

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
APRIL 12 2005

The 256th meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, April 12, 2005 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. The meeting was called to order at 9:37 a.m.

The following members were in attendance:

- Dr. Robert J. McKenna, Chairman
- Dr. Anthony J. Santoro, Vice Chairman
- Dr. William Croasdale, Treasurer, Acting Secretary
- Ms. Kerrie Bennett, Designee of General Treasurer
- Ms. Laura DiSano
- Mr. William B. Hall
- Mr. John Howell
- Mr. Solomon A. Solomon

Members Absent:

- Ms. Miriam Curtis Coleman

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. Mary Ann Welch
- Mr. Michael Joyce
- Mr. Steven Mollica
- Mr. Greg Silva
- Ms. Deana Kafalas
- Ms. Sue Zube
- Mr. Mr. Noel Simpson, RISLA

1) Approval of Minutes of the March 10, 2005 Board Meeting:

On motion duly made by Mr. Solomon and seconded by Dr. Santoro, it was

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

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

2) Chairman's Report: Chairman McKenna reported that, this afternoon, due to the great work we have done through the years the Loan Authority will present to the Governor a check for \$5 million. You may recall that RISLA sold its loan origination function to NELNET for \$13 million. Last St. Patrick's Day we presented the Governor and those in state leadership with a \$5 million check, and today at 2:30 the second \$5 million check will be delivered. The state budget officer stated that the state really needs this \$5 million.

The chairman also reported that he had attended a seminar put together by Noel Simpson of the Student Loan Authority which was well done. The Chairman congratulated Mr. Simpson publicly.

c. The Chairman noted that it is a tight budget this year. It is hopeful that the Authority will receive substantial additional funds for the scholarship program.

3) Executive Director's Report:

a. Mr. Hurry reported that there has been no additional information regarding the Governor's proposal.

b. With respect to the NEBHE Regional Student Program tuition rate, Mr. Hurry mentioned that a conference call is scheduled for tomorrow with the Rhode Island delegates to vote on the amendment to the action that was taken at the NEBHE Board meeting in December to increase the RSP rate from 150% of in-state tuition to 175% effective for the fall of 2006 and the issue of the grandfathering provision.

4) Financial Report: Mr. Lacroix noted there are no financial statements for this meeting; however, there will be completed Budget Versus Actual Reports for the quarter end March 31 for the next meeting.

a. The banking services review committee reviewed five proposals for banking services: Bank of America, Citizens Bank, Sovereign Bank, Bank Rhode Island, and Washington Trust. He noted that two of the proposals rose above the rest and that it was not an easy decision. He reported that the committee's recommendation is to grant the award for banking services to Sovereign Bank. Various categories were evaluated including the presentations made by teams from the respective banks and the underlying investment options that were offered. He added that Deana Kafalas from the Accounting staff was instrumental in helping to evaluate the proposals, and that Kim Cournoyer, the Authority's network manager, and Clordine Cox, who handles ACH payments, also participated in the process.

Ms. Bennett asked what improved services Sovereign Bank offers. In response Mr. Lacroix stated that RIHEAA would have on-line banking, better underlying investment option, and that the customer service aspect of the Sovereign presentation was strong.

Mr. Hall asked what the savings will be. Mr. Lacroix noted that the interest rate climate has improved significantly. He also noted that Mr. John Fitta, a third-party consultant who assisted the committee with the evaluations, had counseled that the decision should not be based on fees alone. All the proposals were less expensive than what the Authority was currently paying, but ultimately the difference between the proposals was not meaningful and that, at present, interest income will more than offset the bank service fees.

Mr. Hurry took this opportunity to compliment the committee and to thank them for all the time and effort that was put into this process.

Mr. Lacroix noted that there is no contractual obligation with Sovereign Bank.

