

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
JUNE 1, 2007

The 276th meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, June 1, 2007 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, Rhode Island. Chairman McKenna called the meeting to order at 9:00 a.m.

The following members were in attendance:

Dr. Robert J. McKenna, Chairman
Dr. William Croasdale, Treasurer
Mr. John Howell, Secretary
Mr. J. Michael Costello
Dr. Brenda Dann-Messier
Ms. Patricia A. Doyle
Mr. Solomon A. Solomon
Mr. Xay Khamsyvoravong, designee of the General
Treasurer

Members Absent:

Dr. Anthony J. Santoro, Vice Chairman

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., Legal Counsel, RIHEAA
Ms. Nancy Ann Dooley
Ms. Mary Ann Welch
Mr. Michael Joyce
Ms. Marisol Garcia
Mr. Greg Silva
Ms. Sue Zube
Ms. Paula Dominguez, House Education Policy Advisor
Ms. Meredith Holderbaum, Senate Fiscal Office
Mr. Noel Simpson, Executive Director, RISLA

1) Approval of minutes.

On motion duly made by Dr. Croasdale and seconded by Ms. Doyle it was

VOTED: That the minutes of the March 23, 2007 Board of Directors meeting be approved and placed on file.

Voting in favor: Chairman McKenna, Dr. Croasdale, Ms. Doyle, Mr. Solomon, Mr. Khamsyvoravong. Voting against: None. Abstentions: Mr. Costello, Dr. Dann-Messier.

2) Chairman's Report: Chairman McKenna informed the Board of the two new appointments, made by the Governor and confirmed by the Senate, to sit on the RIHEAA Board of Directors for five-year terms ending July 2012. He took this opportunity to introduce Dr. Brenda Dann-Messier and Mr. J. Michael Costello. The Chairman gave a brief biography of each.

Chairman McKenna also informed the Board of the reappointment of Mr. Solomon A. Solomon to the RIHEAA Board for a five-year term ending July 2012.

The Chairman noted that the first Academic Promise Scholarship Reception was held Thursday, May 31, at the Community College of Rhode Island Warwick Campus. Mr. Hurry was the Master of Ceremonies. It was a very nice event. A group picture was taken. The Chairman congratulated Mr. Hurry and staff for their excellent work.

It is noted for the record that Mr. Howell arrived at 9:06 a.m.

Regarding the state budget issues, the Chairman reported that the state is in serious financial difficulty. An additional \$80 million of revenue for fiscal year 2008, which was expected when the Governor submitted his proposal, is not expected now until fiscal year 2009. The General Assembly must now find an additional \$80 million.

For the benefit of the new Board appointees, a brief overview was given before each update/report during this meeting.

Dr. Croasdale noted that Dr. Santoro is recovering from surgery and doing well. His term on the RIHEAA Board ends on July 1, 2007. Dr. Croasdale suggested that a letter be sent to the Governor supporting his reappointment.

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

VOTED: To have a letter sent to the Governor requesting reappointment of Dr. Anthony Santoro to the RIHEAA Board of Directors for another five year term.

Voting in favor: Chairman McKenna, Dr. Croasdale, Dr. Dann-Messier, Mr. Khamsyvoravong, Mr. Costello, Mr. Howell, Mr. Solomon, Ms. Doyle. Voting against: none.

3) Executive Directors Report:

a. With respect to the federal and state budget situation, Mr. Hurry reported that there has been no further word.

Since the last meeting Mr. Licht and his assistant, Ms. Mance-Rios, Ms. Garcia and Mr. Hurry had a very cordial meeting with Senator Alves. The Senator was open to hearing our proposals and expressed his support for our programs and his interest in assisting as he could, funds permitting.

At the federal level, there is a complete leadership change with accompanying changes in committee staffing. With respect to the student loan portion of what RIHEAA does, the issues in the media regarding allegations of misbehavior is backdrop to the debate about how to fund the student loan industry. This is also a basic issue as between supporters of the Federal Direct Loan Program and the FFELP program, for which RIHEAA is a Guarantor.

