternative professional preparation programs for nontraditional teacher education students but maintaining the same standard for graduation;

"(8) special support to institutions preparing teachers to serve in disciplines where shortages have been identified through the data collection required under part E;

"(9) teacher education programs designed to meet the needs of historically underrepresented populations and institutions with large numbers of such populations as identified through the data collection required under part E;

"(10) staff development projects for faculty of collegiate departments to provide training to familiarize faculty with research on teaching, learning, and innovative teaching practices;

"(11) programs to train education personnel in the application of new and advanced technologies; and

"(12) training educational personnel who will specialize in the teaching of disadvantaged Native Hawaiians and the development of model projects to carry out improved preservice or support activities for teachers of Native Hawaiian elementary and secondary students.

"(c) APPLICATION REQUIREMENTS.—(1) No grant may be made under this subpart, except as described in paragraph (2), unless an application is made by an institution of higher education, or a combination of such institutions including community and technical colleges, at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require. Each applicant shall use the assistance provided under this subpart to supplement and not to supplant activities conducted by institutions of higher education described in subsection (a).

"(2)(A) The Secretary is authorized, in the State of Hawaii, to enter into contracts with a local school of education and organizations recognized by the Governor of the State of Hawaii which primarily serve and represent Hawaiian natives for the purpose of conducting and administering programs, or portions of programs, that benefit Hawaiian natives and are consistent with the purposes of this section.

"(B) For the purposes of this section, the term 'Native Hawaiian' means any individual any of whose ancestors were natives, prior to 1778, of the area which now comprises the State of Hawaii.

"Subpart 2—Midcareer Teacher Training for Nontraditional Students

"SEC. 512. PROGRAM AUTHORITY AND REQUIREMENTS.

"(a) PURPOSE.—It is the purpose of this subpart to encourage institutions of higher education with schools or departments of education to establish and maintain programs that will provide teacher training to individuals who are moving to a career in education from another occupation.

"(b) SELECTION PROCEDURES.—From the funds available for this subpart, the Secretary shall make grants to institutions of higher education on the basis of the competitive selection among qualifying applications. Institutions selected as recipients shall be awarded (1) an initial planning grant for use during the first two fiscal years after selection, and (2) for those institutions demonstrating successful performance with the planning grant, a renewal grant for use during not more than two additional years.

"(c) CONTENTS OF APPLICATIONS.—Applications for grants under this subpart shall demonstrate that—

"(1) the applicant will establish and maintain a program of midcareer teacher retraining designed to prepare individuals for teacher certification requirements who already have a baccalaureate or advanced degree and job experience in education-related fields of study;

"(2) the applicant has designed a program which includes at least the following elements:

"(A) a screening mechanism to assure that individuals who are admitted to the program possess the current subject matter knowledge needed and the characteristics that would make them likely to succeed as classroom teachers;

"(B) a clear set of program goals and expectations which are communicated to participants; and

"(C) a curriculum that, when successfully completed, will provide participants with the skills and credentials needed to teach in specific subject areas as well as a realistic perspective on the educational process;

"(3) the program has been developed with the cooperation and assistance of the local business community;

"(4) the program will be operated under a cooperative agreement between the institution and one or more State or local educational agencies; and

"(5) the program will be designed and operated with the active participation of qualified classroom teachers and will include an

in-service training component and follow-up assistance.

"(d) REVIEW OF APPLICATIONS.—Applications for grants under this subpart shall be reviewed by a panel of experts in teacher training designated by the Secretary. The Secretary shall, to the extent of available funds, select at least one applicant from each of the ten regions served by the Department of Education and assure that programs offered reflect all significant areas of national need in which shortages exist.

"(e) AMOUNT OF GRANTS.—The initial planning grant to an institution of higher education shall not exceed $100,000 for the two years for which it is available. The renewal grant to an institution shall not exceed $50,000 for each of the two years for which it is available.

"(f) REPORTS AND INFORMATION.—Each institution of higher education that receives a grant under this subpart shall submit to the Secretary such reports and other information on the program it conducts under this part as the Secretary deems necessary. The Secretary shall disseminate such information to other institutions of higher education for the purpose of promoting greater use of midcareer teacher training programs without direct Federal financial assistance.

"PART B—SCHOOL, COLLEGE, AND UNIVERSITY PARTNERSHIPS

"Subpart 1—University and High School Partnerships

"SEC. 521. GENERAL PURPOSE.

"It is the purpose of this subpart to encourage partnerships between institutions of higher education and secondary schools serving low-income students, to support programs that improve the academic skills of public and private nonprofit secondary school students, increase their opportunity to continue a program of education after high school and improve their prospects for employment after high school.

"SEC. 522. PARTNERSHIP AGREEMENT.

"(a) PARTNERSHIP AGREEMENT.—To be eligible for a grant under this subpart, an institution of higher education and a local education agency must enter into a written partnership agreement. A partnership may include businesses, labor organizations, professional associations, community-based organizations or other private or public agencies or associations. All partners shall sign the agreement.

"(b) CONTENTS OF AGREEMENT.—The agreement shall include—

"(1) a listing of all participants in the partnerships;

"(2) a description of the responsibilities of each participant in the partnership; and

"(3) a listing of the resources to be contributed by each participant in the partnership.

"SEC. 523. GRANTS.

"(a) DIVISION BETWEEN SCHOOL-YEAR AND SUMMER PROGRAMS.—From the funds appropriated for this subpart pursuant to section 502(b), the Secretary shall reserve 65 percent to carry out programs operating during the regular school year and 35 percent to carry out programs operating during the summer.

"(b) AMOUNT AND USE OF GRANTS.—From such funds, the Secretary shall make grants of no less than $250,000 and no more than $1,000,000. The grants may be used by the partnership for programs that—

"(1) use college students to tutor high school students and improve their basic academic skills;

"(2) are designed to improve the basic academic skills of high school students;

"(3) are designed to increase the high school student's understanding of specific subjects;

"(4) are designed to improve the high school student's opportunity to continue a program of education after graduation; and

"(5) are designed to increase the high school student's prospects for employment after graduation.

"(c) PREFERENCES.—In making grants under this subpart, the Secretary shall give a preference to—

"(1) programs which will serve predominantly low-income communities;

"(2) partnerships which will run programs during the regular school year and the summer; and

"(3) programs which will serve educationally disadvantaged students, potential dropouts, pregnant adolescent and teen parents, or children of migratory agricultural workers or of migratory fishermen.

"SEC. 524. APPLICATION FOR GRANTS.

"(a) APPLICATION REQUIRED.—A partnership desiring to receive a grant under this subpart must submit an application to the Secretary.

"(b) CONTENTS OF APPLICATION.—The application shall include—

"(1) the written and signed partnership agreement;

"(2) a listing of the public and private nonprofit secondary school or schools to be involved in the program;

"(3) a description of the programs to be developed and operated by the partnership;

"(4) assurances to the Secretary that—

"(A) the partnership will establish a governing body including one representative of each participant in the partnership;

"(B) Federal funds will provide no more than 70 percent of the cost of the project in the first year, 60 percent of such costs in the second year, and 50 percent of such costs in the third year and any subsequent year;

"(C) a local educational agency receiving funds under this subpart shall not reduce its combined fiscal effort per student or its aggregate expenditure on education; and

"(D) a local educational agency receiving funds under this subpart shall use the Federal funds so as to supplement and, to the extent practical, increase the resources that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of students participating in the project, and in no case may funds be used to supplant such non-Federal funds; and

"(5) provide such information and meet such conditions as may be required by the Secretary.

"SEC. 525. COMMUNITY COLLEGE PILOT PROJECT.

"(a) PROGRAM AUTHORIZED.—In addition to the grants awarded under section 523, the Secretary is authorized to award four grants for pilot community college partnership projects under this section.

"(b) PARTNERSHIP AGREEMENTS.—To be eligible for a grant under this section, a community college shall enter into a partnership agreement as in accordance with section 522 with a local educational agency and at least one local business or industry.

"(c) AMOUNT AND USE OF GRANTS.—Grants under this section shall be no less than $250,000. The grants may be used by the partnership for programs that—

"(1) use college students to tutor high school students and improve their basic academic skills;

"(2) are designed to improve the basic academic skills of high school students;

"(3) are designed to increase the high school student's understanding of specific subjects;

"(4) are designed to improve the high school student's opportunity to continue a program of education after graduation; and

"(5) are designed to increase the high school student's prospects for employment after graduation.

"(d) APPLICATION.—To receive a grant under this section, a community college shall submit an application in accordance with section 524(b).

"(e) AWARD OF GRANTS.—In making awards under this section, the Secretary shall give preference to applications indicating that the business or industry partner is engaged in technological or aerospace activities.

"(f) ELIGIBLE INSTITUTIONS.—The institutions which may be awarded grants under this section are—

"(1) the Wayne County Community College of Wayne County, Michigan;

"(2) the Community College of Vermont;

"(3) the Compton Community College of Compton, California; and

"(4) the Metropolitan Community College of Kansas City, Missouri.

"(g) REPORTS AND INFORMATION.—Each community college that receives a grant under this subpart for establishing pilot projects shall submit to the Secretary such reports and other information as requested in order to evaluate program effectiveness and to disseminate information on exemplary programs to other community colleges, area vocational-technical schools, and other institutions of higher education, for the purposes of promoting greater use of university-high school partnerships without direct Federal financial assistance.

"Subpart 2—Teaching Academies Demonstration Projects

"SEC. 526. PURPOSE.

It is the purpose of this subpart to establish teaching academy demonstration projects to provide more effective instruction and guidance in the development of teaching skills through the creation of internships for beginning teachers. Such internships will be directed by experienced, highly qualified teachers with input on recent research on teaching effectiveness from schools of education. Such internships would give beginning teachers greater time and assistance in making the transition from college study to actual teaching by allowing them to teach a reduced load during their beginning year, with the nonteaching time spent in seminars and programs learning from and observing experienced teachers and benefiting from the most recent research findings on effective teaching and classroom techniques.

"SEC. 527. TEACHING ACADEMIES.

"(a) AUTHORITY.—(1) In order to establish demonstration programs to promote better transition into classroom practice for entry level teachers, the Secretary is authorized to make grants to consortia of schools of education and local education agencies to assist such consortia in the planning, establishment, and operation of teaching academies.

"(b) DEFINITIONS.—For the purposes of this section—

"(1) the term 'teaching academy' means any program operated by local education agencies and their teachers in conjunction with a school of education, in which qualified local education agency teachers with a

minimum of 7 years of teaching experience—

"(A) serve as adjunct faculty to assist in the further training of entry level teachers, with the organization and supervision of such adjunct faculty shared between the school of education and the local education agency; and

"(B) provide supervision and instruction to entry level teachers in order to assure that entry level teachers have greater opportunity to plan, seek guidance, observe experienced teachers, make use of available resources to improve their professional skills, and gradually assume greater levels of responsibility as teachers;

"(2) the term 'school of education' means institutions of higher education, and administrative units of institutions of higher education, specializing in the training of individuals to serve as teachers, guidance and counseling personnel, administrative personnel, or other education specialists; and

"(3) the term 'entry level teacher' means any teacher who has met the State teacher certification requirements within the last 24 months or has been employed as a full-time teacher from a public or private nonprofit school for no more than one year since certification.

"SEC. 528. REQUIREMENTS OF GRANT RECIPIENTS.

"(a) INTERNSHIPS.—Each teaching academy shall provide one-year internships for entry level teachers who have met initial State certification requirements for teaching. Entry level teachers participating in such internships shall teach fewer classes than the normal full teaching load required by the local education agencies. The time made available by the reduced teaching load shall be spent in observation of adjunct faculty's classroom teaching skills, seminars, classes or other activities conducted or directed by the adjunct faculty in conjunction with the school of education and with programs operated under section 531 where applicable.

"(b) SUPERVISION OF ACADEMY.—Each teaching academy shall be operated under the supervision of a teaching academy policy board, the majority of which is composed of qualified elementary and secondary classroom teachers, but which includes representatives of, or designees of, the school board of the local school district participating in the academy, at least one entry level teacher, at least one representative designated by the school of education participating in the academy, at least one representative of the local community, and at least one representative of local business.

"(c) APPLICATIONS.—Any local education agency and school of education desiring to receive a grant under this section shall make application therefor at such time, in such manner and containing or accompanied by such information, as the Secretary may by regulation require. Such applications shall be submitted jointly by the local education agency, the school system's teachers' organization, and a school of education. The Secretary's approval of the application shall be on a competitive basis.

"SEC. 529. CONTENTS OF GRANT PROPOSALS.

"A grant under this Act may be made only if the proposal provides—

"(1) assurances that the applicant has demonstrated knowledge of and ability to link current research on teaching and classroom skills with effective teacher development and screening;

"(2) sufficient input from the school of education to demonstrate a commitment on the part of the school of education to continue programs to improve the selection, evaluation, and training of entry level teachers;

"(3) specific, objective criteria by which the adjunct faculty and entry level teachers participating in the teaching academy will be selected; and

"(4) assurances from the local education agency that both the adjunct faculty and the entry level teachers will be granted sufficiently reduced classroom responsibilities to ensure adequate time for the planning, development, and execution of the various seminars, programs, and activities described in the proposal.

"SEC. 530. REPORT.

"Within 3 years of the establishment of such teaching academies, the Secretary shall file a report with the Congress evaluating the strengths and weaknesses of the teaching academies, with recommendations for their improvement and coordination with the other parts of this title.

"PART C—PROFESSIONAL DEVELOPMENT AND LEADERSHIP PROGRAMS

"Subpart 1—Professional Development Resource Centers

"SEC. 531. PROGRAM AUTHORITY AND PURPOSE.

"(a) AUTHORITY.—The Secretary is authorized to make grants under this subpart to assist teachers from public and private nonprofit schools in the continuous improvement of their professional skills and the expansion and updating of their subject matter expertise by establishing professional development resource centers for teachers.

"(b) PURPOSE.—It is the purpose of this subpart to assist in the establishment of professional development resource centers that will—

"(1) help teachers make effective use of educational tools including understanding new technologies and their application;

"(2) enhance teachers' subject matter expertise;

"(3) help teachers learn new classroom management techniques;

"(4) help teachers learn and apply the latest research on learning and teaching;

"(5) help teachers to apply creative approaches toward achieving instructional goals, including making the best use of available community resources; and

"(6) help retain effective teachers in the profession by providing them with collegial interaction and support and opportunities for professional growth.

"SEC. 532. GEOGRAPHICAL DISTRIBUTION OF GRANTS.

"In making grants under this subpart, the Secretary shall ensure that eligible applicants within each State receive sufficient funds to plan, establish, or operate at least one professional development resource center within the State in each fiscal year.

"SEC. 533. GRANT REQUIREMENTS.

"(a) ELIGIBLE APPLICANTS.—The Secretary is authorized to make grants to local educational agencies or consortia of local educational agencies, in accordance with the provisions of this section, to assist such agencies in planning, establishing, and operating professional development resource centers.

"(b) DEFINITION OF CENTER.—For the purpose of this part, the term 'professional development resource centers' means any year-round program operated by a local educational agency, a combination of such agencies, or an educational service agency which serves teachers from public and private nonprofit schools in a State or from an area or community within a State. Through the centers, teachers, with the assistance of such consultants and experts as may be necessary, including expertise available at institutions of higher education, shall conduct activities to advance the goal of professional excellence and to improve teaching skills for the teachers they serve.

"(c) USE OF FUNDS.—Grants under this subpart may be used for—

"(1) developing and disseminating curricula designed to meet the educational needs of students in kindergarten through grade 12, in the community, area, or State being served, including the use of educational research findings or new or improved methods, practices, and techniques in the development of such curricula, and including the use of technology and telecommunications;

"(2) providing training to enable teachers to better meet the educational needs of students and to familiarize teachers with developments in curriculum, testing, and educational research including the manner in which the research can be used to improve classroom instruction;

"(3) providing for dissemination of information to those served by the center and to other professional development resource centers nationally about the activities and services of the centers;

"(4) bringing together teachers and materials from various school sites to serve as resources for teachers using the center;

"(5) encouraging collaborative activities between elementary and secondary school teachers and faculty at institutions of higher education;

"(6) encouraging the application of institutional and community resources to the goal of improving the quality of classroom instruction; and

"(7) providing professional development opportunities for teachers of special population groups (handicapped children, limited English proficient children, educationally and economically disadvantaged children) in rural settings.

"SEC. 534. PROFESSIONAL DEVELOPMENT POLICY BOARD.

"Each professional development resource center shall be planned and operated under the supervision of a professional development policy board, the majority of which shall be representatives or designees of the public and private nonprofit, elementary and secondary classroom teachers to be served by such center. Such board shall also include individuals representative of, or designated by, school administrators, the school board (or boards) of the local educational agency (or agencies) served by such center, local business and at least one representative designated by institutions of higher education, when such institutions are located within reasonable proximity of the center, including but not limited to institutions that have departments, schools, or colleges of education.

"SEC. 535. SUBMISSION AND APPROVAL OF APPLICATIONS.

"(a) SUBMISSION.—(1) Any local educational agency or any consortium of local educational agencies including educational service agencies, desiring to receive a grant under this subpart shall make application therefor at such time, in such manner, and containing or accompanied by such information, as the Secretary may by regulation require. Each application shall be submitted through State educational agency of the State in which the applicant is located. Each such State agency shall review the application, make comments thereon, and rec-

ommend each application the State agency finds should be approved. The recommendations of the State education agency shall be taken into consideration by the Secretary in awarding grants under this part.

"(2) Each State education agency, in reviewing local educational agency applications for a grant under this subpart, shall seek to assure an equitable within-State geographical distribution of center grant funds so that both large urban and small rural school districts are served.

"(b) PRIORITIES AND PREFERENCES FOR SELECTION.—Priority for awards under this subpart will be given to those agencies that demonstrate a commitment to establishing and maintaining a high quality and professional working environment for elementary and secondary teachers. Preference shall be given to applications which involve teachers as instructors as well as learners in center activities.

"(c) MINIMUM REQUIREMENTS.—A grant under this subpart may be made only if the application provides—

"(1) satisfactory assurances that the program designed for the professional development resource center is based on a thorough assessment of instructional and professional development needs identified by the teachers to be served and establishes goals for the center derived from such assessment;

"(2) satisfactory assurances that the program the center plans to provide will meet the needs of the teachers served, including assurances that center activities will lead to in-depth and incremental knowledge and skill development;

"(3) a description of the activities planned to meet the center's goals;

"(4) procedures for the conduct of a yearly evaluation of center activities;

"(5) satisfactory assurances that the center will employ a full-time center director who has had classroom teaching experience and other staff as may be necessary;

"(6) satisfactory assurances that teachers will be given adequate paid time away from classroom activities to participate in center activities; and

"(7) satisfactory assurances that the facilities of the center will not be used for the purpose of influencing the result of an election to an office in Federal, State, or local government or for the purpose of supporting or opposing any campaign for such office.

"(d) SELECTION PROCEDURES.—(1) In approving any application under this subpart, the Secretary shall take into account the resources which the applicant will provide in addition to Federal funds provided under this or any other Federal program.

"(2) In approving applications under this subpart, the Secretary shall substantially involve teachers in reviewing and recommending programs for funding.

"(e) SUBCONTRACTING.—Any local educational agency having an application approved under this subpart may contract with an institution of higher education to carry out activities under, or provide technical assistance in connection with, such application.

"(f) RESERVATION FOR DIRECT EXPENDITURES.—Notwithstanding the provisions of subsection (a)(1) of this section with respect to the requirement that professional development resource centers be operated by local educational agencies, 10 percent of the funds expended under this subpart may be expended directly by the Secretary to make grants to institutions of higher education to operate professional development resource centers, subject to the other provisions of this subpart.

"Subpart 2—Leadership in Educational Administration Development

"SEC. 536. PURPOSE; INTENTION; REGULATIONS.

"(a) PURPOSE.—It is the purpose of this subpart to improve the level of student achievement in public and private nonprofit elementary and secondary schools through the enhancement of the leadership skills of school administrators by establishing technical assistance centers for each State to promote the development of the leadership skills of public and private nonprofit elementary and secondary school administrators with particular emphasis upon increasing access for minorities and women to administrative positions.

"(b) INTENTION.—It is the intention of Congress that contractors seeking to establish technical assistance and training centers should design programs which upgrade the skills of elementary and secondary school administrators in—

"(1) enhancing the schoolwide learning environment by assessing the school climate, setting clear goals for improvement, and devising strategies for completing manageable projects with measurable objectives;

"(2) evaluating the school curriculum in order to assess its effectiveness in meeting academic goals;

"(3) developing skills in instructional analysis to improve the quality of teaching through classroom observation and supervision;

"(4) mastering and implementing objective techniques for evaluating teacher performance; and

"(5) improving communication, problem-solving, student discipline, time-management, and budgetary skills.

"(c) REGULATIONS.—The Secretary is authorized to prescribe such regulations as may be necessary to carry out this subpart.

"SEC. 537. ALLOCATION OF APPROPRIATIONS.

"Of the amount appropriated for this subpart for any fiscal year, the Secretary shall make available an amount as may be necessary for establishing and operating a technical assistance center in each State, but not less than $150,000 for each State.

"SEC. 538. TECHNICAL ASSISTANCE CENTERS.

"(a) ELIGIBLE CONTRACTS RECIPIENTS.—The Secretary shall, subject to the availability of funds pursuant to section 537, enter into contracts with local educational agencies, intermediate school districts, State educational agencies, institutions of higher education, private management organizations, or nonprofit organizations (or consortium of such entities) for the establishment and operation of training centers in each State in accordance with the requirements of this section and section 539.

"(b) CONTRACT REQUIREMENTS.—Each contract entered into under subsection (a) shall require the contractor—

"(1) to make the services of the technical assistance center available to school administrators from any of the public and private nonprofit schools within the State served by that contractor;

"(2) to collect information on school leadership skills;

"(3) to assess the leadership skills of individual participants based on established effective leadership criteria;

"(4) to conduct training programs on leadership skills for new school administrators and to conduct training seminars on leadership skills for practicing school administrators, with particular emphasis on women and minority administrators;

"(5) to operate consulting programs to provide personnel within school districts with advice and guidance on leadership skills;

"(6) to maintain training curricula and materials on leadership skills drawing on expertise in business, academia, civilian and military governmental agencies, and existing effective schools;

"(7) to conduct programs which—

"(A) make available executives from business, scholars from various institutions of higher education, and practicing school administrators; and

"(B) offer internships in business, industry, and effective school districts to school administrators,

for the purpose of promoting improved leadership skills of such administrators;

"(8) to disseminate information on leadership skills associated with effective schools; and

"(9) to establish model administrator projects.

"(c) SELECTION OF CONTRACTORS.—In making a selection among applicants for any contract under this section, the Secretary shall take into account whether the applicant, if selected, would be able to operate its programs in a manner which would emphasize development of leadership skills identified by graduate schools of management and graduate schools of education.

"SEC. 539. GENERAL CRITERIA FOR CONTRACTS.

"(a) CONTRACT REQUIREMENTS.—The following criteria shall apply to each contract under this subpart:

"(1) The contract shall assure the involvement of private sector managers and executives in the conduct of such programs.

"(2) The contract shall contain assurances of an ongoing organizational commitment to carrying out the purposes of this subpart through (A) obtaining matching funds for such programs in cash or in kind at least equal in amount to the amount of funds provided under this subpart, (B) making inkind contributions to such programs, (C) demonstrating a commitment to continue to operate such programs after expiration of funding under this subpart, and (D) organizing a policy advisory committee including (but not limited to) representatives from business, private foundations, private nonprofit schools, and local and State educational agencies.

"(3) The contract shall indicate the level of development of human relations skills which its programs will instill by (A) identifying the credentials of the staff responsible for such development; (B) describing the manner in which such skills will be developed; and (C) describing the manner in which the program deals with human relations issues facing education administrators.

"(4) The contract shall establish a system for the evaluation of the programs conducted.

"(b) DURATION OF CONTRACT.—Each contract under this subpart shall be for a term of three years subject to the availability of appropriations. Such contract shall not be renewable, except that a single three-year extension may be granted if the contractor agrees to maintain the programs with assistance under this part reduced by one-half.

"SEC. 540. DEFINITIONS.

"For the purposes of this subpart—

"(1) the term 'Secretary' means the Secretary of Education;

"(2) the term 'institution of higher education' has the meaning provided by section 1201 of the Higher Education Act of 1965;

"(3) the term 'school administrator' means a principal, assistant principal, district superintendent, and other local school administrators;

"(4) the term 'local educational agency' has the meaning provided by section 595 of the Education Consolidation and Improvement Act of 1981; and

"(5) the term 'leadership skills' includes, but is not limited to, managerial, administrative, evaluative, communication and disciplinary skills and related techniques.

"PART D—TEACHER SCHOLARSHIPS AND FELLOWSHIPS

"Subpart 1—Training for Elementary and Secondary School Teachers to Teach Handicapped Children in Areas With Shortages

"SEC. 541. GRANTS AUTHORIZED.

"(a) GRANTS TO SUPPORT FELLOWSHIP PROGRAMS.—The Secretary is authorized to make grants, in accordance with the provisions of this subpart, to State educational agencies to enable such agencies to support a fellowship program of stipends and allowances to institutions of higher education for teachers to be trained to provide special education for handicapped children.

"(b) CRITERIA TO TARGET GRANT FUNDS ON NEED.—The Secretary shall establish criteria for—

"(1) determining if there is a shortage of teachers in the area of special education for handicapped children in the State;

"(2) assuring that the institutions of higher education, at which recipients of fellowships awarded under this part are pursuing courses of study, offer a program designed to prepare such recipients in the area of special education for handicapped children; and

"(3) assuring that individuals trained with assistance under this subpart receive specialized training in the subject areas in which there is the greatest need for such teachers.

"(c) EQUITABLE GEOGRAPHIC DISTRIBUTION.—The Secretary shall assure an equitable distribution among the States of grants made under this subpart, consistent with criteria established under subsection (b).

"SEC. 542. APPLICATION REQUIREMENTS.

"(a) SUBMISSION AND CONTENTS.—No grant may be made under this subpart unless an application is made by a State educational agency at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require. Each such application shall—

"(1) describe a fellowship program under which the State will make stipends to recipients and make allowances to institutions of higher education, in accordance with the provisions of this subpart, for teachers and other specialists to be trained in special education for handicapped children;

"(2) provide assurances that each recipient of a fellowship under this subpart will enter into an agreement with the State under which the recipient will—

"(A) within the five-year period after the completion of the training for which the fellowship was awarded, teach in the field of special education for handicapped children for a period of not less than two years in a public or private nonprofit elementary or secondary school in that State, or an educational program approved by the local educational agency or the State, which has, or has provided assurances that it will have, a special education program for handicapped children; or

"(B) repay all of the stipend awarded to the recipient plus the allowances paid to any institution of higher education based upon that fellowship in the event that the conditions of clause (A) are not complied with, except when such conditions are not complied with for reasons beyond a recipient's control;

"(3) provide procedures under which recipients of fellowships who, for reasons beyond their control, teach less than the two-year period required under clause (2) of this subsection will have the repayment requirement reduced according to a schedule established by the State agency;

"(4) provide procedures under which stipends and institution of higher education allowances will be paid by the State agency in accordance with the provisions of this part; and

"(5) provide that the State agency will make continuing efforts to encourage recipients of fellowships under this subpart to continue to provide special education for handicapped children in areas where there is a shortage of such teachers.

"(b) APPROVAL OF APPLICATIONS.—The Secretary shall approve any application which meets the requirements of subsection (a) of this section. Prior to approving any applications under this section, the Secretary shall prepare regulations setting forth detailed requirements with respect to clauses (2) and (3) of subsection (a).

"SEC. 543. STIPENDS AND ALLOWANCES.

"(a) STIPEND AMOUNT.—(1) Each State educational agency receiving a grant under this subpart shall pay to individuals awarded fellowships under this subpart such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as the Secretary may determine to be consistent with prevailing practices under comparable federally supported programs.

"(2) No stipend may be paid to any single recipient in any one year in excess of $9,000.

"(b) ALLOWANCES.—Each State educational agency receiving a grant under this subpart shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such individual is pursuing a course of study such amounts as the Secretary may determine to be consistent with prevailing practices under comparable federally supported programs, except that such amount charged to a fellowship recipient and collected from such recipient by the institution for tuition and other expenses required by the institution as part of the recipient's instructional program shall be deducted from the payments to the institution under this subsection.

"SEC. 544. FELLOWSHIP CONDITIONS.

"(a) CONCENTRATION ON ACADEMIC PURSUIT.—An individual awarded a fellowship under the provisions of this subpart shall continue to receive the payments provided in this subpart only during such periods as the State educational agency finds that the individual is maintaining satisfactory progress and devoting at least one-half of the full-time academic workload to study in the field in which such fellowship was awarded in an institution of higher education, and is not engaging in gainful employment other than employment approved by the Secretary by or pursuant to regulation. The amount of any payment to an individual engaged in such gainful employment shall be appropriately reduced pursuant to regulation.

"(b) PROOF OF COMPLIANCE.—The State educational agency is authorized to require reports containing such information in such form and to be filed at such times as it determines necessary from any individual awarded a fellowship under the provisions of this subpart. Such reports shall be accompanied by a certificate from an appropriate official at the institution of higher education approved by the State educational agency, stating that such individual is making satisfactory progress in, and is devoting at least one-half of the full-time academic workload to, the program for which the fellowship was awarded.

"(c) SUPPORT OF RELIGIOUS INSTRUCTION PROHIBITED.—No fellowship shall be awarded under this subpart for study at a school or department of divinity.

"SEC. 545. DEFINITION.

"As used in this subpart 'special education' has the same meaning as prescribed by section 602(a)(16) of the Education of the Handicapped Act.

"Subpart 2—Congressional Teacher Scholarship Programs

"SEC. 546. DECLARATION OF PURPOSE.

"It is the purpose of this subpart to make available, through grants to the States, scholarships during fiscal years 1987 through 1991 to a maximum of ten thousand individuals who are outstanding high school graduates and who demonstrate an interest in teaching, in order to enable and encourage those individuals to pursue teaching careers in education at the elementary or secondary level. Such scholarships shall be referred to as 'Congressional Teacher Scholarships'.

"SEC. 547. ALLOCATION AMONG STATES.

"(a) PER CAPITA ALLOCATION.—From the sums appropriated for this subpart pursuant to section 502(d) for any fiscal year, the Secretary shall allocate to any State an amount which bears as nearly as possible the same ratio to such sums as the number of persons in that State bears to the number of persons in all States.

"(b) USE OF CENSUS DATA.—For the purpose of this section, the number of persons in a State and in all States shall be determined by the most recently available data from the United States Census Bureau.

"SEC. 548. GRANT APPLICATIONS.

"(a) SUBMISSION OF APPLICATIONS.—The Secretary is authorized to make grants to States in accordance with the provisions of this subpart. In order to receive a grant under this subpart, a State shall submit an application at such time or times, in such manner, and containing such information as the Secretary may prescribe by regulation. Such application shall set forth a program of activities for carrying out the purposes set forth in section 546 in such detail as will enable the Secretary to determine the degree to which such program will accomplish such purposes and such other policies, procedures, and assurances as the Secretary may require by regulation.

"(b) CONTENT OF APPLICATIONS.—The Secretary shall approve an application under this subpart only if the application—

"(1) describes the selection criteria and procedures to be used by the State in the selection of scholarships under this part which satisfy the provisions of this part;

"(2) designates the State agency which administers the program under subpart 3 of part A of title IV, relating to State student

incentive grants, or the State agency with which the Secretary has an agreement under section 428(b);

"(3) describes the outreach effort the State agency intends to use to publicize the availability of Congressional Teacher Scholarships to high school students in the State;

"(4) provides assurances that each recipient eligible under section 550(b) of this part who receives a Congressional Teacher Scholarship shall enter into an agreement with the State agency under which the recipient shall—

"(A) within the ten-year period after completing the postsecondary education for which the Congressional Teacher Scholarship was awarded, teach, for a period of not less than two years for each year for which assistance was received, in a public or private nonprofit elementary or secondary school in any State, in a public education program in any State, or, on a full-time basis, handicapped children or children with limited English proficiency in a private nonprofit school, except that, in the case of individuals who teach in a school serving large numbers or high concentrations of economically disadvantaged students, or who teach children with limited English proficiency or handicapped children, the requirements of this subparagraph shall be reduced by one-half;

"(B) provide the State agency evidence of compliance with section 552 as required by the State agency; and

"(C) repay all or part of a Congressional Teacher Scholarship received under section 549 plus interest and, if applicable, reasonable collection fees, in compliance with regulations issued by the Secretary under section 552, in the event that the conditions of clause (A) are not complied with, except as provided for in section 553;

"(5) provides that the agreement entered into with recipients shall fully disclose the terms and conditions under which assistance under this subpart is provided and under which repayment may be required, including—

"(A) a description of the procedures required to be established under paragraph (6); and

"(B) a description of the appeals procedures required to be established under paragraph (7) under which a recipient may appeal a determination of noncompliance with any provision under this subpart;

"(6) provides for procedures under which a recipient of assistance received under this part who teaches for less than the period required under paragraph (4)(A) will have the repayment requirements reduced or eliminated consistent with the provisions of sections 552 and 553;

"(7) provides for appeals procedures under which a recipient may appeal any determination of noncompliance with any provision under this part;

"(8) provides assurances that the State agency shall make particular efforts to attract students from low-income backgrounds or who express a willingness or desire to teach in schools having less than average academic results or serving large numbers of economically disadvantaged students; and

"(9) provides assurances that Congressional Teacher Scholarships will be awarded without regard to sex, race, handicapping condition, creed, or economic background.

"(c) SELECTION CRITERIA AND PROCEDURES.—The selection criteria and procedures to be used by the State shall reflect the present and projected teacher needs of the State, including the demand for and supply of elementary teachers in the State, the demand for and supply of secondary teachers in the State, and the demand for teachers with training in specific academic disciplines in the State.

"(d) SOLICITATION OF VIEWS ON SELECTION CRITERIA AND PROCEDURES.—In developing the selection criteria and procedures to be used by the State, the State shall solicit the views of State and local educational agencies, private educational institutions, and other interested parties. Such views—

"(1) shall be solicited by means of (A) written comments; and (B) publication of proposed selection criteria and procedures in final form for implementation; and

"(2) may be solicited by means of (A) public hearings on the teaching needs of elementary and secondary schools in the State (including the number of new teachers needed, the expected supply of new teachers, and the shortages in the State of teachers with training in specific academic disciplines); or (B) such other methods as the State may determine to be appropriate to gather information on such needs.

"SEC. 549. AMOUNT AND DURATION OF AND RELATION TO OTHER ASSISTANCE.

"(a) LIMITATIONS ON AMOUNT AND DURATION.—Subject to subsection (c), each Congressional Teacher Scholar shall receive a $5,000 scholarship for each academic year of postsecondary education for study in preparation to become an elementary or secondary teacher. No individual shall receive scholarship assistance for more than four years of postsecondary education, as determined by the State agency.

"(b) CONSIDERATION OF AWARD IN OTHER PROGRAMS.—Notwithstanding the provisions of title IV of this Act, scholarship funds awarded pursuant to this part shall be considered in determining eligibility for student assistance under title IV of this Act.

"(c) ASSISTANCE NOT TO EXCEED NEED.—Congressional Teacher Scholarship assistance awarded by the statewide panel established pursuant to section 550 to any individual in any given year, when added to assistance received under title IV of this Act, shall not exceed the cost of attendance, as defined in section 472 of this Act, at the institution the individual is attending. If the amount of the Congressional Teacher Scholarship assistance and assistance received under title IV of this Act, exceeds the cost of attendance, the Congressional Teacher Scholarship shall be reduced by an amount equal to the amount by which the combined awards exceed the cost of attendance.

"(d) ASSISTANCE NOT TO EXCEED COST OF ATTENDANCE.—No individual shall receive an award under the Congressional Teacher Scholarship established under this subpart, in any academic year, which shall exceed the cost of attendance, as defined in section 472 of this Act, at the institution the individual is attending.

"SEC. 550. SELECTION OF CONGRESSIONAL TEACHER SCHOLARS.

"(a) SELECTION BY STATEWIDE PANELS.—Congressional Teacher Scholars shall be selected by a seven-member statewide panel appointed by the chief State elected official, acting in consultation with the State educational agency, or by an existing grant agency or panel designated by the chief State elected official and approved by the Secretary of Education. The statewide panel shall be representative of school administrators, teachers, and parents.

"(b) ELIGIBILITY FOR SELECTION; SELECTION CRITERIA AND PROCEDURES.—Selections of Congressional Teacher Scholars shall be made from students who have graduated or who are graduating from high school and who rank in the top 10 percent of their graduating class. The State educational agency shall make applications available to public and private nonprofit high schools in the State and in other locations convenient to applicants, parents, and others. The statewide panel shall develop criteria and procedures for the selection of Congressional Teacher Scholars. Such criteria may include the applicant's high school grade point average, involvement in extracurricular activities, financial need, and expression of interest in teaching as expressed in an essay written by the applicant. The panel may also require the applicant to furnish letters of recommendation from teachers and others.

"SEC. 551. SCHOLARSHIP CONDITIONS.

"Recipients of scholarship assistance under this subpart shall continue to receive such scholarship payments only during such periods that the State agency finds that the recipient is (1) enrolled as a full-time student in an accredited postsecondary institution; (2) pursuing a course of study leading to teacher certification; and (3) maintaining satisfactory progress as determined by the postsecondary institution the recipient is attending.

"SEC. 552. SCHOLARSHIP REPAYMENT PROVISIONS.

"Recipients found by the State agency to be in noncompliance with the agreement entered into under section 548(b)(4) of this subpart shall be required to repay a pro rata amount of the scholarship awards received, plus interest and, where applicable, reasonable collection fees, on a schedule and at a rate of interest to be prescribed by the Secretary by regulations issued pursuant to this subpart.

"SEC. 553. EXCEPTIONS TO REPAYMENT PROVISIONS.

"(a) DEFERRAL DURING CERTAIN PERIODS.—A recipient shall not be considered in violation of the agreement entered into pursuant to section 548(b)(4)(C) during any period in which the recipient—

"(1) is pursuing a full-time course of study related to the field of teaching at an eligible institution;

"(2) is serving, not in excess of three years, as a member of the armed services of the United States;

"(3) is temporarily totally disabled for a period of time not to exceed three years as established by sworn affidavit of a qualified physician;

"(4) is unable to secure employment for a period not to exceed twelve months by reason of the care required by a spouse who is disabled;

"(5) is seeking and unable to find full-time employment for a single period not to exceed twelve months;

"(6) is seeking and unable to find full-time employment as a teacher in a public or private nonprofit elementary or secondary school or a public or private nonprofit education program; or

"(7) satisfies the provisions of additional repayment exceptions that may be prescribed by the Secretary in regulations issued pursuant to this subpart.

"(b) FORGIVENESS IF PERMANENTLY TOTALLY DISABLED.—A recipient shall be excused from repayment of any scholarship assistance received under this subpart if the recipient becomes permanently totally disabled as established by sworn affidavit of a qualified physician.

"SEC. 554. FEDERAL ADMINISTRATION OF STATE PROGRAMS; JUDICIAL REVIEW.

"(a) DISAPPROVAL HEARING REQUIRED.—The Secretary shall not finally disapprove any application for a State program submitted under section 548, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(b) SUSPENSION OF ELIGIBILITY.—Whenever the Secretary, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this subpart, finds—

"(1) that the State program has been so changed that it no longer complies with the provisions of this subpart, or

"(2) that in the administration of the program there is a failure to comply substantially with any such provisions,

the Secretary shall notify such State agency that the State will not be regarded as eligible to participate in the program under this subpart until the Secretary is satisfied that there is no longer any such failure to comply.

"(c) COURT REVIEW.—(1) If any State is dissatisfied with the Secretary's final action under subsection (b) (1) or (2), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Secretary shall forthwith certify and file in the court the transcript of the proceedings and the record on which the action was based.

"(2) The findings of fact by the Secretary, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Secretary to take further evidence, and the Secretary may thereupon make new or modified findings of fact and may modify any previous action, and shall certify to the court the transcript and record of further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

"Subpart 3—National Talented Teacher Fellowship Program

"SEC. 555. DECLARATION OF PURPOSE.

"It is the purpose of this subpart to establish a national fellowship program for outstanding teachers.

"SEC. 556. USE OF FUNDS FOR FELLOWSHIPS AND ADMINISTRATION.

"Funds appropriated for any fiscal year for fellowships to outstanding teachers under this subpart shall be used to award fellowships in accordance with the requirements of this subpart, except that not more than 2.5 percent of such funds shall be used for purposes of administering this subpart.

"SEC. 557. TALENTED TEACHER FELLOWSHIPS.

"(a) AWARD DISTRIBUTION AND AMOUNTS.—(1) Except as provided under paragraph (3), sums available for the purpose of this subpart shall be used to award one national teacher fellowship to a public or private school teacher teaching in each congressional district of each State, and in the District of Columbia, and the Commonwealth of Puerto Rico; and one such fellowship in Guam, the Virgin Islands, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

"(2) Fellowship awards may not exceed the average national salary of public school teachers in the most recent year for which satisfactory data are available, as determined by the Secretary. Talented teacher fellows may not receive an award for two consecutive years. Subject to the repayment provisions of section 560, talented teacher fellows shall be required to return to a teaching position in their current school district or private school system for at least two years following the fellowship award.

"(3) If the appropriation for this subpart under section 502(d) is not sufficient to provide the number of fellowships required by paragraph (1) at the level required under paragraph (2), the Secretary shall determine and publish an alternative distribution of fellowships which will permit fellowship awards at that level and which is geographically equitable. The Secretary shall send a notice of such determination to each of the statewide panels established under section 558.

"(b) USE OF AWARDS.—Talented teacher fellows may use such awards for such projects for improving education as the Secretary may approve, including (1) sabbaticals for study or research directly associated with the objectives of this part, or academic improvement; (2) consultation with or assistance to other school districts or private school systems; (3) development of special innovative programs; or (4) model teacher programs and staff development.

"SEC. 558. SELECTION OF TALENTED TEACHER FELLOWSHIPS.

"Recipients of talented teacher fellowships in each State shall be selected (in accordance with section 559) by a seven-member statewide panel appointed by the chief State elected official, acting in consultation with the State educational agency, or by an existing panel designated by the chief State elected official and approved by the Secretary of Education. The statewide panel shall be representative of school administrators, teachers, parents, and institutions of higher education.

"SEC. 559. EVALUATION OF APPLICATIONS.

"(a) SUBMISSION TO AND REVIEW BY STATEWIDE PANEL.—An applicant for talented teacher fellowship assistance shall submit proposals for projects under section 557(b), and shall indicate the extent to which the applicant wishes to continue current teaching duties. The applicant shall submit such proposals to the local education agency for comment prior to submission to the statewide panel (appointed under section 558) for the State within which the project is to be conducted. In evaluating proposals, such statewide panel shall consult with the local education agency, requesting two recommendations from teaching peers; a recommendation from the principal; and a recommendation of the superintendent on the quality of the proposal and its benefit to education; and any other criteria for awarding fellowships as is considered appropriate by such statewide panel. Selection of fellows shall be made in accordance with regulations prescribed by the Secretary of Education.

"(b) PUBLIC ANNOUNCEMENT.—Announcement of awards shall be made in a public ceremony.

"SEC. 560. FELLOWSHIP REPAYMENT PROVISIONS.

Repayment of the award shall be made to the Federal Government in the case of fraud or gross noncompliance.

"PART E—RESEARCH, ASSESSMENT, AND PLANNING

"Subpart 1—Research and Data Collection

"SEC. 561. PURPOSE.

"It is the purpose of this subpart to provide information about the supply of teachers, including demographic and academic background and the current and projected demand for teachers in elementary and secondary schools to improve local and State decisions about the need for teachers in each academic area and at each grade level, and for other purposes.

"SEC. 562. COLLECTION OF DATA AND RESEARCH.

"(a) IN GENERAL.—The Secretary shall utilize the legislative authority under section 406(b) of the General Education Provisions Act to annually assess current and future supply and demand for teachers with particular attention to—

"(1) long-term and short-term shortages of personnel in various subject areas or teaching specialties;

"(2) shortages in particular States or regions;

"(3) the number of minorities entering teaching;

"(4) the number of women and minorities entering educational administration;

"(5) the effect of State curriculum and graduation requirements on the need for teachers in each State;

"(6) the extent to which demographic characteristics of persons currently employed as teachers and persons studying to be teachers match the characteristics of the students in each state (race, age, sex);

"(7) the academic qualifications of prospective teachers and the academic preparation of persons currently preparing to be teachers;

"(8) the effect of the introduction of State mandated teacher competency tests on the demographic and educational characteristics of teachers and the supply of teachers; and

"(9) an assessment of new and emerging specialties and the technologies, academic subjects, and occupational areas requiring vocational education, with emphasis on the unique needs for preparing an adequate supply of vocational teachers of handicapped students, with added emphasis on the preparation required to teach combined classrooms of handicapped, or other highly targeted groups of students and other students within a vocational education setting.

"(b) OTHER EDUCATIONAL NEEDS.—The analysis conducted may include assessment of other educational needs identified by the Congress, including an assessment of the need for instructional equipment and materials in elementary and secondary schools and in institutions of higher education.

"SEC. 563. PAPERWORK REDUCTION AND REIMBURSEMENT OF RESPONDENTS.

"(a) REDUCTION OF REPORTING BURDEN.—In undertaking the data collection required under this subpart the Secretary shall take all necessary actions to reduce the reporting burden on respondents through use of voluntary responses and sampling techniques.

"(b) REIMBURSEMENT OF EXTRAORDINARY COSTS.—Subject to the availability of appropriations therefor, the Secretary may reimburse respondents for any extraordinary costs incurred in the provision of information to assist the Secretary in complying with this part.

"SEC. 564. RESEARCH GRANTS.

"The Secretary may award, in accordance with this subpart, grants to institutions of

higher education, including community and technical colleges, for the conduct of research consistent with the purposes of this part.

"Subpart 2—Requirement for State Task Forces on Teacher Training

"SEC. 571. REQUIREMENT FOR STATE TASK FORCES ON TEACHER TRAINING.

"(a) IN GENERAL.—No institution of higher education or other entity in any State shall be eligible for assistance under this title for any fiscal year beginning on or after October 1, 1987, unless the State educational agency has established a task force on teacher training in accordance with the requirements of subsections (b) and (c) of this section.

"(b) TASK FORCE.—The State educational agency, in consultation with the task force established under this section, shall be responsible—

"(1) for conducting a State-wide assessment of the State's needs for recruiting, retaining, retraining, and improving the performance of, instructional and administrative personnel in elementary and secondary schools within the State;

"(2) for developing plans to meet the needs identified pursuant to paragraph (1); and

"(3) for conducting such activities in cooperation with the State needs assessment required under section 208 of the Education for Economic Security Act (20 U.S.C. 3968).

The Secretary may waive the requirements of this subsection if the Secretary finds that the State educational agency has, prior to the date of enactment of this section, substantially complied with the requirements of paragraphs (1), (2), and (3) of this subsection.

"(c) MEMBERSHIP OF TASK FORCE.—A task force established under this section shall be composed of at least one representative of each of the following:

"(1) The Governor of the State.

"(2) The chief State school officer.

"(3) The State higher education executive officer.

"(4) The State board of education.

"(5) The deans of the schools or colleges of education within the State.

"(6) The presidents of colleges and universities within the State.

"(7) Elementary and secondary school teachers.

"(8) Elementary and secondary school administrators, including local superintendents and principals.

"(9) The State legislature.

"(10) Private nonprofit elementary and secondary education.

"(d) ALTERNATIVE MEMBERSHIP.—Any previously existing State organization or entity whose membership is substantially the same as the membership required by subsection (c) may, with the approval of the State educational agency, assume the responsibilities of the task force on teacher training under this section.

"(e) LONG-RANGE PLANNING.—From the funds available to carry out this subpart, a State educational agency may apply to the Secretary for assistance in order to develop a long-range plan, in consultation with the task force established under this section. Such plan shall—

"(1) assess the supply and determine the future needs of educators in the State;

"(2) assess the ability of teacher training institutions, the State educational agency, and local educational agencies within the State to meet such needs;

"(3) describe the steps being taken within the State to improve the qualifications and performance of practicing and prospective educators and the availability of training resources for such educators;

"(4) if determined to be appropriate by the State education agency, establish a program of competitive grants to local educational agencies, professional organizations, institutions of higher education, and consortia of such agencies and institutions within the State that are allocated in accordance with specific criteria developed by the task force on teacher training; and

"(5) provide for the performance of such other activities as are deemed appropriate to carry out purposes of this subpart.

"(f) DISPOSITION OF FUNDS TO STATES.—Funds appropriated for this subpart shall be allocated among the States based on the number of children aged 5 through 17, inclusive, except that no State shall receive less than the greater of $10,000 or 0.01 percent of the amount so appropriated.

"(g) STATE APPLICATIONS.—Any State educational agency which desires to obtain a grant under this subpart shall file an application with the Secretary which—

"(1) describes the methods which will be used to insure active and continuing consultation with the task force;

"(2) provides for timely public notice and public dissemination of the information collected and plans developed; and

"(3) insures that the State educational agency will keep such records and provide such information to the Secretary as may be required for fiscal audit and program evaluation, consistent with the responsibilities of the Secretary under this subpart.".

SEC. 502. TAFT INSTITUTE.

Section 1373 of the Education Amendments of 1980 is amended—

(1) by striking out "$750,000" and inserting in lieu thereof "$1,000,000"; and

(2) by striking out "1985" and inserting in lieu thereof "1991".

SEC. 503. DEVELOPMENT OF TEACHER WARRANTY STANDARDS.

(a) CONSULTATION AND PUBLICATION REQUIRED.—The Secretary shall develop, in consultation with representatives of State superintendents of public instruction, teacher organizations, and colleges of teacher education, standards for the establishment of teacher warranty programs. Such standards shall be developed and published in the Federal Register within one year after the date of enactment of this Act.

(b) DEFINITION.—For purposes of subsection (a), the term "teacher warranty program" means a program of a college of teacher education that provides, to its graduates who receive an unsatisfactory evaluation after the first or second year as a teacher, the training, retraining, or support the graduate requires to eliminate the deficiency (without further charge).

TITLE VI—AMENDMENTS TO TITLE VI OF THE ACT

SEC. 601. FINDINGS AND PURPOSES.

Section 601 of the Act is amended to read as follows:

"FINDINGS AND PURPOSES

"SEC. 601. (a) The Congress finds that—

"(1) the well-being of the United States, its economy and long-range security, is dependent on the education and training of Americans in international and foreign language studies and on a strong research base in these areas;

"(2) knowledge of other countries and the ability to communicate in other languages is essential to the promotion of mutual understanding and cooperation among nations; and

"(3) present and future generations of Americans must be afforded the opportunity to develop to the fullest extent possible their intellectual capacities in all areas of knowledge.

"(b) It is the purpose of this part to assist in the development of knowledge, international study, resources and trained personnel, to stimulate the attainment of foreign language acquisition and fluency, and to coordinate the programs of the Federal Government in the areas of foreign language and international studies and research.".

SEC. 602. GRADUATE AND UNDERGRADUATE LANGUAGE AND AREA CENTERS.

Section 602 of the Act is amended—

(1) in subsection (a)(1)—

(A) by striking out ", and enter into contracts with,";

(B) by striking out "or for research" and inserting in lieu thereof "for research";

(C) by inserting before the period at the end thereof ", or for instruction and research on issues in world affairs which concern more than one country";

(2) in subsection (a)(2), by striking out "or contract"; and

(3) by striking out subsections (b) and (c) and inserting in lieu thereof the following:

"(b)(1) The Secretary is authorized to make grants to institutions of higher education or combinations of such institutions for the purpose of paying stipends to individuals undergoing advanced training in any center or program approved by the Secretary under this part in accordance with the following requirements:

"(A) Stipend recipients shall be individuals who are engaged in a program of competency-based language training in combination with area studies, international studies, or the international aspects of a professional studies program.

"(B) Stipends awarded to graduate level recipients may include allowances for dependents and for travel for research and study in the United States and abroad.

"(2) The Secretary is also authorized to award, on the basis of a national competition, stipends to students in their third year of graduate training in accordance with the following requirements:

"(A) Stipend recipients shall be selected by a nationally recognized panel of scholars on the basis of exceptional performance on a nationally referenced test in the specialty language and evidence of substantial multidisciplinary area training.

"(B) Stipends may be held for up to a maximum four years contingent on periodic demonstration of a high level of language proficiency.

"(C) Stipends may be used for continuation of studies at the institution where the recipient is currently enrolled and for the conduct of research and advanced language study abroad.

"(3) The Secretary is not authorized to make awards under paragraph (2) for any fiscal year unless the amount made available by grants under paragraph (1) for such fiscal year equals or exceeds the current services equivalent of the level of funding during fiscal year 1985 under paragraph (1).

"(c) No funds may be expended under this part for undergraduate travel except in accordance with rules prescribed by the Secretary setting forth policies and procedures to assure that Federal funds made available

for such travel are expended as part of a formal program of supervised study.".

SEC. 603. LANGUAGE RESOURCE CENTERS.

Section 603 of the Act is amended to read as follows:

"LANGUAGE RESOURCE CENTERS

"SEC. 603. (a) The Secretary is authorized to make grants to institutions of higher education or combinations of such institutions for the purpose of establishing, strengthening, and operating centers, which serve as resources to improve the capacity to teach and learn foreign languages effectively. Activities carried out by such centers may include—

"(1) the conduct of research on new and improved teaching methods, including the use of advanced educational technology;

"(2) the development of new teaching materials reflecting the use of such research into effective teaching strategies;

"(3) the development and application of proficiency testing for use as a standard measure of skill levels in all languages;

"(4) the training of teachers in the administration and interpretation of proficiency tests, the use of effective teaching strategies, and the use of new technologies;

"(5) the publication of instructional materials in the less commonly taught languages; and

"(6) the dissemination of research results, teaching materials, and improved pedagogical strategies to others within the postsecondary education community.

"(b) Grants under this section shall be made on such conditions as the Secretary determines to be necessary to carry out the purposes of this section.".

SEC. 604. UNDERGRADUATE INTERNATIONAL STUDIES AND FOREIGN LANGUAGE PROGRAMS.

Section 604 of the Act is amended—

(1) in subsection (a), by striking out "comprehensive";

(2) in subsection (a)(7), by striking out "in teacher training" and inserting in lieu thereof "pre-service and in-service teacher training";

(3) by inserting before the period at the end of subsection (b) the following: ", if such contribution cannot be made by eligible institutions under subsection (a) of this section"; and

(4) by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b)(1) The Secretary is also authorized to make grants to institutions of higher education whose applications are approved under subsection (a) for the purpose of providing assistance to model programs designed to improve and expand foreign language studies at those institutions. Any institution of higher education desiring to receive a grant under this subsection shall submit an application to the Secretary at such time, in such form, and containing such information and assurances as the Secretary may require.

"(2)(A) An institution of higher education shall not be eligible for a grant under this subsection for a fiscal year unless—

"(i) the sum of the number of students enrolled at such institution in qualified postsecondary language courses on October 1 of that fiscal year exceeds 5 per centum of the total number of students enrolled at such institution;

"(ii) such institution requires that each entering student have successfully completed at least two years of secondary school foreign language instruction or requires that each graduating student have earned two years of postsecondary credit in a foreign language (or have demonstrated equivalent competence in a foreign language).

"(B) For purposes of subparagraph (A)(i), the total number of students enrolled in an institution shall be considered to be equal to the sum of (i) the number of full-time degree candidate students enrolled at the institution, and (ii) the number of part-time degree candidate students who are enrolled at the institution for an academic workload which is at least half the full-time academic workload, as determined by the institution in accordance with standards prescribed by the Secretary.

"(3) As a condition for the award of any grant under this section, the Secretary may establish criteria for evaluating programs assisted with funds under this section and require an annual report which evaluates the progress and proficiency of students in such programs.".

SEC. 605. INTENSIVE SUMMER LANGUAGE INSTITUTES.

Title VI of the Act is further amended—

(1) by redesignating sections 605, 606, and 607 as sections 606, 609, and 610, respectively; and

(2) by inserting after section 604 the following new section:

"INTENSIVE SUMMER LANGUAGE INSTITUTES

"SEC. 605. (a)(1) The Secretary is authorized to make grants to institutions of higher education, or combinations of such institutions, for the purpose of establishing intensive summer language institutes. Grants made under this section may be used for intensive training in languages critical to the national economic and political future and in neglected languages. Such training shall be provided through—

"(A) institutes designed to meet the needs for intensive language training by advanced students and faculty;

"(B) institutes designed to improve the language skills of beginning or intermediate college and secondary school students (including students not enrolled in regular academic language courses) and faculty; or

"(C) institutes designed to provide professional development and improve language instruction through pre- and in-service training for language teachers.

"(2) Institutes supported under this section may provide instruction on a full-time or part-time basis to supplement instruction not fully available in centers supported under section 602.

"(b) Grants made available under this section shall be awarded on the basis of recommendations made by peer review panels that are broadly representative of institutions of higher education.".

SEC. 606. RESEARCH; STUDIES; ANNUAL REPORT.

Section 606 (as redesignated by section 605 of this Act) is amended—

(1) by striking out "and part N of title III of the Elementary and Secondary Education Act of 1965"; and

(2) by striking out "listing of" in subsection (b) and inserting in lieu thereof "listing".

SEC. 607. PERIODICALS PUBLISHED OUTSIDE THE UNITED STATES.

Title VI of the Act is further amended by inserting after section 606 (as redesignated by section 605 of this Act) the following new section:

"PERIODICALS PUBLISHED OUTSIDE THE UNITED STATES

"SEC. 607. (a) In addition to the amount authorized to be appropriated by section 609, there is authorized to be appropriated $1,000,000 for fiscal year 1987, and such sums as may be necessary for each of the four succeeding fiscal years to provide assistance for the acquisition of, and provision of access to, periodicals published outside the United States.

"(b) From the amount appropriated under subsection (a) for any fiscal year, the Secretary shall make grants to institutions of higher education or public or nonprofit private library institutions or consortia of such institutions for the following purposes:

"(1) to acquire periodicals published outside the United States which are not commonly held by American academic libraries and which are of scholarly or research importance;

"(2) to maintain current bibliographic information on periodicals thus acquired in machine-readable form and to enter such information into one or more of the widely available bibliographic data bases;

"(3) to preserve such periodicals; and

"(4) to make such periodicals available to researchers and scholars.

"(c) The Secretary shall approve as a recipient of a grant under this section only an institution or consortium which has an established library or consortium of libraries with collection strengths in either specific geographical areas of the world or particular fields or issues in world affairs which concern one or more countries, or both, and which demonstrates a commitment to share the resources of the collection.

"(d) Nothing in this section shall be considered to amend, affect, or define the provisions of title 17, United States Code, relating to copyright.".

SEC. 608. SELECTION OF GRANT RECIPIENTS.

Title VI of the Act is further amended by inserting after section 607 (as added by section 607 of this Act) the following new section:

"SELECTION OF GRANT RECIPIENTS

"SEC. 608. (a) The Secretary shall award grants under section 602 competitively on the basis of criteria that that separately, but not less rigorously, evaluate the applications for undergraduate and graduate programs.

"(b) The Secretary shall set criteria for grants awarded under section 602 by which a determination of excellence shall be made to meet the differing objectives of graduate and undergraduate institutions.

"(c) To the extent practicable, the Secretary shall award grants under this part (other than section 602) in such manner as to achieve an equitable distribution of assistance throughout the Nation, based on the merit of a proposal with review by peers from broadly representative institutions.".

SEC. 609. AUTHORIZATION OF APPROPRIATIONS FOR PART A.

Section 610 of the Act (as redesignated by section 605 of this Act) is amended to read as follows:

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 610. There are authorized to be appropriated $70,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years to carry out the provisions of this part.".

SEC. 610. BUSINESS AND INTERNATIONAL EDUCATION PROGRAMS.

Part B of title VI of the Act is amended—

(1) in section 611(a)(1) by inserting "and educational" after "skills in the business";

(2) by redesignating section 613 as section 614 and inserting after section 612 the following new section:

"STUDY ABROAD AND INTERNSHIPS

"SEC. 613. (a) The Secretary is authorized to make grants to institutions of higher education, or to consortia of such institutions, whose application is approved under subsection (b) for the purposes of providing assistance to enable advanced foreign language students to develop their language skills and their knowledge of foreign cultures and societies through study abroad. Such study abroad may be combined with an internship in an international business enterprise. Any institution or consortium whose application is so approved shall be eligible to receive a grant in an amount not to exceed one-half the cost of providing such assistance.

"(b) Any institution of higher education or consortium of such institutions desiring to receive a grant under this section shall submit an application therefor to the Secretary at such time, in such form, and containing such information and assurances as the Secretary may require. No such application may be approved by the Secretary unless the application—

"(1) contains a description of the proposed program of study abroad in any of the following areas:

"(A) Latin America, the Caribbean, and Puerto Rico for the study of Spanish, Portuguese, and other major languages of that region;

"(B) the Middle East for the study of Arabic and other major languages of that region;

"(C) Japan for the study of Japanese;

"(D) the People's Republic of China or the Republic of China for the study of Chinese;

"(E) the Republic of Korea for the study of Korean;

"(F) the Union of Soviet Socialist Republics for the study of Russian and other major languages of that region;

"(G) Africa for the study of major languages of that region;

"(H) South Asia for the study of Hindi and other major languages of that region;

"(I) Eastern Europe for the study of major languages of that region;

"(J) Southeast Asia for the study of major languages of that region; and

"(K) the Netherlands for the study of major languages in that region;

"(2) provides adequate assurance that those who wish to participate will be selected on the basis of demonstrated proficiency in the language, as shown by testing comparable to that conducted by the Foreign Service Institute of the Department of State; and

"(3) demonstrates that the program will provide the opportunity to combine language study with the study of journalism, international business, finance, economic development, science, engineering, political science, international studies, or other related areas.

"(c) Funds available to institutions under this section may be used to cover costs associated with the study abroad program, including tuition, fees, administration, and living expenses.".

SEC. 611. ADVISORY BOARD.

Section 621 of the Act is amended to read as follows:

"ADVISORY BOARD

"SEC. 621. (a) Not less than two times each year the Secretary shall convene an advisory board on the conduct of programs under this title. The Advisory Board shall consist of—

"(1) five members selected by the Secretary from among members of the postsecondary educational community, at least two of whom shall be considered by their peers to be specialists in one or more fields of language, area, or international studies;

"(2) two members selected by the Secretary from among members of the public; and

"(3) two members selected by the Secretary from among representatives of the business community.

"(b) The Secretary may consult with, or include as ad hoc ex officio participants in Advisory Board meetings, a representative from any appropriate executive agency.

"(c) The Advisory Board shall advise the Secretary on—

"(1) any geographic areas of special concern to the United States;

"(2) innovative approaches which may help to fulfill the purposes of this title;

"(3) changes which should be made in the operation of programs under this part to ensure that the attention of scholars is attracted to problems of critical concern to United States international relations;

"(4) emerging trends within various segments (pre-college, undergraduate, graduate, and postgraduate) of the international education community;

"(5) administrative and staffing requirements of international education programs in the Department; and

"(6) special needs with regard to the programs operated under part B.

"(d) The Advisory Board shall advise the Secretary and the Congress on adequate budget levels for parts A and B of this title.".

TITLE VII—AMENDMENT TO TITLE VII OF THE ACT

SEC. 701. REVISION OF TITLE VII.

Title VII of the Act is amended to read as follows:

"TITLE VII—CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

"SEC. 701. GENERAL PURPOSES.

"(a) IN GENERAL.—The Secretary shall carry out programs of financial assistance to institutions of higher education and to higher education building agencies for the construction, reconstruction, or renovation of academic facilities and the acquisition and maintenance of special equipment if the primary purpose of such assistance is—

"(1) to enable such institutions to bring their facilities into conformity with the requirements of:

"(A) the Act of August 12, 1968, commonly known as the Architectural Barriers Act of 1968;

"(B) section 504 of the Rehabilitation Act of 1973;

"(C) environmental protection or health and safety programs mandated by Federal, State, or local law, if such requirements were not in effect at the time such facilities were constructed; or

"(D) hazardous waste disposal, treatment, and storage requirements mandated by the Resource Conservation and Recovery Act of 1976, or similar State statutes;

"(2) to enable such institutions to more efficiently use available energy resources, especially coal, solar power, and other renewable energy resources;

"(3) to enable such institutions to detect, remove, or otherwise contain asbestos hazards in academic and other facilities used by students, in accordance with regulations prescribed by the Secretary;

"(4) to enable such institutions to construct, reconstruct, or renovate the Nation's academic and research facilities, including libraries, and to acquire and maintain special research and instructional equipment;

"(5) to enable such institutions to provide facilities for advanced skill training programs that relate to emerging technologies and skill needs;

"(6) to enable institutions with unusual increases in enrollment or with significant internal programmatic enrollment shifts (according to data and criteria established by the Secretary) to construct, reconstruct, or renovate their facilities; or

"(7) to enable such institutions to preserve significant architecture.

"(b) PRIORITY ON RENOVATION.—In the awarding of grants under this title, priority shall be given to projects involving the renovation of facilities.

"SEC. 702. APPROPRIATIONS AUTHORIZED.

"(a) PARTS A AND B.—There are authorized to be appropriated $100,000,000 for fiscal year 1987 and such sums as may be necessary for each of the succeeding four fiscal years for parts A and B, except that no funds may be appropriated for parts A and B for any such fiscal year unless at least $25,000,000 is appropriated for part E of this title for such fiscal year.

"(b) OTHER PROGRAMS.—There are authorized to be appropriated—

"(1) $50,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years for part C;

"(2) such sums as may be necessary for fiscal year 1987 and for each of the four succeeding fiscal years for part D; and

"(3) $50,000,000 for fiscal year 1987 and each of the four succeeding fiscal years for part E.

"PART A—GRANTS FOR THE CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF UNDERGRADUATE ACADEMIC FACILITIES

"SEC. 711. STATE PLAN.

"(a) SUBMISSION AND CONTENTS OF PLAN.—Any State desiring to participate in the grant program authorized by this part shall have an agreement pursuant to section 1203 and submit annually to the Secretary, through the State agency designated in such agreement, a State plan which shall—

"(1) provide that the plan shall be administered by the State entity having an agreement under section 1203;

"(2) set forth objective standards and methods which are consistent with basic criteria established under section 712, for—

"(A) determining the relative priorities of eligible projects submitted by institutions of higher education within the State, and

"(B) certifying the Federal share of the cost of each project;

"(3) provide for every applicant an opportunity for a hearing before the State agency regarding the priority assigned to such project, or any other decision by the State agency adversely affecting such applicant; and

"(4) provide for accounting procedures necessary to assure proper disbursement of Federal funds.

"(b) HEARING REQUIRED BEFORE DISAPPROVAL.—The Secretary shall not disapprove any State plan, or modification thereof, without first affording the State agency reasonable notice and opportunity for a hearing.

"(c) SUSPENSION FOR NONCOMPLIANCE.—Whenever the Secretary finds that the State plan substantially fails to comply with this section, the Secretary shall notify the State that it is ineligible to participate in the program under this part until a determi-

nation is made that there is no longer a failure to comply.

"SEC. 712. BASIC CRITERIA.

"(a) SECRETARY TO PRESCRIBE CRITERIA.—The Secretary shall, by regulation, prescribe basic criteria for the consideration of State plans which ensure—

"(1) flexibility for States to accommodate the varied needs of institutions in the States;

"(2) consideration of the degree to which applicant institutions are effectively using existing facilities; and

"(3) that the Federal share shall not exceed 50 percent of the development costs of a project.

"(b) RULEMAKING PROCEDURES REQUIRED.—Section 553 of title 5, United States Code, shall apply to the prescription of regulations under this section.

"SEC. 713. ALLOTMENT OF FUNDS.

"(a) USE FOR PUBLIC COMMUNITY COLLEGES AND TECHNICAL INSTITUTES; OTHERS.—From the sums appropriated pursuant to section 702 to carry out the purposes of this part, not less than 24 percent shall be allotted to States under subsection (b) for public community colleges and public technical institutes. The remainder of such sums shall be allotted States under subsection (c) for all other institutions of higher education.

"(b) ALLOTMENT FOR PUBLIC COMMUNITY COLLEGES AND TECHNICAL INSTITUTES.—(1) For the purpose of making grants to public community colleges and public technical institutes, the Secretary shall allot to each State an amount which bears the same ratio to the amount available for allotment under this subsection as the product of—

"(A) the number of persons in the State who have graduated from high school or received an equivalent certificate during the previous school year, and

"(B) the State's allotment ratio,

bears to the sum of the corresponding products for all the States.

"(2)(A) Except as provided in subparagraph (B), the allotment ratio shall be 1.00 less the product of—

"(i) 0.50, and

"(ii) the quotient obtained by dividing the income per person for the State by the income per person for all States (not including Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and Guam).

"(B) Notwithstanding subparagraph (A)—

"(i) the allotment ratio shall in no case be less than 0.33⅓ or more than 0.66⅔;

"(ii) the allotment ratio for Puerto Rico, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and Guam shall be 0.66⅔; and

"(iii) the allotment ratio of any State shall be 0.50 for any fiscal year if the Secretary finds that the cost of school construction in such State exceeds twice the median of such costs in all the States as determined by him on the basis of statistics and data as the Secretary shall deem adequate and appropriate.

"(C) Allotment ratios shall be promulgated annually by the Secretary on the basis of the average personal income in the State and in all the States for the three most recent consecutive calendar years for which data are available from the Department of Commerce.

"(c) ALLOTMENT FOR OTHER INSTITUTIONS.—For the purpose of making grants to all other institutions of higher education, the Secretary shall allot to each State—

"(1) an amount which bears the same ratio to 50 percent of the amount available for allotment under this subsection as the number of students enrolled in institutions of higher education in such State bears to the number of students so enrolled in all States; and

"(2) an amount which bears the same ratio to 50 percent of the amount available for allotment under this subsection as the number of students enrolled in grades nine through twelve of schools in such State bears to the total number of students so enrolled in all the States.

"(d) AGGREGATE LIMITS AND RATABLE REDUCTIONS.—The aggregate amount allotted to any State under subsections (b) and (c) for any fiscal year shall not be less than $100,000. If the sums appropriated pursuant to section 702 are not sufficient to make payments to each State, then the amount of each State's allotment shall be ratably reduced.

"(e) REALLOCATION.—(1) Any portion of a State's allotment under subsections (b) and (c) for any fiscal year for which applications from qualified institutions have not been received by the State agency prior to January 1 of such fiscal year shall, by request, be available for payment of the Federal share of cost of other approved projects.

"(2) Amounts allotted under this section for any fiscal year which are not used by the close of the fiscal year shall be reallotted by the Secretary among the States which are able to use these funds without delay during the next fiscal year.

"(f) USE FOR CONSTRUCTION, RECONSTRUCTION, RENOVATION.—Funds available under this part may be used for construction, reconstruction, or renovation of undergraduate facilities and combined graduate and undergraduate facilities.

