

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
September 15, 2009
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3221 — Student Aid and Fiscal Responsibility Act of 2009 (Rep. Miller, D-California, and 41 cosponsors)

The Administration strongly supports House passage of H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009. The Administration is pleased that the bill will make key investments in college affordability and education reform, eliminate wasteful subsidies to financial institutions, and save taxpayers money. The bill takes critical steps toward achieving the President's goal of restoring the United States to first in the world in college completion by 2020.

The Administration supports the bill's reforms that would stabilize student loan programs using proven, private-sector practices. Federally guaranteed student loans provide banks and other lenders with large profits that are set by the legislative process. Under H.R. 3221, the use of the Direct Loan program would eliminate this process and serve students with essentially the same terms and conditions, but at much lower cost for taxpayers. Students and taxpayers would no longer be subjected to uncertainty when there is turmoil in the financial markets. The Direct Loan program would use lower-cost Federal capital, and the Department of Education would hire nonprofits and private companies, selected through a competitive contracting process, to provide the best services for students at the lowest cost for taxpayers. For the sake of taxpayers as well as students, entities providing student loan services should be selected based on performance and cost.

The Administration is pleased that H.R. 3221 would use the savings from these reforms to make key investments in providing Americans the skills they need to compete for 21st century jobs. The Administration strongly supports the bill's provision of additional funding that would support growth in the Pell Grant program, the cornerstone of the Nation's efforts to make sure that all Americans can afford college. The Administration supports the bill's simplification of the Free Application for Federal Student Aid, eliminating unnecessary questions that act as obstacles for aspiring college students. The Administration is also pleased that the bill would establish a new College Access and Completion Innovation Fund to develop, implement, and evaluate new approaches to improving college success and completion, particularly for students from disadvantaged backgrounds.

The Administration strongly supports the bill's inclusion of the President's American Graduation Initiative to usher in new innovations and reforms for our Nation's community colleges. H.R. 3221 would support the President's call for an additional five million community college graduates, including students who earn or go on to earn degrees, certificates, or industry-recognized credentials, by 2020 by funding innovative strategies for building partnerships with employers and the workforce investment system, reforming developmental

education, linking community colleges and high schools, and providing students with personalized academic and counseling services. The bill also would provide \$2.5 billion in grants to leverage private-sector financing for an estimated total of \$10 billion in investments to modernize community college facilities so that they meet employer and student needs. The bill also would include funding for the development and dissemination of high-quality, freely available online training and courses.

The Administration also strongly supports H.R. 3221's creation of the President's proposed Early Learning Challenge Fund. Empirical studies have shown that investing in high-quality early learning provides several dollars in return for every dollar invested. Unfortunately, the quality of early learning settings varies greatly and, despite some progress, early learning programs are held to inconsistent standards. Reforms geared toward strengthening quality and improving educational outcomes across all settings are critically needed. This program would challenge States to develop model systems of early learning, which incorporate a statewide infrastructure of integrated early learning support and services for children from birth through age five. In order to compete for an award under this program, States would commit to reforming essential components of their early learning system, including establishing a high standard of quality across programs; increasing participation of disadvantaged children in comprehensive, high-quality early learning programs; focusing new and existing programs on improving child learning and outcomes; and creating program rating, monitoring, and professional development systems so that more children are prepared to succeed in kindergarten.

The bill also includes an expanded and modernized Federal Perkins Loan Program that can help to reduce students' need for private and other non-Federal loans that often carry high interest rates and lack consumer protections. The amended Perkins Loan Program would retain a low interest rate while allowing financial aid officers at colleges across the country the flexibility to provide additional assistance to those students who need extra funds to complete their education.

As this bill continues through the legislative process, the Administration would welcome improvements. In addition to the critical support for Pell Grants already in the bill, the Administration would support further measures to strengthen the Pell Grant program. Loan servicing provisions should be refined to minimize unnecessary costs. **The Administration asks the Congress to strengthen accountability and transparency for institutions voluntarily choosing to participate in the College Access and Completion Innovation Fund, and to increase the share of the Fund set aside for evaluation.** *(Bold added by NAICU)* Finally, the Administration urges the Congress to provide the full \$10 billion requested for the Early Learning Challenge Fund, and \$12 billion for the American Graduation Initiative for community colleges.

The Administration commends the Congress for its commitment to making education a national priority. The Administration looks forward to continuing to work with the Congress to strengthen this vital legislation.