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**Testimony of Dr. Brenda Dann-Messier
Assistant Secretary for Vocational and Adult Education
U.S. Department of Education**

**Before the Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
U.S. Senate Committee on Homeland Security and Governmental Affairs**

**Hearing on
“The Federal Government’s Role in Empowering
Americans to Make Informed Financial Decisions”**

April 12, 2011

Good afternoon, Chairman Akaka, Ranking Member Johnson, and distinguished members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss what the U.S. Department of Education is doing to help Americans improve their ability to make informed financial decisions. The Department of Education remains committed to doing its part, in its own programs and in coordination with others, to help elementary, secondary, postsecondary, and adult students develop the knowledge and skills needed to make sound financial decisions for themselves, their families, and their communities.

As you know, President Obama has set a lofty goal: by 2020, America will once again have the highest proportion of college graduates in the world. He has called this the number one economic issue of our time, declaring that countries that out-educate us today will out-compete us tomorrow. So when we think about the role of the U.S. Department of Education in empowering Americans to make informed financial decisions, helping students and families navigate the decision to invest in higher education is front and center for us. As Secretary Duncan has said, we think financial education should happen at least as early as kindergarten and continue throughout a student’s time in school.

With that in mind, I am pleased to provide a review of our financial education efforts, including what we are doing with other Federal agencies that are members of the Financial Literacy and Education Commission.

Our Office of Innovation and Improvement (OII) continues to administer the Excellence in Economic Education program, which supports national, State, and local efforts to improve student performance in economics, personal finance, and entrepreneurship. In 2010, Council for Economic Education awarded subgrants to 94 projects, spanning 41 states for activities such as conducting teacher training and program evaluation. The Lakeland College Center for Economic Education in Plymouth, Wisconsin established an economics and financial education curriculum at a Milwaukee public charter school that enrolls more than 600 students from preschool through grade 8. Junior Achievement in Honolulu, Hawaii, connected schools with local businesses to help teachers improve students’ understanding of economics and personal finance.

In July I discussed the Department's doubling of its commitment to financial literacy in fiscal year 2010 by reprogramming \$1.7 million from the Data Quality Initiative to create the new Financial Education for College Access and Success Program. This grant was made to the Tennessee Department of Education to develop, implement, and evaluate the effectiveness of personal finance instructional materials and corresponding teacher training. This project is intended to provide middle and high school students with the knowledge and skills needed to make sound financial decisions, particularly in relation to obtaining access to, persisting in, and completing postsecondary education. The project involves representatives of State and local agencies administering Tennessee's elementary and secondary, career and technical, and postsecondary education programs, as well as the Federal Reserve and the State Treasurer's office. If found to be effective after a rigorous evaluation, the financial literacy instructional materials developed with this grant will be made available at no cost to States as open educational resources. The creation of this program will send a strong signal to States and schools about the importance of making connections between financial literacy and college access and success.

Our proposal to reauthorize the Elementary and Secondary Education Act of 1965 includes \$246 million for Effective Teaching and Learning for a Well-Rounded Education. This broader program would replace several often narrowly-focused programs with a single authority supporting efforts to strengthen instruction and improve student achievement across multiple subject areas, including economics and financial literacy. The funds would be awarded competitively to States, high-need local education agencies and other entities. This amount is \$20.1 million, or a 9 percent increase, over levels of the 2010 appropriations for the programs consolidated under this broader framework. We see this program as a cornerstone of our focused and flexible approach for Federal K-12 funding, and we look forward to working with you and your colleagues to bring a bill to the President's desk this year.

Our TRIO grant programs are geared toward helping individuals from disadvantaged backgrounds to enter college and complete postsecondary education. This year, applicants for Talent Search – one of the TRIO programs – were required in their projects to provide connections to services designed to improve financial and economic literacy. Two of our TRIO Training grantees will provide training opportunities to successful Talent Search grantees to help them address this new requirement. We look forward to telling you more about the success of these efforts in the future.

The National Financial Capability Challenge, administered by Treasury, is an awards program designed to increase the financial knowledge and capability of participating high-school-aged youth across the United States and in Department of Defense schools overseas. The goal of the program is to help educators teach the basics of personal finance and reward students, educators, schools, and states for success. The Challenge is open to all interested high school teachers and is designed to raise awareness of the importance of teaching personal finance.

One of the things we would like to be able to do is compare American students on average with students in other countries in terms of their financial knowledge and skills, just as we currently do for reading, math and science. Toward this end, the National Center for Education Statistics (NCES) is currently field-testing the financial literacy assessment proposal slated for inclusion in the 2012 administration of the Program for

International Student Assessment (PISA) international assessments of 15-year olds – developed by OECD for its member countries. NCES has worked with colleagues at the Federal Reserve, as well as non-government researchers and educators, to strengthen the exam, and may administer it to U.S. students in 2012. In addition, NCES has introduced into its High School Longitudinal Study a set of questions that elicit detailed information about student and parental “financial literacy” with respect to college costs, financial aid, how they plan to finance their child’s studies, what actions they’ve taken to meet college costs, and the sources from which they obtain this information about college costs and aid.