"(g) USE FOR MAINTENANCE.—In addition, an amount less than or equal to 15 percent of that portion of an award granted under this part which is allotted by the recipient to meet costs of—

"(1) instructional or research equipment, and

"(2) equipment and structural changes necessary to obtain and sustain the environment (temperature, air quality, etc.) requisite to proper functioning of a new or renovated laboratory,

may be allocated by the recipient for maintenance of equipment and changes described in clauses (1) and (2). Part or all of this percentage may also be applied to costs of upgrading said equipment and structural changes within three years of the date of initial use.

"PART B—GRANTS FOR CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF GRADUATE ACADEMIC FACILITIES

"SEC. 721. GRANTS.

"(a) GRANT TO INSTITUTIONS; STATE LIMITATION.—(1) Funds available for this part shall be used by the Secretary to make grants to graduate institutions of higher education whose applications for assistance are consistent with the objectives of this title.

"(2) The total payment for any fiscal year made to institutions of higher education in any State shall not exceed 12.5 percent of sums appropriated for this part.

"(b) PEER REVIEW REQUIRED.—In making grants under this section, the Secretary shall utilize a national peer review panel. Such panel shall make recommendations to the Secretary based on their assessment of—

"(1) the effectiveness of the program in the proposed use of Federal assistance; and

"(2) the extent to which the receipt of the grant will assist the institution in overcoming deficiencies in existing equipment and facilities.

"(c) CONTENTS OF APPLICATIONS.—Applications made pursuant to this section shall contain—

"(1) a description of the basic research programs of the applicant;

"(2) information specified by the Secretary to provide an indication of the ability of the institution to make effective use of the funds received;

"(3) a description of the advanced training programs of the institution;

"(4) an assessment of the applicant's past and projected contributions to the growth of knowledge in science; and

"(5) such other information as deemed necessary by the Secretary to carry out the purposes of this section.

"(d) COST LIMITATIONS.—The amount of the grant shall not exceed 50 percent of the development cost of the project. No funds or resources provided through Federal programs shall be used to meet the institution's share of the program supported under this section.

"(e) USE FOR MAINTENANCE.—An amount less than or equal to 15 percent of that portion of an award granted under this part which is allotted by the recipient to meet costs of—

"(1) instructional or research equipment, and

"(2) equipment and structural changes necessary to obtain and sustain the environment (temperature, air quality, etc.) requisite to proper functioning of a new or renovated laboratory,

may be allocated by the recipient for maintenance of equipment and changes described in clauses (1) and (2). Part or all of this percentage may also be applied to costs of upgrading such equipment and structural changes within three years of the date of initial use.

"PART C—LOANS FOR CONSTRUCTION, RECONSTRUCTION, AND RENOVATION OF ACADEMIC FACILITIES

"SEC. 731. ELIGIBILITY CONDITIONS, AMOUNTS, AND TERMS.

"(a) SELECTION OF RECIPIENTS.—From the sums available for this part, the Secretary shall make and insure loans to institutions of higher education and to higher education building agencies for programs consistent with the purposes of this title. No loan shall be made unless the Secretary finds that—

"(1) not less than 20 percent of the development cost of the project will be financed from non-Federal sources;

"(2) the applicant is unable to secure the loan from other sources upon terms and conditions equally as favorable as those applicable to loans under this part;

"(3) the project will be undertaken in an economical manner; and

"(4) for any project with regard to an infirmary or other outpatient care facility for students and institutional personnel, assistance will not be provided under part F of this title.

"(b) TERMS OF LOANS.—Loans shall be repaid within fifty years and shall bear interest at (1) a rate annually determined by the Secretary which shall be not more than one-quarter of 1 percentage point above the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt as computed at the end of the preceding fiscal year, adjusted to the nearest one-eighth of 1 per-

cent, or (2) the rate of 5.5 percent per year, whichever is less.

"(c) USE FOR MAINTENANCE.—An amount less than or equal to 15 percent of that portion of a loan granted under this part which is allotted by the recipient to meet costs of—

"(1) instructional or research equipment, and

"(2) equipment and structural changes necessary to obtain and sustain the environment (temperature, air quality, etc.) requisite to proper functioning of a new or renovated laboratory,

may be allocated by the recipient for maintenance of equipment and changes described in clauses (1) and (2). Part or all of this percentage may also be applied to costs of upgrading such equipment and structural changes within three years of the date of initial use.

"SEC. 732. GENERAL PROVISIONS FOR LOAN PROGRAM.

"(a) CONCLUSIVENESS OF SECRETARY'S TRANSACTIONS.—Financial transactions of the Secretary, except with respect to administrative expenses, shall be final and conclusive on all officers of the Government and shall not be reviewable by any court.

"(b) GENERAL AUTHORITY.—In the performance of, and with respect to, the functions vested in him by this part, the Secretary may—

"(1) prescribe such rules and regulations as may be necessary to carry out the purposes of this part;

"(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and any action instituted under this subsection by or against the Secretary shall survive notwithstanding any change in the person occupying the office of the Secretary or any vacancy in such office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Secretary or property under his control, and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 507(b) and 517 and 2679 of title 28, United States Code;

"(3) foreclose on any property and bid for and purchase at any foreclosure, or any other sale, any property in connection with which he has made a loan pursuant to this part; in the event of such an acquisition, notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real property by the United States, the Secretary may complete, administer, remodel and convert, dispose of, lease and otherwise deal with, such property; except that (A) such action shall not preclude any other action by him to recover any deficiency in the amounts loaned and (B) any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

"(4) sell, exchange, or lease real or personal property and securities or obligations;

"(5) modify, with respect to the rate of interest, the time of payment of principal, interest, security, or any other term of any contract or agreement to which he is a party, including—

"(A) granting a moratorium on the repayment of principal or interest to a party temporarily unable to make such repayment without undue financial hardship provided the applicant files, and the Secretary approves, a plan to make repayment; and

"(B) granting to a borrower of a loan made before October 1, 1986, the option of repaying the loan at a discount computed in accordance with subsection (c) if the repayment is (i) made from non-Federal sources, (ii) not derived from proceeds of obligations the income of which is exempt from taxation under the Internal Revenue Code of 1954, and (iii) made on a loan that has been outstanding for at least five years; and

"(6) include in any contract such other covenants, conditions, or provisions necessary to ensure that the purposes of this title will be achieved.

"(c) COMPUTATION OF ALLOWABLE DISCOUNTS.—The Secretary shall, in consultation with the Secretary of the Treasury and to the extent consistent with the best financial interests of the Federal Government, compute the discount which may be offered to a borrower as an inducement to early repayment under subsection (b)(5). The price which may be offered shall be the present value of the scheduled future payments on the loan discounted by using, as an imputed interest rate, the current market yields on outstanding marketable obligations of the United States having comparable maturities.

"SEC. 733. REVOLVING LOAN AND INSURANCE FUND.

"(a) ESTABLISHMENT.—There is created within the Treasury a revolving loan fund for the purpose of making and insuring loans under this part (hereafter called the 'fund') which shall be available to the Secretary without fiscal year limitation. The total of any loans made from the fund in any fiscal year shall not exceed limitations specified in appropriations Acts.

"(b) MANAGEMENT OF FUND.—(1) The Secretary shall transfer to the fund appropriations provided under section 702 to provide capital for making loans. Interest and principal payments on loans, and any other moneys, property, or assets derived from activities under this part shall be deposited in the fund.

"(2) All loans, expenses, and payments pursuant to operation of this part shall be paid from the fund, including expenses and payments in connection with sale, pursuant to section 302(c) of the Federal National Mortgage Association Charter Act, of participations in obligations acquired under this part. At the close of each fiscal year, the Secretary shall pay interest on the cumulative amount of funds paid out for loans under this part less the average undisbursed cash balance in the fund during the year. The interest rate shall be determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding Treasury obligations of maturity comparable to the average maturity of loans made from the fund during the month preceding each fiscal year. Interest payments may be deferred with the approval of the Secretary of the Treasury, but interest payments so deferred shall themselves bear interest. If the Secretary determines that moneys in the fund exceed the present and prospective needs of the fund, the excess may be transferred to the general fund of the Treasury.

"PART D—GRANTS TO PAY INTEREST ON DEBT

"SEC. 741. ANNUAL INTEREST GRANTS.

"(a) GRANT AUTHORITY.—To assist institutions of higher education and higher education building agencies in reducing the cost of borrowing from other sources for projects under this part, the Secretary may make annual interest grants to such institutions and agencies with respect to any project made over a fixed period not exceeding forty years, and provision for the grants shall be embodied in the contract guaranteeing their payment. Grants shall not be greater than the difference between (1) the average annual debt service which would be required to be paid during the life of the loan on the amount borrowed from other sources for the construction of such facilities, and (2) the average annual debt service which the institution or agency would have been required to pay during the life of the loan if the applicable interest rate had been determined by the Secretary in accordance with section 731(b).

"(b) LIMITS ON GRANTS.—The total amount of annual interest grants which may be paid to institutions of higher education and higher education building agencies in any year pursuant to contracts entered into for such year under this section shall not exceed $13,500,000.

"(c) STATE ALLOCATION LIMITS.—The total payment for any fiscal year made to institutions of higher education and higher education building agencies in any State shall not exceed 12.5 percent of sums appropriated for this section.

"(d) REQUIREMENTS FOR GRANTS.—No annual interest grant shall be made unless (1) assurance is provided that not less than 10 percent of the costs of the project will be financed from non-Federal sources, (2) the applicant is unable to secure a loan from other sources upon terms and conditions as favorable as those applicable to loans under this title, and (3) the project will be undertaken in an economical manner. Loans for which an interest grant is made shall, for purposes of this section only, not be considered financing from a non-Federal source.

"PART E—COLLEGE CONSTRUCTION LOAN INSURANCE ASSOCIATION

"SEC. 751. CONGRESSIONAL DECLARATION OF PURPOSE; DEFINITION; INCORPORATION.

"(a) PURPOSE.—The Congress hereby declares that it is the purpose of this part to authorize participation of the United States Government and the Student Loan Marketing Association in a private, for profit corporation to be known as the College Construction Loan Insurance Association (hereinafter referred to as the 'Corporation') which will, directly or indirectly, alone or in collaboration with others—

"(1) guarantee, insure and reinsure bonds, debentures, notes, evidences of debt, loans and interests therein, the proceeds of which are substantially to be used for an education facilities purpose;

"(2) guarantee and insure leases of personal, real or mixed property substantially to be used for an education facilities purpose; and

"(3) issue letters of credit and undertake obligations and commitments as the Corporation shall deem appropriate for the purpose of increasing the availability of funds for educational facilities and equipment.

"(b) STATUS AS NON-GOVERNMENTAL ENTITY.—The Corporation shall not be an agency, instrumentality or establishment of the United States Government and shall not be a 'Government corporation' nor a 'Government controlled corporation' as defined in section 103 of title 5, United States Code.

"(c) CORPORATE POWERS AND LIMITATIONS.—The Corporation shall be subject to the provisions of this part and, to the

extent not inconsistent with this part, to the District of Columbia Business Corporation Act. It shall have the powers conferred upon a corporation by the District of Columbia Business Corporation Act as from time to time in effect in order to conduct its corporate affairs and to carry out its purposes and activities incidental thereto.

"(d) DEFINITION OF EDUCATION FACILITIES PURPOSE.—As used in this section, an 'education facilities purpose' includes any activity relating to the construction, reconstruction, renovation, acquisition or purchase of (1) education, training or research facilities or housing for students, faculty or staff, (2) any underlying real property or any interest therein, (3) furniture, fixtures and equipment to be used in connection with any education or training facility or housing for students, faculty or staff, and (4) instructional equipment and research instrumentation including site preparation for such equipment and instrumentation.

"SEC. 752. PROCESS OF ORGANIZATION.

"The Secretary of the Treasury, the Secretary of Education and the Student Loan Marketing Association shall each appoint two persons to be incorporators of the Corporation. If either the Secretary of the Treasury or the Secretary of Education fail to appoint incorporators within 90 days after the date of enactment of the Higher Education Amendments of 1985, the Student Loan Marketing Association shall have the authority to name the incorporators which have not been so appointed. The incorporators so appointed shall each sign the articles of incorporation and shall serve as the initial Board of Directors until the members of the first regular Board of Directors shall have been appointed and elected. Such incorporators shall take whatever actions are necessary or appropriate to establish the Corporation, including the filing of articles of incorporation.

"SEC. 753. OPERATION AND ELECTION OF BOARD OF DIRECTORS.

"(a) IN GENERAL.—The Corporation shall have a Board of Directors which shall consist of eleven members, of whom one shall be elected annually by the Board to serve as chairman. Directors shall serve for terms of one year or until their successors have been appointed and qualified, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the Director whom he succeeds. Two Directors shall be appointed by the Secretary of the Treasury; two Directors shall be appointed by the Secretary of Education; three Directors shall be appointed by the Student Loan Marketing Association; and the remaining four Directors shall be elected by the holders of the Corporation's voting common stock at least one of whom shall be a college or university administrator.

"(b) CUMULATIVE VOTING.—The articles of incorporation of the Corporation shall provide for cumulative voting under section 27(d) of the District of Columbia Business Corporation Act (D.C. Code, sec. 29-327(d)).

"SEC. 754. INITIAL CAPITAL.

"(a) AUTHORITY TO ISSUE COMMON STOCK.—The Corporation shall issue shares of voting common stock of no par value at such time within six months of its incorporation as shall be designated by the initial Board of Directors, for an aggregate consideration of not more than $30,000,000. During each of the four years thereafter, the Corporation shall issue additional voting common stock at such date or dates in each year determined by the Board for an aggregate consideration of not more than $55,000,000 in each year. Such shares shall be issued and sold to the Secretary of Education and the Student Loan Marketing Association in the ratio of five-to-one as provided in subsections (b) and (c) of this section.

"(b) SUBSCRIPTION BY SECRETARY OF EDUCATION.—The Secretary of Education is authorized and directed to subscribe to and purchase, in each of the five years referred to in subsection (a) of this section, voting common stock of the Corporation having an aggregate purchase price of not more than $25,000,000, subject to availability of appropriations.

"(c) SUBSCRIPTION BY ASSOCIATION.—The Student Loan Marketing Association is authorized to subscribe to and purchase in each of the five years referred to in subsection (a) of this section voting common stock of the Corporation having an aggregate purchase price of not more than $5,000,000.

"(d) ANNUAL ISSUANCE.—The Corporation is authorized to offer for subscription and purchase to the general public in each of the five years referred to in subsection (a) of this section voting common stock having an aggregate purchase price of not more than $25,000,000. Not less than $10,000,000 of such stock shall be set aside for purchase by institutions of higher education prior to being offered to the general public.

"SEC. 755. ISSUE OF NONVOTING STOCK AND DEBT TO THE PUBLIC.

"The Corporation may issue without limitation as to amount or restriction as to ownership such nonvoting common, preferred and preference stock, debt and such other securities and obligations, in such amounts, at such times and having such terms and conditions as may be deemed necessary or appropriate by its Board of Directors.

"SEC. 756. OBLIGATIONS NOT FEDERALLY GUARANTEED; NO FEDERAL PRIORITY.

"No obligation which is insured, guaranteed or otherwise backed by the Corporation, shall be deemed to be an obligation which is federally guaranteed within the meaning of section 103(h) of the Internal Revenue Code of 1954, as amended. The priority established in favor of the United States by section 3466 of the Revised Statutes (31 U.S.C. 191) shall not establish a priority over the indebtedness of the Corporation.

"SEC. 757. EXEMPTION FOR CORPORATION FROM INSURANCE LAWS AND STATE QUALIFICATION LAWS.

"(a) INSURANCE LAWS.—The Corporation and its activities shall be exempt from the laws of any State, territory, possession, Commonwealth or dependency of the United States and of the District of Columbia regulating or licensing insurance or reinsurance, surety, guaranty or similar organizations and activities as they relate to the conduct of the Corporation's business.

"(b) QUALIFICATION LAWS.—The Corporation shall be exempt from the laws of any State, territory, possession, Commonwealth or dependency of the United States requiring the Corporation to be qualified to do business in such jurisdiction or having a similar requirement or purpose.

"SEC. 758. AUTHORITY OF SECRETARY TO SELL COMMON STOCK; RIGHT OF FIRST REFUSAL.

"(a) AUTHORITY TO SELL.—The Secretary of Education may, at any time after a date which is five years after the date of incorporation of the Corporation, sell (in one or more transactions) the voting common stock of the Corporation owned by the Secretary. Prior to offering such common stock for sale to any other person, the Secretary shall offer such stock to the Student Loan Marketing Association at the price determined pursuant to subsection (b).

"(b) PURCHASE PRICE.—The price at which the Secretary may sell the voting common stock of the Corporation under subsection (a) of this section shall be the market value of such shares as determined by the Secretary, on the basis of an independent appraisal, but shall not be less than the value of such shares as shown on the books of account of the Corporation as of the date of closing of such purchase.

"(c) BOARD OF DIRECTORS ELECTED AFTER MAJORITY BUY-OUT.—If the Student Loan Marketing Association acquires from the Secretary of Education sufficient voting common stock so as to own more than 50 percent of the issued and outstanding voting common stock of the Corporation, section 753 (except subsection (b)) of this Act shall be of no further force or effect and the Board of Directors of the Corporation shall thereafter be elected entirely by the voting common shareholders.

"(d) TERMINATION OF OWNERSHIP RESTRICTIONS AND STATE LAW EXEMPTIONS AFTER COMPLETE BUY-OUT.—If the Student Loan Marketing Association acquires all of the issued and outstanding voting common stock of the Corporation owned by the Secretary of Education, section 757 shall be of no further force or effect as from the first day of the calendar year commencing after such acquisition is completed.

"(e) RIGHT OF FIRST REFUSAL TO ASSOCIATION.—Until such time as the Student Loan Marketing Association acquires all of the voting common stock owned by the Secretary, the Student Loan Marketing Association shall have the right to purchase all, or any lesser portion it shall select, of each of the issues of equity securities or other securities convertible into equity of the Corporation as the Corporation may issue from time to time, on the same terms and conditions as such securities are to be offered to other persons.

"(f) AUTHORITY OF ASSOCIATION WITH RESPECT TO CORPORATION.—The Student Loan Marketing Association is authorized and empowered to purchase stock and to carry out such other activities as are necessary and appropriate for carrying out the Association's obligations and responsibilities with respect to the Corporation. The Student Loan Marketing Association is also authorized to enter into such other transactions with the Corporation, including the acquisition of securities and obligations of the Corporation referred to in this section and sections 754 and 755, and arrangements for the provision of management and other services to the Corporation, as shall be approved by the Student Loan Marketing Association and the Corporation.

"SEC. 759. USE OF STOCK SALE PROCEEDS.

"The proceeds received by the Secretary of Education upon the sale of any of its shares of the Corporation to the Student Loan Marketing Association shall be paid into a fund established on behalf of the Secretary of Education and administered by the Corporation. The purpose of the fund shall be to provide guarantees and insurance on behalf of those institutions of higher education which do not otherwise qualify for programs conducted by the Corporation because of an inability to comply with financial criteria required by the Corporation.

"SEC. 760. AUDITS; REPORTS TO THE PRESIDENT AND THE CONGRESS.

"(a) The books of account of the Corporation shall be maintained in accordance with generally accepted accounting principles and shall be subject to an annual audit by an independent public accountant.

"(b) REPORTS.—The Corporation shall transmit to the President and the Congress, annually and at such other times as it deems desirable, a report of its operations and activities under this part, which annual report shall include a copy of the Corporation's financial statements and the opinion with respect thereto prepared by the independent public accountant reviewing such statements and a copy of any report made on an audit conducted under subsection (a).

"PART F—HOUSING AND OTHER EDUCATIONAL FACILITIES LOANS

"SEC. 761. FEDERAL ASSISTANCE IN THE FORM OF LOANS.

"(a) AUTHORITY AND CONDITIONS FOR LOANS.—To assist undergraduate postsecondary educational institutions in the construction, reconstruction, or renovation of housing, undergraduate academic facilities, and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction, reconstruction, or renovation of such facilities. No such assistance shall be provided unless—

"(1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title; and

"(2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials.

"(b) USE OF LOANS FOR PREVIOUSLY MADE CONTRACTS.—Any undergraduate postsecondary educational institution which, prior to the date of enactment of this section, has contracted for housing or other educational facilities may, in connection therewith, receive loans authorized under this title, as the Secretary may determine. No such loan shall be made for any housing or other educational facilities, the construction of which was begun prior to the effective date of this section, or completed prior to the filing of an application under this title.

"(c) AMOUNT AND CONDITIONS OF LOANS.—A loan to an undergraduate postsecondary educational institution—

"(1) may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary;

"(2) shall be secured in such manner and be repaid within such period, not exceeding fifty years, as may be determined by the Secretary; and

"(3) shall bear interest at a rate determined by the Secretary which shall be not more than the lower of (A) 5.5 percent per annum, or (B) the total of one-quarter of 1 percent per annum added to the rate of interest paid by the Secretary on funds obtained from the Secretary of the Treasury as provided in subsection (d) of this section.

"(d) USE OF FUNDS FROM TITLE IV OF THE HOUSING ACT OF 1950.—Funds obtained pursuant to section 401(d) of the Housing Act of 1950 shall be available for the purposes of carrying out this part. For such purposes, the total amount of notes and obligations which the Secretary may continue to issue and have outstanding for purchase by the Secretary of the Treasury shall not exceed the amount issued and outstanding under such section 401(d) as of September 30, 1985. Such notes and other obligations shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Secretary issued under this part and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under chapter 31 of title 31, United States Code, and the purposes for which securities may be issued under such chapter are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired under this part. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"(e) USE OF FUNDS.—Not less than 10 percent of the funds held by the Secretary under subsection (d) of this section shall be made available for loans under this part for each fiscal year.

"(f) APPROPRIATION TO COVER NOTES AND OBLIGATIONS NOT COVERED BY LOAN REPAYMENT.—There are authorized to be appropriated to the Secretary such sums as may be necessary, together with principal and interest payments made by postsecondary educational institutions assisted with loans made under this part (or under title IV of the Housing Act of 1950), for payment on notes and obligations issued by the Secretary under this part or such title.

"SEC. 762. GENERAL PROVISIONS.

"(a) BUDGET AND ACCOUNTING.—In the performance of, and with respect to, the functions, powers, and duties under this part, the Secretary notwithstanding the provisions of any other law, shall—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by chapter 91 of title 31, United States Code; and

"(2) maintain a set of accounts which shall be audited by the Comptroller General in accordance with the provisions of chapter 35 of title 31, United States Code, but such financial transactions of the Secretary, as the making of loans and vouchers approved by the Secretary, in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

"(b) USE OF FUNDS.—Funds made available to the Secretary pursuant to the provisions of this part shall be deposited in a checking account or accounts with the Treasurer of the United States. Receipts and assets obtained or held by the Secretary in connection with the performance of functions under this part, and all funds available for carrying out the functions of the Secretary under this part (including appropriations therefore, which are hereby authorized), shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with the performance of such functions.

"(c) LEGAL POWERS.—In the performance of, and with respect to, the functions, powers, and duties under this part, the Secretary, notwithstanding the provisions of any other law, may—

"(1) prescribe such rules and regulations as may be necessary to carry out the purposes for this part;

"(2) sue and be sued;

"(3) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any property in connection with which the Secretary has made a loan pursuant to this part;

"(4) in the event of any such acquisition, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease and otherwise deal with, such property, but any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

"(5) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as the Secretary may fix;

"(6) obtain insurance against loss in connection with property and other assets held;

"(7) subject to the specific limitations in this part, consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which the Secretary is a party or which has been transferred to the Secretary pursuant to this part granting to a borrower of a loan made before October 1, 1986, the option of repaying the loan at a discount computed in accordance with subsection (d) if the repayment is (A) made from non-Federal sources, (B) not derived from proceeds of obligations the income of which is exempt from taxation under the Internal Revenue Code of 1954, and (C) made on a loan that has been outstanding for at least five years; and

"(8) include in any contract or instrument made pursuant to this title such other covenants, conditions, or provisions as may be necessary to assure that the purposes of this part will be achieved.

"(d) COMPUTATION OF ALLOWABLE DISCOUNTS.—The Secretary shall, in consultation with the Secretary of the Treasury and to the extent consistent with the best financial interests of the Federal Government, compute the discount which may be offered to a borrower as an inducement to early repayment under subsection (b)(5). The price which may be offered shall be the present value of the scheduled future payments on the loan discounted by using, as an imputed interest rate, the current market yields on outstanding marketable obligations of the United States having comparable maturities.

"(e) CONTRACTS FOR SUPPLIES OR SERVICES.—Section 3709 of the Revised Statutes shall not apply to any contract for services or supplies on account of any property acquired pursuant to this part if the amount of such contract does not exceed $1,000.

"(f) APPLICABILITY OF GOVERNMENT CORPORATION CONTROL ACT.—The provisions of section 9107(a) of title 31, United States Code, which are applicable to corporations or agencies subject to chapter 91 of such title, shall also be applicable to the activities of the Secretary under this part.

"(g) WAGE RATES.—The Secretary shall take such action as may be necessary to ensure that all laborers and mechanics employed by contractors or subcontractors or

any project assisted under this part, the construction or rehabilitation of which was commenced after the date of enactment of the Housing Act of 1950—

"(1) shall be paid wages at rates not less than those prevailing on the same type of work on similar construction in the immediate locality as determined by the Secretary of Labor in accordance with the Act of March 3, 1931 (Davis-Bacon Act), as amended; and

"(2) shall be employed not more than forty hours in any one week unless the employee receives wages for his employment in excess of the hours specified above at a rate not less than one and one-half times the regular rate at which he is employed;

but the Secretary may waive the application of this subsection in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of such project, voluntarily donate their services without full compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts saved thereby are fully credited to the educational institution undertaking the construction.

"SEC. 763. APPORTIONMENT; PRIORITIES.

"(a) APPORTIONMENT.—Not more than 12.5 percent of the amount of the funds provided for in this part in the form of loans shall be made available to educational institutions within any one State.

"(b) PRIORITIES.—In awarding loans under this part, the Secretary shall give priority—

"(1) to loans for renovation or reconstruction of undergraduate academic facilities;

"(2) to loans for renovation or reconstruction of older undergraduate academic facilities and undergraduate academic facilities that have gone without major renovation or reconstruction for an extended period.

"SEC. 764. DEFINITIONS.

"For the purposes of this part—

"(a) HOUSING.—The term 'housing' means—

"(1) new or existing structures suitable for dwelling use, including single-room dormitories and apartments; and

"(2) dwelling facilities provided for rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for the proposed dwelling use.

"(b) EDUCATIONAL INSTITUTION.—The term 'undergraduate postsecondary educational institution' means—

"(1)(A) any educational institution which offers, or provides satisfactory assurance to the Secretary that it will offer within a reasonable time after completion of a facility for which assistance is requested under this part, at least a two-year program acceptable for full credit toward a baccalaureate degree (including any public educational institution, or any private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual); or

"(B) any public educational institution which—

"(i) is administered by a college or university which is accredited by a nationally recognized accrediting agency or association;

"(ii) offers technical or vocational instruction; and

"(iii) provides residential facilities for some or all of the students receiving such instruction;

"(2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships, by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual;

"(3) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual)—

"(A) established for the sole purpose of providing housing or other educational facilities for students or students and faculty of one or more institutions included in clause (1) of this subsection without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization; and

"(B) upon dissolution of which all title to any property purchased or built from the proceeds of any loan which is made under section 761, will pass to such institution (or to anyone or more of such institutions) unless it is shown to the satisfaction of the Secretary that such property or the proceeds from its sale will be used for some other nonprofit educational purpose;

"(4) any agency, public authority, or other instrumentality of any State, established for the purpose of providing or financing housing or other educational facilities for students or faculty of any educational institution included in clause (1) of this subsection, but nothing in this paragraph shall require an institution included in clause (1) of this subsection to obtain loans or grants through any instrumentality included in this clause of this subsection; and

"(5) any nonprofit student housing cooperative corporation established for the purpose of providing housing for students or students and faculty of any institution included in clause (1) of this subsection.

In the case of any loan made under section 761 to a corporation described in clause (3) of this subsection which was not established by the institution or institutions for whose students or students and faculty it would provide housing, or to a student housing cooperative corporation described in clause (5) of this subsection, and in the case of any loan which is obtained from other sources by such a corporation, the Secretary shall require that the note securing such loan be cosigned by such institution (or by any one or more of such institutions): *Provided*, That where the law of any State in effect on the date of enactment of the Housing Act of 1964 prevents the institution or institutions, for whose students or students and faculty housing is to be provided, from cosigning the note, the Secretary shall require the corporation and the proposed project to be approved by such institution (or by any one or more of such institutions) in lieu of such cosigning.

"(c) UNDERGRADUATE ACADEMIC FACILITIES.—(1) Except as provided in paragraph (2) of this subsection, the term 'undergraduate academic facilities' means structures suitable for use as classrooms, laboratories, libraries, and related facilities, the primary purpose of which is the instruction of students pursuing a baccalaureate degree, or for administration of the educational programs serving such students, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities, as well as infirmaries or other facilities designed to provide primarily for outpatient care of student and instructional personnel. Plans for such facilities shall be in compliance with such standards as the Secretary may prescribe or approve in order to insure that projects assisted with the use of Federal funds under this title shall be, to the extent appropriate in view of the uses to be made of the facilities, accessible to and usable by handicapped persons.

"(2) The term 'undergraduate academic facilities' shall not include (A) any facility intended primarily for events for which admission is to be charged to the general public, (B) any gymnasium or other facility specially designed for athletic or recreational activities, other than for an academic course in physical education or where the Secretary finds that the physical integration of such facilities with other undergraduate academic facilities included under this part is required to carry out the objectives of this part, (C) any facility used or to be used for sectarian instruction or as a place for religious worship, or (D) any facility which (although not a facility described in the preceding clause) is used or to be used primarily in connection with any part of the program of a school or department of divinity.

"(d) DEVELOPMENT COST.—The term 'development cost' means costs of the construction of the housing or other educational facilities and the land on which it is located, including necessary site improvements to permit its use for housing or other educational facilities; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary.

"(e) FACULTIES.—The term 'faculties' means member of the faculty and their families.

"(f) OTHER EDUCATIONAL FACILITIES.—The term 'other educational facilities' means (1) new or existing structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, or for other essential service facilities, and (2) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

"PART G—SPECIAL PROGRAMS

"SEC. 771. WELCH HALL.

"(a) PROGRAM AUTHORITY.—In recognition of the unique architectural and historic significance to the education profession of Welch Hall, the Secretary is authorized, in accordance with the provisions of this section, to provide financial assistance to Eastern Michigan University in Ypsilanti, Michigan, for the purpose of the renovation and restoration of the physical facilities of Welch Hall.

"(b) APPLICATION.—No financial assistance may be made available under this section except upon an application at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $2,000,000 to carry out the provisions of this section. Funds appropriated pursuant to this section shall remain available until expended.

"SEC. 772. ACADEMIC HEALTH EDUCATION CENTER AUTHORIZED.

"(a) ASSISTANCE AUTHORIZED.—The Secretary is authorized, in accordance with the provisions of this section, to provide financial assistance to the Rochester Institute of Technology located in Rochester, New York, to pay the Federal share of the cost of construction, and related costs (including equipment), for the Academic Health Education Center facility at the Rochester In-

stitute of Technology, to be used as a national model for the integration of student academic, counseling, health, and professional development activities. The Center will integrate students and programs developed for the hearing-impaired.

"(b) TERMS AND CONDITIONS.—(1) No financial assistance may be made available under this section except upon application at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require.

"(2) For the purpose of this section, the Federal share of the cost of the Academic Health Education Center facility at the Rochester Institute of Technology shall not exceed 50 percent.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums, not to exceed $1,800,000, to carry out the provisions of this section. Funds appropriated pursuant to this section shall remain available until expended.

"SEC. 773. ESTEY HALL.

"(a) PROGRAM AUTHORITY.—In recognition of its historic and architectural significance as the first Black women's college dormitory, the Secretary is authorized, in accordance with the provisions of this section, to provide financial assistance to Shaw University of Raleigh, North Carolina, for the purpose of the renovation and restoration of the physical facilities of Estey Hall.

"(b) APPLICATION.—No financial assistance may be made under this section except upon an application at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $550,000 to carry out the provisions of this section. Funds appropriated pursuant to this section shall remain available until expended.

"SEC. 774. ELECTRONIC INSTRUCTIONAL NETWORK FOR GIFTED AND TALENTED STUDENTS.

"(a) ASSISTANCE AUTHORIZED.—In recognition of the benefits to be gained from applying existing and emerging technologies to classroom instruction, the Secretary is authorized, under the provisions of this section, to provide financial assistance to a four-year postsecondary institution in cooperation with school districts, for the purpose of renovating, constructing, and equipping a facility incorporating such technological advances as two-way interactive video communications to extend an existing electronic instructional network for providing college and advanced level courses to talented and gifted secondary school students.

"(b) APPLICATION.—No financial assistance may be made available under this section except upon an application at such time, in such manner, and containing or accompanied by such information, as the Secretary may reasonably require.

"(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $2,000,000 to carry out the provisions of this section. Funds appropriated pursuant to this section shall remain available until expended.

"PART H—GENERAL

"SEC. 781. RECOVERY OF PAYMENTS.

"(a) PUBLIC BENEFIT.—The Congress declares that, if a facility constructed with the aid of a grant under part A or B of this title is used as an academic facility for twenty years following completion of such construction, the public benefit accruing to the United States will equal in value the amount of the grant. The period of twenty years after completion of such construction shall therefore be deemed to be the period of Federal interest in such facility for the purposes of this title.

"(b) RECOVERY UPON CESSATION OF PUBLIC BENEFIT.—If, within twenty years after completion of construction of an academic facility which has been constructed, in part with a grant under part A or B of this title—

"(1) the applicant (or its successor in title or possession) ceases or fails to be a public or nonprofit institution, or

"(2) the facility ceases to be used as an academic facility, or the facility is used as a facility excluded from the term 'academic facility', unless the Secretary determines that there is good cause for releasing the institution from its obligation,

the United States shall be entitled to recover from such applicant (or successor) an amount which bears to the value of the facility at that time (or so much thereof as constituted an approved project or projects) the same ratio as the amount of Federal grant bore to the cost of the facility financed with the aid of such grant. The value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which such facility is situated.

"(c) PROHIBITION ON USE FOR RELIGION.—Notwithstanding the provisions of subsections (a) and (b), no project assisted with funds under this title shall ever be used for religious worship or a sectarian activity or for a school or department of divinity.

"SEC. 782. DEFINITIONS.

"The following definitions apply to terms used in this title:

"(1)(A) Except as provided in subparagraph (B) of this paragraph, the term 'academic facilities' means structures suitable for use as classrooms, laboratories, libraries, and related facilities necessary or appropriate for instruction of students, or for research, or for administration of the educational or research programs, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities. For purposes of part A or C, such term includes infirmaries or other facilities designed to provide primarily for outpatient care of student and instructional personnel. Plans for such facilities shall be in compliance with such standards as the Secretary may prescribe or approve in order to insure that projects assisted with the use of Federal funds under this title shall be, to the extent appropriate in view of the uses to be made of the facilities, accessible to and usable by handicapped persons.

"(B) The term 'academic facilities' shall not include (i) any facility intended primarily for events for which admission is to be charged to the general public, or (ii) any gymnasium or other facility specially designed for athletic or recreational activities, other than for an academic course in physical education or where the Secretary finds that the physical integration of such facilities with other academic facilities included under this title is required to carry out the objectives of this title, or (iii) any facility used or to be used for sectarian instruction or as a place for religious worship, or (iv) any facility which (although not a facility described in the preceding clause) is used or to be used primarily in connection with any part of the program of a school or department of divinity, or (v) any facility used or to be used by a school of medicine, school of dentistry, school of osteopathy, school of pharmacy, school of optometry, school of podiatry, or school of public health as these terms are defined in section 724 of the Public Health Service Act, or a school of nursing as defined in section 843 of that Act, except that the term 'academic facilities' may include any facility described in clause (v) to the degree that such facility is owned, operated, and maintained by the institution of higher education requesting the approval of a project; and that funds available for such facility under such project shall be used solely for the purpose of conversion or modernization of energy utilization techniques to economize on the use of energy resources; and that such project is not limited to facilities described in clause (v) of this subsection.

"(2)(A) The term 'construction' means (i) erection of new or expansion of existing structures, and the acquisition and installation of initial equipment therefor; or (ii) acquisition of existing structures not owned by the institution involved; or (iii) a combination of either of the foregoing. For the purposes of the preceding sentence, the term 'equipment' includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other items necessary for the functioning of a particular facility as an academic facility, including necessary furniture, but not including books, curricular, and program materials, and items of current and operating expense such as fuel, supplies, and the like; the term 'initial equipment' means equipment acquired and installed in connection with construction; and the terms 'equipment', 'initial equipment', and 'built-in equipment', shall be more particularly defined by the Secretary by regulation.

"(B) The term 'reconstruction or renovation' means rehabilitation, alteration, conversion, or improvement (including the acquisition and installation of initial equipment, or modernization or replacement of such equipment) of existing structures. For the purposes of the preceding sentence, the term 'equipment' includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other items necessary for the functioning of a particular facility as an academic facility, including necessary furniture, but not including books, curricular, and program materials, and items of current and operating expense such as fuel, supplies, and the like; the term 'initial equipment' means equipment acquired and installed either in connection with construction as defined in paragraph (2)(A), or as part of the rehabilitation, alteration, conversion, or improvement of an existing structure, which structure would otherwise not be adequate for use as an academic facility; the terms 'equipment', 'initial equipment', and 'built-in equipment' shall be more particularly defined by the Secretary by regulation; and the term 'rehabilitation, alteration, conversion, or improvement' includes such action as may be necessary to provide for the architectural needs of, or to remove architectural barriers to, handicapped persons with a view toward increasing the accessibility to, and use of, academic facilities by such persons.

"(3)(A) The term 'development cost', with respect to an academic facility, means the amount found by the Secretary to be the cost, to the applicant for a grant or loan under this title, of the construction, reconstruction, or renovation involved and the cost of necessary acquisition of the land on

which the facility is located and of necessary site improvements to permit its use for such facility. There shall be excluded from the development cost—

"(i) in determining the amount of any grant under part A or B, an amount equal to the sum of (I) any Federal grant which the institution has obtained or is assured of obtaining, under any law other than this title, with respect to the construction, reconstruction, or renovation that is to be financed with the aid of a grant under part A or B, and (II) the amount of any non-Federal funds required to be expended as a condition of such other Federal grant; and

"(ii) in determining the amount of any loan under part C, an amount equal to the amount of any Federal financial assistance which the institution has obtained, or is assured of obtaining, under any law other than this title, with respect to the construction, reconstruction, or renovation that is to be financed with the aid of a loan under part C.

"(B) In determining the development cost with respect to an academic facility, the Secretary may include expenditures for works of art for the facility not to exceed 1 percent of the total cost (including such expenditures) to the applicant of construction, reconstruction, or renovation of, and land acquisition and site improvements for, such facility.

"(4) The term 'maintenance', with respect to instructional and research equipment obtained with funding under this title, shall mean the care necessary to the optimal functioning of such equipment. With respect to the equipment and structural changes related to obtaining and sustaining the necessary environment (ventilation, etc.) for proper functioning of instructional and research equipment, 'maintenance' shall mean that portion of care above and beyond normal overhead costs.

"(5) The term 'Federal share' means in the case of any project a percentage (as determined under the applicable State plan) not in excess of 50 percent of its development cost.

"(6) The term 'higher education building agency' means (A) an agency, public authority, or other instrumentality of a State authorized to provide, or finance the construction, reconstruction, or renovation of, academic facilities for institutions of higher education (whether or not also authorized to provide or finance other facilities for such or other educational institutions, or for their students or faculty), or (B) any corporation (no part of the net earnings of which inures or may lawfully inure to the benefit of any private shareholder or individual (i) established by an institution of higher education for the sole purpose of providing academic facilities for the use of such institution, and (ii) upon dissolution of which, all title to any property purchased or built from the proceeds of any loan made under part C will pass to such institution), or (C) an institution of postsecondary education.

"(7) The term 'public community college and public technical institute' means an institution of higher education which is under public supervision and control, and is organized and administered principally to provide a two-year program which is acceptable for full credit toward a bachelor's degree, or a two-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge; and the term includes a branch of an institution of higher education offering four or more years of higher education which is located in a community different from that in which its parent institution is located.

"(8) The term 'public educational institution' does not include a school or institution of any agency of the United States.

"(9) The term 'State' includes in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.".

SEC. 702. CONFORMING PROVISION.

Title IV of the Housing Act of 1950 is repealed.

TITLE VIII—AMENDMENT TO TITLE VIII OF THE ACT

SEC. 801. REVISION OF TITLE VIII.

Title VIII of the Act is amended to read as follows:

"TITLE VIII—COOPERATIVE EDUCATION

"SEC. 801. APPROPRIATIONS AUTHORIZED.

"(a) AUTHORIZATION FOR SECTION 802.—There are authorized to be appropriated $25,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years, to enable the Secretary to make grants pursuant to section 802 to institutions of higher education, or to combinations of such institutions, for the planning, establishment, expansion, or carrying out by such institutions or combinations of programs of cooperative education. Such programs shall provide alternating or parallel periods of academic study and of public or private employment, the latter affording students not only the opportunity to earn the funds necessary for continuing and completing their education but, so far as practicable, giving them work experience related to their academic or occupational objectives.

"(b) AUTHORIZATION FOR SECTION 803.—There are further authorized to be appropriated $4,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years, to enable the Secretary to make training, demonstration, or research grants or contracts pursuant to section 803.

"(c) FUNDS NOT AVAILABLE FOR STUDENT COMPENSATION.—Appropriations under this title shall not be available for the payment of compensation of students for employment by employers under arrangements pursuant to this part.

"(d) LIMITATION ON APPROPRIATIONS.—Of the funds appropriated for this title for any fiscal year, not more than 20 percent may be for the purposes of section 803.

"SEC. 802. GRANTS FOR PROGRAMS OF COOPERATIVE EDUCATION.

"(a) AUTHORITY FOR AND MAXIMUM AMOUNT OF GRANTS.—(1) From the sums appropriated pursuant to subsection (a) of section 801, and for the purposes set forth therein, the Secretary is authorized to make grants to institutions of higher education that have applied therefor in accordance with subsection (b) of this section. Such grant shall not exceed $500,000 to any one such institution or combinations of such institutions (that have so applied) for any fiscal year.

"(2) From not less than 20 percent of the sums appropriated pursuant to subsection (a) of section 801, and for the purpose set forth therein, the Secretary is authorized to make grants on a competitive basis to institutions of higher education that have made or intend to make a major commitment of their own resources—

"(A) to apply the techniques of cooperative education to the widest possible spectrum of institutional programs; and

"(B) to open their cooperative education programs to all students who can benefit from opportunities to relate their academic program to prospective occupations.

"(b) SUBMISSION AND CONTENTS OF APPLICATIONS.—Each application for a grant authorized by subsection (a) of this section shall be filed with the Secretary at such time or times as he may prescribe and shall—

"(1) set forth program or activities for which a grant is authorized under this section;

"(2) specify the portion or portions of such programs or activities which will be performed by a nonprofit organization or institution other than the applicant and the compensation to be paid for such performance;

"(3) provide that the applicant will expend during such fiscal year for the purpose of such program or activity not less than was expended for such purpose during the previous fiscal year;

"(4) describe the plans which the applicant will carry out to assure that the applicant will continue the cooperative education program beyond the 5-year period of Federal assistance described in subsection (c)(1);

"(5) provide that the applicant will—

"(A) make such reports as may be essential to insure that the applicant is complying with the provisions of this section, including in the reports (for the second and each succeeding fiscal year for which the applicant receives a grant) data with respect to the impact of the cooperative education program in the previous fiscal year, including—

"(i) the number of students enrolled in the cooperative education program,

"(ii) the number of employers involved in the program,

"(iii) the income of the students enrolled, and

"(iv) the increase or decrease of enrollment in the program in such previous year compared to the second previous fiscal year; and

"(B) keep such records as are essential to ensure that the applicant is complying with the provisions of this title;

"(6) provide for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under this section; and

"(7) include such other information as is essential to carry out the provisions of this part.

"(c) LIMITATIONS ON GRANT DURATION AND AMOUNT.—(1) Except as provided in paragraph (2), no individual unit of an institution of higher education may receive, individually or as a participant in a combination of such institutions, grants under this section for more than five fiscal years.

"(2) The eligibility of any institution made ineligible under paragraph (1) shall be reinstated if the institution:

"(A) has not received an award for five fiscal years; and

"(B) has maintained its cooperative education program at a total support level at least equal to the amount expended for the pro-

gram in the last year an award was received by the institution under this section.

"(3) No such institution or combination thereof may receive—

"(A) a grant in excess of 100 percent of the total administrative cost for the first of such fiscal years;

"(B) a grant in excess of 90 percent of such cost for the second of such years;

"(C) a grant in excess of 80 percent of such cost for the third of such years;

"(D) a grant in excess of 60 percent of such cost for the fourth of such years; or

"(E) a grant in excess of 30 percent of such cost for the fifth of such years.

Any provision of law to the contrary notwithstanding, the Secretary shall not waive the provisions of this subsection.

"(d) APPROVAL OF APPLICATIONS.—(1) In approving applications under this section, the Secretary shall give special consideration to applications from institutions of higher education for programs which show the greatest promise of success because of—

"(A) the extent to which programs in the academic discipline with respect to which the application is made have had a favorable reception by employers, and

"(B) the commitment of the institution of higher education to cooperative education as demonstrated by the plans which such institution has made to continue the program after the termination of Federal financial assistance.

"(2) The Secretary shall also give special consideration to applications from institutions of higher education or combinations thereof which demonstrate a commitment to serving special populations such as women, the handicapped and black, Mexican American, Puerto Rican, Cuban, other Hispanic, American Indian, Alaska Native, Aleut, Native Hawaiian, American Samoan, Micronesian, Guamian (Chamorro) and Northern Marianian students.

"(3) The Secretary shall also consider such other factors as are consistent with the purposes of this section.

"(e) INITIAL AWARDS TO NEW PARTICIPANTS.—The number of initial awards to newly participating institutions made under this section each year shall be no fewer than the number of institutions becoming ineligible by reason of having received five annual awards.

"SEC. 803. DEMONSTRATION AND INNOVATION PROJECTS; TRAINING AND RESOURCE CENTERS; AND RESEARCH.

"(a) AUTHORIZATION.—The Secretary is authorized, in accordance with the provisions of this section, to make grants and enter into contracts for—

"(1) the conduct of demonstration projects designed to demonstrate or determine the feasibility or value of innovative methods of cooperative education;

"(2) the conduct of training and resource centers designed to—

"(A) train personnel in the field of cooperative education;

"(B) improve materials used in cooperative education programs;

"(C) furnish technical assistance to institutions of higher education to increase the potential of the institution to continue to conduct a cooperative education program without Federal assistance; and

"(D) encourage model cooperative education programs which furnish education and training in occupations in which there is a national need; and

"(3) the conduct of research relating to cooperative education.

"(b) ADMINISTRATIVE PROVISION.—To carry out this section, the Secretary may—

"(1) make grants to or contracts with institutions of higher education, or combinations of such institutions, and

"(2) make grants to or contracts with other public or private nonprofit agencies or organizations, whenever such grants or contracts will make an especially significant contribution to attaining the objectives of this section.

"(c) SUPPLEMENT NOT SUPPLANT.—A recipient of a grant or contract under this section may use the funds provided only so as to supplement and, to the extent possible, increase the level of funds that would, in the absence of such funds, be made available from non-Federal sources to carry out the activities supported by such grant or contract, and in no case to supplant such funds from non-Federal sources.

"SEC. 804. REQUIREMENTS TO IMPROVE DISTRIBUTION OF FUNDS.

"(a) COMPETITIVE GRANTS TO NON-PARTICIPATING INSTITUTIONS.—From not less than 20 percent of the funds appropriated pursuant to section 801(a), the Secretary shall make grants, on a competitive basis, to institutions of higher education which are carrying out comprehensive programs of cooperative education, but which are not recipients of assistance under section 802 for the fiscal year for which application is made for assistance under this section.

"(b) PURPOSE OF GRANTS.—Grants under this section shall be used for the purposes of maintaining, improving, or expanding existing comprehensive programs of cooperative education. Not less than 50 percent of each such grant shall be used for purposes of assisting institutions of higher education other than the applicant under this section to develop and expand existing programs of cooperative education, toward the goal of establishing comprehensive programs of cooperative education.

"(c) SELECTION OF GRANT RECIPIENTS.—In ranking applications under this section, the Secretary shall take into account—

"(1) the degree to which the applicant institution has entered into agreements with other institutions of higher education, to provide such other institutions with technical assistance, guidance, or other help in planning, establishing, expanding, or improving comprehensive programs of cooperative education at such other institutions (or branches thereof); and

"(2) the number of full-time or full-time equivalent students enrolled in programs of cooperative education at the applicant institution, expressed as a percentage of the full-time equivalent enrollment at the applicant institution.

"(d) RECIPIENTS NOT RESTRICTED FROM PARTICIPATION IN FUTURE.—Notwithstanding that eligibility for receipt of a grant under this section is conditioned on the institution not being a current recipient of a grant under the other provisions of this title, the Secretary shall issue no rules or regulations which shall have the effect of placing such institutions (or other institutions assisted thereby) at a disadvantage in subsequent applications for assistance under any provision of this title.".

TITLE IX—AMENDMENT TO TITLE IX OF THE ACT

SEC. 901. REVISION OF TITLE IX.

Title IX of the Act is amended to read as follows:

"TITLE IX—GRADUATE PROGRAMS

"PART A—GRANTS TO INSTITUTIONS TO ENCOURAGE MINORITY PARTICIPATION IN GRADUATE EDUCATION

"Subpart 1—Program for Undergraduates

"SEC. 901. PROGRAM AUTHORIZED; AUTHORIZATIONS.

"The Secretary shall make grants to public and private, nonprofit higher education institutions to enable such institutions to identify talented undergraduate students from minority groups underrepresented in graduate education, and provide such students with an opportunity to participate in a program of research and scholarly activities at such institution designed to provide such students with effective preparation for graduate study in such field or related fields.

"SEC. 902. SUBMISSION AND CONTENTS OF APPLICATIONS.

"(a) REQUIRED INFORMATION.—Eligible higher education institutions shall submit applications for grant funds to the Secretary under this section in such form and containing such information as the Secretary may by regulation prescribe. Such application shall provide information regarding—

"(1) the program of study, to take the form of summer research internships, seminars, and other educational experiences;

"(2) the institution's plan for identifying and recruiting talented minority undergraduates;

"(3) the participation of faculty in the program and a detailed description of the research in which students will be involved;

"(4) a plan for the evaluation of the effectiveness of the program; and

"(5) such other assurances and information as the Secretary may require by regulation.

"(b) SELECTION TO CONSIDER QUALITY OF RESEARCH.—The Secretary shall consider in making awards to institutions, the quality of the research in which students will be involved as well as the recruitment program and program of study.

"SEC. 903. USE OF FUNDS.

"Awards made to institutions under this part shall provide stipends, tuition, fees, and allowances (including travel and subsistence expenses and dependency allowances), as approved by the Secretary. Such awards shall also provide for payments to be made to the institution as determined by the Secretary.

"Subpart 2—Program for Graduate Students

"SEC. 906. PROGRAM AUTHORIZED; DESIGNATION AS HARRIS FELLOWS.

"From the sums available for purposes of this subpart, the Secretary shall award a one-year graduate fellowship to each student who successfully completes the undergraduate internship program conducted under subpart 1. Each recipient shall be entitled to use the fellowship in a doctoral program at any accredited institution of higher education in which the recipient may decide to enroll. Each recipient of such a fellowship shall be known as a 'Patricia Roberts Harris Fellow'.

"SEC. 907. STIPENDS AND COST OF EDUCATION PAYMENTS.

"(a) USE OF FUNDS FOR STIPENDS AND COST PAYMENTS.—A grant awarded under this subpart shall consist of a stipend paid to the student and a cost of education payment to the institution.

"(b) AMOUNT OF STIPEND.—The amount of the stipend paid to any student under this subpart shall be $10,000, or the demonstrated level of need of the student (determined in accordance with part F of title IV of this Act), whichever is less.

"(c) COST OF EDUCATION.—The Secretary shall (in addition to the stipends paid to individuals under subsection (b)) pay to the institution of higher education at which the student is enrolled a cost of education payment of $6,000, which shall be accepted by an institution accepting a fellowship recipient in lieu of payment by the student of tuition and fees for the duration of the fellowship.

"(d) CONDITIONS FOR CONTINUED RECEIPT OF AWARD.—Notwithstanding the provisions of section 906, no student shall receive an award—

"(1) except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded; or

"(2) if the student is engaging in gainful employment other than part-time employment involved in teaching, research, or similar activities determined by the institution to be in support of the student's progress toward a degree.

"(e) RATABLE REDUCTIONS.—If the amount available to carry out this subpart for any fiscal year is not sufficient to pay each fellowship recipient and institution the amount for which it is eligible under subsections (b) and (c), then the amount paid to each such recipient and institution shall be ratably reduced.

"SEC. 908. APPLICATIONS.

"Applications for awards under this subpart shall be submitted at such time, in such form, and contain or be accompanied by such information as the Secretary may require by regulation.

"PART B—FELLOWSHIPS FOR GRADUATE AND PROFESSIONAL STUDY

"SEC. 921. STATEMENT OF PURPOSE.

"It is the purpose of this part to provide, through institutions of higher education, a program of grants to assist in making available the benefits of a post-baccalaureate education to graduate and professional students who demonstrate financial need.

"SEC. 922. PROGRAM AUTHORIZED.

"(a) GRANTS BY SECRETARY.—The Secretary shall make grants to institutions of higher education to enable such institutions to make grants in accordance with the provisions of this part.

"(b) DISTRIBUTION AND AMOUNTS OF GRANTS.—(1) In making such grants the Secretary shall, to the maximum extent feasible, ensure an equitable geographic distribution of awards and an equitable distribution among eligible public and independent institutions of higher education.

"(2) The Secretary shall not make a grant to a single institution of higher education of less than $100,000 from the sums appropriated under this part for any fiscal year.

"(3) Whenever the Secretary determines that an institution of higher education is unable to use all of the amounts available to it under this part, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot such amounts not needed to institutions which can use the grants authorized by this part.

"(c) APPLICATIONS.—Any eligible institution of higher education offering a program of post-baccalaureate study leading to a graduate or professional degree may apply for grants under this part. Each such institution may make an application to the Secretary at such time, in such manner, and containing or accompanied by such information as the Secretary may reasonably require. Such application may be made on behalf of professional schools, academic departments, or similar organizational units within such institution meeting the requirements of this subsection, including interdisciplinary or interdepartmental programs.

"(d) EVALUATION AND SELECTION OF APPLICATIONS.—(1) In evaluating applications for grants under this part, the Secretary shall assess the extent to which—

"(A) a professional school, academic department, or similar organizational unit that previously received a grant under this part achieved the objectives specified for students previously supported under this program; and

"(B) a professional school, academic department, or similar organizational unit has demonstrated the high quality of its academic program in terms of course offerings and academic requirements for students, and has demonstrated an effective commitment to minority graduates and professional education.

"(2) In making grants to institutions of higher education, the Secretary shall also—

"(A) take into account present and projected needs for highly trained individuals in all areas of education beyond high school;

"(B) take into account present and projected needs for highly trained individuals in other than academic career fields of high national priority; and

"(C) consider the need to prepare a larger number of individuals from minority groups, especially from among such groups which have been traditionally underrepresented in colleges and universities, but nothing contained in this paragraph shall be interpreted to require any educational institution to grant preference or disparate treatment to the members of one minority group on account of an imbalance which may exist with respect to the total number or percentage of individuals of such group participating in or receiving the benefits of the program authorized in this section, in comparison with the total number or percentage of individuals of such group in any community, State, section, or other area.

"(e) PRIORITIES FOR FELLOWSHIPS.—The Secretary shall assure that, in making grants under this part, awards are made to—

"(1) individuals who plan to pursue a career in public service; and

"(2) individuals from traditionally underrepresented groups, as determined by the Secretary, undertaking graduate or professional study.

The Secretary shall assure that the amount expended for categories of fellowships described in paragraphs (1) and (2) of this subsection for each fiscal year is not less than the amount expended for each category in fiscal year 1985.

"(f) INSTITUTIONAL PAYMENTS.—From sums required to be expended by the Secretary for grants under subsection (e), the Secretary shall (in addition to the awards made to individuals) pay to the institution of higher education at which such person is pursuing his or her course of study such amounts as are paid under similar fellowship programs administered through the National Science Foundation and other similar agencies, except that such amount charged to a fellowship recipient and collected from such recipient by the institution for tuition and other expenses required by the institution as part of the recipient's instructional program shall be deducted from the payments to the institution under this subsection.

"(g) USE FOR RELIGIOUS PURPOSES PROHIBITED.—No fellowship shall be awarded under this part for study at a school or department of divinity.

"SEC. 923. AWARD OF FELLOWSHIPS.

"(a) AWARDS BASED ON NEED.—An institution of higher education receiving funds under this part shall make available to financially needy graduate and professional students an award determined by such institution of higher education, except that no award under this part may exceed the lesser of $10,000, or the demonstrated level of financial need as determined under part F of title IV of this Act.

"(b) REQUIREMENTS FOR AWARD.—No student shall receive an award except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research (including acting as a teaching assistant or research assistant as may be required as a condition to award of a degree) in the field in which such fellowship was awarded and is not engaging in gainful employment, other than part-time employment by the institution of higher education involved in teaching, research, or similar activities, approved by the Secretary. Such period shall not exceed a total of 3 years, except that the Secretary may provide by regulation for the granting of such fellowships for a period of study not to exceed one twelve-month period, in addition to the 3 year period set forth in this section, under special circumstances which the Secretary determines would most effectively serve the purposes of this part. The Secretary shall make a determination to provide such twelve-month extension of an award to an individual fellowship recipient upon review of an application for such extension by the recipient.

"PART C—NATIONAL GRADUATE FELLOWS PROGRAM

"SEC. 931. AWARD OF NATIONAL GRADUATE FELLOWSHIPS.

"(a) NUMBER AND TIMING OF AWARDS.—The Secretary is authorized to award not more than 450 fellowships per year in accordance with the provisions of this part for graduate study in the arts, humanities, and social sciences by students of superior ability selected on the basis of demonstrated achievement and exceptional promise. All funds appropriated in a fiscal year shall be obligated and expended to the students for fellowships for use in the academic year beginning after July 1 of the fiscal year for which the funds were appropriated. The fellowships shall be awarded for only 1 academic year of study and shall be renewable for a period not to exceed 4 years of study.

"(b) INTERRUPTIONS OF STUDY.—The institution of higher education may allow a fellowship recipient to interrupt periods of study for a period not to exceed twelve months for the purpose of work, travel, or independent study away from the campus, if such independent study is supportive of the fellowship recipient's academic program and shall continue payments for those 12-month periods during which the student is pursuing travel or independent study supportive of the recipient's academic program.

"SEC. 932. ALLOCATION OF FELLOWSHIPS.

"(a) FELLOWSHIP BOARD.—(1) The President shall appoint a National Graduate Fellows Program Fellowship Board consisting of not less than nine and not more than fif-

teen individuals representative of both public and private institutions of higher education especially qualified to serve on the Board. In making appointments, the President shall give due consideration to the appointment of individuals who are highly respected in the academic community.

"(2) The Board shall—

"(A) establish general policies for the program established by this part and oversee its operation;

"(B) select each year the fields in which fellowships under this part are to be awarded;

"(C) determine the number of fellowships each year to be awarded under this part in each designated field;

"(D) appoint distinguished panels in each field for the purpose of selecting fellows; and

"(E) prepare and submit to the Congress, at least once in every three year period, a report on any modifications in the program that the Board determines to be appropriate.

"(3) In carrying out its responsibilities, the Board shall consult on a regular basis with representatives of the National Science Foundation, the National Endowment for the Humanities, the National Endowment for the Arts, and representatives of institutions of higher education and associations of such institutions, learned societies, and professional organizations.

"(4) The term of office of each member of the Board shall be six years; except that (A) the members first taking office shall serve as designated by the President, one-third of the members for terms of two years, one-third of the members for terms of four years, and one-third of the members for terms of six years, and (B) any member appointed to fill a vacancy shall serve for the remainder of the term for which his predecessor was appointed. No member may serve for a period in excess of eight years.

"(5) The President shall call the first meeting of the Board, at which the first order of business shall be the election of a Chairman and a Vice Chairman, who shall serve until one year after the date of their appointment. Thereafter each officer shall be elected for a term of two years. In case a vacancy occurs in either office, the Board shall elect an individual from among the members of the Board to fill such vacancy.

"(6)(A) A majority of the members of the Board shall constitute a quorum.

"(B) The Board shall meet at least once a year or more frequently, as may be necessary, to carry out its responsibilities.

"(7) Members of the Board, while serving on the business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding the rate prescribed for GS-18 of the General Schedule under section 5332, title 5, United States Code, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in Government service employed intermittently.

"(b) USE OF SELECTION PANELS.—The recipients of fellowships shall be selected in each designated field from among all applicants nationwide in each field by distinguished panels appointed by the Fellowship Board to make such selections under criteria established by the Board. The number of recipients in each field in each year shall not exceed the number of fellows allocated to that field for that year by the Fellowship Board.

"(c) FELLOWSHIP PORTABILITY.—Each recipient shall be entitled to use the fellowship in a doctoral program at any accredited institution of higher education in which the recipient may decide to enroll.

"SEC. 933. STIPENDS.

"(a) AWARD BY SECRETARY.—The Secretary shall pay to individuals awarded fellowships under this part such stipends (including such allowances for subsistence and other expenses for such individuals and their dependents) as the Secretary may determine to be appropriate, adjusting such stipends as necessary so as not to exceed the fellow's demonstrated level of need according to measurements of need approved by the Secretary. The stipend levels established by the Secretary shall reflect the purpose of this program to encourage highly talented students to undertake graduate study and shall provide a level of support comparable to that provided by federally funded graduate fellowships in the science and engineering fields.

"(b) INSTITUTIONAL PAYMENTS.—(1) The Secretary shall (in addition to the stipends paid to individuals under subsection (a)) pay to the institution of higher education, for each individual awarded a fellowship for pursuing a course at such institution, $6,000.

"(2) Subject to the availability of appropriations, amounts payable to an institution by the Secretary pursuant to this subsection shall not be reduced for any purpose other than the purposes specified under paragraph (1) of this subsection.

"SEC. 934. FELLOWSHIP CONDITIONS.

"(a) REQUIREMENTS FOR RECEIPT.—An individual awarded a fellowship under the provisions of this part shall continue to receive payments provided in section 933 only during such periods as the Secretary finds that he is maintaining satisfactory proficiency in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded, in an institution of higher education, and is not engaging in gainful employment other than part-time employment by such institution in teaching, research, or similar activities, approved by the Secretary.

"(b) REPORTS FROM RECIPIENTS.—The Secretary is authorized to require reports containing such information in such form and to file at such times as the Secretary determines necessary from any person awarded a fellowship under the provisions of this part. The reports shall be accompanied by a certificate from an appropriate official at the institution of higher education, library, archive, or other research center approved by the Secretary, stating that such individual is making satisfactory progress in, and is devoting essentially full time to the program for which the fellowship was awarded.

"PART D—GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED

"SEC. 941. PURPOSE.

"In order to sustain and enhance the capacity for teaching and research in areas of national need, it is the purpose of this part to provide, through academic departments and programs of institutions of higher education, a fellowship program to assist graduate students of superior ability who demonstrate financial need.

"SEC. 942. GRANTS TO ACADEMIC DEPARTMENTS AND PROGRAMS OF INSTITUTIONS.

"(a) GRANT AUTHORITY.—(1) The Secretary shall make grants to academic departments and programs and other academic units of institutions of higher education that provide courses of study leading to a graduate degree in order to enable such institutions to provide assistance to graduate students in accordance with this part.

"(2) The Secretary may also make grants to such departments and programs and to other units of institutions of higher education granting graduate degrees which submit joint proposals involving nondegree granting institutions which have formal arrangements for the support of doctoral dissertation research with degree-granting institutions. Non-degree granting institutions eligible for awards as part of such joint proposals include any organization which—

"(A) is described in section 501(c)(3) of the Internal Revenue Code of 1954, and is exempt from tax under section 501(a) of such Code;

"(B) is organized and operated substantially to conduct scientific and cultural research and graduate training programs;

"(C) is not a private foundation;

"(D) has academic personnel for instruction and counseling who meet the standards of the institution of higher education in which the students are enrolled; and

"(E) has necessary research resources not otherwise readily available in such institutions to such students.

"(b) AWARD AND DURATION OF GRANTS.—(1) The principal criterion for the allocation of awards shall be the relative quality of the graduate programs presented in competing applications. Consistent with an allocation of awards based on quality of competing applications, the Secretary shall, in making such grants, promote an equitable geographic distribution among eligible public and private institutions of higher education.

"(2) The Secretary shall approve a grant recipient under this part for a three-year period. From the sums appropriated under this part for any fiscal year, the Secretary shall not make a grant to any academic department or program of an institution of higher education of less than $100,000 or greater than $500,000 per fiscal year.

"(3) Whenever the Secretary determines that an academic department or program of an institution of higher education is unable to use all of the amounts available to it under this part, the Secretary shall, on such dates during each fiscal year as the Secretary may fix, reallot the amounts not needed to academic departments and programs of institutions which can use the grants authorized by this part.

"(c) PREFERENCE TO CONTINUING GRANT RECIPIENTS.—(1) The Secretary shall make new grant awards under this part only to the extent that each previous grant recipient has received continued funding in accordance with subsection (b)(2).

"(2) To the extent that appropriations under this part are insufficient to comply with paragraph (1) of this subsection, available funds shall be distributed by ratably reducing the amounts required to be awarded by subsection (b)(2).

"SEC. 943. INSTITUTIONAL ELIGIBILITY.

"(a) DEPARTMENTS IN AREAS OF NATIONAL NEED ELIGIBLE.—Any academic department or program of an institution of higher education that offers a program of post-baccalaureate study leading to a graduate degree in an area of national need (as designated under subsection (b)) may apply for a grant under this part. No department or program shall be eligible for a grant unless the program of post-baccalaureate study has been in existence for at least four years at the

time of application for assistance under this part.

"(b) DESIGNATION OF AREAS OF NATIONAL NEED.—After consultation with the National Science Foundation, the National Academy of Sciences, the National Endowments for the Arts and the Humanities, and other appropriate Federal and nonprofit agencies and organizations, the Secretary shall designate areas of national need, such as mathematics, biology, physics, chemistry, engineering, computer science, or foreign languages or areas studies. In making such designations, the Secretary shall take into account the extent to which the interest is compelling and the extent to which other Federal programs support post-baccalaureate study in the area concerned.

"SEC. 944. CRITERIA FOR APPLICATIONS.

"(a) SELECTION OF APPLICATIONS.—The Secretary shall make grants to academic departments and programs of institutions of higher education on the basis of applications submitted in accordance with subsection (b). Applications shall be ranked on program quality by geographically balanced review panels of nationally recognized scholars. To the extent possible (consistent with other provisions of this section), the Secretary shall make awards that are consistent with recommendations of the review panels.

"(b) CONTENTS OF APPLICATIONS.—An academic department or program of an institution of higher education, in its application for a grant, shall—

"(1) describe the current academic program of the applicant for which the grant is sought;

"(2) provide assurances that the applicant will provide, from other non-Federal funds, for the purposes of the fellowship program under this part an amount equal to at least 25 percent of the amount of the grant received under this part;

"(3) set forth policies and procedures to assure that, in making fellowship awards under this part the institution will seek talented students from traditionally underrepresented backgrounds, as determined by the Secretary;

"(4) set forth policies and procedures to assure that, in making fellowship awards under this part, the institution will make awards to individuals who—

"(A) have financial need, as determined under criteria developed by the institution;

"(B) have excellent academic records in their previous programs of study;

"(C) plan teaching or research careers; and

"(D) plan to pursue the highest possible degree available in their course of study;

"(5) set forth policies and procedures to ensure that Federal funds made available under this part for any fiscal year will be used to supplement and, to the extent practical, increase the funds that would otherwise be made available for the purposes of this part and in no case to supplant those funds;

"(6) provide assurances that, in the event that funds made available to the academic department or program under this part are insufficient to provide the assistance due a student under the commitment entered into between the academic department or program and the student, the academic department or program will endeavor, from any funds available to it, to fulfill the commitment to the student;

"(7) provide that the applicant will comply with the limitations set forth in section 945; and

"(8) include such other information as the Secretary may prescribe.

"SEC. 945. AWARDS TO GRADUATE STUDENTS.

"(a) COMMITMENTS TO GRADUATE STUDENTS.—(1) From at least 60 percent of the funds received under this part, an academic department or program of an institution of higher education shall make commitments to graduate students at any point of their graduate study to provide stipends for the length of time necessary for a student to complete the course of graduate study, but in no case longer than 5 years.

"(2) No such commitments shall be made to students under this part unless the academic department or program has determined adequate funds are available to fulfill the commitment either from funds received or anticipated under this part, or from institutional funds.

"(b) AMOUNT OF STIPENDS.—The size of the stipend awarded to students for an individual academic year shall be determined by the institution, except that no annual stipend award under this part may exceed $10,000, or the demonstrated level of need (according to criteria of need developed by the institution), whichever is less.

"(c) ACADEMIC PROGRESS REQUIRED.—Notwithstanding the provisions of subsection (a), no student shall receive an award (1) except during periods in which such student is maintaining satisfactory progress in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded, or (2) if the student is engaging in gainful employment other than part-time employment involved in teaching, research, or similar activities determined by the institution to be in support of the student's progress towards a degree.

"SEC. 946. ASSISTANCE FOR THE GRADUATE PROGRAM.

"(a) USE FOR TUITION AND FEES AND FOR ACADEMIC PROGRAM IMPROVEMENT.—From up to 40 percent of the funds received under this part, the academic department or program of an institution of higher education may award fellowship recipients under section 945 additional amounts to pay the recipients' tuition and fees and may conduct activities to improve the quality of the academic program offered at the academic department or program, including—

"(1) acquisitions of library resources;

"(2) acquisition, lease, or upgrading of laboratory or instructional equipment;

"(3) support for research projects of faculty and fellowship recipients; and

"(4) support for the preparation and delivery of academic papers, including necessary travel expenses.

"(b) USE FOR OVERHEAD PROHIBITED.—Funds made available pursuant to this part may not be used for the general operational overhead of the academic department or program.

"PART E—ASSISTANCE FOR TRAINING IN THE LEGAL PROFESSION

"SEC. 951. PROGRAM AUTHORIZED.

