

113TH CONGRESS
2D SESSION

S. 1969

To provide for higher education reform.

IN THE SENATE OF THE UNITED STATES

JANUARY 29, 2014

Mr. MURPHY (for himself, Mr. SCHATZ, Mrs. MURRAY, and Mr. SANDERS)
introduced the following bill; which was read twice and referred to the
Committee on Health, Education, Labor, and Pensions

A BILL

To provide for higher education reform.

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 “College Affordability
5 and Innovation Act of 2014”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

8 (1) **AUTHORIZING COMMITTEES.**—The term
9 “authorizing committees” means the Committee on
10 Health, Education, Labor, and Pensions of the Sen-

1 ate and the Committee on Education and the Work-
2 force of the House of Representatives.

3 (2) SECRETARY.—The term “Secretary” means
4 the Secretary of Education.

5 **SEC. 3. PILOT PROGRAM TO PROMOTE INNOVATION IN**
6 **HIGHER EDUCATION.**

7 (a) PURPOSE; DEFINITION.—

8 (1) PURPOSE.—The purpose of this section is
9 to authorize an evidence-based grant program to
10 promote greater experimentation among institutions
11 of higher education to increase the level of student
12 attainment of postsecondary and graduate certifi-
13 cates and degrees through innovative programs de-
14 signed to decrease the cost and time required to
15 complete postsecondary and graduate programs
16 while improving the quality and effectiveness of post-
17 secondary education programs, providing accelerated
18 degree or certificate programs, and increasing on-
19 time graduation rates.

20 (2) INSTITUTION OF HIGHER EDUCATION.—In
21 this section, the term “institution of higher edu-
22 cation” has the meaning given the term in section
23 102 of the Higher Education Act of 1965 (20
24 U.S.C. 1002).

1 (b) INCENTIVE GRANTS FOR INNOVATIVE PROGRAMS
2 THAT IMPROVE QUALITY AND AFFORDABILITY.—

3 (1) IN GENERAL.—

4 (A) GRANTS.—The Secretary shall, for a
5 5-year award term, award grants to not more
6 than 15 institutions of higher education,
7 through a competitive process described in this
8 section, to enable the institutions to carry out
9 programs designed to graduate students with
10 certificates or degrees at significantly lower
11 costs for students and within shorter time peri-
12 ods than traditional programs while improving
13 the quality and effectiveness of the programs.

14 (B) GOOD STANDING REQUIREMENT.—
15 Only those institutions of higher education that
16 are in good standing with the administration of
17 their student assistance programs under title IV
18 of the Higher Education Act of 1965 (20
19 U.S.C. 1070 et seq.) shall be eligible to receive
20 grants under subparagraph (A).

21 (2) DISTRIBUTION OF GRANT FUNDS.—Grant
22 payments shall be awarded with an initial distribu-
23 tion of 20 percent of the total grant amount, fol-
24 lowed by a distribution of 10 percent of the total
25 grant amount prior to the second, third, and fourth

1 years of the program, and the remaining 50 percent
2 of the total grant amount after the program receives
3 its final satisfactory annual evaluation by the Sec-
4 retary in accordance with subsection (f)(1).

5 (3) DESCRIPTION OF INNOVATIVE PROGRAMS.—

6 The programs described under paragraph (1) shall
7 include those that—

8 (A) utilize online instruction, including dis-
9 tance education (as defined in section 103 of
10 the Higher Education Act of 1965 (20 U.S.C.
11 1003)), or online interaction components, or on-
12 line instruction integrated with classroom or in-
13 person instruction;

14 (B) utilize direct assessment programs, as
15 described in section 481(b)(4) of the Higher
16 Education Act of 1965 (20 U.S.C. 1088(b)(4)),
17 either within a comprehensive direct assessment
18 program or integrated within another type of
19 academic program;

20 (C) utilize integration of experiential learn-
21 ing and design of customized programs of
22 study, to promote completion or alignment with
23 medium- and long-term employment needs;

24 (D) allow students to be dually or concur-
25 rently enrolled in the postsecondary program

and a secondary school, or a postsecondary program and a graduate program; or

(E) utilize any other innovative, evidence-based method of postsecondary education that provides cost-effective, high-quality methods for instruction, student learning, and use of available technology-based resources, including hybrid models incorporating elements of the program types set forth in subparagraphs (A), (B), (C), and (D), and adaptive learning technologies.

