

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

March 16, 2012

The 309th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, March 16, 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 8:30 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Mr. John Howell, Secretary

Ms. Patricia Doyle

Mr. Solomon A. Solomon

Ms. Faith Lasalle, Esq.

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members Absent:

Dr. William Croasdale

Mr. Steven Archer

Also Attending:

Mr. Charles P. Kelley, Interim Coordinating Officer
Ms. Gail Mance-Rios, Deputy Director
Mr. Joseph Palumbo, Esq., Legal Counsel
Mr. Marc Lacroix, Chief Financial Officer
Mr. Peter Kerwin, Chief Program Development
Mr. Michael Joyce, Director Scholarship & Grants
Ms. Dana Peterson-Fatuda, Assistant Administrative Officer
Mr. Charles Miller, Chief Information Officer
Ms. Kathleen Sisson, Director, WaytogoRI
Mr. Noel Simpson, RISLA
Mr. Chad Pastorious, RISLA
Ms. Clordine Cox, RIHEAA
Mr. Justin Benevides, Legislative Budget Analyst
Ms. Laurie Brayton, Legislative Fiscal Analyst
Ms. Deborah Grossman-Garber, Office of Higher Education

1. Minutes of the Board of Directors' meeting held on November 11, 2011 were unanimously approved. The Minutes of the January 2012 and February 2012 are still in review.

2. Chairman's Report: No report

3. Interim Coordinator's Report: Mr. Kelley stated that the Senate

Finance Hearing regarding the budget was this week. The House Finance hearing is scheduled next week. Mr. Kelley is unable to attend the hearing; he will be in London with his daughter. He has asked for Gail Mance-Rios and Marc Lacroix to attend.

4. Financial Report – Mr. Lacroix stated that the Budget vs. Actual report for Scholarship & Grants and Tuition Savings Program, nothing to report.

Mr. Lacroix stated that the 4a report (Loan Division) had an error on the expense side, and distributed a corrected version. Mr. Lacroix reported that the operating results are still favorable. The President's budget contains a proposal that would make a significant cut to the guaranty agency retention on rehab loans, which is our single greatest source of revenue. Mr. Lacroix stated that NCHelp recommends all guaranty agencies to lobby their congressional delegations. The Department of Education would like to move these funds over to fund the deficiency in Pell; they are okay with 2013, but 2014 they will have a deficit, they are suggesting that savings from this cut from the guaranty agencies, would be used to make-up the short fall on the Pell side. The likelihood is that, if they cut the guaranty agency retention on rehabilitations it will have a negative effect on the total collections. The business will be driven elsewhere because there won't be an incentive for the guaranty agency to pursue that form of collections, which is beneficial to the borrowers.

Mr. Howell asked what that would mean for us. Mr. Lacroix stated that potentially, we would go from looking at a break-even scenario out three years to maybe as quickly as several months, depending on what we are able to do as far as renegotiating contracts with Sallie Mae on the collections management and they (Sallie Mae) renegotiate with the collections vendors. It's a significant cut to the single biggest source of revenue. The collection piece represents almost 90% of the agency revenue, and 75% of that is the rehabilitations.

Dr. Santoro asked if this ties into a letter that was sent by the Department of Education. Mr. Lacroix stated that a couple of guaranty agencies have already had these discussions with DE. It didn't seem like DE talked about this issue. Mr. Kelley stated that both Marc Lacroix and Chad Pastorious have been working on staff projections.

Mr. Feisthamel from the Treasurer's Office asked Mr. Lacroix to explain the difference with the State Grant programs actual and budget difference, is this timely? Mr. Lacroix stated that we spend the general revenue appropriation first, then we use the supplement provided by the Tuition Savings Program. Mr. Lacroix stated that some time ago, the State asked us to move the funds over. All of the general revenue appropriations have been expended, and we will probably move \$4 mil of the \$7.25 mil from the Tuition Savings Program over.

Mr. Howell asked what is the time of the cut in the rehab loans, and how would you go about doing this. Mr. Lacroix stated that right now we are in a reactive position, other than getting the congressional delegation to recognize the issues for guaranty agencies. I don't know when this would go into effect. I believe one of the methods that this would be implemented, is budget reconciliation, but I am not savvy enough to say when this would happen. NCHELP staff is making themselves available for assistance.