"(a) GRANTS AND CONTRACTS.—The Secretary is authorized to make grants to, or enter into contracts with, public and private agencies and organizations other than institutions of higher education for the purpose of assisting individuals from disadvantaged backgrounds, as determined in accordance with criteria prescribed by the Secretary, to undertake training for the legal profession.

"(b) USE OF FUNDS.—Grants made, and contracts entered into, under subsection (a) may cover, in accordance with regulations of the Secretary, all or part of the cost of—

"(1) selecting individuals from disadvantaged backgrounds for training for the legal profession,

"(2) facilitating the entry of such individuals into institutions of higher education for the purpose of pursuing such training,

"(3) providing counseling or other services designed to assist such individuals to complete successfully such training,

"(4) providing, for not more than six months prior to the entry of such individuals upon their courses of training for the legal profession, preliminary training for such individuals designed to assist them to complete successfully such training for the legal profession,

"(5) paying such stipends (including allowances for travel and for dependents) as the Secretary may determine for such individuals for any such period of preliminary training or for any period of training for the legal profession during which such individuals maintain satisfactory academic proficiency, as determined by the Secretary, and

"(6) paying for administrative activities of the agencies and organizations which receive such grants, or with which such contracts are entered into, to the extent such activities are for the purpose of furthering activities described in clauses (1) through (5).

"PART F—LAW SCHOOL CLINICAL EXPERIENCE PROGRAMS

"SEC. 961. PROGRAM AUTHORIZATION.

"(a) GRANT AND CONTRACT PURPOSES.—The Secretary is authorized to enter into grants or contracts with accredited law schools in the States for the purpose of paying not to exceed 90 per centum of the costs of continuing, establishing, or expanding programs in such schools to provide clinical experience to students in the practice of law, which includes any form of law student work involving performance in the role of a lawyer exercising legal skills and roles such as those of an advocate, counselor, negotiator, investigator, and ethical practitioner, whether by way of the provision of representation of or services to an identifiable client in actual cases or situations (subject to existing State or local limitations upon such provision) or by way of simulation of such provision through appropriate exercises. Preference shall be given to those programs providing legal experience in the preparation and trial of actual cases, including administrative cases and the settlement of controversies outside the courtroom. The cases and situations handled in actuality or by simulation may encompass any one or more of the following:

"(1) judicial, administrative, executive, or legislative proceedings, including the full range of preparation therefor;

"(2) office or house counsel problems; or

"(3) factual investigation, empirical research, or policy or legal analysis.

"(b) USE OF FUNDS.—Such costs may include necessary expenditures incurred for—

"(1) planning;

"(2) training of faculty members and salary for additional faculty members;

"(3) travel and per diem for faculty and students;

"(4) reasonable stipends for students for work in the public service performed as part of any such program at a time other than during the regular academic year;

"(5) equipment and library resources;

"(6) involving practicing lawyers in the process of training law students to perform as lawyers; and

"(7) such other items as are allowed pursuant to regulations issued by the Secretary.

"(c) LIMITATIONS ON AMOUNTS.—No law school may receive more than $100,000 in any fiscal year pursuant to this part, no part of which may be used to pay for indirect costs or charges.

"(d) DEFINITION.—For the purpose of this part the term 'accredited law school' means any law school which is accredited by a nationally recognized accrediting agency or association approved by the Secretary for this purpose, including any combination or consortium of such schools.

"SEC. 962. APPLICATIONS.

"(a) REQUIREMENTS.—A grant or contract authorized by this part may be made by the Secretary upon application which—

"(1) is made at such time or times and contains such information as the Secretary may prescribe;

"(2) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this part; and

"(3) provides for making such reports, in such form and containing such information as the Secretary may require to carry out functions under this part, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

"(b) DISTRIBUTION OF GRANTS AND CONTRACTS.—The Secretary shall allocate grants or contracts under this part in such manner as will provide an equitable distribution of such grants or contracts throughout the United States among law schools which show promise of being able to use funds effectively for the purposes of this part.

"PART G—AUTHORIZATION OF APPROPRIATIONS

"SEC. 971. AMOUNT AND DURATION OF AUTHORIZATION.

"(a) PART A.—(1) There are authorized to be appropriated to carry out part A of this title $20,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(2) There are authorized to be appropriated to carry out subpart 2 of part A of this title $15,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(b) PART B.—There are authorized to be appropriated to carry out part B of this title $30,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(c) PART C.—There are authorized to be appropriated to carry out part C of this title $10,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(d) PART D.—There are authorized to be appropriated to carry out part D of this title $50,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(e) PART E.—There are authorized to be appropriated to carry out part E of this title $5,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.

"(f) PART F.—There are authorized to be appropriated to carry out part F of this title $5,000,000 for fiscal year 1987 and such sums as may be necessary for each of the four succeeding fiscal years.".

TITLE X—AMENDMENT TO TITLE X OF THE ACT

SEC. 1001. REVISION OF TITLE X.

Title X of the Act is amended to read as follows:

"TITLE X—POSTSECONDARY IMPROVEMENT PROGRAMS

"PART A—FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

"SEC. 1001. AUTHORIZATION OF PROGRAM.

"Subject to the provisions of section 1002, the Secretary is authorized to make grants to, and contracts with, institutions of postsecondary education (including combinations of such institutions) and other public and private educational institutions and agencies (except that no grant shall be made to an educational institution or agency other than a nonprofit institution or agency) to improve postsecondary educational opportunities by providing assistance to such educational institutions and agencies for—

"(1) encouraging the reform, innovation, and improvement of postsecondary education, and providing equal educational opportunity for all;

"(2) the creation of institutions and programs involving new paths to career and professional training, and new combinations of academic and experiential learning;

"(3) the establishment of institutions and programs based on the technology of communications;

"(4) the carrying out in postsecondary educational institutions of changes in internal structure and operations designed to clarify institutional priorities and purposes;

"(5) the design and introduction of cost-effective methods of instruction and operation;

"(6) the introduction of institutional reforms designed to expand individual opportunities for entering and reentering institutions and pursuing programs of study tailored to individual needs;

"(7) the introduction of reforms in graduate education, in the structure of academic professions, and in the recruitment and retention of faculties; and

"(8) the creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto.

"SEC. 1002. CONSULTATION.

"No grant shall be made or contract entered into under section 1001 for a project or program with any institution of postsecondary education unless it has been submitted to the appropriate State entity having an agreement under section 1203, and an opportunity has been afforded such entity to submit its comments and recommendations to the Secretary.

"SEC. 1003. NATIONAL BOARD OF THE FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION.

"(a) ESTABLISHMENT OF BOARD.—There is established a National Board of the Fund for the Improvement of Postsecondary Education. The Board shall consist of fifteen members appointed by the President, by and with the advice and consent of the Senate. The President shall designate one of the members as Chairman.

"(b) MEMBERSHIP OF BOARD.—A majority of the members of the Board shall be public interest representatives, including students, and a minority shall be educational representatives. All members selected shall be individuals able to contribute an important perspective on priorities for improvement in postsecondary education and strategies of educational and institutional change. Members shall be appointed for a term of three years, except that of the members first appointed, five shall be appointed for a term of one year and five shall be appointed for a term of two years, as designated by the President. Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed for the remainder of such term. Any member of the Board who has served for six consecutive years shall thereafter be ineligible for appointment to the Board during a two-year period following the expiration of such sixth year. A majority of the Board shall constitute a quorum.

"(c) FUNCTIONS OF THE BOARD.—The Board shall—

"(1) establish, pursuant to procedures adopted by the Board, the priorities for making annual awards under this part which are responsive to the educational needs of postsecondary students and institutions;

"(2) advise the Secretary and the Director of the Fund for the Improvement of Postsecondary Education on priorities for the improvement of postsecondary education and make such recommendations as it may deem appropriate for the improvement of postsecondary education and for the evaluation, dissemination, and adaptation of demonstrated improvements in postsecondary educational practice;

"(3) advise the Secretary and the Director of the Fund on the development of programs to be carried out by the Fund and on the selection of projects under consideration for support by the Fund in its competitions;

"(4) advise the Secretary and the Director of the Fund on the operation of the Fund, including advice on planning documents, guidelines, and procedures for grant competitions prepared by the Fund; and

"(5) meet at the call of the Chairman, except that it shall meet (A) at least four times during each fiscal year, or (B) whenever one-third of the members request in writing that a meeting be held.

"(d) INFORMATION AND ASSISTANCE TO THE BOARD.—The Director shall make available to the Board such information and assistance as may be necessary to enable the Board to carry out its functions.

"SEC. 1004. ADMINISTRATIVE PROVISIONS.

"(a) TECHNICAL EMPLOYEES.—The Secretary may appoint, for terms not to exceed three years, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, not more than five technical employees to administer this title who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(b) REVIEW AND EVALUATION.—The Director shall establish procedures for reviewing and evaluating grants and contracts made or entered into under this title. Procedures for reviewing grant applications or contracts for financial assistance under this section may not be subject to any review outside of officials responsible for the administration of the Fund for the Improvement of Postsecondary Education.

"(c) BOARD PRIORITIES NOT SUBJECT TO MODIFICATION.—Notwithstanding any other provision of law, the Secretary may not set or modify through regulations or by any

other means the priorities established by the Board under subsection (c)(1).

"SEC. 1005. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out this part $20,000,000 for fiscal year 1987, and such sums as may be necessary for each of the four succeeding fiscal years.

"PART B—MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAMS

"Subpart 1—Minority Science Improvement Program

"SEC. 1021. PURPOSE; AUTHORITY.

"(a) It is the purpose of this subpart to continue the authority of the Department of Education to operate the Minority Institutions Science Improvement Program created under section 3(a)(1) of the National Science Foundation Act of 1950 and transferred to the Department of Education by section 304(a)(1) of the Department of Education Organization Act of 1979.

"(b) The Secretary of Education shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to effect long-range improvement in science and engineering education at predominantly minority institutions and to increase the participation of underrepresented ethnic minorities in scientific and technological careers.

"SEC. 1022. GRANT RECIPIENT SELECTION.

"(a) ESTABLISHMENT OF CRITERIA.—Grants under this subpart shall be awarded on the basis of criteria established by the Secretary by regulations.

"(b) PRIORITIES TO BE GIVEN IN CRITERIA.—In establishing criteria under subsection (a), the Secretary shall give priority to applicants which have not previously received funding from the Minority Institutions Science Improvement Program and to previous grantees with a proven record of success, as well as to applications that contribute to achieving balance among projects with respect to geographic region, academic discipline, and project type.

"(c) REQUIRED CRITERIA.—In establishing criteria under subsection (a), the Secretary may consider the following selection criteria in making grants:

"(1) plan of operation;

"(2) quality of key personnel;

"(3) budget and cost effectiveness;

"(4) evaluation plan;

"(5) adequacy of resources;

"(6) identification of need for the project;

"(7) potential institutional impact of the project;

"(8) institutional commitment to the project;

"(9) expected outcomes; and

"(10) scientific and educational value of the proposed project.

"SEC. 1023. USE OF FUNDS.

"(a) TYPES OF GRANTS.—Funds appropriated to carry out this subpart may be made available as—

"(1) institutional grants (as defined in section 1043(6));

"(2) cooperative grants (as defined in section 1043(7));

"(3) design projects (as defined in section 1043(8)); or

"(4) special projects (as defined in section 1043(9)).

"(b) AUTHORIZED USES FOR EACH TYPE OF GRANT.—(1) The authorized uses of funds made available as institutional grants include (but are not limited to)—

"(A) faculty development programs; or

"(B) development of curriculum materials.

"(2) The authorized uses of funds made available as cooperative grants include (but are not limited to)—

"(A) assisting institutions in sharing facilities and personnel;

"(B) disseminating information about established programs in science and engineering;

"(C) supporting cooperative efforts to strengthen the institutions' science and engineering programs; or

"(D) carrying out a combination of any of the activities in subparagraphs (A) through (C).

"(3) The authorized uses of funds made available as design projects include (but are not limited to)—

"(A) developing planning, management, and evaluation systems; or

"(B) developing plans for initiating scientific research and for improving institutions' capabilities for such activities.

Funds used for design project grants may not be used to pay more than 50 percent of the salaries during any academic year of faculty members involved in the project.

"(4) The authorized uses of funds made available as special projects include (but are not limited to)—

"(A) advanced science seminars;

"(B) science faculty workshops and conferences;

"(C) faculty training to develop specific science research or education skills;

"(D) research in science education;

"(E) programs for visiting scientists;

"(F) preparation of films or audio-visual materials in science;

"(G) development of learning experiences in science beyond those normally available to minority undergraduate students;

"(H) development of pre-college enrichment activities in science; or

"(I) any other activities designed to address specific barriers to the entry of minorities into science.

"SEC. 1024. ADMINISTRATION.

"The Secretary shall submit to the Congress on an annual basis a list of grantees receiving awards under this part.

"Subpart 2—Science and Engineering Access Programs

"SEC. 1031. MINORITY SUPPORT IN SCIENCE AND ENGINEERING PROGRAMS.

"The Secretary of Education shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to provide or improve support programs for minority students enrolled in science and engineering programs at institutions with a significant minority enrollment (at least 10 percent).

"SEC. 1032. SPECIAL SERVICE PROJECTS PROGRAM.

"The Secretary of Education shall, in accordance with the provisions of this subpart, carry out a program of making grants to institutions of higher education that are designed to provide or improve support to accredited colleges and universities and professional scientific societies for a broad range of activities designed to eliminate or reduce specific barriers to the entry of minorities into science and technology.

"SEC. 1033. SUPPORTABLE ACTIVITIES.

"Funds appropriated for purposes of this subpart may be made available for—

"(1) providing needed services to groups of minority institutions or providing training for scientists and engineers from eligible minority institutions;

"(2) providing needed services to groups of institutions serving significant numbers of minority students or providing training for scientists and engineers from such institutions to improve their ability to train minority students in science or engineering;

"(3) assisting minority institutions to improve the quality of preparation of their students for graduate work or careers in science, mathematics, and technology;

"(4) improving access of undergraduate students at minority institutions to careers in the sciences, mathematics and engineering;

"(5) improving access of minority students to careers in the sciences, mathematics, and engineering;

"(6) improving access for pre-college minority students to careers in science, mathematics, and engineering through community outreach programs conducted through colleges and universities eligible for support through the Minority Science and Engineering Improvement Programs;

"(7) disseminating activities, information, and educational materials designed to address specific barriers to the entry of minorities into science and technology, and conducting activities and studies concerning the flow of underrepresented ethnic minorities into scientific careers;

"(8) supporting curriculum models to encourage minority student participation in research careers in science, mathematics, and technology; and

"(9) improving the capability of minority institutions for self-assessment, management, and evaluation of their science, mathematics, and engineering programs and dissemination of their results.

"Subpart 3—Administrative and General Provisions

"SEC. 1041. ELIGIBILITY FOR GRANTS.

"Eligibility to receive grants under this part is limited to—

"(1) public and private, nonprofit institutions that are minority institutions (as defined in section 1071(c));

"(2) nonprofit science-oriented organizations, professional scientific societies, and all nonprofit, accredited colleges and universities which provide a needed service to a group of eligible minority institutions or which provide in-service training for project directors, scientists, and engineers from eligible minority institutions; and

"(3) for the purposes of section 1032, public and private nonprofit institutions that have at least 10 percent minority enrollment.

"SEC. 1042. GRANT APPLICATION.

"(a) SUBMISSION AND CONTENTS OF APPLICATIONS.—An eligible applicant (as determined under section 1041) that desires to receive a grant under this part shall submit to the Secretary an application therefor at such time or times, in such manner, and containing such information as the Secretary may prescribe by regulation. Such application shall set forth—

"(1) a program of activities for carrying out one or more of the purposes described in section 1021(b) in such detail as will enable the Secretary to determine the degree to which such program will accomplish such purpose or purposes; and

"(2) such other policies, procedures, and assurances as the Secretary may require by regulation.

"(b) APPROVAL BASED ON LIKELIHOOD OF PROGRESS.—The Secretary shall approve an application only if the Secretary determines that the application sets forth a program of activities which are likely to make substan-

tial progress toward achieving the purposes of this part.

"SEC. 1043. CROSS PROGRAM AND CROSS AGENCY COOPERATION.

"The Minority Science and Engineering Improvement Programs shall cooperate with other programs within the Department and within Federal, State, and private agencies which carry out programs to improve the quality of science, mathematics, and engineering education.

"SEC. 1044. ADMINISTRATIVE PROVISIONS.

"(a) TECHNICAL STAFF.—The Secretary shall appoint, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, not less than two technical employees with appropriate scientific and educational background to administer the programs under this part who may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates.

"(b) PROCEDURES FOR GRANT REVIEW.—The Secretary shall establish procedures for reviewing and evaluating grants and contracts made or entered into under such programs. Procedures for reviewing grant applications, based on the peer review system, or contracts for financial assistance under this title may not be subject to any review outside of officials responsible for the administration of the Minority Science and Engineering Improvement Programs.

"SEC. 1045. ADVISORY PROVISIONS.

"(a) ADVISORY BOARD FOR THE MINORITY SCIENCE AND ENGINEERING IMPROVEMENT PROGRAMS.—There shall be established an Advisory Board for the Minority Science and Engineering Improvement Programs. The Board shall consist of nine members, at least six of whom must be racial and national origin minority scientists, engineers, or science or engineering educators. In constituting the initial board under subsection (c), efforts shall be made to achieve a balance on the Board with respect to sexual, geographic, and institutional background.

"(b) PURPOSES OF THE BOARD.—The Board shall act as an advisory group to the program. Drawing on the expertise of members, the Board will recommend to the Secretary and the director of the program those policies, procedures, and other measures which will further the efforts made through the program to improve the quality of science and engineering education by contributing to the access and retention of ethnic minorities in science and engineering education programs. Upon the request of the Secretary, the Board may be called upon to advise the Secretary on any matters within the Department which could be expected to have an impact on the access of minority students to careers in science, mathematics, or engineering.

"(c) CONSTITUTION OF BOARD.—The initial Board shall be constituted in as follows:

"(1) The Director of the Programs shall solicit nominations for the Board from present and past grant recipients of the Minority Institutions Science Improvement Program. The Director shall select from among the nominees 18 candidates whose names shall be given to the Secretary.

"(2) The Secretary shall choose 9 Board members from among the 18 presented.

"(3) The Secretary shall assign three Board members to a three year term, three members to a four year term, and three members to a five year term. Upon expiration of these initial terms, replacement Board members shall serve for three year terms. Board members may serve more than one term.

"(4) The Chair of the Board shall be selected by a simple majority vote of Board members and will serve a single term.

"(5) Vacancies on the Board shall be filled by the Board soliciting nominees from institutions eligible to receive grants through the Program. From among the nominees the present and immediate past Chair of the Board shall submit at least two nominees for each vacancy to the Secretary, who shall fill vacancies from among the names submitted.

"(d) COMPENSATION OF THE BOARD.—Members of the Board shall receive compensation at a rate not to exceed the daily equivalent of the maximum annual rate of basic pay in effect for grade GS-15 of the General Schedule for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Board.

"SEC. 1046. DEFINITIONS.

"For purposes of this part—

"(1) The term 'accredited' means currently certified by a nationally recognized accrediting agency or making satisfactory progress toward achieving accreditation.

"(2) The term 'minority' means American Indian, Alaskan Native, black (not of Hispanic origin), Hispanic (including persons of Mexican, Puerto Rican, Cuban, and Central or South American origin), Pacific Islander or other ethnic group underrepresented in science and engineering.

"(3) The term 'minority institution' means an institution of higher education whose enrollment of a single minority or a combination of minorities (as defined in paragraph (2)) exceeds 50 percent of the total enrollment. The Secretary shall verify this information from the data on enrollments in the higher education general information surveys (HEGIS) furnished by the institution to the Office for Civil Rights, Department of Education.

"(4) The term 'science' means, for the purposes of this program, the biological, engineering, mathematical, physical, and social sciences, and history and philosophy of science; also included are interdisciplinary fields which are comprised of overlapping areas among two or more sciences.

"(5) The term 'underrepresented in science and engineering' means a minority group whose number of scientists and engineers per 10,000 population of that group is substantially below the comparable figure for scientists and engineers who are white and not of Hispanic origin.

"(6) The term 'institutional grant' means a grant that supports the implementation of a comprehensive science improvement plan, which may include any combination of activities for improving the preparation of minority students for careers in science.

"(7) The term 'cooperative grant' means a grant that assists groups of nonprofit accredited colleges and universities to work together to conduct a science improvement program.

"(8) The term 'design projects' means projects that assist minority institutions that do not have their own appropriate resources or personnel to plan and develop long-range science improvement programs.

"(9) The term 'special projects' means—

"(A) a special project grant to a minority institution which support activities that—

"(i) improve the quality of training in science and engineering at minority institutions; or

"(ii) enhance the minority institutions' general scientific research capabilities; or

"(B) a special project grant to any eligible applicant which supports activities that—

"(i) provide a needed service to a group of eligible minority institutions; or

"(ii) provide in-service training for project directors, scientists, and engineers from eligible minority institutions.

"SEC. 1047. AUTHORIZATION OF APPROPRIATIONS.

"(a) AUTHORIZATIONS.—There are authorized to be appropriated to carry out the purposes of this part, $12,000,000 for fiscal year 1987, and such sums as may be necessary for each of the four succeeding fiscal years.

"(b) APPROPRIATION LIMITATION.—For any fiscal year, 50 percent of the funds under this part shall be allocated for the purposes of section 1021, 33.33 percent for the purposes of section 1031, and 16.67 percent for the purposes of section 1032.".

TITLE XI—AMENDMENT TO TITLE XI OF THE ACT

SEC. 1101. REVISION OF TITLE XI.

Title XI of the Act is amended to read as follows:

"TITLE XI—COMMUNITY PARTNERSHIPS AND ECONOMIC DEVELOPMENT

"SEC. 1101. APPROPRIATIONS AUTHORIZED.

"There is authorized to be appropriated, for carrying out the purposes of this title, $40,000,000 for fiscal year 1987, and such sums as may be necessary for each of the four succeeding fiscal years.

"SEC. 1102. ALLOCATION OF FUNDS.

"Any funds appropriated for this title for any fiscal year, shall be divided equally between parts A and B of this title.

"PART A—URBAN GRANT UNIVERSITY PROGRAM

"SEC. 1111. FINDINGS AND PURPOSE.

"(a) FINDINGS.—The Congress finds and declares—

"(1) that there exists within the Nation's urban universities an underutilized reservoir of skills, talents, and knowledge applicable toward the amelioration of the multitude of problems that face the Nation's urban centers;

"(2) that the skills, talents, and knowledge of urban universities must be applied in a systematic and sustained manner to make a significant contribution toward the solution of these problems;

"(3) that local agencies of general government and other entities within the community have a need for and desire access to the skills, talents and knowledge of urban universities and urban community colleges working cooperatively to help meet urban problems;

"(4) that the application of the skills, talents, and knowledge of urban universities is hindered by the limited funds available to sustain their commitment; and

"(5) that it is the policy of the United States to encourage and facilitate the application of the skills, talents, and knowledge of urban universities toward serving the needs of urban centers of the Nation.

"(b) PURPOSE.—The Secretary shall carry out programs in accordance with the provisions of this part, for the purpose of aiding urban universities to help find answers to urban problems, and aiding such universities to make their resources more readily and effectively available to address the problems of the urban communities in which they are located.

"SEC. 1112. PROJECT ASSISTANCE.

"(a) PAYMENT OF FEDERAL SHARE; PRIORITY FOR COOPERATIVE AGREEMENTS.—(1) The Secretary shall make grants to urban universities to pay the Federal share of the cost of carrying out projects consistent with the purposes of this part.

"(2) The Secretary shall give priority to applications containing cooperative arrangements among urban universities, community colleges and other institutions of higher education and other entities in the public, private, and nonprofit sectors within an urban area.

"(b) CONTENTS OF APPLICATIONS.—An application submitted under this section shall contain provisions designed to show that the chief executive of the local agency or agencies of general government within whose jurisdiction fall the need or needs to be addressed by the project or projects described has been afforded a reasonable opportunity to review and comment upon the proposed project or projects. In making grants under this part, the Secretary shall consider the degree to which there is evidence in the application of (1) the participation of such local agency or agencies of general government and of the community in the development of the project or projects for which assistance is requested under this section; (2) local government and community participation in the implementation of the proposed project or projects; and (3) a commitment by such local agency or agencies of general government or by other entities within the community, which may include the applicant university, to pay the non-Federal share of the cost of such project or projects required by subsection (d) of this section. Not more than one-half of such non-Federal share may be in the form of services, supplies, or equipment.

"(c) ADVICE FROM OTHER AGENCIES.—The Secretary may request the advice of any Federal agency the Secretary considers appropriate before approving an application for project assistance under this section.

"(d) FEDERAL SHARE DEFINED.—No grant under this section shall exceed 90 percent of the cost of the project for which assistance is granted.

"(e) DESIGNATION OF URBAN GRANT UNIVERSITIES.—An institution of higher education which receives a grant under this section shall be designated by the Secretary as an 'urban grant university'. The Secretary shall annually publish a list of the institutions of higher education which have been so designated.

"(f) PEER REVIEW REQUIRED.—The Secretary shall base applications for grant awards under this part on a broad-based peer review process.

"SEC. 1113. LIMITATIONS.

"(a) STATE LIMITATION.—The total amount of payments in any fiscal year under section 1112 to institutions within any one State shall not exceed 15 percent of the total amount paid.

"(b) GEOGRAPHIC DISTRIBUTION.—In allocating assistance under section 1112 of this part, the Secretary shall endeavor to achieve broad and equitable geographical distribution throughout the Nation.

"SEC. 1114. COORDINATION.

"The Secretary, in consultation with other agencies, as appropriate, shall develop regulations and procedures under which funds made available under this part may be used in a coordinated manner with funds made available to meet urban problems under programs administered by such other agencies.

"SEC. 1115. DEFINITIONS.

"As used in this part—

"(1) 'urban area' means a standard metropolitan statistical area having a population of not less than five hundred thousand persons; or, in any State which has no standard metropolitan statistical area within its borders which has such a population, the entity of the State having an agreement under section 1203 may, or if no such entity has an agreement, the Secretary shall designate one urban area for the purposes of this part;

"(2) 'urban university' means an institution of higher education which (A) is located in an urban area, (B) draws a substantial portion of its undergraduate students from the urban area in which it is located or contiguous urban areas, (C) carries out programs to make postsecondary education opportunities more accessible to residents of such urban area or contiguous areas, (D) has the present capacity to provide resources responsive to the needs and priorities of such urban area and contiguous areas, (E) offers a range of professional or graduate programs sufficient to sustain its capacity to provide such resources, and (F) has demonstrated and sustained a sense of responsibility to such urban area and contiguous areas and its people;

"(3) for the purposes of paragraphs (2) and (4) of this section, 'institution of higher education' includes any combination of such institutions, any one of which meets all the qualifications of paragraph (2); and

"(4) 'resources' are programs of institutions of higher education including specialized training, research and planning services, and technical assistance responsive to the needs and priorities of the urban area and contiguous areas.

"PART B—NATIONAL HIGHER EDUCATION AND ECONOMIC DEVELOPMENT PROGRAM

"SEC. 1121. FINDINGS AND PURPOSES.

"(a) FINDINGS.—The Congress finds that—

"(1) the economic vitality and international competitiveness of the United States depends upon utilizing all available resources;

"(2) effective community economic development is enhanced by the active participation of postsecondary education institutions;

"(3) there is a need for more systematic and comprehensive efforts to link postsecondary education institutions with State and local governments, labor, business and industry in order to plan, maintain, and attract lasting economic improvement;

"(4) Federal leadership is critical to promoting such linkages.

"(b) PURPOSES.—The purposes of this part are therefore—

"(1) to stimulate colleges and universities to mobilize more fully their resources to overcome problems which impede economic development in the area or region which they serve;

"(2) to encourage the involvement of postsecondary education institutions with units of government, labor, business and industry and other appropriate organizations in the planning, research, and development of activities that promote expansion and retention of local job opportunities;

"(3) to foster linkages which can contribute to a community's overall economic development efforts for retraining and expanding business and industry opportunities in the area;

"(4) to stimulate and augment local initiatives which recognize postsecondary education institutions as important resources and utilize their expertise in addressing solutions to overcome economic decline; and

"(5) to demonstrate the effectiveness of new approaches to stimulating economic development involving partnerships of postsecondary education institutions and others concerned with economic development and to make those approaches available to other areas of the Nation.

"SEC. 1122. ALLOWABLE ACTIVITIES.

"(a) IN GENERAL.—An eligible institution or consortium of such institutions may apply for assistance under this part to support one or more of the following activities:

"(1)(A) planning and research (including applied research) directed at solving problems for local economic development and which is designed to complement local initiatives to promote growth and improve productivity;

"(B) resource exchange to encourage the exchange of faculty, government, and business experts to support economic development; and

"(C) any combination of the activities described in subparagraph (A) or (B) that promotes the purposes of this part; and

"(2) special projects for economic growth which address broad or national economic development issues, are innovative in their approach, and hold promise of application beyond the area served.

"(b) SPECIAL PROJECTS AUTHORIZED.—Special projects which may be supported under subsection (a)(2) include—

"(1) the application of technology research to manufacturing aspects of mature industries in a region or State;

"(2) the design and development of technical assistance centers based at eligible institutions which will provide an integrated program of education, research and technology transfer to business and industry;

"(3) projects to support entrepreneurship training and technical assistance; and

"(4) projects to develop new approaches or complement efforts to explore, expand and foster opportunities for international business and trade.

"(c) DISSEMINATION PROJECTS.—In addition to the activities described in subsection (a), the Secretary is authorized to make a limited number of grants to identify and disseminate effective models and techniques which use partnerships of postsecondary education institutions and others involved in economic development to support lasting economic improvement.

"(d) LIMITATIONS ON GRANT AMOUNTS.—The maximum grant which may be awarded under subsection (a)(1) for any fiscal year shall be $50,000, except that this limitation shall not apply in the case of an application submitted by a consortium of eligible institutions.

"SEC. 1123. ELIGIBILITY FOR ASSISTANCE.

"The Secretary may make grants under section 1122(a) of this Act to an eligible institution or consortium of such institutions that demonstrates in its application that the program it intends to conduct with the support of the grant will involve the active participation of and commitment of resources and personnel by one or more of the following organizations:

"(1) local or State units of governments;

"(2) business or industry;

"(3) labor unions or union representatives; or

"(4) non-profit organizations concerned with economic development in the area to be served.

"SEC. 1124. CONTENTS OF APPLICATIONS.

"(a) GENERAL CONDITIONS.—Each application for a grant authorized under this Act

shall be filed with the Secretary at such time or times as he or she may prescribe and shall—

"(1) set forth a program of activities which are likely to make substantial progress toward achieving the purposes of this part;

"(2) describe how the plan fits into the overall economic development and or redevelopment plan for the area to be served, contributes to long term economic growth and employment opportunities, and furthers the goals of the postsecondary education institution;

"(3) provide an effective dissemination strategy to ensure that the successful results of the activities can be shared with other institutions and organizations;

"(4) provide assurances that an assessment has been made of Federal and State resources and that these resources are unavailable for the proposed activity;

"(5) describe the consultation and, if appropriate, coordination with other Federal and State economic development efforts such as the Job Training Partnership Act and programs sponsored by the Department of Commerce;

"(6) contain assurances that the applicant and the organizations identified under section 1123 will contribute to the conduct of the program supported by the grant an amount from non-Federal sources equal to at least one-fourth the amount of the grant, which contribution may be in cash or in-kind;

"(7) contain assurances that the eligible institution will, to the extent practicable, coordinate its use of resources available for student assistance (such as college work study, cooperative education, and opportunities for graduate student thesis and research) in a manner which will support the activities conducted under this part; and

"(8) contain such other information and assurances as the Secretary may require by regulation.

"(b) WAIVER OF MATCHING REQUIREMENT.—The Secretary may waive the requirement of subsection (a)(6) with respect to an eligible institution that demonstrates a unique hardship that precludes its compliance with that requirement.

"SEC. 1125. SELECTION OF GRANT RECIPIENTS.

"(a) USE OF PEER REVIEW PANEL.—The Secretary shall designate a peer review panel of experts in the field of higher education and economic development to review the applications submitted under section 1124 and make recommendations for funding to the Secretary. In selecting the peer review panel, the Secretary shall consult with other appropriate Cabinet-level officials and non-Federal organizations, to ensure that the panel will be geographically balanced and be composed of an equal number of representatives from public and private higher education, labor, business, and State and local government who have expertise in the area of economic development.

"(b) DURATION OF GRANTS.—Grants may be made on a multi-year basis except that no institution, individually or as a participant in a combination of such institutions may receive a grant for more than five years.

"(c) SPECIAL CONSIDERATIONS IN SELECTION.—In making awards for activities under section 1122(a)(1) of this part, the Secretary shall give special consideration to applications which have one or more of the following characteristics:

"(1) The application proposes to serve an area which has an unemployment rate 1 percent above the national average unemployment rate for the most recent twenty-four month period or is an area which has experienced or is about to experience sudden economic dislocation resulting in job loss that is significant both in terms of the number of jobs eliminated and the effect upon the employment rate of the area.

"(2) The application is submitted by a consortia of postsecondary education institutions, including four- and two-year, public and private postsecondary education institutions, and provides a regional geographic approach to solving economic development problems.

"(3) The application develops approaches which promote economic diversification for rural areas or areas whose economy is dependent upon a single industry or single employer.

"(4) The application proposes to involve in the participation of the proposed activities, several of the organizations described in section 1123 of the part.

"SEC. 1126. ALLOCATIONS OF APPROPRIATIONS.

"For the purpose of making grants under section 1101 of this title, 75 percent of the funds appropriated for this part shall be used to fund projects under section 1122(a)(1), and 25 percent shall be used to fund projects under sections 1122(a)(2) and 1122(c).

"SEC. 1127. DEFINITIONS.

"As used in this part—

"(1) the term 'Secretary' means the Secretary of Education; and

"(2) the term 'eligible institution' has the meaning given such term by section 435(a) of the Higher Education Act of 1965.

"PART C—WAGNER INSTITUTE OF URBAN PUBLIC POLICY

"SEC. 1131. PURPOSE; DESIGNATION.

"It is the purpose of this part to provide assistance to the City University of New York to enable the University to establish a center to coordinate resources for the development of solutions to pressing urban and social problems. The institute shall be known as the 'Robert F. Wagner, Sr., Institute of Urban Public Policy' (hereafter in this part referred to as the 'Institute').

"SEC. 1132. APPLICATION FOR AND USE OF FUNDS.

"(a) APPLICATION.—No payment may be made under this part except upon application at such time, in such manner, and containing or accompanied by such information as the Secretary may require.

"(b) USE OF FUNDS.—Payments made under this part may be used by the City University of New York to establish and operate the Institute and to support the following activities of the institute:

"(1) The Institute shall inventory and assess academic research, education, and training capabilities with respect to urban redevelopment strategies. The Institute shall insure that information derived from this activity shall be available for use in public policy debates on solutions to urban problems.

"(2) The Institute shall conduct a series of forums to promote and coordinate decisionmaking on urban problems. Such forums shall be focused upon such issues as economic development, youth employment, law enforcement, education, services to the elderly, health care delivery systems, and immigration patterns. Participants in such forums shall be drawn from Federal, State, and local government, the business and professional community, labor, education, and community based organizations.

"(3) In developing topics for the forums to be conducted under paragraph (2), and in establishing priorities for the allocation of its resources, the Institute shall establish and regularly consult with an advisory council of urban advisors representing leaders in government, business, labor, education, and community based operations.

"(4) The Institute shall prepare and publish reports on the forums conducted pursuant to paragraph (2) and publish and disseminate the results of its research activities.

"SEC. 1133. AUTHORIZATION OF APPROPRIATIONS.

"There are authorized to be appropriated to carry out the purposes of this part, $2,000,000, which may remain available until expended.".

TITLE XII—AMENDMENTS TO TITLE XII OF THE ACT

SEC. 1201. TREATMENT OF TERRITORIES AND TERRITORIAL STUDENT ASSISTANCE.

Section 1204 of the Act is amended—

(1) by striking out the first sentence of subsection (a) and inserting in lieu thereof the following: "Within six months after the date of enactment of the Higher Education Amendments of 1985, the Secretary shall promulgate regulations in accordance with the recommendations in the report entitled 'Postsecondary Education in the U.S. Territories' (May 1982) in order to adapt programs under this Act to the needs of Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands.";

(2) by striking out "October 1, 1985" in subsection (c) and inserting in lieu thereof "October 1, 1991,"; and

(3) by striking out subsection (b), by redesignating subsection (a) as subsection (b), and by inserting before such subsection the following new subsection:

"(a) The Secretary is required to waive the eligibility criteria of any postsecondary education program administered by the Department where such criteria does not take into account the unique circumstances in Guam, the Virgin Islands, American Samoa, the Trust Territories of the Pacific Islands, and the Northern Mariana Islands. Priority shall be given to proposals submitted by these territories which otherwise meet program criteria.".

SEC. 1202. EXTENSION OF NATIONAL ADVISORY COMMITTEE ON ACCREDITATION AND INSTITUTIONAL ELIGIBILITY.

Section 1205(f) of the Act is amended by striking out "1985" and inserting in lieu thereof "1992".

SEC. 1203. DISCLOSURES OF FOREIGN GIFTS.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"DISCLOSURES OF FOREIGN GIFTS

"SEC. 1206. (a) Whenever any institution receives a grant from, or enters into a contract with, a foreign source, the value of which is $100,000 or more, considered alone or in combination with all other grants from, or contracts with, that foreign source within the current fiscal year, the institution shall within 90 days of the receipt of such grant or the entrance into such contract, file a disclosure report with the Secretary.

"(b) Each report to the Secretary required by this Act shall disclose:

"(1) the name, nationality and country of residence of the foreign source,

"(2) the amount and date of the grant or contract;

"(3) the full details of any conditions, restrictions, requirements, reserved powers or matching provisions of the grant or contract including its purpose or purposes; and

"(4) the name of any person whom the grant or contract is explicitly intended to benefit.

"(c)(1) Notwithstanding the provisions of subsection (b), if the foreign source is a natural person and no grant or contract as to which a disclosure report is required by this Act contains any conditions, restrictions, requirements, reserved powers or matching provisions, other than that the grant or contract is given or entered into for the benefit of the institution as a whole, the disclosure report required to disclose need not contain the name of the foreign source.

"(2) Notwithstanding the provision of subsection (a), if a grant is given solely for the benefit of the institution as a whole and contains no conditions, restrictions, requirements, reserved powers, or matching provisions, and has a value of less than $250,000, a disclosure report need not be filed with the Secretary.

"(3) Notwithstanding the provision of subsection (a), if an institution described under subsection (a) is within a State which has enacted requirements for public disclosure of conditions of contracts received from, or grants entered into with, foreign sources, that are substantially similar to the requirements of subsection (a), a disclosure report need not be filed with the Secretary. The State in which the institution is located shall provide to the Secretary such assurances as the Secretary may require to establish that the institution has met the requirements for public disclosure under State law.

"(4) Notwithstanding the provision of subsection (a), if an institution receives a grant from, or enters into a contract with, a foreign source, where any other department, agency, or bureau of the executive branch requires a report containing requirements substantially similar to those required under this Act, a disclosure report need not be filed with the Secretary.

"(d) All disclosure reports required by this Act shall be public records open to inspection and copying during business hours.

"(e)(1) Whenever it appears that an institution has failed to comply with the requirements of this Act, including any rule or regulation promulgated thereunder, a civil action may be brought in an appropriate district court of the United States, or the appropriate United States court of any territory or other place subject to the jurisdiction of the United States, to request such court to compel compliance with the requirements of the Act.

"(2) For knowing or willful failure to comply with the requirements of this Act, including any rule or regulation promulgated thereunder, an institution shall pay to the Treasury of the United States the full costs to the United States of obtaining compliance, including all associated costs of investigation and enforcement.

"(f) The Secretary may promulgate regulations to carry out the ministerial duties imposed on the Secretary by this Act.

"(g) For purposes of this section—

"(1) the term 'contract' means any agreement for the acquisition by purchase, lease, or barter of property or services by the foreign source, for the direct benefit or use of either of the parties;

"(2) the term 'foreign source' means—

"(A) a foreign government, including an agency of a foreign government;

"(B) a legal entity, governmental or otherwise, created solely under the laws of a foreign state or states;

"(C) a nonresident alien; and

"(D) an agent, including a subsidiary or affiliate of foreign legal entity, acting on behalf of a foreign source;

"(3) the term 'grant' means any gift of money or property;

"(4) the term 'institution' means any institution, public or private, or, if a multicampus institution, any single campus of such institution, in any State which—

"(A) is legally authorized within such State to provide a program of education beyond high school;

"(B) provides a program for which it awards a bachelor's degree (or provides not less than a two-year program which is acceptable for full credit toward such a degree) or more advanced degrees; and

"(C) is accredited by a nationally recognized accrediting agency or association and to which institution Federal financial assistance is extended (directly or indirectly through another entity or person), or which institution receives support from the extension of Federal financial assistance to any of its subunits.".

SEC. 1204. FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"FINANCIAL RESPONSIBILITY OF FOREIGN STUDENTS

"SEC. 1207. Nothing in this Act or any other Federal law shall be construed to prohibit any institution of higher education from requiring a student who is a foreign national (and not admitted to permanent residence in the United States) to guarantee the future payment of tuition and fees to such institution by (1) making advance payment of such tuition and fees, (2) making deposits in an escrow account administered by such institution for such payments, or (3) obtaining a bond or other insurance that such payments will be made.".

SEC. 1205. NATIONAL TASK FORCE ON THE COST OF HIGHER EDUCATION.

Title XII of the Act is further amended by adding at the end thereof the following new section:

"NATIONAL TASK FORCE ON THE COST OF HIGHER EDUCATION

"SEC. 1208. (a) STUDY OF ESCALATING COST.—The Secretary of Education shall study the escalating cost of higher education. Such study shall—

"(1) identify the current cost of obtaining a higher education and determine how that cost has changed in recent years,

"(2) determine the specific causes of such changes in cost and the extent to which those causes have contributed to such changes,

"(3) evaluate the impact of such changes in cost both on institutions of higher education and their students, and

"(4) make recommendations on how such changes in cost can be minimized in the future.

"(b) REPORT TO CONGRESS.—Within two years of the enactment of this Act, the Secretary shall submit to the Congress a report on the findings and recommendations of his study.".

SEC. 1206. STUDY OF SEXUALLY TRANSMITTED DISEASES.

(a) STUDY REQUIRED.—The Secretary of Health and Human Services shall, through the Centers for Disease Control, provide for the conduct of a study of sexually transmitted diseases (including acquired immune deficiency syndrome) among college students. Such study shall analyze the incidence, changes in patterns of distribution, correlation with drug or substance abuse, and other factors determined to be significant. The Secretary shall submit to the Congress a report on the results of such study.

(b) CONSULTATION.—In conducting the study required by subsection (a), the Secretary of Health and Human Services shall consult with representatives of local and State public health authorities, institutions of higher education, and the Department of Education.

(c) DISTRIBUTION OF PREVENTIVE MEASURES.—The Secretary of Health and Human Services shall provide for the publication and distribution to institutions of higher education of any information gathered as a consequence of the study required by subsection (a) that may assist such institutions in preventing the spread of sexually transmitted diseases.

TITLE XIII—NATIVE AMERICAN CULTURE AND ART DEVELOPMENT

SEC. 1301. SHORT TITLE.

This title may be cited as the "Institute for Native American Culture and Art Development Act".

SEC. 1302. FINDINGS.

The Congress finds that—

(1) Native American art and culture has contributed greatly to the artistic and cultural richness of the Nation;

(2) Native American art and culture occupies a unique position in American history as being our only native art form and cultural heritage;

(3) although the encouragement and support of Native American arts and crafts are primarily a matter for private, local, and Native American initiative, it is also an appropriate matter of concern to the Federal Government;

(4) it is appropriate and necessary for the Federal Government to support research and scholarship in Native American art and culture and to complement programs for the advancement of Native American art and culture by tribal, private, and public agencies and organizations;

(5) current Federal initiatives in the area of Native American art and culture are fragmented and inadequate; and

(6) in order to coordinate the Federal Government's effort to preserve, support, revitalize, and disseminate Native American art and culture, it is desirable to establish a national Institute of Native American Culture and Arts Development.

SEC. 1303. ESTABLISHMENT OF INSTITUTE.

There is hereby established a corporation to be known as the "Institute of Native American Culture and Arts Development", which shall be under the direction and control of a Board of Trustees established under section 1304.

SEC. 1304. BOARD OF TRUSTEES.

(a) COMPOSITION.—(1) The Board shall be composed of 15 voting members and 4 nonvoting members.

(A) The voting members shall be appointed by the Secretary not later than October 1, 1986, from among individuals from private life who are Native Americans, or other individuals, widely recognized in the field of Native American art and culture and who represent diverse political views.

(B) The nonvoting members shall be as follows:

(i) One member of the House of Representatives appointed by the Speaker of the House of Representatives in consultation with the minority leader of the House of Representatives.

(ii) One member of the Senate appointed by the majority leader of the Senate in consultation with the minority leader of the Senate.

(iii) The President of the Institute, ex officio.

(iv) The President of the student organization of the Institute, ex officio.

(2) In making appointments pursuant to paragraph (1)(A), the Secretary shall—

(A) consult with the Indian tribes and the various organizations of Native Americans;

(B) publish in the Federal Register an announcement of the expiration of terms no less than four months before such expiration;

(C) solicit nominations from Indian tribes and various Native American organizations to fill the vacancies; and

(D) give due consideration to the appointment of individuals who will provide appropriate regional and tribal representation on the Board.

(3) The Speaker of the House of Representatives and the majority leader of the Senate may recommend individuals to be appointed under paragraph (1).

(b) TERMS OF OFFICE.—(1) Except as otherwise provided in this section, members shall be appointed for terms of six years.

(2) The terms of the Member of the House of Representatives and of the Senator shall expire at the end of the congressional term of office during which such Member or Senator was appointed to the Board.

(3) Of the members first appointed—

(A) five shall be appointed for terms of two years;

(B) five shall be appointed for terms of four years; and

(C) five shall be appointed for terms of six years;

as designated by the Secretary at the time of appointment.

(4) No member of the Board shall be eligible to serve in excess of two consecutive terms, but may continue to serve until such member's successor is appointed.

(c) VACANCIES.—(1) Any member of the Board appointed under subsection (a) to fill a vacancy occurring before the expiration of the term to which such member's predecessor was appointed shall be appointed for the remainder of such term.

(2) If a vacancy occurs prior to the expiration of the term of a member of the Board appointed under subsection (a)(1)(B), a replacement shall be appointed in the manner in which the original appointment was made.

(d) REMOVAL.—No member of the Board shall be removed during the period of appointment except for just and sufficient cause.

(e) MEETINGS.—The Board shall hold no more than two regular meetings during any calendar year. Special meetings may be held upon the call of the chairperson or not less than eight voting members of the Board. Meetings of the Board may only be held in Santa Fe, New Mexico, or Washington, D.C.

(f) QUORUM.—Unless otherwise provided by the bylaws of the Institute, a majority of the members of the Board shall constitute a quorum.

(g) ELECTION OF OFFICERS.—(1) During its initial meeting, the Board shall elect a chairperson, vice-chairperson, secretary, and treasurer from among the voting members of the Board appointed under subsection (a)(1)(A), who shall serve for two-year terms and may be reelected to additional two-year terms.

(2) In the case of a vacancy in any position under this subsection, such vacancy shall be filled by an election among such voting members. Any member appointed to fill any such vacancy shall serve for the remainder of any such unexpired term.

(h) FUNCTIONS.—The Board is authorized—

(1) to formulate the policy of the Institute;

(2) to direct the management of the Institute; and

(3) to make such bylaws and rules as it deems necessary for the administration of its functions under this title, including the organization and procedures of the Board.

(i) COMPENSATION.—(1) Except as provided in paragraph (2), voting members and the ex officio members of the Board may receive reasonable travel expenses in accordance with section 5703 of title 5, United States Code, when engaged in the actual performance of the duties vested in the Board.

(2) No Member of the House of Representatives or Senate appointed under this section may receive compensation for performing duties of the Board, except that any such Member or Senator who does not represent the congressional district in which the Institute is located may receive travel expenses, including a per diem allowance, when performing duties of the Board.

(j) REVIEW BY SECRETARY OF THE INTERIOR.—For so long as any employee of the Institute is covered under title 5, United States Code, the Board (by majority vote) shall submit final decisions relating to personnel to the Secretary of the Interior. Each such decision shall become final 30 days after the date of its receipt by the Secretary unless the Secretary disapproves of such decision. The Secretary may only disapprove a decision of the Board for just cause.

SEC. 1305. EXECUTIVE BOARD.

(a) COMPOSITION.—The Board shall have an Executive Board composed of—

(1) the chairperson of the Board;

(2) the vice-chairperson of the Board;

(3) the secretary of the Board;

(4) the treasurer of the Board; and

(5) an at-large member of the Board elected by the Board at its initial meeting.

(b) VACANCIES.—In the case of any vacancy which occurs in the position of at-large member before the expiration of such member's term, the Board shall elect a replacement to complete that term.

(c) MEETINGS.—The Executive Board shall hold not more than four regular meetings per calendar year. Special meetings may be held upon the call of the chairperson or three members of the Executive Board.

(d) QUORUM.—A majority of the Executive Board shall constitute a quorum.

(e) POWERS.—The Executive Board may hold and use all the powers of the Board, subject to the approval of the Board.

SEC. 1306. GENERAL POWERS OF THE BOARD.

In carrying out the provisions of this title, the Board shall have the power, consistent with the provisions of this title—

(1) to adopt, use, and alter a corporate seal;

(2) to make agreements and contracts with persons, Indian tribes, and private or governmental entities and to make payments or advance payments under such agreements or contracts without regard to section 3324 of title 31, United States Code;

(3) to sue and be sued in its corporate name and to complain and defend in any court of competent jurisdiction;

(4) to represent itself, or to contract for representation, in all judicial, legal, and other proceedings;

(5) with the approval of the agency concerned, to make use of services, facilities, and property of any board, commission, independent establishment, or executive agency or department of the executive branch in carrying out the provisions of this title and to pay for such use (such payments to be credited to the applicable appropriation that incurred the expense);

(6) to use the United States mails on the same terms and conditions as the executive departments of the United States Government;

(7) to obtain the services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, and to accept and utilize the services of voluntary and noncompensated personnel and reimburse them for travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code;

(8) to solicit, accept, and dispose of gifts, bequests, devises of money, securities, and other properties of whatever character, for the benefit of the Institute;

(9) to receive grants from, and enter into contracts and other arrangements with, Federal, State, or local governments, public and private agencies, organizations, and institutions, and individuals;

(10) to acquire, hold, maintain, use, operate, and dispose of such real property, including improvements thereon, personal property, equipment, and other items, as may be necessary to enable the Board to carry out the purposes of this title;

(11) to use any funds or property received by the Institute to carry out the purposes of this title; and

(12) to exercise all other lawful powers necessarily or reasonably related to the establishment of the Institute in order to carry out the provisions of this title and the exercise of the powers, purposes, functions, duties, and authorized activities of the Institute.

SEC. 1307. PRESIDENT OF THE INSTITUTE.

(a) APPOINTMENT.—The Institute shall have a President who shall be appointed by the Board. The President of the Institute shall serve as the chief executive officer of the Institute. Subject to the direction of the Board and the general supervision of the Chairperson of the Board, the President of the Institute shall have the responsibility for carrying out the policies and functions of the Institute and shall have authority over all personnel and activities of the Institute.

(b) COMPENSATION.—The President of the Institute shall be paid at a rate not to exceed the maximum rate of basic pay payable for grade GS-15 of the General Schedule.

SEC. 1308. STAFF OF INSTITUTE.

(a) EXEMPTION FROM CIVIL SERVICE.—Except as otherwise provided in this section, title 5, United States Code, shall not apply to the Institute.

(b) APPOINTMENT AND COMPENSATION.—(1) The President of the Institute, with the approval of the Board, shall have the authority to appoint, fix the compensation of (including health and retirement benefits), and prescribe the duties of, such officers and

employees as the President deems necessary for the efficient administration of the Institute.

(2) The President shall fix the basic compensation for officers and employees of the Institute at rates comparable to the rates in effect under the General Schedule for individuals with comparable qualifications, and holding comparable positions, to whom chapter 51 of title 5, United States Code, applies.

(3)(A) Not later than 180 days after the President is appointed under section 1307, the President shall make policies and procedures governing—

(i) the establishment of positions at the Institute,

(ii) basic compensation for such positions (including health and retirement benefits),

(iii) entitlement to compensation,

(iv) conditions of employment,

(v) discharge from employment,

(vi) the leave system, and

(vii) such other matters as may be appropriate.

(B) Rules and regulations promulgated with respect to discharge and conditions of employment shall require—

(i) that procedures be established for the rapid and equitable resolution of grievances of such individuals; and

(ii) that no individual may be discharged without cause, notice of the reasons therefor, and an opportunity for a hearing under procedures that comport with the requirements of due process.

(c) HIRING PREFERENCE.—In carrying out subsection (b)(1), the President shall, to the maximum extent practicable, give preference in hiring to Native Americans.

(d) APPEAL TO BOARD.—Any officer or employee of the Institute may appeal to the Board any determination by the President to not re-employ or to discharge such officer or employee. Upon appeal, the Board may, in writing, overturn the determination of the President with respect to the employment of such officer or employee.

(e) NO REDUCTION IN CLASSIFICATION OR COMPENSATION.—Individuals who elect to remain civil service employees shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions and personnel, except that any such transfer shall not result in a reduction in classification or compensation with respect to any such personnel for not less than one year after the transfer.

(f) LEAVE.—(1) Any individual who—

(A) elects under subsection (h) to be covered under the provisions of this section, or

(B) is an employee of the Federal Government and is transferred or reappointed, without a break in service, from a position under a different leave system to the Institute,

shall be credited for the purposes of the leave system provided under rules and regulations promulgated pursuant to subsection (b), with the annual and sick leave to the credit of such individual immediately before the effective date of such election, transfer, or reappointment.

(3) Upon termination of employment with the Institute, any annual leave remaining to the credit of an individual within the purview of this section shall be liquidated in accordance with sections 5551(a) and 6306 of title 5, United States Code, except that leave earned or accrued under rules and regulations promulgated pursuant to subsection (b) shall not be so liquidated.

(4) In the case of any individual who is transferred, promoted, or reappointed, without break in service, to a position in the Federal Government under a different leave system, any remaining leave to the credit of such person earned or credited under the rules and regulations promulgated pursuant to subsection (b) shall be transferred to the credit of such individual in the employing agency on an adjusted basis in accordance with the rules and regulations which shall be promulgated by the Civil Service Commission.

(g) APPLICABILITY.—This section shall apply to any individual appointed after the date of the enactment of this title for employment in the Institute. Except as provided in subsections (e) and (h), the enactment of this title shall not affect—

(1) the continued employment of any individual employed immediately before the date of the enactment of this title; or

(2) such individual's right to receive the compensation attached to such position.

(h) TERMINATION OF CIVIL SERVICE POSITIONS.—(1) At the end of the two-year period beginning on the effective date of section 1311, any position at the Institute which is occupied by an individual in the civil service shall terminate. During such period, such individual may make an irrevocable election to be covered under the provisions of this section, except that such individual may elect to continue to be subject to chapter 83 of title 5, United States Code (relating to retirement).

(2) Any individual who makes an election under paragraph (1) to continue to be subject to chapter 83 of title 5, United States Code, shall, so long as continually employed by the Institute without a break in service, continue to be subject to such chapter. Employment by the Institute without a break of continuity in service shall be considered to be employment by the United States Government for purposes of subchapter III of such chapter. The Institute shall be the employing agency for purposes of section 8334(a) of such title, and shall contribute to the Civil Service Retirement and Disability Fund such sum as is required by such section.

SEC. 1309. FUNCTIONS OF THE INSTITUTE.

(a) PRIMARY FUNCTIONS.—The primary functions of the Institute shall be—

(1) to provide scholarly study of, and instruction in, the arts and culture of Native Americans, and

(2) to establish programs which culminate in the awarding of degrees in the various fields of Native American art and culture.

(b) ESTABLISHMENTS WITHIN INSTITUTE.—There shall be established within the Institute—

(1) a Center for Culture and Art Studies to be administered by a director (appointed by the President of the Institute, with the approval of the Board), which shall include Departments of Arts and Sciences, Visual Arts, Performing Arts, Language, Literature, and Museology; and

(2) a Center for Research and Cultural Exchange, administered by a director (appointed by the President of the Institute, with the approval of the Board), which shall include—

(A) a museum of Native American arts;

(B) a learning resources center;

(C) programs of institutional support and development;

(D) research programs;

(E) fellowship programs;

(F) seminars;

(G) publications;

(H) scholar-in-residence and artist-in-residence programs; and

(I) inter-institutional programs of cooperation at national and international levels.

(c) OTHER PROGRAMS.—In addition to the centers and programs described in subsection (b), the Institute shall develop such programs and centers as the Board determines are necessary to—

(1) foster research and scholarship in Native American art and culture through—

(A) resident programs;

(B) cooperative programs; and

(C) grant programs;

(2) complement existing tribal programs for the advancement of Native American art and culture; and

(3) coordinate efforts to preserve, support, revitalize and develop evolving forms of Native American art and culture.

SEC. 1310. NONPROFIT AND NONPOLITICAL NATURE OF THE INSTITUTE.

(a) STOCK.—The Institute shall have no power to issue any shares of stock, or to declare or pay any dividends.

(b) INCOME AND ASSETS.—No part of the income or assets of the Institute shall inure to the benefit of any director, officer, employee, or any other individual except as salary or reasonable compensation for services.

(c) POLITICAL CONTRIBUTIONS.—The Institute may not contribute to, or otherwise support, any political party or candidate for elective public office.

SEC. 1311. TRANSFER OF FUNCTIONS.

(a) INSTITUTE OF AMERICAN INDIAN ARTS.—There are hereby transferred to the Institute, and the Institute shall perform, the functions of the Institute of American Indian Arts established by the Secretary of the Interior in 1962.

(b) CERTAIN MATTERS RELATING TO TRANSFERRED FUNCTIONS.—(1) All personnel, liabilities, contracts, real property (including the museum located on the site known as the "Santa Fe Indian School" and its collections), personal property, assets, and records as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with any function transferred under the provisions of this title (regardless of the administrative entity providing the services on the date before the transfer), are hereby transferred to the Institute.

(2) Personnel engaged in functions transferred by this title shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions, except that such transfer shall be without reduction in classification or compensation for one year after such transfer.

(c) APPLICABLE LAWS AND REGULATIONS.—All laws and regulations relating to the Institute of American Indian Arts transferred to the Institute by this title shall, insofar as such laws and regulations are applicable, remain in full force and effect. With respect to such transfers, reference in any other Federal law to the Institute of American Indian Arts, or any officer so transferred in connection therewith, shall be deemed to be a reference to the Institute.

(d) TECHNICAL AND SUPPORT ASSISTANCE.—(1) During the transfer period, the Secretary of the Interior shall provide such technical and support assistance to the Institute as the Secretary determines reasonable or necessary to assist the Institute. Such assistance shall include audit, accounting, computer services, and building and maintenance services.

(2) For the purposes of paragraph (1), the term "transfer period" means the 2-year

period beginning on the effective date of this section.

(e) ADVISORY BOARD.—Notwithstanding the effective date of this section, during the period beginning on the date of the enactment of this title and ending on the effective date of this section, the Advisory Board for Institute of American Indian Arts shall continue to act in an advisory role for the Board and the Institute.

(f) EFFECTIVE DATE.—This section shall take effect beginning on October 1, 1986.

SEC. 1312. REPORTS.

(a) ANNUAL REPORT.—The President of the Institute shall submit an annual report to the Congress and to the Board concerning the status of the Institute during the 12 calendar months preceding the date of the report. Such report shall include, among other matters, a detailed statement of all private and public funds, gifts, and other items of a monetary value received by the Institute during such 12-month period and the disposition thereof as well as any recommendations for improving the Institute.

(b) BUDGET PROPOSAL.—(1) During the two-year period beginning on the effective date of section 1311, the Board shall submit a budget proposal to the Secretary of the Interior. The Secretary shall submit that proposal to the Congress.

(2) After the period described in paragraph (1) and for each fiscal year thereafter, the Board shall submit a budget proposal to the Congress.

(3) A budget proposal under this subsection shall be submitted not later than April 1 of each calendar year and shall propose a budget for the Institute for the two fiscal years succeeding the fiscal year during which such proposal is submitted.

(4) In determining the amount of funds to be appropriated to the Institute on the basis of such proposals, the Congress shall not consider the amount of private fundraising or bequests made on behalf of the Institute during any preceding fiscal year.

SEC. 1313. HEADQUARTERS.

The site of the Institute of American Indian Arts, at Santa Fe, New Mexico, shall be maintained as the location for the Institute of Native American Culture and Arts Development. To facilitate this action and the continuity of programs being provided at the Institute of American Indian Arts, the Secretary may enter into negotiations with State and local governments for such exchanges or transfers of lands and such other assistance as may be required.

SEC. 1314. ENDOWMENT PROGRAM.

(a) ESTABLISHMENT.—(1) From the amount appropriated pursuant to section 1316, the Secretary shall make available to the Institute not more than $500,000 which shall be deposited into a trust fund maintained by the Institute at a federally insured banking or savings institution.

(2) The President of the Institute shall provide for the deposit into such fund—

(A) of a capital contribution by the Institute in an amount equal to the amount of each Federal contribution; and

(B) any earnings of the funds deposited under paragraph (1) or (2)(A).

(3) Such funds shall be deposited in such a manner as to insure the accumulation of interest thereon at a rate not less than that generally available for similar funds deposited at the same banking or savings institution for the same period or periods of time.

(4) If at any time the Institute withdraws any capital contribution made by that Institute, an equal amount of Federal capital contribution shall be withdrawn and returned to the Treasury as miscellaneous receipts.

(5) No part of the net earnings of such trust fund shall inure to the benefit of any private person.

(6) The President of the Institute shall provide for such other provisions as may be necessary to protect the financial interest of the United States and to promote the purpose of this title as are agreed to by the Secretary and the Institute, including record-keeping procedures for the expenditure of accumulated interest which allow the Secretary to audit and monitor programs and activities conducted with such interest.

(b) USE OF FUNDS.—Interest deposited pursuant to paragraph (2)(B) in such trust fund may be periodically withdrawn and used, at the discretion of the Institute, to defray any expenses associated with the operation of the Institute, including expense of operations and maintenance, administration, academic and support personnel, community and student services programs, and technical assistance.

(c) COMPLIANCE WITH MATCHING REQUIREMENT.—For the purpose of complying with the contribution requirement of paragraph (2)(A), the Institute may use funds which are available from any private or tribal source.

(d) ALLOCATION OF FUNDS.—From the amount appropriated pursuant to section 1316, the Secretary shall allocate to the Institute an amount for a Federal capital contribution equal to the amount which the Institute demonstrates has been placed within the control of, or irrevocably committed to the use of, the Institute and is available for deposit as a capital contribution of that Institute in accordance with subsection (a)(1).

SEC. 1315. DEFINITIONS.

As used in this title—

(1) the term "Board" means the Board of Trustees established under section 1304;

(2) the term "Indian tribe" means any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act), which is recognized as eligible for special programs and services provided by the United States to Indians because of their status as Indians;

(3) the term "Institute" means the Institute of Native American Culture and Arts Development established by this title;

(4) the term "Native American" means any person who is a member of an Indian tribe;

(5) the term "Native American art and culture" includes the traditional and contemporary expressions of Native American language, history, visual and performing arts, and crafts; and

(6) the term "Secretary" means the Secretary of the Interior.

SEC. 1316. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out the purposes of this title.

TITLE XIV—EDUCATION RESEARCH AND STATUTES

SECTION 1401. SHORT TITLE.

This title may be referred to as the "Education Research and Statistics Amendments of 1986".

SEC. 1402. EDUCATIONAL RESEARCH AND IMPROVEMENT.

(a) OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT.—Section 405 of the General Education Provisions Act (20 U.S.C. 1221e; referred to in this Act as "the Act") is amended to read as follows:

"OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT

"SEC. 405. (a)(1) The Congress declares it to be the policy of the United States to provide to every person an equal opportunity to receive an education of high quality regardless of race, color, religion, sex, age, handicap, national origin, or social class. Although the American education system has pursued this objective, it has not attained it. Inequalities of opportunity to receive high quality education remain pronounced. To achieve the goal of quality education requires the continued pursuit of knowledge about education through research, improvement activities, data collection, and information dissemination. While the direction of American education remains primarily the responsibility of State and local governments, the Federal Government has a clear responsibility to provide leadership in the conduct and support of scientific inquiry into the educational process.

"(2) The Congress further declares it to be the policy of the United States to—

"(A) promote the improvement of American education;

"(B) advance the practice of education as an art, science, and profession;

"(C) support educational research of the highest quality;

"(D) strengthen the educational research and development system;

"(E) improve educational techniques and training;

"(F) assess the national progress of this Nation's schools and educational institutions, particularly special populations; and

"(G) collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(3) For the purposes of this section—

"(A) the term 'educational research' includes basic and applied research, development, planning, surveys, assessments, evaluations, investigations, experiments, and demonstrations in the field of education and other fields relating to education; and

"(B) the terms 'United States' and 'State' include the District of Columbia and Puerto Rico.

"(b)(1) It shall be the purpose of the Office of Educational Research and Improvement (referred to in this section as the 'Office') established by section 209 of the Department of Education Organization Act to carry out the policies set forth in subsection (a). The Office shall be administered by the Assistant Secretary for Educational Research and Improvement (referred to in this section as the 'Assistant Secretary') established by section 202 of the Department of Education Organization Act and shall include—

"(A) the National Advisory Council on Educational Research and Improvement (referred to in this section as the 'Council') established in subsection (c);

"(B) the Center for Statistics established by section 406 of the Act; and

"(C) such other units as the Secretary considers appropriate to carry out the purposes of the Office.

"(2)(A) The Office shall, in accordance with the provisions of this section, seek to improve education in the United States through concentrating the resources of the Office on the following priority research and development needs—

"(i) improving student achievement;

"(ii) improving the ability of schools to meet their responsibilities to provide equal educational opportunities for all students, including those with handicaps, those of limited English-speaking ability, women, older students, part-time students, and students who are socially, economically, or educationally disadvantaged;

"(iii) collecting, analyzing, and disseminating statistics and other data related to education in the United States and other nations; and

"(iv) improving the dissemination and application of knowledge obtained through educational research and data collection, particularly to education professionals and policy makers.

"(B) The Secretary shall publish proposed research priorities in the Federal Register every two years, not later than October 1, and shall allow a period of sixty days for public comments and suggestions.

"(c)(1) The Council shall consist of fifteen members appointed by the President, by and with the advice and consent of the Senate. In addition, there shall be such ex officio members who are officers of the United States as the President may designate, including the Assistant Secretary. A majority of the appointed members of the Council shall constitute a quorum. The chairperson of the Council shall be designated by the President from among the appointed members. Ex officio members shall not have a vote on the Council. The members of the Council shall be appointed to ensure that the Council is broadly representative of the general public; the education professions, including practitioners; policymakers and researchers; and the various fields and levels of education.

"(2)(A) Except as provided in subparagraph (B), members shall be appointed to terms of three years.

"(B) Of the members first appointed—

"(i) five shall be appointed for terms of one year;

"(ii) five shall be appointed for terms of two years; and

"(iii) five shall be appointed for terms of three years;

as designated by the President at the time of appointment.

"(C) Any member appointed to fill a vacancy occurring before the expiration of the term for which the predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of a term until a successor has taken office.

"(D) An appointed member who has been a member of the Council for six consecutive years shall be ineligible for appointment to the Council during the two-year period following the expiration of the sixth year.

"(3) The Council shall—

"(A) advise the Secretary and the Assistant Secretary on the policies and activities carried out by the Office;

"(B) review and publicly comment on the policies and activities of the Office;

"(C) conduct such activities as may be necessary to fulfill its functions under this subsection;

"(D) prepare such reports to the Secretary on the activities of the Office as are appropriate; and

"(E) submit, no later than March 31 of each year, a report to the President and the Congress on the activities of the Office, and on education, educational research, and data gathering in general.

"(d)(1) In order to carry out the purposes of the Office under this section, the Secretary may conduct educational research; collect, analyze, and disseminate the findings of educational research; train individuals in educational research; assist and foster educational research, data collection, dissemination, and training; promote the coordination of education research and research support within the Federal Government and otherwise assist and foster such research; and collect, analyze, and disseminate statistics and other data related to education in the United States and other nations.

"(2) The Secretary may appoint, for terms not to exceed three years (without regard to the provisions of title 5 of the United States Code governing appointment in the competitive service) and may compensate (without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates) such scientific or professional employees of the Office as the Secretary considers necessary to accomplish its functions. The Secretary may also appoint and compensate not more than one-fifth of the number of full-time, regular scientific or professional employees of the Office without regard to such provisions. The rate of basic pay for such employees may not exceed the maximum annual rate of pay for grade GS-15 under section 5332 of title 5 of the United States Code, except that the pay of any employee employed before the date of enactment of the Education Research and Statistics Amendments of 1986 shall not be reduced by application of such maximum pay limitation.

"(3)(A) The Secretary may carry out the activities in paragraph (1)—

"(i) directly;

"(ii) through grants, contracts, and cooperative agreements with institutions of higher education, public and private organizations, institutions, agencies, and individuals; and

"(iii) through the provision of technical assistance.

"(B) When making awards under this subsection, the Secretary shall—

"(i) solicit recommendations and advice regarding research priorities, opportunities, and strategies from qualified experts, such as education professionals and policymakers, personnel of the regional education laboratories and of the research and development centers supported under paragraph (4), and the Council, as well as parents and other members of the general public;

"(ii) employ suitable selection procedures utilizing the procedures and principles of peer review; and

"(iii) determine that the activities assisted will be conducted efficiently, will be of high quality, and will meet priority research and development needs under this section.

"(4)(A) In carrying out the functions of the Office, the Secretary shall, in accordance with the provisions of this subsection, support—

"(i) regional educational laboratories established by public agencies or private nonprofit organizations to serve a specific region of the Nation under the guidance of a regionally representative governing board;

"(ii) research and development centers established by institutions of higher education, by institutions of higher education in consort with public agencies or private nonprofit organizations, or by interstate agencies established by compact which operate subsidiary bodies established to conduct postsecondary educational research and development;

"(iii) meritorious unsolicited proposals for educational research and related activities that are authorized by this subsection; and

"(iv) proposals that are specifically invited or requested by the Secretary, which meet priority research and development needs under this section.

"(B) Prior to awarding a grant or entering into a contract for a regional educational laboratory or research and development center under subparagraph (A)(i) or (A)(ii), the Secretary shall invite applicants to compete for such laboratories and centers through notice published in the Federal Register.

