

MINUTES  
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY  
BOARD OF DIRECTORS' MEETING  
MARCH 10, 2005

The 255th meeting of the Rhode Island Higher Education Assistance Authority was held on Thursday, March 10, 2005 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. The meeting was called to order at 9:36 a.m.

The following members were in attendance:

Dr. Robert J. McKenna, Chairman  
Dr. William Croasdale, Treasurer, Acting Secretary  
Ms. Kerrie Bennett, Designee of General Treasurer  
Ms. Miriam Curtis Coleman  
Mr. William B. Hall  
Mr. John Howell  
Mr. Solomon A. Solomon

Members Absent:

Dr. Anthony J. Santoro  
Ms. Laura M. DiSano

Also Attending:

Mr. William H. Hurry, Jr., Executive Director, RIHEAA  
Ms. Gail Mance-Rios, Deputy Director, RIHEAA  
Mr. Marc Lacroix, Chief Financial Officer, RIHEAA  
Ms. Nancy Ann Dooley  
Ms. Mary Ann Welch  
Mr. Michael Joyce  
Mr. Steven Mollica  
Mr. Greg Silva  
Ms. Sue Zube  
Mr. David Souto, NESLA

1) Approval of Minutes of the January 18 and February 15, 2005 Board Meetings:

On motion duly made by Ms. Bennett and seconded by Dr. Croasdale, it was

**VOTED:** That the minutes be accepted and placed on file.

Voting in favor: Chairman McKenna, Dr. Croasdale, Ms. Bennett, Ms. Coleman, Mr. Hall, and Mr. Solomon. Voting against: none.

2) Chairman's Report:

a. Chairman McKenna reported that it is uncertain as to what will happen with the General Assembly. However, last week the Authority had a hearing before the House Finance Committee. The Committee was very supportive. The Governor's proposed increase from \$9 million to \$29 million, which would come from the acquisition of some of the revenue from additional video slots at Lincoln Park and Newport Grand, was not specifically addressed by the committee. The details are not certain yet.

b. The Chairman noted that NELNET has scheduled their annual board meeting to be held in Newport. The Board members were invited and asked to advise Chairman McKenna if they are interested in attending or participating. It will be held on August 23. Full details will be provided prior to the meeting.

3) Executive Director's Report:

a. As a follow up to the Chairman's note, Mr. Hurry reported that the hearing before the House Finance Committee was different from previous hearings. He briefly reviewed the details. There will be an informal hearing with the Senate Finance Committee but no date has been set.

b. Mr. Hurry distributed a copy of the summary of the current proposal from the U. S. Department of Education. The Authority offered \$2.3 million, and they are suggesting \$3.1 million with regard to the issue of the evaluation of the building and attendant usage fees. There was a follow up conference call which included the Authority's legal counsel, Mr. Palumbo, and he is in the process of

developing a counter proposal. The original and most recent revised proposal had clearly stated that part of the agreement would require the Department of Education to state that there are no other outstanding asset issues and to confirm the relevant starting balances at 10/1/98. The Authority is working with Mr. Palumbo to establish more specificity in the language in the sign-off clause in the proposal. Once there is a tentative agreement between staff and the Department, the final language will come back to the Board for approval before final signature(s).

c. Regarding the House Finance Committee, Mr. Hurry noted that one question asked dealt with the in-state/out-of-state policy with regard to state grants.

Another question that was raised dealt with the impact of the changes in the federal need analysis formula. The impact will be minimal on the current state grant program per se, but will cause harm to many low to middle income students in R I and across the nation.

The committee also asked a question about CollegeBoundfund® fees and how the fees were set...One Representative stated that one of his relatives had concluded that the Alabama program fees were better. Mr. Hurry reported that he took the position, that for Rhode Islanders, he is not aware of any other program that would offer an overall more competitive option than the CollegeBoundfund.

The Authority is in the process of developing more detailed responses to the questions that were asked at the House Finance Subcommittee hearing.

One other question was in regards to the Sallie Mae contract. They asked when the last time the Authority did an RFP for that. The history regarding the Sallie Mae agreement will also be written up in a more detailed response for purposes of full disclosure.

d. Mr. Hurry reported at an earlier meeting that NEBHE had made the decision to increase the Regional Student Program rate from 150% of in-state tuition to 175%, effective in fall of 2006. At the last NEBHE Board meeting there was a related issue as to whether or not the new rate would apply to all students or only to new students. Mr. Hurry stated that the decision was tabled. There will be a

special NEBHE Board meeting April 9 when this issue will be revisited. The RIHEAA Board will be advised.

e. Mr. Hurry suggested that a Board retreat be scheduled. There will be follow up discussion at the April meeting

It is noted for the record that Mr. Howell arrived at 10:15 a.m.

