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MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
SEPTEMBER 12, 2006

The 269th meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, September 12, 2006 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. Chairman McKenna called the meeting to order at 9:07 a.m.

The following members were in attendance:

Dr. Robert J. McKenna, Chairman
 Dr. Anthony J. Santoro, Vice Chairman
 Dr. William Croasdale, Treasurer
 Mr. John Howell, Secretary
 Ms. Miriam Curtis Coleman
 Ms. Patricia Doyle
 The Honorable Paul J. Tavares, General Treasurer
 Mr. Solomon A. Solomon

Members Absent:

Mr. William Hall

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 R. Palumbo, Esq., RIHEAA Legal Counsel
 Ms. Nancy Ann Dooley
 Mr. Michael Joyce
 Mr. Steven Mollica
 Ms. Marisol Garcia
 Ms. Mary Ann Welch
 Mr. Greg Silva
 Ms. Sue Zube
 Ms. Rebecca Johnson, Office of the General Treasurer
 Ms. Liza Cohen, House Fiscal Office
 Ms. Meredith Holderbaum, Senate Fiscal Office
 Ms. Patricia Dominguez, House Educ. Policy Advisor
 Mr. Noel Simpson, RISLA
 Mr. Charles Kelley, NESLA

1) Approval of Minutes of Board of Directors Meetings held on June 27, 2006.

Action was deferred.

2) Chairman's Report:

Chairman McKenna noted that the budget seriously needs to be restored.

3) Executive Director's Report: Mr. Hurry introduced Ms. Paula Dominguez, the Senior Education Policy Advisor of the House Education Policy Staff.

a. Comments were deferred with respect to the state budget until agenda item 4 which will speak to the revised FY 07 budget "request" and the initial "requests" for FY 08.

b. Regarding the RFP for the web-based information portal, Mr. Hurry noted that, following up on the Board's action at the last meeting, the RFP committee has spoken with the two top vendors and has asked them to develop an integrated proposal along with any pricing changes associated with the proposal. The principals have agreed to do so, and a meeting has been scheduled to review the matter with them later this month. The committee hopes to come to the Board with a recommendation at the October meeting, and, assuming Board approval, to schedule a presentation of the system at the Board's November meeting.

c. Mr. Palumbo gave a brief rundown of what has taken place up to this point regarding the Cooperative Agreement with Nelnet for the benefit of the newest Board member, Ms. Doyle.

At this time, within the past few days, Nelnet's counsel sent back comments that represent the thoughts and views of the upper management of NELNET. Mr. Palumbo and Mr. Hurry reviewed the comments yesterday. There remain some points which need to be discussed further. Mr. Palumbo's recommendation would be that the committee arrange to have a meeting to discuss the issues and perhaps then arrange a face-to-face meeting between the committee and representatives of NELNET.

4.a) Financial Report:

Mr. Hurry reported that the newly created Audit and Finance Committee of the Board recently met with staff in developing the budgets to be reviewed later in this meeting. Dr. Croasdale chairs the committee.

Dr. Croasdale noted that Mr. Hall and Dr. Santoro are also on the committee. He reported that they reviewed the proposed budgets which are included in the materials for today's meeting.

Mr. Hurry prefaced the report by noting that the authority is required to submit its budget to the state budget office not later than September 18. The budget office has asked that we prepare two budget requests, a "target" budget which must reflect a 15% cut in general revenue and a "growth" budget which includes a 3% increase over the FY 07 base. Today's presentation also includes a third budget, the Board's requested budget, recommended by the audit and finance committee. This approach is consistent with what the Board has done for the last several years. The recommended Board Requested Budget is built upon the statutory funding level which would approximate \$20 million in 2008. The committee's recommendation includes this statutory funding request level.

Mr. Hurry noted that he and Ms. Mance-Rios met with Governor Carciari over a week ago regarding the matter of accessibility and affordability. The Governor expressed concern and interest in/support for restoring the general revenue support for the grant program. Governor Carciari has directed his staff person to speak with the budget people to indicate his support for increasing, not decreasing the general revenue support going forward. In addition, the Governor has expressed interest in going beyond that with new initiatives. The Authority has been engaged in conversations with the Office of Higher Education regarding ideas and costs for certain of these initiatives. Today's proposal in terms of the FY 08 Board request level could be compatible with the issues that were discussed with the Governor.

Mr. Lacroix reviewed the Budget Request for the Scholarship and Grant Program and the Tuition Savings Program. There are minor changes from the 2007 budget as currently enacted and the Authority's revised request. At the last meeting the Board agreed to hold the total State Grant Awards constant in the revised request and equal to the 2006 budgeted amount. The supplemental amount of \$7,660,000 to

the State Grant Program provided by the Tuition Savings Program is the amount necessary to get the total State Grant Awards to \$13,849,000. The increased amount is due to the fact that the LEAP/SLEAP funding will be slightly less than what had originally been expected. There are also minor adjustments to the purchased services and operating sections in the Tuition Savings Program. The 2007 revised request is substantively the same as the Board already reviewed and is consistent with the budget that was enacted this past June.

The target request for 2008 represents a 15% cut in general revenue from the 2007 enacted amount.

Rosemary Booth Gallogly then asked for a second calculation which was a 3% growth request from the 2007 service level. In the 3% request calculation RIHEAA has kept all the personnel and operating expenses constant and put the 3% increase over 2007 entirely into scholarship and grant awards. That amount is slightly over \$1 million. In the Tuition Savings Program in 2008 the \$4 million supplement to the state grant program is a rounded number that will leave the tuition savings program essentially with no reserves. The funding for the 5&10 Matching Grant Program will have been temporarily suspended.