Pursuant to HEA, NCES’s IPEDS survey collects net price data, and exports those data to the College Navigator web site, which gives students and their families a more accurate picture of information on college costs than just a school’s “sticker price.” Average net tuition is generated by subtracting average grant and scholarship aid from the total cost of attendance. In addition, pursuant to HEA, the IPEDS program also developed– in consultation with the higher education community – the methodology that institutions are to follow or expand upon in developing their net price calculators, and the template that they must use or customize. By the end of October 2011, all institutions of higher education will be required to have their own net price calculators on their websites. The Department has given schools a template to use, or schools can design their own. Later this year, again as specified in HEA, NCES will unveil a new College Affordability and Transparency Center to provide information on postsecondary institutions’ published tuition and net prices, ranked from high to low, and indicating which institutions’ prices are climbing fastest. We are proud of these efforts. Integrating these tools into college counseling and financial education as early as middle school and then through high school will help prepare students and their families to make informed financial decisions about college.

The efforts undertaken by the Office of Federal Student Aid (FSA) represent our largest and most focused investment in helping families pay for postsecondary education. We estimate we will provide over \$155 billion this year in grants, loans, and work study. But we still have work to do to help all students see higher education as a realistic goal – something they can afford to do, even if their parents never went to college.

Students can see how much Federal student aid they can receive by completing the Free Application for Federal Student Aid (FAFSA). We have worked to make this process easier for students. We have eliminated over twenty questions and removed two-thirds of the screens an applicant has to click through when completing the FAFSA online. And applicants can now automatically import their tax information from the IRS.

One of the most important things we can do right now to help low-income students afford college is to maintain the maximum award of \$5,550 for the Pell Grant. The Pell Grant program is the largest source of grant assistance for higher education in the country, and helps millions of students who otherwise could not obtain higher education. But the maximum award is now at risk and millions of students will see their benefits cut depending on two important decisions Congress will make over the coming days and weeks. The cost of maintaining the Pell Grant is growing, but the President has proposed a comprehensive plan to sustain funding in both the short- and the long-term. In an economy where nearly half of all jobs will require some postsecondary education, failing to protect Pell will have negative effects on students and will be detrimental to America’s

long-term competitiveness, so I want to thank you, Chairman Akaka, for your support for this essential program.

Another college affordability measure that has implications for financial decision-making is the Income-Based Repayment (IBR) program, along with Public Service Loan Forgiveness program—programs that are currently available for Federal student loan borrowers. The IBR program ensures that payments on federal student loans are never more than 15 percent of the borrower's discretionary income, and keeps the total cost of loan repayment manageable by forgiving all remaining debt after 10 years for public service professionals, and 25 years for all others. Last year, the Administration proposed, and Congress enacted, legislation that will strengthen the IBR formula starting in 2014, dropping the payment threshold to 10 percent of income and the forgiveness period to 20 years.

To ease the burden for borrowers hoping to receive forgiveness under Public Service Loan Forgiveness, the Department will soon publish draft employment certification forms in the Federal Register that will help borrowers track their eligibility throughout the 10-year or 120-payment forgiveness period. This program will help relieve the debt burden of borrowers working as teachers, health professionals, or in another public service position with the government or a qualified non-profit organization. Though students will not actually apply to have their loans forgiven until 2017 – ten years after the program's creation – we are publicizing this program now because we think that students will be more likely to pursue their talents and passion in college, knowing that programs such as these will help to manage their repayment amount and forgive their loans in return for public service. These programs provide the sort of peace of mind needed for many students to feel comfortable investing in their education.

Throughout the country, FSA is also ramping up its student aid outreach and awareness efforts to increase FAFSA submission and college enrollment rates, especially among students from underrepresented groups. FSA educates students and families about the costs and benefits of postsecondary education and the various programs in Title IV of the Higher Education Act (HEA) of 1965 that can help them afford postsecondary education, whether they are traditional students entering college immediately after high school or working or unemployed adults seeking additional training. The transition to 100 percent Direct Lending following the enactment of the SAFRA Act in 2010 ensures that all students have access to reliable and affordable Federal student loans. SAFRA also dramatically increased the funding available for Pell Grants for our highest-need students. However, we cannot help students pay for college if they do not know about the availability of, and apply for, financial aid.

Adult learners are important to the Department and to my office in particular. I am excited to announce that we are adding a new special collection of resources on financial literacy to our Literacy Information and Communications System (LINCS) that provides information for adults as well as resources for adult educators. This new collection will focus on financial literacy materials accessible to lower-skilled adults, as well as on methods for teaching basic skills to adults using financial topics that make their learning immediately relevant.

Finally, I would like to highlight a financial literacy initiative we are working on with other Federal Agencies. Last year the Department had ongoing conversations with the

Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) to discuss ways to work together on shared financial literacy goals. I am pleased to report that in November, 2010, Secretary Duncan signed a new interagency agreement with these two agencies and that we are off to a strong start. The focus of our work is to leverage existing resources to increase the number of partnerships among schools, financial institutions, and other stakeholders. This will enable more students to have access to federally insured deposit accounts, learn about personal finance, and start saving, especially for college. Among other things, NCUA has committed its technical assistance grants to supporting partnerships between credit unions and schools; the FDIC has agreed to provide free workshops on its Money Smart for Young Adults program to our grantees, and we will be adding a new priority in our GEAR UP program this year to encourage partnerships focused on financial access, financial education, and savings.

We look forward to our continued work with these agencies on empowering Americans to make informed financial decisions, and to identify additional ways to work with our colleagues throughout the Federal Government.

Thank you, Mr. Chairman and members of the Subcommittee, for your leadership on this important issue. I would be happy to answer any questions.