4) Financial Report:

a. Mr. Lacroix reviewed the updated report on the Tuition Savings Program Administrative Fund. The account maintenance fee, which is the single largest source of revenue, was recently received from Alliance Capital. The Agency is also in the process of providing the supplemental funding for the state grant program with the funds from the tuition savings program. The report reflects the actual results for 2004 and projected results are for 2005 and 2006. In 2005 the \$4,235,000 of account maintenance fee revenue is the actual amount received. Mr. Lacroix noted that, in the other categories for 2005, the report reflects the actual amounts received through the end of January and projections through the end of June.

Regarding expenses, the state grant program funding was budgeted at \$4 million; \$2 million has been expended and more transfers will be made soon. The general revenue appropriations for the state program are exhausted first, then as additional grants need to be funded the tuition savings program revenues are used. Mr. Lacroix explained that revenues appeared to have leveled off and that expenses could exceed revenues for the current year, if the budgeted amount of \$4 million is fully expended.

5) Investment Committee Report:

Regarding the bids for the RFP for bank services, the committee is now in the process of a final review of the bids. They should have a recommendation for the next Board meeting.

6) Scholarship and Grant Update:

Ms. Welch reported that the state grant program is approximately \$2 million over committed. The average award is \$1,055 which also takes into consideration students that received half-year awards. The full-time, full-year award average is \$1,260. Regarding the Academic Promise activity, there are still fourteen students who need to be verified for the 2004/05 academic year. The programs are running well.

Ms. Welch noted that, in preparing for the House Finance Committee and the Senate Finance Committee Meetings, three booklets were put together for the CollegeBoundfund, the Loan Program and Scholarship and Grants Program, which she distributed to the Board members. She reviewed them briefly.

9.b) Action Item: Approval of 2005/06 RI State Grant Award Formula.

Ms. Welch noted that the Governor's Proposal is still not 100% certain.

After further discussion, on motion duly made by Mr. Solomon and seconded by Mr. Howell, it was

**VOTED:** To approve the current 2004-2005 formula for use in making initial awards for the 2005-2006 award year.

Mr. Howell asked if the Governor's proposed increase in funding were to materialize, we would be looking to increase those that have already been awarded scholarships or increasing the pool of recipients. Ms. Welch explained that we would hope to do both. The Governor's office asked the agency to put together a proposal to summarize how an additional \$20 million would be used. It is a three-tiered proposal. One would be to increase the award amounts to a \$2,000 maximum and go out to the waiting list. Another, for students going to the public state schools, is to meet the gap between tuition fees and books and what the student would get in their state grant, their Pell Grant, and their own estimated family contribution. There is also a proposal for additional awards for students who major in math, science and nursing.

Mr. Hurry asked the Board if we should go out with initial awards assuming level funding but with a statement on the awards referring to the Governor's proposal.

It was agreed unanimously to go out with the initial awards with a generic statement on the letters that alludes to the fact that there is a proposal and explains that this award does not take the Governor's proposal into account.

Voting in favor: Chairman McKenna, Dr. Croasdale, Ms. Coleman, Mr. Hall, Mr. Howell, Mr. Solomon and Ms. Bennett. Voting against: none.

7) Loan Division Update:

Ms. Dooley reported that most of the numbers, except the consolidation numbers, are down since last month due to late spring term start dates in January and schools processing applications later in the year. Consolidations are up from last month but down significantly from last year at this time.

An article was distributed for review that encourages people to consolidate now to receive the low interest rates.

Ms. Dooley reported that the staff from the Loan Division, Greg Silva in particular, worked very closely with the OIG regarding a loan fraud case. The person was sentenced yesterday. Ms. Dooley commended Mr. Silva for his diligent and hard work.

8) CollegeBoundfund Update:

Mr. Joyce reported that as of February 25, 2005 total accounts in the CollegeBoundfund are over 450,000. Of those accounts 13,675 are Rhode Island residents. Total assets are over \$5.5 billion. Of those \$130 million are Rhode Island based assets. In terms of underlying investments, Mr. Joyce apologized for not having a report as it is issued monthly and has not yet been received.

Next week the first outreach informational breakfast will take place in Narragansett. The focus will be on the CollegeBoundfund, the 5&10 Matching program and the Academic Promise Program.

9.a) Action Item: Deferred.

10) Communications: There were no communications

11) The next meeting will be held on April 12, 2005 at 9:30 a.m.

There was no need for an Executive Session.

There being no further business to come before the Board it was agreed to adjourn the meeting.

On motion duly made by Mr. Solomon and seconded by Ms. Bennett, it was

**VOTED**: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Croasdale, Ms. Bennett, Ms. Coleman, Mr. Hall, Mr. Howell, and Mr. Solomon. Voting against: none.

The meeting adjourned at 11:00 a.m.

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Dr. William Croasdale  
Acting Secretary