Dr. Croasdale recommends acceptance of the presentation of the FY 2007 revised budget and FY 2008 initial budget requests.

a. (cont'd) Mr. Lacroix reviewed the Loan Division budget request. Changes to personnel from the enacted budget are to incorporate updated information. A recommendation which the Finance Committee made with respect to the Loan Division budget in general was that, with respect to some significant amounts in certain budget categories that had been developed over time as "not to exceed" amounts, the committee expressed an interest in trying to get those numbers to be closer to what the expected results would be, without paring them down to the point of running the risk of exceeding our spending authorization. The 2007 revised request and the 2008 initial request include some changes in philosophy and preparation along these lines and a consequent reduction in some of these large expense amounts. Some new expenses show in the 2007 revised request and 2008 request: the Federal Default Fee, which is the PLUS Loan Default Fee shared with RISLA, and the

proposed web portal awareness marketing and the web portal maintenance expenses.

The summary of the full budget submittal is included as part of the materials that provide "at-a-glance" totals for the various categories and expenditures.

9.a) Action Item:

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

VOTED: That on recommendation of the Audit and Finance Committee, the Board approve the proposed budgets that have been presented at this meeting.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Ms. Curtis Coleman, General Treasurer Tavares, Mr. Howell, Mr. Solomon and Ms. Doyle. Voting against: none.

5) Investment Committee Report:

Dr. Croasdale reported that the materials include a printout of the agency operating fund for the investments and cash. It is straight forward. Mr. Lacroix noted that for the first time in recent past the authority purchased US Treasuries last week, two each in the agency operating fund and in the federal student loan reserve fund.

Mr. Hurry stated that a meeting of the Board had been tentatively scheduled for September 29 to deal with the audit. He asked Mr. Lacroix if this meeting will take place. Mr. Lacroix reported that the Finance Committee will meet to make that decision, but at this time he feels that the September 29 full Board meeting will not be necessary. The management drafts can be presented to the Audit and Finance Committee, which in turn could authorize the Authority to transmit them to the auditor general. Then after the auditor general makes comments and they are incorporated into the documents, the full Board would have the opportunity to approve the final audit documents. Mr. Hurry asked that, if the Board is comfortable with that approach, we would cancel the tentative Board meeting for September 29. The auditors are comfortable with the process as outlined, and, if we do have a draft this week, we should be able to meet the filing deadline.

6) Grant/Scholarship Update:

Ms. Welch reported that, with regard to state grant activity, the figures are the same as last year at this time. We are over expended by 36% with awards out of \$18.7 million. Last year at this time the comparable numbers were 38% overcommitted and \$18.5 million offered. Schools are beginning to request payment for the grants. We are working with the schools to get the payments out as quickly as possible.

The Academic Promise Scholarship Program is running as planned. There are 443 awards out for \$1.1 million.

When information is presented for the new budget, program measures are presented which include number of students served, a breakdown of source(s) of funding, the average award, and the mix of in-state/out-of-state awards. The program measures reviewed are the average awards, the percent of financial need that is met and the number of eligible students who received awards versus the number of eligible students who do not receive awards due to lack of funding.

7) Loan Programs Update:

Ms. Dooley reported that the PLUS loan program is growing tremendously. There was a large increase in consolidations due to timing. She noted that in the PLUS Loan category this past month, \$3,059,000 of the PLUS loans were graduate PLUS loans. This will be a new category. The format of the report will be changed in October.

There will be a workshop on November 1 at the Radisson in Warwick, for Rhode Island financial aid administrators. Board members are welcome to attend.

8) CollegeBoundfund Update:

Mr. Joyce reported that as of August 25 there are 474,859 total CollegeBoundfund accounts with a total asset value of over \$6.9 billion. Total Rhode Island accounts is 16,289 with total Rhode Island asset value of \$175,460,098.

General Treasurer Tavares noted that this is the third year that the program has been rated by "savingforcollege.com"

as top in the nation in performance. This is very positive and significant.

Ms. Garcia stated that invitations to the "Poster Contest" were extended to all the board members. It will be held September 18 at CCRI in Warwick. Over 250 entries were received. The contest was very successful, and nine winners will be announced.

10) Communications:

Mr. Hurry informed the Board that we received a proposal from the Education Partnership for a pilot program to support students doing dual enrollment. Another approach to enhance/expand dual enrollment for Rhode Island students is under consideration by the governor's office, the Office of Higher Education, and the Dept. of Elementary and Secondary Education.

The separate proposal received from Education Partnership, asking the Board to consider funding to support this project, if considered, would need more supporting documentation. This request has been discussed with the Governor's Policy Aid and Dr. Warner and, for the moment, the recommendation is that we are not ready to bring this to the Board for a formal response.

Chairman McKenna took this opportunity to thank Dr. Croasdale for a very thorough presentation on the budget. He mentioned that NEBHE will be holding it's regular scheduled meeting on November 17 at the Providence Biltmore. The Chairman announced that Mr. William Hurry has accepted the seat of Treasurer on the New England Board of Higher Education.

Mr. Noel Simpson, Executive Director of RISLA, invited the members of the RIHEAA Board to a presentation by representatives of NELNET, at the RISLA Board Meeting following this meeting.

11) The date for the next meeting is October 10, 2006 at 9:00 a.m.

There being no further business to come before the Board,
on motion duly made by Dr. Croasdale and seconded by
Dr. Santoro it was

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Santoro,
Dr. Croasdale, Ms. Curtis Coleman, General Treasurer
Tavares, Mr. Howell, Mr. Solomon and Ms. Doyle. Voting
against: none.

The meeting adjourned at 10:01 a.m.

Mr. John Howell
Secretary