

**Date:** May 8, 2013

**Subject:** Overview of the Higher Education Opportunity Act

The [Higher Education Act](#) (Pub. L. No. 89-329) (HEA) was first signed into federal law in 1965. The bill increased federal funding for universities, established new scholarships, set up low-interest student loans and created a National Teachers Corps. Since its first inception, the HEA has been reauthorized nine times. The most recent reauthorization occurred in 2008 via a bill entitled the [Higher Education Opportunity Act](#) (Public Law 110-315) (HEOA). Current authorization for the HEOA expires at the end of 2013; thus, we anticipate that the reauthorization will become a federal legislative priority shortly and become an important part of the federal agenda in the coming months.

To remind the UW community of the HEOA's contents, this brief provides an overview of the bill. The recent reauthorization included new institutional reporting requirements, grant programs for colleges and students, and provisions to make college more affordable. The bill attempted to simplify and expand federal aid, improve campus safety, and address problematic relationships between institutions and student lenders. In addition, it mandated studies on 24 topics ranging from the use of college endowments to nursing school capacities. The following summary includes key policies and requirements from the HEOA; but, as the bill is hundreds of pages long, it is by no means exhaustive.

### **College Costs**

- **State Higher Education Spending:** The HEOA requires that states maintain an expenditure level for public colleges and universities that is equal to the average amount provided in the five most recent academic years for non-capital and non-research and development expenses. If a state fails to do so, federal College Access Challenge Grant funds will be withheld from the state.
- **College Affordability Transparency:** Under the bill, the education secretary must publish online "watch lists" for institutions with the lowest and highest tuition increases and with the lowest and highest net prices. The secretary must also develop an online calculator to help students estimate the net price they would pay at a particular institution of higher education. Each institution must also display such a calculator on its website. In addition, the Education Department (ED) is required to monitor and publish changes in expenditures per FTE as well as annual percentage changes in the total amount of need- and merit-based aid going to full-time public students.

### **Accreditation**

The act states that ED shall neither prescribe the standards that accreditors use in evaluating institutions' student achievement nor require accreditors to have separate evaluation criteria for distance education. However, concerning the latter, accreditors must require institutions with distance education programs to verify students' identities. The bill also directs accreditors to publish summaries of and justification for their actions (denials, withdrawals, etc.).

### **Student Financial Aid**

- **Federal Pell Grants:** The HEOA increased the maximum award authorized for 2009-10 Pell Grants from \$5,800 to \$6,000 and authorized annual increases of \$400 leading to a maximum award of \$8,000 in 2014-15.<sup>1</sup> The bill also set the Pell Grant minimum to 10 percent of the year's maximum award and allowed students to receive Pell Grants for

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<sup>1</sup> In most years, Congress has not appropriated enough funding to cover the maximum *authorized* award; thus, the maximum *appropriated* award amount is often lower. For example, the maximum authorized award for 2012-13 was \$7,200, but the maximum appropriated award was \$5,500.

attending college year-round (i.e. for a summer in addition to fall, winter, and spring quarters).<sup>2</sup> Furthermore, the law rewards additional Pell Grant aid to institutions that keep tuition increases to a minimum.

- **Perkins Loan Limits:** The bill increased annual borrowing limits on Perkins Loan from \$4,000 to \$5,500 for undergraduate students and from \$6,000 to \$8,000 for graduate and professional students. Aggregate Perkins Loan limits also increased: \$20,000 to \$27,500 for undergraduate students who have finished two years of study, \$40,000 to \$60,000 for graduate and professional students, and \$8,000 to \$11,000 for all other students.
- **Veterans:** Under the bill, ED is required to develop a website with information on the financial aid options and other benefits and services available to military members and veterans. The act also provides “a right to readmission” for veterans in certain circumstances and excludes veteran’s education benefits from calculations of financial need.
- **Improvements to financial aid application process:** The HEOA includes provisions to make the FAFSA process more user-friendly by requiring fewer and more easily understandable questions. In addition, ED is directed to create a system that allows students to receive earlier estimates of the financial aid amounts for which they may be eligible.

### ***Student Loan “Sunshine” Provisions***

The HEOA regulates federal student loans and, for the first time, private student loans. A number of its provisions attempt to tackle issues surrounding institution-lender relationships, such as conflicts of interest, preferred lender lists, and disclosure of loan terms and conditions. It requires that colleges participating in federal student aid programs and/or preferred lender agreements create, publish, and enforce codes of conduct that prevent conflicts of interest related to student loans. It also establishes a variety of disclosure requirements and associated noncompliance penalties for preferred lenders and higher education institutions.

### ***Key Disclosures and Compliance Provisions***

- **Campus Safety:** The HEOA requires institutions to report their emergency response policies, campus evacuation procedures, and any written agreements made with state or local law enforcement. Campus officials must immediately inform the campus community of significant emergencies, unless doing so would compromise response efforts. Schools with on-campus housing must publish annual fire safety reports that provide statistics on dormitory fires and associated injuries, deaths, or damages. Such institutions must also establish a notification policy for students who live on-campus and have been missing for 24 hours. To assist in these efforts, the bill created a competitive matching grant program for campus safety plans, emergency communications systems, and security training. It also set up a disaster and emergency relief loan program to help schools recover from such adversities.
- **Textbook Costs:** Under the act, institutions are required to list prices and ISBN codes for required and recommended textbooks and materials. Publishers are required to provide faculty with information about textbook prices (in all available formats: hardcopy, electronic, etc.), copyright dates, and any substantial revisions made between editions. Publishers selling “bundled” textbooks must also make materials available as unbundled items.
- **Copyright Infringement:** The HEOA requires that institutions annually publish their policies on peer-to-peer file sharing and inform students of the penalties for unauthorized distribution of copyrighted materials. Institutions must create plans for detecting and preventing such distribution over campus networks. “To the extent practicable,” institutions must also offer alternatives to illegal downloading and peer-to-peer distribution.
- **Transfer of Credit:** The act requires colleges and universities to publicly disclose their transfer of credit policies. However, the act clarifies that institutions are not required to have particular credit transfer policies or practices.

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<sup>2</sup> Year-round Pell Grant eligibility was eliminated in a 2011 bipartisan agreement to reduce the costs of the program.