

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

January 20, 2012

The joint meeting of the Rhode Island Higher Education Assistance Authority and Rhode Island Student Loan Authority was held Friday, January 20, 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

Dr. William Croasdale, Vice Chair/Treasurer

Mr. John Howell, Secretary

Ms. Patricia Doyle

Ms. Faith Lasalle, Esq.

Mr. Solomon A. Solomon

Mr. Christopher Feisthamel and Mr. Josh Brumberger, designees of the General Treasurer Gina Raimondo

Board Members Absent:

The Honorable Robert J. McKenna

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
Ms. Kathleen Sisson, Director, WaytogoRI
Mr. Noel Simpson, RISLA
Mr. Chad Pastorious, RISLA
Ms. Linda Makhlouf, RIHEAA
Ms. Clordine Cox, RIHEAA
Mr. Thomas Pearce, RIHEAA
Mr. Justin Benevides, Legislative Budget Analyst
Ms. Laurie Brayton, Legislative Fiscal Analyst
Mr. John Burns, Council 94
Ms. Winifred Antos, RIHEAA

1. Minutes of the Board of Directors' meeting held on November 11, 2011 were not available.

2. Chairman's Report: Chairman Santoro stated that he would like to introduce Christopher Feisthamel of the Treasurer's Office; Chris is taking over for Josh Brumberger as the Treasurer's designee.

Dr. Santoro mentioned the passing of Dr. McKenna, and distributed

the calling hours for Dr. McKenna.

Dr. Santoro stated that this joint meeting is to discuss the future of the Rhode Island Higher Education Assistance Authority. Dr. Santoro stated that he has spoken with Richard Licht and Steve Hourihan, they wanted to know if the board was taking an action on RIHEAA at this board meeting. Dr. Santoro stated that no action is going to take place, just developing a plan for the future of RIHEAA with the legislature and the Dept. of Administration.

Dr. Santoro stated that he thought that maybe RIDE would want waytogo, but Mr. Licht told him, no, they don't'. Due to scheduling conflicts, RIDE could not be present at today's meeting. Dr. Santoro stated that Mr. Licht wanted to know about the reserves and his understanding is that we could not touch the reserves until the portfolio winds-down. Dr. Santoro's stated that this is not his understanding, but would check with Joe Palumbo to make sure, but my understanding is that he mixed up the RISLA information with the RIHEAA information; all of RISLA's funds are tied into the trust. The only restriction related to the operating reserves is it be used for higher education. Mr. Palumbo stated that there are certain restrictions that the federal legislation regulations require that the reserves to be used solely for higher education purposes.

Dr. Santoro stated that his conversations with Steve Hourihan was odd, he wanted to know if the board plans to merge the two agencies

(RIHEAA and RISLA). Dr. Santoro stated no, he didn't think that was on anyone's agenda and besides, we can't mix state employees with non-state employees. Dr. Santoro assured them both; there is nothing that we could do of a practical matter that wouldn't require legislation. Dr. Santoro asked Mr. Palumbo if that was accurate, and Mr. Palumbo agreed.

3. Interim Coordinator's Report: Mr. Kelley stated that we had a nice and successful joint Guidance Counselor's Breakfast.

Mr. Kelley stated that they have put together a preliminary report regarding RIHEAA. Mr. Kelley stated that there are four primary functions of RIHEAA, one is the guarantee portfolio and the management of, the waytogo website, the state grant program and the marketing of CollegeBoundfund, which is done with the cooperation and collaboration of the Treasurer's Office.

Mr. Kelley stated that the next page is his break-down of staffing and those different activities. The source breaks down the general revenue sources of the organization and what the money is used for. For example CBF generates about \$7.5 mil., which is used for the State Grant program, supplemented by additional \$5.0 mil from the state general appropriation, \$500,000 is what is budgeted for the coming year. It also includes the administration of the grant program, advertising, and an allowance from Alliance Bernstein, and an administrative allowance that Alliance Bernstein also provides the

authority of \$250,000. Mr. Kelley stated that the next page is the break-down of staffing, the accounting staff helps track all of this, and HR also covers this function as well. On the next page explained Mr. Kelley is staffing projections, which was put together by Mr. Marc Lacroix and Mr. Chad Pastorious. It is based on the current staffing level, with no staff reductions in force. We asked Gail Mance-Rios to put together a staffing review. She is currently putting that material together. Ms. Mance-Rios looked at the Account Resolutions department, and will review the entire operation, stated Mr. Kelley. This is one of the reasons why we did these projections based on the current staffing levels, because until Ms. Mance-Rios has a chance to review the operation and what staffing levels are needed over the next five years, it wouldn't be prudent to make "off the cuff" guesses. Perhaps at the February Board meeting we will have more to share.

