

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
SEPTEMBER 13, 2005

The 258th meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, September 13, 2005 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. The meeting was called to order at 9:07 a.m.

The following members were in attendance:

- Dr. Robert J. McKenna, Chairman
- Dr. Anthony J. Santoro, Vice Chairman
- 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. William Croasdale, Treasurer, Acting Secretary
- Ms. Laura 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
- Mr. Joseph Palumbo, Legal Counsel, RIHEAA
- Ms. Nancy Ann Dooley
- Ms. Mary Ann Welch
- Mr. Michael Joyce
- Mr. Steven Mollica
- Ms. Sue Zube
- Mr. David Souto, NELNET
- Ms. Jennifer DeLong, Alliance Capital
- Mr. Chris Gorab, Alliance Capital
- Ms. Jennifer Bramley, Vision Strategies
- Ms. Trish Connor, XAP Corporation
- Ms. Judy Chappellear, XAP Corporation
- Ms. Arlene McNulty, Warwick Chamber Education Found.

1) Approval of Minutes of the June 14, 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. Santoro, Ms. Bennett, Ms. Coleman, Mr. Hall, and Mr. Solomon. Voting against: none.

2) Chairman's Report:

a. Chairman McKenna reported that Governor Carcieri reappointed Mr. John Howell to the RIHEAA Board of Directors for a five year term to expire July 1, 2010.

b. The update on the Separation of Powers and Financial Disclosure Requirement was deferred to later in the meeting.

c. Regarding the NEBHE award nominees, the Chairman turned this portion of his report over to the Executive Director.

Mr. Hurry noted that, included in the materials, is a copy of a description of the NEBHE awards. The Rhode Island delegation will have a meeting on Wednesday afternoon to discuss this. He asked that if the Board has any suggestions for possible nominations for the Rhode Island Merit Award and other awards to please submit them to him by early Wednesday afternoon.

3) Executive Director's Report:

The Executive Director noted that there are copies of several articles included in the materials for general review and information.

a. Mr. Hurry announced that the U.S. Dept. of Education and RIHEAA have reached a settlement regarding the twenty year dispute of the ownership of the building and certain Health Professions Loans. A copy of the settlement letter is included in the materials. Mr. Hurry reported that an update to the letter is that two checks have been signed to transfer the money from RIHEAA's Agency Operating Fund to

the Federal Student Loan Reserve Fund. The settlement required the agency to move the money in this manner.

The Board previously voted to authorize the Authority to enter into the settlement; therefore, no further action is required at this time.

For the record Mr. Hurry expressed his appreciation to former Deputy Director of RIHEAA, Mr. Greg Gollihur. Mr. Gollihur played a key and significant role in assisting the Authority at the point in time when federal law required that agencies establish two funds: the Federal Student Loan Reserve Fund and the Agency Operating Fund in 1998. The most recent round of negotiations on the asset issues was initiated in this contest. Mr. Hurry noted that he will be calling Mr. Gollihur to advise him of the successful outcome and to thank him personally for his contributions.

Mr. Palumbo expressed his compliments to Mr. Hurry for his negotiating skills and stated that he deserves much credit for reaching this positive conclusion.

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

VOTED: To express appreciation for the outstanding job that Mr. Palumbo, Mr. Hurry, Mr. Gollihur, and staff did in bringing these issues to fruition.

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

b. Mr. Hurry stated that RIHEAA has, during the past two years, researched the possibility of moving forward a proposal that would provide Rhode Island with a web-based early awareness, career exploration, college planning, financial aid and college application internet system which could result in savings at both the college and secondary school levels.

Mr. Hurry noted that NEBHE has also researched the possibility of putting into place a regional portal that is built upon the XAP Mentor system (or similar).

There have been several introductory/initial meetings in which some of the key constituent players in the state have been involved. In moving forward to the next stage now included is one of the Governor's education aides and Deb Smith, who is the Governor's communications aide and a member of the NEBHE Board.

It is noted for the record that Mr. Howell arrived at 9:25 a.m.