(c) APPLICATIONS.—

(1) IN GENERAL.—An institution of higher education that desires to receive a grant under this section shall submit an application to the Secretary at such time and in such manner as the Secretary may require.

(2) CONTENTS.—An application submitted under paragraph (1) shall include—

(A) a description of the institution's quality assurances for the programs to be offered;

(B) a description of the statutory and regulatory requirements for which a waiver is sought under subsection (e) and the reasons for which the waiver is sought;

1 (C) a description of the programs to be of-
2 fered;

3 (D) a description of the students eligible
4 for the programs offered, including any eligi-
5 bility limitations;

6 (E) an assurance that the institution will
7 fully cooperate with the ongoing evaluations of
8 the programs provided for in this section;

9 (F) a description of how the proposed pro-
10 gram will improve the quality of its postsec-
11 ondary certificates or degrees, reduce tuition
12 and other costs to students, and reduce enroll-
13 ment time;

14 (G) a description of the data (or any other
15 evidence) that indicate that the programs to be
16 offered will likely lead to the outcomes de-
17 scribed in subparagraph (F);

18 (H) a complete listing of the institution's
19 performance goals and measures regarding as-
20 sessments of the quality of its postsecondary
21 certificates or degrees, amount of tuition and
22 costs charged to students, and the amount of
23 enrollment time needed by students to complete
24 the postsecondary certificates or degrees; and

1 (I) any other information as the Secretary
2 may require.

3 (d) AWARDING OF GRANTS.—

4 (1) IN GENERAL.—The Secretary shall award
5 grants under this section to institutions of higher
6 education for new or existing programs.

7 (2) PRIORITY.—In awarding grants under this
8 section, the Secretary shall give priority to an insti-
9 tution of higher education that the Secretary deter-
10 mines—

11 (A) is financially responsible, as described
12 in section 498(c)(1) of the Higher Education
13 Act of 1965 (20 U.S.C. 1099c(c)(1));

14 (B) has a proven record of graduating stu-
15 dents from the other programs of the institu-
16 tion;

17 (C) has a proven record of graduates from
18 the other programs of the institution securing
19 full-time employment;

20 (D) simultaneously addresses income-re-
21 lated inequalities in remedial education, college
22 access, persistence rates, and graduation rates;

23 (E) has support services in place, such as
24 counseling, coaching, mentoring, and outreach,
25 that are designed to assist all students in ob-

1 taining information and making decisions re-
 2 garding financial aid, and degree or certificate
 3 likelihood of persistence and completion;

4 (F) will serve low-income students, adult
 5 students aged 25 years and older, and part-time
 6 students;

7 (G) will support programs that are
 8 replicable at a range of institutions of higher
 9 education if they are demonstrated to be suc-
 10 cessful; and

11 (H) has presented the strongest evidence
 12 in support of their likely outcomes, as required
 13 under subsection (c)(2)(G).

14 (3) DIVERSE POPULATIONS.—In awarding
 15 grants under this section, the Secretary shall ensure
 16 the participation of diverse student populations, in-
 17 cluding rural and urban populations, and of a di-
 18 verse range of institutions.

19 (4) PUBLICATION OF GRANTEES.—The Sec-
 20 retary shall make available to the public and to the
 21 authorizing committees a list of the institutions of
 22 higher education awarded a grant under this section,
 23 including a listing of the specific statutory and regu-
 24 latory requirements being waived for each institution

1 and a description of the programs and courses to be
 2 offered.