Mr. Howell asked if we are doing anything with the congressional delegation. Mr. Kelley stated, no, we are not. The two issues that are driving this are; the short fall of the funding of the Pell Grant and the other is the interest rate of the subsidized Stafford Loan is set to double from 3.4% to 6.3%. Senator Reed and many others are trying to find funding to prevent the increase.

Mr. Lacroix stated that Senator Reed's proposal would not look for savings within education; Senator Reed is looking to get "make-up" funds from outside of education, which is potentially good news for the guaranty agencies. Mr. Kelley stated that the magnitude is so big that I don't think they could find that much within some of the education programs.

Dr. Santoro asked Mr. Lacroix if this does goes through, the

guaranty agencies are not likely to survive. Is this sort of an indication that they will absorb them all? Mr. Lacroix stated that the cynical view is, we are not operating in an environment where DE is particularly favorable to guaranty agencies. If DE's end game is to end up with four or five huge regional guaranty agencies to manage the trailing portfolio, we have evidence they are willing to knock people out, what they did to CSAC and EdFund, they basically took the fourth of five largest guaranty agency, and pulled the rug out from underneath them and handed their entire portfolio to a private not for profit entity, it is pretty obvious what they are willing to do.

5. Investment Report – Mr. Lacroix stated that he spoke with Dr. Croasdale, and there isn't anything new to report.

Mr. Feisthamel asked if we have an investment committee. Dr. Santoro stated that Dr. Croasdale is the primary person working with Mr. Lacroix. Mr. Lacroix stated that the approach has been essentially risk free. The Treasurer's office made it possible for us to "piggy-back" on the Webster municipal money market fund. We are using Marketing Trust for the CDARS. Sovereign also offers the CDARS, but Washington Trust offers a higher rate.

6. Grant/Scholarship Update – Mr. Joyce stated that the current academic year 2011-2012, fiscal year 2012, we reduced the maximum state grant to 700 from 900. Even though funding was leveled between the two years. The biggest changes to the state grant have

been each year approximately 16% increase of eligible on time applications. I do not have the actual numbers of the FAFSA filed this year. Presuming another 16% increase, when I apply the Governor's proposed budget, which is \$100,000 less than last year, we are looking at a maximum state grant of a range of \$550. That is applying the current formula.

Dr. Santoro stated that is if we do not apply more money to it, if we did, we could go back up to \$700.00 again. Mr. Joyce responded that this correct, but he will have to rerun the figures. Mr. Joyce stated the reason he does not have the actual FAFSA data is because the Federal Government makes changes to the applications each year, and that information has to be changed through the programmers. Mr. Joyce stated that after he tests the system, he will be able to get an actual idea of the awarding pool. Mr. Joyce stated that he is presuming 16%, or it could be higher.

Dr. Santoro stated that if the FAFSA is prolonged then it will be about 16%. Mr. Kelley stated that considering the lead time that Mr. Joyce needs to change the criteria, we are kind of locked in and should use the existing formula.

Dr. Santoro stated that \$700 is a paltry figure, and \$550.00 is worse.

Mr. Joyce explained that three years ago, the Governor's proposed was not the final amount, we had a cut. We changed the spring

semesters disbursements by 25%.

Mr. Feisthamel stated if we wanted to maintain the \$700 maximum award we would have to increase the appropriation with reserves, and we project 23,000 recipients, and we want to increase their award by \$150.00 each. Mr. Feisthamel stated we are talking about a draw down of \$3.5 mil in reserves. That seems pretty big relative to the base appropriation.

Mr. Joyce stated that 75% of the money spent is at the public in-state institutions. Approximately 23% go out of state, but of the money in-state, the bulk goes to the three public colleges.

Dr. Santoro asked how much money do we have in reserves. Mr. Lacroix explained that the \$23 mil. in reserves, there's a caveat. Twenty million is a reasonable approximation of the net asset of the guaranty agency, excluding the value of the building and other assets. That certainly is not the amount that we could write a check out with tomorrow. It is important to take that into consideration.

