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Student loan program reform could direct funds to states

By [Marjorie Childress](#) 1/26/10 9:25 AM



As New Mexico grapples with the largest budget deficit anyone seems to remember, the federal budgeting process for next fiscal year is about to get underway. It's possible that there will be more state fiscal relief or other measures that would funnel resources to states or municipalities to create jobs. But reform measures currently pending at the federal level could also save money that can then be redirected to the states. One such piece of federal legislation, passed by the House in September but now languishing—along with tons of other legislation—in the Senate, is the [Student Aid Fiscal Responsibility Act](#), or SAFRA.

While it's a higher education student aid reform measure, some of the public savings from passage of SAFRA

would be funneled into an early childhood education competitive grant program for the states.

“New Mexico is on the cusp of creating a really world class early childhood system, and these types of grants are just the kind of federal support we need,” Bill Jordan, policy director for New Mexico Voices for Children, told The Independent.

Basically, SAFRA would restructure how higher education student loans are originated. Currently, banks and other types of private lending institutions give the loans, with the federal government providing both a guarantee that the loan will be paid back, and in some cases a subsidy that covers the interest on the loan owed to the banks. President Obama has proposed to shift the administration of the loans from the private sector to the federal government, a move that the Congressional Budget Office estimates would save \$87 billion over 10 years.

Those funds would be used to expand access to college, and to provide \$8-\$10 billion in early childhood education competitive grants to the states through the “early learning challenge fund.”

SAFRA has it’s detractors, captured rather succinctly in the title of a piece called “Safra Stinks” from the Cato Institute. The conservative think tank’s take is that federal direct lending of student loan programs would lead to [too many student loans](#) being given out. And of course, the move would end a profitable market for private lending institutions.

But in any event, its one example of the kinds of things happening at the federal level outside of the federal stimulus program and the budgeting process that could lead to more dollars coming our way.

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