

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
OCTOBER 25, 2005

The 260th meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, October 25, 2005 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. The meeting began at 9:10 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
- Ms. Laura DiSano
- Mr. John Howell

Members Absent:

- Dr. William Croasdale, Treasurer, Acting Secretary
- Mr. William B. Hall
- Mr. Solomon A. Solomon

Also Attending:

- Mr. William H. Hurry, Jr., Executive Director, RIHEAA
- Ms. Gail Mance-Rios, Deputy Director, RIHEAA
- Mr. Marc Lacroix
- Mr. Joseph R. Palumbo, Legal Counsel
- Ms. Nancy Ann Dooley
- Mr. Michael Joyce
- Mr. Greg Silva
- Mr. David Souto, NESLA

1) Approval of Minutes of the September 13 and October 11, 2005 Board Meetings was deferred.

2) Chairman's Report:

a. Chairman McKenna noted that Mr. Palumbo is not in attendance therefore the report on Separation of Powers and Financial Disclosure Requirement will be deferred yet again.

3) Executive Director's Report:

Mr. Hurry said that Dr. Croasdale will call in at approximately 9:20 to give the report of the Audit Committee.

a. Regarding the state budget process Mr. Hurry reported that RIHEAA attended its "confidential budget meeting" with the state budget office on October 21. It is not apparent that the budget office is inclined to hold RIHEAA harmless on its appropriation at this stage as it had last year. The discussions involved LEAP and SLEAP programs and what the minimum state appropriation RIHEAA must receive in order to retain its eligibility for LEAP funding. This led to a subsidiary conversation regarding SLEAP. The determination of maintenance of effort and eligibility is rather complicated. LEAP is awarded based upon directly state appropriated general revenue funds only. SLEAP is awarded based on non-state appropriated funds as well, basically any source of funds. Rosemary Booth Gallogly stated that she would take under advisement RIHEAA's counter proposal to the budget office's original proposal which had RIHEAA taking a 10% cut in state appropriation and their asking the Board to consider a \$2.1 million transfer to general revenue in addition to the \$5.5 million that the Board currently commits to scholarships from *CollegeBoundfund* revenues, \$4 million of which is to supplement the state grant program. The budget office would have RIHEAA tap into its *CollegeBoundfund* "reserves" and transfer an additional \$1.5 million and add \$600,000 to the *CollegeBoundfund* scholarship budget. They feel this would make RIHEAA eligible for LEAP and SLEAP. The conversation ended with the understanding that the budget office will look at RIHEAA's counter proposal. If agreed, they would restore about \$400,000 of the \$1 million targeted cut in General Revenue, less than enough to level fund the Scholarship and Grant program.

The Board would then need to consider increasing the CollegeBoundfund scholarship line by \$402,000 in the current year, and \$1 million in 2007 and 2008 to qualify for SLEAP. Mr. Hurry noted that, overall the meeting was very cordial and productive, and we hope the budget office will accept our counter proposal.

Chairman McKenna asked about the funds from the increase in video slots.

Mr. Hurry stated that he does not know what the final determination will be on this and that no one may have a complete idea of how much will be available from this source at this point. Clearly certain other commitments have been made from those revenues.

In conversations with the Governor's policy staff, RIHEAA has been asked to update the data on the initiative that the Governor proposed last year for the Tuition Opportunity Program which will involve preparing another "White Paper."

The Chairman asked if there was mention about restoring to RIHEAA in the future any of the funds that RIHEAA might transfer if there is extra money available. Mr. Hurry said that the CollegeBoundfund would be bankrupt and the 5&10 Matching and Academic Promise programs would be discontinued if the Board were to accede to the budget office's initial proposals for FY 07. The Board has managed CollegeBoundfund revenues and commitments conservatively such that the commitments made over time can be sustained long-term. While we are deficit spending now it is fully expected to balance out. To require RIHEAA to adhere to the \$2.1 million proposal would essentially end all scholarship supplements by 2008.

Ms. Bennett asked if the \$2.1 million would be for FY 2006. Mr. Hurry explained that this would be for 2007 and that in the current fiscal year in order to cover the SLEAP maintenance of effort figure \$402,000 will need to be added to the amount previously approved by the Board for FY 06.