"(C) Each application for assistance under subparagraph (A)(i) or (ii) as a regional educational laboratory or a research and development center shall contain such information as the Secretary may reasonably require, including assurances that the applicant will—

"(i) be responsible for the conduct of the research and development activities;

"(ii) prepare a long-range plan relating to the conduct of such research and development activities;

"(iii) ensure that information developed as a result of such research and development activities, including new educational methods, practices, techniques, and products, will be appropriately disseminated;

"(iv) provide technical assistance to appropriate educational agencies and institutions; and

"(v) to the extent practicable, provide training for individuals, emphasizing training opportunities for women and members of minority groups, in the use of new educational methods, practices, techniques, and products developed in connection with such activities.

"(D) No grant may be made and no contract entered into for assistance described under subparagraph (A)(i) or (ii) unless—

"(i) proposals for assistance under this subsection are solicited from regional educational laboratories and research and development centers by the Office;

"(ii) proposals for such assistance are developed by the regional educational laboratories and the research and development centers in consultation with the Office; and

"(iii) the Office determines that the proposed activities will be consistent with the education research and development program and dissemination activities which are being conducted by the Office.

"(E) No regional educational laboratory or research and development center receiving assistance under this subsection shall, by reason of the receipt of that assistance, be ineligible to receive any other assistance from the Office authorized by law.

"(F) The Secretary shall make available adequate funds to support meritorious, unsolicited proposals as described under subparagraph (A)(iii), and provide sufficient notice of the availability of such funds to individual researchers in all regions of the country.

"(5) The Secretary, from funds appropriated under this section, may establish and maintain research fellowships in the Office, for scholars, researchers, and statisticians engaged in the collection and dissemination of information about education and educational research. Subject to regulations published by the Secretary, fellowships may include such stipends and allowance, including travel and subsistence expenses provided for under title 5, United States Code, as the Secretary considers appropriate.

"(e)(1) In addition to the other responsibilities of the Office under this section, the Office shall carry out, by grant or cooperative agreement with a nonprofit organization, a National Assessment of Educational Progress which shall have as a primary purpose the assessment of the performance of children and young adults in the basic skills of reading, mathematics, communication, and other subjects and skills. Such a National Assessment shall—

"(A) collect and report at least once every five years data assessing the performance of students at various age or grade levels in each of the areas of reading, writing, and mathematics;

"(B) report, periodically, data on changes in knowledge and skills of such students over a period of time;

"(C) conduct special assessments of other educational areas, as the need for additional national information arises;

"(D) provide technical assistance to State educational agencies and to local educational agencies on the use of National Assessment objectives, primarily pertaining to the basic skills of reading, mathematics, and communication, and on making comparisons of such assessments with the national profile and change data developed by the National Assessment; and

"(E) with respect to each State which voluntarily participates in accordance with paragraph (5), provide for a statement of information collected by the National Assessment for each such State.

"(2)(A) The organization through which the Office carries out the National Assessment shall be responsible for overall management of the National Assessment. Such organization shall delegate authority to design and supervise the conduct of the National Assessment to an Assessment Policy Committee, established by such organization. The assessment Policy Committee shall be composed of—

"(i) five members appointed by the organization of whom two members shall be representatives of business and industry and three members shall be representatives of the general public; and

"(ii) fourteen members appointed by the organization from the categories of membership specified in subparagraph (B).

"(B) Members of the Assessment Policy Committee appointed in accordance with subparagraph (A)(ii) shall be—

"(i) one chief State school officer;

"(ii) two State legislators;

"(iii) two school district superintendents;

"(iv) one member of a State board of education;

"(v) one member of a local school board;

"(vi) one Governor of a State;

"(vii) four classroom teachers;

"(viii) one elementary school principal; and

"(ix) one secondary school principal.

"(C) The Assistant Secretary shall serve as an ex officio member of the Assessment Policy Committee. The Assistant Secretary shall also appoint a member of the Council to serve as nonvoting member of the Assessment Policy Committee.

"(D) Members appointed in accordance with subparagraph (A)(i) and (ii) shall be appointed for terms for three years on a staggered basis.

"(3) The Assessment Policy Committee established by paragraph (2) shall be responsible for the design of the National Assessment, including the selection of the learning areas to be assessed, the development and selection of goal statements and assessment items, the assessment methodology, the form and content of the reporting and dissemination of assessment results, and studies to evaluate and improve the form and utilization of the National Assessment. The appropriateness of all cognitive, background, and attitude items developed as part of the National Assessment shall be the responsibility of the Assessment Policy Committee. Such items shall be subject to review by the Department of Education and the Office of Management and Budget for a single period of not more than sixty days.

"(4) Each learning area assessment shall have goal statements devised through a national consensus approach, providing for active participation of teachers, curriculum specialists, subject matter specialists, local school administrators, parents, and members of the general public. All items selected for use in the assessment shall be reviewed to exclude items which might reflect racial, sex, cultural, or regional bias.

"(5) Participation in the National Assessment by State and local education agencies selected as part of a sample of such agencies shall be voluntary.

"(6) The Secretary shall provide for a periodic review of the National Assessment. This review shall provide an opportunity for public comment on the conduct and usefulness of the National Assessment and shall result in a report to the Congress and to the President on the findings and recommendations, if any, stemming from the review. The Secretary shall consider these findings and recommendations in designing the competition to select the organization through which the Office carries out the National Assessment.

"(f)(1) There are authorized to be appropriated to carry out the provisions of this section $51,200,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.

"(2) Not less than 95 per centum of funds appropriated pursuant to this subsection for any fiscal year shall be expended to carry out this section through grants, cooperative agreements, or contracts.

"(3) When more than one Federal agency uses funds to support a single project under this section, the Office may act for all such agencies in administering those funds.".

(b) TRANSITION PROVISIONS.—On the effective date of this title, the property and records of the National Institute of Education shall be transferred to the Office of Educational Research and Improvement.

(c) EMPLOYMENT LIMITATION WAIVER.—Notwithstanding the three-year employment period limitation under section 405(d)(2) of the General Education Provisions Act, the Secretary may continue to employ for an indefinite period three individuals, selected by the Secretary, who are employed by the Office of Educational Research and Improvement on the date of the enactment of this Act, were employed by such office on April 1, 1986, and were employed by the National Institute of Education under its excepted hiring authority immediately prior to employment by such office.

(d) TECHNICAL AND CONFORMING AMENDMENTS.—Section 401 of the Department of Education Organization Act (Public Law 96-88) is amended by striking subsection (c).

SEC. 1403. CENTER FOR STATISTICS.

(a)(1) The heading of section 406 of the Act is amended to read as follows: "CENTER FOR STATISTICS".

(2) Section 406 is amended by striking out subsection (e) and redesignating subsections (f), (g), (h), and (i) as subsections (e), (f), (g), and (h), respectively.

(b) Section 406(a) of the Act is amended—

(1) in the first sentence by striking "Office" and everything that follows and inserting "Office of Educational Research and Improvement, a Center for Statistics (referred to in this section as the 'Center').";

and

(2) in the second sentence by striking "an Administrator" and inserting "a Director".

(c) Section 406(b) of the Act is amended—

(1) in the first sentence by inserting ", and analyze," immediately after "collect";

(2) in paragraph (1) by inserting "if feasible, on a State-by-State basis," after "(1)";

and

(3) in paragraph (5) by striking "Education Division" and inserting "Department of Education".

(d) Section 406(c)(2) of the Act is amended—

(1) by striking subparagraph (A) and redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C); and

(2) in subparagraph (A) (as redesignated in paragraph (1)) by striking "Director of the National Institute of Education," and inserting "Assistant Secretary,".

(e) Section 406(d)(1) of the Act is amended by striking "Assistant Secretary" and inserting "Secretary".

(f) Section 406(e) of the Act (as redesignated in subsection (a)(2)) is amended—

(1) in paragraph (1)—

(A) by striking "(A)";

(B) by striking out the first sentence and inserting "The Center is authorized to furnish transcripts or copies of tables and other statistical records of the Office and make special statistical compilations and surveys for State and local officials, public and private organizations, and individuals. The Center shall provide State and local educational agencies opportunities to suggest the development of particular compilations of statistics, surveys, and analyses that would assist those educational agencies.";

(C) in the fourth sentence by striking "Assistant Secretary" each place it appears and inserting "Secretary"; and

(D) by striking subparagraph (B); and

(2) by striking paragraph (3); and

(g) Section 406(f) (as redesignated in subsection (a)(2)) is amended to read as follows:

"(f) There are authorized to be appropriated to carry out the provisions of this section and section 405(e) $20,000,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.".

(h) Section 406(g) (as redesignated in subsection (a)(2)) is amended to read as follows:

"(g) In addition to its other responsibilities, the Center shall collect uniform data from the States on the financing of elementary and secondary education. Each State receiving funds under the Education Consolidation and Improvement Act of 1981 shall cooperate with the Center in this effort.".

SEC. 1404. USE OF COUNCIL STAFF AND FACILITIES.

The National Advisory Council on Educational Research and Improvement, the Advisory Council on Education Statistics, and members of such councils may not use any staff, facilities, equipment, supplies, or franking privileges of the councils for activities unrelated to the purposes of the councils.

SEC. 1405. SPECIAL PROJECTS UNDER THE SECRETARY'S DISCRETIONARY FUNDS.

(a) DISCRETIONARY PROGRAMS.—Section 583(a)(1) of the Education Consolidation and Improvement Act of 1981 is amended by striking ", including" and all that follows before the semicolon.

(b) PRIORITY FUNDING.—Section 583(b) of the Education Consolidation and Improvement Act of 1981 is amended—

(1) by striking "and" after the comma in paragraph (3);

(2) by inserting "and" after the comma in paragraph (4);

(3) by adding after paragraph (4) the following:

"(5) a National Diffusion Network program as described in subsection (c),";

(4) by striking "paragraph (4))" and inserting "paragraph (4) and not less than 34 percent of funds reserved for the purposes of this section in the case of the program referred to in paragraph (5))".

(c) NATIONAL DIFFUSION NETWORK.—Section 583 of the Education Consolidation and Improvement Act of 1981 is amended by adding the following subsection (c):

"(c)(1) The National Diffusion Network program under subsection (b)(5) shall be a national program that recognizes and furthers excellence in education by: (A) promoting the awareness and implementation of exemplary educational programs, products, and practices to interested elementary, secondary, and postsecondary institutions throughout the Nation; and (B) promoting the utilization of the knowledge, talents, and services of local staff associated with various educational excellence recognition efforts.

"(2) The program shall be directed toward improving the quality of education through the implementation of promising and validated innovations and improvements in educational programs, products, and practices, and through the provision of training, consultation, and related assistance services.

"(3) In carrying out the program the Secretary shall—

"(A) acquaint persons responsible for the operation of elementary, secondary, and postsecondary schools with information about exemplary educational programs, products, practices, and services;

"(B) assist them in implementing programs, products, and practices, which those persons determine to hold promise for improving the quality of education in the schools for which they are responsible by providing materials, initial training, and ongoing implementation assistance;

"(C) ensure that all such programs, products, and practices are subjected to rigorous evaluation with respect to their effectiveness and their capacity for implementation;

"(D) provide program development assistance toward the recognition, dissemination, and implementation of promising practices that hold the potential for answering critical needs and that have achieved credibility because of their effective use in schools; and

"(E) ensure that a substantial percentage of the innovations disseminated represent significant changes in practice for schools and teachers.

"(4) For the purpose of carrying out the program the Secretary is authorized to make grants to, and contracts with, local educational agencies, State educational agencies, institutions of higher education, and other public and nonprofit private educational institutions and organizations.".

SEC. 1406. EFFECTIVE DATE.

This title shall take effect October 1, 1986.

□ 1235

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California [Mr. HAWKINS].

The motion was agreed to.

The SPEAKER pro tempore. The gentleman from California [Mr. HAWKINS] is recognized for 1 hour.

Mr. HAWKINS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I wish to include in the RECORD at this point an exchange of letters which I had with Chairman ROSTENKOWSKI concerning a provision of the House-passed education bill.

These letters follow:

COMMITTEE ON WAYS AND MEANS,
Washington, DC, June 17, 1986.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Committee on Education and Labor, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I am writing to you to express an item of serious concern to the Committee on Ways and Means regarding H.R. 3700, the Higher Education Amendments of 1986.

The issue arises from a provision in the House-passed version of the legislation which is not in the Senate version. Both bills would authorize establishment of a new Federally-funded corporation, to be known as the College Construction Loan Insurance Association, to insure debt obligations of colleges and universities, issued to finance educational facilities. Our problem is with the provision in the House bill (new section 756 of the Higher Education Act) which would deem any obligation incurred by the new corporation as not Federally guaranteed "within the meaning of section 103(k) of the Internal Revenue Code of 1954, as amended." This provision is clearly a matter within the jurisdiction of the Committee on Ways and Means.

Frankly, Mr. Chairman our Committee was not aware of this provision when the Higher Education Amendments were on the House floor. Our Committee was in the final stages of considering the tax reform bill at that time. Had we noticed the provision, I would have raised a point of order against the bill under clause 5(b) of Rule XXI of the Rules of the House of Representatives. The purpose of section 103(k) of the Internal Revenue Code is to prevent tax-exempt obligations being issued in combination with a direct or indirect guarantee of those obligations by the Federal government. Federally-guaranteed tax-exempt obligations are financial instruments with a preferred position in the capital markets relative to the Federal government's own securities (which are not tax-exempt) and the traditional obligations of state and local governments for schools and other purposes (which are not Federally guaranteed or insured). The Tax Reform Act of 1985, H.R. 3838, as passed by the House of Representatives and as currently being considered on the Senate floor, retains the anti-Federal guarantee rule for tax-exempt bonds.

The Senate version of the higher education bill does not contain any override of the Tax Code. This was made clear during floor consideration of the bill. (See, p. S6548 of the Congressional Record for June 3, 1986.)

I, therefore, urge you and the other House Conferees to defer to the Senate on this provision. To override the Internal Revenue Code restrictions regarding taxation of interest payments on debt obligations would cause serious concern.

I would appreciate your assurance that the provision in the House-passed version of the Higher Education Amendments of 1986 (which would deem any obligation incurred by the College Construction Loan Insurance Association as not Federally guaranteed for Internal Revenue Code purposes) will be deleted from the bill during the House-Senate conference on the legislation. Without such an assurance, the jurisdictional concerns of the Committee on Ways and Means would force me to object to any unanimous consent request to amend the Senate bill with the House-passed legislation.

Mr. Chairman, at the earliest opportunity, I will ask the Committee on Ways and Means to study your concerns regarding the tax treatment of interest on obligations contemplated under H.R. 3700 and to review the merits of an amendment to the Internal Revenue Code in this regard. I hope that we can work together to address any inequities that may exist regarding the tax exemption for obligations issued under the legislation.

I hope you understand my serious concerns regarding the inclusion of this provision in a non-tax bill. Thank you for your assistance in deleting the provision at this time.

Sincerely yours,

DAN ROSTENKOWSKI,
Chairman.

COMMITTEE ON EDUCATION AND LABOR,
Washington, DC, June 17, 1986.

Hon. DAN ROSTENKOWSKI,
Chairman, House Ways and Means Committee, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your letter raising concerns about the new section 756 of the Higher Education Act contained in H.R. 3700 which would deem any obligation incurred by the new College Construction Loan Insurance Association as not Federally guaranteed "within the meaning of section 103(k) of the Internal Revenue Code of 1954, as amended."

This is clearly a matter within the jurisdiction of the Ways and Means Committee, and the House conferees will recede to the Senate (dropping this provision) in conference. I appreciate very much your willingness to consider this matter on its merits at the earliest possible date.

With kind regards.

AUGUSTUS F. HAWKINS,
Chairman.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN THE ENGROSSMENT OF AMENDMENT TO S. 1965, HIGHER EDUCATION AMENDMENTS OF 1986

Mr. HAWKINS. Mr. Speaker, I ask unanimous consent that in the engrossment of the amendment to the Senate bill S. 1965, the Clerk be authorized to make corrections in section numbers, punctuation, and cross-references and to make such other technical and conforming changes as may be necessary to reflect the actions of the

House in amending the Senate bill, S. 1965.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will postpone further proceedings today on both motions to suspend the rules on which a recorded vote or the yeas and nays are ordered or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes will be taken after debate has been concluded on both motions to suspend the rules.

EFFECTIVE SCHOOLS AND EVEN START ACT

Mr. HAWKINS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4463) to establish programs to promote effective schools and to encourage joint parent-child educational approaches, and for other purposes, as amended.

The Clerk read as follows:

H.R. 4463

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Effective Schools and Even Start Act".

SEC. 2. FINDINGS.

The Congress finds that—

(1) successful education of the Nation's children depends on effective learning that occurs at home and on effective teaching in the Nation's schools;

(2) increasing the academic skills of children before they begin school and increasingly school effectiveness will enhance the learning and achievement of children throughout their educational careers;

(3) parental involvement in preparing their children for school will improve a child's ability to obtain an even start in school and assist in early identification of problems which might hinder a child's readiness for school;

(4) research indicates that many parents are not full partners in the education of their own children because many of them lack basic literacy skills;

(5) participation by parents in the education of their children can be increased by helping them to acquire specific skills and strategies needed to work with their children;

(6) there are schools that are effectively teaching the Nation's children, and school children are increasing their learning and achievement in schools that have been identified as being effective;

(7) there is an increasing body of experience and knowledge built on research which indicates that school effectiveness can be increased; and

(8) where school improvement programs (based on effective school principles and practices) have been instituted, student academic achievement often increases, especially in schools serving poor, minority, or educationally deprived students.

SEC. 3. EFFECTIVE SCHOOLS PROGRAM.

(a) PURPOSE.—It is the purpose of this section to assist State and local educational agencies in increasing school effectiveness through effective schools programs to improve student achievement, student behavior, teaching, learning, and school management.

(b) FUNDING FROM STATE ALLOCATION UNDER CHAPTER 2 OF ECIA.—(1) Each State receiving an allotment under section 563 of the Education Consolidation and Improvement Act of 1981 after the date of enactment of this Act shall use not less than one-half of the amount remaining from any such allotment (after making the distributions to local educational agencies required by section 565(a) of such Act) to carry out one or more of the activities described in subsection (c). Such activities may be carried out directly by the State educational agency or other agency of that State or indirectly by grant to or contract with a local educational agency of that State, an institution of higher education, a private nonprofit organization, or an intermediate school district.

(2) The amount that a State is required to use to carry out one or more of the activities described in subsection (c) shall be reduced by the amount that the State demonstrates, pursuant to section 5(a)(3), has been expended, during the most recent school year for which satisfactory data are available, from other Federal or State (excluding local educational agency) sources to carry out an effective schools program in that State by conducting one or more of such activities.

(c) AUTHORIZED ACTIVITIES.—Funds required to be used to carry out activities described in this subsection may be used (in accordance with a program agreement entered into pursuant to section 5 of this Act)—

(1) to plan for effective schools programs under this section, and to conduct reviews and propose revisions of such programs, either by local or State educational agencies, by combined local and State task force, or by an advisory committee established pursuant to section 564(a)(2) of the Education Consolidation and Improvement Act of 1981;

(2) to implement and support effective schools programs through activities such as training; workshops; forums and other mechanisms to improve parent and community organization involvement and participation; demonstration programs; and improved communication and coordination between schools, school districts, and such demonstration programs;

(3) to obtain technical assistance and consultant services with respect to effective schools programs from (A) regional educational laboratories and research and development centers supported under section 405(f) of the General Education Provisions Act, (B) institutions of higher education, and (C) other qualified nonprofit educational organizations and institutions;

(4) to design, develop, and publish educational materials on effective schools programs;

(5) to develop and implement systems to collect, analyze, and interpret data concerning effective schools programs and to communicate the results to school personnel;

(6) to promote State and local educational agency awareness of effective schools information through conferences at schools and district and multidistrict offices, and through onsite visits to model effective schools;

(7) to conduct evaluations of effective schools programs conducted under this section, including the evaluations required by section 5(a)(2)(B) of this Act;

(8) to plan and conduct, for teachers and administrators, training and other professional development activities related to the implementation of effective schools programs;

(9) to plan and conduct training in (A) the assessment of students and programs, (B) the evaluation of such assessments, and (C) the use of such assessments and evaluations in improving effective schools programs; and

(10) to otherwise identify, document, and disseminate information concerning exemplary effective schools programs.

(d) TECHNICAL ASSISTANCE.—The Secretary shall, on request, make available information and technical assistance to State educational agencies in order to assist such agencies in carrying out the provisions of this Act.

SEC. 4. EVEN START PROGRAM.

(a) PURPOSE.—It is the purpose of this section to successfully combine adult basic education for parents and school readiness training for children into a single education program by—

(1) assisting pilot basic education programs having a major component designed to assist parents to be more effective in preparing their children for entrance into school;

(2) helping parents learn techniques and skills that can be used to assist in their children's education; and

(3) providing parents with supervised opportunities to practice the techniques and skills at educational facilities and in the home.

(b) FUNDING FROM CHAPTER 2 ECIA AND FROM ADULT EDUCATION ACT.—The Secretary shall—

(1) from $2,000,000 of the amount available for allotment for a fiscal year by the Secretary pursuant to the third sentence of section 563(a) of the Education Consolidation and Improvement Act of 1981 from amounts appropriated after the date of enactment of this Act, and

(2) from $1,000,000 of the amount appropriated for a fiscal year pursuant to the Adult Education Act after the date of enactment of this Act,

make grants in accordance with this section to eligible applicants. The requirements of this subsection shall cease to be effective after the Secretary has made grants for four fiscal years.

(c) USE OF FUNDS.—(1) Funds made available to a grant recipient under this section shall be used to provide a program of adult literacy training which includes as a major component involving parents and children together in an effort to enhance the likelihood of educational achievement.

(2) Each program provided by a grant recipient under this section shall include the following elements:

(A) identifying and recruiting eligible participants;

(B) screening and preparation of parents and children for participation, including testing, referral to necessary counseling, and related services;

(C) designing programs and providing support services to suit the participants' work and other responsibilities, including—

(i) scheduling and locating services to allow joint participation by parents and children;

(ii) child care; and

(iii) transportation;

(D) establishing instructional programs that promote adult literacy, equip parents to support the education and growth of their children, and prepare children for success in regular school programs;

(E) providing and monitoring integrated instructional services to participating parents and children through home-based programs; and

(F) coordinating programs assisted under this Act with programs assisted under chapter 1 of the Education Consolidation and Improvement Act of 1981, the Adult Education Act, Head Start, volunteer literacy organizations, and other relevant service providers.

(3) An eligible participant in a program provided by a grant recipient under this section may be a parent or a child (aged 3 to 7, inclusive) from a family—

(A) that includes a parent who is eligible for participation in an adult basic education program under the Adult Education Act; and

(B) that resides—

(i) in a school attendance area designated for receipt of funds under chapter 1 of the Education Consolidation and Improvement Act of 1981; and

(ii) with a child aged 3 to 7, inclusive.

(d) SELECTION OF GRANT RECIPIENTS.—(1) Any agency, organization, or institution that—

(A) operates an adult basic education program under the Adult Education Act; and

(B) serves an area which has an especially high concentration of children from low-income families, as determined by the Secretary in a manner consistent with section 117 of the Elementary and Secondary Education Act of 1965;

is eligible to apply for a grant under this section.

(2) To be selected as a grant recipient, an eligible applicant shall submit an application in such form and containing or accompanied by such information as the Secretary may require. Such application shall include a demonstration by the applicant that—

(A) the applicant has the qualified personnel required (i) to develop, administer, and implement the program required by this section, and (ii) to provide special training necessary to prepare staff for the program; and

(B) in the case of an applicant that is not a local educational agency, the applicant plans and operates such programs in coordination with the applicable State and local educational agency.

(3) In addition, such application shall include a plan of operation for the program which includes—

(A) a description of the program, goals;

(B) a description of the activities and services which will be provided by the program (including training and preparation of staff);

(C) a statement of the methods which will be used (i) to ensure that the program will serve those eligible participants most in need of the activities and services provided by this section, (ii) to provide services under this section to special populations, such as individuals with limited English proficiency and handicapped individuals, and (iii) to encourage participants to remain in the program for a time sufficient to meet program goals;

(D) a description of the methods by which the applicant will coordinate programs under this Act with programs assisted under chapter 1 of the Education Consolidation and Improvement Act of 1981, the Adult Education Act, Head Start, volunteer literacy organizations, and other relevant service providers; and

(E) a demonstration of the applicant's capacity to carry out the requirements of section 5(b)(2)(C).

(4) From the applications submitted in accordance with this subsection, the Secretary shall select not less than 15 nor more than 20 for final review. Of the applications so selected, two-thirds shall be from urban areas and one-third from rural areas. Such final review shall be conducted by a review panel composed of the Secretary and the following individuals appointed by the Secretary:

(A) a State director of programs under chapter 1 of the Education Consolidation and Improvement Act of 1981;

(B) a State director of programs under the Adult Education Act;

(C) a director of a local program under such chapter;

(D) a director of a local program under such Act;

(E) a chief State school officer;

(F) a representative from a local Parent-Teacher Association;

(G) an individual with training in early childhood education; and

(H) an individual with training in adult literacy education.

(5) The review panel shall select applications for the receipt of funds under this section. Unless the applicant fails to comply with the requirements of this section or withdraws its application, an applicant whose application is so selected shall continue to be eligible to receive a grant for each of the four fiscal years referred to in section 4(b).

SEC. 5. APPLICATIONS AND AGREEMENTS.

(a) EFFECTIVE SCHOOLS.—(1) Any State educational agency required to use funds under section 3 shall amend the application filed under section 564 of the Education Consolidation and Improvement Act of 1981 to reflect the activities and programs to be conducted with such funds.

(2) In addition, a State educational agency shall enter into a program agreement with the Secretary in accordance with this subsection. Each program agreement under this subsection shall—

(A) contain a description of the methods by which funds under section 3 will be used to carry out effective school programs by applying the effective schools principles set forth in section 7(5)(B);

(B) provide for an independent annual evaluation of activities conducted pursuant to section 3 and for making the results of such evaluation available to the Secretary;

(C) demonstrate how funds will be used to improve schools in districts with the greatest number or percentages of educationally deprived children;

(D) contain a description of the methods by which the applicant will involve parents in establishing goals for, and in planning, implementing, and evaluating, the programs conducted under the agreement; and

(E) contain such information and assurances as the Secretary may require to ensure compliance with the applicable requirements of this Act.

(3) Any State that desires to take advantage of the provisions of section 3(b)(2) for any fiscal year shall submit to the Secretary a statement of—

(A) the amount of funds expended by the State educational agency, during the most recent school year for which satisfactory data are available, from other Federal or State (excluding local educational agency) sources to carry out an effective schools program in that State by conducting one or more of the activities described in section 3(c);

(b) the sources of such funds and the amounts provided from each source;

(C) the activities so conducted, the amount expended for each such activity, and the relationship of such activities to the objectives and factors required by subparagraphs (A) and (B), respectively, of section 7(5); and

(D) the numbers of students affected by such activities and the schools and local educational agencies for which such activities were provided.

(4) A program agreement entered into pursuant to paragraph (2) of this subsection shall be in effect, to the extent possible, for the same period as the State's application is in effect pursuant to section 564 of the Education Consolidation and Improvement Act of 1981. Such program agreements may be amended annually as may be necessary to reflect changes without entering into a new program agreement.

(b) EVEN START.—(1) An eligible applicant whose application has been selected for funding under section 4(d) shall enter into a program agreement with the Secretary in accordance with this subsection.

(2) Each program agreement under this subsection shall—

(A) contain such information and assurances as the Secretary may require to ensure compliance with the applicable requirements of this Act;

(B) assure that the grant recipient will comply with evaluation and dissemination requirements prescribed under section 6; and

(C) contain assurance that the grant recipient will provide, from non-Federal sources, not less than 20 percent of the cost of the program for each year of operation.

The amount that a grant recipient is required by subparagraph (C) to provide from non-Federal sources may be in cash or in kind, but not more than one-half of the amount so provided shall be in kind.

SEC. 6. EVALUATION AND DISSEMINATION OR RESULTS.

(a) EFFECTIVE SCHOOLS.—(1) The Secretary shall, on the basis of the evaluation reports received pursuant to section 564(a)(5) of the Education Consolidation and Improvement Act of 1981 and section 5(a)(2)(B) of this Act, and such further investigation as may be necessary, analyze the programs conducted pursuant to section 3 of this Act and, not later than September 30, 1989, submit to the Congress a report thereon, together with such recommendations as may be useful in strengthening and improving such programs.

(2) The Secretary shall, on the basis of effective schools research, including research conducted or reviewed by research centers funded under section 405(f)(1) of the General Education Provisions Act, report to the Congress not later than September 30, 1988, and biennially thereafter, on recent developments in such research.

(b) EVEN START.—(1) The Secretary shall provide for annual evaluations of programs under section 4 of this Act in order to determine their effectiveness in providing—

(A) for the participation of special populations;

(B) adult education services;

(C) for the training of parents to work with their children;

(D) home-based programs involving parents and children;

(E) coordination with related service programs; and

(F) for the training of personnel in the appropriate skill areas.

(2) The evaluations shall be conducted by individuals not directly involved in the administration of the program or project operation under section 4 of this Act. These outside evaluators and the program administrators shall jointly develop a set of evaluation criteria which provide for appropriate analysis of the factors listed in paragraph (1). When possible, these evaluations shall include comparisons with appropriate control groups.

(3) In order to determine a program's effectiveness in achieving its stated goals, the evaluations shall contain objective measures of such goals and, whenever feasible, shall obtain the specific views of program participants about such programs.

(4) The results of the evaluations conducted under this subsection shall be submitted to the national diffusion network, in the form required for consideration, for possible dissemination.

SEC. 7. RESTRICTION ON REGULATIONS.

Section 591 of the Education Consolidation and Improvement Act of 1981 shall apply to the effective schools programs authorized by this Act.

SEC. 8. DEFINITIONS.

As used in this Act—

(1) The term "Secretary" means the Secretary of Education.

(2) The term "local educational agency" has the meaning given such term by section 595(a)(4) of the Education Consolidation and Improvement Act of 1981.

(3) The term "State educational agency" has the meaning given such term by section 595(a)(3) of such Act.

(4) The term "institution of higher education" has the meaning given such term by section 481(a)(1) of the Higher Education Act of 1965.

(5)(A) The term "effective schools programs" means school programs having the objective of (i) promoting school-level planning, instructional improvement, and staff development, (ii) increasing the academic achievement levels of educationally deprived children through early childhood education programs and the use of the factors identified by effective schools research as distinguishing effective from ineffective schools, and (iii) achieving each of those factors as ongoing conditions in the school.

(B) For the purpose of subparagraph (A) of this paragraph, the factors identified by effective schools research as distinguishing effective from ineffective schools are the following:

(i) strong and effective administrative and instructional leadership that creates consensus on instructional goals and organizational capacity for instructional problem solving:

(ii) emphasis on the acquisition of basic and higher order skills;

(iii) a safe and orderly school environment that allows teachers and pupils to focus their energies on academic achievement;

(iv) a climate of expectations that virtually all children can learn under appropriate conditions; and

(v) continuous assessment of students and programs to evaluate the effects of instructions.

(6) The term "parent" includes a legal guardian or other person standing in loco parentis.

The SPEAKER pro tempore. Is a second demanded?

Mr. GOODLING. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from California [Mr. HAWKINS] will be recognized for 20 minutes and the gentleman from Pennsylvania [Mr. GOODLING] will be recognized for 20 minutes.

The Chair recognizes the gentleman from California [Mr. HAWKINS].

Mr. HAWKINS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, my good colleague, Congressman BILL GOODLING, and I have introduced the Effective Schools and Even Start Act (H.R. 4463). This is an important measure for education in this country because it has two major purposes tied to this Nation's national interests. If passed by the Congress, it will foster a better and improved educational environment in the school, and it will demonstrate the significance of promoting learning in the home. Equally important in this proposal is the fact that this bill calls for no additional cost to the Federal Government.

The bill's effective schools part is based on considerable research and study, on the factors that differentiate effective schools from non-effective schools. These factors are identified as: Strong leadership by school administrators; high expectations for student academic success; a stable, nonrepressive school atmosphere; a strong academic focus; and the continuous assessment of student progress.

In support of the results of effective schools practice, the U.S. Department of Education has highlighted the success of effective schools practices in their newly released report called What Works.

According to a recent National Institute of Education report, some 7,500 schools in 1,750 schools districts have instituted effective schools programs.

Among the States initiating statewide effective schools are: Vermont, South Carolina, Connecticut, New York, Montana, Michigan, Ohio, and Maine—to name a few States.

In developing the even start portion of this bill, Mr. GOODLING and I became increasingly aware of the deleterious effects illiteracy is having on our populations. Nowhere is this more devastating than on parents with small, pre-school children at home. We also know that there is an overwhelming body of research that articulates the importance of early learning that occurs in the home and the impact of such learning for the later development of literacy skills. Equally important is helping parents who are illiterate overcome their illiteracy in order to help them help their children.

The Even Start part of the bill directly focuses on this problem by combining adult education for parents with a program of early childhood education for their children. This would be done in a format which would make grants available from the Department of Education, for the implementation of pilot/demonstrations in a single program, combining basic education for illiterate adults and school readiness training for their children.

Parents in this program would receive adult basic education as well as training in how to help their young children, if those parents were illiterate or lacking a high school diploma.

The funding for the Effective Schools programs would target one-half of the State portion of each State's grant under the chapter 2 education block grant (10 percent) of the total State grant).

This funding approach provides States with more guidance on Federal priorities for use of chapter 2 funds, while continuing State administrative control of those funds.

The Even Start program would be funded by reserving $2 million from the top of the chapter 2 appropriation, and $1 million from the Adult Education Act for this purpose.

Although Even Start is a relatively small demonstration program, it deals with a critical national concern, illiteracy. Additionally, it would further build upon our knowledge of the positive effects of parental involvement upon student learning.

I believe that with the passage of H.R. 4463, this Nation will further its continuing objective of providing excellence, equity, and quality in our schools, and thereby greatly enhance teaching and learning.

Mr. GOODLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, it has been a real pleasure working with Chairman HAWKINS on the development of this legislation. The Effective Schools and Even Start bill represents a combination of our efforts and the efforts of staff and the efforts of many other people in the Congress of the United States.

In the Effective School approach, the chairman is right in saying that there are many models that can be developed that will help us to improve our overall ability to educate our children, and there are some being used at the present time. We would hope that these models would spread and that districts all over this country would

capitalize on some of the efforts that have been made in the past, and some that will be made as this legislation becomes law.

The Even Start part of the program is nothing new to me; it is relatively new overall, I think.

As a superintendent of schools, I used my ESEA-1 money at that particular time to do what I envision here; and that is to tackle the biggest problem I think facing America domestically, and that is the problem of functional illiteracy.

We have, depending on whose figures are used, anywhere between 26 million and 60 million functional illiterate people in this country. It seems to me that it will not be an outside force that will destroy this country; if the functional illiteracy situation grows, we will be destroyed internally.

So the hope is to have just a few, as the chairman mentioned, demonstrated projects so that we can show how combining the education of the functionally illiterate adult with the training of that adult to show as a matter of fact what they can do to make sure that their children have an even start when they come to school, will, we believe, break that cycle.

I do not think we can attack the problem only from one end or the other. I think we have to attack it together. Someone stated, "Well, the way to help children become ready for school is to get the parents to go out and buy books and sit down and read to them." The people we are trying to deal with in this legislation, as a matter of fact, cannot read. They could not go out and buy books; they would not know what the titles say. Certainly they would not come back and read to their children.

They want their children to be successful; but they do not know what it is that you do at home as far as reading readiness is concerned, because they are functionally illiterate parents to start with.

□ 1245

So it is our hope that even though the demonstration projects are small in number or will be small in number, they will prove that combining this approach dealing with the children and the parents at the same time will, as a matter of fact, hit this literacy problem head-on and try to, as a matter of fact, decrease the number of functional illiterates in the United States rather than sit back and watch that number increase.

If we had lot of money to deal with, we would not be asking for a small amount of money. We know the budget problems, as the chairman has said. As a matter of fact, if money were available, we would not ask to take it from two other programs that are very successful at the present time.

But we believe that we must move ahead in this area both in the Effective Schools approach to bringing about a better education in the United States for our children and dealing with the functional illiteracy problem.

Mr. Speaker, I hope that my colleagues will support our effort here today.

Mr. Speaker, I yield such time as he may consume to the ranking member of the Committee on Education and Labor, the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Speaker, I rise in support of H.R. 4463, the Effective Schools and Even Start Act. I am pleased to be a cosponsor of this legislation which was introduced by Chairman HAWKINS and Mr. GOODLING. Both of the purposes contained in H.R. 4463 are worthy of the body's support.

The Even Start Act provides new Federal support for programs to fight illiteracy. A series of joint House-Senate hearings on illiteracy and a recent report by the Census Bureau documenting the magnitude of the illiteracy problem have clearly placed illiteracy at the top of any list of domestic problems. Mr. GOODLING's initiative offers an innovative approach to illiteracy by combining services for parents and their children into a single program. I would like to point out that the Even Start Program would require no new budget authority, but would be funded through programs currently authorized (chapter 2, the Adult Education Act).

While sometimes thought to be an urban problem, illiteracy is also a major problem in my home State of Vermont. I applaud the provison in this legislation which stipulates that one-third of the grants will be awarded to applicants servicing rural areas.

Experience in Vermont has shown that delivery of services directly to the home is an effective model in rural areas. The Even Start Program is strengthened by including home-based instruction as part of the program requirements.

The Effective Schools portion of the bill has the potential of adding a great deal to the ongoing school reform movement. At a hearing on the Effective Schools Act, we heard from a fellow Vermonter that his model has a great deal of promise for improving vocational programs in rural areas. State departments of education will continue to be responsible for how the chapter 2 funds are spent for this purpose. At full committee, I offered report language which was accepted that encourages local education agencies to join in a partnership with the State agency to create effective schools.

Again I want to commend Chairman HAWKINS and Mr. GOODLING on their work, and thank them for the amendments which they adopted at subcommittee which addressed the concerns I had heard from educators in Vermont. With those amendments and the report language approved at full committee, I urge my colleagues to join me in support of this legislation.

Mr. HAWKINS. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. BIAGGI].

Mr. BIAGGI. I thank the gentleman for yielding time to me.

Mr. Speaker, I would like to take this opportunity to commend the gentleman from California [Mr. HAWKINS] for his leadership in producing this legislation and my colleague, the gentleman from Pennsylvania [Mr. GOODLING], for his very substantial contribution in this effort.

Mr. Speaker, I rise in support today of H.R. 4463, the Effective Schools and Even Start Act. It is a measure designed to establish programs in two vital areas of educational concern—to promote effective schools and to attack the growing problem of adult illiteracy. I am proud to have joined as an original cosponsor.

The Effective Schools concept has been in existence in New York City since the late 1970's. Since that time, we have witnessed a dramatic transformation in that our city's elementary schools are now instructionally effective schools. The percentage of our elementary school children testing at or above the national norm has risen from 33 percent in 1974 to 55 percent in 1983. The success of New York City's Effective Schools Programs has convinced me of the need to expand this program and introduce the effective schools concept across the entire country.

Adult illiteracy is a problem reaching epidemic proportions in our Nation. The Even Start Program will provide funds for adult literacy programs that involve both parents and their children. The successful education of our Nation's citizens depends on effective learning and teaching in both the home and the classroom.

At this time, I wish to commend Mr. HAWKINS, our distinguished chairman, for his efforts on behalf of this bill. He has contributed a great service to this Nation's children by recognizing the importance of the effective schools concept, and expanding this program to include children throughout the country. I would like to commend him for his work in this area. I also wish to recognize my colleague from Pennsylvania, Mr. GOODLING, for his work and contributions on behalf of this legislation. Adult literacy training is a responsibility often overlooked in the field of education. He has realized we must improve the basic nature of teaching and learning for both parents and their children.

Education is the very foundation upon which we build a quality future—the future of an individual, and the future of this great Nation. This legislation offers us the opportunity to do just that.

Mr. GOODLING. Mr. Speaker, I have no futher requests for time, and I yield back the balance of my time.

Mr. HAWKINS. Mr. Speaker, may I simply indicate the pleasure we have experienced in working with the minority members, Mr. GOODLING and Mr. JEFFORDS, on this proposal. It represents the first real initiative in education that we will have taken in the last decade. I think it will go a long way toward removing the illiteracy rate in this country. It is a bipartisan approach to a very difficult problem, and it does not call for any new money. I can see no reason why we should not unanimously adopt this proposal today.

Mr. OWENS. Mr. Speaker, I rise in support of H.R. 4463, the Effective Schools and Even Start Act. The act would serve to direct moneys from chapter 2 block grant funds and adult education funds to provide for the active development of effective schools programs and for support for parents who are illiterate or who lack a high school program. The thrust of the act is to help parents to improve their skills so that they can, in turn, provide active support for the education of their children and to expand the effective schools model so that more children will benefit from this well proven approach to education.

The effective schools approach consists of a number of elements brought together in each school. It has been demonstrated that schools which have an effective administration, a clear statement of academic goals, programs directed toward those goals, and frequent and effective measurement of progress toward academic goals encourage students to accomplish their academic objectives. Although these schools are also orderly and work oriented, they are not grim places where children merely trudge through the basics. In contrast, they tend to be schools with a shared air of excitement as students, faculty, and administration share the satisfaction of knowing that they are all involved in a shared venture in which everyone benefits. Parents are also a component of the success story. They are kept in touch with the children's progress on a regular basis and they are encouraged to be active partners in that progress. By including a component to assist parents who lack basic academic skills, that partnership is encouraged.

In a very real way, the effective schools approach is a vehicle for once again coming to a clear understanding of the goals of a school program. Those goals have changed as it has become necessary to prepare children for an ever more complex world. However, the path to understanding that more complex world still begins with the steps that we all had to take as we learned to read, write, and do basic arithmetic. All the modern aids available, be they computers, video tapes, or other devices, do not really alter what children learn or the way in which they learn it. It is still one step at a time toward basic skills and the more complex understanding which follows.

I urge all of my colleagues to support the Effective Schools and Even Start Act. Let us all be clear that the basic policy goal of Federal support for education is to encourage schools to pursue the most effective means to see to it that each child achieves as much as he or she is capable of achieving. The Effective Schools Program is a proven approach which has demonstrated what we all intuitively know—a clear sense of direction in an orderly atmosphere encourages children to learn.

Mr. HAWKINS. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California [Mr. HAWKINS] that the House suspend the rules and pass the bill, H.R. 4463, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

VOCATIONAL EDUCATION AMENDMENTS

Mr. PERKINS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4841) to amend the Carl D. Perkins Vocational Education Act with respect to State allotments under the Act.

The Clerk read as follows:

H.R. 4841

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ALLOTMENTS UNDER THE CARL D. PERKINS VOCATIONAL EDUCATION ACT.

Section 101(a)(3) of the Carl D. Perkins Vocational Education Act is amended to read as follows:

"(3)(A)(i) Notwithstanding any other provision of law and subject to clause (ii), for any fiscal year for programs authorized by title II or part B of title III of this Act, no State shall receive less than the payments made to the State for each such program for fiscal year 1985 under Public Laws 98-619 and 99-88. Amounts necessary for increasing such payments to States to comply with the preceding sentence shall be obtained by ratably reducing the amounts to be paid to other States, but no such amount shall be reduced to an amount which is less than the amount a State received under the Act for each such program for fiscal year 1985.

"(ii) If for any fiscal year the amount appropriated for programs authorized by title II or part B of title III and available for allotment under this section is insufficient to satisfy the provisions of clause (i), the payments to all States for each such program shall be ratably reduced as necessary.

"(B)(i) Notwithstanding any other provision of law and subject to subparagraph (A) and clause (ii), for any fiscal year for which the amounts appropriated for programs authorized by title II or part A, B, C, D, or E of title III (and available for allotment under this section) exceed the amounts so available for fiscal year 1985, no State shall receive less than one-half of one percent of the amount available for each such program for that fiscal year under this subsection. Amounts necessary for increasing such payments to States to comply with the preceding sentence shall be obtained by ratably reducing the amounts to be paid to other States.

"(ii) Due to the application of the provisions of clause (i), for any fiscal year. No State shall receive more than 150 percent of the payments made to the State for each program authorized by title II, or part A, B, C, D, or E of title III for the preceding fiscal year.

"(C) In the case of the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands, the minimum allotment for all programs under the Act shall be $200,000.".

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from Kentucky [Mr. PERKINS] will be recognized for 20 minutes and the gentleman from Pennsylvania [Mr. GOODLING] will be recognized for 20 minutes.

The Chair recognizes the gentleman from Kentucky [Mr. PERKINS].

Mr. PERKINS. Mr. Speaker, I yield myself such time as I may consume.

Today, I bring before the House, House Resolution 4841, which is an amendment to the Vocational Education Act. This bill will address a problem that is threatening the consumer and homemaking portion of the Vocational Education Program. Now before I explain the legislation, I would like to take this opportunity to express my appreciation to Chairman HAWKINS for his help in moving this bill through the Committee on Education and Labor so expeditiously, and I would like to also thank my dear friend and colleague from Pennsylvania, Mr. GOODLING. It is always nice to have a bipartisan situation and be able to work together to produce a piece of legislation. Certainly, with Mr. GOODLING, that is always a possibility and a probability.

Mr. Speaker, without the application of this Vocational Education Act, which was put together with this bipartisan support I was just referring to, both as to committee members and staff, we will deal with a fundamentally unfair shift in the distribution of consumer and homemaking funds.

Now the result of the shift will cause some States to receive increases of over 1,000 percent while other States will be losing as much as two-thirds of their consumer and homemaking funds.

Now let me just give you a list of some of the losers in this situation.

Michigan, in 1985, got $1,275,142. Now in 1986, unless we pass this bill, they will only get $465,789.

Ohio received $1,496,734; under this bill, unless this bill passes, it will receive $555,922, a 63-percent decrease.

Wisconsin, which received $679,000 last year, this year would receive $215,000; they would lose 68 percent.

Now these unusual distributions are a result of the combination of the Gramm-Rudman, March 1, cut; a small State minimum in the Vocational Act formula; and a hold harmless provision placed by the Vocational Education basic grants in the fiscal year 1986 appropriations bill.

Now under the vocational Education Act, States receive three pots of money. I think to understand what I am talking about today, it is good to remember the concept of three separate pots.

Now for the separate line item appropriations, we have basic grants, that is one pot; we have consumer and homemaking funds in the second pot; and we have community-based organization grants, last, in this final third pot.

Now when the Gramm-Rudman bill took effect, it triggered the appropriation bill provision that held each State's basic grant harmless at the fiscal year 1985 level. So that 95 percent of the funds, pot No. 1 over here, which has 95 percent of the money, that pot is frozen. We cannot do anything with that 95 percent.

So all the increased funds that small States were supposed to receive due to the small State minimum requirement had to be found in these other two pots of money, or these other two programs.

Now because both of these pots or both of these programs together make up less than 5 percent of the total appropriations, the addition of the funds for the small States resulted from these unusual shifts that we have been talking about.

Now this legislation, H.R. 4841, would place a hold harmless at the 1985 funding level on the consumer and homemaking funds, in addition to the one already existing on the basis grants.

Thus, no State would receive a deeper cut in fiscal year 1986 for the overall Gramm-Rudman cut of 4.3 percent in basic grants or in consumer and homemaking, nor would any State gain at the expense of others.

Now the small State minimum would be applied and calculated separately for each of the three separate pots, the three different programs.

Now the solution is not an inequitable solution to the small States. It would lock in the increases that those States have already received in fiscal year 1985 during the first operative year of the small State minimum requirement under the Vocational Education Act.

Now the appropriation for fiscal year 1985 including $100 million supplemental of which approximately $12.5 million went to the small States, which is a proportion that is much greater for these small States than their portion of population; in the future it would also allow the small States to be first in line for any increases that might occur in consumer and homemaking program funding.

Now the actual details of this issue become pretty involved and sound pretty technical.

But basically the end result is this: We are able to provide for fair and permanent distribution of the cuts in the consumer and homemaking programs across the country. We are not going to hurt anybody unduly by this legislation.

What we are doing is trying to flatten it out so we do not destroy the program in some States. That is what this legislation is designed to accomplish.

Again, I would like to thank the chairman for his help in getting this legislation considered by the House today.

This legislation corrects a very unfair and unintended distribution of funds in the consumer and homemaking programs all across the country.

I would again like to thank my dear colleague from Pennsylvania, Mr. GOODLING, for all his assistance on this particular bill.

Mr. Speaker, I urge my colleagues to support this legislation, this correction of the Vocational Education Act.

□ 1300

Mr. GOODLING. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am pleased to join with the gentleman from Kentucky [Mr. PERKINS] in support of H.R. 4841, an amendment to the Carl D. Perkins Vocational Education Act.

As indicated, this legislation would correct a problem in the distribution of funds under the act. So that none of our colleagues get the idea that they may lose money and others may gain if we fool around here, I want to assure them that all of the directors in all of the States have indicated that, if the funds would be distributed the way they would be under this understanding, they would have so much money in some States they would not know what to do with it and could not use it effectively; and on the other hand, in many other States, effective programs that are now ongoing would be killed.

Mr. Speaker, as I indicated, it is a pleasure to join with the gentleman from Kentucky [Mr. PERKINS] to introduce this legislation.

As I indicated, the State Directors of Vocational Education, the American Vocational Association, and the Home Economics Association all agree that the situation was inequitable and asked Congress to correct the problem.

I would urge my colleagues to join me in supporting this amendment.

Mr. PERKINS. Mr. Speaker, I yield 2 minutes to my esteemed colleague, the gentleman from New York [Mr. BIAGGI].

Mr. BIAGGI. Mr. Speaker, I thank the gentleman from Kentucky [Mr. PERKINS] for yielding me this time, and I want to commend the gentleman for his activities in connection with this legislation. Clearly it is fitting and proper that we deal with H.R. 4841, a bill that will amend the State allotments under the Carl D. Perkins Vocational Education Act.

I am sure our former colleague, who is now residing in more celestial abodes, is smiling to know that his work over the years in being carried on by his equally illustrious son, the gentleman from Kentucky.

Mr. Speaker, I rise in strong support today of H.R. 4841, a bill that will amend the State allotments under the Carl D. Perkins Vocational Education Act. I wish to commend my colleague and dear friend from Kentucky [Mr. PERKINS] in bringing this legislation before us today. It is a measure essential to my home State of New York.

This bill is in direct response to a decision made by the Department of Education to revise the formula under which funds were distributed to the States. In approving this legislation, New York will avert a staggering 60-percent reduction in funds for consumer and homemaking education services. In 1985, New York received $2,129,936 for consumer and homemaking education. Without passage of H.R. 4841, our share would have plummeted to an astonishing $876,384. Clearly, this bill is vital if we are to continue an able and effective homemaking education program in New York, and many other large States who were severely affected by this change in formula. During this time of budget tightening and budget constraints, we need every dollar to promote a quality education across this Nation.

H.R. 4841 will specifically limit reductions for all States to no more than 4.3 percent—the overall Gramm-Rudman reduction. No one State would gain in funds at the expense of others. However, this bill would not be inequitable to small States, inasmuch as it would lock in the increase that those States have already received during fiscal year 1985.

It is clear that passage of this bill is fair and equitable for all States. But even more importantly, it will allow and permit the continuation of responsible homemaking education services throughout the Nation.

Mr. GOODLING. Mr. Speaker, I yield such time as he may consume to the gentleman from Vermont [Mr. JEFFORDS].

Mr. JEFFORDS. Mr. Speaker, I rise in support of the bill, H.R. 4841, an

amendment to the Carl D. Perkins Vocational Education Act. Vocational education is a critical component of the education training system of this Nation, not to mention my home State of Vermont. In Vermont, area vocational-technical centers and postsecondary vocational-technical institutions provide training that is essential to economic growth and our ability to maintain a competitive edge in a world marketplace. This fact is recognized in the education and training provisions that were contained in H.R. 4800, the omnibus trade bill we considered a few short weeks ago.

When we authorized the Carl D. Perkins Act in 1984, we carefully developed a formula for the allocation of funds to States to be used for the basic State program, consumer and homemaking and the new community based organization program. The formula contained an overall state hold-harmless to the fiscal year 1984 appropriations level and a small state minimum at 0.5 percent for any new money above the fiscal year 1984 level. In addition, the fiscal year 1986 appropriations act contained a provision that changed the hold harmless to fiscal year 1985 only for the basic State grant portion of the State allotment. The effect of these changes, combined with the Gramm-Rudman-Hollings reductions, has been to distort the funds States would receive under the consumer homemaking program and the community based organization programs.

For example in Vermont, the average allocation for consumer homemaking has been around $80,000. Without the amendment we are considering today, Vermont would experience a tenfold increase dedicated solely to these programs. As much as I support greater funding for programs in Vermont, such an increase could not be justified, nor could the system make such an accommodation in a single year. Officials in Vermont themselves have recommended adoption of the amendments before us today recognizing these facts.

While the amendment corrects the current inequitable distribution of funds, it should be clarified that in no way are we affecting the basic State grant allocation through these amendments. Further, it is my understanding that in the future, any new funding above the fiscal year 1985 level will first go to satisfy the small State minimum. This amendment in no way alters that important provision.

Also, it is imperative that we move this bill quickly in order to meet the July 1 allocation time frame. I urge my colleagues to support this bill, and urge the other body to move quickly on these amendments as well.

Mr. HAWKINS. Mr. Speaker, H.R. 4841 makes a small but urgently needed revision in the Carl D. Perkins Vocational Education Act. This amendment rectifies a problem that has arisen in the allocation for the consumer and homemaking education program authorized by that act.

This legislation must be enacted by July 1. Otherwise, the $30 million appropriated for consumer and homemaking education for fiscal year 1986 will flow to the States in a very irrational and inefficient distribution pattern, with some States' grants increasing twentyfold and others dropping by two-thirds. This problem has occurred due to the interaction of the March 1 Gramm-Rudman cut with various hold harmless provisions and other factors in the program's formula. We had no way of anticipating this situation when we passed the Perkins Act in 1984.

Without this bill, we will see hundreds of good programs discontinued and thousands of educators out of jobs in a majority of the States.

For purposes of legislative history, I would like to state that the insular areas—the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands—are not subject to the one-half of 1 percent minimum provision, but instead, have their own minimum allotments of $200,000 for the sum of all the programs under the act.

This legislation has support from both parties and from every geographic region. The bill was noncontroversial in committee. The legislation is supported by the State directors of vocational education and the American Home Economics Association.

I urge my colleagues to join me and speedily pass H.R. 4841.

Mr. GOODLING. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. PERKINS. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Kentucky [Mr. PERKINS] that the House suspend the rules and pass the bill, H.R. 4841.

The question was taken.

Mr. SENSENBRENNER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5, rule I, and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

GENERAL LEAVE

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill just under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Debate has been concluded on all motions to suspend the rules.

Pursuant to clause 5, rule I, the Chair will now put the question on each motion on which further proceedings were postponed, in the order in which that motion was entertained, and then on the motions on which further proceedings were postponed on Monday, June 16, 1986.

Votes will be taken in the following order:

H.R. 4841 de novo;
H.R. 2798 by the yeas and nays;
H.R. 4384 by the yeas and nays; and
H.R. 4259 by the yeas and nays.

The Chair will reduce to 5 minutes the time for any electronic votes after the first such vote in this series.

VOCATIONAL EDUCATION AMENDMENTS

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 4841.

The Clerk read the title of the bill.

□ 1310

The SPEAKER pro tempore (Mr. MONTGOMERY). The question is on the motion offered by the gentleman from Kentucky [Mr. PERKINS] that the House suspend the rules and pass the bill, H.R. 4841.

The question was taken.

Mr. SENSENBRENNER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 402, nays 1, not voting 30, as follows:

[Roll No. 168]

YEAS—402

Ackerman	Berman	Byron
Akaka	Bevill	Callahan
Alexander	Biaggi	Carper
Anderson	Bilirakis	Carr
Andrews	Bliley	Chapman
Annunzio	Boehlert	Chappell
Anthony	Boggs	Chappie
Applegate	Boland	Cheney
Archer	Boner (TN)	Clay
Armey	Bonior (MI)	Clinger
Aspin	Bonker	Coats
Atkins	Borski	Cobey
AuCoin	Boucher	Coble
Badham	Boulter	Coelho
Barnard	Boxer	Coleman (MO)
Barnes	Brooks	Coleman (TX)
Bartlett	Broomfield	Collins
Barton	Brown (CA)	Combest
Bateman	Brown (CO)	Conte
Bates	Broyhill	Conyers
Bedell	Bruce	Coughlin
Beilenson	Bryant	Courter
Bennett	Burton (CA)	Coyne
Bentley	Burton (IN)	Craig
Bereuter	Bustamante	Crane

Crockett
Daniel
Dannemeyer
Darden
Daschle
Daub
DeLay
Dellums
Derrick
DeWine
Dickinson
Dicks
DioGuardi
Dixon
Donnelly
Dornan (CA)
Downey
Dreier
Duncan
Durbin
Dwyer
Dyson
Early
Eckart (OH)
Eckert (NY)
Edwards (CA)
Edwards (OK)
Emerson
English
Erdreich
Evans (IA)
Evans (IL)
Fawell
Fazio
Feighan
Fiedler
Fields
Fish
Flippo
Florio
Foglietta
Foley
Ford (MI)
Frank
Franklin
Frenzel
Frost
Gallo
Garcia
Gaydos
Gejdenson
Gekas
Gibbons
Gilman
Glickman
Gonzalez
Goodling
Gordon
Gradison
Gray (IL)
Gray (PA)
Green
Gregg
Guarini
Gunderson
Hall (OH)
Hall, Ralph
Hamilton
Hammerschmidt
Hansen
Hartnett
Hatcher
Hawkins
Hayes
Hefner
Heftel
Hendon
Henry
Hertel
Hiler
Holt
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffords
Jenkins
Johnson
Jones (NC)
Jones (OK)
Jones (TN)
Kanjorski
Kaptur
Kasich
Kastenmeier
Kennelly
Kildee
Kindness
Kleczka
Kolbe
Kolter
Kostmayer
Kramer
LaFalce
Lagomarsino
Lantos
Latta
Leach (IA)
Leath (TX)
Lehman (CA)
Lehman (FL)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (CA)
Lewis (FL)
Lightfoot
Lipinski
Livingston
Lloyd
Loeffler
Long
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Lungren
Mack
MacKay
Madigan
Manton
Markey
Marlenee
Martin (IL)
Martin (NY)
Martinez
Mazzoli
McCain
McCandless
McCloskey
McCollum
McCurdy
McDade
McEwen
McGrath
McHugh
McKernan
McKinney
McMillan
Meyers
Mica
Michel
Mikulski
Miller (CA)
Miller (OH)
Miller (WA)
Mineta
Mitchell
Moakley
Molinari
Mollohan
Monson
Montgomery
Moody
Moore
Moorhead
Morrison (CT)
Morrison (WA)
Mrazek
Murphy
Murtha
Myers
Natcher
Neal
Nelson
Nichols
Nielson
Nowak
Oakar
Oberstar
Obey
Olin
Ortiz
Owens
Oxley
Packard
Panetta
Parris
Pashayan
Pease
Penny
Pepper
Perkins
Petri
Pickle
Porter
Price
Pursell
Quillen
Rahall
Ray
Regula
Reid
Richardson
Ridge
Rinaldo
Ritter
Roberts
Robinson
Rodino
Roe
Roemer
Rogers
Rose
Rostenkowski
Roukema
Rowland (CT)
Rowland (GA)
Roybal
Rudd
Russo
Sabo
Savage
Saxton
Schaefer
Schneider
Schroeder
Schuette
Schulze
Schumer
Seiberling
Sensenbrenner
Sharp
Shaw
Shelby
Shumway
Shuster
Sikorski
Siljander
Sisisky
Skeen
Skelton
Slattery
Slaughter
Smith (FL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith, Denny (OR)
Smith, Robert (NH)
Smith, Robert (OR)
Snowe
Snyder
Solarz
Solomon
Spence
Spratt
Staggers
Stallings
Stangeland
Stark
Stenholm
Stokes
Strang
Stratton
Studds
Stump
Sundquist
Sweeney
Swift
Swindall
Synar
Tallon
Tauke
Tauzin
Taylor
Thomas (CA)
Thomas (GA)
Torres
Torricelli
Towns
Traficant
Traxler
Udall
Valentine
Vento
Visclosky
Volkmer
Vucanovich
Walgren
Walker
Watkins
Waxman
Weaver
Weber
Weiss
Wheat
Whitehurst
Whitley
Whittaker
Whitten
Williams
Wilson
Wirth
Wise
Wolf
Wolpe
Wortley
Wright
Wyden
Wylie
Yates
Yatron
Young (AK)
Young (FL)
Young (MO)
Zschau

NAYS—1

St Germain

NOT VOTING—30

Bosco
Breaux
Campbell
Carney
Chandler
Cooper
Davis
de la Garza
Dingell
Dorgan (ND)
Dowdy
Dymally
Edgar
Fascell
Ford (TN)
Fowler
Fuqua
Gephardt
Gingrich
Grotberg
Hillis
Kemp
Lundine
Matsui
Mavroules
O'Brien
Rangel
Roth
Scheuer
Vander Jagt

□ 1325

Mr. REGULA changed his vote from "present" to "yea."

Mr. STRATTON changed his vote from "nay" to "yea."

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. ST GERMAN. Mr. Speaker, on this vote, rollcall No. 168, my attention was diverted at the time I voted. By mistake or through distraction, I cast a "nay" vote, whereas I should have cast a "yea" vote. Subsequently I was called to the phones.

Mr. Speaker, I ask unanimous consent that my vote be changed in the permanent RECORD to reflect a "yea" vote on rollcall No. 168.

The SPEAKER pro tempore. The Chair would advise the gentleman that he cannot change his vote. The gentleman's statement will appear in the RECORD, immediately following the vote.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5, rule I, the Chair announces he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device may be taken on all the additional motions to suspend the rules on which the Chair has postponed further proceedings.

VETERANS' EMPLOYMENT RIGHTS

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and passing the bill, H.R. 2798.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Mississippi [Mr. MONTGOMERY] that the House suspend the rules and pass the bill, H.R. 2798, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 409, nays 0, not voting 24, as follows:

[Roll No. 169]

YEAS—409

Ackerman
Akaka
Alexander
Anderson
Andrews
Annunzio
Applegate
Archer
Armey
Aspin
Atkins
AuCoin
Badham
Barnard
Barnes
Bartlett
Barton
Bateman
Bates
Bedell
Beilenson
Bennett
Bentley
Bereuter
Berman
Bevill
Biaggi
Bilirakis
Bliley
Boehlert
Boggs
Boland
Boner (TN)
Bonior (MI)
Bonker
Borski
Bosco
Boucher
Boulter
Boxer
Brooks
Broomfield
Brown (CA)
Brown (CO)
Broyhill
Bruce
Bryant
Burton (CA)
Burton (IN)
Bustamante
Byron
Callahan
Carper
Carr
Chapman
Chappell
Chappie
Cheney
Clay
Clinger
Coats
Cobey
Coble
Coelho
Coleman (MO)
Coleman (TX)
Collins
Combest
Conte
Conyers
Cooper
Coughlin
Courter
Coyne
Craig
Crane
Crockett
Daniel
Dannemeyer
Darden
Daschle
Daub
DeLay
Dellums
Derrick
DeWine
Dickinson
Dicks
Dingell
DioGuardi
Dixon
Donnelly
Dorgan (ND)
Downey
Dreier
Duncan
Durbin
Dwyer
Dyson
Early
Eckart (OH)
Eckert (NY)
Edgar
Edwards (CA)
Edwards (OK)
Emerson
English
Erdreich
Evans (IA)
Evans (IL)
Fascell
Fawell
Fazio
Feighan
Fiedler
Fields
Fish
Flippo
Florio
Foglietta
Foley
Ford (MI)
Frank
Franklin
Frenzel
Frost
Gallo
Garcia
Gaydos
Gejdenson
Gekas
Gibbons
Gilman
Glickman
Gonzalez
Goodling
Gordon
Gradison
Gray (IL)
Gray (PA)
Green
Gregg
Guarini
Gunderson
Hall (OH)
Hall, Ralph
Hamilton
Hammerschmidt
Hansen
Hartnett
Hatcher
Hawkins
Hayes
Hefner
Heftel
Hendon
Henry
Hertel
Hiler
Holt
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffords
Jenkins
Johnson
Jones (NC)
Jones (OK)
Jones (TN)
Kanjorski
Kaptur
Kasich
Kastenmeier
Kemp
Kennelly
Kildee
Kindness
Kleczka
Kolbe
Kolter
Kostmayer
Kramer
LaFalce
Lagomarsino
Lantos
Latta
Leach (IA)
Leath (TX)
Lehman (CA)
Lehman (FL)
Leland
Lent
Levin (MI)
Levine (CA)
Lewis (CA)
Lewis (FL)
Lightfoot
Lipinski
Livingston
Lloyd
Loeffler
Long
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Lungren
Mack
MacKay
Madigan
Manton
Markey
Marlenee
Martin (IL)
Martin (NY)
Martinez
Mavroules
Mazzoli

McCain Rahall Staggers
McCandless Ray Stallings
McCloskey Regula Stangeland
McCollum Reid Stark
McCurdy Richardson Stenholm
McDade Ridge Stokes
McEwen Rinaldo Strang
McGrath Ritter Stratton
McHugh Roberts Studds
McKernan Robinson Stump
McKinney Rodino Sundquist
McMillan Roe Sweeney
Meyers Roemer Swift
Mica Rogers Swindall
Michel Rose Synar
Mikulski Rostenkowski Tallon
Miller (CA) Roukema Tauke
Miller (OH) Rowland (CT) Tauzin
Miller (WA) Rowland (GA) Taylor
Mineta Roybal Thomas (CA)
Mitchell Rudd Thomas (GA)
Moakley Russo Torres
Molinari Sabo Torricelli
Mollohan Savage Towns
Monson Saxton Traficant
Montgomery Schaefer Traxler
Moody Scheuer Udall
Moore Schneider Valentine
Moorhead Schroeder Vento
Morrison (CT) Schuette Visclosky
Morrison (WA) Schulze Volkmer
Mrazek Schumer Vucanovich
Murphy Seiberling Walgren
Murtha Sensenbrenner Walker
Myers Sharp Watkins
Natcher Shaw Waxman
Neal Shelby Weaver
Nelson Shumway Weber
Nichols Shuster Weiss
Nielson Sikorski Wheat
Nowak Siljander Whitehurst
Oakar Sisisky Whitley
Oberstar Skeen Whittaker
Obey Skelton Whitten
Olin Slattery Williams
Ortiz Slaughter Wilson
Owens Smith (FL) Wirth
Oxley Smith (IA) Wise
Packard Smith (NJ) Wolf
Panetta Smith, Denny (OR) Wolpe
Parris Smith, Robert (NH) Wortley
Pashayan Smith, Robert (OR) Wright
Pease Snowe Wyden
Penny Snyder Wylie
Pepper Solarz Yates
Perkins Solomon Yatron
Petri Spence Young (AK)
Pickle Spratt Young (FL)
Porter St Germain Young (MO)
Price Zschau
Pursell
Quillen

NOT VOTING—24

Anthony Dowdy Hillis
Breaux Dymally Lundine
Campbell Ford (TN) Matsui
Carney Fowler O'Brien
Chandler Fuqua Rangel
Davis Gephardt Roth
de la Garza Gingrich Smith (NE)
Dornan (CA) Grotberg Vander Jagt

□ 1335

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

VETERANS' READJUSTMENT APPOINTMENT AUTHORITY EXTENSION AND IMPROVEMENT AMENDMENTS

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and passing the bill, H.R. 4384.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. HUTTO). The question is on the motion offered by the gentleman from Mississippi [Mr. MONTGOMERY] that the House suspend the rules and pass the bill, H.R. 4384, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 413, nays 0, not voting 20, as follows:

[Roll No. 170]

YEAS—413

Ackerman Dannemeyer Hendon
Akaka Darden Henry
Alexander Daschle Hertel
Anderson Daub Hiler
Andrews DeLay Holt
Annunzio Dellums Hopkins
Anthony Derrick Horton
Applegate DeWine Howard
Archer Dickinson Hoyer
Armey Dicks Hubbard
Aspin Dingell Huckaby
Atkins DioGuardi Hughes
AuCoin Dixon Hunter
Badham Donnelly Hutto
Barnard Dorgan (ND) Hyde
Barnes Dornan (CA) Ireland
Bartlett Downey Jacobs
Barton Dreier Jeffords
Bateman Duncan Jenkins
Bates Durbin Johnson
Bedell Dwyer Jones (NC)
Beilenson Dyson Jones (OK)
Bennett Early Jones (TN)
Bentley Eckart (OH) Kanjorski
Bereuter Eckert (NY) Kaptur
Berman Edgar Kasich
Bevill Edwards (CA) Kastenmeier
Biaggi Edwards (OK) Kemp
Bilirakis Emerson Kennelly
Bliley English Kildee
Boehlert Erdreich Kindness
Boggs Evans (IA) Kleczka
Boland Evans (IL) Kolbe
Boner (TN) Fascell Kolter
Bonior (MI) Fawell Kostmayer
Borski Fazio Kramer
Bosco Feighan LaFalce
Boucher Fiedler Lagomarsino
Boulter Fields Lantos
Boxer Fish Latta
Brooks Flippo Leach (IA)
Broomfield Florio Leath (TX)
Brown (CA) Foglietta Lehman (CA)
Brown (CO) Foley Lehman (FL)
Broyhill Ford (MI) Leland
Bruce Frank Lent
Bryant Franklin Levin (MI)
Burton (CA) Frenzel Levine (CA)
Burton (IN) Frost Lewis (CA)
Bustamante Gallo Lewis (FL)
Byron Garcia Lightfoot
Callahan Gaydos Lipinski
Carper Gejdenson Livingston
Carr Gekas Lloyd
Chapman Gibbons Loeffler
Chappell Gilman Long
Chappie Glickman Lott
Cheney Gonzalez Lowery (CA)
Clay Goodling Lowry (WA)
Clinger Gordon Lujan
Coats Gradison Luken
Cobey Gray (IL) Lungren
Coble Gray (PA) Mack
Coelho Green MacKay
Coleman (MO) Gregg Madigan
Coleman (TX) Guarini Manton
Collins Gunderson Markey
Combest Hall (OH) Marlenee
Conte Hall, Ralph Martin (IL)
Conyers Hamilton Martin (NY)
Cooper Hammerschmidt Martinez
Coughlin Hansen Matsui
Courter Hartnett Mavroules
Coyne Hatcher Mazzoli
Craig Hawkins McCain
Crane Hayes McCandless
Crockett Hefner McCloskey
Daniel Heftel McCollum
McCurdy Reid Staggers
McDade Richardson Stallings
McEwen Ridge Stangeland
McGrath Rinaldo Stark
McHugh Ritter Stenholm
McKernan Roberts Stokes
McKinney Robinson Strang
McMillan Rodino Stratton
Meyers Roe Studds
Mica Roemer Stump
Michel Rogers Sundquist
Mikulski Rose Sweeney
Miller (CA) Rostenkowski Swift
Miller (OH) Roth Swindall
Miller (WA) Roukema Synar
Mineta Rowland (CT) Tallon
Mitchell Rowland (GA) Tauke
Moakley Roybal Tauzin
Molinari Rudd Taylor
Mollohan Russo Thomas (CA)
Monson Sabo Thomas (GA)
Montgomery Savage Torres
Moody Saxton Torricelli
Moore Schaefer Towns
Moorhead Scheuer Traficant
Morrison (CT) Schneider Traxler
Morrison (WA) Schroeder Udall
Mrazek Schuette Valentine
Murphy Schulze Vento
Murtha Schumer Visclosky
Myers Seiberling Volkmer
Natcher Sensenbrenner Vucanovich
Neal Sharp Walgren
Nelson Shaw Walker
Nichols Shelby Watkins
Nielson Shumway Waxman
Nowak Shuster Weaver
Oakar Sikorski Weber
Oberstar Siljander Weiss
Obey Sisisky Wheat
Olin Skeen Whitehurst
Ortiz Skelton Whitley
Owens Slattery Whittaker
Oxley Slaughter Whitten
Packard Smith (FL) Williams
Panetta Smith (IA) Wilson
Parris Smith (NE) Wirth
Pashayan Smith (NJ) Wise
Pease Smith, Denny (OR) Wolf
Penny Smith, Robert (NH) Wolpe
Pepper Smith, Robert (OR) Wortley
Perkins Snowe Wright
Petri Snyder Wyden
Pickle Solarz Wylie
Porter Solomon Yates
Price Spence Yatron
Pursell Spratt Young (AK)
Quillen St Germain Young (FL)
Rahall Young (MO)
Ray Zschau
Regula

NAYS—0

NOT VOTING—20

Bonker Dowdy Grotberg
Breaux Dymally Hillis
Campbell Ford (TN) Lundine
Carney Fowler O'Brien
Chandler Fuqua Rangel
Davis Gephardt Vander Jagt
de la Garza Gingrich

□ 1345

So (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GETTYSBURG NATIONAL MILITARY PARK ADDITION

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and passing the bill, H.R. 4259.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Minnesota [Mr. VENTO] that the House suspend the rules and pass the bill, H.R. 4259, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 264, nays 146, answered "present" 1, not voting 22, as follows:

[Roll No. 171]

YEAS—264

Ackerman	Feighan	Miller (WA)
Akaka	Flippo	Mineta
Alexander	Florio	Mitchell
Anderson	Foglietta	Moakley
Andrews	Foley	Mollohan
Annunzio	Frank	Moody
Anthony	Frost	Morrison (CT)
Applegate	Gallo	Mrazek
Aspin	Garcia	Murphy
Atkins	Gaydos	Murtha
AuCoin	Gejdenson	Natcher
Barnard	Gibbons	Neal
Barnes	Glickman	Nelson
Bateman	Gonzalez	Nowak
Bates	Gordon	Oakar
Bedell	Gray (IL)	Oberstar
Beilenson	Gray (PA)	Obey
Bennett	Green	Olin
Bereuter	Gregg	Ortiz
Berman	Guarini	Panetta
Bevill	Hall (OH)	Pease
Biaggi	Hall, Ralph	Penny
Bilirakis	Hamilton	Pepper
Bliley	Hatcher	Pickle
Boehlert	Hefner	Porter
Boggs	Heftel	Price
Boland	Hendon	Pursell
Boner (TN)	Henry	Rahall
Bonior (MI)	Hertel	Ray
Bonker	Hiler	Reid
Borski	Hoyer	Richardson
Boucher	Hubbard	Rinaldo
Boxer	Huckaby	Ritter
Brooks	Hughes	Robinson
Brown (CA)	Hutto	Rodino
Broyhill	Jacobs	Roe
Bruce	Jenkins	Roemer
Bryant	Jones (NC)	Rose
Burton (CA)	Jones (OK)	Rostenkowski
Bustamante	Kanjorski	Rowland (GA)
Carper	Kastenmeier	Roybal
Carr	Kennelly	Russo
Chapman	Kildee	Sabo
Clay	Kleczka	Savage
Cobey	Kolbe	Saxton
Coble	Kolter	Scheuer
Coelho	Kostmayer	Schroeder
Coleman (TX)	LaFalce	Schulze
Collins	Lagomarsino	Schumer
Combest	Lantos	Seiberling
Conte	Leach (IA)	Sharp
Cooper	Leath (TX)	Sikorski
Coughlin	Lehman (CA)	Siljander
Courter	Lehman (FL)	Sisisky
Coyne	Leland	Skelton
Crockett	Lent	Slattery
Darden	Levin (MI)	Smith (FL)
Daschle	Levine (CA)	Smith (IA)
Dellums	Lipinski	Smith (NJ)
Derrick	Long	Smith, Robert
DeWine	Lowery (CA)	(NH)
Dicks	Lowry (WA)	Snowe
Dingell	Lujan	Solarz
Dixon	Luken	Spratt
Donnelly	MacKay	St Germain
Dorgan (ND)	Madigan	Staggers
Downey	Manton	Stallings
Durbin	Markey	Stark
Dwyer	Martinez	Stenholm
Early	Matsui	Stokes
Eckart (OH)	Mavroules	Strang
Eckert (NY)	McCain	Stratton
Edgar	McCloskey	Studds
Edwards (CA)	McCurdy	Sweeney
English	McHugh	Swift
Erdreich	Meyers	Synar
Evans (IL)	Mica	Tallon
Fascell	Mikulski	Tauzin
Fazio	Miller (CA)	Thomas (GA)
Torres	Weaver	Wise
Torricelli	Weber	Wolpe
Traficant	Weiss	Wright
Traxler	Wheat	Wyden
Vento	Whitehurst	Yates
Visclosky	Whitley	Yatron
Volkmer	Whitten	Young (MO)
Walgren	Williams	Zschau
Watkins	Wilson	
Waxman	Wirth	

NAYS—146

Archer	Holt	Pashayan
Armey	Hopkins	Perkins
Badham	Horton	Petri
Bartlett	Howard	Quillen
Barton	Hunter	Regula
Bentley	Hyde	Ridge
Boulter	Ireland	Roberts
Broomfield	Jeffords	Rogers
Brown (CO)	Johnson	Roth
Burton (IN)	Jones (TN)	Roukema
Byron	Kasich	Rowland (CT)
Callahan	Kemp	Rudd
Chappell	Kindness	Schaefer
Chappie	Kramer	Schneider
Cheney	Latta	Schuette
Clinger	Lewis (CA)	Sensenbrenner
Coats	Lewis (FL)	Shaw
Coleman (MO)	Lightfoot	Shelby
Craig	Livingston	Shumway
Crane	Lloyd	Shuster
Daniel	Loeffler	Skeen
Dannemeyer	Lott	Slaughter
Daub	Lungren	Smith (NE)
DeLay	Mack	Smith, Denny (OR)
Dickinson	Marlenee	Smith, Robert (OR)
DioGuardi	Martin (IL)	Snyder
Dornan (CA)	Martin (NY)	Solomon
Dreier	Mazzoli	Spence
Duncan	McCandless	Stangeland
Dyson	McCollum	Stump
Edwards (OK)	McDade	Sundquist
Emerson	McEwen	Swindall
Evans (IA)	McGrath	Tauke
Fawell	McKernan	Taylor
Fiedler	McKinney	Thomas (CA)
Fields	McMillan	Towns
Fish	Miller (OH)	Udall
Ford (MI)	Molinari	Valentine
Franklin	Monson	Vucanovich
Frenzel	Montgomery	Walker
Gekas	Moore	Whittaker
Gilman	Moorhead	Wolf
Goodling	Morrison (WA)	Wortley
Gradison	Myers	Wylie
Gunderson	Nichols	Young (AK)
Hammerschmidt	Nielson	Young (FL)
Hansen	Owens	
Hartnett	Oxley	
Hawkins	Packard	
Hayes	Parris	

ANSWERED "PRESENT"—1

Kaptur

NOT VOTING—22

Bosco	Dowdy	Hillis
Breaux	Dymally	Lundine
Campbell	Ford (TN)	Michel
Carney	Fowler	O'Brien
Chandler	Fuqua	Rangel
Conyers	Gephardt	Vander Jagt
Davis	Gingrich	
de la Garza	Grotberg	

□ 1440

Messrs. BARTON of Texas, KEMP, and ARMEY changed their votes from "yea" to "nay."

