

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AUGUST 22, 2006

The 268th meeting of the Rhode Island Higher Education Assistance Authority was held on Tuesday, August 22, 2006 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. Chairman McKenna called the meeting to order at 9:08 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
- Mr. William B. Hall
- Ms. Rebecca Johnson
- Mr. Solomon A. Solomon

Members Absent:

- Ms. Miriam Curtis Coleman
- Ms. Patricia Doyle
- The Honorable Paul J. Tavares, General Treasurer

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
- Mr. Michael Joyce
- Mr. Steven Mollica
- Ms. Marisol Garcia
- Ms. Mary Ann Welch
- Mr. Charles Miller
- Mr. Greg Silva
- Ms. Sue Zube
- Mr. Kevin Madigan, Senate Fiscal Office
- Ms. Liza Cohen, House Fiscal Office
- Mr. Noel Simpson, RISLA
- Mr. Charles Kelley, NESLA

1) Approval of Minutes of Board of Directors Meetings held on April 11 and May 9, 2006.

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

VOTED: That the minutes of the April 11 and May 9, 2006 Board of Directors Meetings be approved and placed on file.

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

2) Chairman's Report:

Chairman McKenna reported that the results of the General Assembly session were not favorable. The three state colleges/universities have had to raise tuition rates.

3) Executive Director's Report:

For informational purposes Mr. Hurry informed the Board that Chairman and Mrs. McKenna will celebrate their 50th wedding anniversary this weekend. Congratulations were given by all.

Mr. Hurry reported that the Authority's Affirmative Action Plan for 2006 has been accepted. Copies can be made available if anyone needs one. Chairman McKenna requested a copy.

Mr. Hurry reminded the Board that the NEBHE annual meeting is scheduled for November 16-18, 2006, and it will be held at the Biltmore in Providence. Chairman McKenna noted that Senator Claiborne Pell will be honored with an award at this event. The Board members are invited to attend.

a. Mr. Hurry deferred the discussion on the update of the state budget until later in the meeting.

3.b. & 9.a.) Regarding the RFP for the state web-based portal, Mr. Hurry reported that five proposals were submitted in response to the RFP. The committee's consensus is that there are two proposals among the five which respond most fully to the RFP. Since the RFP was issued and the proposals submitted, there has been a merger of these two companies. If the Board is comfortable, Mr.

Hurry explained that the committee would like, as the next step in the process, to begin speaking more directly with these two companies regarding the impact of the merger and how these two proposals would come together as one proposal and the impact on the pricing for the proposals. This would be a preliminary step in coming back to the Board with a formal recommendation at a subsequent meeting.

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

VOTED: To authorize the committee to take the next step to pursue implications/opportunities resulting from their recently announced merger specifically with the top two respondents to the RFP for the web-based portal.

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

3.c) Mr. Hurry reported that the most recent draft of the agreement between NELNET and RIHEAA has been given to Mr. Kelley, and he has forwarded it to NELNET's counsel.

Dr. Croasdale asked that agenda item 9.c be moved up at this time. There was no objection.

9.c) Action Item:

On motion duly made by Dr. Croasdale, Treasurer of the Board, and seconded by Dr. Santoro it was

VOTED: That the Board create a new committee on Audit and Finance which will replace two existing committees (e.g. Audit Committee and Investment Committee) and, in addition to the duties of the two committees mentioned above, will assume the responsibility of working with appropriate staff to develop budgets to support RIHEAA's programs, services, and operations and to make recommendations to the Board with respect to appropriate Board actions regarding the budget(s).

The committee shall consist of the Treasurer of the Board, who shall chair the committee, and at least one other Board member appointed by the chair of the Board with the consent of the Board. The chair of the Board

of Directors may serve as an ex officio member of the committee.

Currently the audit committee consists of Dr. Croasdale as chair and Mr. Hall, and the investment committee includes Dr. Croasdale as chair, Dr. McKenna (ex officio), and certain designated staff members.

The members of the Audit and Finance Committee will include Dr. Croasdale, Dr. McKenna (ex officio), and Mr. Hall and other designated staff members.

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

4.a) Financial Report: Mr. Lacroix reported that budget versus actual results are for the year ended June 30, 2006. He noted that, regarding the Scholarship and Grant Program in the student financial assistance section, of the \$100,000 budgeted for the work study/contract repayment line item, \$95,000 was actually awarded as part of the state grant program. Approximately \$5,000 was used for loan forgiveness in the HEAL loan program.

Personnel expenses were very close to the budgeted amount. In the operating section, amounts that were under-spent in those categories were used to repay the loan program for financing the web-based grant system. At the end of 2006 approximately \$50,000 remained of un-reimbursed system development expense. Most operating expenses were in line with the budget.

Regarding the Tuition Savings Program, personnel was under-spent because the budget was created being fully funded for some positions that were ultimately not filled. Marketing and promotion efforts were managed to limit expenses to about \$400,000 despite the fact that \$600,000 had been provided in the budget.

For the Loan Division agency operating fund, actual personnel expenses are below budget as a result of unfilled positions. Purchased services budget amounts include significant increases in the collection agency commissions and Sallie Mae portfolio management fee expenses based upon the experience from prior years. However, the collections activity peaked, and these related expenses were well below

budgeted amounts. In the operating section, the student financial assistance expense of \$1,660,000 is a supplement to the state grant program. The general revenue appropriation was reduced by \$2.2 million, and the Board authorized the use of agency operating funds to substitute. However, only \$1,660,000 was actually awarded.

5) Investment Committee Report: Dr. Croasdale noted that the Authority is doing much better on the percent of yield since the change over to Sovereign Bank. We are receiving 5.12% and 5.41%, and we are still investing in treasury notes.

Mr. Hurry proposed that at this time the Board move to Executive Session.

Mr. Palumbo stated that the Board must entertain a motion to enter into Executive Session to discuss the revised 2007 budget and the 2008 budget under RIGL 42-46-5 §(a)(7) which is an exception to the Open Meetings Law permitting the Board to enter into Executive/Closed session to discuss investment of public funds where the premature public disclosure might be harmful to the public interest.

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

VOTED: That, pursuant to RIGL 42-46-5 § (a)(7), the meeting enter into Executive Session.

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

The meeting entered into Executive Session at 9:36 a.m.

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

VOTED: To reconvene in open session.

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

The meeting reconvened to open session at 10:25 a.m.

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

VOTED: That all discussion in closed session remain confidential.

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

9.b) Action Item:

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

VOTED: That in accordance with the expressed intent of the Legislature as represented in the "Enacted" state budget for fiscal year 2007, and despite serious concerns that the expenditure level from *CollegeBoundfund* revenues proposed by the Legislature will require a significant reduction in its ability to supplement the state grant program in FY 08 and beyond, and so as to avoid an ill advised and harmful reduction in over 2,000 state grant award offers already made to students for use in academic year 2006/2007 which will begin for most students in the next week or two, we move that the Board authorize an increase of up to \$2.6 million in its previously approved commitment of *CollegeBoundfund* revenues to supplement the state's general revenue appropriation for its need-based grant program in the current fiscal year.

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

In the interest of time Mr. Hurry suggested that Agenda items numbers 6, 7, and 8 be deferred. It was agreed unanimously.

11) The date for the next meeting is September 12, 2006 at 9:00 a.m.

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

VOTED: To adjourn the meeting.

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

The meeting adjourned at 10:30 a.m.

Mr. John Howell
Secretary