

DEPARTMENT OF EDUCATION**Federal Student Assistance Programs Under Title IV of the Higher Education Act of 1965, as Amended**

AGENCY: Department of Education.

ACTION: Notice inviting proposals for experimental sites.

SUMMARY: The Secretary invites institutions of higher education to propose new ways of administering the student assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended (HEA). Under section 487A(d) of the HEA, if the Secretary approves an institution as an experimental site as a part of this student aid reform initiative, he may exempt the institution from any Title IV statutory or regulatory requirement that would bias experimental results. The Secretary anticipates approving approximately 50 experiments in the first phase of this initiative and more after those experiments are in place. The Secretary establishes no regulatory requirements for the proposals invited by this notice.

DATES: Proposals may be submitted in response to this notice at any time after April 25, 1995.

ADDRESSES: Jeffrey S. Baker, U.S. Department of Education, 600 Independence Avenue, SW (Room 3042, ROB-3), Washington, DC 20202.

FOR FURTHER INFORMATION CONTACT: Jeffrey S. Baker, telephone: (202) 708-9261. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION:**Background**

Over the course of the past year, the Department of Education has made progress in simplifying regulations and administrative processes for the Federal student assistance programs authorized by Title IV of the HEA. Regulatory burden on institutions, students, and families has been reduced, and institutional flexibility in meeting legal requirements has been increased.

During the coming months, the Secretary will undertake a series of additional initiatives to free institutions of higher education from administrative burdens that unnecessarily draw resources away from their educational mission. With this notice, the Secretary invites proposals to reinvent the administration of Federal student assistance programs through the use of

the experimental sites authority. At the same time, at the direction of the President, the Secretary is conducting a page-by-page review of all student financial assistance regulations to identify those that should be modified or eliminated. On the basis of these two initiatives, as well as the Department's continuing dialogue with the higher education community, the Secretary will also consider developing proposals for statutory amendments to eliminate unnecessary administrative burden. Finally, the Secretary will increase the flexibility and expand the scope of the Department's Institutional Quality Assurance Program, which employs a cycle of assessment, improvement, and preventive actions in the administration of Title IV programs.

The invitation for proposals in this notice is a part of the Secretary's effort to reform Title IV program administration in partnership with the higher education community. The community has given the Department the benefit of its views in a variety of ways during the past year—in negotiated rulemaking, in comments on proposed rules, at a series of regional meetings, and in numerous informal discussions. The community's views were indispensable to the reforms that the Department has undertaken to date. It is the Secretary's hope that the community will address issues of program administration that remain to be resolved in the proposals invited by this notice.

Invitation for Proposals

The Secretary invites institutions of higher education that administer one or more Title IV programs to submit one or more proposals to participate as "experimental sites" under section 487A(d) of the HEA. This section authorizes the Secretary to select institutions for voluntary participation in experiments to test new ways of administering the student assistance programs. The Secretary is further authorized to exempt a participating institution from any Title IV statutory or regulatory requirement that would bias experimental results.

The Secretary establishes no regulatory requirements for the proposals invited by this notice. It is the Secretary's hope that this approach will encourage institutions to develop truly innovative strategies that relieve unnecessary burden, maintain program accountability, and inform the Department's future efforts to improve Title IV program administration. If these experimental strategies prove successful, the Secretary intends to incorporate them into Title IV program

regulations or, if appropriate, legislative proposals.

Submission of Proposals

Any institution that administers a Title IV program, or a group of these institutions, may submit a proposal in response to this notice at any time by mailing the proposal to Jeffrey S. Baker at the address provided at the beginning of this notice or by faxing it to him at (202) 205-0786. Early submission is encouraged, as the Secretary anticipates that the review of proposals will begin within 60 days of the date of this notice; however, proposals that are received later will also be considered.

The Secretary particularly invites proposals from institutions that are participating in the William D. Ford Federal Direct Loan (Direct Loan) Program. The availability of comprehensive and timely management information under the Direct Loan Program permits effective monitoring, evaluation, and adjustment of administrative practices by participating institutions. The Secretary encourages these institutions to develop proposals that take advantage of this capability. Similarly, the Secretary encourages proposals from institutions that are participating in the Department's Institutional Quality Assurance Program and have developed their own comprehensive systems to identify and remedy problems in the administration of Title IV programs.

The Secretary emphasizes that the Department seeks to approve proposals for innovative approaches in a variety of different areas. Since the Secretary anticipates approving only a small number of different experimental solutions to any one problem, he encourages institutions to collaborate in the development of proposals and to submit proposals together.