Mr. Lacroix stated that we have three million in cash in the Alliance contract fund, which accumulated over time and the Board has never made a decision about it. It is aside from the guaranty agency net assets, which are approximately \$20 mil.

Ms. Doyle asked, what is our comfort level in regards to reserves, do

we need \$20 million in reserves?

Dr. Santoro stated we are not going to keep our reserves anyway.

Dr. Santoro stated if we draw down \$3.0, \$3.0 and \$3.5 million, that simply means that it is going to the students, rather than some other purpose. He said he would like to increase the state grant even more.

Mr. Howell stated that there is no guarantee that the state will keep their appropriation in the pot. That is the risk.

Mr. Joyce stated that we would know more by the end of June. The awarding cycle begins in July.

Dr. Santoro stated that if the state takes their money back then we are back to \$550.

Ms. Doyle asked do we see a six million draw down as that impactful instead of what we currently have. Dr. Santoro stated that he is comfortable with that, because he doesn't think we are going to be able to keep the reserves anyway, it's going to go. Ms. Lasalle asked Dr. Santoro, how quickly does he think the reserves will go? Dr. Santoro responded "based on what the Senator from Middletown said, January was the date", it will happen soon. Ms. Lasalle asked where will they move it. Dr. Santoro stated, he doesn't know. Ms. Lasalle stated that it would be terrible if students are starting out

freshman year, they could really use the money.

Dr. Santoro stated that if the Licht proposal is passed, everything goes to the Board of Governor's, as of September 1, 2012, but we could make the Board decision right now. Dr. Santoro stated that he is fairly confident that the House Finance Committee will support this decision.

Ms. Doyle stated that we always wanted to do what is best for the students. So if we can get ourselves comfortable around a dollar level, much like \$1,000 that might be a good use of the reserves.

Mr. Feisthamel stated that this would use up all the reserves. If you give 23000 recipients projected, at \$1000.00 each that would total \$23 million.

Ms. Lasalle stated that if we depleted the entire reserves, you would get a lot of flack.

Dr. Santoro stated that we wouldn't be depleting all of it; we still have \$8 million from the CollegeBoundfund.

Mr. Feisthamel stated that if there wasn't any state appropriation, and we wanted to award all of the projected recipients the \$1,000 we would use \$23 mil.

Ms. Doyle asked who do you think would object? Ms. Lasalle stated that she thinks that they would think we purposely depleted the reserves before they could transfer the funds.

Dr. Santoro stated that the money should be used for the students, and Mr. Feisthamel said “yes, but it should not be done in one year”.

Ms. Lasalle stated that she thinks it is fair to stick with \$700 amount. Mr. Feisthamel stated that it is all laid out on page 5 in the blue program booklet in the board packets.

Dr. Santoro said that he would like to see the grant go for \$1,000. If we went to a thousand it would cost us \$10 mil, \$15 mil if the state reneges.

Mr. Feisthamel stated that he would like to see a schedule of financial impact if we were to fund 23,000 recipients at \$1,700 assuming the state appropriations would be, and what the reserve impact would be so we have data in front of us to make some directional decisions.

Mr. Howell stated that we always had a higher number, if we are looking at 23000, would we be really looking at 20000? Mr. Joyce stated that his projections are down to about 20000, next year down by 23000. Mr. Joyce stated that at this point we could not make any major changes to the formula; there are different things that we

could do to shrink the pool and increase the amount of the award. Mr. Joyce stated that he would like to start loading the applications into the system for real numbers and report out to the Board in April. We then can decide what to do with the reserves.

Mr. Howell stated that we need an action item from the Board if we are going to use the reserves, especially since we are going in front of the House Finance Committee on Thursday.

Mr. Feisthamel asked how much do we subsidize with the CollegeBoundfund? Mr. Feisthamel stated, if our total projected desire has been \$23 mil, with 23000 recipients at \$1000 each, the state kicks in \$5 mil, CBF kicks in \$7 mil plus, we are left with a balance of \$10.5 mil which would have to be reserved funded. Mr. Feisthamel stated that this is too large of a figure to spend.

Both Ms. Doyle and Dr. Santoro stated that it doesn't make them nervous, and if we don't do this it will go to another purpose.

