The Daily Dish

# If Not the Department of Education…

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"We are going to close the Department of Education in Washington, D.C. and send it back to the States, where it belongs, and let the States run our educational system as it should be run."

—Republican Party Platform, 2024

Once again the promise to eliminate the Department of Education has entered the public debate. Its roughly $250 billion budget is essentially a large financial funnel passing dollars to states for activities such as Title I financial assistance to schools with a high percentage of low-income students and special education programs for children and youth with disabilities. Oh, yes, and federal student loans.

You may have heard of federal student loans (or, as the Biden Administration calls them, gifts). As of the 2nd quarter, there are $1.74 trillion of such loans. What would happen to them if the agency were shut down?

For the outstanding loan portfolio, probably the easiest route forward would be to have the U.S. Treasury handle the portfolio. The Federal Financing Bank (FFB) – an arm of the Treasury – "provides financing to help Federal agencies manage their borrowing and lending programs, and to ensure that all Federal Government borrowing from the public is conducted through the Treasury and not through program agencies." Essentially, the FFB makes sure that other federal agencies do not unnecessarily compete with the Treasury borrowing in any way.

Also, "Congress gave the FFB the authority to purchase any obligation issued, sold, or guaranteed by a Federal agency," so it could easily purchase the loan portfolio from the Department of Education (prior to its elimination). Arranging for the servicing of these loans would be a major administrative nightmare, but it is something that could be accomplished.

Yet the idea also raises the question of where *new* student loans would come from. After all, there is no evidence that Congress wants to get the federal government out of that business. There are just different viewpoints on how best to organize it. But that also raises the question: Why does every agency seemingly have its own loan programs? Why does the Small Business Administration make loans? Why does the Department of Energy make loans? Why Agriculture?

Put differently, why not have a single federal credit agency that issues loans – as authorized by Congress and on the terms specified by the agency of jurisdiction – on behalf of all federal agencies? After all, lending is lending, and as long as the terms of eligibility and repayment are clearly spelled out, a single agency would bring real expertise and scale to the problem.

Over the years, this notion has been floated a number of times but has never gained serious traction. Has the time come?