A larger meeting and more comprehensive presentation is planned for October. The goal will be to have this subject put on the agenda of the Governor's new PK-16 Cabinet's November meeting or at the following meeting. Mr. Hurry thought it was important at this juncture and given the interest of the people of the Governor's staff, to invite, today, two representatives from XAP Corporation to give the Board an introduction and better understanding of the Mentor system. He introduced Judy Chappellear, Vice President for Sales and Marketing and Trish Connor, Eastern Regional Manager of XAP Corporation.

At this time Chairman McKenna asked everyone to applaud Mr. Howell on his reappointment to the RIHEEA Board of Directors.

Ms. Connor gave a slide presentation on the overview of XAP Corporation and what the Mentor portal is. She reviewed the core purpose, history, focus, products and services of XAP Corporation. The products and services increase access to college. The portal will benefit students, guidance counselors and colleges.

Ms. Connor provided a few examples of current Mentor sites through XAP Corp. which include North Carolina. There are two Mentor sites already in New England which are Massachusetts and Connecticut. They have seen quite a bit of success.

Mr. Hurry noted that all the Board Members will be invited to attend the next more comprehensive meeting in October/November.

It is reported for the record that Dr. Santoro left the meeting at 10:15 a.m.

4) Financial Report:

Regarding the corporate resolution for the U.S. Treasury investments, Mr. Hurry and Mr. Lacroix explained that the Authority needs to have another Board resolution to allow it to have the treasuries mature into the new Sovereign accounts as opposed to Bank of America.

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

VOTED: To approve adoption of a Corporate Resolution to allow treasuries to mature out of the Bank of America account into the new Sovereign Bank account and to authorize Mr. Hurry and Mr. Lacroix to conduct transactions.

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

a. Mr. Lacroix reviewed the Budget vs. Actual reports for the Scholarship and Grant Program and the College Savings Program for the state fiscal year ended June 30, 2005. In the student financial assistance section all of the general revenue funds that were available were expended. Mr. Lacroix noted that there was no demand for contract repayment or loan forgiveness in 2005 and the \$100,000 that was appropriated for work study and contract repayment was expended in grant awards. Personnel expense was close to what was budgeted. In the operating section most of the expenses were in line with the budget amounts.

It is noted for the record that Ms. Coleman left the meeting at 10:22 a.m.

Regarding the College Savings Program Mr. Lacroix reported that the funds that were appropriated for the 5&10 Matching Grant Program were not needed for use in that program and that those funds were expended in state grants. Personnel expense was under expended due to a budgeted position which has not yet been filled. Regarding operating expense, the decision was made to pull back on some of the marketing effort, therefore the expenditure is approximately \$400,000 as opposed to the budgeted amount of \$600,000.

Mr. Hurry reported that regarding personnel, the Authority has put forward the creation of a previous position into

marketing and public relations position to work with CollegeBoundfund. A lower level position to work with that person will also be put forward.

For the Budget Versus Actual for the Loan Division Agency Operating Fund, Mr. Lacroix reported that the total revenues were slightly less than the previous year. Personnel was under budget. The budget was created with full funding of all available FTE's but not all positions were filled during the year. Within Purchased Services, the collection agencies commissions and the portfolio management fee expense to Sallie Mae were well below budget. The budget amounts for these categories were increased for FY 2005 but the actual expenses did not increase as much as had been expected based upon the FY 2004 experience. The collection activity, after having a significant increase in the current year from 2004 has leveled out. Operating expense to Sallie Mae for Guarantee Services is below budget but up from the prior year. Guarantee volume has increased significantly.

b. No report

c. No report

d. In the scholarship and grant program there are 2 issues that will be requested in the revised request that are an increase to general revenue funds. The original budget was for \$125,000 for NEBHE dues but the invoice for the dues was for \$140,000. In the revised request we are asking for the difference in the funds. In the personnel section the difference between the enacted budget and the revised request is due to the salary increases. In the operating section meaningful changes have been made in the revised request. Overhead categories have been fine-tuned.