Mr. Hurry is currently chairing the NCHELP Guarantor CEO Caucus which is made up of the thirty-five CEO's of the guaranty agencies across the country. The group developed and proposed to Congress a revised funding model for guarantee agencies. He has met with Sen. Kennedy's chief aide, J D LaRock to propose and explain the proposed changes.

The undercurrent in DC is a negative situation for the FFELP industry at this time. There is anticipation of

significant future cuts in lender yields. From a guarantee perspective there will be substantial reductions in default collection retentions and certain fees.

Dr. Dann-Messier requested a copy of the revised funding model.

b. Regarding the web portal update Ms. Mance-Rios reported that the first phase is in process. The soft launch will be available in July 2007. On June 19 representatives from XAP and Bridges will be visiting to review the main portal which will be available in 2008. Next week Ms. Mance-Rios will attend a client meeting. Rhode Island's web portal system will be the first XAP-Bridges fully integrated program in the country.

c. An RFP was put out for a Guarantor System and related Services. Two comprehensive bids were received for a system, one from Sallie Mae, our current provider, and another from Great Lakes Higher Education Services Corporation. We also received 8 non-comprehensive bids from Collection Technologies Inc. (CTI), Account Control Technology (ACT), Premier Credit, Van Ru, Out-Sourcing Inc.(OSI), R&B Solutions, Windham Professionals, and Student Loan Counseling Service. There are no local bidders. The committee is in the process of reviewing the comprehensive proposals first. An extension of the existing Sallie Mae agreement which will expire on September 30, 2007, likely will need to be negotiated, so as to avoid major interruption/dislocation for our school partners .

d. Mr. Hurry welcomed the new Board members.

e. Mr. Hurry reported that Chairman McKenna's term on the New England Board of Higher Education ended as of May 31, 2007.

9.a. On motion duly made by Dr. Croasdale, chairman of the nominating committee, and seconded by Mr. Solomon, it was

VOTED: To nominate Chairman McKenna for reappointment to the New England Board of Higher Education for a three-year term through May 31, 2010.

Voting in favor: Dr. Croasdale, Dr. Dann-Messier, Mr. Khamsyvoravong, Mr. Costello, Mr. Howell, Mr. Solomon,

and Ms. Doyle. Voting against: none. Chairman McKenna abstained.

f. Regarding the RIHEAA 30th anniversary event, Mr. Hurry reported that the committee has suggested that the event be held in October. One issue is how to pay for the event. The committee is looking to have more of a professional development 30th anniversary event and to incorporate the launch of the national awareness campaign, the web portal and related workshops. After further discussion, it was agreed to authorize Mr. Hurry and staff to come back to the next meeting with a more definitive and detailed proposal.

Mr. Hurry asked if any Board members would like to join the committee.

Mr. Howell, Ms. Doyle and Mr. Khamsyvoravong agreed to join.

4.a Mr. Lacroix reported that one significant issue regarding results for the Loan Division Operations is that the operating results for the first nine months of 2007 have been much better than anticipated. The net income has already exceeded what was generated for the entire year in FY 2006. This is somewhat unexpected given that the current fiscal year includes the reduction of revenue from consolidation transactions on defaulted student loans.

There is nothing unusual to report in the purchased services and operating categories.

In the Scholarship and Grant Program and Tuition Savings Program the revised request amounts in the student financial assistance sections represent 100% of the appropriation for the year. The personnel, purchased services and operating sections show 75%. Actual expenditures for need-based grants including amounts from the Tuition Savings Program will be about \$700,000 less than the total budgeted amount.

There is nothing unusual to report in the Tuition Savings Program. At this time the personnel section is under budget. Within purchased services and operating expenses, the marketing and promotion expense of \$300,000 is estimated through three quarters.

5.a Dr. Croasdale made a clarification. He stated that he always recommends that investments be put in treasuries. Percent yields are up at Sovereign Bank.

b. Mr. Lacroix reported that one comment from the management letter last year was the absence of a comprehensive policies and procedures manual for the agency. RIHEAA has retained a CPA firm, O'Connor and Drew to develop and produce an accounting policies and procedures manual. The work is underway at this time. The first draft is expected in two weeks.