4.a) Report from the Audit Committee:

Dr. Croasdale called in to the meeting at approximately 9:20 a.m. He reported that the Audit Committee has met with LGC&D auditors and reviewed the draft audit reports. The Committee is recommending the approval of the audits.

9.b.1 & 2) Action Item:

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

VOTED: To approve the Audit Committee Recommendations and approve the RIHEAA Financial Statement Audit FY 05 and Single Audit Report FY 05.

Voting in favor: Chairman McKenna, Dr. Santoro, Ms. Coleman, Ms. DiSano, Mr. Howell and Ms. Bennett.

Voting against: none.

Dr. Croasdale said that Mr. Sabetta suggested some corrections which Mr. Hall reviewed. These corrections will be reflected in the audits. The committee was pleased with the audit.

For the record, Mr. Hurry publicly thanked RIHEAA's finance staff for their good work. This is the first completely and totally unqualified opinion RIHEAA has had for a number of years. There have been unqualified opinions in recent years subject to the concerns regarding the building and HEAL loans. Those issues have now been settled. Included in the materials for this meeting are copies of the letter from the U.S. Dept. of Education advising that they have withdrawn their claims on those issues.

Mr. Lacroix noted that the settlement with the USDOE is recorded in the audited financials as a payable. The Board materials include the release letter from the DOE acknowledging that the funds have been transferred. The \$3 million payment is a significant increase to the Federal Student Loan Reserve Fund level.

Mr. Hurry expressed, for the record, regarding the motion made to accept the audits, that everyone understand that there are three pieces to the audit which are (1) the Single Audit Report, (2) the Financial Audit Component Unit of the State of Rhode Island which were approved by the Board and (3) the Business Advisory Letter which did not require Board approval. These were all included in the Board materials.

Mr. Lacroix noted that there was no material weaknesses noted.

3.a) Executive Director's Report (cont.)

Ms. Bennett stated that she will speak to the Treasurer about the budget information discussed at today's meeting.

Mr. Hurry reported that he attended a meeting yesterday regarding another web-based counseling system to assist students in being better prepared for college. The meeting was held at the Office of Higher Education, and the product reviewed was Connect.edu. The Governor's policy staff was approached by the vendor on this. Mr. Hurry stated that one major concern he has is will school counselors find a web based system useful or an imposed nuisance. Diana Crowley, who is head of the counselors for Department of Education in Rhode Island, was at the meeting and said that the counselors in the schools generally feel that this type of system would be favorably received.

Mr. Hurry encouraged the Board members to attend, in lieu of the scheduled November Board Meeting, the meeting of the Mentor System at 8:30 a.m. on November 8 at the Radisson Hotel in Warwick. The Mentor System is a very comprehensive system getting students into the process starting at grade eight through graduation. Mr. Hurry is hoping that this will be on the Governor's PK16 cabinet agenda in January and that the cabinet will endorse moving forward to the next step which would be developing/issuing an RFP to see what is out there and what the costs might be.

Ms. DiSano asked if there is a standard that would be applied to guidance and why would one school system support a tool that could provide a higher level of support to a student in one environment and not utilize it in another. Mr. Hurry noted that he didn't know about the standards question but Ms. Crowley would know if there was a particular standard. He noted further that these are internet-based products that will be accessible by all and not restricted by school systems. However, privacy will be a high priority. Mr. Hurry feels this concept is moving in the right direction and hopefully it will get a reasonable hearing.

Mr. Howell asked if there is a budget for this and also with regard to the Crusade, is there a possibility of sharing this with another agency.

Mr. Hurry stated that there may be possibilities of sharing the financing. The state would want/need to do, once there is a system, a serious PR campaign regarding the value and importance of education/higher education. The campaign should drive people to the website. Regarding the budget, Mr. Hurry noted that this has not yet been completely thought through. It depends upon the selection of system(s), the vendor's business plan and cost structure, etc. and available revenue streams. How the budget would work would depend upon what the business plan is of the program(s) which is/are ultimately chosen.

Dr. McKenna mentioned that we need to develop a fuller relationship with the Department of Economic Development. Higher education is vitally important to the entire economic future of the state. He noted that NEBHE will be holding its regular meeting at the end of the week and much of the meeting will be focused on higher education in New England. There are three new region-wide awards that will be presented at the meeting. One will be named for the former president of the University of Massachusetts, David Knapp.. The other two are named for Rhode Islanders: the late Dr. Eleanor McMahon for her outstanding work as commissioner of higher education in Rhode Island and the other one is to be named for the longest serving member on the NEBHE Board. Mr. Hurry noted that this third NEBHE award will bear the name of RIHEAA's Chairman, Dr. Robert J. McKenna.

