

MINUTES
RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
APRIL 25, 2008

The 282nd meeting of the Rhode Island Higher Education Assistance Authority was held on Friday, April 25, 2008 in the McKenna Conference Room of the Authority, 560 Jefferson Boulevard, Warwick, RI. Chairman McKenna called the meeting to order at 9:00 a.m.

Board Members in Attendance:

Dr. Robert J. McKenna, Chairman
Dr. Anthony J. Santoro, Vice Chairman
Dr. William Croasdale, Treasurer
Mr. John Howell, Secretary
Mr. J. Michael Costello
Mr. Peter Kerwin, Designee of the General Treasurer
Mr. Solomon A. Solomon

Board Members Absent:

Dr. Brenda Dann-Messier
Ms. Patricia Doyle

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
Ms. Mary Ann Welch
Ms. Marisol Garcia
Ms. Kathy Sisson
Ms. Christina Faulkner
Ms. Sue Zube
Ms. Paula Dominguez, House Education Policy Advisor
Mr. Noel Simpson, RISLA
Mr. Chad Pastorius, RISLA

- 1) Minutes were not available.
- 2) Chairman's Report: Chairman McKenna noted that a piece of legislation has been introduced into the General Assembly relating to RIHEAA Board member, Solomon A. Solomon.

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

VOTED: That the Board is in receipt of the Senate Resolution honoring Solomon A. Solomon on the occasion of his induction into the CCRI Hall of Fame, and the Board extends its congratulations to Mr. Solomon on this honor.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Kerwin, Mr. Costello, and Mr. Howell.
Voting against: none. Abstentions: Mr. Solomon.

Chairman McKenna noted that what is happening in Congress is encouraging. The new majorities in the House and Senate increased the Pell Grant by three and one quarter billion dollars in the last session. In this session the President has sent in a bill for an increase of two billion dollars for this year which is actually a decrease of one and one quarter billion dollars.

3) Executive Director's Report:

a. With respect to Federal issues, Mr. Hurry circulated an article from the Wall Street Journal. It is not intended, in any way, to detract from the comments the Chairman made in terms of some enhancement of the situation with regard to the Pell program. There are some pieces of legislation that are circulating in the Congress at this time. One of which would create a supplemental Pell up to \$750 per student, if the student has a negative EFC (expected family contribution).

In terms of the Guarantee Agency issues and the Federal Government, the hot topic at this time is the Lender of Last Resort Program. There are a lot of initiatives being proposed at the Federal level.

Mr. Hurry reported that two weeks ago all the CEO's of the guarantee agencies were invited to meet with the Secretary of Education on the issue of Lender of Last Resort (LOLR).

The purpose of the meeting was to ascertain the necessity for LOLR and how it might best be implemented. The opinion at the table was not only is it going to be necessary, but in a big way in a lot of places. Under the Secretary's authority all of the guarantee agencies have been required to update/develop their Lender of Last Resort policies and procedures. There was a consensus that, while this is not going to apply equally, overall there is going to be a significant problem, and Lender of Last Resort will be necessary. One issue that was being lobbied for was that not every student be required to certify that s(he) cannot get a loan. Guarantee Agencies are looking at developing a process where schools, not individual borrowers, will be certified. RISLA has indicated that they are willing to serve as Lender of Last Resort in Stafford, PLUS and Grad PLUS Loans. A meeting is scheduled with them this afternoon as to what their capacity and interest is. Guarantee Agencies have also been required by the Secretary of Education to survey all the lenders with whom they have contracts as a guarantor.

The Higher Education Reauthorization Act is stalled at this time.

Regarding the state budget and personnel issues, Mr. Hurry reported that the proposals with respect to retiree health care can and most likely will affect the Authority. The Authority is already aware of three upcoming retirements and would expect more.

Dr. Croasdale mentioned that Maureen Guertin is one of the upcoming retirees and suggested that the Board send her a letter of thanks for her services to the Authority.

On motion duly made by Dr. Croasdale and seconded by M. Solomon it was

VOTED: That at the appropriate time, to send a letter on behalf of the Board of Directors to Maureen Guertin expressing the Board's appreciation for her services at RIHEAA.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Kerwin, Mr. Costello, Mr. Howell and Mr. Solomon. Voting against: none.

Mr. Hurry noted, with respect to the state budget, that the supplemental budget, as understood, includes in the "other

funds" portion of the budget an increase in the "other funds" support for *CollegeBoundfund*. The Governor proposed the supplemental reduction of \$500,000 and an additional 2.7% for a total of 750,000 in the state appropriation for the current year. The Board indicated that we were not in a position to recall or reduce awards, and the Board's inclination was to increase the supplement from *CollegeBoundfund* to cover that reduction. The Board's position was communicated to the budget office, and they supported the requisite increase in the "other funds" section of our budget in the Governor's supplemental budget request. That portion of the \$750,000 increase was included in the supplemental budget.

At the last meeting there was discussion about the pick up rate on the awards being higher than historically typical. The Board authorized additional funding from *CollegeBoundfund* to cover the anticipated shortfall, and this was also communicated to the budget office. They included that additional funding in the Governor's supplemental request as well; however, the House Finance Committee's bill does not include this last piece. Remember that this overage has no impact on the overall state general revenue budget. Mr. Hurry stated that we will be talking to key people in the legislature to get this corrected. If we are not able to have this included in the budget, there is a good likelihood that we will have overspent our authorization in the 2008 fiscal year and will have to account for it. Mr. Hurry noted that we do have the funds. His recommendation to the Board is that he is open to any advice and/or suggestions. Chairman McKenna asked if we have received any response from the House Finance Committee. Ms. Garcia noted that we are waiting for their responses, and that they should be calling in today. The Chairman suggested that we talk with the Senate Finance Committee before the final vote.