So (two-thirds not having voted in favor thereof) the motion was rejected.

The result of the vote was announced as above recorded.

MAKING TECHNICAL CORRECTIONS TO THE NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES ACT OF 1965

Mr. WILLIAMS. Mr. Speaker, I ask unanimous consent for the immediate consideration in the House of the bill (H.R. 5036) to make technical corrections to the National Foundation on the Arts and the Humanities Act of 1965.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Montana?

Mr. BARTLETT. Mr. Speaker, reserving the right to object, and I shall not object, I would ask the gentleman from Montana to explain the purpose of this legislation.

Mr. WILLIAMS. Mr. Speaker, if the gentleman will yield, I will be pleased to respond to the gentleman from Texas by saying that this bill is necessary to correct a cross-referencing error in Public Law 99-194, signed into law on December 20, 1985.

In drafting the legislation that became Public Law 99-194, the list of items that describes the activities the chairpersons of the arts and the humanities endowments are directed to support was altered. In the arts, the list was increased from five items to eight. In the humanities, the list grew for seven items to nine.

These listings are contained in sections 5, arts, and 7, humanities, of the act. In section 11 of the act, a reference is made to the items listed out in sections 5 and 7. Unfortunately, staff failed to make the change in section 11 so Public Law 99-194 is not correctly cross-referenced.

This bill simply corrects this oversight and changes the language in section 11 to reflect the fact that the list of authorized activities described in sections 5 and 7 are increased from five to eight in the case of NEA and from seven to nine in the case of NEH.

Mr. Speaker, I trust that this properly explains the changes in this bill.

Mr. BARTLETT. Further reserving the right to object, Mr. Speaker, and I shall not object, I do support the legislation, I will support the legislation, and I would point out that I have been made aware of a letter from the National Endowment on the Humanities in which they support the need for this legislation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Montana?

There was no objection.

The Clerk read the bill, as follows:

H.R. 5036

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sec-

tion 11(a)(2) of the National Foundation on the Arts and the Humanities Act of 1965 (20 U.S.C. 960(a)(2)) is amended—

(1) in subparagraph (A)(ii) by striking out "paragraph (5)" and inserting in lieu thereof "paragraph (8)", and

(2) in subparagraph (B)(ii) by striking out "paragraph (7)" and inserting "paragraph (9)".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

DOMESTIC VOLUNTEER SERVICE ACT AMENDMENTS OF 1986

The SPEAKER pro tempore. Pursuant to House Resolution 463, and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 4116.

□ 1407

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 4116) to extend the Volunteers in Service to America [VISTA] Program under the Domestic Volunteer Service Act of 1973, with Mr. MONTGOMERY in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Tuesday, June 10, 1986, all time for general debate had expired.

Pursuant to the rule, the committee amendment in the nature of a substitute now printed in the reported bill shall be considered as an original bill for the purpose of amendment, and each section shall be considered as having been read.

The Clerk will designate section 1.

The text of section 1 is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Domestic Volunteer Service Act Amendments of 1986".

The CHAIRMAN. Are there any amendments to section 1? If not, the Clerk will designate section 2.

The text of section 2 is as follows:

SEC. 2. VOLUNTEERISM POLICY.

(a) VOLUNTEERISM POLICY.—The Domestic Volunteer Service Act of 1973 is amended by inserting immediately after the table of contents the following new section:

"VOLUNTEERISM POLICY

"SEC. 2. The purpose of ACTION, the Federal domestic volunteer agency, is to foster and expand voluntary citizen service in communities throughout the Nation in activities designed to help the poor, the disadvantaged, the vulnerable, and the elderly. In carrying out this purpose, ACTION shall utilize to the fullest extent the programs authorized under this Act, coordinate with other Federal, State, and local agencies and utilize the energy, innovative spirit, experience, and skills of all Americans.".

(b) CONFORMING AMENDMENT.—The table of contents of the Act is amended by inserting before the item relating to title I the following:

"Sec. 2. Volunteerism policy.".

The CHAIRMAN. Are there any amendments to section 2? If not, the Clerk will designate section 3.

The text of section 3 is as follows:

SEC. 3. ASSIGNMENT OF VOLUNTEERS.

(a) RECRUITMENT AND ASSIGNMENT.—Section 103(b) of the Domestic Volunteer Service Act of 1973 (referred to in this Act as "the Act") is amended to read as follows:

"(b) The Director shall establish procedures to recruit and place individuals from all walks of life, age groups, economic levels, and geographic areas to serve as VISTA volunteers. The procedures shall include an information system to ensure that potential applicants are made aware of the broad range of VISTA volunteer opportunities and a system to identify and place qualified volunteers where their skills are most needed. The Director shall also establish procedures for national and local recruitment, media and public awareness efforts, and specialized campaigns designed to recruit recent college graduates, special skilled volunteers, and individuals 55 years of age and older. The Director, wherever feasible and appropriate, shall assign low-income community volunteers to serve in their home communities in teams with nationally recruited specialist volunteers. The Director shall make efforts to assign volunteers to serve in their homes or nearby communities and shall make national efforts to attract other volunteers to serve in the VISTA program. The Director shall also, in the assignment of volunteers, recognize that the community identified needs which cannot be met in the local area, and the individual desires of VISTA volunteers in regard to placement in various geographic areas of the nation, should be taken into consideration.".

(b) REPORTS.—Section 407 of the Act is amended—

(1) by inserting "(a)" after "407."; and

(2) by adding the following subsection:

"(b) Not later than 120 days after the end of each fiscal year, the Director shall prepare and submit to the appropriate committees of the Congress a report describing activities under section 103(b).".

The CHAIRMAN. Are there any amendments to section 3? If not, the Clerk will designate section 4.

The text of section 4 is as follows:

SEC. 4. ESTABLISHMENT OF VISTA LITERACY CORPS.

(a) ESTABLISHMENT OF LITERACY CORPS.—The Act is amended by inserting after section 108 the following new section:

"VISTA LITERACY CORPS

"SEC. 109. (a) As part of the Volunteers in Service to America program, the Director shall establish a VISTA Literacy Corps for the purpose of strengthening, supplementing, and expanding the efforts of public and private nonprofit organizations to mobilize local, State, Federal, and private sector financial and volunteer resources in addressing the problem of illiteracy throughout the United States.

"(b) The Director shall assign volunteers to projects and programs that are designed to meet the special needs of illiterate individuals and fulfill the antipoverty criteria of part A.

"(c)(1) The Director shall assign volunteers under this subsection to projects and programs that utilize volunteers to address the needs of illiterate individuals.

"(2) Programs and projects under this subsection may be administered by public or private nonprofit agencies and organizations including local, State, and national literacy councils and organizations; community-based nonprofit organizations; local and State education agencies; local and State agencies administering adult basic education programs; educational institutions; libraries; antipoverty organizations; local, municipal, and State governmental entities, and administrative entities designated to administer job training plans under the Job Training Partnership Act.

"(3) In the assignment of volunteers under this subsection the Director shall give priority consideration to—

"(A) local programs and projects that assist illiterate individuals in greatest need of assistance residing in unserved or underserved areas with the highest concentrations of illiteracy and of low income individuals and families; and

"(B) Statewide programs and projects that encourage the creation of new literacy efforts, encourage the coordination of intrastate and interstate literacy efforts, and provide technical assistance to local literacy efforts.

"(d)(1) The Director shall assign volunteers under this subsection to projects and programs that primarily utilize volunteers to tutor illiterate individuals.

"(2) Programs and projects under this subsection may be administered by local public or private nonprofit agencies and organizations including local literacy councils and organizations, community-based nonprofit organizations, local educational agencies, local agencies administering adult basic education programs, local educational institutions, libraries, antipoverty organizations, local and municipal governmental entities, and administrative entities designated to administer job training plans under the Job Training Partnership Act.

"(3) In the assignment of volunteers under this subsection the Director shall give priority consideration to local programs and projects that assist illiterate individuals in greatest need of assistance residing in unserved or underserved areas with the highest concentrations of illiteracy and of low income individuals and families.

"(e) The Director shall ensure an equitable distribution of volunteers under this section between rural and urban areas.

"(f) The VISTA Literacy Corps shall consist of all volunteers serving under part A working on literacy projects and programs.

"(g) Funds made available under section 501(a) for the purposes of this section shall be used to supplement and not supplant the level of services provided under part A in fiscal year 1986 to address the problem of illiteracy.".

(b) CONFORMING AMENDMENT.—The table of contents of the Act is amended by inserting after the item relating to section 108 the following:

"Sec. 109. VISTA Literacy Corps.".

The CHAIRMAN. Are there any amendments to section 4? If not, the Clerk will designate section 5.

The text of section 5 is as follows:

SEC. 5. SERVICE LEARNING PROGRAMS.

Section 111 of the Act is amended—

(1) by inserting "(a)" after the section designation;

(2) by striking out the second and third sentences of such section; and

(3) by adding the following new subsection:

"(b) This part provides for the University Year for ACTION (UYA) program of full-time volunteer service by students enrolled in institutions of higher education. The purpose of the UYA program is to strengthen and supplement efforts to eliminate poverty and poverty-related human, social, and environmental problems by enabling students at cooperating institutions to perform meaningful and constructive volunteer service in connection with the satisfaction of coursework while attending such institutions. Volunteer service under this part is conducted in agencies, institutions, and situations where the application of human talent and dedication may assist in the solution of poverty and poverty-related problems and secure and exploit opportunities for self-advancement by individuals experiencing such problems.".

The CHAIRMAN. Are there any amendments to section 5? If not, the Clerk will designate section 6.

The text of section 6 is as follows:

SEC. 6. EVALUATION.

Section 416(a) of the Act is amended to read as follows:

"(a) The Director shall measure and evaluate the impact of all programs authorized by this Act, their effectiveness in achieving stated goals, in general, and in relation to their cost, their impact on related programs, and their structure and mechanism for delivery of services. Each program shall be evaluated at least once every three years. Evaluations shall be conducted by persons not immediately involved in the administration of the program or project evaluated. Such evaluation shall also measure and evaluate compliance with the equitable distribution requirement of section 414 of this Act.".

The CHAIRMAN. Are there any amendments to section 6? If not, the Clerk will designate section 7.

The text of section 7 is as follows:

SEC. 7. SERVICES TO INDIANS.

(a) SPECIAL VOLUNTEER PROGRAMS.—Section 122(a)(1) of the Act is amended by inserting "(including Indian reservations)" after "rural areas".

(b) DEFINITIONS.—Section 421 of the Act is amended—

(1) by striking "and" at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting "; and"; and

(3) by adding the following paragraph:

"(5) the terms 'public agencies or organizations' and 'Federal, State, or local agencies' shall include any Indian tribe, band, nation, or other organized group or community (including any Alaskan native village or regional village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act) which is recognized by the United States or the State in which it resides as eligible for special programs and services provided to Indians because of their status as Indians.".

The CHAIRMAN. Are there any amendments to section 7? If not, the Clerk will designate section 8.

The text of section 8 is as follows:

SEC. 8. AUTHORIZATIONS OF APPROPRIATIONS.

(a) NATIONAL VOLUNTEER ANTIPOVERTY PROGRAMS.—Section 501 of the Act is amended by striking subsections (a), (b), (c), and (d)(1) and inserting the following:

"SEC. 501. (a)(1) There is authorized to be appropriated to carry out part A of title I (except section 109) $25,000,000 for fiscal year 1987, $26,250,000 for fiscal year 1988, and $27,560,000 for fiscal year 1989.

"(2) There is authorized to be appropriated to carry out section 109(c) and to expand the number of VISTA literacy corps volunteers in literacy programs and projects under part A of title I of this Act $2,000,000 for fiscal year 1987, $3,000,000 for fiscal year 1988, and $5,000,000 for fiscal year 1989.

"(3) There is authorized to be appropriated to carry out section 109(d) and to expand the number of VISTA literacy corps volunteers in literacy programs and projects under part A of title I of this Act such sums as may be necessary for each of the fiscal years 1987, 1988, and 1989.

"(b) There is authorized to be appropriated to carry out part B of title I of this Act $1,800,000 for each of the fiscal years 1987, 1988, and 1989.

"(c) There is authorized to be appropriated to carry out part C of title I of this Act $1,984,000 for each of the fiscal years 1987, 1988, and 1989.

"(d)(1) Of the amounts appropriated under this section for parts A, B, and C of title I and for sections 109(c) and 109(d), there shall first be available for part A of title I (other than section 109), an amount not less than the amount necessary to provide—

"(A) 2,600 years of volunteer service in fiscal year 1987;

"(B) 2,730 years of volunteer service in fiscal year 1988; and

"(C) 2,865 years of volunteer service in fiscal year 1989.".

(b) RETIRED SENIOR VOLUNTEER PROGRAM.—Section 502(a) of the Act is amended—

(1) by striking out "$30,412,000" and all that follows through "1985, and", and

(2) by inserting after "1986" the following: ", $32,340,000 for fiscal year 1987, $33,730,000 for fiscal year 1988, and $35,320,000 for fiscal year 1989".

(c) FOSTER GRANDPARENTS AND COMMUNITY SERVICE PROGRAMS.—Section 502(b) of the Act is amended—

(1) by striking out "$52,650,000" and all that follows through "1985, and", and

(2) by inserting after "1986" the following: ", $61,050,000 for fiscal year 1987, $63,680,000 for fiscal year 1988, and $66,660,000 for fiscal year 1989".

(d) SENIOR COMPANIONS PROGRAM.—Section 502(c) of the Act is amended—

(1) by striking out "$17,607,000" and all that follows through "1985, and", and

(2) inserting after "1986" the following: ", $29,740,000 for fiscal year 1987, $31,020,000 for fiscal year 1988, and $32,480,000 for fiscal year 1989".

(e) ADMINISTRATION AND COORDINATION.—Section 504 of the Act is amended by striking out "$25,800,000" and all that follows and inserting "$25,000,000 for each of the fiscal years 1987, 1988, and 1989.".

AMENDMENT OFFERED BY MR. TAUKE

Mr. TAUKE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TAUKE: Page 10, strike out lines 15 through 18, and insert in lieu thereof the following:

"SEC. 501. (a)(1) There are authorized to be appropriated to carry out part A of title I of this Act (except section 109) $19,000,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.

Page 11, strike out lines 6 through 11, and insert in lieu thereof the following:

"(b) There are authorized to be appropriated to carry out part B of title I of this Act $1,368,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.

"(c) There are authorized to be appropriated to carry out part C of title I of this Act $1,801,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.

Page 12, strike out lines 3 through 6, and insert in lieu thereof the following:

(2) by inserting after "1986" the following: ", $29,620,000 for fiscal year 1987, and such sums as may be necessary for each of the fiscal years 1988 and 1989".

Page 12, strike out lines 11 through 14, and insert in lieu thereof the following:

(2) by inserting after "1986" the following: ", $56,100,000 for fiscal year 1987, and such sums as may be necessary for each of the fiscal years 1988 and 1989".

Beginning on page 12, strike out line 19 and all that follows through line 2 on page 13, and insert in lieu thereof the following:

(2) by inserting after "1986" the following: ", $18,086,000 for fiscal year 1987, and such sums as may be necessary for each of the fiscal years 1988 and 1989".

(e) ADMINISTRATION AND COORDINATION.—Section 504 of the Act is amended by striking out "$25,800,000" and all that follows through "1986" and inserting in lieu thereof "$25,312,000 for fiscal year 1987 and such sums as may be necessary for each of the fiscal years 1988 and 1989.".

□ 1410

Mr. TAUKE. Mr. Chairman, let me first emphasize that I fully support the programs authorized by the Domestic Volunteer Service Act. However, I cannot support the unrealistic and budget-busting authorization levels included in this bill.

The amendment I am offering changes the authorization levels in this bill to the fiscal year 1986 appropriation. Specifically, the following changes are made:

VISTA, from $25 million to $19 million.

Service Learning, from $1.8 million to $1.368 million.

Special Volunteer, from $1.984 million to $1.801 million.

RSVP, from $32.34 million to $29.62 million.

Foster Grandparents, from $61.05 million to $56.1 million.

Senior Companions, from $29.74 million to $18.086 million.

Program administration, from $25 million to $25.312 million.

The amendment reduces the total of the authorizations for these programs from $176.914 million to $151.287 million in fiscal year 1987, and it provides "such sums" authorizations in fiscal years 1988 and 1989.

The amendment does not delete or reduce the authorization for the new Literacy Corps Program authorized for the first time in this bill at $2 million in fiscal year 1987. While I am concerned about a new initiative being added in title I of this bill, I am not seeking at this time to delete or reduce the authorization for this section of the bill.

Mr. Chairman, this amendment does not jeopardize the volunteer programs authorized by this legislation. In fact, adoption of this amendment will probably not affect the appropriations for these programs at all, which says something about the authorization levels in this bill. It says that these levels are totally unrealistic and offer nothing but false hope to the dedicated individuals that serve in these programs.

The bill as reported authorizes nearly $177 million for programs that are presently operating on less than $145 million. This $32 million gap represents a 22-percent increase in these programs. Surely, no one in this Chamber expects a 22-percent increase in any program this year.

Moreover, H.R. 4116 as reported flies in the face of the budget resolution adopted by this body only 28 days ago by a vote of 245 to 179.

That budget resolution freezes the ACTION programs at $145 million—the fiscal year 1986 post-Gramm-Rudman level—for 3 years. The Senate-passed budget resolution provides an identical amount for these programs. It amazes me that this body can so quickly disregard a budget that we passed less than a month ago.

Mr. Chairman, this amendment does not necessitate any cuts in appropriations for ACTION programs. In fact, appropriations for these programs could increase by 4.3 percent in fiscal year 1987, recouping the Gramm-Rudman cuts made this year, with the authorization levels provided in this amendment.

Adopting this amendment will demonstrate that we are concerned about the budget deficit and that we are willing to hold the line and respect the spending levels reflected in the House budget resolution.

The authorization levels provided for in this amendment are realistic and responsible. I urge your support.

The CHAIRMAN. The time of the gentleman from Iowa [Mr. TAUKE] has expired.

(By unanimous consent, Mr. TAUKE was allowed to proceed for 2 additional minutes.)

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. TAUKE. I am pleased to yield to the gentleman from Vermont, the distinguished ranking member of the Committee on Education and Labor.

Mr. JEFFORDS. Mr. Chairman, I just want to commend the gentleman on his statement.

We all would like to expand the programs that we are reauthorizing today. Many of them are very excellent programs; in fact, all of them are in my mind. But as you point out, we have had a budget resolution that set some guidelines for us this year.

Also, this is, as I understand it, a 3-year authorization, is that correct?

Mr. TAUKE. That is correct.

Mr. JEFFORDS. Mr. Chairman, we had goals set in Gramm-Rudman to try to get the budget balanced by 1991, so halfway through that period, we will have an opportunity to again look at what we are setting for limits here.

It seems to me very, very important that during the first part of this period of time when we are trying to get the budget under control that we do exercise that kind of restraint which the gentleman is exercising in his amendment in not putting out false hope, as the gentleman expressed, that we somehow are going to have more money for these important programs.

I support the gentleman and I commend him on his amendment.

Mr. TAUKE. Mr. Chairman, I thank the gentleman from Vermont for his comments.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. TAUKE. I yield to the gentleman from Texas.

Mr. BARTLETT. Mr. Chairman, I thank the gentleman for yielding because I want to make certain that the House Members understand what the gentleman is saying.

The gentleman is a supporter of the ACTION Program, as I recall, all the way through committee and subcommittee, and serves as the ranking member of the subcommittee that oversees the majority of this bill. The gentleman supports ACTION and reauthorization.

What I understand the gentleman to be saying is that we ought to live with the budget that we have already set and that is what the gentleman's proposal is. Is that correct?

Mr. TAUKE. Mr. Chairman, that is essentially correct and I do want to emphasize again that I am a strong supporter of these programs. Those of us who have listened to the hearings have been impressed with all of the people involved in the program and it seems to me that it is the most appropriate for us to deal fairly with those who are out there attempting to make these programs work.

So I want to live within the budget resolution to the maximum extent possible and I also want to be as straightforward with all the people who participate in these programs as possible.

That is what this amendment does.

Mr. BARTLETT. Mr. Chairman, if the gentleman will further yield, so we make certain that people understand the exact numbers that we are dealing with, this year, as I understand, we are spending $145 million in the aggregate on ACTION. That is how much we are actually spending.

Mr. TAUKE. Mr. Chairman, at the current time, we are spending $145 million for these programs.

The CHAIRMAN. The time of the gentleman from Iowa [Mr. TAUKE] has again expired.

(On request of Mr. BARTLETT, and by unanimous consent, Mr. TAUKE was allowed to proceed for 2 additional minutes.)

Mr. BARTLETT. Mr. Chairman, if the gentleman will yield further, the gentleman is proposing a modest increase from that to accommodate the sequestration that occurred up to $151 million.

Mr. TAUKE. Mr. Chairman, that is correct. It seems to me that these authorization levels have increased; $151 million will give us more than enough flexibility.

Mr. BARTLETT. Mr. Chairman, the authorization levels that are contained in the bill are up to $176 million.

Mr. TAUKE. $179 million.

Mr. BARTLETT. $179 million, about a 16.8-, almost a 17-percent increase over current levels that we are spending in fiscal year 1986.

Does the gentleman know of any other authorization legislation that has been passed out of the Committee on Education and Labor this session, whether it is Headstart or vocational rehabilition or education for the handicapped, that has contained that high an increase in 1 year?

Mr. TAUKE. Mr. Chairman, I do not know of any program that has had that kind of increase in 1 year. I would point out that, in fact, the increase, according to my calculations, is greater than 16 percent. It actually is well over 20 percent, and then it goes up in fiscal year 1988 and fiscal year 1989 even higher than that.

It just seems to me that it is totally out of the ballpark.

Mr. BARTLETT. Mr. Chairman, if the gentleman will further yield, what the gentleman is trying to do is to reduce back to current sequestration levels what is an authorization increase of 20 percent in 1 year?

Mr. TAUKE. Right.

Mr. BARTLETT. Mr. Chairman, if the gentleman will yield further, I can answer my own question. There have been no 20 percent or any increases in authorization levels for any program that has come out of the Committee on Education and Labor during this session, anything in that size range.

Mr. TAUKE. Mr. Chairman, the point is that we are not here to play games. We are not here to say to

people that we are going to do things that we know will not be done.

□ 1420

What we want to do instead is to be decent policymakers and project what is likely to happen. That is why I urge support for what I think is a very realistic amendment.

Mr. WILLIAMS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to speak in opposition to this amendment not only as the chairman of the committee which brings this legislation before you here today, but perhaps in this instance more importantly, I want to speak as a member of the House Committee on the Budget, and as a conferee of that committee.

The gentleman is simply wrong. The gentleman that is offering this amendment is simply wrong. This bill is not, repeat not, a piece of legislation which busts the budget. This bill does not, repeat not, include a 20-percent increase above what the Federal Government spent on this program in the previous year.

Now let me explain. There are three parts to the title I program. Part A is VISTA. This bill freezes VISTA, and the budget that the House has passed and is now considering in conference freezes VISTA.

The second part of title I in this bill is called the Service Learning Demonstration Programs. The budget suggests a freeze in that program. This bill freezes that program.

Part C, the third part of title I, is the Special Volunteer Demonstration Program; again, the budget freezes, this bill freezes it.

Mr. TAUKE. Will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman.

Mr. TAUKE. Would the gentleman acknowledge that he is talking about freezing authorization levels and I am talking about freezing at current spending levels?

Mr. WILLIAMS. That is correct. The gentleman is talking about apples, and this bill has to deal with oranges. The gentleman is correct.

Reclaiming my time, Mr. Chairman, let me be clear to everyone that on title I of this bill, VISTA, the Service Learning Demonstration Programs, and the Special Volunteer Demonstration Programs, this bill does precisely what the budget resolution asks us to do.

Now with regard to the Older American Volunteer Programs under title II of the statute, this bill asks for an inflationary 4-percent increase for those programs to help older Americans. Now hear me: The budget, that overwhelmingly passed this body and is now in conference committee, asks the same thing; an inflationary increase for those older American programs.

This bill is completely and fully within the levels required by the Committee on the Budget, and let me submit to have included at this point in the RECORD, a letter from the chairman of the House Budget Committee, Congressman GRAY, to the chairman of the House Education Committee, Congressman HAWKINS, and for the enlightment of the Members here, let me read this two-paragraph letter:

Hon. AUGUSTUS F. HAWKINS,
Chairman, Committee on Education and Labor, Rayburn House Office Building, Washington, DC.

DEAR GUS: Thank you for the letter from you and Mr. Kildee, Chairman of the Subcommittee on Human Resources, concerning H.R. 4116, the Domestic Volunteer Service Act Amendments of 1986.

After carefully reviewing this legislation, I find that H.R. 4116 does not provide budget authority or any entitlement authority. Therefore, the bill does not violate any provision of the Budget Act or the House-passed budget resolution which is currently in conference. The legislation simply authorizes the appropriation of budget authority for these programs. The actual level of funding for these programs would be detemined by the appropriations process.

Thank you for taking the time to inquire into this matter.

Sincerely,

WILLIAM H. GRAY III,
Chairman.

In other words, if the Appropriations Committee should come out with an amount above the budget, then any of us have a right, and will take the floor—particularly those of us who are members of the Budget Committee, and say, "This appropriation violates the budget, and we will stop it as we have been doing year after year on this floor."

This is an authorization bill. Second, this bill, as an authorization bill, does not violate the budget totals.

Mr. TAUKE. Will the gentleman yield?

Mr. WILLIAMS. I yield to the gentleman.

Mr. TAUKE. I think this is a very critical point. It gets into the issue of what the role of the authorization process should be.

Now, the gentleman and I both know that the letter from the chairman of the Budget Committee is not a surprise; no authorization can violate the Budget Act, and no one contends that an authorization does violate the Budget Act.

The question is, should we have an authorization that authorizes spending levels that are so far in excess of what the Budget Act allows to be appropriated for these programs.

Mr. SPEAKER pro tempore. The time of the gentleman from Montana [Mr. WILLIAMS] has expired.

(On request of Mr. TAUKE and by unanimous consent, Mr. WILLIAMS was allowed to proceed for 2 additional minutes.)

Mr. TAUKE. Will the gentleman yield?

Mr. WILLIAMS. I yield to the gentelman.

Mr. TAUKE. If we can only spend $145 million for these programs, why in the world does the gentleman want to authorize $179 million and then give all the discretion away to the appropriating committee?

Mr. WILLIAMS. I am sorry?

Mr. TAUKE. What I do not understand, the gentleman is chairman of the authorizing subcommittee; if we are only allowed to spend $145 million on these programs under the budget resolution, why in the world does the gentleman want to authorize $179 million and give all the discretion to the appropriating committees?

Mr. WILLIAMS. Because the Appropriations Committee have first, very seldom come up to an authorization level. Second, it has been the role of the authorizing committees to provide the Appropriations Committees with a high ceiling within the budget, but a high ceiling; and if the Appropriations Committees then decide that they want to fund one program within a function higher than another program, they can do so; and they can do so without violating the budget.

This gives the Appropriations Committee the discretion they need, within the budget, to make congressional discretion operative.

Mr. TAUKE. Will the gentleman yield further?

Mr. WILLIAMS. I yield to the gentleman.

Mr. TAUKE. I thank the gentleman for yielding.

Mr. Chairman, I guess it is a different approach to the authorization process that we have. Of course, we could triple the spending levels in the authorization bills and we would not violate the Budget Act. We all now agree on that.

The fact is that we authorize here spending levels far in excess of what the budget approves. Now if we do that over and over again, of course then the authorizations mean less and less, because all of the decisions then are made by the appropriating subcommittee and the appropriating committees, and through a continuing resolution which probably cannot be amended on the floor; and none of the decisions that are made in the authorizing committees and subcommittees, or in this authorization, have much meaning.

I do not understand what benefit we get out of inflating all the figures and pumping up the figures, I guess, to make ourselves look good so we can run back and say, "Boy, look what we did for you folks out there in the VISTA Program," when we know darn well the money will never be spent anyway.

I do not get it. Why do we do this?

Mr. BARTLETT. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, what we have before us is purely and simply a budget issue. The gentleman from Iowa [Mr. TAUKE], who has offered the amendment, is attempting to give the House an opportunity to do what I believe the House wants to do; and that is to comply with the budget that we just passed.

The issue is the meaning of the budget resolution. The issue is not the worthiness of the ACTION Programs; that has all been agreed to. The issue is purely a budget issue.

In the authorization legislation, the authorizing legislation, the authorizing committee has recommended a total spending to be authorized of $176 million, approximately a 20-percent increase. Either the House intends for that increase to be spent or we intend to compy with the budget resolution.

We ought to make the authorizing levels consistent with what we intend to have happen. Now, there is no dispute, it seems to me, because it is in black and white, as to what the House has adopted as far as a budget. The House budget conferees are using a document in which they compare—the House Budget Committee and the Senate-passed resolution—in which the Congressional Budget Office printout for the House budget resolution recommendation for ACTION Agency shows ACTION to be $145 million.

Mr. TAUKE's amendment would increase it slightly, even over from that, to $151 million, but the gentleman would say that we should at least attempt to keep the authorizing levels within the budget.

I refer the House to page 45 of the concurrent resolution on the budget for fiscal year 1987. It says very explicitly: The committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for 3 years.

The report goes on to identify some specific programs in the function as low income programs which primarily serve individuals that are disadvantaged within society to exempt them from the 3-year freeze, and mentions those programs by name.

□ 1430

But the ACTION Agency is not one of those programs; it is not mentioned in the House budget resolution by name. Therefore, the Congressional Budget Office in preparing for the House budget conference has specified, I think, the intent of the House and that is $145 million level.

The issue is the classic issue of what do we mean by authorizing levels? I think Mr. TAUKE has laid before us the issues that when we adopt an authorization level, we ought to adopt that authorization level at the level we intend to be spent for that program. We can make that judgment as the House. We can make that judgment based on merit. Now this process, if we do not adopt the Tauke amendment, is precisely how deficits have run out of control year after year, and it is precisely the reason that the House has decided through the budget process to attempt to set a budget, decide what the budget will be within the overall context of the budget for each and every program and then to follow that budget. What we have done in past years is we have thrown the budget out the window at the first opportunity. What Mr. TAUKE in his amendment is attempting to do is to say, "Wait a minute, this year is different. This year we don't plan to follow business as usual. We plan to follow the letter and the spirit of the budget that we just adopted."

So I would urge a vote for the Tauke amendment and a vote to follow the House budget resolution that we have just adopted.

Mr. KILDEE. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, let us make one thing clear: the budget resolution, looking at needs, did provide a specific additional $500 million in function 500 and directed that the $500 million be used for a number of target areas including the low income and the elderly.

Now the RSVP, Foster Grandparents and Senior Companions are all programs for senior citizens, and Foster Grandparents and senior citizens are specifically for low-income senior citizens.

Now if the Appropriations Committee wants to appropriate at the levels we have in this bill, they can do that within that $500 million and in no way violate the budget resolution. I think Mr. TAUKE and I both agree on that.

Let me tell you why I think we should give the Appropriations Committee some flexibility. If you feel that the present system of diagnostic related groups, the DRG's—and you have written a lot of letters to people saying these DRG's are harsh, and you are going to try to find some means to soften the harshness of those DRG's which are putting our senior citizens in many cases who are on Medicare out of the hospitals sicker and quicker. We know that.

Now if you really feel that you want to soften the harshness of those DRG's, you should oppose this amendment, clear and simple.

I do not play games with this bill, and I know you are not accusing me of that, although that term has been used; I am very concerned with those DRG's.

Now if you want to soften those, you should oppose this amendment. The RSVP programs, the senior volunteer programs, provide services for these older Americans. These older Americans very often who are put out of the hospital are able to remain in their homes and get at least some services because of these programs rather than going to extended care facilities or convalescent homes.

I know that. You see that. I have in my own family people who have been able to stay in their homes because of programs like this when they were put out of hospitals because of these DRG's. Now what we have done here, then, is we have merely provided some flexibility which is covered by function 500. When the Appropriations Committee looks at this, they might be able to see that we have been saving some money, wisely or unwisely, on Medicare with the DRG's. They can say let us try to soften the harshness of those DRG's by helping these programs which will provide some companion, some volunteer to help those persons in their homes.

Now at most we are $5 million over last year's authorization. At most, no matter how you calculate it, and $19 million over last year's appropriation.

That is, I think, a small price when we consider the savings which the administration claims they have made in the DRG's, which have been harsh. You have written your letters on that, saying that you are going to try to find some means to soften the blow of the DRG's.

Here is your chance to do that, by giving the flexibility to the Committee on Appropriations within function 500 for which they have the money. They have been directed to use that for programs like this if they find it in their wisdom to do so.

So, please vote "no" on these amendments and consider our ability to perhaps soften the harshness of those DRG's.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I will be happy to yield to the gentleman from Texas.

Mr. BARTLETT. I thank the gentleman for yielding because his comments raise two questions. My first question is, At what level does the gentleman believe that we ought to be spending in fiscal year 1987, 1988, and 1989? Mr. WILLIAMS seemed to indicate he thought we ought to be spending at the fiscal year 1986 levels, but authorizing at a different level. Does the gentleman believe we ought to spend more or less or the same? How much? $25 million?

Mr. KILDEE. I would hope, and this is my own personal hope you are asking me, I can only respond for myself, not the other members of the subcommittee, but I would hope or I would not have put in the bill, that within function 500 and the money allocated under function 500 they could

fund this at the fullest. I don't know whether they will. But I think if they want to, looking at the savings that have been made elsewhere in the Medicare budget, they might find that at most they can spend $5 million over the previous authorization.

Mr. BARTLETT. Mr. Chairman, would the gentleman from Michigan yield for a brief question in order to clarify on that point?

Mr. KILDEE. I yield to the gentleman from Texas.

Mr. BARTLETT. I thank the gentleman for yielding further.

I just want to make certain: Then the gentleman is saying that he believes that we ought to actually spend $176 million, a 20-percent increase approximately.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. KILDEE] has expired.

(On request of Mr. BARTLETT and by unanimous consent, Mr. KILDEE was allowed to proceed for 5 additional minutes.)

Mr. KILDEE. Mr. Chairman, let me respond in this fashion: I myself would be willing to spend $5 million over last year's authorization or, at most, it would be about $18 million or $19 million for these three programs for which I have responsibility as chairman of the subcommittee. I would be willing to spend the $18 million or $19 million. But I am not on the Committee on Appropriations.

I send them a signal as to what I think the needs are. We have had hearings throughout the country. I know what the needs are. There are people languishing in their beds with no care at all because they have been put out of the hospital under the DRG's.

I think this is what the need is. They will look at the resources and I think that within function 500 they have the resources. But it is up to their wisdom to do what they want to do.

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the gentleman from Montana.

Mr. WILLIAMS. I thank the gentleman for yielding.

The gentleman from Texas asks the operative question of this side when he asks of us, do we believe that more money should be spent on this effort? And the answer is yes, we do. And so did the Budget Committee. So did the House when it passed the Budget Committee product. So did the other body's Budget Committee believe that more money should be spent on these programs. So did the full Senate, controlled not by our party but by yours, when it passed the budget to us.

So the vast majority of people in both the House and the other body believe, yes, more money should be spent on these programs, and both the other body and the House have put that money in the budget so that more can be spent. So the answer to the gentleman from Texas' question when he says, "do you believe more money should be spent?," is "yes."

The point is that it is within the budget because the Budget Committee has said to the Committee on Appropriations that we are going to increase the budget allowance for this function by $1,500,000,000.

Now the Committee on Appropriations has to decide whether they are going to use that. We are simply making room in this bill for them to use it for this program if they should so desire.

Mr. KILDEE. Reclaiming the balance of my time, let me say this: We all know that each and every one of the 435 voting Members in this body have their own priorities. You suspect what my priorities are. We all have our priorities. But let me remind the gentleman from Texas that last year the gentleman from Texas voted for a defense authorization that was $10 billion over the figure in the budget resolution, $10 billion, because that is the gentleman's priority. I respect him for that.

My priority happens to be old people. I am asking for $5 million or at most $19 million over the appropriation. You were willing to vote last year, with your priorities, to vote for $10 billion in the defense budget over the budget resolution. I respect your right to have your priorities. But I have mine.

Mr. TAUKE. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I will be glad to yield to the gentleman from Iowa.

Mr. TAUKE. I thank the gentleman for yielding.

First of all, I want to commend the gentleman for his commitment to these programs because he is an outstanding chairman of the subcommittee which brings these programs forward, and I enjoy working with him.

Second, I want to observe that he cannot say that about my defense spending. Frankly, I think it is irrelevant. But my personal priority happens to be to spend enough money—spend no more money at the Federal level than we can afford. I also think we ought to be honest with the American people. Now we adopted a budget resolution which says we are going to live within the Gramm-Rudman targets. The gentleman is correct that the budget resolution provides for an additional $500 million in spending. But unlike what the gentleman from Montana indicated, the Budget Committee did not anticipate any more spending for these programs; in fact, it specifically indicated these programs, it assumed, would be frozen.

The $500 million, the committee outlined where it is going to go: compensatory education, handicapped education, student financial assistance, job training, work incentives, older Americans and employment, Head Start and community services block grant. In each case they indicated how much money would go to those programs, the biggest increase being the 10.3-percent increase for Head Start.

Nowhere is there any room unless we cut out finding for those programs for the 23-percent increase that the gentleman proposes in these authorizations.

Now I offer in the amendment that I propose a $6 million increase above the current spending levels. The Budget Committee does not even want to give that. It seems to me that gives adequate flexibility.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. KILDEE] has expired.

(By unanimous consent, Mr. KILDEE was allowed to proceed for an additional 2 minutes.)

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the gentleman from Montana.

Mr. WILLIAMS. I thank the gentleman for yielding.

I say to Mr. TAUKE that he is reading from, as we know, from function 500 in the House Budget Committee report, and he is noting that this program is not mentioned. But he needs to turn the page and go to page 46 where the Budget Committee, in language I drafted, says this: "The committee recommendation includes $1,500 million in budget authority and $450 million in outlays for the coming year for additional programs for existing high priority efforts including," and then it singles this one out, "older American programs."

I assure you as the author of the amendment that put this in the Budget Committee, this program is within the budget.

Mr. TAUKE. Mr. Chairman, would the gentleman from Michigan yield one more time?

Mr. KILDEE. I will be happy to yield to the gentleman from Iowa.

Mr. TAUKE. I thank the gentleman for yielding.

Obviously, the Congressional Budget Office, when it prepared its documents, assumed that that meant the Older Americans Act programs included Older Americans employment. That is why the Congressional Budget Office tells us there is no increase in funding permitted for the programs we are discussing here, and it uses up that money in other programs that are mentioned in the language which the gentleman read.

Mr. KILDEE. Reclaiming my time, this authorization level is clearly within the budget resolution, is clearly within the parameters for function

500. I had that in mind. I did not pick these figures out of the air. I wanted to give to the Committee on Appropriations that authority or power, if they could, to add to these programs again to soften the blow of the DRG's.

Mr. HENRY. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Actually, Mr. Chairman, I am sorry; I jumped up because I was rather upset, my blood was boiling for 1 minute when I heard my colleague from Texas being attacked, in a sense, because he voted for defense figures which were substantially higher than I voted for, or the gentleman from Iowa or my good colleague from Michigan. Suggesting that because he did so his priorities and concerns for senior Americans were less intense than the gentleman's.

Now the gentleman knows that that is simply an inappropriate way to face what is a very, very emotional and difficult set of choices between this body.

□ 1445

Clearly I would not get up and suggest that those of us who have voted for less by way of defense authority and less by way of defense spending and outlay than others have less by way of commitment to this Nation's defense.

The issue here is truth in budgeting. The issue is what the distinguished gentleman from Montana said, we have a little misunderstanding here on apples and oranges, I guess. Some of us feel that authorizations ought not get so far removed from political reality that they absolutely obfuscate the meaning and integrity of the budget process. We ought not allow our authorization resolutions to become so far removed from the budget bills, which we battle and fight over and write newsletters back saying who the winners and who the losers are and we are sorry because there are never enough winners given the kind of situation, to allow the authorization vehicles to raise hopes, but also in the process to lose what influence we have as a committee to set priorities within the thresholds that we know are likely to go on these basic generic areas.

The gentleman also knows, because I have communicated with the gentleman, my personal concern about trying to see if we can redirect and reprogram moneys in the Older Americans Act to increase, particularly under title V in the Older Americans Act, if I am not mistaken, and try to come to some kind of, I would hope, commonsense language that would encourage the use of these monies which are used to provide employment opportunities for senior citizens into these kinds of particularly socially appropriate roles. The gentleman is aware of that.

I would simply say I am concerned here, because the problem we have faced is the same problem as last year, but the time bomb is ticking on this budget over and over and over again.

What some of us are arguing is that when we get appropriations that bear relationship to the Budget Act, we actually strengthen our ability to affect the final outcome of these very difficult choices rather than diminish it by means of some kind of bargaining to get money off line.

Mr. KILDEE. Mr. Chairman, will the gentleman yield?

Mr. HENRY. I yield to the gentleman from Montana.

Mr. KILDEE. Mr. Chairman, I would just say that I certainly did not intend to be offensive when I mentioned Mr. BARTLETT'S vote last year on the defense bill. The gentleman and I have discussed this in the elevator. We have worked together on many things. We worked together on bilingual education.

I merely pointed out that the amount of money we are talking about here, which is within the budget resolution, pales when we compare it to $10 billion, which was the gentleman's effort last year. It pales. We are talking about a very small amount of money for the people who are the most vulnerable people in our society. That is all I intended to convey.

The gentleman from Texas [Mr. BARTLETT] and I have been discussing this for years and we still remain very close friends.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. HENRY. I yield to the gentleman from Texas.

Mr. BARTLETT. Mr. Chairman, I appreciate the gentleman from Michigan [Mr. HENRY] bringing the House back to the purpose of the debate, which is truth in budgeting, which is to say that the House has adopted a budget, a House budget resolution, and we ought to follow it.

I want to read into the record on the gentleman's time at this point those lists of the high priority programs which are contained in appendix H of the House Budget Committee report, page 147. The budget actually lists those programs that are to be considered for the additional funding under function 500.

They include compensatory education, handicapped education, Indian education, student financial assistance, TRIO in historically black colleges, job training, work incentive, older American employment, other vocational rehabilitation, child welfare services, Head Start, community services block grant. No place on that list is ACTION.

Had the House intended to place ACTION at the same priority level of handicapped education, which I do not believe it die, then the House could have added it on that budget list.

Mr. Chairman, I would ask the gentleman from Michigan [Mr. HENRY] a very important question. The gentleman is not proposing that we cut funding for ACTION, as I understand it. The gentleman is proposing that we follow the budget resolution.

Mr. HENRY. The amendment before us actually increases it over the postsequestering levels.

Mr. BARTLETT. The gentleman is proposing that it be increased modestly within the House budget resolution.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. HENRY] has expired.

(By unanimous consent, Mr. HENRY was allowed to proceed for 1 additional minute.)

Mr. HENRY. Mr. Chairman, truth in budgeting is no different than truth in advertising.

Here is the problem. It is if I were advertising some kind of fluid washer for a windshield or something like this that I am getting because I have flies on my windshield, and the container says, "This holds 1 gallon," and in fine print it says, "filled with 2 quarts." That is basically what these kinds of bloated authorizations are doing.

It also in section 8 gives the discretionary power in the hands of fewer and fewer people while, at the same time, obfuscating the entire process in such a way that the American public in no way can understand what we are doing. That does not help our process in the least.

Mr. JEFFORDS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment, as I said before.

I would just like to point out what we are really talking about here. We have an amendment which is, in essence, as far as budget goes, a freeze-plus amendment. What it does is it brings the levels back to presequestration.

We have a bill which is a freeze-plus, plus, plus, plus. That is what it does. It brings it back to the presequestration levels, and then adds some more, and in another year it adds some more and it adds more.

I took a pledge, I think we all did, that this year and for the immediate future, during the period of Gramm-Rudman, we are going to have to bite the bullet. We are going to have to not do all the things we would like to do. We are going to have to live within the budget.

In my mind, as we have previously discussed in the last few minutes, this is not one of the high priority programs. It is a priority program. I like it, too, and I love the programs that are involved here. I love the people

who are involved with the programs. I like the WIC Program and I like a lot of other programs which, in my mind, have to have a higher priority in the distribution of what additional funds we may have when the budget process is over.

But I would urge my colleagues in the House that if we are going to have anything in the sense of a freeze, and that is let us keep the programs where they are, bump them up a little bit as we have done in this amendment to take care of some problems that were created or should not have been created with perhaps a sequestration, if we are not going to live up to our commitment to bring this budget under control in this program, how can we bring into the kind of alignment that we need to have a balanced budget in any of the programs?

So I urge the Members to take into consideration that this is a freeze-plus amendment as versus a freeze-plus, plus, plus, plus bill.

Mr. TAUKE. Mr. Chairman, will the gentleman yield?

Mr. JEFFORDS. I yield to the gentleman from Iowa.

Mr. TAUKE. Mr. Chairman, I just want to reiterate for my colleagues the key numbers. At the current time, we are spending $145 million on these programs. The amendment that I offer and which the gentleman supports provides $151 million, and the bill that is before us provides $179 million.

So those are the key figures from which we choose.

Mr. JEFFORDS. Mr. Chairman, those are a lot of pluses.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. TAUKE].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. BARTLETT. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 189, noes 221, not voting 23, as follows:

[Roll No. 172]

AYES—189

Andrews	Chappie	Edgar
Archer	Coats	Edwards (OK)
Armey	Cobey	Emerson
Badham	Coble	English
Barnard	Coleman (MO)	Evans (IA)
Bartlett	Coleman (TX)	Fawell
Barton	Combest	Fiedler
Bateman	Courter	Fields
Bereuter	Craig	Fish
Bilirakis	Crane	Frenzel
Bliley	Dannemeyer	Gallo
Boulter	Darden	Gekas
Broomfield	Daub	Gibbons
Brown (CO)	DeLay	Gingrich
Broyhill	DeWine	Goodling
Burton (IN)	Dickinson	Gradison
Byron	DioGuardi	Green
Callahan	Dornan (CA)	Gregg
Carper	Dreier	Gunderson
Chapman	Eckert (NY)	Hamilton
Hammerschmidt	McCurdy	Shaw
Hansen	McEwen	Shumway
Hartnett	McGrath	Shuster
Hendon	McKernan	Siljander
Henry	McKinney	Skeen
Hiler	McMillan	Slattery
Holt	Meyers	Slaughter
Hopkins	Michel	Smith (FL)
Hubbard	Miller (OH)	Smith (NE)
Huckaby	Miller (WA)	Smith, Denny (OR)
Hunter	Molinari	Smith, Robert (NH)
Hyde	Monson	Smith, Robert (OR)
Ireland	Montgomery	Snowe
Jeffords	Moore	Snyder
Jenkins	Moorhead	Solomon
Johnson	Myers	Spence
Jones (OK)	Nielson	Stallings
Kasich	Olin	Stangeland
Kemp	Oxley	Stenholm
Kindness	Packard	Strang
Kolbe	Parris	Stratton
Kramer	Pashayan	Stump
Lagomarsino	Penny	Sundquist
Latta	Petri	Swindall
Leach (IA)	Pickle	Synar
Leath (TX)	Porter	Tauke
Lent	Pursell	Taylor
Lewis (CA)	Ray	Thomas (CA)
Lewis (FL)	Regula	Thomas (GA)
Lightfoot	Ridge	Vento
Livingston	Ritter	Vucanovich
Loeffler	Roberts	Walker
Lott	Rogers	Watkins
Lowery (CA)	Roth	Weber
Lujan	Roukema	Whitehurst
Lungren	Rowland (CT)	Whittaker
Mack	Rowland (GA)	Wolf
Madigan	Rudd	Wortley
Marlenee	Saxton	Wylie
Martin (IL)	Schaefer	Young (FL)
Martin (NY)	Schneider	Zschau
McCain	Schuette	
McCandless	Sensenbrenner	
McCollum	Sharp	

NOES—221

Ackerman	Dingell	Jones (NC)
Akaka	Dixon	Jones (TN)
Alexander	Donnelly	Kanjorski
Anderson	Dorgan (ND)	Kaptur
Annunzio	Downey	Kastenmeier
Anthony	Duncan	Kennelly
Applegate	Durbin	Kildee
Aspin	Dwyer	Kleczka
Atkins	Dymally	Kolter
AuCoin	Dyson	Kostmayer
Barnes	Early	LaFalce
Bates	Eckart (OH)	Lantos
Bedell	Edwards (CA)	Lehman (CA)
Beilenson	Erdreich	Lehman (FL)
Bennett	Evans (IL)	Leland
Bentley	Fascell	Levin (MI)
Berman	Fazio	Levine (CA)
Bevill	Feighan	Lipinski
Biaggi	Flippo	Lloyd
Boehlert	Florio	Long
Boggs	Foglietta	Lowry (WA)
Boland	Foley	Luken
Bonior (MI)	Ford (MI)	MacKay
Bonker	Frank	Manton
Borski	Frost	Markey
Bosco	Garcia	Martinez
Boucher	Gaydos	Matsui
Boxer	Gejdenson	Mavroules
Brooks	Gilman	Mazzoli
Brown (CA)	Glickman	McCloskey
Bruce	Gonzalez	McDade
Bryant	Gordon	McHugh
Burton (CA)	Gray (IL)	Mica
Bustamante	Gray (PA)	Mikulski
Carr	Guarini	Miller (CA)
Chappell	Hall (OH)	Mineta
Clay	Hall, Ralph	Mitchell
Clinger	Hatcher	Moakley
Collins	Hawkins	Mollohan
Conte	Hayes	Moody
Conyers	Hefner	Morrison (CT)
Cooper	Heftel	Morrison (WA)
Coyne	Hertel	Mrazek
Crockett	Horton	Murphy
Daniel	Howard	Murtha
Daschle	Hoyer	Natcher
Dellums	Hughes	Neal
Derrick	Hutto	Nelson
Dicks	Jacobs	Nichols
Nowak	Savage	Traficant
Oakar	Scheuer	Traxler
Oberstar	Schroeder	Udall
Obey	Schulze	Valentine
Ortiz	Schumer	Visclosky
Owens	Shelby	Volkmer
Panetta	Sikorski	Walgren
Pease	Sisisky	Waxman
Pepper	Skelton	Weaver
Perkins	Smith (IA)	Weiss
Price	Smith (NJ)	Wheat
Quillen	Solarz	Whitley
Rahall	Spratt	Whitten
Reid	St Germain	Williams
Richardson	Staggers	Wilson
Rinaldo	Stark	Wirth
Robinson	Stokes	Wise
Rodino	Studds	Wolpe
Roe	Sweeney	Wright
Roemer	Swift	Wyden
Rose	Tallon	Yates
Rostenkowski	Tauzin	Yatron
Roybal	Torres	Young (AK)
Russo	Torricelli	Young (MO)
Sabo	Towns	

NOT VOTING—23

Boner (TN)	Davis	Grotberg
Breaux	de la Garza	Hillis
Campbell	Dowdy	Lundine
Carney	Ford (TN)	O'Brien
Chandler	Fowler	Rangel
Cheney	Franklin	Seiberling
Coelho	Fuqua	Vander Jagt
Coughlin	Gephardt	

□ 1510

Mr. MARTINEZ, Mr. CLINGER, Ms. OAKAR, and Mrs. LLOYD changed their vote from "aye" to "no."

Ms. SNOWE changed her vote from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. GREGG. Mr. Chairman, I move to strike the last word.

Mr. Chairman, it has come to my attention that the ACTION Agency has interpreted various provisions of the authorizing statute for the Foster Grandparent Program in a manner which frustrates the intent of Congress expressed during the last reauthorization of the Older American Volunteer programs that agency control over non-Federal funds be minimized.

Specifically, I understand that a grantee under the Foster Grandparents Program who submitted an application for refunding in full compliance with the statutory requirement that an amount equal to 90 percent of the Federal award be utilized for direct volunteer expenses, has been notified that the grant will not be refunded. The grantee in question has been instructed by the agency to effectively allocate a greater percentage of their excess non-Federal funds toward volunteer support expenses so as to allow a greater percentage of their Foster Grandparents grant to be used to pay for volunteer stipends.

Section 224 specifically provides that the Director of ACTION may not restrict the manner in which non-Federal funds available to the grantee in excess of the matching requirement may be used, provided that the use of

such funds is not inconsistent with the provisions of the act.

What would be the gentleman's understanding of the legal effect of section 224 on a situation where a grantee had met their non-Federal funding matching requirement and had met the requirement that an amount equal to 90 percent of their Federal grant was being used for direct volunteer expenses?

Mr. Chairman, I yield to the gentleman from Michigan [Mr. KILDEE] for his response.

Mr. KILDEE. I thank the gentleman for yielding to me.

Mr. Chairman, in response to the question from the gentleman from New Hampshire, section 224 was intended to limit ACTION's control over local funds raised in excess of the 10-percent match required in the law. Congress was very clear as to this intent, and this has been discussed at some length with ACTION personnel.

ACTION has the responsibility to monitor excess funds to the extent of determining that these funds are spent consistent with the purposes of the act. Beyond that, local programs have the responsibility and the right to make their own decisions about the most effective way to use local funds contributed over and above the 10 percent required in the law.

In the case you describe, it seems clear that ACTION is going beyond its statutory authority by requiring a local program to use its excess matching funds in a particular way. As long as the local agency is using its excess local contributions for appropriate expenditures such as transportation for foster grandparents or other legitimate costs, ACTION does not have the authority to take reprisals or otherwise try to force the program to use these excess funds in a particular way.

Mr. GREGG. Mr. Chairman, I thank the gentleman from Michigan, and I yield back the balance of my time.

AMENDMENT OFFERED BY MRS. MARTIN OF ILLINOIS

Mrs. MARTIN of Illinois. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mrs. MARTIN of Illinois: Page 11, line 17, strike "2,600" and insert "2,400".

Page 11, line 19, strike "2,730" and insert "2,400".

Page 11, line 21, strike "2,865" and insert "2,400".

□ 1520

Mrs. MARTIN of Illinois. Mr. Chairman, the bill before us contains funding for the VISTA—that is the Volunteers in Service to America—in excess of both the fiscal year 1987 House budget resolution, and current services funding.

Mr. Chairman, it starts getting a little complicated, and these amendments get complicated, which means that it is easy to vote against them. So I ask the Members on both sides of the aisle to listen to this, because I will be brief.

We passed Gramm-Rudman; we passed a House budget resolution, which the Democratic majority supported; and we also tried to pass a Republican budget amendment. In all of those resolutions we looked for a number that is not reflected in the authorizing committee's project as they are given to us.

The only reason that that matters is because authorizing is starting to matter less and less around here, and we know it. Appropriations is mattering more and more, and this is the case where the authorizing level defines the appropriation.

Historically the VISTA service year funding floor contained in the authorizing legislation does dictate the appropriation. The Appropriations Committee calls the authorizing committee. It says, "What is your funding level per service year including the ancillary services?" Then it multiplies by the service year floor level contained in that legislation.

Because of that automatic funding necessitated by the VISTA service year floor, this is right now the first appropriations bill for fiscal year 1987.

Currently the VISTA Program has a service year allotment of 2,400. The committee of jurisdiction has increased the service year level to 2,687, 2,730, in 1988, and 2,865 in 1989. This means that the funding level would be increased, assuming a 3-percent inflation rate, by 11 percent in 1987, 8 percent in 1988, and 8 percent in 1989.

I am not here to argue the merits of an increase. We can all stand up and propose increases for programs that are wonderful. We can all talk about how we are for senior citizens and volunteers. But I am opposed to providing program increases of over 11 percent a year in a year that we must meet for the first time the Gramm-Rudman confines.

Mr. Chairman, may I remind my colleagues that we must meet that deficit target of $144 billion, and it is this type of appropriation that will lead to sequestration, which will destroy the VISTA Program. That would be a terrible, terrible thing for us to do.

With full respect to the authorizing committee, with full understanding that they believe that this program should be funded at the higher levels, I tell the Members of the House that this amendment is it. We get to give them an increase under this amendment, but we do not, it is true, give them the increase that will literally break the Democratic budget, the Republican budget, and totally ignore the realities of Gramm-Rudman.

It is the first such vote that we have here. It will provide the path for the rest of the votes.

I do not think that it is enough to just say that we are in favor of a program. I think that if we voted for either Gramm-Rudman or the Democratic budget or the Republican budget, we must support this amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. WEISS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, as with the last amendment that was offered, the authorization levels in this legislation regarding VISTA do not exceed the authorizations in the budget resolution. The fiscal year 1986 authorization was $25 million; the fiscal year 1987 level is $25 million; the fiscal year 1988 is $26,250,000; and the fiscal year 1989 level is $27,560,000. All of it is within the parameters of the budget resolution.

What is included in the legislation is a VISTA funding floor, a guaranteed amount, minimum amount that must be first spent on VISTA prior to the appropriation of any funds for part B, the Service Learning Program, or part C, the Demonstration and Special Volunteer Programs.

What the legislation does is to create priorities. The VISTA funding floor levels in this bill for fiscal year 1987 provide for 2,600 volunteer service years, and that is the equivalent to approximately $20,020,000 where you have a $25 million authorization level. For fiscal year 1988 it provides for 2,730 volunteer service years, equivalent to approximately $21,021,000, and the authorization level is $26,250,000. And for fiscal year 1989 the volunteer service years are 2,865, and that is equivalent to approximately $22,060,500.

So again, I do not know where the suggestion comes from that these are in violation of the budget resolution. They are not. They are absolutely within the legislation.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. WEISS. When I conclude, I will be pleased to do that.

In each of the past 5 years, President Reagan attempted to abolish the VISTA Program. But the American people, through their elected Representatives in Congress, rejected those efforts although there have been drastic cuts. I am pleased that the administration now supports VISTA's continuation. By passing H.R. 4116 without this crippling amendment, we would assure the continuation of the VISTA Program.

With 33 million Americans living in poverty in the United States, this vital, cost-effective program is more essential than ever.

Since 1965, over 80,000 Americans have served as VISTA volunteers and have demonstrated that our Government can help people to help themselves. VISTA's "hands on" approach has provided millions of our Nation's poor with an opportunity for a better life. VISTA has brought lasting and positive improvements to thousands of urban and rural low-income communities and neighborhoods.

VISTA has provided invaluable assistance to thousands of community self-help projects ranging from battered women's shelters to agricultural cooperatives. And VISTA continues to demonstrate the ability to respond to newly emerging issues and needs. Before homelessness was in the headlines, VISTA volunteers were organizing shelters. While a national debate raged over the extent of hunger among Americans, VISTA volunteers were putting together food banks. While the recession was at its peak, VISTA volunteers were establishing job banks to deal with the crisis of unemployment. And long before illiteracy was recognized as a national crisis, VISTA volunteers were initiating literacy outreach efforts and recruiting and training volunteer tutors in the poorest of American communities.

Today, VISTA volunteers—the majority of whom are themselves low income—continue to generate the tangible benefits of jobs, resources, and services to poor communities, as well as the intangible benefits of dignity, hope, and self-respect. But, today there are only 2,400 volunteers, and the budget is $18 million, compared to nearly 5,000 volunteers and a budget of $34 million in 1981.

The fiscal year 1987 VISTA authorization, which is frozen at its fiscal year 1986 level, is equivalent to 76 cents for every man, woman, and child in the United States living below the poverty level. The Martin amendment would freeze the service year funding floor at 2,400, which is similar to 2,400 full-time equivalent employees [FTE's], instead of allowing the modest annual increases included in H.R. 4116.

A freeze in the minimum number of VISTA volunteers that doesn't allow for increased need is not really a freeze, it is a cut, and it would cut a program that has already been cut drastically. VISTA needs to increase the number of volunteers in order to continue to do its important work. For example, 545 VISTA volunteers are currently assigned to hunger programs and food banks in 40 States, 301 VISTA volunteers are assisting the homeless in 28 States, 383 VISTA volunteers are working with the elderly in 32 States, and 177 are helping abused childern in 20 States. If the minimum number of volunteers is frozen through 1989, at a time when the number of elderly, homeless, and abused children is expected to increase, then there will be more impoverished Americans who have no where to turn.

The service year floors included in H.R. 4116 are designed to regain some of the ground lost since 1981. Although I support the kinds of demonstration projects that could be funded under part B and part C of title I, I do not support cutting or freezing levels for the VISTA Program, which has been proven effective, in order to fund demonstration projects. And, the service year funding floor included in H.R. 4116 is 20 percent below the funding authorized by the bill, providing quite a lot of flexibility between the minimum and maximum funding that the law would allow.

□ 1530

So I urge my colleagues to reject the Martin amendment and any other amendments that would reduce the authorization levels for VISTA service year funding floors provided for in H.R. 4116, as reported by the committee.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I am happy to yield to my colleague, the gentlewoman from Illinois.

Mrs. MARTIN of Illinois. Mr. Chairman, listening to the gentleman, I am always amazed that we do not increase everything, because then according to the gentleman's logic we would have no deficit whatsoever.

Mr. WEISS. Well, taking back my time just for a moment, all that we are asking is that we not be put into the kind of straitjacket that the gentlewoman intends to put this program in for three successive years. That is what the gentlewoman's amendment would do.

Mrs. MARTIN of Illinois. That is correct.

Mr. WEISS. I am pleased to yield further to the gentlewoman.

Mrs. MARTIN of Illinois. Did the gentleman support the Democratic budget amendment?

Mr. WEISS. Of course, I did.

Mrs. MARTIN of Illinois. Well, may I quote:

> The committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for three years.

I mean, the gentleman voted for that freeze. I am giving the gentleman more than that in my amendment. I just think what we do one month we should continue to do the next.

Mr. WEISS. Mr. Chairman, if I may take back my time again, what the gentlewoman attempts to do is through a sleight of hand by limiting the numbers of people, the number of service years that can be paid for out of the money that has been authorized or appropriated, in fact is to cut back by freezing the program. That is what the gentlewoman attempts to do.

The legislation as it now exists is fully within the parameters of the budget resolution as adopted by this House.

Mrs. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I am pleased to yield to my friend, the gentlewoman from Connecticut.

Mrs. JOHNSON. Mr. Chairman, are there not dollars, however, associated with every service year? It seems only rational that if we increase the service years from 2,600 to 2,730——

The CHAIRMAN. The time of the gentleman from New York has expired.

(By unanimous consent, Mr. WEISS was allowed to proceed for 3 additional minutes.)

Mrs. JOHNSON. Mr. Chairman, will the gentleman yield further?

Mr. WEISS. I am pleased to yield to my friend.

Mrs. JOHNSON. That I would associate dollars with that increase in the number of service years.

Mr. WEISS. The gentlewoman is right, except that as I have indicated before, the number of service years that are provided for in this legislation come well within the amount. In fact, they are about 20 percent below the total amount that has been authorized in money terms.

