

109TH CONGRESS
1ST SESSION

S. 754

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

IN THE SENATE OF THE UNITED STATES

APRIL 11, 2005

Mr. KENNEDY (for himself, Mr. SMITH, and Mr. DURBIN) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

A BILL

To ensure that the Federal student loans are delivered as efficiently as possible, so that there is more grant aid for students.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Student Aid Reward
5 Act of 2005”.

6 **SEC. 2. STUDENT AID REWARD PROGRAM.**

7 Part G of title IV of the Higher Education Act of
8 1965 (20 U.S.C. 1088 et seq.) is amended by inserting
9 after section 489 the following:

1 **“SEC. 489A. STUDENT AID REWARD PROGRAM.**

2 “(a) PROGRAM AUTHORIZED.—The Secretary shall
3 carry out a Student Aid Reward Program to encourage
4 institutions of higher education to participate in the stu-
5 dent loan program under this title that is most cost-effec-
6 tive for taxpayers.

7 “(b) PROGRAM REQUIREMENTS.—In carrying out the
8 Student Aid Reward Program, the Secretary shall—

9 “(1) provide to each institution of higher edu-
10 cation participating in the student loan program
11 under this title that is most cost-effective for tax-
12 payers, a Student Aid Reward Payment, in an
13 amount determined in accordance with subsection
14 (c), to encourage the institution to participate in
15 that student loan program;

16 “(2) require each institution of higher edu-
17 cation receiving a payment under this section to pro-
18 vide student loans under such student loan program
19 for a period of 5 years after the date the first pay-
20 ment is made under this section;

21 “(3) where appropriate, require that funds paid
22 to institutions of higher education under this section
23 be used to award students a supplement to such stu-
24 dents’ Federal Pell Grants under subpart 1 of part
25 A;

1 “(4) permit such funds to also be used to award
2 need-based grants to lower- and middle-income grad-
3 uate students; and

4 “(5) encourage all institutions of higher edu-
5 cation to participate in the Student Aid Reward Pro-
6 gram under this section.

7 “(c) AMOUNT.—The amount of a Student Aid Re-
8 ward Payment under this section shall be not less than
9 50 percent of the savings to the Federal Government gen-
10 erated by the institution of higher education’s participa-
11 tion in the student loan program under this title that is
12 most cost-effective for taxpayers instead of the institu-
13 tion’s participation in the student loan program that is
14 not most cost-effective for taxpayers.

15 “(d) TRIGGER TO ENSURE COST NEUTRALITY.—

16 “(1) LIMIT TO ENSURE COST NEUTRALITY.—
17 Notwithstanding subsection (c), the Secretary shall
18 not distribute Student Aid Reward Payments under
19 the Student Aid Reward Program that, in the aggre-
20 gate, exceed the Federal savings resulting from the
21 implementation of the Student Aid Reward Pro-
22 gram.

23 “(2) FEDERAL SAVINGS.—In calculating Fed-
24 eral savings, as used in paragraph (1), the Secretary
25 shall determine Federal savings on loans made to

1 students at institutions of higher education that par-
 2 ticipate in the student loan program under this title
 3 that is most cost-effective for taxpayers and that, on
 4 the date of enactment of the Student Aid Reward
 5 Act of 2005, participated in the student loan pro-
 6 gram that is not most cost-effective for taxpayers,
 7 resulting from the difference of—

8 “(A) the Federal cost of loan volume made
 9 under the student loan program under this title
 10 that is most cost-effective for taxpayers; and

11 “(B) the Federal cost of an equivalent type
 12 and amount of loan volume made, insured, or
 13 guaranteed under the student loan program
 14 under this title that is not most cost-effective
 15 for taxpayers.

16 “(3) DISTRIBUTION RULES.—If the Federal
 17 savings determined under paragraph (2) is not suffi-
 18 cient to distribute full Student Aid Reward Pay-
 19 ments under the Student Aid Reward Program, the
 20 Secretary shall—

21 “(A) first make Student Aid Reward Pay-
 22 ments to those institutions of higher education
 23 that participated in the student loan program
 24 under this title that is not most cost-effective

for taxpayers on the date of enactment of the Student Aid Reward Act of 2005; and

“(B) with any remaining Federal savings after making Student Aid Reward Payments under subparagraph (A), make Student Aid Reward Payments to the institutions of higher education eligible for a Student Aid Reward Payment and not described in subparagraph (A) on a pro-rata basis.

“(4) DISTRIBUTION TO STUDENTS.—Any institution of higher education that receives a Student Aid Reward Payment under this section—

“(A) shall distribute, where appropriate, part or all of such payment among the students of such institution who are Federal Pell Grant recipients by awarding such students a supplemental grant; and

“(B) may distribute part of such payment as a supplemental grant to graduate students in financial need.

“(5) ESTIMATES, ADJUSTMENTS, AND CARRY OVER.—

“(A) ESTIMATES AND ADJUSTMENTS.—
The Secretary shall make Student Aid Reward Payments to institutions of higher education on

the basis of estimates, using the best data available at the beginning of an academic or fiscal year. If the Secretary determines thereafter that loan program costs for that academic or fiscal year were different than such estimate, the Secretary shall adjust by reducing or increasing subsequent Student Aid Reward Payments rewards paid to such institutions of higher education to reflect such difference.

“(B) CARRY OVER.—Any institution of higher education that receives a reduced Student Aid Reward Payment under paragraph (3)(B), shall remain eligible for the unpaid portion of such institution’s financial reward payment, as well as any additional financial reward payments for which the institution is otherwise eligible, in subsequent academic or fiscal years.

“(e) DEFINITION.—In this section:

“(1) STUDENT LOAN PROGRAM UNDER THIS TITLE THAT IS MOST COST-EFFECTIVE FOR TAXPAYERS.—The term ‘student loan program under this title that is most cost-effective for taxpayers’ means the loan program under part B or D of this title that has the lowest overall cost to the Federal

1 Government (including administrative costs) for the
2 loans authorized by such parts.

3 “(2) STUDENT LOAN PROGRAM UNDER THIS
4 TITLE THAT IS NOT MOST COST-EFFECTIVE FOR
5 TAXPAYERS.—The term ‘student loan program
6 under this title that is not most cost-effective for
7 taxpayers’ means the loan program under part B or
8 D of this title that does not have the lowest overall
9 cost to the Federal Government (including adminis-
10 trative costs) for the loans authorized by such
11 parts.”.

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