9.b) Action Item:

After further discussion, Mr. Hurry asked the Board of Directors if anyone felt that they would have a conflict of interest in taking a vote to endorse the staff recommendation. If so, they would need to fill out a "statement of conflict of interest". It was determined that this is a staff report to the Board that, they have conducted the review, have hired an external consultant and it is the staff's conclusion that it is in the best interest of the Authority to make a change and to select Sovereign Bank for its banking services. This being said it was unanimously agreed to accept the committee's report and authorize staff to move to implement the committee's decision regarding banking services.

5) Investment Committee Report:

Mr. Lacroix stated that there is nothing unusual to report at this time.

6) Scholarship and Grant Update:

a. For the 2004/2005 academic year as of April 5 the program was 12% over expended. Awards offers went out for \$15,335,000. As of this morning it is down to 9.8% over expended to \$14.7 million. Award offers are now out to 13,852 students. As the end of the school year approaches, there are still 1,123 students that have not been verified by any school at this time. This year in comparison to previous years, the program is over expended to a greater extent. There is a possibility that at year end it will be over expended. Mr. Hurry stated that based on what is known at this time, this level of over expenditure is manageable. When we have a better estimate of what the over expenditure is, this will be brought back to the Board with a recommendation as to how best to reallocate funds.

b. For the 2005/2006 academic year we went to the March 1st deadline. Awards offers went out to 11,970 students in the amount of \$15,386,000. It is anticipated that we will go further into the waiting list.

Students are notified by email if they listed an e-mail address on their application. In the initial award run for state grants last year 63% were sent out via email and 37%

were sent via paper. This year in the first run, 73% were sent by email and 27% by paper.

Regarding the Governor's Proposal, several possible scenarios were put together for the Governor's staff by Ms. Welch and Ms. Mance-Rios showing how we might use the money if we were to receive different levels of funding. Mr. Hurry noted that in each of the scenarios we would maintain current level funding for all of the eligible students who applied on time, and we would meet the Governor's expressed interest in being able to guarantee every needy Rhode Islander that he or she would receive, in combination of Pell Grant, family contribution and state grant, sufficient monies to cover tuition fees and books at any of the three public institutions in the state.

Ms. Welch reviewed each of the proposed scenarios.

Mr. Hurry restated that the very positive, cooperative and collegial relationship the Authority has had with the Office of Higher Education and the Board of Governors has been a model of collaboration among agencies. He commended everyone for their interest and effort.

Ms. Welch noted that certificates of honor are being sent to students designated as Rhode Island scholars based on SAT and ACT scores. Those will go out to 828 students who scored in the top 10% statewide.

7) Loan Division Update:

Mr. Silva reported that across the board for 2005 loans are above 2004 at this time. Consolidations have increased. Total loans for 2005 are \$47 million above last year.

8) CollegeBoundfund Update:

Mr. Joyce reported that as of April 1st there are over 450,000 total CollegeBoundfund accounts of which 13,856 are Rhode Island resident accounts. Total assets are over \$5.4 billion, and of that over \$129 million are Rhode Island resident accounts.

Regarding the 5 & 10 Matching Grant Program, this year to date we have received and approved 95 applications for the upcoming year participants.

In addition, on March 30 Alliance Capital mailed out a postcard to all Rhode Island College *Boundfund* participants whose child beneficiary fell within a prospective range of the 5 & 10 Program.

9.a) Action Item: Deferred.

10) Communications: Mr. Hurry noted that Charles Bechtold passed away. A remembrance was sent to his wife on behalf of the Board and staff. We received a thank you note from his wife, Sally. Mr. Bechtold was a co-sponsor of the legislation relating to the Rhode Island state scholarship program.

Regarding the U.S. Dept. of Ed. issue there has been no response to the counter offer.

11) The next meeting will be held on May 10, 2005 at 9:00 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 Mr. Howell, it was

VOTED: To adjourn the meeting.

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

The meeting adjourned at 10:40 a.m.

Dr. William Croasdale
Acting Secretary