Mrs. JOHNSON. If we increase the service years and the funding attributed to those service years and if the budget is capped and we are freezing the budget for 3 years by our own resolution, then something has to go.

What we are doing here, unfortunately, if we do not pass this amendment, is to mandate an increase in service years and the dollars attached to those increases and blindly ignoring the things that are going to be unfunded then or underfunded that are equally important, every bit as important, because this function of the budget has never gotten an increase.

The CHAIRMAN. The time of the gentleman from New York has again expired.

(By unanimous consent, Mr. WEISS was allowed to proceed for 2 additional minutes.)

Mr. WEISS. Mr. Chairman, if I may, what is going on here now is sort of a double-headed effort to try to cut this program.

The first amendment that was offered suggested cutting the authorization level. That failed. Now the effort is being made to say, OK, the authorization levels will be left alone, but the number of people on whom you can spend that money will be limited.

This legislation does not increase dollars for the service years. It says 20 percent below the total amount authorization shall be spent for service

number of years. There is a great deal of flexibility there. The gentlewoman's premise, if I may suggest, is wrong.

Mr. BIAGGI. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I am pleased to yield to my friend, the gentleman from New York.

Mr. BIAGGI. Mr. Chairman, I thank the gentleman for yielding.

The gentlewoman from Illinois made reference to the statement that the committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for 3 years. That is correct; however, the gentlewoman fails to follow up with the next sentence: "The recommendation assumes that within the overall totals funding levels for individual programs will be determined through the annual appropriations process."

Clearly, this program is still substantially below the Budget Reconciliation Act.

Mr. WEISS. Mr. Chairman, I thank my friend for his comments.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield, since my name was mentioned?

Mr. WEISS. I am pleased to yield to my friend.

Mrs. MARTIN of Illinois. Mr. Chairman, I thank the gentleman from New York. I am super pleased that the gentleman read that last line. I did not want to take up more of the gentleman's time.

The gentleman is making my point, may I say to the Congressman, so beautifully, that by this particular amendment for once on this bill we are appropriating, so in effect what we vote on with my amendment will determine if we keep to the budget document or not.

Mr. BIAGGI. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I am pleased to yield to my friend.

Mr. BIAGGI. Mr. Chairman, I am glad the gentlewoman thinks that I made her point. I think contrarywise; however, the fact of the matter is, with this bill the cost for 1987 for 2,600 will be $20.2 million.

The CHAIRMAN. The time of the gentleman from New York has again expired.

(By unanimous consent, Mr. WEISS was allowed to proceed for 1 additional minute.)

Mr. WEISS. I yield to my friend.

Mr. BIAGGI. The cost will be $20.2 million, which is almost $5 million below the $25 million authorization.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I am pleased to yield to my friend, the gentleman from Texas.

Mr. BARTLETT. Mr. Chairman, just a correction for the RECORD. I think it is important that Members understand that the gentlewoman's amendment does not limit the number of VISTA volunteers. It merely leaves the number of guaranteed VISTA volunteers at today's level of 2,400 service years.

The gentlewoman is dealing with a minimum guarantee.

I see on the floor members of the Appropriations Committee. What we are doing, without this amendment, what we are doing in the bill, without the Martin amendment, is to guarantee an appropriations level that would increase by 11 percent in this one very narrow program in the first year; so the gentlewoman's amendment does not limit the number of VISTA volunteers.

Mr. WEISS. Mr. Chairman, if I may, in fact what it does, because that is the way it has worked out, that floor becomes the ceiling. That is the way it has always worked and indeed the gentlewoman's amendment would limit for 3 successive years the number of service years to 2,400, which would end up being a cutback.

Mr. GOODLING. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment.

I must admit after hearing the discussion in the last few minutes, I am rather confused as to what this does or does not do.

As I read the legislation, and as I understand the gentlewoman's amendment, she is basically trying to do what it is we said we would do in the resolution that was passed, the budget resolution. In that resolution, we said we would freeze for a 3-year period.

Now, I do not understand what it is we cut, if as a matter of fact we increase spending in this area. I assume there is some other program that will be coming or programs that will be offered where there will be a considerable reduction in order to get to the overall freeze. I do not see how you can look at it in any other direction.

I certainly support VISTA and appreciate all they have done in my district and throughout the country, but it seems to me that if we pass a document one month and then the very next turn right around, as a matter of fact, and deviate from that, I do not see really how we are going to get our fiscal house in order; so it would be my hope that we would do as we said we would do in the budget resolution, and that is to freeze, so that as a matter of fact those other programs, and I do not know which they are, will not have to take the kind of cuts that I suppose they would have to take in order to do something more than freeze this particular program.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. GOODLING. I am happy to yield to the gentlewoman from Illinois.

Mrs. MARTIN of Illinois. Mr. Chairman, the gentleman from Pennsylvania is a member of the Budget Committee and a conferee to the budget. Does the gentleman see any evidence that the Senate-House conference is going to increase the numbers in the Democratic budget for these programs?

Mr. GOODLING. I see no possibility that that will happen.

Mrs. MARTIN of Illinois. So that if we rise above the democratically passed House budget resolution, we would be not only sending the wrong signal, but in effect falsely giving hope where there will be none.

Mr. GOODLING. Yes, and I think we have to be careful when we send out that kind of false hope.

Mr. BIAGGI. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise today in opposition to Mrs. MARTIN's amendment to H.R. 4116, the Domestic Volunteer Service Amendments of 1986 an amendment which would freeze the volunteer service year floor levels for the next 3 years. I wish to address two of the arguments in particular.

The first of these arguments is that increasing the VISTA volunteer service year floor levels to 2,600 in fiscal year 1987, 2,730 in fiscal year 1988 and 2,865 in fiscal year 1989, would be in violation of the Budget Reconciliation Act.

Clearly, this is not a fact, and I think that should put that argument to rest.

VISTA's current post sequestration appropriation is $18.1 million. The estimated cost of the volunteer service years floor level increase in fiscal year 1987 would be about $20 million which includes the public relations and media campaigns mandated by H.R. 4116. This figure is still below the $21.13 million that title I received post-sequestration in fiscal year 1986. Therefore, the increases in floor levels would not necessitate an increase in title I funding.

In this time of necessary deficit reduction, it is important that we examine all federally funded programs and give priority to those we feel are essential. VISTA is the Federal Government's only full-time antipoverty service to persons from all walks of life, all economic levels, and all age groups. VISTA has a 20-year record of accomplishments and cost-effectiveness. The self-reliance fostered by VISTA programs has done much to create a lasting positive change in the impacted neighborhoods. In January of 1981, VISTA had 5,000 volunteers at nearly 900 projects. In the past 5 years,

VISTA has remained a constant target of deficit reduction, to the extent that by the end of fiscal year 1986, with a 2,400 service year level, the number of VISTA volunteers will drop to 1,700 at 375 projects. This represents a 66-percent decrease in volunteer service years. It is essential that we halt this decrease—that we give priority to VISTA. That is all that these increased floor levels intend.

The other argument alluded to is that increased floor levels for VISTA will in some way sacrifice the valuable older American volunteer programs, and therefore hurt our older Americans. As chairman of the Human Services Subcommittee of the Select Committee on Aging, let me clarify that older Americans participate in the VISTA program both as volunteers and as beneficiaries. In fact, the law requires, through an amendment I introduced several years ago, that 20 percent of all VISTA volunteers be age 55 or older; currently this minimum is being exceeded. The atmosphere of decency and dignity for all that is promoted by VISTA programs is the mainstay of life for the elderly in our communities. H.R. 4116, in no way threatens the older American volunteer programs including RSVP, Foster Grandparents, and Senior Companions. In fact the national associations representing these program's project directors support the VISTA service year floor levels in H.R. 4116. I, therefore, urge my colleagues to join me in defeating this devastating amendment, and that is what it is, a devastating amendment, where we will be pursuing the same route that we have since 1981, from 5,000 volunteers down to 1,700 and further.

Mrs. JOHNSON. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment. We stood here on the floor and we passed Gramm-Rudman. It is not going to be any fun to live within the terms of Gramm-Rudman, but if we do not do it, then we invite sequestration. If we do not support the Martin amendment, we take the first step down the road of sequestration and when we end up with no budget and with a budget drawn by the formula in Gramm-Rudman, VISTA will be devastated. Public education will be devastated. Head Start will lose more slots as they did in 1986 when we refused to take our responsibility to select the Gramm-Rudman and let them go by formula.

My seniors who depend on Meals on Wheels will lose more Meals on Wheels slots, as they did in 1986 when we refused to take the responsibility to make the cuts and allowed Gramm-Rudman's formula budget to go into effect.

If we do not stand up today and have the courage to implement our own budget resolution, then we take the first step toward failing to pass a budget in the House and allowing sequestration to take place and a Gramm-Rudman formula budget to dictate to this Nation what our priorities are.

You cannot buy something and pay nothing. If you buy something for more volunteer hours, under title I you will have to reduce the number of student service volunteer hours, or you could reduce the number of general volunteer hours, or you could fail to provide any literacy volunteer funds; but you cannot have it both ways. You cannot increase the mandated number of volunteer years and fully fund the other volunteer service programs under title I and still stay within Gramm-Rudman.

□ 1545

It is simple logic. There is not one taxpayer listening to us who does not run their own household and does not know that they cannot buy increased funding over here for this and freeze funding for these other things and come out with a freeze across the board. You cannot do it.

This is mandating. This is appropriation. And this is Gramm-Rudman on the line. In this budget function, we did vote, and selectively, the Committee on the Budget chose this, made deliberate decisions to increase funding by $1.5 billion for Headstart, dislocated workers, vocational rehabilitation, handicapped education, TRIO and Job Corps. They did not increase funding for VISTA volunteers.

I like VISTA. I support VISTA. There is no one on this floor who does not understand the good work that they did, but ladies and gentlemen of this House, we committed ourselves and we are obligated to this Nation to pass a budget that meets Gramm-Rudman targets. Part of that pain is freezing this function of the budget because we choose to increase in other areas and we chose to cut more deeply in other areas.

So I urge my colleagues to support the Martin amendment.

Mr. WILLIAMS. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment offered by the gentlewoman from Illinois [Mrs. MARTIN].

Mr. Chairman, nothing is new. Our friends on the other side like this program and they like that program, they do not want to put much money in them and they certainly do not want to increase them, even though inflation goes up, but they want us and the American people to know that they sure like VISTA; they just do not want to fund it properly.

In fact, if they could, they would cut it, but they want us to know how much they really support it way down deep.

Here are the hard facts. The gentlewoman from Connecticut is absolutely correct, and I have no argument with it, and that is, if we are going to within title I, and there again are three efforts within title I, mandate that one of them be increased, then that means if we are going to stay within the budget, the other two must be decreased. The gentlewoman is absolutely right.

That is precisely the statement that we are making here on the House floor today. The increase that we are insisting upon for VISTA is plainly and simply the Congress of the United States saying to the Executive that we want to use our influence and prioritize one program within title I as more important than the other two. That is what we are doing with this.

Is that not why the Members of the House come to this city and gather in this Chamber, to express our options, to pick and choose, to prioritize, to say where we want this spending to happen?

In this instance we are saying that under title I, we want VISTA to increase ever so slightly, but to increase. We are not increasing the final total in the bill under title I, so that, of course, means that the other two programs, two small discretionary programs, special volunteer programs, will have to decrease. We understand that.

But that is within the prerogative of the House, and that is what we are herein doing. Our friends on the other side of the aisle are saying do not do that; Congress, do not exercise your discretionary power; do not tell the administration that they have to increase one program within title I over another.

I am saying Congress, exercise your discretionary power. If we decide that we like VISTA better than we like these other two small discretionary programs which are not as effective as is VISTA, then we should say in this legislation that we, the lawmakers of this land, have decided that we want more money in VISTA and slightly less money in the two other discretionary programs under title I.

There is nothing wrong with that. It does not violate the budget in any way. I say again to the Members of this House, as a member of the Committee on the Budget, as one who was successful in offering the low income and education amendments to this year's budget, what we are doing in this bill does not violate the budget. The amendment offered by the gentlewoman from Illinois does not bring us down to the budget; it brings us simply below what the authorizing committee

in this House believes should go to VISTA.

Mrs. JOHNSON. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. I would be pleased to yield to the gentlewoman from Connecticut.

Mrs. JOHNSON. I thank the gentleman for yielding.

Mr. Chairman, I think it is important that we do acknowledge that by increasing the VISTA volunteers, we are cutting out two-thirds of all of the other volunteers and we are not allowing a single literacy volunteer to be put in place, even though literacy is a major problem in our Nation and probably the foundation upon which both unemployment and welfare rest.

Mr. WILLIAMS. In reclaiming my time, I say to the gentlewoman that in order to take care of that, I amended the VISTA part of title I to include a literacy corps, and we increased the literacy effort. That is part of the reason for increasing the service years. So literacy will be more than taken care of in this bill.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS. I would be pleased to yield to the gentleman from Texas.

Mr. BARTLETT. I thank the gentleman for yielding.

This is on a factual correction. If, in fact, the Committee on Appropriations does as the gentleman suggests, and takes all of the funding for this mandated increase in appropriations out of parts B and C, which is students and other citizens and volunteer programs around this country for parts B and C, the result is that it would reduce those two programs by two-thirds in the first year, but by the second year it would have eliminated those programs completely, not nibbling around the edges, not small reductions, but eliminating those student programs, and by the third year there would not be enough money just from those two programs to fund the mandated appropriation increases that the gentleman has in the bill.

The gentleman is mandating far more appropriations than can possibly be funded by eliminating parts B and C, the student volunteer programs, and the citizen volunteer programs, and I hope that is not what the gentleman intends.

Mr. MOODY. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment offered by the gentlewoman from Illinois.

Mr. Chairman, I will be brief, but I want to stress that my understanding of the amendment is that it would curtail legislative discretion by this body; that if there is an increase in VISTA it will be offset by a decrease, as the gentleman from Texas points out, in the other programs. Therefore, the problem raised by the gentlewoman from Connecticut does not arise.

The total budget expenditures will not go up; the mix will simply alter from what the administration wants to what the Congress wants, and I think that is what we are here for.

Mrs. JOHNSON. Mr. Chairman, will the gentleman yield on that point for a moment?

Mr. MOODY. I yield to the gentlewoman from Connecticut.

Mrs. JOHNSON. I thank the gentleman for yielding.

Mr. Chairman, if we raise the mandated level, then the Committee on Appropriations is faced with the situation that they have this mandate. I, frankly do not for a moment think that the Committee on Appropriations is going to eliminate the student volunteers or cut the other volunteer programs by two-thirds and not put any literacy volunteers in.

The gentleman is trying to force them into that position, but they are going to say, "You wanted this mandate. We will add this on." I would remind the gentleman that it was the Democratic Committee on the Budget that failed to choose this as one of the programs that they increased, although they increased this function $1.5 billion over and above where we are this year, which we did to very few functions.

So this is a serious dollars and cents matter. We just cannot have it both ways.

Mr. MOODY. Mr. Chairman reclaiming my time, the gentlewoman suggests that the Committee on Appropriations will be forced to make a decision. That is exactly what we want to have happen.

I think the authorizing committee, if I read them correctly, wants that decision to be forced on the Committee on Appropriations. So I do not think that problems described by the gentlewoman from Connecticut arise. This is a matter of Congress working its will to establish priorities. We are not busting any budgets here. We are staying within the budget limits.

Mr. Chairman, the legislation we are considering today, the reauthorization of the Domestic Volunteer Service Act, is an excellent measure that should enjoy the support of my colleagues on both sides of the aisle. H.R. 4116 would reauthorize the domestic volunteer programs of the ACTION Agency, including the VISTA Program and the three popular older American volunteer programs—the Retired Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program. There has been much talk about voluntarism by the current administration. This bill is our chance and the President's chance to show appreciation and support for the work of hundreds of thousands of volunteers of all ages who are serving in ACTION sponsored volunteer programs.

I know firsthand the contributions and positive and lasting change these programs have brought to low-income people and communities throughout the Nation. In my district Milwaukee Associates in Urban Development [MAUD] has sponsored the VISTA Program since 1967, making it the oldest continuing VISTA sponsor in the United States.

Over its 19 year history, MAUD has used VISTA resources to address the widest possible spectrum of community problems. VISTA volunteers have helped establish community health centers, community schools, mental health programs, neighborhood organizations, programs for older adults, and advocacy programs that benefit thousands of Milwaukee residents. Furthermore, as the community changes, as new issues are identified or as the urgency of issues is reprioritized, MAUD has responded to these changing needs with VISTA resources. The MAUD structure has allowed new, emerging organizations with innovative programs to compete successfully for VISTA resources.

The successes of MAUD VISTA projects would be too numerous to list here. The record does, however speak for itself in just the "first" VISTA's have been responsible for in Milwaukee. The first shelter for battered women, the first, second, and third neighborhood credit unions, the first and now largest transportation system for the elderly, the first Citizen Advocacy Program for Retarded Citizens and the first parent-run community schools all began as VISTA projects. Well over 500 VISTA volunteers have served the community through MAUD. They represent an investment of well over $1 million in the development of community based solutions to the problems of poverty and generated 20 times that amount in other resources.

I urge my colleagues in this body to act quickly and positively on this legislation and reject all attempts to reduce the authorization levels for these invaluable programs included in H.R. 4116. This bill also includes a service year funding floor for VISTA that Mr. BARTLETT is attempting to freeze. The service year floors included in the bill are absolutely critical to VISTA's survival and revitalization. The floor ensures that a minimum funding level in each year—that I might note is far below the authorization level—first be spent for VISTA, the only full-time antipoverty program in ACTION prior to the appropriation of funds for other demonstration programs that are far less proven

and far less focused on addressing the needs of the poor and disadvantaged than VISTA. The service year funding floor in this bill does not necessarily require new funds; they merely state that of the funds appropriated for title I programs, there must first be available adequate moneys to support certain minimum levels of VISTA service to the poor and disadvantaged.

There are also false arguments being made that the funding floor will jeopardize older American programs. This is absolutely incorrect. In fact, three associations representing the older American programs have continuously been supportive of the funding floor concept and of VISTA's service to senior citizens.

As major cuts in social programs begin to severely impact households everywhere, our responsibility is even greater to prioritize funding and retain the relatively minuscule investment of Federal dollars in programs such as these which doggedly work at helping the disadvantaged help themselves and their neighbors stay warm, nourished, and decently housed. This is exactly what the service year floors included in H.R. 4116 accomplish.

Let us pass H.R. 4116 and reject the crippling amendments.

□ 1555

Mr. BARTLETT. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I think on that last statement, I yield briefly to the sponsor of the amendment, the gentlewoman from Illinois [Mrs. MARTIN].

Mrs. MARTIN of Illinois. Mr. Chairman, I thank the gentleman from Texas.

Please let me assure my colleagues on both sides of the aisle that this is not meant to demean the work of the authorizing committee. In this very special category, the authorizing committee does dictate to the Committee on Appropriations.

It is not my amendment that dictates to them. With or without my amendment, the authorizing committee will be proscribed and prescribed to do certain things. The only question is what should they be proscribed from doing and prescribed to do.

I am suggesting we do something old-fashioned, like follow the budget amendment that we passed but a few weeks ago.

Mr. BARTLETT. Mr. Chairman, I thank the gentlewoman for her comments.

I want to try to bring the House back to the issue before us, because in the Tauke amendment earlier, we did consider authorization levels, and by a relatively close vote, the House decided to go with the authorization levels being recommended by the committee. But this is appropriations. Make no mistake about it. The amendment that the gentlewoman from Illinois [Mrs. MARTIN], is offering from the House Committee on the Budget, goes to the heart of appropriations.

The bill, the way it stands, mandates what, in effect, becomes a guaranteed level of appropriations. It is mandated by a term that is not used very often on this House floor because it is not very often in very many pieces of legislation.

It is called a funding floor. What a funding floor means, translated, is a guaranteed or a mandated appropriation. The appropriation may be taken out of other programs; it may be taken out of literacy programs, as the gentleman from Montana suggested. It may be taken out of youth programs, or citizen programs, or it may be just simply added, but one way or the other, unless we adopt the gentlewoman's amendment, we will have mandated an 11-percent increase in appropriations, not in authorizations, but in appropriations.

Let me redescribe again for the House what a funding floor does. A funding floor is a floor, or a minimum number of units of production. Units of production in this case are measured by service years. A service year is a classic or, by definition, current services analysis. So if this House were to mandate the same number of service years next year as we have this year, that, by definition, would provide for inflation and would provide for a current services increase because that is the definition.

No one is discussing the devastating cuts, so-called devastating cuts I heard discussed a moment ago. In fact, the gentlewoman from Illinois [Mrs. MARTIN] is proposing that we mandate current services by definition at 2,400 service-years.

We currently have 2,400 service-years mandated in law. The gentlewoman is proposing those 2,400 years be continued as a funding floor. The bill, on the other hand, mandates an increase in number of service-years to 2,600 in the first year and an additional 5-percent increase in each of the next 2 years, thus mandating appropriations of 11 percent in real dollars in the first year that either has to bust the budget or has to be taken away from student programs or from literacy programs or from some other programs within VISTA.

It is not in the budget. There is nowhere to go in the budget. I suppose one way or the other, the House would be stepping outside of what is, I think, our intent.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield,

Mr. BARTLETT. I yield to the gentlewoman from Illinois.

Mrs. MARTIN of Illinois. Mr. Chairman, I hope that everyone realizes that it would be very easy to demogog this issue, and kind of fun for Republicans to say, "You are against literacy programs; you are against teenage volunteers; you are against other volunteers." We are not saying that.

We think that perhaps for all of us in the House, the results of Gramm-Rudman are just beginning to be apparent. As this particular authorizing committee is the first one through with this very specific appropriation, it is understandable, perhaps, in your desire to be supportive of VISTA, that you could try to do what we have always done before: You get it from somewhere else and at the end, it always works out. It is just that this year is different.

Mr. BARTLETT. Mr. Chairman, I thank the gentlewoman for her comments.

The CHAIRMAN. The time of the gentleman from Texas [Mr. BARTLETT] has expired.

(By unanimous consent, Mr. BARTLETT was allowed to proceed for 1 additional minute.)

Mr. BARTLETT. Mr. Chairman, the point is that whether it is within this legislation or within the House budget resolution that has already been passed, or whether it is within Gramm-Rudman or a combination of all three, as the gentlewoman from Connecticut [Mrs. JOHNSON] said, whatever we mandate to be appropriated in this program will have to be taken from somewhere else.

Now maybe it will be taken from students. Maybe it will be taken from literacy within the same program or maybe it will be taken by other programs within the priority list of needs to come from the Committee on Education and Labor. Maybe it will be taken from education of the handicapped or from Headstart or Women, Infants and Children or from vocational rehabilitation, but the money will have to be taken from somewhere, and unless this House adopts the Martin amendment, we will just have adopted, mandated the largest appropriations increase of any bill before this House this session.

Mr. CHAIRMAN. The time of the gentleman from Texas [Mr. BARTLETT] has again expired.

(On request of Mr. WEISS, and by unanimous consent, Mr. BARTLETT was allowed to proceed for 1 additional minute.)

Mr. WEISS. Mr. Chairman, will the gentleman yield?

Mr. BARTLETT. I am happy to yield to the gentleman from New York.

Mr. WEISS. Mr. Chairman, I ask the gentleman to yield to me because there has been some broad-brush, generalized discussion as to what the impact of the amendment would be and what the legislation currently pro-

vides from what it takes away from the two small demonstration projects.

Let me just read through those. The primary focus areas: hunger. Part B, service learning, provides no funds right now. Part C, demonstration grants, no funds VISTA in hunger areas supports 129 projects, 545 VISTA volunteers in 40 States.

Let me take one area where there are, in fact, four grants in youth programs; runaways, delinquency prevention, troubled youth, under the part B demonstration project, for $51,689. VISTA supports in that very area 269 projects, 1,586 VISTA volunteers in 42 States.

In alcohol and drug abuse, the part C demonstration grant has two projects at $248,000. VISTA has 77 projects, 441 VISTA Programs in 39 States.

The final demonstration project for refugees has 1 project for slightly under $50,000, whereas VISTA for refugees has 37 projects, 185 VISTA volunteers in 24 States.

Those two small demonstration projects are not being disadvantaged at all. What we are doing in the legislation, in fact, is providing much more handsomely than those demonstration projects ever did or could have.

The CHAIRMAN. The time of the gentleman from Texas [Mr. BARTLETT] has again expired.

(By unanimous consent, Mr. BARTLETT was allowed to proceed for 1 additional minute.)

Mr. BARTLETT. Mr. Chairman, I will not use the entire minute, but just to respond briefly, the Martin amendment does not cut those programs. In fact, by definition, it provides for current services continuation at the same level of those programs. I will read you simply from the committee report in one section, on page 9, of the part C special volunteers, which would by necessity be eliminated without the Martin amendment. "Current projects include a runaway youth program, a drug prevention program, a refugee assistance program, placement and counseling services, and a literacy program."

What the gentlewoman is proposing is that we do not tie the hands of appropriations and we continue to fund those programs and not mandate the additional appropriations in the VISTA Program.

Mr. WEISS. Mr. Chairman, if the gentleman will yield to me for just 1 second, my point is precisely that those very programs the gentleman has mentioned as part of the demonstration projects have been provided for in the VISTA Program.

They are not being hurt or cut at all.

Mr. MILLER of California. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the amendment.

Mr. Chairman, I would hope that we would reject the Martin amendment because it is an amendment that is aimed at the heart of VISTA, aimed at the heart of this legislation, and can be fatal to the program.

The proponents of the Martin amendment say that if you accept the committee bill, you will be strengthening VISTA. Yes, we will. That is what we want to do.

□ 1605

Why? Because we have seen VISTA as an effective agency to help poor people help themselves. What we have also seen is money drained off in part B and part C, the demonstration grants, for little political projects by this administration, that have come under question by the GAO and others.

We would rather take what limited resources we have under Gramm-Rudman, under the budget constraints, and put them into a program that is effective in working with people and helping those people organize their communities. That is the testimony of VISTA; it is an effective organizing tool for poor people to make their communities a better place to live, a better place for their children, a better place for consumers.

What we have seen is these programs that the gentlewoman from Illinois and the gentlewoman from Connecticut and the gentleman from Texas are now crying about, what we now find out is three-quarters of the way through the fiscal year, less than 6 percent of the appropriated funds have been awarded for part B. Three-quarters of the way through the fiscal year, less than 27 percent of the part C moneys have been appropriated.

The fact of the matter is, those programs are duplicative of what VISTA's main mission is, and so you can take the Republican model, which is to throw more money, redundant programs at that, or you can come back and work with the one program that has in fact proven effective.

As pointed out, this amendment has no impact on the budget; this legislation is within the budget that we passed in this House; the chairman of the Committee on the Budget has certified that. The tough choices. It is interesting that the other side is now worried about the Committee on Appropriations having to make tough choices, or they are shocked that an authorizing committee would consider priorities and changing authorization upon rereview of the program.

The VISTA Program, the ACTION agencies, are an agency that has been tormented by this administration, that has engaged in illegal activities; that under the previous director, Mr. Pauken, misused the money, misspent the money, squandered the resources for the very programs that the other side is so terribly concerned about.

So what has the authorization committee done? The authorization committee said, "Let's get rid of these little slush funds, and let's put them into programs that have a trusted track record" of dealing with the very problem that you say you are so concerned about.

You are so concerned about illiteracy that those funds would be transferred to VISTA. In fact, in illiteracy so far this fiscal year, no projects have been funded under part B or part C, but under VISTA we find out that there are 110 projects in 40 States that are working on that problem.

So why do not we consolidate our resources, put them into the agency that is the most effective, with the longest track record, and put them there; and that we have made that choice on the authorization committee. We think the appropriations committee should make that choice, also.

The funding floor is there for one reason: Because this Congress, on a bipartisan basis, caught this administration with their hand real deep into the political cookie jar by misusing money that was supposed to be used for VISTA volunteers.

The only way we could keep them from doing that was to put a floor, to say you could not go below the minimum. Now, this is documented, do not look excited about it—we have been through all of the GAO hearings and everything else.

So to keep them from raiding the VISTA Program which to their shock and dismay, organized poor people to make a better community, to keep them from raiding that program, we put a floor on it; and now we think that that floor ought to be increased, and if that has to come out of the hide of part B and part C, so be it.

We think it is a better utilization of the taxpayers money than what is going on in terms of the rest of the program. That is in the spirit of Gramm-Rudman. That is in the spirit of pay-as-you-go.

Choices have to be made; we have made that choice. We think that is the more effective way in terms of the authorization of this.

Mrs. MARTIN of Illinois. Will the gentleman yield?

Mr. MILLER of California. I would be delighted to yield to my colleague on the Committee on the Budget, where we know that this does not violate the Budget Act.

Mrs. MARTIN of Illinois. We also know the reason it does not, according to the gentleman, is because it is an authorization, and no authorization can violate the Budget Act.

The author of pay-as-you-go certainly realizes, and has said honestly—and I just was standing up to give my ap-

preciation for the fact it would decimate these other programs. It is not, as some of your colleagues said, no, it's not going to affect them much at all—the gentleman has at least said it honestly.

If I am correct, the gentleman said it will absolutely curtail and decimate and by golly, he meant it.

Mr. MILLER of California. That would be my hope.

Mrs. MARTIN of Illinois. All right.

Mr. MILLER of California. Reclaiming my time, we find that VISTA is far more extensively involved, with a far better track record.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, Mr. MILLER of California was allowed to proceed for 2 additional minutes.)

Mr. MILLER of California. With a far better track record on the programs dealing with runaways, delinquency, troubled youth, with alcohol, drug-related abuse, with refugees.

My point is this: In the spirit of Gramm-Rudman, we ought to put our resources where they are most effectively used. That is what this authorization committee has done; that is what has been done over the years; that is what has been proven; we have been through 10 years of witch hunts in VISTA—no, some of this starts way back before the gentlewoman came here—and what we in fact found was that VISTA is one of the most effective agencies. For every VISTA volunteer we find that we attract 10 hours—of hours compared to the ACTION volunteers—in being people-involved in the community.

We think that is where we ought to put our eggs, in this basket.

Mrs. MARTIN of Illinois. Will the gentleman yield, since he said he would?

Mr. MILLER of California. I will yield after I explain. What the gentlewoman is suggesting is that this will decimate those programs. As the gentleman from New York [Mr. WEISS] and I have pointed out, those programs are not doing anything else. They are not doing anything; so what this will do is it will decimate their funding.

Do not pretend it is going to have a big impact in terms of the programs that you said you are concerned about, because they are not doing anything in hunger this year; they are not doing anything in illiteracy this year; they are not doing anything with the homeless; they are not doing anything with the elderly; they have one project in refugees, two projects in alcohol abuse; and four grants with runaway youth.

Mrs. MARTIN of Illinois. Will the gentleman ever yield?

Mr. MILLER of California. Yes. Oh, yes, I am always yielding.

Mrs. MARTIN of Illinois. Eventually. It is a wonderful speech. I am not quite sure why the gentleman is yelling at me.

Mr. MILLER of California. Because the gentlewoman is confusing the facts again. The gentlewoman is confusing the facts.

We are going to decimate their funding; not the program.

Mrs. MARTIN of Illinois. I thought the gentleman yielded.

The gentlewoman has not been able to say anything. One hesitates to interrupt a diatribe. I just——

Mr. MILLER of California. Well, if it is a diatribe, I will take my time back.

Mrs. MARTIN of Illinois. I just would quote——

Mr. MILLER of California. Mr. Chairman, I take back my time. If the gentlewoman wants to characterize my speech on the floor as diatribe, she can get her own time.

Let me summarize, Mr. Chairman, and members of the Committee.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, Mr. MILLER of California was allowed to proceed for an additional minute.)

Mr. MILLER of California. The point is this, Mr. Chairman. The authorizing committee has had a tough choice to make; the appropriations committee is going to have a tough choice to make. The point is this. We have a limited pool of money to spend; we believe the track record and the performance suggests that it should be spent by sending it to the VISTA, not to these other programs; and that is all this amendment is about.

There are no budget implications for this amendment because, as the gentlewoman knows, in function 500 they are going to have to make tradeoffs all of the time. Those tradeoffs are going to come and go on a daily basis in the appropriations committee.

Once again, I would like to yield to the gentlewoman.

Mrs. MARTIN of Illinois. Mr. Chairman, I am going to ask, when the gentleman's time is up, which I am sure it is right now, to give the gentleman another minute so perhaps he might yield to me.

Mr. MILLER of California. I might not yield that minute.

The CHAIRMAN. The time of the gentleman has expired.

(On request of Mrs. MARTIN of Illinois and by unanimous consent, Mr. MILLER of California was allowed to proceed for 1 additional minute.)

Mr. MILLER of California. Does the gentlewoman want this minute?

Mrs. MARTIN of Illinois. I am asking——

Mr. MILLER of California. I thought you wanted the last minute.

I will yield this minute. This is confusing.

Mrs. MARTIN of Illinois. Yes, I know.

Mr. Chairman, I hate to do it, but I would like to bring it back a little, if I might, to the issue. If these programs were so dreadful, I cannot say why your committee authorized them at all; but since they did, we are only pointing out—and I hope the gentleman understands this—that we would like VISTA continued, which is why amendment affords current services level, but—and I hope the gentleman will let me finish the sentence—that we cannot have increases; we cannot claim to include these other things; we cannot just keep going on and then, if I may give the rather extraordinary line that with increases there are no budget implications; I will respectfully differ with the gentleman, and I will say—and I hope on this we can agree—that without my amendment there are increases that other programs are affected and that overall, that is what will be mandated by the Committee on Appropriations and we will differ on whether that is a good idea or not.

Mr. MILLER of California. If I can reclaim my time, Mr. Chairman, the suggestion has been that somehow this violates the Budget Act; that we are over the ceilings, we are over the functional total, and the fact of the matter is we are not.

Mrs. MARTIN of Illinois. You are. You are.

Mr. MILLER of California. The budget implication is within that function, and the gentlewoman knows that.

The CHAIRMAN. The time of the gentleman has expired.

(On request of Mr. WILLIAMS and by unanimous consent, Mr. MILLER of California was allowed to proceed for 3 additional minutes.)

Mr. MILLER of California. The gentlewoman knows that. She knows that in fact that is the case; the budget implications are within title I, under parts B and C, because that is the tradeoff; the budget implications are within function 500.

The suggestion that somehow—the gentlewoman from Connecticut went on how this was the onslaught of Gramm-Rudman and this was going to bring down the budgetary house—that is simply not the case.

The case is that the budget implications are for the choices, and that is why we are here.

Mr. WILLIAMS. Will the gentleman yield?

Mr. MILLER of California. I yield to the gentleman.

Mr. WILLIAMS. Mr. Chairman, let me say for the record that the efforts which have been funded under part B and C are, as near as I can determine, worthwhile efforts. Such things as substance abuse efforts and independ-

ent living and early intervention programs.

□ 1615

So the part B and C effort, I would not want to see those current efforts—I know there have been some past problems—I would not want to see the current efforts in parts B and C denigrated. But our dilemma is different than that. Our dilemma is this: Our Budget Committee has asked that VISTA be frozen. This committee, the authorizing committee, has agreed with that and has frozen VISTA, but we have also looked at the need to provide locally based projects which would help the poor find shelter and learn to read and get a hot meal and get a job. Those are the things which VISTA volunteers provide. So we have said "all right, we will freeze VISTA but within title I we want to take some money, yes, from B and C, and put it over here in the main effort in VISTA so that we can help those low-income people in a very meaningful way." So it is because we are within the budget that we must make this type of priority effort for VISTA at the expense of the other two efforts.

Mr. MILLER of California. If I can reclaim my time, that is exactly what the authorizing committees are supposed to be doing. We have a difference of opinion. I do not think that efforts B and C are that great. The gentleman from Montana thinks B and C are. That is where some of the money is going to have to come from to pay for this increase that the gentlewoman is trying to prevent. That is within the budgetary guidelines of this House.

Mrs. MARTIN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. MILLER of California. I yield to the gentlewoman from Illinois.

Mrs. MARTIN of Illinois. I thank the gentleman for yielding.

You will have to remember that at the initial part of this debate it was said to the Members listening that there would be very little effect to B and C.

Mr. MILLER of California. No, no, if I may reclaim my time. What the gentleman said, Mr. WEISS, was that, if you are trying to suggest to these people that you are going to damage the programs, and you talked hunger and illiteracy, B and C are not working in those areas anyway.

PARLIAMENTARY INQUIRY

Mr. WILLIAMS. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WILLIAMS. Mr. Chairman, how much time does the gentleman in the well, Mr. MILLER of California, have remaining?

The CHAIRMAN. The time of the gentleman from California has expired.

(On request of Mr. HOYER and by unanimous consent, Mr. MILLER of California was allowed to proceed for 30 additional seconds.)

Mr. HOYER. Mr. Chairman, will the gentleman yield?

Mr. MILLER of California. I yield to the gentleman from Maryland.

Mr. HOYER. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I am delighted to add my support of the VISTA Program, voluntarism, and H.R. 4116 to that of so many of my colleagues. It is all too infrequently that we in the Congress have an opportunity to support a program that features the rare combination of being not only worthwhile and effective, but a bargain at the same time.

The VISTA Program is a shining example of American voluntarism put to work to benefit those least able to help themselves. It shows that no matter where we all come from, whether we grow up poor or grow up rich, whether we go to college or drop out of high school, whether we're young or old, we all in some way possess the underlying spirit of compassion and humanity that makes us want to reach out and help our fellow citizens.

This program has persisted against virtually all odds since the present administration targeted it for extinction 6 years ago. It survives today because the needs have not gone away, and even this administration can't successfully sweep them under the rug. And it survives today also because this body has refused to surrender it to the will of the administration to gut this program that has provided hope and an opportunity for a better life to impoverished and disadvantaged Americans.

It was VISTA that President Johnson was alluding to when in March 1964 he delivered a message to Congress in which he declared:

> The war on poverty is not a struggle simply to support people, to make them dependent on the generosity of others. It is a struggle to give people a chance.

A chance to read, a chance to get a job, a chance for adequate food and shelter, a chance for a safer neighborhood, or a chance to escape any of a lengthy list of problems that afflict millions of Americans because they're poor. And it is VISTA and its volunteers who are making those modest dreams come true. But the sad fact is that while there are more and more poor people in need today, there are fewer and fewer chances for those dreams to become realty.

In Maryland, where once there were 60 VISTAs working in 14 different antipoverty organizations, today there are fewer than 20 VISTAs working in five projects. That, my friends, is an outrage. In Prince Georges County, MD, which is my home, there are no VISTA volunteers available to help with the growing population of needy people who are rapidly finding themselves without anyplace to turn. When I see what VISTAs are capable of accomplishing elsewhere in Maryland, I have a great interest in seeing the program expanded so that those volunteers can begin helping the needy in my district, and I can't believe all of you don't feel the same way.

At the Maryland Food Bank, for example, VISTA volunteers have assisted in the distribution of 7 million pounds of food—nearly half a million pounds each month. They are directly feeding the hungry through soup kitchens and pantries. They are recruiting more and more agencies to help with the distribution of the food, and they are finding more and more private and Government sponsors to make more food available. The food bank's director says the program couldn't possibly continue at its present level without the help of the VISTA volunteers. The fact that they are trained, stipended, and committed makes them irreplaceable within the community.

We desperately need to recommit ourselves to VISTA by passing H.R. 4116. There are some among us who claim that service year funding floor included in this bill in some way harm other volunteer programs in parts B and C, but as a member of the Appropriations Committee with responsibility for all ACTION programs, I can tell you that's nonsense. It's a made-up argument coming from the same people who wanted to get rid of VISTA in the first place. The VISTA service year funding floor protects VISTA, prioritizes VISTA and ensures that VISTA will receive a minimum funding level prior to the appropriation of funds for other programs that are less proven or critical than volunteers in service to America.

As a member of the Appropriations Committee, I know what programs pay their way and what programs don't. VISTA pays its way. For a modest amount of money, VISTA not only goes to the root of poverty and fights it head on, but it perpetuates the concept of voluntarism and self-help, generating far greater resources within the community than it requires to pay for itself. This amendment claiming to represent fiscal responsibility in this budget-conscious times would freeze rather than further curtail one Federal program that we know efficiently and effectively spends the public's money.

By passing H.R. 4116 without the Martin amendment, we send a message to the rest of the country that we are serious in our commitment to fight poverty and hunger, and that we be-

lieve as a people in the idea that we have the ability to help each other to overcome what threatens us. I ask those who would vote otherwise what message they are sending with their position. I submit that it is a message of indifference and hopelessness to the 33 million Americans living in poverty. I want no part of such a message, and I believe the vast majority of my colleagues feel the same way.

Let us pass H.R. 4116 without the Martin amendment, and therefore send a message to America's poor and disadvantaged that they have not been forgotten and that their dreams for a better life do have a chance of coming true.

Mr. JEFFORDS. Mr. Chairman, I rise in support of the amendment offered by the gentlewoman from Illinois.

Many of the arguments that made the Tauke amendment appropriate apply equally to the amendment under consideration.

The bill before us raises from 2,400 to 2,600 the minimum VISTA Program service years or slots, if you will, that must be funded in fiscal year 1987. The VISTA service year minimum is increased to 2,730 in fiscal year 1988 and 2,865 in fiscal year 1989.

Higher VISTA service year "floors" or "minimum" levels dictate that more money must be appropriated. The funding mechanism provided in the bill requires that, should the appropriations fall short of the dollars needed to sustain the new, higher VISTA service year floors, any additional dollars needed to make up any VISTA funding shortfall will come from other smaller title I programs.

Generally, I have misgivings about the inclusion of mandatory minimums in an authorization measure making it a vehicle for predetermining and dictating what the appropriations must be for this program.

While the gentlewoman's amendment does not address this broader concern, it will maintain the VISTA Program service year level at the current 2,400 level. After cost-of-living adjustments are made, maintaining the current service year level, as we know, in and of itself, will result in additional spending for the VISTA Program. The bottom line is this: The Martin amendment maintains VISTA at its current service level. The amendment under consideration is timely; it makes good policy sense. It is fiscally sound. I wish to commend the gentlewoman for her initiative and urge my colleagues to adopt the Martin amendment.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from Illinois [Mrs. MARTIN].

The question was taken; and the chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. BARTLETT. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 204, noes 208, not voting 21, as follows:

[Roll No. 173]

AYES—204

Archer	Gunderson	Penny
Armey	Hammerschmidt	Petri
AuCoin	Hansen	Pickle
Badham	Hartnett	Porter
Barnard	Hendon	Pursell
Bartlett	Henry	Quillen
Barton	Hiler	Ray
Bateman	Holt	Regula
Bennett	Hopkins	Ridge
Bentley	Hubbard	Ritter
Bereuter	Hunter	Roberts
Bilirakis	Hutto	Rogers
Bliley	Hyde	Roth
Boehlert	Ireland	Roukema
Boulter	Jeffords	Rowland (CT)
Broomfield	Johnson	Rowland (GA)
Brown (CO)	Jones (OK)	Rudd
Broyhill	Kasich	Saxton
Burton (IN)	Kemp	Schaefer
Byron	Kindness	Schneider
Callahan	Kolbe	Schuette
Carper	Kramer	Schulze
Carr	Lagomarsino	Sensenbrenner
Chapman	Latta	Sharp
Chappell	Leach (IA)	Shaw
Chappie	Leath (TX)	Shumway
Cheney	Lent	Shuster
Clinger	Lewis (CA)	Siljander
Coats	Lewis (FL)	Skeen
Cobey	Lightfoot	Slaughter
Coble	Livingston	Smith (NE)
Coleman (MO)	Loeffler	Smith (NJ)
Coleman (TX)	Lott	Smith, Denny (OR)
Combest	Lowery (CA)	Smith, Robert (NH)
Coughlin	Lujan	Smith, Robert (OR)
Courter	Lungren	Snowe
Craig	Mack	Snyder
Crane	Madigan	Solomon
Daniel	Marlenee	Spence
Dannemeyer	Martin (IL)	Spratt
Darden	Martin (NY)	Stallings
Daub	Mazzoli	Stangeland
DeLay	McCain	Stenholm
DeWine	McCandless	Strang
Dickinson	McCollum	Stratton
DioGuardi	McDade	Stump
Dornan (CA)	McEwen	Sundquist
Dreier	McGrath	Sweeney
Duncan	McKernan	Swindall
Dyson	McKinney	Tauke
Eckert (NY)	McMillan	Taylor
Edwards (OK)	Meyers	Thomas (CA)
Emerson	Michel	Thomas (GA)
English	Miller (OH)	Valentine
Evans (IA)	Miller (WA)	Volkmer
Fawell	Molinari	Vucanovich
Fiedler	Monson	Walker
Fields	Moore	Weber
Fish	Moorhead	Whitehurst
Franklin	Morrison (WA)	Whittaker
Frenzel	Myers	Wolf
Gallo	Nelson	Wortley
Gekas	Nichols	Wylie
Gilman	Nielson	Young (AK)
Gingrich	Olin	Young (FL)
Goodling	Oxley	Zschau
Gradison	Packard	
Green	Parris	
Gregg	Pashayan	

NOES—208

Ackerman	Bonker	Dicks
Akaka	Borski	Dingell
Alexander	Boucher	Dixon
Anderson	Boxer	Donnelly
Andrews	Brooks	Dorgan (ND)
Annunzio	Brown (CA)	Downey
Anthony	Bruce	Durbin
Applegate	Bryant	Dwyer
Aspin	Burton (CA)	Dymally
Atkins	Bustamante	Early
Barnes	Clay	Eckart (OH)
Bates	Coelho	Edgar
Bedell	Collins	Edwards (CA)
Beilenson	Conte	Erdreich
Berman	Cooper	Evans (IL)
Bevill	Coyne	Fascell
Biaggi	Crockett	Fazio
Boggs	Daschle	Feighan
Boland	de la Garza	Flippo
Boner (TN)	Dellums	Florio
Bonior (MI)	Derrick	Foglietta
Foley	Lowry (WA)	Savage
Ford (MI)	Luken	Scheuer
Ford (TN)	MacKay	Schroeder
Frank	Manton	Schumer
Frost	Markey	Shelby
Garcia	Martinez	Sikorski
Gaydos	Matsui	Sisisky
Gejdenson	Mavroules	Skelton
Gibbons	McCloskey	Slattery
Glickman	McCurdy	Smith (FL)
Gonzalez	McHugh	Smith (IA)
Gordon	Mica	Solarz
Gray (IL)	Mikulski	St Germain
Guarini	Miller (CA)	Staggers
Hall (OH)	Mineta	Stark
Hall, Ralph	Mitchell	Stokes
Hamilton	Moakley	Studds
Hatcher	Mollohan	Swift
Hawkins	Montgomery	Synar
Hayes	Moody	Tallon
Hefner	Morrison (CT)	Tauzin
Heftel	Mrazek	Torres
Hertel	Murphy	Torricelli
Howard	Murtha	Towns
Hoyer	Natcher	Traficant
Huckaby	Neal	Traxler
Hughes	Nowak	Udall
Jacobs	Oakar	Vento
Jenkins	Oberstar	Visclosky
Jones (NC)	Obey	Walgren
Jones (TN)	Ortiz	Watkins
Kanjorski	Owens	Waxman
Kaptur	Panetta	Weaver
Kastenmeier	Pease	Weiss
Kennelly	Pepper	Wheat
Kildee	Perkins	Whitley
Kleczka	Price	Whitten
Kolter	Rahall	Williams
Kostmayer	Reid	Wilson
LaFalce	Richardson	Wirth
Lantos	Rinaldo	Wise
Lehman (CA)	Robinson	Wolpe
Lehman (FL)	Rodino	Wright
Leland	Roe	Wyden
Levin (MI)	Roemer	Yates
Levine (CA)	Rostenkowski	Yatron
Lipinski	Roybal	Young (MO)
Lloyd	Russo	
Long	Sabo	

NOT VOTING—21

Bosco	Dowdy	Horton
Breaux	Fowler	Lundine
Campbell	Fuqua	O'Brien
Carney	Gephardt	Rangel
Chandler	Gray (PA)	Rose
Conyers	Grotberg	Seiberling
Davis	Hillis	Vander Jagt

□ 1630

Messrs. COOPER, SCHUMER, WATKINS, and ANDREWS changed their votes from "aye" to "no."

So the amendment was rejected.

The result of the vote was announced as above recorded.

□ 1640

AMENDMENT OFFERED BY MR. MCCANDLESS

Mr. McCANDLESS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MCCANDLESS: Page 13, after line 2, insert the following (and redesignate references and succeeding sections accordingly):

SEC. 9. SERVICES PROVIDED BY FOSTER GRANDPARENTS.

(a) SERVICES FOR MENTALLY RETARDED INDIVIDUALS.—Section 211(b) of the Act is amended—

(1) in paragraph (1) by striking out ", pursuant to the provisions of paragraph (2) of this subsection";

(2) by striking out paragraph (2); and

(3) in paragraph (3)—

(A) by striking out "paragraphs (1) and (2)" and inserting in lieu thereof "paragraph (1)"; and

(B) by redesignating paragraph (3) as paragraph (2).

(b) DEFINITION.—Section 211(c) of the Act is amended by inserting before the period the following: ", except that such terms shall include any mentally retarded individual or individuals who are less than 60 years of age."

Mr. McCANDLESS. Mr. Chairman, this amendment would amend the Domestic Volunteer Service Act of 1973 to permit Foster Grandparent services to be provided to mentally retarded individuals who are less than 60 years of age.

This amendment would accomplish the same purpose as my bill, H.R. 1063, which is cosponsored by 33 of our colleagues including the distinguished chairman of the Select Committee on Aging. It is especially important to the Foster Grandparent volunteers, many of whom have written to me from all parts of the country.

Current law allows Foster Grandparents to continue with mentally retarded persons after the age of 21, but only if the mentally retarded person was receiving services before age 21. My amendment would allow foster grandparent services to be provided to a mentally retarded individual at age 24 or 25, or at any age, if it appeared that the program would be helpful to that individual.

This amendment was requested by the hospital advisory board of the Frank D. Lanterman State Hospital and Developmental Center in California. The Board has assured me that they do not anticipate an increase in cost for the program at their hospital because of this change. It would simply provide the developmental center with more flexibility in individual case decisions.

This amendment would not mandate Foster Grandparents' services for every mentally retarded patient in State hospitals. It would, however, give hospital authorities the option of providing Foster Grandparents' services if it seemed appropriate for a particular patient.

I believe the older mentally retarded residents at our State hospitals should be given a chance to be included in the program. While they may have a chronological age of 25 or 30, most of them have a mental age of between 5 and 8 years old. Their physical age has absolutely nothing to do with their mental age.

I urge the adoption of this amendment.

Mr. KILDEE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I will not oppose the amendment at this point. However, if it is adopted, I would like to work with the gentleman from California [Mr. McCANDLESS], and other parties, to look at this issue between now and the conference.

Mr. BARTLETT. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the gentleman from Texas.

Mr. BARTLETT. I thank the gentleman for yielding, and I do appreciate his not objecting to this amendment. I would support the gentleman's amendment and will work with the gentleman from Michigan between now and conference, but I would point out that the gentleman's amendment is a permissive amendment that allows volunteers to volunteer on those things that they believe there is the greatest need.

Mr. KILDEE. I understand, and I look forward to working with the gentleman from California [Mr. McCANDLESS].

Mr. WILLIAMS. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the gentleman from Montana.

Mr. WILLIAMS. Mr. Chairman, let me be sure with the sponsor of the amendment that I fully understand both the reality and the purpose of the amendment.

Is my understanding correct that the amendment does not mandate the Foster Grandparent services with regard to having the foster grandparents work with the mentally retarded persons over the age of 21? Does it mandate that?

Mr. McCANDLESS. If the gentleman will yield, no. It is permissive. And it simply gives the administrators of this program the flexibility, where they feel it is justified, to get into the chronological age above the age of 21 but less than 60. It does not mandate the expansion of the program beyond the 21-year period.

Mr. WILLIAMS. Will the gentleman also tell me if his purpose here is to allow Foster Grandparents to work with those individuals who have reached and are past the age of 21 but whose mental capabilities would place them at a level of a person of 5, 8, 10, or 12 years old? In other words, below the age of 21 in mental capability? Is that the purpose of the gentleman's amendment?

Mr. McCANDLESS. If the gentleman will yield, the gentleman has grasped the situation exactly.

Mr. WILLIAMS. I will tell my colleagues that, with some reservation, which I may want to express again in the conference committee, I will accept the gentleman's amendment, with the clear understanding that it has its limited focus as the gentleman has described.

Mr. McCANDLESS. If the gentleman will yield further, it is interesting to note that during the previous Congress this bill was introduced, and had opposition from the National Association of Foster Grandparents Program directors. It currently now has the favor of that organization. I certainly accept the position that is being taken by those Members on that side of the aisle, in the hope that this can be put together in a proper way by which to accomplish what I think we are both interested in by way of an objective.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. McCANDLESS].

The amendment was agreed to.

AMENDMENTS OFFERED BY MR. PANETTA

Mr. PANETTA. Mr. Chairman, I offer amendments, and I ask unanimous consent that the amendments be considered as read and printed in the RECORD, and that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

The text of the amendments is as follows:

Amendments offered by Mr. PANETTA: Page 10, after line 10, insert the following new section (and redesignate the subsequent sections accordingly):

SEC. 9. VOLUNTARY NATIONAL YOUTH SERVICE PROGRAM.

(a) ESTABLISHMENT OF VOLUNTARY NATIONAL YOUTH SERVICE PROGRAM.—Title I of the Act is amended by adding after part C the following new part:

"PART D—VOLUNTARY NATIONAL YOUTH SERVICE PROGRAM

"STATEMENT OF PURPOSE

"SEC. 131. The purpose of this part is to encourage individuals age 16 through 24 years to participate in voluntary national service by providing grants to eligible States and units of general local government for the operation of youth service projects.

"DEFINITIONS

"SEC. 132. For purposes of this part:

"(1) The term 'unit of general local government' means any city, county, town, township, parish, village, or other general purpose political subdivision of a State, or any combination of such political subdivisions recognized by the Director. Such term also includes any public body or agency, including a political subdivision, created by or under the laws of a State or two or more States, any combination of such public bodies or agencies, or any Indian tribe or organization.

"(2) The term 'economically disadvantaged' has the meaning given such term in section 4(8) of the Job Training Partnership Act.

"YOUTH SERVICE PROJECT GRANTS

"SEC. 133. The Director shall establish a program of grants to States and units of general local government for youth service projects consistent with the provision of this part.

"DESIGNATION OF SERVICE CATEGORIES

"SEC. 134. (a) The Director shall by regulation designate specific activities as service categories in which individuals serving in youth service projects may serve for purposes of this part.

"(b) An activity may be designated as a service category under subsection (a) if the Director determines that—

"(1) such activity is of substantial social benefit in meeting unmet human, social, or

environmental needs of or in the community where service is to be preformed;

"(2) involvement of individuals serving in youth service projects under this part in such activity will not interfere with the availability and the terms of employment of employees of sponsoring organizations with positions available in such activity;

"(3) the physical, mental, and educational qualifications required for such activity are appropriate for individuals serving in youth service projects; and

"(4) such activity is otherwise appropriate for purposes of this part.

"(c) The service categories referred to in subsection (a) may include—

"(1) service in State, local, and regional governmental agencies;

"(2) service in nursing homes, hospices, senior centers, hospitals, local libraries, parks, recreational facilities, day care centers, and schools;

"(3) service in law enforcement agencies, and penal and probation systems;

"(4) service in private nonprofit organizations whose principal purpose is social service;

"(5) service in the rehabilitation or improvement of pubic facilities, neighborhood improvements, literacy training benefiting educationally disadvantaged individuals, weatherization and basic repairs to low-income housing, energy conservation including solar energy techniques, removal of architectural barriers to access by handicapped individuals to public facilities, and conservation, maintenance, or restoration of natural resources on publicly held lands; and

"(6) such other service as the Director determines to be appropriate for purposes of this part.

"(d) The service categories referred to in subsection (a) may not include any position in any—

"(1) business organization for profit;

"(2) labor union;

"(3) partisan political organization;

"(4) organization engaged in religious activities; or

"(5) domestic or personal service company or organization.

"SUBMISSION OF PLAN

"SEC.135. (a) In order to be eligible for any grant under this part a State or unit of general local government shall submit a plan to the Director that describes the existing or proposed youth service project for which such grant will be used.

"(b) The plan shall include—

"(1) a list of positions from which an individual serving in such project may choose a service position, which list shall, to the extent practicable, identify a sufficient number and variety of positions so that any individual living within such State or unit of general local government who desires to serve in voluntary youth service may serve in a position that fulfills the needs of such individual;

"(2) a list of requirements to be imposed on any sponsoring organization of any individual serving in a youth service project under this part, including a provision that any sponsoring organization that invests in any project under this part by making a cash contribution or by providing free training of any individual participating in such project shall be given preference over any sponsoring organization that does not make such an investment;

"(3) a provision that any permanent, part-time, or full-time employee shall not be displaced from any position by an individual serving in a youth service project under this part;

"(4) a provision that an individual serving in a youth service project under this part who is not a high school graduate shall participate in an educational component whereby such individual can earn a high school diploma or its equivalent;

"(5) a provision that any individual serving in a youth service project under this part may arrange to receive academic credit in recognition of learning and skills obtained from service satisfactorily completed;

"(6) a provision that individuals who are eligible to serve in a youth service project under this part shall be consulted as to the types of positions that should be available to individuals who serve in youth service projects under this part;

"(7) a provision that special efforts will be made to enroll and recruit youths who are economically disadvantaged;

"(8) a schedule for allowance payments which may include post-service benefits; and

"(9) such other information and assurances as the Director considers necessary to carry out the purposes of this part.

"AWARD OF GRANTS

"SEC. 136. (a) In making grants to eligible States and units of general local government under this part, the Director shall determine which States and units of general local government will best use such funds to further the purposes of this part on the basis of the plans submitted under section 135.

"(b) For any fiscal year, in the award of fifty percent of funds available for the purposes of this part, the Director shall give priority consideration to grants for the establishment of new programs of youth service in States and units of general local government.

"(c) Not more than 5 percent of any grant awarded to any State or unit of general local government under this part may be used for administrative expenses.

"NONDISCRIMINATION PROVISION

"SEC. 137. No person in the United States shall on the ground of race, creed, belief, color, national origin, sex, handicap, or political affiliation, be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with, any youth service project for which any State or unit of general local government receives a grant under this part.

"LIMITATIONS ON VOLUNTARY YOUTH SERVICE

"SEC. 138. (a) Any individual who serves in a youth service project under this part shall be not less than 16 years of age and not more than 24 years of age.

"(b)(1) No individual may serve in a youth service project under this part for more than a 2-year period.

"(2) Any individual who agrees to serve in a youth service project under this part shall agree to serve for not less than a 6-month period.

"(c) An individual without a high school diploma or its equivalent may not be accepted for service in a youth service project under this part unless such individual has not been enrolled as a high school student during the 3-month period before the date of such acceptance.

"REVIEW AND REPORTING REQUIREMENTS

"SEC. 139. (a) Each State and unit of general local government that receives a grant under this part shall provide oversight of service by any individual in a youth service project under this part, and of the operations of any employer of such individual, in accordance with procedures established by the Director. Such procedures shall include fiscal control, accounting, audit, and debt collection procedures to ensure the proper disbursal of, and accounting for, funds received under this part. In order to carry out this section, each State and unit of general local government that receives a grant under this part shall have access to such information concerning the operations of any sponsoring organization as the Director determines to be appropriate.

"(b) Each State and unit of general local government receiving a grant under this part shall prepare and submit an annual report to the Director on such date as the Director shall determine to be appropriate. Such report shall include—

"(1) a description of activities conducted by the youth service project for which such grant was awarded during the year which is the subject of the report;

"(2) characteristics of individuals serving in such youth service project;

"(3) characteristics of positions held by such individuals;

"(4) a determination of the extent to which relevant standards, as determined by the Director, were met by such individuals and their sponsoring organizations;

"(5) a description of the post-service experiences, including employment and educational achievements, of individuals who served during that year in youth service projects under this part; and

"(6) any additional information that the Director determines to be appropriate for purposes of this part.

"(c) The Director shall submit to the President and the Congress an annual report of the activities conducted under this part.".

"(b) TECHNICAL AND CONFORMING AMENDMENTS.—The table of contents of the Act is amended by adding after the item related to section 123 the following:

"PART D—VOLUNTARY NATIONAL YOUTH SERVICE PROGRAM

"Sec. 131. Statement of purpose.
"Sec. 132. Definitions.
"Sec. 133. Youth service project grants.
"Sec. 134. Designation of service categories.
"Sec. 135. Submission of plan.
"Sec. 136. Award of grants.
"Sec. 137. Nondiscrimination provision.
"Sec. 138. Limitations on volunteer youth service.
"Sec. 139. Review and reporting requirements.".

Page 10, strike out lines 12 through 14, and insert in lieu thereof the following:

(a) NATIONAL VOLUNTEER ANTIPOVERTY PROGRAMS.—Section 501 of the Act is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by striking out subsections (a), (b), (c), and (d)(1) and inserting in lieu thereof the following:

Page 11, after line 11, insert the following:

"(d) There is authorized to be appropriated to carry out part D of title I of this Act $10,000,000 for each of the fiscal years 1987, 1988, and 1989.

Page 11, line 12, strike "(d)(1)" and insert "(e)(1)".

Page 11, line 13, strike "A, B, and C" and insert "A, B, C, and D".

Page 11, line 22, strike out the last period and insert in lieu thereof "; and".

Page 11, after line 22, insert the following:

(3) by adding at the end of subsection (e), as so redesignated, the following new paragraph:

"(4) Subject to paragraph (1), of the amounts appropriated under this section for section 109(c) and part D of title 1, there shall first be available $2,000,000 for section 109 (c).".

Mr. PANETTA. Mr. Chairman, I will offer these amendments and speak to the program that I wish to bring to the attention of my colleagues, but because of the close vote on the last amendment and the concerns raised with regard to the question of authorizations and appropriations, it is also my intent to ask unanimous consent to withdraw them.

The purpose of these amendments is to provide as part of the programs that ACTION would consider voluntary programs for national service for young people in this country.

These programs are being implemented in a number of cities right now throughout this Nation. There are something like 14 States that are now participating in these programs, some 22 localities and some 42 programs. There are about 6,000 young people who are benefiting from these programs from California to Iowa to Michigan to New Jersey to Texas to Washington and a number of other States.

One example I would like to bring to the attention of my colleagues is in New York City. It is the New York City Volunteer Corps. These young people 17 to 20 are working in areas from hospitals to nursing homes to senior centers to schools to libraries to law enforcement to conservation. For the period of service that they work, they are not only receiving pay but ultimately can receive a scholarship of $5,000 in order to go to college. These kinds of efforts are being generated at the local level to serve young people. The reasons I think these kinds of programs are right are several: First of all, it is cost effective. For every dollar that these communities put into these programs, they save $4. Second, it is the right thing to do for young people, to give them some sense of commitment to public service, something that John Kennedy spoke to 25 years ago. It is the kind of spirit I think we need to resurrect at the present time. Third, it is happening at the community level. I am not saying that the Federal Government ought to design these programs. What the Government ought to do is support in a matching way those communities that are prepared to develop these kinds of programs for the young. The point is that this is a grassroots effort that is taking place in our country, and I think it is important for us at the Federal level to try to provide some incentives to do that.

These amendments would have provided that incentive. I recognize the concern about the funding in the authorization. What I would have done is basically allowed VISTA to be funded first and then allow the Appropriations Committee to make its decision as to whether it wanted to fund it or not. But I understand the concern about a new authorization, and I do not want to jeopardize what I think is a very good approach to try to stimulate public service in this country. So I intend to return one of these days with these amendments, because I think they are right from a human point of view, I think they are right from a cost effectiveness point of view and I think they are right because they rely on State and local governments that are designing these kinds of programs.

So I hope in the future that I can draw support for this kind of an approach.

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. PANETTA. I yield to the gentleman from Vermont.

Mr. JEFFORDS. I appreciate the gentleman bringing up these amendments today and also, in a sense, withdrawing them, although it makes me sad, in a sense, because we have worked a number of years over trying to get this body to pay attention to these kinds of programs.

I think it is incredibly important as we go into the future that we do some work in this area to find out what advantages we can gain from national service. I know, from talking to my young people, that especially when you talk in terms of other alternatives that may arise in the future, that this is one thing they would love to do as an alternative. I think that this kind of a program, in essence, saves money. It really does not spend more money. We get so much more value out of our young people through these kinds of programs than probably any other way.

So I commend the gentleman for his efforts here. I am somewhat disappointed, but I understand, in view of my own position on amendments over here, as to his reasons for withdrawing the amendments.

Mr. PANETTA. I thank the gentleman for his comments.

Mr. Chairman, I ask unanimous consent to withdraw the amendments.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

The CHAIRMAN. The Clerk will designate section 9.

The text of section 9 is as follows:

SEC. 9. TECHNICAL AMENDMENTS.

(a) USE OF GENDER NEUTRAL TERMINOLOGY.—

(1) Section 105(b) of the Act is amended by striking "he deems" and inserting "are considered".

(2) Section 112 of the Act is amended by striking "he" and inserting "the Director".

(3) Section 114(c) is amended by striking "he" both places it appears and inserting in both places "the Director".

(4) Section 122(b) of the Act is amended by striking "he" and inserting "the Director".

(5) Section 402 of the Act is amended—

(A) in paragraph (3) by striking "of his functions" and inserting "functions of the Director";

(B) in paragraph (7) by striking "he deems" and inserting "the Director considers";

(C) in paragraph (8) by striking "he shall deem" and inserting "the Director considers";

(D) in paragraph (10) by striking "him" both places it appears and by inserting in both places "the Director";

(E) in paragraph (11)(B) by striking "him" and inserting "the Director";

(F) in paragraph (11)(B)(ii) by striking "his" and inserting "the"; and

(G) in paragraph (14) by striking "he deems" and inserting "the Director considers".

(6) Section 403(a) of the Act is amended by striking "his" and inserting "an".

(7) Section 404(e) of the Act is amended in the second sentence by striking "he" and inserting "the Director".

(8) Section 412(a) of the Act is amended by striking "he" and inserting "the Director".

(9) Section 415(d) of the Act is amended by striking "he" and inserting "the Director".

(b) OTHER TECHNICAL AMENDMENTS.—

(1) Section 103(a) of the Act is amended by striking "and" at the end of paragraph (2).

(2) Section 113(c)(2) of the Act is amended by striking "Health and Human Services" and inserting "Education".

(3) Section 501(d) of the Act is amended by striking paragraph (3).

The CHAIRMAN. Are there amendments to section 9?

The Clerk will designate section 10.

The text of section 10 is as follows:

SEC. 10. EFFECTIVE DATES.

Except as otherwise provided, the amendments made by this Act shall take effect October 1, 1986.

The CHAIRMAN. Are there further amendments?

If not, the question is on the committee amendment in the nature of a substitute, as amended.

The committee amendment in the nature of a substitute, as amended, was agreed to.

Mr. DOWNEY of New York, Mr. Chairman, today we vote on H.R. 4116, which includes authorizations for VISTA and other volunteer antipoverty programs, and for the Older American Volunteer programs which expire at the end of fiscal year 1986.

Once upon a time, in the depths of the Great Depression, Herbert Hoover said in response to questions about whether the Federal Government would assist Americans fighting the ravages of poverty, "There is nothing that can replace the God-imposed responsibility of the individual man."

Well, Mr. Speaker, the Domestic Volunteer Service Act of 1973—Public Law 93-113—was created with Mr. Hoover's philosophy in mind. Specifically, under the VISTA Program—

Volunteers in Service to America—volunteers work for 1 year with low-income individuals to help them overcome poverty related problems and improve their economic situation by increasing their self-reliance, and I stress the work self-reliance.

Programs such as these have assisted in the unbridled self-satisfaction for the volunteers and enormous savings from the care they so unselfishly provide. The Federal Government must continue to provide fuel to this care-giving machine.

Franklin Roosevelt once said that, "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

We all know too well that there are many in this country who have too little food, housing, health care, and education. In addition, there are many Americans who are lonely and isolated, some need assistance with physical ailments, and still others need emotional support.

Mr. Roosevelt was concerned with what he called the "forgotten man." Programs like VISTA, and the Older Americans Volunteer Program, were created to help such forgotten people. Unselfish volunteers, many of whom are forgotten themselves, have provided an enormous service to the Nation, both morally and economically.

In fiscal year 1986, the Retired Senior Volunteer Program funded 751 projects, with an estimated 365,000 volunteers; Foster Grandparents funded 249 projects, with 18,000 volunteers; and Senior Companions funded 94 projects, with an estimated 5,300 volunteers.

Legislation such as this has enabled our senior citizens, once the poorest in the Nation, to become a group with more freedom from fear and want. Perhaps if we continue to fund these volunteer programs, we will help alleviate the burdens of the newest poor, our children.

I urge my colleagues to vote yes to reauthorize H.R. 4116.

Ms. MIKULSKI. Mr. Chairman, I am proud to speak in support of VISTA. VISTA is one of the few agencies that focuses on fighting poverty and helping the disadvantaged.

Too many people are acting as if the war on poverty is over. Unfortunately nobody has gotten around to telling the poor people this good news. I have some neighborhoods in my own district where my constituents would really like to know that they do not have to worry anymore. And there are poor people in almost all of our districts.

Fortunately there are people in our districts who are proud to be called idealists. They are VISTA's. And they are out there in the community doing the tough work for the rest of us.

I have always had a special place in my heart for VISTA, and for the principles of community participation and self-help on which it was founded. My involvement in politics is based on the strong beliefs that the only real solutions to community problems are those in which the community is involved. VISTA is a perfect example of that belief.

I congratulate Mr. WILLIAMS and his committee for presenting us with a fine bill today. H.R. 4116 begins the revitalization of the VISTA Program. It builds upon the strong foundation of effectiveness—both from a practical and a cost standpoint—that makes VISTA one of the Government's leanest, meanest, and toughest programs.

I have been associated with VISTA since the program was launched in 1965. At that time, I taught community organizing to the first class of VISTA's. They were a bright, energetic and committed group of people, and they are today as well. They are a group we need to nurture, and they are a group that needs to grow.

Right not, there are less than 2,600 VISTA's attempting to help 33 million poor and disadvantaged Americans. In 1980, there were nearly 5,000 VISTA's. We have half as many VISTA's today as we had 6 years ago. But nobody can tell me that we have half as many poor as we had 6 years ago.

With 33 million people living in poverty today, each VISTA has almost as many constituents as each of us. But they don't have a staff. They don't have a budget. They don't even have the support of their own government. What they do have is the personal dedication, the training, the resourcefulness and the guts to go into the streets, roll up their sleeves, and reach out to the people who need them.

The hungry, the illiterate, the homeless, the old, the disadvantaged, the sick, the mentally and physically disabled, the victims of family violence, the refugees, the unemployed—these are the people who are touched by VISTA. Many of my colleagues have risen and will rise to cite specific examples of VISTA service which has hit home with them. I'd like to cite one of my own.