Mr. Hurry noted that the audit firm Carlin, Charron and Rosen has been at the agency and has begun preliminary work on the 2007 audit.

6.a Ms. Welch reported that for the 2006-07 academic year, with total funding of \$13.78 million, award offers are now at \$13.39 million which is 2.8% under the appropriation and 4% over the final expenditure for 05-06 academic year. Currently awards are being given to 12,032 students with an average award of \$1122. There are 11,056 students on the waiting list.

b. For the 07-08 academic year, awarding is based on total funding of \$10,316,000, assuming that the state appropriation is going to be \$5.8 million. Currently the program is over extended. Award offers are out to 14,821 students for \$15.7 million. The average award is \$1,092. The maximum award was reduced from \$1400 to \$1200.

Mr. Hurry referenced the article included in the Board materials by Jennifer Jordan regarding the Board's decision to cap awards at \$1200.

Regarding the Academic Promise Scholarship reception Ms. Welch noted that those students received full-time awards, and they received \$2,500 per year for a maximum of \$10,000 for four years. There is a cumulative grade point average requirement when in college which increases each year. The students are chosen based on their need and their merit. The goal is to end with approximately 100 students in each cohort class.

6.a/b The Academic Promise Scholarship Program report shows the 07/08 academic year. There are 449 awards for \$1,122,500. The students that were awarded for the 07/08 academic year had an average SAT score of 1228, the highest

was 1560 and the lowest was 1090. The need component is the estimated family contribution (EFC). Sixty-seven percent of these students had zero for their EFC. The average EFC was \$275; the highest was \$3618.

7) Regarding the Loans Program, Ms. Dooley noted that there is a correction on the report. The total number of loans for April 2007 should be 2,332.

There is more business this year than last year. There really is not much change.

Regarding NSLDS, we have received access again.

Ms. Dooley reported that she attended the EASFAA conference this past week at which RIHEAA was a vendor. The conference took place at Niagara Falls, NY.

8.a Mr. Joyce reported that as of May 18, 2007 total CollegeBoundfund assets are over \$8.3 billion. Total accounts are 487,100, and of those, 18,153 are Rhode Island accounts for total Rhode Island assets over \$222,835,000.

Mr. Joyce distributed a copy of an email announcing that colleagues at AllianceBernstein have received the "2007 Best Media Campaign of the Year Award" by the Bulldog Reporter, an association of journalists, for their efforts on the College Savings Crunch. The College Savings Crunch was an extensive research and media campaign launched by Alliance in 2007 regarding the need to save for higher education.

b. Regarding marketing, the RFP deadline for a new media firm is May 21 for the larger media agency and 5/25 for the grass roots on the ground agency.

Ms. Garcia reported that interviews for the RFP's are scheduled for June 20 and 21, 2007.

Ms. Doyle asked if there are deliberate intentions for separating the two.

Mr. Khamsyvoravong and Ms. Garcia explained that we have had the New York media agency, and the intention is to bring it to Rhode Island. The new strategy is to focus more on opening accounts, so that we have the awareness out there. This is why the committee wanted to separate the media from the on the ground where they want the on ground

to focus more on actually opening more accounts in Rhode Island.

After further discussion it was noted that no decision has been made at this time whether to choose two firms or one comprehensive firm.

9.b Action Item: Possible Modification(s) to 2007/08 State Awarding Formula.

Action has been deferred awaiting results of the budget/appropriation process.

10) There were no communications.

11) The next meeting is scheduled for July 20 with the possibility of scheduling a special meeting beforehand.

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

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Croasdale, Mr. Costello, Dr. Dann-Messier, Ms. Doyle, Mr. Howell, Mr. Solomon and Mr. Khamsyvoravong. Voting against: none.

The meeting adjourned at 11:00 a.m.

Mr. John Howell
Secretary