To aid in the Department's review of proposals, the Secretary suggests, but does not require, that a proposal be in the range of two to eight pages and that it answer the following questions:

- ◆ What problem experienced by the institution or its students, or both, does the proposal address?
- ◆ What is the institution's proposed solution to that problem?
- ◆ From which specific statutory or regulatory requirements does the institution seek relief in order to test its proposed solution?
- ◆ What performance measures or alternative actions does the institution propose to use to fulfill the underlying purpose of the requirements from which relief is sought?

- ◆ For what period is the experiment proposed?
- ◆ When and how will the results of the experiment be reported to the Department?
- ◆ For an experiment proposed by a group of institutions, how will the group monitor and aggregate the results of the experiment?

The following examples illustrate the elements of the proposals solicited by this notice. The problems addressed by the examples were selected because they have been the subject of considerable commentary by the higher education community. The Secretary's inclusion of these examples and not others is in no way intended to circumscribe the creativity of the community in identifying problems and developing solutions to them.

Example 1. An institution finds that the statutorily-required 30-day delay in the disbursement of student loan proceeds to college freshmen makes it difficult for them to pay for books, housing, and other educational costs incurred at the beginning of the school term. The institution proposes to disburse loan proceeds by the beginning of the school term and seeks relief from the requirements that preclude this action:

- ◆ Section 428G(b)(1) of the HEA;
- ◆ 34 CFR 682.604(c)(5), for the Federal Family Education Loan (FFEL) Program; and
- ◆ 34 CFR 685.303(b)(6) and 685.303(b)(4), for the Direct Loan Program in its first year and its subsequent years, respectively.

To address the underlying purpose of the 30-day delayed disbursement requirement (protection against possible losses to the taxpayer and harm to the student in the event of the student's early withdrawal from school), the institution provides information indicating that few of its freshmen have withdrawn from school in the first 30 days of their courses of study. The institution also describes how it

proposes to measure its performance in this respect and report that performance to the Department over a specified period.

Example 2. An institution finds that its counseling of student loan borrowers, required in part by statute and in part by regulation, is inefficient and ineffective in ensuring that borrowers repay their student loans. The institution proposes an innovative alternative and seeks relief from the requirements that preclude this action:

- ◆ Sections 485(b) and, for the Federal Perkins Loan Program, 463A of the HEA;
- ◆ 34 CFR 682.604 (f) and (g), for the FFEL Program;
- ◆ 34 CFR 685.303 (e) and (f), and 685.304, for the Direct Loan Program in its first year and its subsequent years, respectively; and
- ◆ 34 CFR 674.16(a) and 674.42(a) for the Federal Perkins Loan Program.

To address the underlying purpose of the entrance and exit counseling requirements (promotion of borrowers' understanding of their responsibilities under the student loan programs), the institution describes its alternative approach and explains why it believes this approach will be more effective. It also describes how it proposes to measure its success in ensuring that borrowers repay their loans and report its performance to the Department over a specified period.

(Approved by the Office of Management and Budget under control number 1840-0708)

Review of Proposals

The Secretary will review each proposal submitted in response to this notice on its own merits. If a proposal is approved, the participating institution's program participation agreement will be amended to reflect the terms of the experiment, including the obligations undertaken by the institution, the requirements from which the institution is relieved, the length of the experiment, and the right

of either the institution or the Department to terminate the experiment.

In reviewing proposals, the Secretary will be guided by the statutory purpose of the experimental sites authority, namely, to inform future policy choices relating to the administration of Title IV programs. The Secretary may approve a proposal as submitted, reject it, or, if he finds that a proposal is not fully approvable but has merit, work with the institution to refine it. To maximize the usefulness of experimental sites in informing future policy choices, the Secretary may encourage different approaches in similar institutions and similar approaches in different types of institutions. In addition, to ensure the smooth implementation of this reform initiative, the Secretary anticipates approving approximately 50 proposals from among those submitted in the first phase of the initiative and more after those experiments are in place.

Request for Comment

The Secretary invites institutions of higher education, students, and other interested parties to comment on the student aid reform initiative announced in this notice. Is the Department on the right track in inviting proposals to reinvent Title IV program administration in this way? What else should the Department be doing to accomplish the objectives of this initiative? Does the Department's non-regulatory guidance impose unnecessary administrative burdens? If so, how can the Department provide relief from that guidance? Comments may be directed to the contact person identified in this notice.

Dated: April 19, 1995.

David A. Longanecker,
Assistant Secretary for Postsecondary Education.

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