Dr. Santoro stated that we have never used our reserves. Mr. Feisthamel stated then to use it in one year; it looks like it has a two year life.

Dr. Santoro stated that the current proposal calls for merging the agency with the Board of Governor's.

Mr. Feisthamel stated that does the expenditure program go away?

Dr. Santoro stated that someone else will have it. Mr. Feisthamel stated that if we force their hand a little bit and use a lot of the reserve, and you give everyone a thousand dollars, they have limited flexible thereafter.

Mr. Doyle stated that this a little bit of a gamble, and with our inability to see down the road...Mr. Feisthamel interrupted and stated that he is uncomfortable spending more than a third of the reserves.

Dr. Santoro stated that we don't have to make a decision today, but wants to have the support of the board, before he goes before the House Committee and the committee talks about this program, to increase the grant. Ms. Doyle stated that you have the support of the board to increase the grant and we are looking at various levels of \$700 - \$1000.

Mr. Feisthamel stated that he feels comfortable saying "we are contemplating".

Mr. Palumbo stated that Dr. Santoro should entertain a motion to get the Boards action on a conceptual commitment of some portion of the reserve fund. Dr. Santoro stated that we are all in an agreement of the \$700 figure, why don't we vote on that then say we are looking at other alternatives. Ms. Lasalle agreed and Mr. Feisthamal stated that he would be most comfortable telling the House Finance Committee that we are seriously contemplating an increase in the

\$700-\$1000 range, pending a deeper financial analysis. Dr. Santoro agreed, and stated that the floor is \$700 with a cap of \$1,000.

Mr. Feisthamel stated that he would like to make a motion to allow testimony at the next hearing to articulate that the board is considering increasing the average maximum award, Dr. Santoro interrupted by saying, I thought we were approving a range from \$700-\$1000, that means we approved \$700, we are thinking about over \$700. Ms. Doyle stated she agrees with Dr. Santoro.

Ms. Lasalle stated that she would like to make a motion for the Board to approve an increase to the Grant, of \$700.

Mr. Palumbo stated that for full disclosure that you are approving between a range of \$700-\$1,000.

Ms. Lasalle stated okay then I make a motion for the Board to approve a range of \$700-\$1000 for the upcoming state grant.

Mr. Palumbo asked if this is an average, Mr. Feisthamel stated no, this is a maximum of \$700-\$1000.

Dr. Santoro stated am I correct that I can say at the Hearing that we have approved at least \$700 to the state grant. Mr. Feisthamel stated that are we assuming that the state is going to give us \$5 mil. Mr. Howell stated that no, we are not.

Mr. Feisthamel stated, then that would make the reserves higher.

7. Action Item: Approval of the Grant Formula: Ms. Peterson-Fatuda read aloud a motion made to approve the increase in the state grant of a maximum award of \$700 - \$1000 for the upcoming hearing providing the state gives \$5 million, seconded by Mr. Solomon and Mr. Howell.

Voted to approve: Dr. Santoro, Mr. Howell, Mr. Solomon, Ms. Doyle, Ms. Lasalle, and Mr. Feisthamel

Voted against: None

Dr. Santoro stated the motion passes.

Ms. Grossman-Garber from the Office of Higher Education stated that she thinks it is fantastic; the students do need the support. As we're working toward the state goal of elevating the number of students who remain in school and complete their degree; the important question to ask is; in which ways will the funds be spent, how many of the students getting the \$700-\$1000 are persisting to the next semester and the next year. What is the relative pay-off on the grant? They found while doing the proposal for the College Access Challenge Grant (CACG) they found the retention rate of the students were surprisingly low. That might indicate what a model would

provide incentive funding for students would be more useful. If students were to complete a semester they would use incentive funding. Dr. Santoro interrupted by saying “that is not part of the formula”. Ms. Lasalle stated that she likes the concept, because the kid that is struggling to finish his senior year, this additional \$700-\$1000 might help close the deal.

Mr. Kelley stated that, even students that don’t persist, if they get additional grant aid then that is much less than they have to borrow. The big problem is, if they don’t persist to obtain their degree, they will not have the earning power to pay back their student loan debt.