3 (e) WAIVERS.—

4 (1) IN GENERAL.—Except as provided under
 5 paragraph (2), with respect to institutions of higher
 6 education awarded grants under this section, the
 7 Secretary may waive—

8 (A) subsection (a) or (b) of section 481 of
 9 the Higher Education Act of 1965 (20 U.S.C.
 10 1088(a) and (b)), as such subsections relate to
 11 requirements for a minimum number of weeks
 12 of instruction;

13 (B) subparagraph (A) or (B) of section
 14 102(a)(3) of such Act (20 U.S.C.
 15 1002(a)(3)(A) and (B));

16 (C) one or more of the regulations promul-
 17 gated to carry out part F or G of title IV of
 18 such Act (20 U.S.C. 1087kk et seq. and 1088
 19 et seq.), which inhibit the operation of innova-
 20 tive education programs; and

21 (D) any other requirement under title IV
 22 of such Act (20 U.S.C. 1070 et seq.) that will
 23 bias the results of the program, including a re-
 24 quirement related to the award process and dis-
 25bursement of student financial aid (such as in-

1 novative delivery systems for modular or com-
2 pressed courses or other innovative systems), or
3 other management procedures or processes as
4 determined in the negotiated rulemaking proc-
5 ess under section 492 of such Act (20 U.S.C.
6 1098a), or regulations prescribed under such
7 title.

8 (2) PROHIBITION OF WAIVER.—The Secretary
9 shall not waive, pursuant to paragraph (1), any pro-
10 vision under the Higher Education Act of 1965 (20
11 U.S.C. 1001 et seq.) or a regulation promulgated to
12 carry out such Act with respect to award rules
13 (other than an award rule related to an experiment
14 in modular or compressed schedules), grant and loan
15 maximum award amounts, and need analysis re-
16 quirements, unless the waiver of such provision is
17 authorized by another provision under such Act.

18 (f) EVALUATION AND REPORTS.—

19 (1) EVALUATION AND ACCOUNTABILITY PROC-
20 ESS.—The Secretary shall establish an evaluation
21 and accountability process for the programs author-
22 ized under this section and shall administer such
23 process on an annual basis. Such evaluations shall
24 include—

1 (A) the extent to which the institution of
2 higher education has met the goals set forth in
3 its application to the Secretary, including the
4 quality of education provided by participating
5 programs;

6 (B) the number and types of students par-
7 ticipating in the programs offered, including the
8 progress of participating students toward recog-
9 nized certificates or degrees;

10 (C) issues related to student financial as-
11 sistance;

12 (D) the extent to which any statutory or
13 regulatory requirements present difficulties for
14 students or institutions in the participating pro-
15 grams; and

16 (E) an analysis of the program's progress
17 with each of its objectives, including the num-
18 ber and rate of completion of participating stu-
19 dents toward recognized certificates or degrees,
20 prices charged to students, time required to
21 complete the participating programs, on-time
22 completion rates of participating students, and
23 indicators of program quality.

24 (2) REVIEW.—The Secretary shall review poli-
25 cies and identify those policies that present impedi-

1 ments to the development and use of innovative pro-
2 grams and other nontraditional methods of expand-
3 ing success and access to education.

4 (3) MEASURES.—The Secretary shall establish
5 measures to assess the quality of the education pro-
6 vided by participating programs under this section,
7 including a minimum standard of quality that par-
8 ticipating programs shall meet.

9 (4) REPORTS.—The Secretary shall provide re-
10 ports to the authorizing committees on an annual
11 basis regarding—

12 (A) the programs authorized under this
13 section; and

14 (B) the number and types of students re-
15 ceiving assistance under this section for instruc-
16 tion leading to a recognized degree or certifi-
17 cate, including the progress of such students to-
18 ward recognized certificates and the degree to
19 which participation in such programs leading to
20 such certificates increased.