In southwest Baltimore, communities organized to improve life [COIL] operates with the help of three VISTA volunteers. It is a coalition of 38 community associations and neighborhood organizations who address, among other things, the problem of adult literacy.

COIL is a perfect example of how VISTA volunteers mobilize community resources to attack a problem at the local level. COIL's three VISTA's went to work identifying what it would take to fight illiteracy in southwest Baltimore, and then got the financing to do it. B. Dalton Bookstores gave $1,000 to the project to buy materials for teachers and students. A matching neighborhood grant of $25,000 was received to provide for a reading resource center for the literacy program. The State of Maryland came up with $8,000 to encourage cooperation between the community organization and the Baltimore Public Schools and Libraries. Those three VISTA's made all that possible. Is there a better example of a Government program inspiring cooperation and partnership between neighbors, government, the private sector, and the people in need?

Another problem VISTA's have been enormously successful in dealing with is that of family violence. This is an important issue to me, and I have watched for many years the way VISTA's approach the problem head on. Domestic violence, child abuse, incest, and rape are so prevalent in our society today that they are the subject of magazine covers and television movies. Fortunately, they are among the chief focuses of VISTA's attention. Today there are 90 VISTA's at work in 24 domestic violence projects, and 137 VISTA's work in child abuse programs.

VISTA is one of Government's toughest, leanest, most action-and-effect oriented programs. Every single dime we spend on it is returned to us many times over. This bill calls for the barest minimum of increases on VISTA's corps over the next 3 years. It calls for a long-overdue program to reinvigorate VISTA by reaching out to the Nation's young people. This bill represents a step in the march against poverty, a step in the right direction.

Mr. Chairman, I urge all of my colleagues to reject any and all amendments designed to sabotage VISTA's growth and progress, and to vote for an intact H.R. 4116.

Mr. VENTO. Mr. Chairman, a mentor of mine and many in this Chamber once made a challenge to this Government. He challenged it to provide for its sick, its hungry, its disadvantaged, and its homeless. Hubert Humphrey, our late Vice President and my Senator and colleague from Minnesota would have been proud to see how Government is meeting that challenge today in our State, and in every State in the Union through the VISTA Program. I rise today in strong support of H.R. 4116, the Domestic Volunteer Service Act Amendments of 1986. This legislation provides for a 3-year authorization of the ACTION Agency, VISTA, and the Older American Volunteer programs.

The VISTA volunteers are doing remarkable things in my home State of Minnesota. Volunteers are active in a number of food banks, handicapped programs, programs for the elderly, and in programs serving the homeless. The volunteers are at work identifying affordable housing for low-income persons, at job training and development sites for the chronically unemployed, in employment programs for the handicapped. They work with refugees, the hungry, and others who are in need of help. In all, there are 45 VISTA's working in 10 projects in my State, and each and every one of them is vital to the well-being of hundreds of people.

This kind of basic fundamental work is being carried out all over the country. H.R. 4116 expands on this foundation. Among the key provisions of the bill is one to reestablish a nationwide recruitment and promotional effort for the VISTA Program, specifically on our college campuses. One of the best features of the VISTA idea when it was first established was the appeal it had to the idealism and the energy of the youth—a year of service to America and to society. A year of volunteering that has left some 80,000 men and women with a lifelong sense of social responsibility.

Our Nation's people have just demonstrated their desire to fight poverty, hunger, and homelessness in this country by stretching a line of hands across America. The Congress can complement Hands Across America by responding in stretching a line of hope across America, through the full reauthorization of VISTA.

I would like to commend my good friend from Montana, Mr. WILLIAMS, for all of his work on this legislation. I urge my colleagues to support this bill as aproved by the Educa-

tion and Labor Committee, and to vote against any amendments which would reduce the funding levels and protection for VISTA or the Older Americans Volunteer Programs contained in H.R. 4116.

Mr. EVANS of Illinois. Mr. Chairman, I must state at the outset that I am not an unbiased observer of the VISTA Program. I am very definitely an admirer and an ally of the tremendous service VISTA and its volunteers are providing to the needy of this country.

As a former legal services attorney working in my home State of Illinois, I am familiar with the work of VISTA and saw first-hand the results of their contributions to society. They are the long-missing link between Government bureaucracy and individual needs. They are the facilitators, they are the advocates, and they are the people who get their hands dirty working in the streets, the community centers, and the forgotten rural communities of this Nation where people live in need and desperation.

I have never forgotten the lessons I learned while working at legal aid. In some way, the things I saw, the people I met, and the satisfaction I gained from that experience impact on nearly every decision I make as a Member of Congress. I know from my dealings with present and former VISTA's that the same is true for them. The year-long service of VISTA volunteers marks the beginning of a lifelong commitment to helping your fellow citizens. It changes your perspective. It reshapes your values. It makes you appreciate both what you have and what others don't have. And I'd like to ask my colleagues what Government program is more worthy of our support than one with accomplishments like that.

The entire ACTION Agency is one of the tangible pieces of evidence that Government is fulfilling its obligations to meet the needs of people throughout the economic and social spectrum. Under the bill we are considering today, and throughout the entire ACTION Agency, nearly a half million volunteers are spread across the United States serving the needs of millions of their fellow men, women, and children.

Besides VISTA, the Older American Volunteer programs, which have successfully harnessed the tremendous resources society has in its senior population, are also demonstrating that Government is capable of doing more than just throwing money at a problem and hoping it will go away. I for one am comforted and reassured by the fact that these programs exist, and I am determined to see to it that they not only continue to exist but that they flourish in the years ahead.

That is precisely what H.R. 4116 sets out to do. It lays the groundwork for bringing all of these programs back to where they were when Government was more keen on volunteerism and more optimistic that we as a society had the capacity to help people to help themselves.

We in the Congress pride ourselves with having the ability to make important decisions concerning the needs of our fellow Americans. Yet, I wonder how many of us would be able to offer practical assistance on a day-to-day basis to some of our less fortunate constituents. I'm talking about the illiterate who must learn to read before he can support himself. The unskilled who must learn a trade before she can support her family. The sick who must receive care before they can pay their bills. The mentally ill who must receive treatment before they can be independent. The homeless who must receive shelter, and the poor who must be fed a meal before they can start thinking about tomorrow.

All over my State, and all across this Nation, 2,600 VISTA volunteers are coping with these conditions. The reports we hear from the field from VISTA sponsoring agencies and from individuals and families who have been assisted raise questions about how this Government could have allowed the VISTA Program to be decimated over the last 5 years. Here we have thousands of Americans willing to work for a stipend that actually puts them below the poverty level, who are willing to devote an entire year of their lives, postponing their own individual agendas so that they can give of themselves to the less fortunate, and we have amendments on the floor whose sole purpose is to discourage that kind of behavior. I cannot support such amendments even if they are cloaked in budget belt tightening rhetoric.

H.R. 4116 represents the very least we in the Congress can do to voice our approval of what VISTA and the Older American Volunteer Programs are doing. To pass any amendment designed to dilute those achievements and deny those opportunities to potential volunteers and the recipients of their generosity is misguided and has no basis in cost efficiency or anything else. I urge my colleagues to stand foursquare behind H.R. 4116 and all of the good it represents by passing it without amendment. In particular, I urge you to vote against any amendment that might be offered to reduce the committee's recommendation for the VISTA service year funding floors or the authorization for VISTA or the Older American Volunteer Programs.

Mr. FRENZEL. Mr. Chairman, like many members of the Education and Labor Committee, I generally support many of the programs authorized by H.R. 4116. Like those same members, I am appalled by the large increases in authorization levels, especially at a time when Congress is struggling to meet Gramm-Rudman-Hollings deficit reduction targets.

I especially favor the title II Older American Volunteer Programs [RSVP], Foster Grandparents, and Senior Companions. Even these excellent programs could be held at current levels, while real voluntarism could be given more opportunity and more incentive.

On the other hand, the title I programs could well be reduced or repealed. VISTA has been a program marked by controversy from its origins. That history should not be rewarded by large spending increases at a time of fiscal emergency.

Unless substantial reductions are achieved by amendment, I shall vote against the bill, and respectfully suggest that other Members may want to do the same.

Mr. TALLON. Mr. Chairman, I rise in support of H.R. 4116, the Domestic Volunteer Service Act Amendments of 1986, as reported by the Education and Labor Committee. VISTA and Older Americans Volunteer Programs reauthorized in this bill are outstanding volunteer programs that provide much to the neediest of our society. These programs deserve the wholehearted support of all members.

VISTA has been of particular benefit in reducing the tragic problem of illiteracy in my State of South Carolina and across the Nation. The rate of illiteracy in the United States is a national disgrace; 25 million Americans cannot read or write. For many of these, unemployment and poverty are the inevitable results. Today over 600 VISTA volunteers are working at over 100 projects is nearly 40 States to reverse the cycle of illiteracy and poverty.

VISTA has been a real asset in its work with the South Carolina Literacy Association. The South Carolina Literacy Association's goal is plain and simple: to reduce the illiteracy rate among adults in the State.

In the first 2 years of the project the VISTA volunteers enabled the literacy association to double the number of workshops, students, and volunteers. In 6 months, volunteers assigned to the association recruited 577 students, 248 volunteer tutors, led 14 workshops in addition to generating nearly $40,000 in public and private resources for the battle against illiteracy. They have succeeded in making the public more aware of the scope of the illiteracy problem in South Carolina and elsewhere in society, and they have succeeded in getting the resources and the commitments necessary to do something about it.

That, I think, is the bottom line where VISTA is concerned. VISTA and its volunteers are doing something about it—whether "it" is poverty, hunger, homelessness, illiteracy, drug abuse, domestic violence, unemployment, or any of the other problems facing the needy of this country.

VISTA is one of the most effective, efficient antipoverty programs in Government today. It has earned our continued support by providing hope and an opportunity to the impoverished and disadvantaged. I am proud to support H.R. 4116 and the fine work VISTA volunteers are currently doing in addressing hunger, unemployment, alcohol and drug abuse, rural economic development and so many other issues. I urge my colleagues to join me in support of this measure.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. GRAY of Illinois) having assumed the chair, Mr. MONTGOMERY, Chairman of the Committee of the Whole House on the State of the Union, reported that that committee, having had under consideration the bill (H.R. 4116) to extend the Volunteers in Service to America [VISTA] Program under the Domestic Volunteer Service Act of 1973, pursuant to House Resolution 463, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on the amendment to the committee amendment in the nature of a substitute adopted by the Committee of the

Whole? If not, the question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

□ 1655

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. JEFFORDS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 360, nays 52, not voting 21, as follows.

[Roll No. 174]

YEAS—360

Ackerman	Conte	Gaydos
Akaka	Conyers	Gejdenson
Alexander	Cooper	Gibbons
Anderson	Coughlin	Gilman
Andrews	Courter	Gingrich
Annunzio	Coyne	Glickman
Anthony	Crockett	Gonzalez
Applegate	Daniel	Goodling
Aspin	Darden	Gordon
Atkins	Daschle	Gradison
Barnes	Daub	Gray (IL)
Barton	de la Garza	Gray (PA)
Bateman	Dellums	Green
Bates	Derrick	Guarini
Bedell	DeWine	Gunderson
Beilenson	Dickinson	Hall (OH)
Bennett	Dicks	Hall, Ralph
Bentley	Dingell	Hamilton
Bereuter	DioGuardi	Hammerschmidt
Berman	Dixon	Hartnett
Bevill	Donnelly	Hatcher
Biaggi	Dorgan (ND)	Hawkins
Bilirakis	Downey	Hayes
Boehlert	Duncan	Hefner
Boggs	Durbin	Heftel
Boland	Dwyer	Hendon
Bonior (MI)	Dymally	Henry
Bonker	Dyson	Hertel
Borski	Early	Hiler
Bosco	Eckart (OH)	Holt
Boucher	Edgar	Hopkins
Boulter	Edwards (CA)	Horton
Boxer	Emerson	Howard
Brooks	English	Hoyer
Broomfield	Erdreich	Hubbard
Brown (CA)	Evans (IA)	Huckaby
Bruce	Evans (IL)	Hughes
Bryant	Fascell	Hutto
Burton (CA)	Fawell	Hyde
Bustamante	Fazio	Ireland
Byron	Feighan	Jacobs
Callahan	Fiedler	Jeffords
Carper	Fish	Jenkins
Carr	Flippo	Johnson
Chapman	Florio	Jones (NC)
Chappell	Foglietta	Jones (OK)
Clay	Foley	Jones (TN)
Clinger	Ford (MI)	Kanjorski
Coats	Ford (TN)	Kaptur
Coelho	Frank	Kasich
Coleman (MO)	Franklin	Kastenmeier
Coleman (TX)	Frost	Kemp
Collins	Gallo	Kennelly
Combest	Garcia	Kildee
Kindness	Murphy	Smith (IA)
Kleczka	Murtha	Smith (NE)
Kolter	Myers	Smith (NJ)
Kostmayer	Natcher	Smith, Robert (NH)
Kramer	Neal	Snowe
LaFalce	Nelson	Snyder
Lagomarsino	Nichols	Solarz
Lantos	Nielson	Solomon
Latta	Nowak	Spence
Leach (IA)	Oakar	Spratt
Leath (TX)	Oberstar	St Germain
Lehman (CA)	Obey	Staggers
Lehman (FL)	Olin	Stallings
Leland	Ortiz	Stangeland
Lent	Owens	Stark
Levin (MI)	Oxley	Stokes
Levine (CA)	Panetta	Stratton
Lewis (FL)	Parris	Studds
Lightfoot	Pashayan	Sundquist
Lipinski	Pease	Swift
Lloyd	Penny	Synar
Loeffler	Pepper	Tallon
Long	Perkins	Tauke
Lott	Petri	Tauzin
Lowery (CA)	Pickle	Taylor
Lowry (WA)	Porter	Thomas (CA)
Lujan	Price	Thomas (GA)
Luken	Pursell	Torres
MacKay	Quillen	Torricelli
Madigan	Regula	Towns
Manton	Reid	Traficant
Markey	Richardson	Traxler
Martin (NY)	Ridge	Udall
Martinez	Rinaldo	Valentine
Matsui	Ritter	Vento
Mavroules	Roberts	Visclosky
Mazzoli	Robinson	Volkmer
McCain	Rodino	Vucanovich
McCandless	Roe	Walgren
McCloskey	Roemer	Watkins
McCollum	Rogers	Waxman
McCurdy	Rostenkowski	Weaver
McDade	Roth	Weiss
McEwen	Roukema	Wheat
McGrath	Rowland (CT)	Whitehurst
McHugh	Rowland (GA)	Whitley
McKernan	Roybal	Whittaker
McKinney	Russo	Whitten
McMillan	Sabo	Williams
Meyers	Savage	Wilson
Mica	Saxton	Wirth
Mikulski	Scheuer	Wise
Miller (CA)	Schneider	Wolf
Miller (OH)	Schroeder	Wolpe
Miller (WA)	Schuette	Wortley
Mineta	Schulze	Wright
Mitchell	Schumer	Wyden
Moakley	Seiberling	Wylie
Molinari	Sharp	Yates
Mollohan	Shaw	Yatron
Montgomery	Shelby	Young (AK)
Moody	Sikorski	Young (FL)
Moore	Siljander	Young (MO)
Moorhead	Sisisky	Zschau
Morrison (CT)	Skelton	
Morrison (WA)	Slattery	
Mrazek	Smith (FL)	

NAYS—52

Archer	Dreier	Rudd
Armey	Eckert (NY)	Schaefer
Badham	Fields	Sensenbrenner
Barnard	Frenzel	Shumway
Bartlett	Gekas	Shuster
Bliley	Gregg	Skeen
Brown (CO)	Hansen	Slaughter
Broyhill	Hunter	Smith, Denny (OR)
Burton (IN)	Kolbe	
Chappie	Lewis (CA)	Smith, Robert (OR)
Cheney	Livingston	
Cobey	Lungren	Stenholm
Coble	Marlenee	Strang
Craig	Martin (IL)	Stump
Crane	Michel	Sweeney
Dannemeyer	Monson	Swindall
DeLay	Packard	Walker
Dornan (CA)	Ray	Weber

NOT VOTING—21

AuCoin	Dowdy	Lundine
Boner (TN)	Edwards (OK)	Mack
Breaux	Fowler	O'Brien
Campbell	Fuqua	Rahall
Carney	Gephardt	Rangel
Chandler	Grotberg	Rose
Davis	Hillis	Vander Jagt

□ 1705

Mr. MOLLOHAN changed his vote from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

TITLE AMENDMENT OFFERED BY MR. KILDEE

Mr. KILDEE. Mr. Speaker, I offer an amendment to the title.

The Clerk read as follows:

Title amendment offered by Mr. KILDEE: Amend the title of H.R. 4116 so as to read "A bill to extend and improve the Domestic Volunteer Service Act of 1973."

The title amendment was agreed to.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. AUCOIN. Mr. Chairman, on rollcall 174, I was unavoidably detained in my office on official business. Had I been here, I would have voted "aye" on final passage of that legislation.

□ 1715

AUTHORIZING THE CLERK TO MAKE CORRECTIONS IN ENGROSSMENT OF H.R. 4116, DOMESTIC VOLUNTEER SERVICE ACT AMENDMENTS OF 1986

Mr. KILDEE. Mr. Speaker, I ask unanimous consent that in the engrossment of the bill, H.R. 4116, the Clerk be authorized to make corrections in section numbers, punctuation, and cross-references and to make such other technical and conforming changes as may be necessary to reflect the actions of the House in amending the bill, H.R. 4116, the Domestic Volunteer Services Act.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

GENERAL LEAVE

Mr. KILDEE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on H.R. 4116, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION FOR SUBCOMMITTEE ON FINANCIAL INSTITUTIONS SUPERVISION, REGULATION AND INSURANCE OF THE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS, TO SIT DURING 5-MINUTE RULE ON THURSDAY, JUNE 19, 1986

Mr. ST GERMAIN. Mr. Speaker, I ask unanimous consent that the Subcommittee on Financial Institutions

Supervision, Regulation and Insurance of the House Banking Committee may have permission to sit during the 5-minute rule on Thursday, June 19, 1986, for consideration of H.R. 4701, the Financial Institutions Emergency Acquisitions Amendments of 1986.

This has been cleared with the ranking minority member, Mr. WYLIE.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

PROVIDING FOR CONSIDERATION OF H.R. 4175, MARITIME AUTHORIZATIONS FOR FISCAL YEAR 1987

Mr. MOAKLEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 473 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 473

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4175) to authorize appropriations for fiscal year 1987 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission, and the first reading of the bill shall be dispensed with. After general debate, which shall be confined to the bill and to the amendment made in order by this resolution and which shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Merchant Marine and Fisheries, the bill shall be considered for amendment under the five-minute rule, and each section shall be considered as having been read. It shall be in order to consider en bloc the amendments recommended by the Committee on Merchant Marine and Fisheries to section 1 now printed in the bill, and said amendments shall be considered as having been read. All points of order for failure to comply with the provisions of clause 7 of rule XVI and clause 5(a) of rule XXI are hereby waived against the amendment recommended by the Committee on Merchant Marine and Fisheries adding new sections 3 through 8 now printed on page 3, line 6 through page 6, line 16 of the bill, and said amendment shall be considered as having been read. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER pro tempore. The gentleman from Massachusetts [Mr. MOAKLEY] is recognized for 1 hour.

Mr. MOAKLEY. Mr. Speaker, I yield the customary 30 minutes to the gentleman from Tennessee [Mr. QUILLEN], and pending that, I yield myself such time as I may use.

Mr. Speaker, House Resolution 473 is an open rule providing for the consideration of H.R. 4175, which would authorize appropriations for fiscal year 1987, for certain maritime programs of the Department of Transportation, and the Federal Maritime Commission.

The rule provides 1 hour of general debate equally divided between the chairman and ranking minority member of the Committee on Merchant Marines and Fisheries. The rule also makes in order en bloc consideration of the committee amendments to section 1 of the bill, these amendments are to be considered as read.

Mr. Speaker, there are two waivers of points of order against the consideration of the committee amendments that are now printed in the bill. The first waiver is clause 7, of rule 16, the germaneness waiver. The bill as introduced was a reauthorization of the programs that are administered by the Maritime Administration and the Federal Maritime Commission. Section 3 through 8 of H.R. 4175 were added as an amendment by the committee and contain new provisions that were not included when the bill was originally introduced, because of this a waiver of clause 7 of rule 16 is required.

Mr. Speaker, the second waiver is clause 5(a) of rule 21, which prohibits appropriations in a legislative bill. Section 5 of H.R. 4175 authorizes the redistribution of $1 million from previously appropriated funds to the operation account of the Maritime Administration. Because these funds were previously appropriated for another purpose it constitutes an appropriation in a legislative bill. Mr. Speaker, this waiver is purely technical in nature and would result in no further cost to the Federal Government.

Finally, Mr. Speaker, House Resolution 473 provides for one motion to recommit.

Mr. Speaker, H.R. 4175 is a bill to authorize appropriations for certain maritime programs that are administered by the Department of Transportation and the Federal Maritime Commission for fiscal year 1987. H.R. 4175 authorized $388 million for the Maritime Administration, of this amount $320 million would go to the payment of operating differential subsidies. This subsidy is paid to U.S. companies to enable them to operate U.S.-flag ships competitively in the U.S. foreign trade by offsetting certain portions of the excess of U.S. operating costs over comparable foreign ship operating costs.

In addition, H.R. 4175 authorized $3.5 million for research and development programs that would concentrate on developing information and technology to reduce shipbuilding and operating costs

Also, Mr. Speaker, the bill authorized $64.7 million for operations and training activities of the Maritime Administration. These funds are used to pay salaries and expenses for the operation of the U.S. Merchant Marine Academy, six State maritime academies, and for security support programs.

Finally, H.R. 4175 authorizes $11.9 million to operate the Federal Maritime Comnmission, which is in charge of administering shipping laws and ocean commerce.

Mr. Speaker, this is an annual authorization for programs that promote and maintain the merchant marine industry for foreign and domestic trade and for our national security. I urge adoption of House Resolution 473.

Mr. QUILLEN. Mr. Speaker, I yield myself as much time as I may use.

Mr. Speaker, this is a good rule which should be adopted. It makes in order a good bill which also should be adopted, but the bill does not go far enough. Before the debate takes place on the floor of the House, let me lay a little ground work, if I may.

Since World War II, the merchant marine has gone down and down and down and down. To me, it is an arm of our national security. I do not understand why the funds are not beefed up, with the agreement of the administration, to provide for ships so that we will not be dependent on foreign bottoms for imports and exports, so that we will not be dependent on foreign crews, and so that we can have our own American crews man these vessels. If ever we are in another crisis, our merchant marine will come to our rescue, as they did in World War II. Without that shipbuilding effort and without the use of the merchant marine vessels, the war would have been much longer and harder. I do not understand why we do not have the will to upgrade our merchant marine fleet.

It is not the fault of the committee, I wish to say. Under administrations since World War II, this has happened. We must not continue to let it happen.

This authorization bill is a good one. Let us get down to the debate on the bill and its final passage.

Mr. Speaker, I urge adoption of the rule. I have no requests for time.

Mr. MOAKLEY. Mr. Speaker, I have no requests for time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. QUILLEN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 393, nays 5, not voting 35, as follows:

[Roll No. 175]

YEAS—393

Ackerman	Dornan (CA)	Jones (TN)
Akaka	Dreier	Kanjorski
Alexander	Duncan	Kaptur
Anderson	Durbin	Kasich
Andrews	Dwyer	Kastenmeier
Annunzio	Dymally	Kemp
Anthony	Dyson	Kennelly
Applegate	Early	Kildee
Archer	Eckart (OH)	Kindness
Armey	Eckert (NY)	Kleczka
Aspin	Edgar	Kolbe
Atkins	Edwards (CA)	Kolter
AuCoin	Edwards (OK)	Kostmayer
Badham	Emerson	Kramer
Barnard	English	LaFalce
Barnes	Erdreich	Lagomarsino
Barton	Evans (IA)	Lantos
Bateman	Evans (IL)	Latta
Bates	Fascell	Leach (IA)
Bedell	Fawell	Leath (TX)
Beilenson	Fazio	Lehman (CA)
Bennett	Feighan	Lehman (FL)
Bentley	Fiedler	Leland
Bereuter	Fields	Lent
Bevill	Fish	Levin (MI)
Biaggi	Flippo	Levine (CA)
Bilirakis	Florio	Lewis (CA)
Bliley	Foglietta	Lewis (FL)
Boehlert	Foley	Lightfoot
Boggs	Ford (MI)	Lipinski
Bonior (MI)	Ford (TN)	Livingston
Bonker	Fowler	Lloyd
Borski	Frank	Long
Bosco	Franklin	Lott
Boucher	Frost	Lowery (CA)
Boulter	Gallo	Lowry (WA)
Boxer	Garcia	Lujan
Brooks	Gaydos	Luken
Broomfield	Gejdenson	Lungren
Brown (CO)	Gekas	Mack
Broyhill	Gibbons	MacKay
Bruce	Gilman	Madigan
Bryant	Gingrich	Manton
Burton (CA)	Glickman	Martin (IL)
Burton (IN)	Gonzalez	Martin (NY)
Bustamante	Goodling	Martinez
Byron	Gordon	Matsui
Callahan	Gradison	Mavroules
Carper	Gray (IL)	Mazzoli
Carr	Gray (PA)	McCain
Chapman	Green	McCandless
Chappell	Gregg	McCloskey
Chappie	Guarini	McCollum
Cheney	Gunderson	McCurdy
Clay	Hall (OH)	McDade
Clinger	Hall, Ralph	McEwen
Coble	Hamilton	McGrath
Coelho	Hammerschmidt	McHugh
Coleman (MO)	Hansen	McKernan
Coleman (TX)	Hartnett	McKinney
Collins	Hatcher	McMillan
Combest	Hawkins	Meyers
Conte	Hayes	Mica
Conyers	Hefner	Michel
Cooper	Heftel	Mikulski
Coughlin	Hendon	Miller (CA)
Courter	Henry	Miller (OH)
Coyne	Hertel	Miller (WA)
Craig	Hiler	Mineta
Crockett	Holt	Mitchell
Daniel	Hopkins	Moakley
Dannemeyer	Horton	Molinari
Darden	Howard	Mollohan
Daschle	Hoyer	Monson
Daub	Hubbard	Montgomery
de la Garza	Huckaby	Moore
DeLay	Hughes	Moorhead
Dellums	Hunter	Morrison (CT)
Derrick	Hutto	Morrison (WA)
DeWine	Hyde	Murphy
Dickinson	Ireland	Murtha
Dingell	Jacobs	Myers
DioGuardi	Jeffords	Natcher
Dixon	Jenkins	Neal
Donnelly	Johnson	Nelson
Dorgan (ND)	Jones (NC)	Nichols
Nielson	Schneider	Swift
Nowak	Schroeder	Swindall
Oakar	Schuette	Synar
Oberstar	Schulze	Tallon
Obey	Schumer	Tauke
Olin	Seiberling	Tauzin
Ortiz	Sensenbrenner	Taylor
Owens	Sharp	Thomas (CA)
Packard	Shaw	Thomas (GA)
Panetta	Shelby	Torres
Parris	Shumway	Torricelli
Pashayan	Shuster	Towns
Pease	Sikorski	Traficant
Penny	Siljander	Traxler
Pepper	Skeen	Udall
Perkins	Skelton	Valentine
Petri	Slattery	Vento
Pickle	Slaughter	Visclosky
Porter	Smith (FL)	Volkmer
Price	Smith (IA)	Vucanovich
Pursell	Smith (NE)	Walgren
Quillen	Smith (NJ)	Walker
Ray	Smith, Denny (OR)	Watkins
Regula		Waxman
Reid	Smith, Robert (NH)	Weiss
Richardson		Wheat
Ridge	Smith, Robert (OR)	Whitehurst
Rinaldo		Whitley
Ritter	Snowe	Whittaker
Roberts	Snyder	Whitten
Robinson	Solarz	Williams
Rodino	Solomon	Wilson
Roe	Spence	Wirth
Roemer	Spratt	Wise
Rogers	St Germain	Wolf
Rostenkowski	Stallings	Wolpe
Roth	Stangeland	Wortley
Rowland (CT)	Stark	Wright
Rowland (GA)	Stenholm	Wyden
Roybal	Stokes	Wylie
Rudd	Strang	Yates
Russo	Stratton	Yatron
Savage	Studds	Young (AK)
Saxton	Stump	Young (FL)
Schaefer	Sundquist	Young (MO)
Scheuer	Sweeney	Zschau

NAYS—5

Bartlett	Crane	Marlenee
Cobey	Frenzel	

NOT VOTING—35

Berman	Downey	Oxley
Boland	Fuqua	Rahall
Boner (TN)	Gephardt	Rangel
Breaux	Grotberg	Rose
Brown (CA)	Hillis	Roukema
Campbell	Jones (OK)	Sabo
Carney	Loeffler	Sisisky
Chandler	Lundine	Staggers
Coats	Markey	Vander Jagt
Davis	Moody	Weaver
Dicks	Mrazek	Weber
Dowdy	O'Brien	

□ 1740

Mr. BARTLETT changed his vote from "yea" to "nay."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 4868, ANTI-APARTHEID ACT OF 1986

Mr. MOAKLEY, from the Committee on Rules, submitted a privileged report (Rept. No. 99-644) on the resolution (H. Res. 478) providing for the consideration of the bill (H.R. 4868) to prohibit loans to, other investments in, and certain other activities with respect to, South Africa, and for other purposes, which was referred to the House Calendar and ordered to be printed.

MARITIME AUTHORIZATIONS FOR FISCAL YEAR 1987

The SPEAKER pro tempore. Pursuant to House Resolution 473 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 4175.

□ 1748

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4175), to authorize appropriations for fiscal year 1987 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission, with Mr. DARDEN in the Chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the first reading of the bill is dispensed with.

Under the rule, the gentleman from North Carolina [Mr. JONES] will be recognized for 30 minutes and the gentleman from Kentucky [Mr. SNYDER] will be recognized for 30 minutes.

The Chair recognizes the gentleman from North Carolina [Mr. JONES].

Mr. JONES of North Carolina. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, today we have before us H.R. 4175, a bill to authorize appropriations for fiscal year 1987 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission. As I am sure you know, it hasn't been an easy task to work within the current budgetary constraints.

In today's budgetary climate it is necessary to constantly reevaluate our national priorities. And while this legislation does not differ in the total authorized from the amount requested by the administration, it does change the priorities of how that money should be spent.

It is vitally important to the United States that we maintain a U.S. merchant marine for both defense and commerce purposes. H.R. 4175 authorizes $388 million for the programs administered by the Maritime Administration. This includes: $320 million for operating-differential subsidy; $3.5 million for research and development; $9.5 million for national security support; $19.2 for the U.S. Merchant Marine Academy; and $9 million for training at State maritime academies.

The authorization levels in this legislation for the Maritime Administration differ from the administration's request in one respect: It redistributes the funding from research and devel-

opment to operations and training to permit continued Federal assistance to the State maritime academies. The totals are identical as between the administration's request and H.R. 4175.

The $11.9 million authorization level for the Federal Maritime Commission is identical to the administration's request.

H.R. 4175 makes a number of other changes in the maritime law such as permanently allowing U.S. vessels carrying coal in our domestic commerce to have priority loading at our ports. This legislation also imposes, for the purposes of the Gramm-Rudman-Hollings sequestration requirements only, an obligation ceiling of $500 million beginning in fiscal year 1986 for loan guarantees for the construction of vessels in U.S. shipyards under title XI of the Merchant Marine Act of 1936.

Mr. Chairman, I believe that the legislation we have before us is routine and noncontroversial. Therefore, I urge my colleagues' support for this legislation to authorize funds for the small maritime program we have left to support our strategic needs.

□ 1750

Mr. SNYDER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in support of H.R. 4175, a bill authorizing the program activities of the Maritime Administration and the Federal Maritime Commission for fiscal year 1987.

As reported by the Committee on Merchant Marine and Fisheries, the bill authorizes a total of $400.1 million for both agencies' programs—$388.2 million for MARAD and $11.9 million for the FMC. Both agency figures coincide with the administration's overall budget requests and there is no controversy regarding the FMC figures in the bill.

To get to the heart of the matter, Mr. Chairman, the controversy associated with the MARAD portion of this bill is that certain of the monetary provisions in H.R. 4175 represent a difference in philosophy from that of the administration. Those policy differences are reflected in two program areas: First, Federal financial support for the six State maritime academies; and second, extension of Federal loan guarantees for vessel construction under title XI of the Merchant Marine Act of 1936.

The State maritime academy funding issue is one which has been debated both within the Merchant Marine Committee and the Appropriations Committee for the past several years. And, I expect the debate to continue for the Next fiscal year budget. I acknowledge the argument that the administration's almost total elimination of support for fiscal year 1987—a request of $1.035 million compared to almost $12 million in fiscal year 1986 appropriations—may have been precipitous. On the other hand, I think the Merchant Marine Committee, the Appropriations Committee, and the Congress have been equally quick in accepting on faith the protests from the State academies that withdrawal of Federal funding will mean the end of those schools. As budgetary pressures increase, I submit that a more rigorous examination of this issue will be in order. The $9 million in assistance contained in this legislation is, however, a compromise which I accept, particularly since other provisions of the bill are designed to create some savings in Federal outlays in support of State academy programs.

The title XI loan guarantee program for ship construction has become a real problem area for the Maritime Administration and the U.S. Treasury. It is true that over $1 billion has been borrowed from the Treasury in the last year to make up for loan defaults. Nowhere has the situation been more desperate than in the inland barge and towing industry, and in the offshore oil and gas exploration, drilling and support industries. Both groups are in severe economic recessions and the layup of unemployed equipment in those industries can be traced to investor-owned barges, towboats, and supply vessels stimulated by tax concessions and the ready availability of title XI guarantees.

The committee responded to this situation in the 98th Congress by initiating legislation amending title XI, including provisions which I authored that tighten up the procedures by which loan guarantees are made to prospective vessel operators. That bill was signed into law in 1984. While dealing with title XI programs in prospective fashion, that fix does nothing to address the continued payout on obligations made in years gone by. Regrettably, neither do the administration's proposals, which would limit title XI obligations for fiscal year 1986 to $67 million—after Gramm-Rudman-Hollings sequestration—and eliminate the program altogether beginning in fiscal year 1987.

Recognizing that it is within administrative discretion to make no more loan guarantees under the title XI program, the Merchant Marine Committee chose, nevertheless, to signal its disagreement with OMB by adopting the language in H.R. 4175 which would raise that ceiling to $500 million for fiscal years 1986 and 1987. I, for one, don't expect new loan guarantee commitments to even come close to those levels, and I find it curious that the administration is now sending veiled threats of veto over what is, at best, a congressional expression of disagreement with administration policy. Despite the language contained in this bill, MarAd is free to not make any more loan guarantees, period—this year, next year, or ever. At the same time, the intent of the bill's provisions is to enable MarAd to make guarantees above $67 million in the event that meritorious projects do come along. I submit that that is a reasonable approach.

There are other provisions of H.R. 4175 which are particularly meritorious, Mr. Chairman, but I will focus briefly on only one: Section 6 of the bill, making permanent a 1980 provision of law granting priority loading status at U.S. ports to colliers engaged in the domestic coastwise trade. As the author of this provision, I am pleased to point out that the current law, which would expire in 1987, has been in effect for 5 years now. During that time, it has enabled U.S.-flag vessel operators serving domestic utilities to avoid long lines of foreign-flag colliers waiting to load. The savings in transportation costs total 6 cents a ton on up to 40,000 tons for each hour of delay avoided, enabling the U.S. energy consumer to benefit from lower fuel costs. During that time, there have been no problems of any sort with service disruptions or delays. This provision is sound public policy, and I am pleased to be associated with it.

In conclusion, Mr. Chairman, although the administration has expressed its reservations about certain portions of H.R. 4175, any differences can be ironed out with the other body, I am sure, and we can send to the President a bill he will sign. I urge the Members to vote for this legislation.

Mr. JONES of North Carolina. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. BIAGGI].)

Mr. BIAGGI. Mr. Chairman, I rise in support of H.R. 4175, a bill that authorizes appropriations for the Maritime Administration and the Federal Maritime Commission for fiscal year 1987.

When we examined the President's fiscal year 1987 budget proposals for the Maritime Administration, we found them to be very disconcerting. MarAd's legislation mandate is to promote a U.S.-flag merchant marine. Clearly, the President's budget does very little to promote—and would reduce—most levels of activity. In other words, budget decisions are again driving policy decisions that might not be in the national interest.

The 1987 budget proposal:

Would continue to hold the operating-differential subsidy program at existing levels and fails to recognize the need for change;

Would terminate funding for the State maritime schools;

Would terminate Federal assistance for maritime research and development; and

Would terminate the title XI Loan Guarantee Program.

The Committee on Merchant Marine and Fisheries took a hard look at all these proposals. While this industry needs more help if it is to survive in the international marketplace, the current budgetary crisis dictates restraint and difficult choice. The committee adopted the funding levels requested by the administration. H.R. 4175 authorizes the appropriation of $388.2 million for various maritime programs—and $11.9 million for the Federal Maritime Commission.

Policy considerations, however, dictated the need to redistribute funding levels within the various line items. This rearrangement was necessary because the administration proposed that funding for the State maritime academies be discontinued—except for existing student incentive payments. This was a major policy change that the committee found to be unacceptable. None of the members on the committee—nor other members who were directly affected—had been advised in advance of this significant change. Further, the Navy—a direct beneficiary of the program—had not been consulted.

The legislation differs from the administration's request in that it redistributes funding in all areas of operations and training and in research and development to permit continuing assistance to the State maritime academies.

The State maritime academies have been receiving Federal assistance averaging $12 million a year. The bill before us cuts Federal assistance by 25 percent to $9 million. This is a severe reduction, and funding cannot be reduced any further if we are to preserve the Federal-State maritime training and education relationship.

During the authorization hearings, we uncovered certain problems with the implementation of student incentive payments to State maritime academy students. H.R. 4175 includes a number of changes to this program that will benefit the Government by removing the potential for abuse. It would require the incentive payment for the first year to be made during the beginning of the second year—and only after a U.S. Naval Reserve agreement is signed by the student and accepted by the Government.

The bill also provides the Republic of Panama the opportunity to send up to six additional nationals to the U.S. Merchant Marine Academy each year, on a reimbursable basis. This additional training in the navigation and piloting of vessels should materially help Panama in providing reliable and experienced pilotage assistance for vessels transiting the Panama Canal.

H.R. 4175 also imposes—for the purposes of Gramm-Rudman-Hollings' sequestration requirements only—an obligational ceiling of $500 million beginning in fiscal year 1986 for loan guarantees for the construction of vessels in U.S. shipyards under title XI under the Merchant Marine Act, 1936.

Other sections make minor changes or clarify existing laws.

In light of the difficult choices that Gramm-Rudman-Hollings is forcing upon us, I believe that this legislation—as reported by the Committee on Merchant Marine and Fisheries—is fair and reasonable and enjoys bipartisan support. H.R. 4175 deserves your support.

Mr. SNYDER. Mr. Chairman, I yield such time as he may consume to the ranking member of the full committee, the gentleman from New York [Mr. LENT].

Mr. LENT. Mr. Chairman, I am pleased to rise in support of the authorization bill for the Maritime Administration of the Department of Transportation, and the independent Federal Maritime Commission for fiscal year 1987.

Our Merchant Marine and Fisheries Committee studied the request of the administration for funding for these two agencies and has come up with what I feel is a reasonable level of funding. The bill contains an authorization of $400 million. The amount is identical to the total requested by the administration. Our committee, however, made some adjustments in the funding categories for the Maritime Administration.

In response to the proposal of the administration to eliminate all financial support for the six State maritime academies, we took some funding from several of the budget categories and came up with $9 million to continue a modest level of Federal support to the academies. The funding is $3 million less than the six State academies received last year. We felt that we should not eliminate all Federal support for these schools because there is a need to continue the schools as a source of trained people to serve aboard commercial ships. More importantly, these graduates will be available if we have to call up our Reserve forces for a military emergency. It is all well and good to have ships available for military sealift, but those ships will not do us any good if we do not have trained people to operate them. These 6 schools graduate 600 students each year.

As our committee considered the President's request for this authorization, we adopted a number of amendments to minimize the budgetary impacts of the bill and provide adequate funding for these two important Federal agencies. The funds authorized for fiscal year 1987 are $9 million more than was appropriated in fiscal year 1986, but $77 million less than fiscal year 1985. The $9 million increase from last year is for operating subsidies—which are contracts the Government has with vessel operating companies.

One of our amendments generated some opposition in the Office of Management and Budget [OMB]. We propose to retain the Federal program that enables the Government to guarantee loans for the construction of commercial vessels. The administration wants to eliminate this program because there have been some defaults in the past year that required the Government to pay off some of the guaranteed loans. The Merchant Marine and Fisheries Committee—along with every knowledgeable person in the maritime industry—believes that the problem is not the loan guarantee program but the economic conditions facing the U.S. merchant marine. Consequently, we did not go along with the proposal to eliminate the title XI loan guarantee program. In fact, we provide in this bill that up to $500 million in construction loans could be guaranteed by MarAd if the experts in the agency believe the projects are good ones.

The Merchant Marine and Fisheries Committee believes that the United States needs a healthy merchant marine. We are not prepared to gamble that this country will not need sealift support for the military. I would much rather spend a few dollars to help maintain a merchant fleet and to train people to operate ships, than to be faced with the alternative of having to launch a nuclear response because our military did not have the necessary sealift ships to send our conventional forces overseas.

I am convinced that our committee has acted responsibly in developing this legislation. I urge my colleagues to join me in supporting this bill as a realistic, moderate, measure that will provide an appropriate level of Federal support to the industry that President Eisenhower called our fourth arm of defense—the U.S. merchant marine.

□ 1800

Mr. JONES of North Carolina. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. DONNELLY].

Mr. DONNELLY. Mr. Chairman, today the House considers H.R. 4175, the maritime authorization bill for fiscal year 1987. It is a good bill that deserves swift and decisive enactment. I had the honor of serving on the Committee on Merchant Marine and Fisheries through the first session of the 98th Congress. The committee leadership and members are to be commended for bringing this bill to the floor today.

Last year, I took to the floor during consideration of the 1986 maritime bill to warn that America's maritime

strength was fast eroding, and soon would be but a distant memory unless aggressive action was taken in Washington to reverse the decline in the U.S. shipbuilding base and flag fleet. I told the House last year that four shipyards designated by the Navy as components of our defense mobilization base had closed their gates in the previous 2 years.

Today, I rise to inform the House that the roll of accelerating decline in America's shipyards has not abated. Jeffboat, Inc., a shipyard astride the Ohio River delivered its last ship. Jeffboat was once America's largest inland shipbuilder.

She has built fine ships for the peacetime commerce and wartime defense. Jeffboat's existence has meant decent paying jobs for generations of hardworking shipbuilders from the bordering States of Kentucky and Indiana.

Last month, the General Dynamics Fore River shipyard in my Massachusetts' district delivered the last of five maritime pre-positioning ships it was building for the Navy. The Quincy yard is one of America's largest and most capable shipbuilding facilities. There is a century-old tradition of shipbuilding at Quincy that is now at risk because the current owner is seeking bids for the disposal of the facility. A valiant effort is underway to keep the yard in shipbuilding, and save the jobs of her dedicated workers. The men and women who have worked at the yard are a vital and irreplaceable national resource, with skills, experience, and pride that only comes with many years of hands-on hard work.

These two troubled yards, one in Massachusetts, one in Indiana, are hundreds of miles apart, but they face a common fate unless national decisionmakers realize what is at stake for America's future in Quincy and Jeffersonville.

It is in the national interest that we preserve a capable and geographically dispersed shipbulding base. These yards must remain available to meet the demanding requirements for vessel activation and repair in the first critical weeks and months of a major international crisis.

H.R. 4175, while generally a routine authorization bill, includes several important provisions to correct the current void in Federal maritime policy. Two specific provisions are intended to help maintain American shipyard jobs. The bill makes permanent a provision of law granting front of the line preference at domestic ports to U.S.-built, U.S.-flag vessels engaged in the coastwise transport of coal. I had the honor of working closely with my colleague, the ranking minority member from Kentucky, Mr. SNYDER, in 1980 to enact the original priority loading provision. This is a brief but productive provision of the Merchant Marine Act. Its original enactment preceded, and insured the economic viability, of the construction of the vessel *Energy Independence* at the Quincy shipyard in the early eighties.

The bill also rejects the administration's unwise and unreasonable limitation on title XI ship construction loan guarantee obligations. The bill sets an annual legislative cap of $500 million in title XI commitments by the Maritime Administration. Title XI is one of the last meaningful incentives for the domestic construction of U.S.-flag ships. In spite of the program's recent problems, title XI has served, and should continue to serve the valid national purpose of maintaining an American-flag fleet built in U.S. shipyards. Another initiative that has made progress in the committee this year is the *Mariner* build and charter program which would add militarily useful merchant ships to the U.S.-flag fleet, and provide lifesaving work for up to five domestic shipyards. The *Mariner* program must proceed ahead.

Other nations, including our adversaries, recognize the importance of fostering national flag fleets and shipyards. It is time that we arrest the decline in America's merchant marine before it is too late.

I urge an aye vote on this bill. Its enactment will put the House firmly on record in favor of preserving American shipyards and seagoing jobs.

Mr. SNYDER. Mr. Chairman, I yield 2 minutes to the gentlewoman from Maryland [Mrs. BENTLEY].

Mrs. BENTLEY. Mr. Chairman, I rise in support of H.R. 4175, both for the Maritime Administration and the Federal Maritime Commission.

As a former Chairman of the Federal Maritime Commission, I know the needs of that agency and have a special familiarity with the activities of the Maritime Administration.

This $400 million authorization is little enough for our maritime industry to maintain a position and not even a leading position, as far as we can see, internationally. But I want to commend the leadership on both sides of the aisle for not allowing any further erosion of funding for what we have so frequently referred to as the "fourth arm" of defense. I only regret that the Government no longer provides construction funds so that our ship building segment of the maritime industry also would be supported by new construction of merchant vessels in this country and prevent more shipyards from closing down here.

As the gentleman from Tennessee [Mr. QUILLEN] so eloquently stated before this body when the rule on the floor was presented, the American merchant marine is vital to the defense of our country, and it has been short-shrifted for all too long.

Oh, yes, I have heard the arguments by opponents of the industry that subsidy is bad and the American flag ships should be sent out to compete without any government assistance. Let me just say this, Mr. Chairman: the United States gives less support to its merchant marine than does any other major maritime nation.

I would hate to think how our merchant marine would suffer if we did not make even this small effort to support our fleet. Mr. Chairman, I urge support of this bill. I yield back the balance of my time.

Mr. FRENZEL. Mr. Chairman, the legislation we are considering today will not make headlines, and it is relatively modest in scope. Nevertheless, I oppose its passage, because it contains unnecessary and unproductive expenditures of scarce Federal dollars.

The bulk of this program's funding goes to subsidies for U.S.-flag shippers. The operating differential subsidy has existed for passenger ships since 1936 and for bulk carriers since 1970. The program has not caused our industry to become more competitive. On the contrary, it has become reliant on the subsidies. I can't see how, after 16 years, the program is suddenly going to revitalize our shipping industry.

I also share the administration's strong objections to other provisions of this legislation. Our taxpayers are supporting six State maritime academies, in addition to the National Academy. Our taxpayers are apparently educating officers for jobs that don't exist.

We are also helping to build ships for business U.S. companies don't seem to be getting except when it is given to them by subsidies.

Mr. Chairman, the administration is correct in opposing this bill. We need a new approach, not a continued reliance on a program that has a long and clearly unsuccessful history.

Mr. JONES of North Carolina. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

Mr. SNYDER. Mr. Chairman, I had one other request, the gentleman from Ohio [Mr. KASICH]. I do not see him presently, so I yield back the balance of my time.

The CHAIRMAN. All time for general debate having expired under the rule, each section is considered as having been read. The amendments recommended by the Committee on Merchant Marine and Fisheries to section 1 now printed in the bill shall be considered en bloc, and all the committee amendments printed in the bill are considered as having been read.

The Clerk will designate section 1.

The text of section 1 is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That funds are authorized to be appropriated for the use of the Maritime Administration for fiscal year 1987 as follows:

(a) for payment of obligations incurred for operating-differential subsidy, not to exceed $320,000,000;

(b) for expenses necessary for research and development activities, not to exceed $5,500,000; and

(c) for expenses necessary for operations and training activities, not to exceed $62,693,000, including not to exceed—

(1) $28,413,000 for maritime education and training expenses, including not to exceed $18,278,000 for maritime training at the Merchant Marine Academy at Kings Point, New York, $9,000,000 for financial assistance to State maritime academies, and $1,135,000 for expenses necessary for additional training;

(2) $9,566,000 for national security support capabilities, including not to exceed $8,048,000 for Reserve Fleet expenses and $1,518,000 for emergency planning operations; and

(3) $24,714,000 for other operations and training expenses; and

(d) for payment of obligations incurred for ocean freight differential costs, not to exceed $54,000,000.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will designate the committee amendments to section 1.

The text of the committee amendments is as follows:

Committee amendments: on page 2, line 6 strike "$5,500,000;" and substitute "$3,500,000;

On page 2, line 9, strike "$62,693,000;" and substitute "$64,693,000,";

On page 2, line 11, strike "$28,413,000;" and substitute "$29,413,000";

On page 2, line 13, strike "$18,278,000;" and substitute "$19,278,000";

On page 2, line 23, strike "$24,714,000;" and substitute "$25,714,000";

On page 2, line 24, strike "training expenses; and" and substitute "training expenses."

On page 3, strike lines 1 and 2.

Mr. SNYDER. Mr. Chairman, will the gentleman yield?

Mr. JONES of North Carolina. I yield to the gentleman from Kentucky.

Mr. SNYDER. I thank the gentleman for yielding.

Mr. Chairman, we are familiar with the amendments, and we accept the committee amendments.

The CHAIRMAN. The question is on the committee amendments.

The committee amendments were agreed to.

The CHAIRMAN. The Clerk will designate section 2.

The text of section 2 is as follows:

SEC. 2. Funds are authorized to be appropriated for the use of the Federal Maritime Commission in the amount of $11,940,000 for fiscal year 1987.

COMMITTEE AMENDMENT

The CHAIRMAN. The Clerk will designate the committee amendment.

The text of the committee amendment is as follows:

Committee amendment: On page 3, after line 5, add new sections to read as follows:

SEC. 3. (a) Section 1304 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c) is amended as follows:

(1) in section 1304(g)(1)(B), strike "and" after "subsistence;";

(2) in section 1304(g)(1) strike subparagraph "(C)" and substitute:

"(C) paid by the Secretary for the first academic year to the individual in a lump sum of $1,200 after its successful termination and at a time during the second academic year when the individual enters into an agreement accepting midshipman and enlisted reserve status as required under paragraph (2); and

"(D) paid by the Secretary for the following academic years as the Secretary shall prescribe while the individual is attending the academy.";

(3) in section 1304(g)(2) strike "apply for midshipman status" and substitute "accept midshipman and enlisted reserve status"; and

(4) in section 1304(g)(3)(D) strike "to apply for an appointment as,".

(b) The provisions of this section apply beginning the first academic year after the date of enactment.

SEC. 4. Section 1103 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1273) is amended by adding a new subsection to read as follows:

"(g) For the purpose of sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), in each fiscal year 1986 and 1987, a $500,000,000 obligation ceiling is imposed for new guaranteed loan commitments under this section. The total of guaranteed obligations may not exceed the outstanding authorized level, provided in subsection (f) of this section.".

SEC. 5. The sum of $1,000,000 if available, is authorized to be reprogrammed, from the sum of $9,350,000 previously appropriated for the replacement of a State maritime academy training ship and for fuel, for the general administration and operation of the Maritime Administration for fiscal year 1987.

SEC. 6. Section 5 of Public Law 96-387 (46 App. U.S.C. 1121-1) is amended by striking "until June 30, 1987,".

SEC. 7. Section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744) is amended to read as follows:

"SEC. 11. (a) The Secretary of Transportation shall maintain a National Defense Reserve Fleet (including the Ready Reserve Force or any component of that fleet) consisting of those vessels owned or acquired that the Secretary, after consultation with the Secretary of the Army and the Secretary of the Navy, determines are of value or national defense purposes and that the Secretary of Transportation decides to place and maintain in the National Defense Reserve Fleet.

"(b) Except as otherwise provided by law, a vessel in the National Defense Reserve Fleet may be used only for an account of an agency of the United States Government during a national emergency, proclaimed by the President, under a charter, contract, or other agreement arranged by the Secretary of Transportation.".

SEC. 8. Strike section 1303(b)(7) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295b(b)(7)) and substitute the following:

"(7)(A) The Secretary may annually permit, until September 30, 1995, upon approval of the Secretary of State, up to six additional individuals from the Republic of Panama to receive instruction at the Academy, in addition to those individuals appointed under paragraphs (3), (4), (5), and (6) of this subsection.

"(B) The Secretary shall insure that the Republic of Panama reimburse the Secretary for the cost of that instruction (including the same allowances as received by cadets at the Academy appointed from the United States) as determined by the Secretary.

"(C) An individual receiving instruction at the Academy under this paragraph shall be subject to the same rules and regulations governing admission, attendance, discipline, resignation, discharge, dismissal, and graduation as cadets at the Academy appointed from the United States.

"(8) An individual appointed as a cadet under paragraph (3), or receiving instruction under paragraph (4), (5), (6), or (7) of this subsection is not entitled to hold a license authorizing service on a merchant marine vessel of the United States solely by reason of graduation from the Academy.".

AMENDMENT OFFERED BY MR. BIAGGI TO THE COMMITTEE AMENDMENT

Mr. BIAGGI. Mr. Chairman, I offer an amendment to the committee amendment.

The Clerk read as follows:

Amendment offered by Mr. BIAGGI to the committee amendment: Page 4, strike out lines 24 and 25.

Page 5, strike out lines 1 through 15.

Mr. BIAGGI. Mr. Chairman, I do not expect to take 5 minutes. The amendment is a simple amendment. It deletes one section in the bill as reported out by the committee in order to obviate the need for an amendment which clears certain conditions within the legislation, within the committee, and also expedites passage of this legislation.

Mr. SNYDER. Mr. Chairman, will the gentleman yield?

Mr. BIAGGI. I am happy to yield to the gentleman from Kentucky.

Mr. SNYDER. I thank the gentleman for yielding.

Mr. Chairman, we are prepared to accept the amendment on this side.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. BIAGGI] to the committee amendment.

The amendment to the committee amendment was agreed to.

The CHAIRMAN. The question is on the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

The CHAIRMAN. Are there further amendments to the bill?

If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. GRAY of Illinois], having assumed the chair, Mr. DARDEN, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4175) to authorize appropriations for fiscal year 1987 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission, pursuant to House Resolution 473, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. QUILLEN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 367, nays 29, not voting 37, as follows:

[Roll No. 176]

YEAS—367

Ackerman	Coyne	Goodling
Akaka	Crockett	Gordon
Alexander	Daniel	Gradison
Anderson	Darden	Gray (IL)
Andrews	Daschle	Green
Annunzio	Daub	Guarini
Anthony	de la Garza	Gunderson
Applegate	DeLay	Hall (OH)
Archer	Dellums	Hall, Ralph
Aspin	DeWine	Hamilton
Atkins	Dickinson	Hammerschmidt
AuCoin	Dicks	Hansen
Badham	Dingell	Hartnett
Barnard	DioGuardi	Hatcher
Barnes	Dixon	Hawkins
Bateman	Donnelly	Hayes
Bates	Dorgan (ND)	Hefner
Bedell	Dornan (CA)	Hendon
Beilenson	Downey	Henry
Bennett	Duncan	Hertel
Bentley	Durbin	Hiler
Bereuter	Dwyer	Holt
Bevill	Dymally	Hopkins
Biaggi	Dyson	Horton
Bilirakis	Early	Howard
Bliley	Eckart (OH)	Hoyer
Boehlert	Edgar	Hubbard
Boggs	Edwards (CA)	Huckaby
Bonker	Emerson	Hughes
Borski	English	Hunter
Bosco	Erdreich	Hutto
Boucher	Evans (IL)	Hyde
Boxer	Fascell	Ireland
Brooks	Fawell	Jeffords
Broomfield	Fazio	Jenkins
Broyhill	Feighan	Johnson
Bruce	Fiedler	Jones (NC)
Bryant	Fields	Jones (TN)
Burton (CA)	Fish	Kanjorski
Bustamante	Flippo	Kaptur
Byron	Florio	Kasich
Callahan	Foglietta	Kemp
Carper	Foley	Kennelly
Carr	Ford (MI)	Kildee
Chapman	Ford (TN)	Kindness
Chappell	Frank	Kleczka
Chappie	Franklin	Kolbe
Clay	Frost	Kolter
Clinger	Gallo	Kostmayer
Coelho	Garcia	Kramer
Coleman (MO)	Gaydos	LaFalce
Coleman (TX)	Gejdenson	Lagomarsino
Combest	Gekas	Lantos
Conte	Gibbons	Leach (IA)
Conyers	Gilman	Leath (TX)
Cooper	Gingrich	Lehman (CA)
Coughlin	Glickman	Lehman (FL)
Courter	Gonzalez	Leland
Lent	Oberstar	Smith (NJ)
Levin (MI)	Obey	Smith, Robert
Levine (CA)	Olin	(NH)
Lewis (CA)	Ortiz	Smith, Robert
Lewis (FL)	Owens	(OR)
Lightfoot	Oxley	Snowe
Lipinski	Packard	Snyder
Livingston	Panetta	Solarz
Lloyd	Parris	Solomon
Long	Pashayan	Spence
Lott	Pease	Spratt
Lowery (CA)	Penny	St Germain
Lowry (WA)	Pepper	Staggers
Lujan	Perkins	Stallings
Luken	Petri	Stark
MacKay	Pickle	Stenholm
Madigan	Porter	Stokes
Manton	Price	Stratton
Markey	Pursell	Studds
Martin (IL)	Quillen	Sundquist
Martin (NY)	Rangel	Sweeney
Martinez	Ray	Swift
Matsui	Regula	Synar
Mavroules	Reid	Tallon
Mazzoli	Richardson	Tauke
McCain	Ridge	Tauzin
McCandless	Rinaldo	Taylor
McCloskey	Roberts	Thomas (CA)
McCollum	Robinson	Thomas (GA)
McCurdy	Rodino	Torres
McDade	Roe	Torricelli
McEwen	Roemer	Towns
McGrath	Rogers	Traficant
McHugh	Rostenkowski	Traxler
McKernan	Roth	Udall
McKinney	Roukema	Valentine
McMillan	Rowland (CT)	Vento
Meyers	Rowland (GA)	Visclosky
Mica	Roybal	Volkmer
Mikulski	Rudd	Vucanovich
Miller (CA)	Russo	Walgren
Miller (OH)	Sabo	Walker
Miller (WA)	Savage	Watkins
Mineta	Saxton	Waxman
Mitchell	Schaefer	Weiss
Moakley	Scheuer	Wheat
Molinari	Schneider	Whitehurst
Mollohan	Schroeder	Whitley
Montgomery	Schuette	Whittaker
Moody	Schulze	Whitten
Moore	Seiberling	Williams
Moorhead	Sensenbrenner	Wilson
Morrison (CT)	Sharp	Wirth
Morrison (WA)	Shaw	Wise
Mrazek	Shelby	Wolf
Murphy	Shumway	Wolpe
Murtha	Shuster	Wortley
Myers	Sikorski	Wright
Natcher	Siljander	Wyden
Neal	Skeen	Wylie
Nelson	Skelton	Yatron
Nichols	Slattery	Young (AK)
Nielson	Slaughter	Young (FL)
Nowak	Smith (IA)	Young (MO)
Oakar	Smith (NE)	Zschau

NAYS—29

Armey	Crane	Marlenee
Bartlett	Dannemeyer	Michel
Barton	Dreier	Monson
Boulter	Eckert (NY)	Smith, Denny
Brown (CO)	Frenzel	(OR)
Burton (IN)	Gregg	Strang
Cheney	Jacobs	Stump
Cobey	Kastenmeier	Swindall
Coble	Loeffler	Weber
Craig	Lungren	Yates

NOT VOTING—37

Berman	Dowdy	Mack
Boland	Edwards (OK)	O'Brien
Boner (TN)	Evans (IA)	Rahall
Bonior (MI)	Fowler	Ritter
Breaux	Fuqua	Rose
Brown (CA)	Gephardt	Schumer
Campbell	Gray (PA)	Sisisky
Carney	Grotberg	Smith (FL)
Chandler	Heftel	Stangeland
Coats	Hillis	Vander Jagt
Collins	Jones (OK)	Weaver
Davis	Latta	
Derrick	Lundine	

□ 1825

Messrs. DANNEMEYER, BURTON of Indiana, BROWN of Colorado, DENNY SMITH, SWINDALL, and COBLE changed their votes from "yea" to "nay."

Mr. RANGEL and Mrs. LONG changed their votes from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. JONES of North Carolina. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PERMISSION FOR SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS OF COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION TO SIT ON TOMORROW DURING 5-MINUTE RULE

Mr. YOUNG of Missouri. Mr. Speaker, I ask unanimous consent that the Subcommittee on Public Buildings and Grounds of the Committee on Public Works and Transportation be allowed to sit on Wednesday, June 18, 1986, during the 5-minute rule.

This has been cleared with the minority.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

PERSONAL EXPLANATION

(Mr. VENTO asked and was given permission to address the House for 1 minute.)

Mr. VENTO. Mr. Speaker, today on the Tauke amendment to H.R. 4116, Domestic Volunteer Service Act Amendments of 1986, I voted incorrectly in favor of the amendment, and in attempting to reverse my vote to "no," I submitted a green card at the desk. Mr. Speaker, this, of course, did not result in changing my vote, but I want the record to show that I intended to vote "no" and to submit a red card reversing my "yes" vote that I made in error.

INTRODUCTION OF LEGISLATION TO EXTEND AUTHORITY OF THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT TO INSURE LOANS UNDER THE FEDERAL HOUSING ADMINISTRATION

(Mr. WYLIE asked and was given permission to address the House for 1 minute, and to revise and extend his remarks, and include extraneous material.)

Mr. WYLIE. Mr. Speaker, today I am introducing legislation to extend the authority of the Secretary of Housing and Urban Development to insure loans under the Federal Housing Administration. My phone has been ringing off the hook in the last few days asking that I do something about this situation.

The Wall Street Journal says there are about 100,000 homebuyers involved. I think they must all live in my district.

My legislation would extend this authority until September 30, 1987.

Today marks the 11th straight day that the FHA has been out of business and the 42d day overall since last October 1. The ability of low and moderate income families to obtain FHA insurance is being held hostage for political leverage, and I believe this is grossly unfair to potential homebuyers and the housing industry.

On six different occasions Congress has extended the Secretary's authority for short periods of time because a housing authorization bill had not been passed.

Last Thursday the House approved a housing bill. My bill takes the FHA date from that bill.

We also extended the authority, by unanimous consent, but only for a week from Friday.

My legislation would also increase the FHA commitment authority level since HUD has reached its legal limit once again.

Mr. Speaker, it is time we quit playing politics with FHA. Homebuyers and the industry deserve better than these off again, on again extensions. I hope the House will pass FHA extension legislation soon.

Mr. Speaker, I include an article from the Wall Street Journal of June 17, 1986, as follows:

CONTINUED SUSPENSION OF FHA PROGRAM IS SEEN BY INDUSTRY, CONGRESSIONAL AIDES

(By Joann S. Lublin)

WASHINGTON.—The suspension of the Federal Housing Administration's popular mortgage-insurance program could last at least another week, congressional aides and industry groups warned.

The FHA stopped its program of backing mortgages for single-family homes at midnight June 5 after its operating authority expired. Congress hasn't acted to extend the program yet because of related disputes among members over housing legislation and a formula for distributing urban-development action grants.

"It could be awhile" before the suspension ends, says Bonny Caldwell, a Democratic staff member for the House Banking Commttee's housing panel.

The continued suspension means mounting mortgage backlogs and delayed closings for purchasers during the prime homebuying season. By the end of this week, the shutdown will have affected an estimated 100,000 consumers seeking $6 billion in mortgage insurance.

"Consumers are screaming (at lenders), 'What do you mean you can't close?' " says Glen Corso, a Mortgage Bankers of America lobbyist. "We think the chances are rather dim for getting it resolved this week. . . . It's very frustrating."

The FHA's operating authority, usually renewed routinely each year, recently has become a political football. Congress has extended the agency's authority for only brief periods since last October. The latest shutdown is the sixth and longest of the current fiscal year.

The House last Thursday passed legislation that members said would revive the program through July 25. But a Senate vote has been held up by attempts by law-makers from both parties to attach a provision revising the urban-development grant formula to give Southern and Western cities a bigger share of the aid.

Congressional aides warned that the House may refuse to clear the bill if the Senate adds that provision to it. Although the House did include the formula change in a broader housing bill it passed last week, many House Democrats would be reluctant to approve it as part of the temporary FHA extension because they fear that the Senate then wouldn't feel compelled to take up the big housing bill.

To make matters worse, a paper mixup in the House will require that chamber to act on the measure again even if the Senate approves it without the formula change. Although House members thought they had voted to extend the program through July 25, the House clerk recorded the date as June 27—a flaw that would have to be corrected by another House vote.

"The FHA has a greater chance of being reenacted this week if the Senate would just change the date and send it (the FHA extension bill) back to us," Ms. Caldwell of the housing panel said.

Meanwhile, a House-Senate conference is scheduled to resume talks this afternoon on an $8.6 billion supplemental appropriation that cleared the Senate June 6. The legislation would reinstate the FHA's operating authority until July 25 and would raise the agency's loan-guarantee limit to $132 billion this fiscal year, which ends Sept. 30. House leaders, however, would prefer to deal with the FHA's operating authority separately because of a threatened presidential veto of the supplemental bill.

The FHA could reach its current $74.2 billion credit limit for this fiscal year shortly after the agency resumes insuring mortgages, FHA officials have said. Falling mortgage rates have triggered an avalanche of home buying and refinancing this spring, swelling demand for FHA-backed loans.

SOCIAL SECURITY ADMINISTRATION AND INVESTMENT REFORM ACT OF 1986

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oklahoma [Mr. JONES] is recognized for 5 minutes.

Mr. JONES of Oklahoma. Mr. Speaker, I would like to inform the House that I am introducing legislation today which is cosponsored by all of the members of the Subcommittee on Social Security, a majority of members of the Committee on Ways and Means, and more than 150 Members of the House. This bill, the Social Security Administrative and Investment Reform Act of 1986, enjoys the broad bipartisan appeal drawing support from all ranges of the political spectrum.

The legislation represents a combination of the main provisions of H.R. 3470, the independent agency bill approved earlier this Congress by the Subcommittee on Social Security, and cosponsored by more than 175 Members of the House, with a provision to assure that the Social Security trust fund assets are only used to finance Social Security expenditures, and not for the purpose of dodging the debt limit. Both parts of the bill respond to the general concern that Social Security has become overly politicized, and that independence from administrative and financial meddling will improve and protect the program.

In the past decade, constant turnover in high level policy positions, repeated internal reorganizations, and political intervention in day-to-day administrative decisions have led to a deterioration in the quality of public service provided by SSA. To counter this trend, the legislation approved by the subcommittee creates a new, independent agency to administer Social Security, free from redundant layers of bureaucratic redtape created by the Department of Health and Human Services. The new agency would be headed by a bipartisan, 3-member Social Security board appointed by the President to staggered, 6-year terms. The board would have broad legislative, regulatory, and administrative authority, and would generally serve as the policy-making arm of the agency. To manage day-to-day administration, the board would appoint a commissioner to a 5-year term to serve as chief operating officer.

This legislation would also specifically prohibit the Treasury from tapping into the long-term assets of the Social Security trust funds to keep the Government running when the debt limit has been reached. This bill would guarantee that the disinvestment of the trust funds that took place in September and October 1984, and September, October, and November 1985, will never be repeated. This provision has the full support of the Treasury Department. I know that many of our colleagues have been hearing from their constituents on this issue, and I want to let Members know that we have developed effective legislation that will respond to these concerns.

Additionally, the subcommittee approved three miscellaneous changes: First, the suspension of benefits to deported Nazi war criminals; second, the provision of interim benefits to disability claimants who have received a favorable decision by an administrative law judge, but whose claims have been delayed by more than 90 days by the appeals council; and third, the termination of the Government representative project. The provision of H.R. 3470 to remove the Social Security trust funds from the unified budget that has already been enacted into law—effective fiscal

year 1986—as part of Public Law 99-177, the Gramm-Rudman Budget Balancing Act, has been dropped from the new bill.

I urge all our colleagues to join in supporting this important bill.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida [Mr. LEHMAN] is recognized for 5 minutes.

Mr. LEHMAN of Florida. Mr. Speaker, last Thursday on June 12, 1986, I was present on the floor during the vote on final passage of H.R. 1, the bill to amend and extend certain laws relating to housing. Although I was present for back-to-back votes to recommit H.R. 1 and final passage, strangely only my vote to recommit was recorded. Had my vote been recorded, it would have been among the votes of the overwhelming majority of supporters for the bill. Mr. Speaker, as you know, the bill passed by a total of 340 ayes to 36 noes.

INTRODUCTION OF LEGISLATION TO TRANSFER CONTROL OF METROPOLITAN WASHINGTON AIRPORTS TO A FEDERAL CORPORATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arkansas [Mr. HAMMERSCHMIDT] is recognized for 10 minutes.

Mr. HAMMERSCHMIDT. Mr. Speaker, anyone who has flown out of or even visited National or Dulles Airport can plainly see that both these airports have a problem. The terminals at National are old, temporary facilities that desperately need renovation. Dulles needs a new midfield terminal to accommodate a dramatic increase in the number of airlines and passengers using that facility. Both airports could use more parking spaces. And National Airport could benefit from a total revamping in order to make access easier for both automobiles and Metro passengers.

Fortunately, DOT Secretary Dole has recognized this problem and has moved to solve it. Under her leadership, a master plan has been developed and updated that, if implemented, would make the necessary improvements. But the question is—how do we finance the improvements called for in this plan? The current budget and appropriations process has not been successful in providing the necessary funds.

To her credit, Secretary Dole has also recognized this barrier and has moved to overcome it as well. She established a commission to look for solutions. This commission, under the chairmanship of former Gov. Linwood Holton, determined that the airports should be transferred to a local authority which could issue revenue bonds to finance the necessary improvements.

Through the efforts of Secretary Dole, Governor Holton, Senator NANCY KASSEBAUM, Congressman FRANK WOLF, and others, the Commission's report was translated into legislation and passed by the Senate. They are all to be commended for their efforts.

But I must say that their bill is not without its problems. Some have charged that the lease/transfer price is too low. Others say that these airports should remain in Federal hands and under Federal control.