8. Action Item: Approval of transferring funds to the Matching Grant program. Mr. Lacroix stated that he spoke with Dr. Croasdale, who would like to put this item on hold for further discussion. Mr. Lacroix stated that the funds could be used in other ways, other than Matching Grant, and with the discussion of reserves, one of the proposals was for an Adult Ed or veterans support. Mr. Lacroix stated that this could free-up the \$600,000, so that we could help the Matching Grant. The awards are made in the month of May. It is something that needs to be addressed, because we are going to run out of money in the Matching Grant program. Mr. Joyce stated that if we have enough money for the program this year, we will not have any next year.

9. CollegeBoundfund Update: Mr. Kelley distributed a joint RFP for a

focus group for RIHEAA and RISLA. Mr. Kelley stated they are looking at independent feedback, with separate focus groups. The RIHEAA target audience is parents of young children and perhaps grandparents. RISLA's target audience for the College Planning Center are families, students and mainly the parents of high school aged children. Mr. Kelley explained that it may or may not work; trying to get better pricing for a joint RFP, but it's something we were contemplating. Mr. Kelley stated that Mr. Kerwin did express some concerns. One concern is the RFP coming back to Mr. Kelley. Mr. Kelley stated that whom ever the board decides the RPF to be returned to is fine with him. Dr. Santoro asked how much does it cost. Mr. Kerwin stated the pricing was about \$125,000 - \$150,000.

Mr. Kerwin stated that the target was to do about six groups with up to ten people. He explained that Magnet did the first set of focus groups for us. Mr. Kelley explained that this ties into the advertising for both the College Planning Center and the CollegeBoundfund, we want to spend the advertising dollars where they make the most sense, and fine tune the messaging so it has the biggest impact for both agencies.

Mr. Kerwin stated that it's an opportunity to test messages that have been contemplated. Mr. Kerwin stated that one of the things that came out of the 2009 groups, the name CollegeBoundfund makes people think of the four year college experience, we refreshed our advertising to make sure that it's not just the traditional four-year

college experience that is covered. Mr. Kerwin stated there is some concern about the state, the state gives money as part of Matching Grant program, and from the focus groups we found that people are concerned about the role of the state. Other states have similar problems. In Maine they have a 529 account, within a year they give a \$500 grant to participants. Changes from marketing are underway.

Mr. Howell asked Mr. Kerwin what is the hesitation for the joint RFP. Mr. Kerwin stated that he is concerned with the fact that as Interim Coordinator, Mr. Kelley is not a state employee, there are state oversight issues regarding CollegeBoundfund. One of the areas that Morningstar looks at, and is very keen at keeping an eye on the issue of state oversight and how states review and administer these programs. Mr. Kerwin stated that he is a little apprehensive about having a non state employee overseeing something like this. Traditionally this has been his role and doesn't see why he will not be the point person on this. Mr. Kerwin stated that we are potentially opening up a can of worms.

Mr. Feisthamel asked if the responses are suppose to come back to Lisa, who works on the RISLA side. Mr. Kelley stated yes, Lisa is the point person. Mr. Kelley stated that the selection process is more relevant. The review committee, on the RIHEAA side consists of Charles Kelley, Peter Kerwin, Marc Lacroix and Gail Mance-Rios for the expenditure of funds. On the RISLA side will be: Charles Kelley, Noel Simpson and Lindie Thibodaux. Mr. Kelley stated that it will be

brought back to the Board for approval/discussion.

Mr. Kerwin stated that his other concern is; how is it going to work with the joint RIHEAA and RISLA and wants CollegeBoundfund to be separate and not have its name mixed in with another brand. Mr. Kelley stated that we are trying to do joint purchasing to maybe get a better price, and that is what the state and municipalities are trying to do. He said, the focus groups are going to be totally different, the targeted markets are different. Mr. Feisthamel stated that he too has shared concerns; he would like to make sure the accounting is clear, and would like to see two separate bids and always to have separate invoices.

Ms. Doyle asked if this will be located on the Purchasing website. Mr. Kelley responded that they will do both the Purchasing website and email to individuals that have done this in the past.

