

TESTIMONY OF RAE ANN ESTEP
FORMER EXECUTIVE DIRECTOR – OHIO STUDENT AID COMMISSION
BEFORE THE EDUCATION, PUBLIC INSTITUTIONS, AND LOCAL GOVERNMENT
COMMITTEE
JUNE 9, 2016

Good morning Chairman Readler, Vice Chairman Gilbert and members of the Education, Public Institutions, and Local Government Committee, my name is Rae Ann Estep and I am deputy director of operations at the Office of Budget and Management. I appreciate this opportunity to appear before you today and answer any questions you may have regarding the Ohio Student Aid Commission. However, I must state for the record, while I am currently employed at OBM, I am not testifying on behalf of OBM today.

Between 1995 and 1997, I served as executive director of the Ohio Student Aid Commission. I was the last director before the commission was permanently dissolved in 1997.

The mission of the Ohio Student Aid Commission (OSAC) was to guarantee the loan of money to persons or the parents of persons attending or planning to attend eligible academic institutions. The commission's primary duty was to administer the federal guaranteed-student-loan program and provided loan information to students and their families, and administered a state grant and scholarship program. The commission consisted of nine persons that served three-year terms (two of the members were required to be representatives of higher education institutions, one had to be a representative of secondary schools, and the three remaining members were representatives of approved lenders). The commission's staff consisted of an executive director and 225 employees. The commission, also known as the Ohio Student Loan Commission, was established in 1962 in accordance with Article VI, Section 5.

In the summer of 1995, the commission began proceedings to dissolve itself because of the changing landscape of financial-aid policy on the federal and state levels in the 1990s. One of the main factors was

competition from private companies and the commission's subsequent declining market share of student loans led to the decision to dissolve. For example, in 1989 the OSAC guaranteed 99 percent of the state's higher education loans and that number fell below 50 percent in 1995. The OSAC administered a federal program with federal money, and were in direct competition with private companies offering the same service. In addition, the commission faced the threat of cuts in funding from the federal government due to the rapidly changing financial aid policy by the federal government.

When the new federal direct-lending program, *William D. Ford Federal Direct Loan Program*, was established, it took away the commission's market share and ultimately led to the vote to dissolve the commission.

Because the agency was financed by the federal government, its closing did not have a direct cost-saving measure for Ohioans. The grant and scholarship program, which was the only part of the commission's operations the state paid for, was transferred to another state agency, the Ohio Board of Regents. The final closure of the commission occurred on June 30, 1997.

Rae Ann Estep – Experience History

- Deputy Director of Operations, Ohio Office of Budget and Management (2014-Present)
- Director of Consumer Advocacy, Ohio Attorney General's Office (2009-2014)
- Section Chief of the Revenue Recovery Section, Ohio Attorney General's Office (2007-2009)
- Superintendent of the Division of Liquor Control, Ohio Department of Commerce (1999-2007)
- Executive Director, Ohio Liquor Control Commission (1997-1999)
- Executive Director, Ohio Student Aid Commission (1995-1997)
- Superintendent of Consumer Finance, Ohio Department of Commerce (1991-1995)
- Administrative Officer, Star Bank of Central Ohio (1981-1991)