21 (5) DUTIES OF THE SECRETARY.—In con-
22 ducting the program authorized under this section,
23 the Secretary shall, on a continuing basis—

24 (A) ensure compliance of institutions of
25 higher education with the requirements of this

1 section (other than the sections and regulations
2 that are waived under subsection (e));

3 (B) provide technical assistance;

4 (C) monitor fluctuations in the student
5 population enrolled in the participating pro-
6 gram; and

7 (D) assess whether each participating pro-
8 gram is improving the quality of postsecondary
9 credentials and meeting the quality control
10 measures set by the Secretary.

11 (g) CONSUMER PROTECTION FOR STUDENTS.—

12 (1) PROGRAM TERMINATION.—If a program
13 funded under this section terminates on its accord at
14 any point during which the program is receiving
15 funds under this section, or if the Secretary deter-
16 mines that the program does not meet the minimum
17 standard of quality as required under subsection
18 (f)(3)—

19 (A) the institution of higher education ad-
20 ministering the program shall provide imme-
21 diate notice to students enrolled in the program
22 and shall prepare a teach-out plan, as described
23 in section 487(f) of the Higher Education Act
24 of 1965 (20 U.S.C. 1094(f)); and

25 (B) the Secretary shall—

1 (i) ensure that—

2 (I) no additional program funds
3 are distributed to the program; and

4 (II) the institution of higher edu-
5 cation administering the program is in
6 compliance with the notice and teach-
7 out requirements under subparagraph
8 (A); and

9 (ii) assess a fine to an institution of
10 higher education administering the pro-
11 gram that is not in compliance with the
12 notice and teach-out requirements under
13 subparagraph (A).

14 (2) NOTICE AND DISCLOSURE FOR STU-
15 DENTS.—An institution of higher education admin-
16 istering a participating program under this section
17 shall provide notice to all students before they enroll
18 in the participating program that such program is
19 receiving grant funds under this section and may be
20 terminated, as described in paragraph (1).

21 (h) FINAL EVALUATION BY THIRD-PARTY RE-
22 VIEWER.—

23 (1) IN GENERAL.—The Secretary shall direct
24 an independent third-party evaluator to review all
25 participating programs and conduct a final evalua-

tion in order to determine the evidence of the effectiveness of each program in achieving its objectives with regard to the quality of the education provided, reducing the cost of the degree or certificate program, and shortening the amount of time needed to complete the degree or certificate program.

(2) EVALUATION METHODOLOGY.—The independent third-party evaluator shall establish evaluation methodology in carrying out the final evaluation under paragraph (1).

(3) SUBMISSION TO AUTHORIZING COMMITTEES.—The independent third-party evaluator shall publicize the final evaluation and submit such evaluation to the authorizing committees.

(4) FUNDING.—Not more than 1 percent of the total amount appropriated to carry out this section may be used to carry out this subsection.

(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section—

(1) \$260,000,000 for fiscal year 2015; and

(2) such sums as may be necessary for each succeeding fiscal year.

SEC. 4. HIGHER EDUCATION ACCOUNTABILITY.

(a) PURPOSE; DEFINITION.—

1 (1) IN GENERAL.—The purpose of this section
 2 is to establish minimum institutional accountability
 3 standards that will be required of all institutions of
 4 higher education that receive funds or whose stu-
 5 dents receive funds pursuant to title IV of the High-
 6 er Education Act of 1965 (20 U.S.C. 1070 et seq.)
 7 programs. The standards shall focus on afford-
 8 ability, accessibility for low- and middle-income stu-
 9 dents, and value.

10 (2) INSTITUTION OF HIGHER EDUCATION.—In
 11 this section:

12 (A) IN GENERAL.—The term “institution
 13 of higher education” means an institution of
 14 higher education described in section 102 of the
 15 Higher Education Act of 1965 (20 U.S.C.
 16 1002), except as provided in subparagraphs (B)
 17 and (C).

18 (B) EXCEPTION.—The term “institution of
 19 higher education” does not include institutions
 20 that solely offer graduate or professional degree
 21 programs of study.