Mr. Kerwin stated that it is best to keep this local, this is the better approach.

Mr. Kelley stated that there is no board action needed at this time, but at the next board meeting we may need approval. Mr. Kelley stated that Alliance Bernstein has been very cooperative.

10. Waytogo.org update: Ms. Sisson stated that she met with Mr.

Kelley regarding what to present to the board. She explained that the material enclosed in the packet is the usage, data and case studies regarding how individuals are using waytogo. Ms. Sisson stated that they have on average about 500 students using waytogo each day. They have over 550,000 site visits within the last three years and over 132,000 students have created an account. The first graph shows usage by grade, and by year. The second column shows the actual number of student's grade 6-12 (76,000 students), the next column shows the number of active accounts by grade. Ms. Sisson explained that an active account is an account that has been utilized where a student has completed at least one task. The next column shows the percentage of students in Rhode Island that have an active account on waytogori. Ms. Sisson stated that she highlighted ninth grade students, because 59% have an active account, which is where we typically start with the schools. The first two years of waytogo was about awareness and students were logging in and using it as they wanted. The last column shows the growth this academic year. Ms. Sisson stated that she has a full team; they are out there working with the schools doing presentations, college fairs, trainings, implementation strategies, so they are getting better with what they are doing. Additionally, the team is focused on merging accounts, cleaning up the accounts, to show clean data. We are working with schools and assisting them by setting-up systems so that students use one account. Ms. Sisson stated that over the next six months one of the goals of her team is to increase the number of students (5%>) using waytogori.

Mr. Howell asked if students are signing up, why is there a decline in the tenth and eleventh grades? Ms. Sisson stated that some grades were piloted in the ninth grade year. Some are going in and using them for the ILP, or mandates within their school and starting at the ninth grade. Next year the numbers should show an increase.

Ms. Sisson stated that the next page shows the duration on site. She explained that the left hand side shows the student's time on site, the middle column shows the number of student visits, and the last column shows the number of pages. Ms. Sisson stated that the amount of time students are on the site is 30-35 minutes. So, students are going on, using it within the classrooms and completing activities. Again, the goal is to increase that time. Mr. Feisthamel stated if you wanted to increase the usage, put a Facebook link on the site. Ms. Sisson replied, yes, we have that already.

Ms. Sisson stated that she is often asked what are students actually doing, we know that they have an account, we know the time on site, we know the page views. Ms. Sisson stated that this is just one case study, which was done in Burriville High School. Burriville students incorporate waytogori as a graduation requirement, they set up activities 9th grade to 12th grade and students must meet the actual bench marked activities for their senior year portfolios. Ms. Sisson explained that she has been working with the districts since 2009,

providing professional development, guest speakers, and career days. The implementation data shows the student sessions have doubled. From 2009 there was 5300 student sessions, the following year there was 11000, this year we currently are at 8500 sessions, by the end of the year it's going to break the 11000 mark.

Dr. Santoro asked about the Learning Style, if I'm a ninth grader, how does this help me. Ms. Sisson stated that it's basically an aptitude test. It gives a description of your learning style, based on the analysis and your personal preferences.

Ms. Sisson stated that students can use the website on their own, and if the Board has any questions, then they can call her.

5 b. RIHEAA Plan for the Future - Dr. Santoro stated that he would like to go back to item 5B, RIHEAA's Plan for the Future. Dr. Santoro stated that he has been asked to develop a plan, and said; every time he talks to a legislator or the administration I am very careful in saying that this is based on my personal opinion, that the board hasn't said anything. At the Senate Finance Hearing, Dr. DePasquale stated that if RIHEAA is merged with OHE as proposed in the Licht report, the \$20 mil in the authority's agency operating fund will be used to fill positions in OHE, to pay for a full-time commissioner, and to fund the hiring of consultants.

Ms. Lasalle stated, if that is the case, then increase the state grant.

Dr. Santoro stated that this is what we have been talking about, the Licht report. Dr. Santoro stated that he doesn't want to go to the House Finance Committee Hearing and say; I don't know what the Board wants to do. It would be helpful if the board tells me, that you don't agree with the Licht report or you do agree with the Licht report, or at least tell me what you want me to say.