Mr. Hurry explained that the Authority has taken the required 10% cut in the past years but is not in a position to take that cut in operating in this budget as the grant operating budget has reached its limit. Mr. Hurry asked the Board if it wants to request level funding or ask for an increase in the proposed requests for FY07. It was agreed to request an increase only if it can be verified that the Governor's original proposal still stands otherwise go with level funding.

9.b Regarding the budget request for FY06 and requests for FY07 for College Savings Program, Mr. Hurry noted that it was mentioned earlier about the two positions being put forward. He also mentioned that the marketing figure is being left in the budget at \$600,000 even though it is intended this year to keep to the \$400,000 level.

On motion duly made by Mr. Howell and seconded by Mr. Hall it was

VOTED: To approve the revised FY06 budget and the proposed FY07 budget for Scholarship and Grant and the College Savings Program.

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

4.d. (cont.) Regarding the revised budget FY06 and requests FY07 for the Loan Division, Mr. Lacroix reported that personnel FY06 revised request is lower due to vacant positions. The enacted budget included fully funded FTE. Those savings have been shifted into categories in the operating section where additional funding may be required although the bottom line is held constant. The original submittal for FY 06 included increases in the collection agencies commission expense and the Sallie Mae portfolio management fee expense. These budgeted amounts for these two categories will probably be higher than what the actual results will be. Personnel for FY 07 is fully funded including the increases. Purchases services expenses are the same as FY 06. Operating expenses were increased in several categories.

On motion duly made by Mr. Howell and seconded by Mr. Solomon it was

VOTED: To approve the revised FY06 budget and the proposed FY07 budget for the Loan Division.

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

Mr. Hurry asked that agenda items 4.b and 4.c be dispensed. He did note, however, that the banking transition is proceeding well. Also, the audit is proceeding. The audit committee will be meeting soon and they will make a report at the next Board meeting.

5) Investment Committee Report: Mr. Lacroix mentioned that the July 31, 2005 report reflects the new investment with Sovereign Bank and that the yield is higher than what was earned with the Bank of America repurchase investments.

7) Mr. Hurry asked that in the interest of time the Loan Division Update be deferred to the next meeting.

9.c. Action Item: After review and explanation by Ms. Welch, on motion duly made by Mr. Solomon and seconded by Ms. Bennett it was

VOTED: To adopt the revised policy on Academic Promise Scholarship Eligibility Criteria regarding the consideration of grade point averages.

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

6) Grant and Scholarship Update: The update was deferred. However, Mr. Hurry did mention that, with respect to displaced students from the New Orleans tragedy who are admitted to Rhode Island schools, the Authority will review them on a case by case basis but will be very liberal.

8.a. Update from Alliance Capital

Ms. DeLong introduced Chris Gorab from Alliance Capital. He has been working with the Rhode Island team.

She reviewed the update on the funds transition which was effective August 8, 2005. The transition was a successful implementation of investment option enhancements.

To mention the other update on the program, Ms. DeLong reported that this summer, along with Mr. Joyce's hard work, the annual review of the maximum contribution limit was completed. It is now raised to \$330,690.

Ms. DeLong stated that portfolios are performing very well and continue to out perform competitors.

She gave a brief overview of the marketing plan/budget for FY06. She noted that there is a joint marketing team between RIHEAA, the Treasurer's Office and Alliance Capital. Currently there is approximately 14,400 Rhode

Island accounts with \$141 million in assets. Since Alliance became involved with CollegeBoundfund, from October 2000 through the end of July 2005, the Rhode Island fund has grown by 12,700 Rhode Island accounts and \$132 million in assets.

Regarding the overall budget for FY 05/06, Ms. DeLong noted that the Alliance funding is \$600,000 this year, the RIHEAA funding intention is \$400,000 with a carry forward over from last year of \$8,731 for a total recommended budget of \$1,008,731. The recommended target allocation will be in media advertising and production spending, budgeting only \$235,000 in 2005-06, significantly less than in recent years.

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, Ms. Bennett, Mr. Hall, Mr. Howell, and Mr. Solomon. Voting against: none.

The meeting adjourned at 11:20 a.m.

Mr. John Howell
Secretary