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Loan Bill Stripped of Early Ed., Other Priorities

By **Alyson Klein**

A proposed substantial new investment in early-childhood education has been jettisoned from a measure that would make major changes to the federal student-loan program, after Democrats in Congress found that the estimated savings from the planned overhaul would be too meager to fund several new education priorities.

The student-loan legislation, which is to be attached to the sweeping health care overhaul bill now pending in Congress, would eliminate a program that provides federal subsidies to student lenders and use the savings in part to help shore up the Pell Grant program, which finances grants to help low-income students cover the cost of college.

The Pell Grant program faces a significant shortfall because more students than expected have taken advantage of the grants in recent years, in part to bolster their skills in the tight job market.

The legislation, a version of which passed the House of Representatives last fall, calls for all student loans to be originated through the federal Direct Loan program, in which students borrow right from the U.S. Treasury. That would effectively end the Federal Family Education Loan Program, which uses subsidized lenders to do the job. Those lenders would continue to have a role in "servicing" student loans, however.

Lawmakers originally had hoped to use a portion of the savings from the change—estimated by the Congressional Budget Office last year at \$87 billion over 10 years—to help cover the cost of new investments in early-childhood education, school facilities, and community colleges.

But, in part because of the expanded need for Pell Grants and in part because more schools joined the Direct Loan program over the past year, the CBO's savings estimate is now much lower; one recent estimate was about \$67 billion. That would leave much less money for other initiatives, including the early-childhood program.

Even so, the Obama administration continues to see the loan bill as a high priority: Nearly \$14 billion in the legislation would help address a shortfall in the Pell Grant program. If the bill does not pass, as many as 8 million students could see their Pell grants cut by up to 60 percent, U.S. Secretary of Education Arne Duncan said today in a conference call with reporters.

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"The downside of inaction is absolutely devastating," he said.

Other Options

The administration is looking for another avenue to finance early-childhood-education initiatives, Secretary Duncan said. He called early learning "an issue that has huge bipartisan support ... This is something as a country we want to invest in."

Advocates for such programs are also rethinking their legislative strategy.

"Early childhood is drastically underfunded, and in light of this recession new funding is more important than ever," said Helen Blank, the director of leadership and public policy at the Washington-based National Women's Law Center. She said the Early Learning Challenge Fund originally included in the loan bill would have provided an opportunity to remake the country's early-education system and to create a new framework for states.

But Ms. Blank acknowledged that the funding was wrapped up in a very complex debate that involved health care and the student-loan overhaul, and that early education advocates now will have to regroup and figure out how to proceed next.

The House version of the legislation would also have included a major boost for community colleges through a new program called the American Graduation Initiative. The roughly \$10 billion program would have provided in competitive grants to help community colleges retool, including by improving programs aimed at remediation, dual enrollment, and early-college high schools.

And the House version of the bill would have provided about \$4 billion over two years to districts to help with school modernization, renovation, and repair. That program was also scrapped.

The current loan bill does include \$2 billion to help community colleges bolster their education and training programs. And it would provide \$750 million for a new College Access Challenge Grant program, which would help states and colleges bolster financial literacy and improve college completion.