Mr. Kelley stated the next page takes the four functions (and stated this is certainly not the recommendation, but he had been asked what if RIHEAA were to dissolve) which is not the intent. Dr. Santoro stated that perhaps waytogo can be preserved by going over to RIDE or the Office of Higher Education etc. Dr. Santoro asked do we know if the Federal Government will step in. Mr. Kelley stated that is a great point, and perhaps Marc and Gail would like to comment on that. Mr. Kelley stated that last summer the Department of Education asked all guarantor agencies to develop a VFA (Voluntary Flexible Agreement). The proposal had to be submitted by August 31st. Mr. Lacroix stated that generally the Department was not happy with the

proposals they received. We submitted two VFA's one as a stand-alone entity, where we were asking the Department to link us with a default aversion provider, and we would remain in the collections business. We haven't received any information, but they were critical of the absences of performance measures. It looks like the groups' proposals received the same feed-back. Mr. Lacroix stated that they had conversations with the other participants (what we call the Consortium), the Sallie Mae user groups VFA. The original group consisted of seven guaranty agencies and two dropped out. What we submitted in August were five entities, since then a third have dropped out. Mr. Lacroix stated that the financial proposal for the remaining four is not good for Rhode Island. Dr. Santoro stated then it's still in the state of flux. Ms. Mance-Rios stated that it is, they realize the short deadline only gave us an opportunity to put ideas out there.

Dr. Santoro asked if the government is talking about taking over the guaranty. Ms. Mance-Rios stated no, they still consider us on solid ground as an important function. Mr. Kelley stated that is what he has heard also, but to keep in mind, any reorganization of the guaranty agencies must be cost neutral. The federal government will not put any money in to support the guaranty agency; it's more how they help them to wind-down their operation by working together.

Mr. Kelley stated that if you flip to section three, about 90% of the guaranty agencies revenue comes from collections and the

rehabilitation of the defaulted loans and RIHEAA has done very well with that and has accumulated about \$20 mil in operating funds, which is different from the federal fund. The operating is the property of the guaranty agency subject to the federal guidelines, the federal fund is a different fund, and it is like a liquidity fund, which is the property of the federal government. Based on current levels of activities and current levels of retention (which is how much money the agency is able to keep on the loans it collects), on the rehab loans and successfully rehabs, the guaranty function should have a positive cash flow for 2015-2016.

Mr. Kelley stated that we really need to look out five years for the staffing projections. We still are pursuing Direct Loan Servicing, that may not be operational here to year 2013.

Under the risk factors, Mr. Kelley stated that we are at the mercy of the Department of Education and Congress.

Mr. Kelley stated that his recommendation has not changed in that as long as the guaranty function generates positive revenues, RIHEAA should continue to operate it, and use the funds for whatever student aid purpose the board deems appropriate.

Mr. Kelley stated that the best interest is to the students and families, the universities and our state, and developing an educated work-force in our community. Dr. Santoro stated the conversations

with Richard and Steve referenced the State Budget, which is due out in a week or two and if we plan to make any recommendations, we need to do it quickly.

Mr. Kelley stated that we should continue to operate as is, and he will continue to provide the board with quarterly updates so that there are no surprises.

Mr. Kelley stated that CollegeBoundfund has been successfully marketed by Alliance Bernstein, and generates a considerable amount of revenue. RIHEAA receives an asset based fee of 9.5 basis points. The fund is about \$7.2 million, which is added to the State Grant. If the market does well, then the asset value increases, the funding for RIHEAA will increase as well. There is also a \$250,000 administrative allowance that Alliance gives RIHEAA, but it has not been used in the past. Mr. Palumbo stated that the current contract with Alliance Bernstein specifies that the money can be used for programs developed by RIHEAA.

Mr. Howell asked Mr. Kelley, the money hasn't been used for anything specific, so then where does it go, is it used? Mr. Kelley stated that it goes into the operating revenue; it is an addition to the \$7.5 mil. Mr. Brumberger asked if the money has to be used for RIHEAA initiatives. Mr. Palumbo stated yes, under the current contract. Mr. Howell asked, if this were to go to the Treasurer's office what would happen with the \$250,000 and the \$7.5. Mr. Palumbo

stated discussion with Alliance Bernstein will have to be amended and there may be a need to discuss a possibility of changing our legislation. The Board will need to decide what to do with the money, and all changes must have legislation approval.

Mr. Kelley stated that one of the recommendations is to have an independent review of the appropriate level of advertising funding for the program. We put together some numbers for the RI Account, it was about 1300 new accounts this year, and the RI pool of accounts is at 276 million, which is about 3% of the total of Alliance Bernstein assets under management. The objective of taking a look at the \$750,000, this funding is entirely paid for by Alliance, it would require their agreement, but potentially the advertising dollars if it is not deemed necessary could be used to help fund other programs at the authority. Mr. Kelley stated that the Treasurer's Office and Mr. Kerwin have talked about conducting focus groups to see what works. Mr. Kelley stated that he would like to get authorization to move forward, and stated that it is inexpensive, and will help focus the advertising dollars and what is appropriate. Mr. Kelley stated that Mr. Lacroix received a check for \$150,000 from the provision in the July 1, 2010 agreement with Alliance that provides for the CollegeBoundBaby program. Alliance provides a \$100 match for people that start a new account, within a twelve month period who are eligible to establish an account. Alliance also pays RIHEAA \$50.00 per newborn or adoption. We received the first quarter payment.

