



STATEMENT OF REPUBLICAN POLICY

September 17, 2009

H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009
Rep. Miller (D-CA) and 41 Cosponsors

The federal government has historically maintained a limited role in education. H.R. 3221, the *Student Aid and Fiscal Responsibility Act of 2009*, shifts the priorities of the U.S. Department of Education from closing achievement gaps and creating opportunities for students to pursue a higher education to becoming one of the nation's largest banks, maintaining school buildings, and duplicating existing programs ranging from early education to job training and college completion. Republicans strongly oppose H.R. 3221.

The Federal Family Education Loan (FFEL) program has served students and schools since 1965. This private-public partnership was designed to provide lenders incentives to offer low-interest student loans to low and moderate income families and to students with a limited credit history. Democrats created the government-run William D. Ford Federal Direct Loan (DL) program in 1993. Overwhelmingly colleges and universities, parents and students, have selected the FFEL program because of its ability to provide quality customer service, education, outreach and loan default preventions. Currently, approximately 4,400 higher education institutions participate in FFEL and 1,700 schools participate in DL.

Under H.R. 3221, all higher education institutions will be forced to switch into the DL program by June 30, 2010, subjecting students, parents and schools to a one-size-fits-all government option, eliminating competition and consumer choice. House Republicans are highly skeptical of the Department of Education's ability to transition 4,440 schools from the FFEL program to the DL program in less than ten months. Institutions, at a time when the economy has had a dramatic impact on colleges and universities, will be saddled with excessive administrative and financial burdens that may jeopardize students' access to a higher education. Additionally, conservative estimates conclude that terminating the FFEL program will result in the [loss of 30,000 jobs nationwide](#). Despite language included in H.R. 3221 directing the Secretary of Education to offer job retention incentive payments to service contracts awarded to private lenders, loan origination, serving, outreach and default prevention jobs are at-risk.

CBO estimates terminating FFEL will save \$87 billion over 10 years. H.R. 3221 does not direct all of the savings toward deficit reduction or Pell Grants, it instead burdens taxpayers with greater spending on 10 new programs. The official CBO cost estimate of H.R. 3221 finds that the bill will

cost taxpayers \$4.1 billion in combined mandatory and discretionary costs over 10 years, which does not account for market risk. When accounting for updated Pell Grant estimates, CBO estimates H.R. 3221 will cost taxpayers \$15.5 billion, or \$48.2 billion when accounting for market risk.

Republicans have a proven track record in support of Pell Grant funding and remain supportive of increasing Pell Grant awards. However, CBO estimates that the cost of administering the Pell Grant greatly exceeds previous expectations. H.R. 3221 officially breaks promises Committee Democrats made to students in 2007 when they committed to permanently lower interest rates; moreover, it ensures the federal government continues to make a profit off of the unnecessarily high level of interest being paid by students in the Direct Loan program. The bill changes the interest rate in 2012 to a variable interest rate, capped at 6.8 percent. Under this formula, it is projected that students will see an increase in their interest rates in 2012 (5.21 percent) and 2013 (6.26 percent) and will be right back up at the 6.8 percent cap in 2014.

H.R. 3221 ends the Federal Perkins Loan Program and creates a new Federal Direct Perkins Program. Instead of allowing higher education institutions to maintain a revolving fund in which to offer students financial aid, schools will have to contract directly with the Department of Education and will be required to pay the interest subsidy on behalf of the student borrowers while they are in school.

House Republicans support efforts in the bill to simplify the Free Application for Federal Student Aid and to improve the need analysis formula; however, they would rather engage in thoughtful, deliberative debate to simplify the financial aid programs. Republicans also oppose changes to student aid eligibility for those who receive federal student aid and are convicted of drug possession.

H.R. 3221 establishes a new College Access and Completion Fund at a cost of \$3 billion. House Republicans strongly support efforts to improve college completion; however, Republicans oppose efforts to create a new entitlement program that replicates existing programs.

Except for assisting school districts that are impacted by federal lands, public school maintenance, repair and construction projects have been the responsibility of state and local communities. H.R. 3221 would result in an unprecedented shift in the focus of the Department of Education from closing achievement gaps to maintaining school buildings. For these reasons, Republicans strongly oppose nationalizing and regulating school construction.

The bill contains 27 specific mandates on states, local school districts, and colleges and universities regardless of whether or not such activities are in the best interest of students, parents, and teachers in the local community. This includes the flawed Davis-Bacon wage requirements, which have been shown to shortchange both workers and taxpayers.

H.R. 3221 creates a new early childhood education program at a cost of \$8 billion. House Republicans support early education, but recommend that Congress first consolidate and strengthen existing early childhood programs such as Head Start and the Child Care and Development Block Grant Program. In 2005, GAO reported the existence of 69 programs administered by 10 different federal agencies with no coordinated implementation strategy. There are additional concerns that the Early Learning Challenge Fund will force private and parochial early education programs out of

providing services to children.

Finally, H.R. 3221 creates a new American Graduation Initiative at a cost of \$7 billion. This new program duplicates programs already authorized under the *Higher Education Act* and the *Workforce Investment Act*. House Republicans believe it is important to streamline and build upon existing programs, rather than reinvent the wheel and create new programs at a time when government spending is out of control and Americans are reining in their personal budgets.

At a time when the U.S. economy is facing record deficits, estimated to be \$1.6 trillion for FY 2009, H.R. 3221 continues the Majority's out-of-control spending binge, adding to the country's debt. Furthermore, the bill confirms individuals' fears that when Democrats create a "government-option" to compete with the private sector, eventually it takes over the industry. This bill saddles taxpayers with new financial obligations and dramatically expands the role of the federal government at a time when Americans have growing concerns about its ability to operate. Finally, H.R. 3221 will cost taxpayers \$48.2 billion over the next 10 years, eliminate private sector jobs, eliminate consumer choice and competition, and jeopardize Congress' ability to reduce the deficit and get the federal budget under control. For these reasons, House Republicans strongly oppose H.R. 3221.

Provided by the House Republican Leadership and Committee on Education and Labor Republicans.

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