Therefore, I have joined with the chairman of the Aviation Subcommittee, NORM MINETA, in the introduction of a bill to transfer control of the two airports to a Federal Government corporation under the supervision of the Secretary of Transportation. I think it is important to allow an opportunity for Congress to consider another option that could achieve the same airport improvements as the administration's bill without the control problems. I will continue to be open minded and objective as we hear witnesses on the merits or demerits of the two approaches, or to hear any new ideas.

Under this bill, the corporation would be authorized to borrow up to $700 million for capital improvements at the airports. The corporation would also be eligible for airport improvements grants from the airport and airway trust fund.

The corporation would be run by a general manager appointed by the Secretary. A five-member advisory board would review the corporation's general policies. The corporation would operate the airports through a self-supporting revolving fund, which would not be subject to annual appropriations.

It is also important to note that this bill would keep the perimeter rule at 1,000 miles. In the Senate bill, the perimeter rule had been expanded to 1,250 miles. I think that it is also important that we find a way to accommodate the unique needs of Dallas and Fort Worth as we further consider the legislation.

I want to emphasize that I am not locked into the Federal corporation approach and still have an open mind toward the administration's bill as well as other possible approaches. I believe that the bill we are introducing today is a good vehicle for examining these issues. I look forward to working with my colleagues to develop legislation that will enable us to make the sort of improvements at National and Dulles that we all agree are necessary.

VETERANS SHOULD HAVE RIGHTS OF JUDICIAL REVIEW OF BENEFIT CLAIMS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. EDWARDS] is recognized for 60 minutes.

GENERAL LEAVE

Mr. EDWARDS of California. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the subject of my special order this evening.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. EDWARDS of California. Mr. Speaker, I am going to speak tonight, together with some other Members, on H.R. 585, which is a measure granting veterans judicial review of benefit claims and other rights.

It is very hard to believe, Mr. Speaker, that the 28 million veterans of the United States, unlike practically every other American, do not have access to the Federal courts.

Mr. DASCHLE. Mr. Speaker, will the gentleman yield?

Mr. EDWARDS of California. I yield to the gentleman from South Dakota.

Mr. DASCHLE. I thank the gentleman for yielding.

Mr. Speaker, there has been no one in the House of Representatives who has taken an issue with greater diligence of leadership than has the gentleman from California [Mr. EDWARDS] on this particular issue. There are, literally, hundreds of thousands of veterans across this land who are watching very carefully, watching to see whether the House, at long last, will respond to the gentleman's leadership in this regard, watching to see, at long last, that they will have the opportunity to obtain the same rights and privileges as most other Americans have, and they are watching tonight as we set the stage, hopefully, for a vote on this issue in the Veterans' Affairs Committee at some point in the near future.

For me, this issue goes back to a point very early in my congressional career. Having had the opportunity to help a couple of veterans work their way through the whole process of claims and reviews and appeals and ultimately to the appeal board in Washington, DC, and having been completely convinced of the merit of their case all the way through, those particular individuals were turned down, and turned down for the last time, with no place to go.

Not understanding that at that time they did not have judicial review, I encouraged them to get a lawyer and to go to court and to do what Social Security recipients and others do when they have a similar situation. They were mystified as to the reason why they were not able to do what Social Security recipients and even prisoners do today. They were told that there was not any judicial recourse.

Having had that experience, I brought it up in a myriad of conversations around the country, only to find that veterans found similar situations wherever they went, and, having gone through the entire process of this long and drawn-out review of each and every one of these cases, coming to the conclusion at long last that the Veterans' Administration had told them "no."

Well, it is troubling to me, troubling that veterans cannot get the same opportunity that others do, troubling that in a situation like this the Veterans' Administration is really not only the defendant in these cases but the judge, as well. That, to me, is really the fundamental problem with the situation, as I see it, as veterans who,

above all else, ought to have the same rights and privileges as they seek redress of their difficulties and grievances they have against their own Government.

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So, to me it is a fundamental right. To me, it is something that should have been accorded decades ago. To me, it is something that really goes beyond a given issue with regard to a problem as difficult as a case may be, as difficult as agent orange might be for so many, as difficult as many of the troubling circumstances with which many veterans find themselves today.

There is no way that we can come up with an appeals process that meets every criteria set out and regardless of how long that code may be. A disinterested third party, a judge, someone who can look at these cases objectively is simply what judicial review is all about. Giving them the opportunity to finally evaluate this case on its merits, outside the pressures that may or may not be found within the Veterans' Administration is all we ask in the concept of judicial review.

I think there is something wrong. That after a century of effort, after a century of seeing the shortcomings of the system that we have within the process today, that this has not been addressed earlier. It has been addressed, unfortunately, in the other body. On six other occasions the other body has taken this issue up and overwhelmingly passed it. I think the time has come for the House of Representatives to follow suit. The time has come for us to recognize what shortcomings there are and say, without equivocation, that our veterans deserve the same rights. Our veterans deserve the same recourse. Our veterans deserve the same opportunities as anyone else in this country today. Certainly, that is all we ask.

This is not a criticism, necessarily, of the Veterans' Administration or the process within which our people within the VA must work. It goes beyond that. It goes to the system itself. The confined process by which our veterans are receiving their attention today is simply not adequate dealing with the complexities and dealing with the incredible intricacy of the laws that exist today and the complex change in the process that we have experienced in the last decade.

So I really commend the gentleman from California. I commend him for his leadership; I certainly commend him for the bipartisan effort that he has made in making sure that this issue comes to the floor, and that at long last we can put the judicial review test before the House to give veterans and everyone interested in this issue the opportunity to see the House vote affirmatively on something as important as this is to hundreds of thousands of people that call out for that assistance and that understanding as they face these difficult moments today.

I thank the gentleman for yielding and I applaud his efforts this afternoon in bringing this to the attention of the House.

Mr. EDWARDS of California. I thank the gentleman from South Dakota.

Mr. Speaker, I would like to add right now that without the efforts of the gentleman who just spoke, who explained in such exquisite, accurate detail the problem that faces the more than 25 million veterans in the United States, without his leadership and without his prodding, without his input, we would not be where we are today with 223 cosponsors of both political parties in the House of Representatives, and with a vote coming in the House Veterans' Affairs Committee, we certainly hope before the end of next month.

As the gentleman from South Dakota pointed out, this bill has passed the Senate innumerable times, and indeed, a bill almost similar to H.R. 585 passed the Senate just last year.

Again, I thank the gentleman. I also commend not only the gentleman from South Dakota but other national leaders like Mr. EDGAR of Pennsylvania; Mr. BONIOR of Michigan; Mr. RUSSO of Illinois. They have been of immeasurable help in offering the kind of leadership that we are going to need if we enact this bill because there is strong opposition.

The Veterans' Administration does not want this bill to pass. Why? Because the Veterans' Administration, as fine an organization as they are, they like the in-house review process. Who would not?

They make all the decisions; they are the judge, the jury, and the appeals court, and they do not want to change that system. I thank the gentleman again.

Mr. Speaker, as the gentleman from South Dakota pointed out, during the Great Depression—this is when it first started—veterans were denied judicial review of their benefit claims. This 50-year-old provision now denies veterans' basic rights extended to nearly every American.

Thus, persons who are denied food stamps, SSI, Medicaid, AFDC benefits, as well as prisoners and those threatened with deportation, are all entitled to their day in court. Even military personnel can obtain court review of the numerous disputes that arise between soldiers and the military departments—including issues like promotions, peformance evaluations, retirement benefits, disability decisions, and criminal punishments. but the veterans are not; the veterans do not have this privilege.

The root reason that Congress has provided Federal court review in all these situations is simply that no agency should be allowed to make decisions unchecked. This is not just because agencies inevitably make mistakes sometimes interpreting the law improperly or improperly interpreting or weighing the evidence before them. And it is not just because agencies are inevitably subject to political pressures in administering their programs. Congress has provided time and time again for review by an independent Federal judiciary which is appointed for life because, aside from any problems in agency decisionmaking, Americans have a right to their day in court. Americans have the right to benefit from the system of checks and balances bequeathed to them by those who founded our Nation.

This debate is not about the fairness of the VA; it is about honoring the principles observed by our Founding Fathers in setting up a system of checks and balances. Even more importantly, however, it is about granting America's veterans the rights which the rest of our society is allowed to enjoy. America's veterans deserve these rights and they deserve judicial review.

The VA is one of the largest Federal agencies in terms of the amount of money it provides in public assistance. In fiscal year 1984, nearly $15 billion was given by the VA to over 4 million veterans and their dependents in compensation, pension, and educational benefits. The Board of Veterans' Appeals annually reviews over 40,000 claims under these programs and regularly approves less than 14 percent of all claims.

It is plain that compensation, pension, and educational assistance benefits are often critical to veterans and their dependents. They are basic components of the safety net for millions of those who served our country honorably. Yet, under the current section 211(a) of title 38, all of the VA decisions in these areas are barred from court review.

At the last House and Senate hearings on judicial review in 1983, nearly every veterans' organization which testified—except for the American Legion—supported some form of judicial review of VA decisionmaking. The supporters included the Veterans of Foreign Wars, the Disabled American Veterans, the Paralyzed Veterans of America, the Jewish War Veterans of the United States, the National Association of Atomic Veterans, the Retired Officers Association, the American Veterans Committee, and Veterans Due Process.

H.R. 585, the Veterans' Administration Adjudication Procedure and Judi-

cial Review Act, is a bill would remedy the injustices that currently exist. It has broad support. There are currently over 200 cosponsors, and a similar bill has passed the Senate in this Congress as well as in each of the previous three Congresses. This bill has all the proper ingredients for a fair and equitable system of judicial review.

First, it codifies, as a permanent part of VA law, the nonadversarial system that the VA has been using and the requirement that the VA give the veteran the benefit of reasonable doubt. In the past, the American Legion has opposed bills authorizing judicial review based upon the speculation that court review would change the VA system so that it became adversarial and the VA would not give the veteran the benefit of reasonable doubt. This part of H.R. 585 ensures that this will not happen.

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Second, H.R. 585 allows court review only after the Board of Veterans' Appeals has finally denied a claim for benefits. This ensures that the veteran is not able to bypass the VA system by going directly to court. It also ensures that the VA has been able to review the claim completely and apply its expertise, allowing a reviewing court the benefit of the VA's reasoning.

Third and last, H.R. 585 allows access to the court system through the U.S. district courts. Mr. Speaker, the U.S. Federal court system is the safeguard of our liberties in this Nation. This is far better than creating a speciality court, which has been advocated by some supporters. Allowing court review at the district court level has several advantages. First, it is good for the entire process because it provides all involved the benefit of the learning and experience of the highly qualified Federal bench. Second, it provides veterans with access to a local court, instead of having to travel to or secure a representative from a centralized location like Washington, DC. Third, it mirrors the court review system that veterans use when they are denied military disability benefits or other claims at the Board for Correction of Military Records [BCMR]. This system of court review of the BCMR has worked well. Last, the VA can file suit now against a veteran in a local U.S. district court. There is no reason why the veteran cannot use the Federal district court when they have a claim against the Veterans' Administration.

So, Mr. Speaker, we will soon have a vote on H.R. 585, and all of the veterans, nearly 28 million veterans who fought for our country when we were in trouble and who are denied this basic American right, will get their chance to see if Congress really cares about how they are treated by their Government.

The other body has already acted. It is now time for the House of Representatives to act.

Mr. Speaker, I thank you, and I yield back the balance of my time.

Mr. RUSSO. Mr. Speaker, when we talk about the needs of our veterans today, we could produce a long list, and at the top of that list would be ensuring that veterans are treated justly. The Veterans' Administration Adjudication Procedure and Judicial Review Act provides a long overdue access to judicial review in the Federal courts and the right to adequate counsel.

Veterans, receiving an adverse benefit decision by the Veterans' Administration, must have this right of appeal. At present, they are the only Federal beneficiaries deprived of this due process. I chose to cosponsor this bill because it addresses this problem in a straightforward manner. It simply adds attorney representation and judicial review after all existing VA procedures are exhausted. That's fair.

This is not to say that the VA does not satisfactorily resolve almost all veterans' claims, and appeals may be unnecessary in all but a handful of cases. But mistakes can be made. Unfamiliar ailments, for example, may be misinterpreted by a VA accustomed to processing comparatively routine claims. A bureaucratic snafu must not deprive a deserving veteran of his or her benefits.

In the case of attorneys' fees, it is incredible that we are still using a Civil War-era law limiting to $10 what a veteran can pay for a counsel on a VA matter. We raise this limit to $500. Veterans need adequate counsel and a reasonable dollar amount to obtain a fair chance in their appeal.

This bill has won bipartisan support. It is a good bill. It is a necessary bill. Let's bring it to the floor for a vote.

Mrs. BOXER. Mr. Speaker, I thank my distinguished colleagues for allowing me this opportunity to speak in support of our Nation's veterans.

I am a strong supporter of our Nation's veterans and I believe that H.R. 585 represents another step in our Nation's commitment to those who have made the highest contribution they can make to their country.

As my colleagues have made clear, H.R. 585 grants veterans the opportunity to have court review of Veterans' Administration decisions. This is a basic constitutional right that has been denied to veterans since World War I. In addition, H.R. 585 allows veterans to pay reasonable lawyer fees, thus assuring that they will be adequately represented.

This is an issue that needs action now. In each of the last three Congresses, the Senate has passed similar legislation. Yet such a bill has never been voted on in the House. We owe too much to our Nation's veterans to continue to deny them these basic rights.

I urge my colleagues on the appropriate committees to act quickly on this legislation so that it can be brought to the floor of the House for a vote. We owe it to our Nation's veterans.

Mr. WORTLEY. Mr. Speaker, the House of Representatives has a generally good record when it comes to recognizing this country's special obligation to our veterans. However, there is one area that is badly in need of reform: the appeals process for Veterans' Administration decisions on veterans' benefits cases.

The current system for VA appeals is outmoded. As it now operates, the Veterans' Administration, in effect, judges its own decisions with outside input limited by a 19-century cap on attorneys' fees. Because the VA's purpose is to serve veterans, this may work sometimes. But there are cases when it does not. Two basic reforms in the appeals process are badly needed in order to bring it into the 1980's and provide the same protections and rights to veterans that others enjoy.

The first is to repeal the current $10 cap on attorneys' fees. This amount has not been raised since it was first approved in 1862 during the Civil War. The value of the dollar obviously has changed since then. The idea that a veteran can pay an attorney only $10 while the Veterans' Administration has the resources of the Federal Government upon which to draw creates an obvious inequity.

The second basic reform that is needed is judicial review of VA decisions. The fact that the VA's function is to serve veterans does not mean that a veteran may not sometimes disagree with the VA on a specific benefits case. When disagreements do arise between a veteran and the VA, the situation generally becomes adversarial. There should be an opportunity for judicial review of VA decisions in these cases.

These necessary reforms are incorporated in H.R. 585. As an original cosponsor of this legislation, I firmly believe that the House of Representatives must take action to reform the VA appeals process in order to make it fairer to veterans. The other Chamber of this Congress has already taken this step.

After more than 20 years of debating these changes, it is past time for the House to take a vote. I strongly urge that H.R. 585 be brought before the full membership of the House for consideration at the earliest opportunity.

Mr. BONKER. Mr. Speaker, we are on the threshold of passing legislation of major importance to our Nation's veterans. This bill, H.R. 585, the Veterans' Administration Adjudication Procedure and Judicial Review Act, would provide aggrieved veterans with the recourse of judicial review of Veterans' Administration benefit decisions. As one of over 200 cosponsors of H.R. 585, I rise today to urge the Veterans' Affairs Committee to act favorably and send this legislation to the floor for consideration.

I doubt that any of us in Congress wish to deny compensation to those veterans who bravely risked their lives for our country. Yet, that is exactly what can happen under our current system. Veterans who have been victimized by arbitrary or capricious VA decisions have no recourse to legal appeal. By law, they are denied the basic constitutional right of due process when it comes to appealing decisions of the Board of Veterans Appeals.

This right is granted throughout the Federal Government to groups ranging from Federal prisoners, to welfare recipients, from illegal aliens to military personnel. All have access to the Federal courts for review of disputed agency decisions. The injustice to veterans

under current law is compounded by the fact that even though veterans are denied the right to challenge VA decisions in court, the VA is allowed to go to court if it believes that a veteran owes it money. In fact, the VA currently has $1.4 billion in overpayment claims against 1 million veterans. Over 130,000 of these VA claims have been filed in Federal court.

Under the present system, the vast majority of the 4 million veterans and dependants receiving benefits had no complaint with the VA. Nevertheless, it is clear that in serving that many individuals, errors in benefit decisions are likely to occur. Veterans may now appeal decisions before the BVA, but their access to legal representation is restricted by a $10 attorney fee ceiling written into law over 60 years ago. Furthermore, there is no oversight of BVA decisions and it is likely that one of the consequences of these twin problems has been that only 14 percent of the veteran claims that have come before the BVA have been successful.

This legislation, if passed, would codify the existing nonadversial proceedings for establishing benefit levels, currently characterized by the guiding principle that the veteran should be given the benefit of reasonable doubt. It would also lift the $10 cap on attorney fees, giving veterans an opportunity to seek the type of representation they feel most comfortable with. This change, however, is only allowable after a BVA decision has been reached. In the event that judicial review is sought by the veteran, the VA's decision can only be overturned if the VA is found to have acted arbitrarily, capriciously, or in direct violation of the law. This provides uniformity of decisionmaking and ensures that incorrect VA decisions are properly resolved—without asking the Federal courts to make their own determinations on claims that had not the benefit of VA consideration.

This is good legislation that directly addresses a clear injustice being suffered by our Nation's veterans. At the same time, it recognizes the primacy of the VA in making benefit determinations. When Congress passed these original restrictions back at the turn of the century, the intention was to protect veterans from unscrupulous lawyers. Over time, however, a new problem has developed where veterans have an extremely limited ability to challenge unreasonable VA benefit decisions.

The intent of H.R. 585 is not to lay blame at the doorstep of the VA or to imply that there is a deliberate policy of denying veterans the benefits to which they are due. I believe that in the overwhelming majority of cases the VA makes the correct decision. Rather, its purpose is twofold. The first is to ensure that veterans have avaliable to them the same judicial recourse and access to representation available to other citizens. The second is to provide some oversight of VA decisions to correct the inadvertent errors that are inevitable in an agency of the VA's size and magnitude and to ensure that BVA decisions are fair and consistent.

I would like to commend the sponsor of H.R. 585, DON EDWARDS, for his hard work on this bill, which has already traveled a long road in Congress. In addition, I would like to commend TOM DASCHLE, BOB EDGAR, and LANE EVANS for their tireless efforts in support of this legislation and for their work on Vietnam veteran issues in general.

Mr. Speaker, time is beginning to run out for this bill because of the shortened legislative year and the enormous amount of work we have left to accomplish before we adjourn. With the other body having already passed this legislation and the tremendous support for H.R. 585 within the House, I hope that we will soon be able to favorably consider this vital legislation.

Mr. MARTINEZ. Mr. Speaker, I would like to thank the distinguished gentleman from California for sponsoring this special order on a topic of utmost urgency for millions for American citizens: judicial review for our Nation's veterans.

Our Nation rightly prides itself on its dedication to the principle of equal justice under law. Everyone in this country—regardless of wealth, race, or creed—has the right to due process of law; that is, everyone except the very people who have fought and sacrificed a very important part of their lives to protect this and other freedoms enjoyed by American citizens: our veterans.

The current law precluding veterans from judicial review for benefits claims was enacted in 1933, when our Nation was reluctant to provide benefits for veterans. Since then, the United States has been involved in three major wars and the veteran population has multiplied. Those still reluctant to provide Federal benefits to veterans are clearly a minority, but sadly, our laws do not reflect this. What we still have is an archaic, closed system which provides very little of the assurance of justice that most citizens enjoy when bringing their cases before a court of law.

Representing a congressional district containing over 200,000 veterans, I have not the slightest doubt that the current system is inadequate. Each year, hundreds of my constituents bring before me their legitimate claims to pensions for service-connected disabilities that have been coldly turned down by the Board of Veterans Appeals. Where can they go? They are effectively barred from hiring a lawyer by a 1924 law that places a $10 limit on the amount a veteran may pay an attorney to represent him before the VA.

They have come to us, their Representatives in Congress. And we have responded, 223 of us who have cosponsored H.R. 585, to correct this inequity which veterans have been forced to suffer for so many years. I am not proud of the reluctance of this body to pass this legislation. The other body has already passed comparable legislation three times in recent sessions, and has approved it in committee this session. The burden rests on us, in this august body, to act. For in our action, or our inaction, we will show our country the depth of our respect for the principles which guide this Nation, and for the millions of veterans who have sacrificed so much to defend them.

Mr. JEFFORDS. Mr. Speaker, I would like to thank my colleagues, Mr. EDGAR, Mr. EDWARDS, Mr. DASHLE, and Mr. EVANS, for reserving this special order and allowing me to publicly voice my support for H.R. 585, the Veterans' Administration Adjudication Procedure and Judicial Review Act.

I am quite concerned that, presently, veterans are not afforded the same rights to judicial review as those involved in other Federal programs. It seems less than fair that a veteran's claim for benefits is decided within the closed system of the Veterans' Administration when, for instance, Social Security recipients are able to receive a review by the courts on unfavorable decisions. Presently, if a veteran disagrees with the decision passed down by the Board of Veterans' Appeals, he has to reopen his claim again by submitting new and material evidence and, thus, begin the long, arduous process all over again. I feel strongly that the veteran, if he disagrees with BVA's decision, have the option of judicial review of that decision.

I want to again thank my colleagues for reserving this special order. I certainly hope that this legislation receives the prompt, successful consideration it deserves so that our Nation's veterans can finally have "their day in court."

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. DAVIS (at the request of Mr. MICHEL), for today, on account of illness.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. LIGHTFOOT) to revise and extend their remarks and include extraneous material:)

Mr. LUNGREN, for 60 minutes, on June 23.

Mr. LUNGREN, for 60 minutes, on June 24.

Mr. LUNGREN, for 60 minutes, on June 25.

Mr. HAMMERSCHMIDT, for 10 minutes, today.

Mr. JEFFORDS, for 60 minutes, on June 24.

(The following Members (at the request of Mr. BRUCE) to revise and extend their remarks and include extraneous material:)

Mr. JONES of Oklahoma, for 5 minutes, today.

Mr. ANNUNZIO, for 50 minutes, today.

Mr. LEHMAN of Florida, for 5 minutes, today.

Mr. EDWARDS, of California, for 60 minutes, today.

Mr. FRANK, for 60 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. JEFFORDS, at the request of Mr. LIGHTFOOT, following Martin of Illinois amendment to H.R. 4116, in the Committee of the Whole, today.

(The following Members (at the request of Mr. LIGHTFOOT) and to include extraneous matter:)

Mr. MCKINNEY.
Mr. BROWN of Colorado.
Mr. BROOMFIELD.
Mr. JEFFORDS.
Mr. COURTER in two instances.
Mr. LIVINGSTON in two instances.
Mr. CLINGER in two instances.
Mr. HENRY.
Mr. HORTON.
Mr. CLINGER.
Mr. CRANE.
Mr. KEMP.
Mr. SMITH of New Jersey.
Mr. GEKAS in two instances.
Mr. RITTER.
Mr. YOUNG of Alaska.
Mr. KOLBE.
Mrs. SCHNEIDER.

(The following Members (at the request of Mr. BRUCE) and to include extraneous matter:)

Mr. ROE in two instances.
Mr. DYMALLY.
Mr. VENTO.
Mr. HEFTEL of Hawaii.
Mr. WEISS.
Mr. MOAKLEY.
Mr. CHAPPELL.
Mr. DARDEN.
Mr. TALLON.
Mr. SABO.
Mr. LANTOS.
Mr. FROST.
Mr. SWIFT.
Mr. DE LA GARZA.
Mr. COELHO.
Mr. MAZZOLI.
Mr. SWIFT.
Mr. GORDON.
Mr. NEAL.
Mr. OBEY.
Mrs. BOGGS.

ENROLLED JOINT RESOLUTION SIGNED

Mr. ANNUNZIO, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a joint resolution of the House of the following title, which was thereupon signed by the Speaker:

H.J. Res. 131. Joint resolution to designate the week beginning June 15, 1986, as "National Safety in the Workplace Week."

SENATE ENROLLED JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to an enrolled joint resolution of the Senate of the following title:

S.J. Res. 321. Joint resolution to designate October 1986 as "National Down's Syndrome Month."

ADJOURNMENT

Mr. EDWARDS of California. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 54 minutes p.m.), the House adjourned until tomorrow, Wednesday, June 18, 1986, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

3729. A letter from the Executive Director, D.C. Retirement Board, transmitting the Board's fiscal year 1985 annual report, pursuant to D.C. Code section 1-732, 1-734(a)(1)(A); to the Committee on the District of Columbia.

3730. A letter from the Secretary of Labor, transmitting a report on the administration of the Longshore and Harbor Workers' Compensation Act for the period October 1, 1984 through September 30, 1985, pursuant to 33 U.S.C. 942; to the Committee on Education and Labor.

3731. A letter from the Acting Assistant Secretary of State for Legislative and Intergovernmental Affairs, transmitting notification of a proposed license for the export of major defense equipment sold commercially under a contract in the amount of $14,000,000 or more (Transmittal No. MC-27-86) pursuant to 22 U.S.C. 2776(c); to the Committee on Foreign Affairs.

3732. A letter from the Acting Assistant Secretary of State for Legislative and Intergovernmental Affairs, transmitting a copy of the political contributions for Brunson McKinley of New Jersey, a career member of the Senior Foreign Service, class of counselor, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Haiti, pursuant to 22 U.S.C. 3944(b)(2); to the Committee on Foreign Affairs.

3733. A letter from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting copies of international agreements, other than treaties, entered into by the United States, pursuant to 1 U.S.C. 112b(a); to the Committee on Foreign Affairs.

3734. A letter from the Administrator, Agency for International Development, transmitting the semiannual report of the Inspector General (October 1, 1985 through March 31, 1986), pursuant to 5 U.S.C. app. (Inspector General Act of 1978) 5(b); to the Committee on Government Operations.

3735. A letter from the Assistant Secretary of Transportation for Administration, transmitting notification of an alteration of systems of records, pursuant to 5 U.S.C. 552a(o); to the Committee on Government Operations.

3736. A letter from the Director, Minerals Management Service, Department of the Interior, transmitting a report of review and revision of royalty payments for fiscal years 1984 and 1985 for Federal onshore and Outer Continental Shelf oil and gas leases, pursuant to 30 U.S.C. 237; to the Committee on Interior and Insular Affairs.

3737. A letter from the Assistant Secretary of the Army (Civil Works), transmitting a report dated April 25, 1986, from the Chief of Engineers, Department of the Army, on Hampton Roads, VA (water supply), together with other pertinent reports, which is in response to a resolution passed by the House Committee on Public Works on October 10, 1974; to the Committee on Public Works and Transportation.

3738. A letter from the Executive Secretary, Department of Defense, transmitting a report on Defense procurement from small and other business firms for October 1985 through March 1986, pursuant to 15 U.S.C. 639(d); to the Committee on Small Business.

3739. A letter from the Administrator of Veterans Affairs, Veterans' Administration, transmitting the fiscal year 1985 report on the activities of the Veterans' Administration, pursuant to 38 U.S.C. 214, 221(c), 1521 and 4001(c)(3); to the Committee on Veterans' Affairs.

3740. A letter from the Director, Administrative Office of the United States Courts, transmitting notification of the suspension of civil jury trials, effective June 16, 1986; jointly, to the Committees on Appropriations and the Judiciary.

3741. A letter from the Comptroller General of the United States, transmitting a report entitled, "Nuclear Energy—A Compendium of Relevant GAO Products on Regulation, Health, and Safety" (GAO/RCED-86-132); jointly to the Committees on Government Operations, Energy and Commerce, Interior and Insular Affairs, Armed Services, and Science and Technology.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Ms. OAKAR: Committee on Post Office and Civil Service. H.R. 4060. A bill to amend title 5, United States Code, to provide that the full cost-of-living adjustment in annuities payable from the Civil Service Retirement and Disability Fund shall be made for 1987; with amendments (Rept. 99-642). Referred to the Committee of the Whole House on the State of the Union.

Mr. FASCELL: Committee on Foreign Affairs. H. Con. Res. 350. Concurrent resolution providing that the President shall continue to adhere to the numerical sublimits of the SALT agreements as long as the Soviet Union does likewise; with an amendment (Rept. 99-643). Referred to the House Calendar.

Mr. WHEAT: Committee on Rules. H. Res. 478. Resolution providing for the consideration of H.R. 4868, a bill to prohibit loans to, other investments in, and certain other activities with respect to, South Africa, and for other purposes (Rept. 99-644). Referred to the House Calendar.

SUBSEQUENT ACTION ON A REPORTED BILL SEQUENTIALLY REFERRED

Under clause 5 of rule X the following action was taken by the Speaker:

H.R. 4868. Referred to the Committee on Rules for a period ending not later than June 18, 1986, for consideration of such provisions of section 4(d) of the bill and section 4(d) of the amendment recommended by the Committee on Foreign Affairs as fall within that committee's jurisdiction pursuant to clause 1(q), Rule X.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. WILLIAMS (for himself and Mr. BARTLETT):

H.R. 5036. A bill to make technical corrections to the National Foundation on the Arts and the Humanities Act of 1965; to the Committee on Education and Labor.

By Mr. WHITTEN:

H.R. 5037. A bill making urgent supplemental appropriations for the fiscal year ending September 30, 1986, and for other purposes; to the Committee on Appropriations.

By Mr. ALEXANDER:

H.R. 5038. A bill to provide for the establishment of a Presidential commission to conduct an ongoing evaluation of international terrorism, monitor the activities of the Federal agencies relating to international terrorism, and recommend specific steps the United States and its allies can take to combat the spread of international terrorism, and for other purposes; to the Committee on Foreign Affairs.

By Mr. DYSON:

H.R. 5039. A bill to amend the National Housing Act to provide the Secretary of Housing and Urban Development with permanent authority to insure mortgages on single-family dwellings; to the Committee on Banking, Finance and Urban Affairs.

By Mr. MINETA (for himself, Mr. HOWARD, Mr. SNYDER, Mr. OBERSTAR, and Mr. HAMMERSCHMIDT):

H.R. 5040. A bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned airports in the metropolitan Washington, DC, area by the Corporation, and for other purposes; to the Committee on Public Works and Transportation.

By Mr. FRENZEL (by request):

H.R. 5041. A bill to amend the Social Security Act to make administrative improvements in the programs of aid to families with dependent children and child support enforcement, and for other purposes; to the Committee on Ways and Means.

By Mr. MARTINEZ (for himself, Mr. BLAZ, Mr. BUSTAMANTE, Mr. COELHO, Mr. DE LA GARZA, Mr. DE LUGO, Mr. FUSTER, Mr. GARCIA, Mr. GONZALEZ, Mr. LUJAN, Mr. ORTIZ, Mr. RICHARDSON, Mr. ROYBAL, Mr. TORRES, Mr. BATES, Mr. BIAGGI, Mrs. BOXER, Mrs. BURTON of California, Mr. CLAY, Mr. COLEMAN of Texas, Mr. DYMALLY, Mr. EDWARDS of California, Mr. FAZIO, Mr. FRANK, Mr. HAWKINS, Mr. HAYES, Mrs. JOHNSON, Mr. KILDEE, Mr. LEHMAN of California, Mr. LEVIN of Michigan, Mr. MATSUI, Mr. MCCAIN, Mr. MINETA, Mr. PERKINS, Mr. RODINO, Mrs. SCHROEDER, Mr. SMITH of Florida, Mr. STARK and Mr. TOWNS):

H.R. 5042 A bill to establish literacy programs for individuals of limited English proficiency; to the Committee on Education and Labor.

By Mrs. SCHNEIDER (for herself, Mr. UDALL, Mr. PORTER, Mr. SEIBERLING, Mr. MILLER of Washington, and Mr. BONKER):

H.R. 5043. A bill to amend title 23, United States Code, to limit outdoor advertising adjacent to Interstate and Federal-aid primary highways; to the Committee on Public Works and Transportation.

By Mr. TALLON:

H.R. 5044. A bill to authorize appropriations for certain highways in accordance with title 23, United States Code, and for other purposes; to the Committee on Public Works and Transportation.

By Mr. YOUNG of Alaska:

H.R. 5045. A bill to amend the Alaska National Interest Lands Conservation Act to provide for monetary compensation to professional registered guides in Alaska for loss of income resulting from restrictions on hunting, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. WYLIE (for himself, Mr. LEACH of Iowa; Mr. SHUMWAY, Mr. PARRIS, Mr. MCCOLLUM, Mr. WORTLEY, Mrs. ROUKEMA, Mr. BEREUTER, Mr. DREIER of California, Mr. HILER, Mr. RIDGE, Mr. BARTLETT, Mr. ROTH, Mr. MCCANDLESS, Mr. KOLBE, Mr. MCMILLAN, Mr. LATTA, and Mrs. BENTLEY):

H.J. Res. 656. Joint resolution to provide for the temporary extension of certain programs relating to housing and community development, and for other purposes; to the Committee on Banking, Finance and Urban Affairs.

By Mr. HORTON (for himself, Mr. WRIGHT, Mr. MICHEL, Mr. FASCELL, Mr. BROOMFIELD, Mr. KEMP, and Mr. HOYER):

H.J. Res. 657. Joint resolution to designate October 23, 1986, as "National Hungarian Freedom Fighters Day"; to the Committee on Post Office and Civil Service.

By Mr. SENSENBRENNER:

H.J. Res. 658. Joint resolution proposing an amendment to the Constitution of the United States relating to a prohibition from service in any Federal office of any person convicted of a crime punishable by either death or imprisonment for a term exceeding 1 year; to the Committee on the Judiciary.

By Mr. DIOGUARDI:

H. Con. Res. 358. Concurrent resolution condemning the repression of ethnic Albanians by the Government of the Socialist Federated Republic of Yugoslavia; to the Committee on Foreign Affairs.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 128: Mr. WORTLEY.

H.R. 349: Mr. MACKAY.

H.R. 526: Mr. MCHUGH, Mr. DYMALLY, Mr. WORTLEY, Mr. CHAPPELL, Mr. LANTOS, Mr. EDWARDS of Oklahoma, Mr. SOLARZ, Mrs. BOXER, and Mr. MOLLOHAN.

H.R. 704: Mr. STUMP.

H.R. 864: Mr. KINDNESS.

H.R. 997: Mr. KOSTMAYER and Mr. MARKEY.

H.R. 1156: Mr. GILMAN.

H.R. 1402: Mr. WIRTH, Mr. YATRON, Mr. DE LUGO, and Ms. MIKULSKI.

H.R. 2337: Mr. BURTON of Indiana.

H.R. 2684: Mr. PACKARD.

H.R. 2793: Mr. KOSTMAYER.

H.R. 3006: Mr. CAMPBELL.

H.R. 3099: Mr. RIDGE, Mr. SENSENBRENNER, Mr. FASCELL, and Mr. WILLIAMS.

H.R. 3263: Mr. OBERSTAR.

H.R. 3644: Mr. MCCLOSKEY.

H.R. 3654: Mr. WILLIAMS.

H.R. 3661: Mr. CRANE and Mr. SWIFT.

H.R. 3747: Mr. RICHARDSON.

H.R. 3767: Mr. HAMMERSCHMIDT.

H.R. 3866: Mr. MCCURDY.

H.R. 4030: Mr. FAUNTROY.

H.R. 4060: Mr. MILLER of California, Mr. BLILEY, Mr. MONTGOMERY, and Mr. OBEY.

H.R. 4070: Mr. FRANK.

H.R. 4140: Mr. ROBERT F. SMITH.

H.R. 4260: Mr. GONZALEZ.

H.R. 4270: Ms. OAKAR, Mr. SHUMWAY, and Mr. CHENEY.

H.R. 4333: Mr. COATS.

H.R. 4469: Mr. WILSON, Mr. EVANS of Illinois, Mr. WISE, Mr. WILLIAMS, and Mr. NOWAK.

H.R. 4473: Mr. JONES of North Carolina.

H.R. 4488: Mr. SIKORSKI, Mr. BEDELL, Mr. WALGREN, Mr. LIPINSKI, and Mr. VENTO.

H.R. 4519: Mr. KRAMER, Mr. COATS, and Mr. MCCURDY.

H.R. 4520: Mr. KRAMER, Mr. COATS, and Mr. MCCURDY.

H.R. 4524: Mr. GILMAN and Mr. BATEMAN.

H.R. 4567: Mr. ANDERSON and Mr. DERRICK.

H.R. 4650: Mr. KILDEE and Mr. BARNES.

H.R. 4671: Mr. COELHO, Mr. MOLLOHAN, Mr. BRYANT, Mr. ACKERMAN, and Mr. PEASE.

H.R. 4714: Mr. GUNDERSON.

H.R. 4738: Mr. WIRTH.

H.R. 4753: Mr. SYNAR.

H.R. 4755: Mr. SHAW.

H.R. 4762: Mr. MCKINNEY, Mr. WIRTH, and Mr. GARCIA.

H.R. 4766: Mr. HEFNER, Mrs. HOLT, Mr. ROBERTS, and Mr. BEDELL.

H.R. 4787: Mr. GUNDERSON, Mr. WEBER, and Mr. MILLER of Washington.

H.R. 4792: Mr. DASCHLE.

H.R. 4812: Mr. SMITH of New Hampshire.

H.R. 4817: Mr. HUGHES, Mr. RODINO, and Mr. GARCIA.

H.R. 4824: Mr. GLICKMAN.

H.R. 4825: Mr. NIELSON of Utah and Mr. VENTO.

H.R. 4828: Mr. WHITEHURST.

H.R. 4853: Mr. GRAY of Illinois.

H.R. 4876: Mr. BATEMAN, Mr. BENNETT, and Mr. GREGG.

H.R. 4882: Mr. YATRON, Mr. VENTO, Mr. LOWRY of Washington, Mr. MARKEY, Mrs. BURTON of California, and Mr. DYMALLY.

H.R. 4889: Mr. LENT, Mr. BONKER, Mr. GEJDENSON, and Mr. KLECZKA.

H.R. 4924: Mr. STARK, Mr. JACOBS, Mrs. BOXER, Mr. WILSON, Mr. MONSON, Mr. CHANDLER, Mr. STUDDS, Mr. HANSEN, Mr. PACKARD, Mr. STENHOLM, Mr. NIELSON of Utah, Mr. CONYERS, Mr. MRAZEK, Mr. MILLER of California, Mr. ORTIZ, Mr. DURBIN, Mr. CHAPMAN, Mr. WAXMAN, Mr. LUKEN, Mr. DOWNEY of New York, Mr. WEISS, Mr. SCHEUER, Mr. GIBBONS, Mr. LOWRY of Washington, Mr. MICA, Mr. BENNETT, and Mr. EDWARDS of California.

H.R. 4937: Mr. WILLIAMS.

H.R. 4945: Mr. WHITEHURST, Mrs. BURTON of California, Mr. SEIBERLING, Mr. MILLER of California, Mr. LAGOMARSINO, Mr. STENHOLM, Ms. OAKAR, Mr. NELSON of Florida, Mr. MITCHELL, and Mr. HENDON.

H.R. 4953: Mr. PACKARD, Mr. COBEY, and Mr. JEFFORDS.

H.R. 4984: Mr. GRAY of Illinois.

H.R. 5000: Mr. PACKARD, Mr. KOLBE, and Mr. CAMPBELL.

H.R. 5011: Mr. COBEY.

H.J. Res. 7: Mr. WYLIE.

H.J. Res. 127: Mrs. JOHNSON and Mr. HEFTEL of Hawaii.

H.J. Res. 231: Mr. HENRY.

H.J. Res. 244: Mr. WILSON, Mr. LIPINSKI, and Mr. GEPHARDT.

H.J. Res. 429: Mr. PARRIS, Mr. WOLPE, Mr. EVANS of Illinois, Mr. MOLINARI, Mr. LUN-

GREN, Mr. KILDEE, Mr. BLAZ, Mr. MOAKLEY, and Mr. FOLEY.

H.J. Res. 458: Mr. ROTH.

H.J. Res. 498: Mr. GLICKMAN.

H.J. Res. 524: Mr. CARNEY, Mr. MCDADE, Ms. OAKAR, Mr. SOLOMON, Mr. EVANS of Illinois, Mr. DAUB, Mr. DYMALLY, Mr. FRANKLIN, and Mrs. HOLT.

H.J. Res. 529: Mr. KEMP, Mr. DIXON, Mr. LEHMAN of California, Mr. BOSCO, Mr. RODINO, Mr. BROWN of California, Mr. LUNGREN, Mr. LEWIS of California, Mr. JONES of North Carolina, Mr. SNYDER, Mr. BOUCHER, Mr. NEAL, Mr. REID, Mr. DANIEL, Mr. DORGAN of North Dakota, Mr. TAUKE, Mr. HEFNER, Mr. ROBERTS, Mr. HYDE, Mr. MOORE, Mr. CONYERS, Mr. MARKEY, Mr. SAVAGE, Mr. SKELTON, Mr. MONSON, Mr. HANSEN, Mr. CONTE, Mr. BATES, Mr. TRAXLER, Mrs. LLOYD, and Mr. COYNE.

H.J. Res. 531: Mr. FLORIO and Mr. COURTER.

H.J. Res. 577: Mr. EMERSON, Mr. DICKINSON, Mr. HATCHER, Mr. WALGREN, Mr. ERDREICH, Mr. MORRISON of Washington, Mr. DANNEMEYER, Mrs. JOHNSON, Mr. DORGAN of North Dakota, and Mr. SABO.

H.J. Res. 623: Mr. DINGELL and Mr. FOGLIETTA.

H.J. Res. 624: Mr. CRANE.

H.J. Res. 640: Mrs. HOLT, Mr. SKELTON, Mr. RITTER, Mr. BONKER, Mr. DURBIN, Mr. FAUNTROY, Mr. KASICH, Mr. HERTEL of Michigan, Mr. DANNEMEYER, Mr. BENNETT, Mr. VENTO, Mr. CROCKETT, Mr. EDWARDS of Oklahoma, and Mr. LUKEN.

H.J. Res. 642: Mr. VALENTINE, Mr. MONSON, Mr. TAUKE, Mr. STALLINGS, Mr. RAHALL, Mr. VENTO, Mr. FEIGHAN, Mr. RUDD, Mrs. LONG, Mr. SCHEUER, Mr. FOLEY, Mr. SPENCE, Mr. PANETTA, Mr. MOORE, Mr. KASICH, Mr. DARDEN, Mr. CHAPPIE, Mr. JONES of North Carolina, Mr. WORTLEY, Mr. BATES, Mr. HUTTO, Mr. DAUB, Mr. CLAY, Mr. SAXTON, and Mr. NOWAK.

H. Con. Res. 116: Mr. COBEY.

H. Con. Res. 127: Mr. SPENCE and Mr. TAUZIN.

H. Con. Res. 129: Mr. BROYHILL.

H. Con. Res. 244: Mr. BONER of Tennessee, Mr. DOWNEY of New York, Mr. DYMALLY, Mr. GILMAN, Mr. HAWKINS, Mr. KLECZKA, Mr. KOLTER, Mr. LELAND, Mr. LIPINSKI, Mr. MCCURDY, Mr. MILLER of Washington, Mr. MURPHY, Mr. PEASE, Mr. ST GERMAIN, Mr. SIKORSKI, Mr. STOKES, Mr. WEAVER, and Mr. WHEAT.

H. Con. Res. 291: Mr. FRANK, Mr. DYMALLY, Mr. PURSELL, Mr. MITCHELL, Mr. DIXON, Mr. CROCKETT, Mr. LEHMAN of Florida, Mr. REID, Mr. YATRON, Mr. LANTOS, Mr. BIAGGI, Mr. NIELSON of Utah, Mr. ROYBAL, Mr. MATSUI, Mr. BERMAN, Mr. LEVINE of California, and Mr. KOLBE.

H. Con. Res. 308: Mr. HEFNER, Mr. KILDEE, Mr. HENDON, Mr. MCHUGH, Mr. REID, Mr. MARTINEZ, Mr. MONSON, Mr. LEACH of Iowa, Mr. PERKINS, Mrs. BYRON, Mr. MOAKLEY, Mr. LOEFFLER, Mr. DAVIS, and Mr. HAMILTON.

H. Con. Res. 317: Mr. AKAKA, Mr. ALEXANDER, Mr. ANDERSON, Mr. ANDREWS, Mr. ASPIN, Mr. ATKINS, Mr. BARNARD, Mr. BARNES, Mr. BATEMAN, Mr. BATES, Mr. BARTLETT, Mr. BEDELL, Mr. BEILENSON, Mr. BLILEY, Mr. BONIOR of Michigan, Mr. BONKER, Mr. BORSKI, Mr. BOSCO, Mr. BOUCHER, Mr. BROOKS, Mr. BRYANT, Mr. CLAY, Mr. COBEY, Mr. COELHO, Mr. COLEMAN of Texas, Mr. COOPER, Mr. DANIEL, Mr. DASCHLE, Mr. DAUB, Mr. DERRICK, Mr. DICKS, Mr. DIOGUARDI, Mr. DONNELLY, Mr. DORGAN of North Dakota, Mr. DOWNEY of New York, Mr. EDGAR, Mr. EDWARDS of California, Mr. FLORIO, Mr. FOLEY, Mr. FORD of Tennessee, Mr. FOWLER, Mr. GEPHARDT, Mr. GIBBONS, Mr. GINGRICH, Mr. GLICKMAN, Mr. GONZALEZ, Mr. GORDON, Mr. GUARINI, Mr. RALPH M. HALL, Mr. HALL of Ohio, Mr. HEFNER, Mr. HOWARD, Mr. HUBBARD, Mr. JONES of Oklahoma, Mr. KEMP, Mrs. KENNELLY, Mr. KLECZKA, Mr. LEATH of Texas, Mr. LIPINSKI, Mrs. LLOYD, Mr. LUNGREN, Mr. MANTON, Mr. MARKEY, Mr. MATSUI, Mr. MCHUGH, Mr. MINETA, Mr. MITCHELL, Mr. MOODY, Mr. NEAL, Mr. NELSON of Florida, Ms. OAKAR, Mr. PANETTA, Mr. PERKINS, Mr. PETRI, Mr. RAHALL, Mr. RANGEL, Mr. RAY, Mr. REID, Mr. RITTER, Mr. ROEMER, Mr. ROSE, Mr. RUSSO, Mr. SEIBERLING, Mr. SHELBY, Mr. SISISKY, Mr. SKELTON, Mr. SLATTERY, Mr. SMITH of Iowa, Mr. SOLARZ, Mr. SPRATT, Mr. STAGGERS, Mr. STALLINGS, Mr. STARK, Mr. STOKES, Mr. STRANG, Mr. STRATTON, Mr. SWIFT, Mr. TAUZIN, Mr. TORRES, Mr. TRAFICANT, Mr. TRAXLER, Mr. WALKER, Mr. WATKINS, Mr. WAXMAN, Mr. WEBER, Mr. WEAVER, Mr. WHITLEY, Mr. WILLIAMS, Mr. WYDEN, Mr. VENTO, Mr. YOUNG of Missouri, Mr. BENNETT, Mr. DARDEN, Mr. DELLUMS, Mr. DIXON, Mr. FLIPPO, Mr. HERTEL of Michigan, Mr. LEHMAN of California, Mrs. LONG, Mr. LUNDINE, Mr. MCCURDY, Mr. OLIN, Mr. PENNY, Mr. SAVAGE, Mr. WHEAT, Mr. YATES, Mr. YATRON, Mr. HYDE, and Mr. MCDADE.

H. Con. Res. 332: Mr. HENRY, Mr. DIOGUARDI, Mr. HERTEL of Michigan, Mr. LENT, Mr. PORTER, Mr. LEWIS of California, Mr. SOLOMON, Mrs. KENNELLY, Mr. SCHEUER, Mr. WOLF, Mr. BUSTAMANTE, Mr. GARCIA, Mr. RINALDO, Mr. FISH, Mr. ECKERT of New York, Mr. BERMAN, Mr. LIPINSKI, Mr. TRAFICANT, Mr. DONNELLY, Mr. RODINO, Mrs. BENTLEY, Mrs. BOXER, Mr. ST GERMAIN, Mr. RITTER, Mr. BILIRAKIS, Mr. CARPER, Mr. BORSKI, Mr. CRANE, Mr. MCDADE, Mr. MANTON, Mr. HYDE, Mr. MCCLOSKEY, Mr. OBERSTAR, Mr. FRENZEL, Mr. MOAKLEY, and Mr. VANDER JAGT.

H. Con. Res. 334: Mr. BORSKI.

H. Con. Res. 338: Mr. CARPER, Mr. VENTO, Mr. HEFNER, Mr. FAWELL, Mr. CROCKETT, Mr. BIAGGI, Mr. SEIBERLING, Mr. FAZIO, Ms. KAPTUR, Mr. ROBINSON, and Mrs. COLLINS.

H. Con. Res. 353: Mr. GREEN, and Mr. YATRON.

H. Res. 116: Mr. FUSTER, Mr. BEILENSON, Mrs. BENTLEY, Mr. DE LUGO, Mr. WOLF, Mr. MRAZEK, Mr. GEPHARDT, Mr. HENRY, Mr. KOSTMAYER, Mr. BEDELL, Mr. SCHEUER, Mr. LEVINE of California, Mr. HAMILTON, and Mr. DORGAN of North Dakota.

H. Res. 373: Mr. KOSTMAYER, Mr. KASTENMEIER, Mrs. BOGGS, and Mr. BONIOR of Michigan.

H. Res. 404: Mr. BOSCO, Mr. CROCKETT, Mr. DORNAN of California, Mr. DUNCAN, Mr. ECKART of Ohio, Mr. HUGHES, Mr. JACOBS, Mr. MCGRATH, and Mr. ROBERTS.

H. Res. 438: Mr. SAVAGE, Mr. WEISS, Mr. MRAZEK, Mr. WOLPE, Mr. DORNAN of California, Mr. GARCIA, Mr. EVANS of Illinois, and Mr. HUGHES.

H. Res. 451: Mr. ARMEY, and Mr. MOLLOHAN.

H. Res. 461: Mr. ROBINSON, Mrs. VUCANOVICH, Mr. BARNES, Mr. FAZIO, Mr. DE LUGO, and Mr. BLILEY.

H. Res. 462: Mr. OBERSTAR, Mr. LEVINE of California, Mr. FRENZEL, Mr. LANTOS, and Mr. ACKERMAN.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

390. By the SPEAKER: Petition of the New England District (1), United Steelworkers of America, Cambridge MA, relative to the conflicts in Central America; to the Committee on Foreign Affairs.

391. Also, petition of Mr. W. Bieder, et al, Vienna, Austria, relative to the removal of Navajo and Hopi families from their homeland; to the Committee on Interior and Insular affairs.

392. Also, petition of the Association of American Geographers, Washington, DC; relative to nuclear weapons; jointly, to the Committees on Foreign Affairs and Armed Services.

393. Also, petition of the Board of Supervisors, County of Los Angeles, CA; relative to H.R. 3810, the Immigration Reform and Legalization Act of 1985; jointly, to the Committees on the Judiciary and Armed Services.

394. Also, petition of the Nevada Commission on Nuclear Projects, Carson City, NV; relative to the proposed transportation corridors for high-level radioactive waste; jointly, to the Committees on Energy and Commerce, Interior and Insular Affairs, and Public Works and Transportation.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

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By Mr. BURTON of Indiana:

—In section 5(b), insert the following after paragraph (2): "No such assistance may be used to support, directly or indirectly, the African National Congress or any organization or institution affiliated therewith, until such time as the controlling body of the African National Congress no longer includes members of the South African Communist Party."

—Insert the following after section 7 and redesignate the succeeding sections and references thereto, accordingly:

SEC. 8. EXEMPTION FOR CERTAIN COMPANIES.

(a) EXEMPTION FOR COMPANIES COMPLYING WITH SULLIVAN PRINCIPLES.—The prohibitions contained in this Act shall not apply with respect to any business enterprise located in South Africa which, in the operation of that business enterprise, implements those principles set forth in subsection (b).

(b) STATEMENT OF PRINCIPLES.—The principles referred to in subsection (a) are the following:

(1) DESEGREGATING THE RACES.—Desegregating the races in each employment facility, including—

(A) removing all race designation signs;

(B) desegregating all eating, rest, and work facilities; and

(C) terminating all regulations which are based on racial discrimination.

(2) EQUAL EMPLOYMENT.—Providing equal employment for all employees with regard to race or ethnic origin, including—

(A) assuring that any health, accident, or death benefit plans that are established are nondiscriminatory and open to all employees without regard to race or ethnic origin; and

(B)(i) implementing equal and nondiscriminatory terms and conditions of employment for all employees, and (ii) abolishing job reservations, job fragmentation, apprenticeship restrictions for blacks and other nonwhites, and differential employment crite-

ria, which discriminate on the basis of race or ethnic origin.

(3) EQUITABLE PAY SYSTEM.—Assuring that the pay system is equitably applied to all employees without regard to race or ethnic origin, including—

(A) assuring that any wage and salary structure that is implemented is applied equally to all employees without regard to race or ethnic origin;

(B) eliminating any distinctions between hourly and salaried job classifications on the basis of race or ethnic origin; and

(C) eliminating any inequities in seniority and ingrade benefits which are based on race or ethnic origin.

(4) MINIMUM WAGE AND SALARY STRUCTURE.—Establishing a minimum wage and salary structure based on the appropriate local minimum economic level which takes into account the needs of employees and their families.

(5) INCREASING BLACKS AND OTHER NONWHITES IN CERTAIN JOBS.—Increasing, by appropriate means, the number of blacks and other nonwhites in managerial, supervisory, administrative, clerical, and technical jobs for the purpose of significantly increasing the representation of blacks and other nonwhites in such jobs, including—

(A) developing training programs that will prepare substantial numbers of blacks and other nonwhites for such jobs as soon as possible, including—

(i) expanding programs and forming new programs to train, upgrade, and improve the skills of all categories of employees, including establishing and expanding programs to enable employees to further their education and skills at recognized education facilities; and

(ii) creating on-the-job training programs and facilities to assist employees to advance to higher paying jobs requiring greater skills; (B) establishing procedures to assess, identify, and actively recruit employees with potential for further advancement;

(C) identifying blacks and other nonwhites with high management potential and enrolling them in accelerated management programs; and

(D) establishing timetables to carry out this paragraph.

(6) IMPROVING LIFE OUTSIDE THE WORKPLACE.—Taking reasonable steps to improve the quality of employees lives outside the work environment with respect to housing, transportation, schooling, recreation, and health, including—

(A) providing assistance to black and other nonwhite employees for housing, health care, transportation, and recreation either through the provision of facilities or services or providing financial assistance to employees for such purposes, including the expansion or creation of in-house medical facilities or other medical programs to improve medical care for black and other nonwhite employees and their dependents; and

(B) participating in the development of programs that address the education needs of employees, their dependents, and the local community.

(7) FAIR LABOR PRACTICES.—Implementing fair labor practices, including—

(A) recognizing the right of all employees, regardless of racial or other distinctions, to self-organization and to form, join, or assist labor organizations, freely and without penalty or reprisal, and recognizing the right to refrain from any such activity;

(B) refraining from—

(i) interfering with, restraining, or coercing employees in the exercise of their rights of self-organization under this paragraph,

(ii) dominating or interfering with the formation or administration of any labor organization or sponsoring, controlling, or contributing financial or other assistance to it, except that an employer may permit employees to confer with the employer during working hours without loss of time or pay,

(iii) encouraging or discouraging membership in any labor organization by discrimination in regard to hiring, tenure, promotion, or other condition of employment,

(iv) discharging or otherwise disciplining or discriminating against any employee who has exercised any rights of self-organization under this paragraph, and

(v) refusing to bargain collectively with any organization freely chosen by employees under this paragraph; and

(C)(i) allowing employees to exercise rights of self-organization, including solicitation of fellow employees during nonworking hours, (ii) allowing distribution and posting of union literature by employees during nonworking hours in nonworking areas, and (iii) allowing reasonable access to labor organization representatives to communicate with employees on employer premises at reasonable times where there are no other available channels which will enable the labor organization to communicate with employees through reasonable efforts.

(8) ACTIVITIES OUTSIDE THE WORKPLACE.—Taking reasonable measures to extend the scope of influence on activities outside the workplace, including—

(A) supporting the unrestricted rights of black businesses to locate in urban areas;

(B) influencing other companies in South Africa to follow the standards of equal rights principles;

(C) supporting the freedom of mobility of black workers to seek employment opportunities wherever they exist, and making provision for adequate housing for families of employees within the proximity of workers' employment; and

(D) supporting the recission of all apartheid laws.

—Insert the following after section 7 and redesignate the succeeding sections, and references thereto, accordingly:

SEC. 8. EXEMPTION FOR CERTAIN COMPANIES.

The prohibitions contained in this Act shall not apply with respect to any business enterprise which is controlled by South Africans disadvantaged by the apartheid system.

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By Mr. CONYERS:

—Insert the following after section 7 and redesignate succeeding sections and references thereto accordingly:

SEC. 8. NUCLEAR EXPORTS.

(a) COOPERATION.—Cooperation of any kind provided for in the Atomic Energy Act of 1954 is hereby prohibited with respect to the Republic of South Africa.

(b) NUCLEAR REGULATORY COMMISSION AUTHORIZATIONS.—The Nuclear Regulatory Commission may not issue any license or other authorization under the Atomic Energy Act of 1954 for the export to the Republic of South Africa of any source or special nuclear material, any production or utilization facility, any sensitive nuclear technology, any component, item, or substance determined to have significance for nuclear explosive purposes pursuant to section 109 b. of the Atomic Energy Act of 1954, or any other material or technology requiring such a license or authorization.

(c) DISTRIBUTION OF NUCLEAR MATERIAL.—The authority of the Atomic Energy Act of 1954 may not be used to distribute any special nuclear material, source material, or byproduct material to the Republic of South Africa.

(d) SUBSEQUENT ARRANGEMENTS.—No department, agency, or official of the United States Government may enter into any subsequent arrangement under the Atomic Energy Act of 1954 which would permit the transfer to or use by the Republic of South Africa of any nuclear materials and equipment or any nuclear technology.

(e) AUTHORIZATIONS OF SECRETARY OF ENERGY.—The Secretary of Energy may not provide any authorization (either in the form of a specific or a general authorization) under section 57 b. (2) of the Atomic Energy Act of 1954 for any activity which would constitute directly or indirectly engaging the Republic of South Africa in activities which require an authorization under that section.

(f) EXPORT LICENSES.—

(1) NUCLEAR RELATED USES.—The Secretary of Commerce may not issue any license under the Export Administration Act of 1979 for the export indirectly to the Republic of South Africa of any goods or technology—

(A) which are intended for a nuclear related end use or end user;

(B) which have been identified pursuant to section 309(c) of the Nuclear Non-Proliferation Act of 1978 as items which could, if used for purposes other than those for which the export is intended, be of significance for nuclear explosive purposes; or

(C) which are otherwise subject to the procedures established pursuant to section 309(c) of the Nuclear Non-Proliferation Act of 1978.

(2) PROHIBITION ON ADDITIONAL EXPORTS.—In addition, the Secretary of Commerce shall use the authorities set forth in the Export Administration Act of 1979 to prohibit any export directly or indirectly to the Republic of South Africa of any goods and technology contained on any of the lists prepared pursuant to paragraph (3) of this subsection. Export controls shall be imposed pursuant to this paragraph without regard to the requirements otherwise applicable to the imposition of export controls under the Export Administration Act of 1979.

(3) LIST OF PROHIBITED GOODS AND TECHNOLOGY.—Not later than 6 months after the date of the enactment of this Act, the Nuclear Regulatory Commission, the Secretary of Commerce, the Secretary of Energy, and the Secretary of State shall each prepare a list of all goods or technology, whose transfer to the Republic of South Africa is not otherwise prohibited by this section, which in their judgment could, if made available to the Republic of South Africa, increase the ability of that country to design, develop, fabricate, test, operate, or maintain nuclear materials, nuclear facilities, or nuclear explosive devices. Such lists shall include goods or technology which, although not intended for any of the specified nuclear related end uses, could be diverted to such a use.

(g) INFORMATION.—No officer or employee in any department or agency of the executive branch (including the Nuclear Regulatory Commission) may make available to the Republic of South Africa, directly or indirectly, any technology or other information which could increase the ability of that country to design, develop, fabricate, test, operate, or maintain nuclear materials, nu-

clear facilities, or nuclear explosive devices. This subsection does not require that an officer or employee withhold information in published form which is available to the public from such officer or employee.

(h) PRIOR LICENSES AND AUTHORIZATIONS.—Any license or authorization described in this section which was issued before the enactment of this Act is hereby terminated.

SEC. 9. OTHER EXPORTS.

(a) ITEMS ON CONTROL LIST.—Any goods or technology which are subject to export controls under the Export Administration Act of 1979 and the export of which are not otherwise prohibited by section 8 may not be exported, directly or indirectly, to South Africa.

(b) ITEMS ON THE UNITED STATES MUNITIONS LIST.—Any item on the United States Munitions List established pursuant to section 38(a)(1) of the Arms Export Control Act may not be exported, directly or indirectly, to South Africa.

In section 4(a)(2) of the bill, insert before the period the following: ", the export of which is not otherwise prohibited by section 8 or 9".

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By Mr. DELLUMS:

—In section 4, strike paragraphs (1) and (2) and insert the following:

(1) no United States person may, directly or through another person, make or hold any investment in South Africa;

(2) notwithstanding any other provision of law, no article which is the growth, produce, or manufacture of South Africa may be imported into the United States, except for those strategic minerals of which the President certifies to the Congress that the quantities essential for military uses exceed reasonably secure domestic supplies and for which substitutes are not available; and

(3) no goods, technology, or other information subject to the jurisdiction of the United States may be exported to South Africa, and no goods, technology, or information may be exported to South Africa by any person subject to the jurisdiction of the United States.

The prohibition contained in paragraph (3) shall apply to goods, technology, or other information of any kind, which is subject to controls under the Export Administration Act of 1979, the Arms Export Control Act, the Atomic Energy Act of 1954, or any other provision of law. The prohibition contained in paragraph (3) shall not apply to exports described in section 6(g) of the Export Administration Act of 1979.

(Amendment in the nature of a substitute.)

—strike all after the enacting clause and insert the following:

SECTION 1. PROHIBITION ON INVESTMENTS IN SOUTH AFRICA.

No United States person may, directly or through another person, make or hold any investment in South Africa.

SEC. 2. PROHIBITION ON IMPORTS AND EXPORTS FROM SOUTH AFRICA.

(a) IMPORTS.—Notwithstanding any other provision of law, no article which is the growth, produce, or manufacture of South Africa may be imported into the United States, except for those strategic minerals of which the President certifies to the Congress that the quantities essential for military uses exceed reasonably secure domestic supplies and for which substitutes are not available.

(b) EXPORTS.—

(1) GENERAL RULE.—No goods, technology, or other information subject to the jurisdiction of the United States may be exported to South Africa, and no goods, technology, or other information may be exported to South Africa by any person subject to the jurisdiction of the United States. The prohibition contained in this paragraph shall apply to goods, technology, or other information of any kind, which is subject to controls under the Export Administration Act of 1979, the Arms Export Control Act, the Atomic Energy Act of 1954, or any other provision of law.

(2) EXCEPTION.—The prohibition contained in paragraph (1) shall not apply to exports described in section 6(g) of the Export Administration Act of 1979.

SEC. 3. PROHIBITION ON LANDING RIGHTS OF SOUTH AFRICAN AIRCRAFT.

(a) PROHIBITION.—The Secretary of Transportation shall prohibit the takeoff and landing of any aircraft by a foreign air carrier owned, directly or indirectly, by the Government of South Africa or by South African nationals.

(b) EXCEPTIONS FOR EMERGENCIES.—The Secretary of Transportation may provide for such exceptions from the prohibition set forth in subsection (a) as the Secretary considers necessary to provide for emergencies in which the safety of an aircraft or its crew or passengers are threatened.

(c) DEFINITIONS.—For purposes of this section, the terms "aircraft" and "foreign air carrier" have the meanings given those terms in section 101 of the Federal Aviation Act of 1958.

SEC. 4. PROHIBITION ON IMPORTATION OF KRUGERRANDS.

No person may import into the United States any South African krugerrand or any other gold coin minted in South Africa or offered for sale by the Government of South Africa.

SEC. 5. ENFORCEMENT PENALTIES.

(a) AUTHORITIES OF THE PRESIDENT.—The President shall take the necessary steps to ensure compliance with the provisions of this Act and any regulations, licenses, and orders issued to carry out this Act, including establishing mechanisms to monitor compliance with such provisions, regulations, licenses and orders. In ensuring such compliance, the President may conduct investigations, hold hearings, administer oaths, examine witnesses, receive evidence, take depositions, and require by subpoena the attendance and testimony of witnesses and production of all books, papers, and documents relating to any matter under investigation.

(b) VIOLATIONS.—Any person that knowingly violates the provisions of this Act or any regulation, license, or order issued to carry out this Act shall—

(1) if other than an individual, be fined not more than $500,000; and

(2) if an individual, be fined not more than $250,000, or imprisoned not more than 5 years, or both.

(c) ADDITIONAL PENALTIES FOR CERTAIN INDIVIDUALS.—

(1) IN GENERAL.—Whenever a person commits a violation under subsection (b)—

(A) any officer, director, or employee of such person, or any natural person in control of such person who willfully ordered, authorized, acquiesced in, or carried out the act or practice constituting the violation, and

(B) any agent of such person who willfully carried out such act or practice,

shall, upon conviction, be fined not more than $250,000, or imprisoned not more than five years, or both.

(2) RESTRICTION OF PAYMENT OF FINES.—A fine imposed under paragraph (1) on an individual for an act or practice constituting a violation may not be paid, directly or indirectly, by the person committing the violation itself.

(d) SEIZURE AND FORFEITURE OF AIRCRAFT.—Any aircraft used in connection with a violation of section 3 or any regulation, license, or order issued to carry out that section shall be subject to seizure by and forfeiture to the United States. All provisions of law relating to the seizure, forfeiture, and condemnation of articles for violations of the customs laws, the disposition of such articles or the proceeds from the sale thereof, and the remission or mitigation of such forfeitures shall apply to the seizures and forfeitures incurred, or alleged to have been incurred, under the provisions of this subsection, insofar as such provisions of law are applicable and not inconsistent with the provisions of this Act; except that all powers, rights, and duties conferred or imposed by the customs laws upon any officer or employee of the Department of the Treasury shall, for purposes of this subsection, be exercised or performed by the Secretary of Transportation or by such persons as the Secretary may designate.

SEC. 6. REGULATORY AUTHORITY.

The President may issue such regulations, licenses, and orders as are necessary to carry out this Act.

SEC. 7. DEFINITIONS.

For purposes of this Act—

(1) UNITED STATES.—The term "United States" includes the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

(2) UNITED STATES PERSON.—The term "United States person" means any United States resident or national and any partnership, corporation, or other entity organized under the laws of the United States or of any of the several States, of the District of Columbia, or of any commonwealth, territory, or possession of the United States.

(3) INVESTMENT IN SOUTH AFRICA.—The term "investment in South Africa" means—

(A) a commitment of funds or other assets (in order to earn a financial return) to a business enterprise located in South Africa or owned or controlled by South African nationals, including—

(i) a loan or other extension of credit made to such a business enterprise, or security given for the debts of such a business enterprise;

(ii) the beneficial ownership or control of a share or interest in such a business enterprise, or of a bond or other debt instrument issued by such a business enterprise; or

(iii) capital contributions in money or other assets to such a business enterprise; or

(B) the control of a business enterprise located in South Africa or owned or controlled by South African nationals, in cases in which subparagraph (A) does not apply.

(4) SOUTH AFRICA.—The term "South Africa" includes—

(A) the Republic of South Africa;

(B) any territory under the administration, legal or illegal, of South Africa; and

(C) the "bantustans" or "homelands", to which South African blacks are assigned on the basis of ethnic origin, including the Transkei, Bophuthatswana, Ciskei, and Venda.

(5) BUSINESS ENTERPRISE.—The term "business enterprise" means any organization, association, branch, or venture which exists for profitmaking purposes or to otherwise secure economic advantage, and any corporation, partnership, or other organization which is owned or controlled by the Government of South Africa, as such ownership or control is determined under regulations which the President shall issue.

(6) BRANCH.—The term "branch" means the operations or activities conducted by a person in a different location in its own name rather than through a separate incorporated entity.

(7) SOUTH AFRICAN NATIONAL.—The term "South African national" means—

(A) a citizen of South Africa; and

(B) any partnership, corporation, or other entity organized under the laws of South Africa.

(8) CONTROL BY SOUTH AFRICAN NATIONALS.—For purposes of paragraph (3)(A), South African nationals shall be presumed to control a business enterprise if—

(A) South African nationals beneficially own or control (whether directly or indirectly) more than 50 percent of the outstanding voting securities of the business enterprise;

(B) South African nationals benefically own or control (whether directly or indirectly) 25 percent or more of the voting securities of the business enterprise, if no other person owns or controls (whether directly or indirectly) an equal or larger percentage;

(C) the business enterprise is operated by South African nationals pursuant to the provisions of an exclusive management contract;

(D) a majority of the members of the board of directors of the business enterprise are also members of the comparable governing body of a South African national;

(E) South African nationals have the authority to appoint a majority of the members of the board of directors of the business enterprise; or

(F) South African nationals have the authority to appoint the chief operating officer of the business enterprise.

(9) CONTROL BY UNITED STATES PERSONS.—For purposes of paragraph (3)(B), a United States person shall be presumed to control a business enterprise if—

(A) the business enterprise is operated by the United States person pursuant to the provisions of an exclusive management contract;

(B) a majority of the members of the board of directors of the business enterprise are also members of the comparable governing body of the United States person;

(C) the United States person has authority to appoint a majority of the members of the board of directors of the business enterprise; or

(D) the United States person has authority to appoint the chief operating officer of the business enterprise.

SEC. 8. APPLICABILITY TO EVASIONS OF ACT.

This Act shall apply to any United States person who undertakes or causes to be undertaken any transaction or activity with the intent to evade the provisions of this Act or any regulation, license, or order issued to carry out this Act.

SEC. 9. EFFECTIVE DATE.

The provisions of this Act shall take effect 180 days after the date of the enactment of this Act.

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By Mr. SILJANDER:

—In section 2(b) of the bill, insert the following after paragraph (3):

(4) The prohibitions contained in subsection (a)(1)(A) and (B) shall not apply with respect to wheat, corn, rice, any other agricultural commodity, computers, computer software, or any goods or technology intended to service computers.

Strike section 4 of the bill, and redesignate succeeding sections and references thereto accordingly.

H.R. 4868

By Mr. WOLPE:

—In section 2(a)(1), strike "directly or through another person".

In section 4(a)(1), strike "directly or through another person,".

In section 7(a), strike "directly or through another person".

In section 12(a)(2)(A), insert "directly" after "financial return)".