Mr. Feisthamel stated that I think you could say, you want the money to benefit the students.

Ms. Doyle stated then based on that we could say we are not in support of the Licht report.

Dr. Santoro stated the advantage of the department is, RIHEAA currently has 30 employees with 10 additional FTE's. If you move RIHEAA to another agency, that other agency can fill those 10 positions.

Mr. Lacroix asked, funded how? Dr. Santoro stated according to Dr. DePasquale, with the \$20 mil.

Mr. Feisthamel asked, are they approved but are unfunded? Mr. Lacroix stated that they are in our FTE cap, but because none of the funding for those unfilled positions is from general revenue source, by an agreement with the Budget Office we are able to submit a personnel supplement that shows a full FTE allocation.

We have done that for years now, with our actual filled positions significantly less than our FTE caps is. The understanding is, we wouldn't fill positions just for the sake of filling them. The funding would come from the guaranty agency. The hope was for the guaranty agency to find additional services to provide and in that case we might have a need to use those positions.

Mr. Feisthamel stated that you got approval by the budget office, but because of the restricted revenue account isn't there, you can't fund the heads.

Dr. Santoro asked Mr. Feisthamel, what is this leading to. Mr. Feisthamel said, he is wondering how eligible those open FTE's are. Dr. Santoro stated, I don't know, all I'm saying is what Dr. DePasquale said. Mr. Feisthamel stated, I don't think he (Dr. DePasquale) has told the truth. Dr. Santoro stated, well that is his position, what is our position. Dr. Santoro said, Dr. DePasquale may not be able to do that, I don't know. Mr. Feisthamel agreed.

Dr. Santoro stated that they need to address the merger. The merger would also include waytogo, and he doesn't know if waytogo belongs more with RIDE, OHE, or RIHEAA if it still exists.

Ms. Doyle stated that if the Licht proposal is asking us to support a plan that the \$20 mil gets transferred to fund positions or consultants that is not where I am. I think we should support a plan

that would let that money go to the students, which means we could not support the Licht proposal if that is the intent.

Mr. Kerwin stated that no one from the Board was at that Hearing to hear that discussion and that was not what Commission DePasquale said.

Mr. Palumbo stated that he was there, and thought Commissioner DePasquale was very candid and he did say, that the merger of RIHEAA with the Board of Governors, which includes, under the legislation that is before the General Assembly the transfer of all of the assets of RIHEAA to the Board of Governors, he said: it would enable the Board of Governors to pay for a full time commissioner, to fund positions that are unfilled and to pay for consultants.

Mr. Palumbo stated that under the legislation, not the Licht proposal that is before the General Assembly, there's a piece of legislation which is an amendment to our enabling act that says this agency would cease to exist on September 1, 2012 and all assets will pass to the Board of Governor's, which would include the \$20 mil without any qualifications.

Dr. Santoro stated that this is consistent with the Licht report.

Mr. Howell asked does that include the CollegeBoundfund? Mr. Palumbo stated that all of the properties and assets of RIHEAA will pass to the Board of Governor's and if this is adopted, all of the

programs will go over.

Dr. Santoro stated that the Licht report suggests that the guaranty portfolio should go back to the federal government.

Ms. Doyle said that she could not support anything that does not allow the \$20 mil to go to the students.

Mr. Feisthamel asked, if there is a way to create a resolution to protect/direct the assets of RIHEAA. Dr. Santoro said that is what he has been trying to do for four years, but apparently there is nothing that we can do that would prevent someone from taking it.

Mr. Feisthamel asked if we could restrict it and on September 1, would that restriction carry with it? Mr. Palumbo stated that is a good question.

Ms. Deborah Grossman-Garber stated that she would like to clarify, she was at the meeting, and the \$20 mil is not on the table for any discussion. It is not accessible right now, and they have been told that from Richard Licht. The issue at stake is the FTE's and to blend capacities that OHE does not have, that are already funded, example the IT department, in terms of the ability to work in databases. The position of the executive director of RIHEAA is vacant, that is the only position that would fund the Commissioner. Otherwise the position is coming into support RIHEAA guaranty work and the

waytogo program.