Mr. Hurry noted that on behalf of the Board of Directors and staff of RIHEAA, sympathy arrangements were sent in memory of Marc Lacroix's mother-in-law and Solomon Solomon's wife.

4) Financial Report:

b. Regarding the Federal Student Loan Reserve Fund Update, Mr. Lacroix reported that we are waiting for information from the U.S. Department of Education to close the books for the Federal Fiscal Year, September 30. This should be available for the next Board meeting. Our reserve level in the federal fund is substantially above the minimum regulatory requirement. The authority is still strong relative to other agencies and as against the minimum regulatory requirement.

5) Investment Report:

a. Mr. Lacroix mentioned, with respect to investments, that the rates we are receiving on our accounts with Sovereign Bank are healthy. As compared to the money market accounts that we are using with the college savings program revenues, there is a substantial difference at this time that the Board should consider opening a new account to move excess funds from Alliance money market fund into a Sovereign account. He noted that Dr. Croasdale suggested that we also research time deposits. Mr. Hurry stated that Alliance had been asked if they had any alternative investments that this money could be invested to receive a higher rate. Alliance does not.

6) Grant/Scholarship Update:

Mr. Joyce reported that in comparing the 2004/2005 and this year's awards 2005/2006, the programs are about even. Award offers at this time last year were \$17,678,000. This year the award offers are \$17,691,000. Both years were 31% over-expended. The Academic Promise Scholarship Program reports a slight difference in the numbers for 2005/2006. This is the first year all four classes/cohorts were up and running. Ms. Bennett asked if we will follow up with these students, who received four years of Academic Promise Scholarships, to see if the scholarship made a difference for them. Mr. Hurry said this is a good suggestion, and we will do so.

8) CollegeBoundfund Update:

Mr. Joyce reported that as of October 7, 2005, there are over 461,000 accounts and over 14,000 of which are Rhode Island resident accounts. Total asset value is just over \$5.9 billion. Total asset value for Rhode Island accounts is currently over \$143 million.

a. Ms. Bramley is not present; therefore, the marketing plan update will be given at the next meeting. Ms. Bennett did note, however, that the 5&10 Matching Grant radio commercials are doing well. Mr. Joyce stated that there has been a slight spike in calls due to the media coverage.

9.a) Action Item: Election of Board Officers.

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

VOTED: To re-elect the slate of Board officers that currently exists for a term of one year.

Dr. Robert J. McKenna	Chairman
Dr. Anthony J. Santoro	Vice-Chairman
Dr. William Croasdale	Treasurer
Mr. John Howell	Secretary

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

It is noted for the record that Dr. Santoro left the meeting at 10:00 a.m.

7) Loan Programs Update:

Ms. Dooley distributed a correction to the report that was included in the Board packets. Consolidations are up and this trend should continue.

She reported that during the summer, Mr. Greg Silva and Ms. Diane Carlin have visited nearly all of the Rhode Island schools to work with them to see if there are any technical issues that they are dealing with and to assure they are receiving the service they need and want. Additionally, Mr. Silva has visited the University of Bridgeport, PACE University, SUNY Purchase and Manhattanville College to also talk with them.

Ms. Dooley reported that an RFP was sent out for skip tracing services. It was also posted on the State website. Five proposals were received. The company chosen was Seisint. This company was previously known as Accurint. They have the services needed by the Authority.

On Monday, October 24, RIHEAA conducted an ERC training session in conjunction with Sallie Mae. One topic that was presented dealt with FERPA, the Family Education Rights and Privacy Act. This generated a great deal of discussion. The training session was very well received.

2.a) Regarding the agenda item, Separation of Powers, Mr. Hurry felt that it is a topic that all Board members should

be present when reviewed/discussed. It will be rescheduled.

There being no further business to come before the Board, on motion duly made buy Mr. Howell and seconded by Ms. Bennett, it was

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Ms. Coleman, Ms. DiSano, Mr. Howell and Ms. Bennett. Voting against: none.

Adjournment was at 9:35 a.m.

Mr. John Howell
Secretary