

To the office of U.S. Senator Lisa Murkowski

Re: S 4097 (119th Congress), State-Based Education Loan Awareness Act • Latest action (2026-08-04): Placed on Senate Legislative Calendar under General Orders. Calendar No. 539.
VFA SI Solution #215 • published 2026-08-03 • <https://www.valuesforamerica.com/solutions/215>
Office of record (Congress.gov): 522 Hart Senate Office Building Washington, DC 20510, Washington, DC • (202) 224-6665

State Education Loan Awareness Incentive Act

The measure, as described from the official record: To provide federal support for state-based initiatives to increase awareness of student loan terms, rights, and repayment options, in order to reduce borrower confusion and default rates.

THE PROPOSAL

This Act provides federal grants to states that voluntarily establish or expand programs to educate student loan borrowers about their rights, repayment options, and loan terms. The Secretary of Education shall award grants to states that submit an application demonstrating a plan to reach borrowers through schools, online portals, and public awareness campaigns. The grant may be used for developing materials, training counselors, and conducting outreach. States must ensure that the information is accurate, neutral, and not endorsing any particular lender. The Secretary shall evaluate program effectiveness and report to Congress annually. The authority to make grants shall expire after 5 years.

OPERATIVE PROVISIONS (VFA PROPOSAL)

Funding Source	General fund of the Treasury, subject to annual appropriations.
Funding Amount	\$50 million per year for 5 years, total \$250 million.
Sunset Years	5 years
Oversight Body	Department of Education Office of Inspector General, with annual reports to the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Education and the Workforce of the House.
Enforcement Mechanism	The Secretary of Education may withhold or reduce grant funds if a state fails to comply with program requirements, after notice and opportunity for hearing.
Effective Date	90 days after enactment.

CONSTITUTIONAL BASIS

- Article I, Section 8, Clause 1 (Spending Clause – power to tax and spend for the general welfare)
- Tenth Amendment (powers not delegated to the United States are reserved to the states)
- Article I, Section 8, Clause 18 (Necessary and Proper Clause – to implement spending programs)

Concerns with the measure as written:

- The original bill may commandeer state officials or resources in violation of the Tenth Amendment if it imposes mandatory duties on states without clear federal authority.
- If the bill relies on conditional spending, it must avoid coercion that effectively forces states to participate, as held in *NFIB v. Sebelius* (2012).
- Potential Fifth Amendment due process concerns if the bill requires collection or disclosure of personal financial information without adequate safeguards.

WHY BOTH SIDES CAN BACK IT (VFA'S ASSESSMENT)

Democratic priorities: This bill advances borrower protection and consumer education, helping to reduce student loan defaults and financial hardship. Republican priorities: It respects state autonomy by making participation voluntary, imposes a clear sunset to limit federal expansion, and stays within a capped budget. No federal mandates on states or private lenders.

Values for America is a nonpartisan, constitution-first SI think tank. This brief is informational. It is a policy proposal, not law, and it does not support or oppose any candidate or party. Full analysis and sources:

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