22 (C) INSTITUTIONS.—To the extent an in-
 23 stitution offers undergraduate programs of
 24 study and graduate or professional degree pro-
 25 grams of study, for purposes of this section, the

1 term “institution of higher education” with re-
 2 spect to such institutions shall only include the
 3 undergraduate programs of study.

4 (b) COMMISSION ON HIGHER EDUCATION ACCOUNT-
 5 ABILITY STANDARDS.—

6 (1) IN GENERAL.—Not later than 90 days after
 7 the date of enactment of this Act, there shall be es-
 8 tablished a Commission on Higher Education Ac-
 9 countability Standards (referred to in this section as
 10 the “Commission”) to make recommendations on a
 11 set of minimum accountability standards and the
 12 measures for assessing compliance with such stand-
 13 ards for institutions of higher education that shall
 14 focus on affordability, access for low- and middle-in-
 15 come students, and value.

16 (2) COMPOSITION OF THE COMMISSION.—

17 (A) IN GENERAL.—Members of the Com-
 18 mission shall be appointed as follows:

19 (i) 5 members shall be appointed by
 20 the Majority Leader of the Senate, with
 21 the concurrence of the Minority Leader of
 22 the Senate on 2 of such members.

23 (ii) 5 members shall be appointed by
 24 the Majority Leader of the House of Rep-
 25 resentatives, with the concurrence of the

1 Minority Leader of the House of Rep-
 2 resentatives on 2 of such members.

3 (iii) 5 members shall be appointed by
 4 the Secretary, including at least 1 member
 5 from the National Center for Education
 6 Statistics and 1 member from the Federal
 7 Student Aid Office of the Department of
 8 Education.

9 (iv) In the event that any member of
 10 the Commission has not been appointed
 11 during the 90-day period after the date of
 12 enactment of this Act, the Secretary shall
 13 appoint the remaining member in order to
 14 establish the Commission.

15 (B) GENERAL QUALIFICATIONS.—Members
 16 of the Commission shall be appointed on the
 17 basis of the individuals’—

18 (i) experience, integrity, impartiality,
 19 and good judgment; and

20 (ii) except with respect to the under-
 21 graduate students, technical qualifications
 22 and professional standing.

23 (C) MEMBERS OF THE COMMISSION.—
 24 Members appointed under subparagraph (A)

1 shall be comprised of the following relevant
2 stakeholders:

3 (i) 2 undergraduate student leaders
4 from different types of institutions of high-
5 er education.

6 (ii) 2 members of national or regional
7 student advocacy organizations with a
8 track record of engagement and expertise
9 on issues related to college costs and stu-
10 dent debt.

11 (iii) 1 consumer advocate or consumer
12 protection expert with demonstrated knowl-
13 edge of consumer protection issues related
14 to undergraduate students.

15 (iv) 2 representatives of faculty
16 groups or associations with expertise re-
17 lated to higher education finance or gov-
18 ernance.

19 (v) 1 State government official with
20 demonstrated knowledge of State budg-
21 eting and higher education funding.

22 (vi) 3 administrative officers from
23 various types of institutions of higher edu-
24 cation, including at least 1 from a minor-
25 ity-serving institution.

1 (vii) 1 higher education researcher.

2 (viii) 1 State postsecondary education
3 data system director.

4 (ix) 1 member from the National Cen-
5 ter for Education Statistics.

6 (x) 1 member from the Federal Stu-
7 dent Aid Office of the Department of Edu-
8 cation.

9 (3) RECOMMENDATIONS.—

10 (A) IN GENERAL.—The Commission shall
11 make recommendations on a set of minimum
12 accountability standards that institutions of
13 higher education must meet with respect to af-
14 fordability, accessibility, and value in order to
15 receive funds or that the students of such insti-
16 tutions may receive funds pursuant to title IV
17 of the Higher Education Act of 1965 (20
18 U.S.C. 1070 et seq.) programs. The Commis-
19 sion shall also recommend measures and accept-
20 able levels of performance on those measures to
21 assess compliance with the minimum account-
22 ability standards. If the Commission cannot
23 issue its recommendations by consensus, it shall
24 issue its recommendations based on the views of
25 a majority of the Commission.