Mr. Palumbo stated that may be the intention of the Office of Higher Education, but what is before the legislature is amending the RIHEAA Enabling Act; this piece states all of the assets, the building, the \$20 mil whatever, will vest in the Board of Governors as of September 1, 2012 without any qualifications of the use of the money, if it is to be passed by the Chairman of the Senate.

Mr. Feisthamel asked can this board, as a precautionary measure, create a restriction to the money, so that the board can use the money as we intended. Mr. Palumbo stated that he is not sure about that, but the Board could certainly take a position to express to the General Assembly their desire (with respect to the assets).

Dr. Santoro said, he thought that the funds could not be endowed or restricted and the legislature could take them away if they wanted to. Mr. Palumbo stated that the agency operating fund is not totally unrestricted. The \$20 mil belongs to RIHEAA and that is subject to some restrictions in the Higher Education Act, as what it can be used for. Mr. Palumbo stated that he has some concerns that the money can be used to fill positions at another state entity.

Does the enabling act go away asked Mr. Feisthamel, Mr. Kelley stated that the enabling legislation stays, but the Board of Governors is substituted for the RIHEAA Board.

Dr. Santoro stated that Josh Brumberger once told him that it was possible to take the excess fund and give to the Treasurer, to have them invested along with the investment of the municipalities, what happens to the money if we do that? Mr. Feisthamel explained that it is a municipal mutual fund, it's your money, you are a shareholder, and it's just a nice place to get a higher return. The Board of Governor's could withdraw on that money on day one.

Mr. Palumbo stated that the legislature could do that also.

Dr. Santoro stated that Helio Mello told him to come up with a plan. Ms. Lasalle stated then maybe that is the plan; for the money to be used directly to benefit students education and an endowment to be set-up by the general assembly and the \$20 mil be put in to fund scholarships. Okay said Dr. Santoro, what do we do about waytogo, NEBHE, and all of the other programs.

Mr. Feisthamel asked how is waytogo funded and will that go away on September 1st. Mr. Lacroix replied it is funded by the guaranty agency; it will go over to OHE.

Mr. Lacroix stated that the OHE proposal significantly over simplifies the technical, structural, organizational and financial implications of the merger. It is not as simple as it has been casted.

How big is the waytogo budget asked Mr. Feisthamel, Mr. Kelley responded it is about \$850,000. From that \$525,000 goes to XAP, \$300,000 in personnel and operation costs. Mr. Feisthamel said, he would like to see a small portion of that money set-up so we can give the waytogo program some security that the funding will be there moving forward, if the funding levels drops I'd like to see this fund step in and restore it.

Mr. Kelley stated that either RIDE or OHE has some grant money coming over to help in this as well. Ms. Doyle stated that she would support that. Mr. Howell stated that CollegeBoundfund is really the nugget here, and we should support that, it generates \$7-\$8 mil each year, how do we protect that?

Mr. Feisthamel stated that we should be directed to come up with a directive on how we want the money structured and spent. Would we want to see CollegeBoundFund money continue to go to the grant, would we want to see waytogo continue to exist, would we want to see the maximum award funding never go below x.

Dr. Santoro asked, what do we do with RIHEAA the agency itself. Ms. Doyle stated that she doesn't think RIHEAA would survive. Dr. Santoro stated that he thinks that we could save these jobs for at least a few years, as the portfolio winds-down. If we could endow waytogo that's okay, stated Dr. Santoro. Ms. Doyle stated that she

loves the idea of preserving waytogo, CBF, the third leg is to have the money left for the students. Ms. Doyle stated, if there is a way to structure a resolution that gets honored, then great.

Dr. Santoro stated that he has a sense of where everyone is, and has been on safe ground.

Ms. Doyle stated that she is not insensitive to a jobs argument, that is a strong consideration, but when we rank with what the mission of what this board is, we have to be mindful of that money, it's not RIHEAA's, it is the students money.

Ms. Grossman-Garber stated that they are absolutely in support of that and this board, but in order to give the money to the students, it has to be administered by RIHEAA.

There being no further business to come before the Board of Director's, the meeting adjourned.

Adjournment was at 10:05 a.m.

Mr. John Howell

Secretary