

DATELINE: WASHINGTON

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CHANGING EXPECTATIONS

I've had to re-write this report over the past week because there's so much political posturing going on around the Hill that expectations change moment by moment. When last I saw and met many of you for the first time at the spring conference in Washington, D.C., the national anxiety about the availability of student loans for the upcoming award year was palpable. Things had quieted on the appropriations front. The presumptive Democratic presidential nominee was unknown (at least to me). Reauthorization seemed even more up in the air as we were just learning of the serious illness afflicting Senator Kennedy.

Money, Money, Money....

The dragon known as FY09 federal appropriations re-awakened this month with both houses of Congress working on their respective appropriations bills with their shields turned to the President's budget. While earlier indicators were that no one seemed to want to put a lot of energy into trying to correct for the education funding levels of the President's budget, like the zero funding of LEAP, the House and Senate began to work the matter pretty seriously through the latter part of June. When this report was first drafted the appropriations committees of both houses were in mark up on their respective appropriation measures that include funding for the education programs. That work held LEAP, along with the Title IV campus-based programs are proposed at level funding. Pell Grant, TRIO and GEAR UP are slated for increases.

However, the swords came out when the House appropriations committee's consideration of the appropriations bill we care about was blocked. Congressman Obey was livid when it was proposed that the appropriations bill for Health, Labor and Education be replaced with that of the Interior Department's appropriations bill. In the end, the committee adjourned without further action.

Swords may go back in their sheaths as many experts expect these spending bills to be stalled this year because of the election and the battles with the White House over spending levels. That would mean more rounds of continuing resolutions. I note however, that the appropriations bill that contained significant increases to education benefits for Veteran's did get passed and enacted. It's reported

that this happened because the Democrats agreed to not use the bill to curtail the President's execution of the war in exchange for the funding of at least some domestic programs.

You should know that our friends at the Student Aid Alliance continue to support LEAP. In separate letters to the appropriation committees they said, "Federal funding for LEAP state grants, Supplemental Educational Opportunity Grants, Federal Work Study and Perkins Loans has eroded over the last decade. As these programs are over-matched by states and institutions, increased federal funding generates far more student aid dollars than are appropriated. ...As the appropriations process moves forward, we hope you will continue to make students a priority and support investment in America's future." They got that right!!

Reauthorization Extended, One More Time

The latest extension of the HEA (until July 31) was not a great surprise. Senator Kennedy asked Senator Mikulski of Maryland to help manage the process while he attends to his health crisis. T

his first week of July indications are that the pre-conference negotiations are complete and the bills will go to conference for the members to work directly on the outstanding issues, like the state higher education spending maintenance of effort language ("BIG MOE") that is linked to a state's eligibility for Grants for Access and Persistence (GAP) funding and other matters related to foreign schools, the HBCUs, and 90/10 rules for proprietary institutions. Frankly, I'm not convinced we'll see reauthorization of the HEA until after the elections despite the serious efforts of our colleagues to get this one done.

If it happens, look for more refinements to the GAP packaging language that should address some of the concerns raised at our May conference. Chas and Mary Ann have consulted with many of you and have spent hours with me helping to construct clearer language, particularly in the packaging requirements, which should make the program stronger. And, I have been working with Hill staff communicating our preferences. Whether we have reauthorization in 2008 or 2009, you'll have a better GAP because of the efforts of **nassgap** experts.



Student Loan Access Crisis

While the institutions and students you serve struggle to find and keep viable Federal Family Education Loan Program (FFELP) lenders or consider converting to the direct loan program, Congress is monitoring the effects of the credit crisis on the financing of higher education. I hear regularly of schools getting letters that one of their lenders will not be available to their students any longer. Jeff Baker told us the ED can bring a school up on direct loans in five (5) business days. However, I hear often that software vendors on whom the schools rely may not be able to adjust school automation systems in time to bring up direct loans for the 2008-09 award year.

A Senate bill was recently introduced that would prevent FFELP lenders from dropping a school or group of students such as two-year and smaller four-year schools. However, some FFELP lenders have said they can only operate profitably by lending where the total loan per student is high and the default rate is low. If such a measure were to take effect, you have to wonder if more FFELP lenders would drop out of the program.

At our conference last month, Ron Gambill and John Dean gave in-depth assessments of the nuts and bolts of the simple but oh-so-complicated matter of FFELP lenders finding the cash to lend. It's clear that, as John said, "... the FFEL Program, as we know it, is no more." *It's unclear what it will become should it survive the current crisis.*

Increased student loan eligibility that rises out of the Ensuring Continued Access to Student Loans Act of 2008 (Pub. L. No. 110-227, ECASLA) is helping. Your college constituents are working hard to use the additional loan eligibility to help their students and their parents. ED's GEN-08-08 allows schools to do a second "supplemental" loan to capture the higher limits for the loan periods that cross over July 1, 2008, that might have been lost if the first disbursement was made before July 1.

So if they weren't busy enough trying to put together a compliant preferred lenders list, college FAOs can now re-package their populations in time for summer and fall bills to be paid. These increases in loan eligibility while good news in some ways, it does create an interesting dilemma for the institutions that must comply with the requirement that their student's Title IV receipts used to pay direct school costs do not exceed 90% of total revenues (the "90/10") requirement.

Today's press talks about families still in limbo and delaying their final decisions about school offers and choices. So I can imagine the pressure to find ways to get the additional loan funds into their student's packages is heavy duty. By our fall conference in New Orleans, we'll know more about how the credit crisis affected the summer and fall terms.

Campaign '08

I had the privilege to attend a breakfast sponsored by a national association of education publishers, and co-sponsored by the Committee on Education Funding, where the senior education advisors for Senators McCain and Obama responded to a distinguished panel of education journalists on the respective education platforms of the candidates. The education platforms of both candidates are most developed in matters of early childhood education through secondary.

Senator Obama's policies on education were released last fall in his [Blue Print for Change](#). The full document is available on his Web site. At the breakfast, his advisor made it clear that Senator Obama intends to improve education outcomes by making sure that children are ready to be successful when they start kindergarten ("Zero to Five"). Senator Obama's proposals for financing higher education are the American Opportunity Tax Credit that will ensure that the first \$4,000 of a college education is free for most Americans by providing a tax credit at the time of enrollment; eliminate the FAFSA by having families check a box on their tax return authorizing its use as their application for financial aid; and providing a \$4,000 per year tax credit in exchange for 100 hours of public service each year of college.

I didn't hear at the breakfast nor can I find Senator McCain's higher education proposal. We'll cover them when they become available. Please share what you learn. As the campaign heats up, watch carefully for education related discussion and spend some time at the candidate's respective web sites to learn more.

Applause, Applause, Applause....

It came across our screens recently that Michelle Asha Cooper, Ph.D. Deputy Director of the [Advisory Committee on Student Financial Assistance](#), has been named the President of the Institute of Higher Education Policy (IHEP). She assumes her duties effective September 8, 2008. Michelle has been a highly valued and respected partner of NASSGAP when she worked as staff for the Advisory Committee for Student Financial Assistance, and we look forward to continuing to work with her in her new role. We hope to give her our **nassgap** congratulations in person in New Orleans.

nassgap Fall Conference

The fall conference will be in New Orleans, LA the first full week of October (October 5-8) at the Hotel Monteleone. Have you made your plans to travel without checking luggage? While you work that problem out, your program committee has begun the job of planning your agenda. Don't hesitate to make your plans to attend; you won't want to miss this one!

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