1 (B) REQUIRED MEASURES.—The Commis-
2 sion shall include, at a minimum, the following
3 measures as part of the minimum account-
4 ability standards it shall recommend:

5 (i) AFFORDABILITY.—The average or
6 mean cost of tuition and other costs re-
7 quired for attendance after all institu-
8 tional, Federal, and State grant aid is
9 taken into account.

10 (ii) ACCESSIBILITY.—The percentage
11 of the total number of enrolled students
12 who are recipients of a Federal Pell Grant
13 under subpart 1 of part A of title IV of the
14 Higher Education Act of 1965 (20 U.S.C.
15 1070a et seq.).

16 (iii) VALUE.—Student loan repayment
17 rates.

18 (C) OTHER MEASURES.—The Commission
19 shall make recommendations on additional
20 measures to comprise the minimum account-
21 ability standards, including the following:

22 (i) AFFORDABILITY.—The Commis-
23 sion shall make recommendations on addi-
24 tional higher education affordability meas-

ures, including the appropriateness of the following:

(I) The cost of tuition relative to the cost to the institution of educating a student and the institution's administrative costs.

(II) The percentage of institutional aid that is awarded on the basis of need, as opposed to merit.

(III) Annual increases in tuition after taking into account all public subsidies.

(ii) ACCESSIBILITY.—The Commission shall make recommendations on higher education accessibility measures, including the appropriateness of the following:

(I) Enrollment of low- and middle-income, underrepresented minorities, and adult students aged 25 and older.

(II) Whether institutional policies on credit transfers meet industry standards by type of receiving institution.

1 (iii) VALUE.—The Commission shall
 2 make recommendations on measures of
 3 higher education value, including the ap-
 4 propriateness of the following:

5 (I) Student progress toward com-
 6 pletion of a postsecondary degree or
 7 certificate.

8 (II) Student completion of a
 9 postsecondary degree or certificate, in-
 10 cluding for transfer and part-time stu-
 11 dents, or where applicable, transfer
 12 rates to 4-year degree programs.

13 (III) Student retention rates.

14 (IV) Full-time employment and
 15 graduate degree enrollment rates after
 16 graduation.

17 (4) CONSIDERATIONS.—The Commission shall
 18 take into account the differences in missions of insti-
 19 tutions of higher education and ensure that institu-
 20 tions are held to standards that are appropriate for
 21 their mission.

22 (5) HEARINGS AND REPORT.—

23 (A) HEARINGS.—Not later than 6 months
 24 after the date of the appointment of the final
 25 member of the Commission, the Commission

1 shall hold public field hearings in all regions of
2 the United States. The Commission shall hold
3 not fewer than 8 hearings.

4 (B) REPORT.—Not later than 1 year after
5 the date of the appointment of the final mem-
6 ber of the Commission, the Commission shall
7 prepare a report on the recommendations under
8 paragraph (3) and submit the report to the
9 Secretary and the authorizing committees. The
10 report shall include the following:

11 (i) Recommendations for minimum ac-
12 countability standards and the measures
13 for assessing compliance with those stand-
14 ards for every institution of higher edu-
15 cation that receives funds or whose stu-
16 dents receive funds pursuant to title IV of
17 the Higher Education Act of 1965 (20
18 U.S.C. 1070 et seq.) programs. The stand-
19 ards shall focus on affordability, access for
20 low- and middle-income students, and
21 value. The Commission shall recommend
22 standards that are in accordance with the
23 types of information that institutions of
24 higher education are authorized to collect

1 and report under the Higher Education
2 Act of 1965 (20 U.S.C. 1001 et seq.).

