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national association of state student grant and aid programs

February 25, 2000

The Honorable Richard W. Riley
U.S. Secretary of Education
Office of the Secretary
400 Maryland Ave. SW
Washington D.C. 46202

Dear Secretary Riley:

The state agencies that make up the National Association of State Student Grant and Aid Programs are disappointed that we have not been selected to sit on negotiated rules Committee I, regarding loan issues. We are appealing this decision to you and request a seat on this committee without delay.

My name is Dennis Obergfell, and I am President of the National Association of State Student Grant and Aid Programs (NASSGAP). NASSGAP is an organization composed of state agencies that annually disburses billions of state-funded grant, scholarship, work-study, loan assumption, and educational loan program dollars, as well as Federal LEAP and GEAR UP funds. We view the denial of the right to participate on this committee as a significant step backward in the efforts to rectify a long history of snubs that the Department of Education has conveyed to states over student aid issues.

In response to the December 30, 1999 Federal Register (Volume 64, number 250) soliciting nominations for this committee, I nominated several people to represent NASSGAP at the two negotiated rulemaking sessions. Subsequently, I received a denial letter from Assistant Secretary Maureen McLaughlin. Her reason for rejecting NASSGAP was that "We selected organizations to balance representation and the size of the negotiating group and therefore were unable to accept all nominations." I find this statement troubling because it implies that an organization other than NASSGAP was selected to represent state student financial aid agencies. I assure you NASSGAP is the sole organization that represents such agencies.

I requested the Assistant Secretary to reconsider the Department's decision in this matter (attached). While I have yet to receive a formal response, states became further troubled by what we learned at the first rules-making session held on February 3, 2000. Ron Gambill, from Tennessee who is the immediate past President of NASSGAP, attended the first negotiating session on behalf of the organization. He requested that NASSGAP be permitted to participate in the Committee I sessions. Assistant Secretary McLaughlin told Mr. Gambill that the decision to reject the organization's request was yours. Accordingly, I am writing to request that you reconsider your decision to deny state grant agencies an opportunity to participate in matters that affect them.

Ironically, the Department's denial of NASSGAP's participation on this committee comes at a time when the organization's membership has been led to believe that the Department is interested in forging new and strong partnerships with states on student aid issues. Most recently, NASSGAP received a promising letter from Barry Morrow, General Manager for Financial Partners stating that the Department "…was committed to bringing your members (NASSGAP) to the table to help shape the issues that affect you." Mr. Morrow was responding to NASSGAP's concerns over the Department's failure to involve states in drafting the Modernization Blueprint. Perhaps Mr. Morrow was not consulted on matters relating to the Negotiated Rulemaking process. If he was, his comments ring hollow; if he wasn't, his comments were well intended, but beg the questions as to what his role is as it relates to the policy implications inherent in the Blueprint, and the Department's intention to involve states in the policy matters that affect us.

In my previous letter to Deputy Assistant Secretary McLaughlin (attached), I indicated that five of the eight broad topics scheduled to be negotiated in Committee I impact programs administered by state grant agencies. I will attempt to briefly elaborate on NASSGAP's initial position.

1. The regulations that impact institutional and student eligibility under the Federal Family Education Loan Program (FFELP) impact state grant and other state aid programs, many of which use LEAPP dollars. Institutions with high cohort default rates, schools lose FFELP and Pell Grant eligibility. For many states participation in FFELP and Pell is the minimum requirement for participation in state student aid programs. This is a critical issue that has a consequence for thousands of student recipients of state aid dollars. As such NASSGAP believes states should have direct input into cohort default rate issues discussed as part of the negotiated rulemaking process.

2. The issue of "false certification" as it impacts students receiving loan and state grant assistance requires a degree of state and federal coordination. For example, how will LEAPP and/or state grant funding be affected by students who are placed in a default status due to false certification? What liability would be imposed on a state for awarding LEAPP funds or GEAR UP benefits (mentoring, tutoring, scholarships) to a student who is in default due to false certification? NASSGAP is the only organization that can fairly represent states on such issues.

3. Teacher loan forgiveness issues implicitly impact state grant agencies that administer state-funded loan forgiveness programs and Federal Paul Douglas Teacher Scholarships (also a loan forgiveness program). Most states use many of the FFELP repayment provisions as guidelines when enforcing repayment requirements. The

reason for using use FFELP guidelines for state-funded programs is to lessen the administrative burden for schools and to simplify the process for students. NASSGAP has legitimate interests in this issue and as previously stated believes it is the only organization in a position to fairly represent state agencies in this matter.

More importantly, as loan program availability and amounts increase, states' loan assumption programs serve to reduce student indebtedness. The federal loan programs FFELP, Direct, and Perkins all benefit with prompt repayment and fewer defaults as a direct result of loan assumption benefits contributed by States. This leveraging issue cannot be communicated effectively by other entities.

Specifically, as states embrace loan assumption programs for teachers and careers in the medical industry across the country, NASSGAP projections estimate that state-funded assumptions of federal loans will increase to approximately $100 million by the year 2010. In short, the residual effects that federal policy has on state-funded loan assumption programs are significant; they should not be underestimated, and they should not be ignored. Yet, without giving states a seat at the negotiating table, the Department is doing both.

4. FFELP death and disability issues are the same ones members who administer state-funded loan programs confront. Negotiated Rulemaking as it pertains to this issue represents an opportunity for states and the Department to share experiences and learn from each other.

5. Finally, cash management regulations should not assume that state aid programs which are packaged with other Title IV programs (excluding LEAPP) would not be impacted. Again, NASSGAP believes it is the only organization in a position to fairly represent state agencies in this matter.

In summary, NASSGAP believes that Committee I issues are very relevant to states that administer state-funded grants, loans, loan assumption benefits, and scholarships other than FFELP, and dismisses the notion that any other organization can fairly represent our member states. This is an opportunity to forge the kind of partnership promised by Mr. Woods at NASSGAP's June, 1999 Conference in Washington DC. Yet this potential for a positive partnership is being ignored. Why not work together in composing regulations that could be beneficial to state and federal agencies?

As such, NASSGAP, on behalf of its member states, respectfully requests that you use your authority to grant our organization its rightful seat on Committee I of the Negotiated Rulemaking process.

I look forward to your response. Thank you for your consideration,

Dennis Obergfell

cc NASSGAP Executive Committee
Greg Woods
Barry Morrow
Cameron Ishaq