For the record, Mr. Hurry stated that, despite the overage and the supplemental to make up for the Governor's cut we believe that, having accommodated all this in the 2008 budget, we will still be able to manage to the Governor's proposed \$1.2 million cut in the 2009 budget.

b. Regarding the SallieMae contract Mr. Hurry reported that negotiations are continuing. Some progress has been made.

c. As an update to legislative relations, Ms. Garcia noted that staff has met with the Rhode Island Congressional delegation to inform them of the impact of the College Cost Reduction Act on RIHEAA. Very good discussions took place with all four delegates. Staff also had the opportunity to do presentations on the WaytoGoRI site. Congressman Reed's office called to speak with Mary Ann Welch regarding the Authority's opinion on certain bills that his office is contemplating. We are developing stronger relationships with the Congressional delegation.

4.a) There was no Financial Report.

5) Dr. Croasdale noted that, with the future retirement of Ms. Guertin, the Authority would need to delete her name and add Ms. Christina Faulkner on the corporate authorization form for Sovereign Bank New England.

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

Voted: To adopt the corporate resolution to update the names of agency personnel authorized to sign checks on RIHEAA's accounts at Sovereign Bank.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Kerwin, Mr. Costello, Mr. Howell, and Mr. Solomon. Voting against: none.

a. Regarding investments, Dr. Croasdale noted that investment reports for February and March 2008 are included in the packets. The Authority is continuing with the investments currently used including direct Treasuries.

Regarding the Federal Student Loan Reserve Fund, Mr. Lacroix noted that the Authority has been experiencing a high level of claims activity for several months. The cash resources in the federal fund are basically one month's worth of activity. It is expected that the accelerated claims activity that was attributable to changes made in the College Cost Reduction Act and the elimination of Exceptional Performer for Lenders should run its course soon, and the claims payment levels will moderate.

With respect to the question at the last Board Meeting regarding the Bear Sterns situation, Mr. Hurry reported that there is little to no impact on the CollegeBoundfund.

6) Grant/Scholarship Programs Update:

a. State Grant Program Activity: Ms. Welch reported that as of April 15 for 07-08, the program was over-expended by 10%. It is now down to 9% as of today. Award offers are at \$15.9 million. Starting in May schools will be notified that they will have one month to finalize their requests for payment, so that at the end of May any outstanding awards that have not yet been paid will be cancelled.

b. Academic Promise Scholarship Program Activity: Ms. Welch reported that for 07-08 everything is on track. For 08-09 Academic Promise Scholarships have been given out while we have not gone out yet with the state grant awards. Academic Promise Scholarships were awarded to renewal applicants and to 156 entering freshmen.

c. State Grant Program Projections: For 08-09, Ms. Welch noted that this report is based on the Governor's recommended appropriation being \$8.9 million with an estimated CollegeBoundfund allocation of \$4.5 million. This would leave a total funding of \$13.9 million. A trial run of awards was done based on the applications that have been received, students who have applied by March 1 that have the financial need and met all criteria. If awards go out now leaving the formula at the \$1400 maximum meeting 30% of students unmet need \$20.4 million would be expended. This is 47% over the \$13.9 million. If awards go out with a maximum of \$1200 with 30% of students unmet need, \$18 million would be expended which is over by 30%.

10.a) Action Item: After further discussion on motion duly made by Dr. Santoro and seconded by Mr. Howell, it was

VOTED: To go out with awards at 25% of unmet need and a maximum award of \$1200 contingent on the fact that it is made very clear to students that we may not be able to fund the second semester should something drastic take place.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Kerwin, Mr. Costello, Mr. Howell, and Mr. Solomon. Voting against: none.

7) Loan Program Update: Ms. Dooley reported consolidations are down, and it is expected that this will continue.

Regarding the Lender of Last Resort, she noted that Rhode Island schools and students are not panicking. This is being monitored.

With respect to the cohort default rate for FY 06, there are four schools who submitted challenges. There are far less numbers of students and loans.

Mr. Hurry reported that Ms. Diane Carlin and Ms. Deanna DiIorio have reached out to Johnson and Wales University regarding their cohort default rate review.

He noted, also, that Mr. Greg Silva received the Mapping Your Future Award for Excellence.

8) CollegeBoundfund Update: Mr. Joyce reported that in the annual rating of 529 plans, SavingforCollege.com, gave our direct sold to resident Rhode Islanders five out of five and for our advisor sold it gave a 4.5.

Television commercials are out, and they are good spots.

Total asset value as of April 11 is \$8 billion and over \$227 million are in Rhode Island accounts.

9) WaytoGoRI Update: Ms. Sisson reported that she has been very active going out to schools, community organizations, doing parent evenings as well as working with colleges. She is hoping to do more outreach for future teachers to learn about WaytoGoRI.

In reviewing the data, Ms. Sisson reported that thirty-six districts are using WaytoGoRI. Of that there are 24,000 student accounts.

Regarding page views, from August 2007 to March 2008 there have been 777,000 page views. From August 2007 to March 2008 there have been over 71,000 visits.

Ms. Sisson has gone out to over 35 schools and trained 210 guidance counselors.

The usage is increasing every month.

In the reporting there are 158 entities that are using WaytoGoRI. The reason for the entities is because some have it listed as a school district.

11) There were no communications.

12) The next meeting is scheduled for May 16, 2008.

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

VOTED: To adjourn the meeting.

Voting in favor: Chairman McKenna, Dr. Santoro, Dr. Croasdale, Mr. Costello, Mr. Kerwin, Mr. Howell, and Mr. Solomon. Voting against: none.

The meeting adjourned at 10:36 a.m.

Mr. John Howell
Secretary