3 (ii) Recommendations for applying the
4 standards to institutions of higher edu-
5 cation with different academic missions.

6 (iii) Recommendations for periodic re-
7 evaluation of the standards and their effi-
8 cacy by the Secretary.

9 (iv) Recommendations for sharing in-
10 stitutions' performance with respect to the
11 standards with prospective students and
12 conducting complementary consumer edu-
13 cation for students.

14 (v) Recommendations for the criteria
15 the Secretary should use to reward institu-
16 tions of higher education that meet and ex-
17 ceed the minimum accountability stand-
18 ards.

19 (vi) Recommendations to Congress on
20 reforms to statutory or regulatory limita-
21 tions on the collection and availability of
22 data that would improve the Secretary's
23 ability to assess institutions' compliance
24 with minimum standards of affordability,
25 accessibility, and value.

1 (6) SECURING INFORMATION.—The Commis-
2 sion may secure directly from any Federal depart-
3 ment or agency such information as the Commission
4 considers necessary to carry out its duties under this
5 section. The Commission may request the head of
6 any State or local department or agency to furnish
7 such information to the Commission.

8 (7) FINAL STANDARDS.—

9 (A) IN GENERAL.—Not later than 1 year
10 after receiving the report under paragraph (5),
11 the Secretary shall publish a final rule on insti-
12 tutional accountability standards. The stand-
13 ards shall be determined by the Secretary after
14 giving due consideration to the recommended
15 standards provided by the Commission. The
16 Secretary shall set forth in writing the reasons
17 for any deviation from the Commission's rec-
18 ommendations for any standard or measure and
19 shall submit the written statement to the au-
20 thorizing committees.

21 (B) REQUIRED MEASURES TO BE IN-
22 CLUDED.—In carrying out subparagraph (A),
23 the Secretary shall include the measures de-
24 scribed in subsection (b)(3)(B) that the Com-

1 mission is required to include as part of its
2 minimum accountability standards.

3 (8) ASSESSMENT.—The Secretary shall annu-
4 ally assess compliance with the institutional account-
5 ability standards. On September 30 of the year fol-
6 lowing the publication of the final rule as required
7 under paragraph (7) and every year thereafter, the
8 Secretary shall publish a list of each institution of
9 higher education that participates in title IV of the
10 Higher Education Act of 1965 (20 U.S.C. 1070 et
11 seq.) and the institution's level of compliance with
12 the accountability standards. The list shall be made
13 easily accessible to the public.

14 (9) IMPLEMENTATION.—The Secretary shall es-
15 tablish procedures to implement this subsection, in-
16 cluding procedures for effectively applying this sub-
17 section.

18 (10) TERMINATION.—The Commission shall
19 terminate 60 days after the date on which the Com-
20 mission submits the report under paragraph (5).

21 (c) INCENTIVIZE IMPROVEMENT FOR BELOW-STAND-
22 ARD INSTITUTIONS.—

23 (1) IN GENERAL.—An institution of higher edu-
24 cation that participates in title IV of the Higher
25 Education Act of 1965 (20 U.S.C. 1070 et seq.)

1 programs and that does not meet the institutional
 2 accountability standards adopted under subsection
 3 (b)—

4 (A) shall be deemed to be in probationary
 5 status; and

6 (B) shall work with the Secretary to de-
 7 velop a plan for how the institution will achieve
 8 compliance not later than 5 years after the date
 9 of the determination of noncompliance.

10 (2) CONTINUOUS IMPROVEMENT.—For each
 11 year following a determination that an institution of
 12 higher education does not meet the institutional ac-
 13 countability standards adopted under subsection (b),
 14 the institution shall demonstrate to the Secretary
 15 continuous improvement in following its plan to
 16 achieve compliance.

17 (3) FAILURE TO MAKE CONTINUOUS IMPROVE-
 18 MENT.—

19 (A) IN GENERAL.—

20 (i) 2 YEARS OUT.—If an institution of
 21 higher education does not show continuous
 22 improvement 2 years after a determination
 23 that it does not meet the institutional ac-
 24 countability standards adopted under sub-
 25 section (b), the institution shall pay to the

1 Secretary an amount equal to 10 percent
2 of the total amount of funds made avail-
3 able under title IV of the Higher Edu-
4 cation Act of 1965 (20 U.S.C. 1070 et
5 seq.) to students in attendance with an un-
6 dergraduate enrollment status at the insti-
7 tution during the prior academic year, to
8 be deposited into the fund described in
9 subparagraph (C).

10 (ii) 3 YEARS OUT.—If an institution
11 of higher education does not show contin-
12 uous improvement 3 years after a deter-
13 mination that it does not meet the institu-
14 tional accountability standards adopted
15 under subsection (b), the institution shall
16 pay to the Secretary an amount equal to
17 20 percent of the total amount of funds
18 made available under title IV of the Higher
19 Education Act of 1965 (20 U.S.C. 1070 et
20 seq.) to students in attendance with an un-
21 dergraduate enrollment status at the insti-
22 tution during the prior academic year, to
23 be deposited into the fund described in
24 subparagraph (C).

(iii) 4 YEARS OUT.—If an institution of higher education does not show continuous improvement 4 years after a determination that it does not meet the institutional accountability standards adopted under subsection (b), the institution shall pay to the Secretary an amount equal to 30 percent of the total amount of funds made available under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) to students in attendance with an undergraduate enrollment status at the institution during the prior academic year, to be deposited into the fund described in subparagraph (C).

(B) WAIVER AND PAYMENT PLAN.—

(i) WAIVER.—The Secretary may waive a requirement of an institution of higher education paying the amount owed pursuant to subparagraph (A) if the Secretary determines such a waiver is necessary to avoid extreme hardship for the students enrolled at such institution.

(ii) PAYMENT PLAN.—The Secretary may allow an institution of higher edu-

1 cation that owes an amount under sub-
 2 paragraph (A) to enter into a payment
 3 plan to pay such amount.

4 (C) FUND.—There shall be established a
 5 special fund in which amounts refunded by an
 6 institution of higher education under this para-
 7 graph shall be placed to be used pursuant to
 8 subsection (d).

9 (4) NONCOMPLIANCE FIVE YEARS OUT.—If an
 10 institution of higher education fails to achieve com-
 11 pliance by not later than the date that is 5 years
 12 after the date of the determination that the institu-
 13 tion does not meet the institutional accountability
 14 standards, the institution—

15 (A) shall not be eligible to receive funds
 16 under title IV of the Higher Education Act of
 17 1965 (20 U.S.C. 1070 et seq.) for the academic
 18 year following the date that is 5 years after the
 19 date of the determination;

20 (B) shall be required to submit a teach-out
 21 plan, as described in section 487(f) of the High-
 22 er Education Act of 1965 (20 U.S.C. 1094(f));
 23 and

24 (C) shall be eligible to receive funds under
 25 such title IV when the institution is able to

1 demonstrate compliance with the institutional
2 accountability standards.

3 (d) AUTHORIZATION OF REWARD GRANT PRO-
4 GRAM.—

5 (1) IN GENERAL.—From amounts available in
6 the fund established pursuant to subsection
7 (c)(3)(C), the Secretary shall award grants, on a
8 competitive basis, to institutions of higher education
9 that meet or exceed the institutional accountability
10 standards adopted under subsection (b). In deter-
11 mining the criteria for awarding grants, the Sec-
12 retary shall give due consideration to the rec-
13 ommendations of the Commission.

14 (2) USE FOR FINANCIAL AID.—An institution of
15 higher education awarded a grant under paragraph
16 (1) shall use the grant funds for need-based aid to
17 students who are eligible for Federal Pell Grants
18 under subpart 1 of part A of title IV of the Higher
19 Education Act of 1965 (20 U.S.C. 1070a et seq.).

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