Mr. Kelley stated that the \$250,000 from Alliance, one of the things the Board may want to consider is to use the funds for running the state grant program. He explained, this allows the board to say to the state that we do not need the \$500,000 allocation for the state grant. The budgeted amount that the state gives RIHEAA for running the grant program is really taking a portion of many people's efforts, salaries and benefits and this is where that \$500,000 figure comes from. Mr. Kelley stated that Mr. Joyce single handedly runs the grant program, along with some IT support, but there is an IT vendor that may need some software upgrades, it's really a very efficient well run program. Mr. Kelley stated that one of the things that you could say to the state is we don't need the administered money, put that money into the grant program to increase grants to the students, not only is that helpful during a difficult budget time it also helps during difficult economic times.

Mr. Kelley stated that conversations with Deborah Grossman-Garber of the Office of Higher Education while trying to meet the Maintenance of Effort (MOE) levels, that are required by the federal government, for certain grants and working with Tom Mullaney, State Budget Officer, we could take some of the state appropriations that were coming into the maintenance and temporarily used for the MOE. That doesn't mean that we gave it away, but helps the requirements for federal grants. Mr. Kelley that Ms. Grossman-Garber has been very successful in getting a couple of state grants for the Office of

Higher Education and others, which is one of the hurdles that have to be met with the Federal Government. Mr. Kelley stated that one of the advantages of doing that is maybe when discussions with the legislature, the RIHEAA grant operation will not be depended upon the appropriation of the state, and it is self sufficient. Once you eliminate that, the rest of RIHEAA is operating on its own revenue sources, whether it's Alliance or the guaranty operation. Mr. Howell asked does the Collegeboundfund proceeds count as part of the MOE, or does the appropriation come from the state budget. Ms. Grossman-Garber replied, it is a very complicated formula federal, a formula that changes its target all the time. She stated that there are two primary means in which they calculate. One is general revenue state support for public higher education. The other is general revenue for scholarships for private institutions, but in RI we don't differentiate. We have consistently fallen short from those measures because of the state. We have been able to use our stimulus funds, the United States Department of Education allows us to use that. We've been creative in how we count the funds going towards different scholarships, and they must be state funds, it can not be other sources, they consider state funds as anything that is incorporated through our budget. Mr. Howell stated, then if you took that out, there would be a problem, won't it. Ms. Deborah Grossman-Garber stated that this is a temporary fix that Tom Mullaney has created for us, so that the money will be allowed to come to the state. A permanent fix should come within the budget structure, once it is amended.

Mr. Kelley stated that section seven goes back to the agency operating fund, the board has some concerns about preserving the funds for student based programs, and of course there are many different options. One for example, a program that helps public institution with tuition increases. If we are trying to encourage students to go into science technology, engineering and math fields, then a loan forgiveness could be developed for them if they stay and work in Rhode Island, sort of what RISLA has done with the nursing and teaching programs in the past, and what the RI Foundation is doing with primary care physicians, where they fund a substantial loan forgiveness for doctors that practice in RI. There's also been talk of putting money into a quasi endowment here at RIHEAA to help with the grant program. The current interest rates with a ten-year treasury are 2% or less, which equals \$400,000 - \$500,000 at best, but every bit helps. Another idea is perhaps an additional state grant program for the public institutions to help off-set the tuition increases.

Mr. Kelley stated that on the back is a summary of recommendations that Dr. Santoro will explain. Dr. Santoro asked the group to read, but stated that his conversations with Richard Licht, he was asked to advocate the boards decision. Mr. Kerwin stated that the Senior Management Team at RIHEAA did not have a chance to read or participate in the development of the document, and hoped to get copies of the material. Mr. Kelley stated that because of security

issues, and material that was disseminated before board meetings, he just thought it was better for the Board to get a chance to see the material first, but will provide copies to the senior management team.

Mr. Howell asked do you see Richard Licht's proposal going anywhere. Dr. Santoro stated that he told Mr. Licht that he was talking to legislators, and saw no interest in having the waytogo program go to the Office of Higher Education, and Richard told me that there are some legislators that believe that there shouldn't be a Board of Governors. Mr. Howell asked if Dr. Santoro could see if anyone up there that may be calling the shots, Dr. Santoro responded, he thinks that Helio Mello is calling the shots.

Ms. Doyle stated that she thinks that we would be well positioned if we think about what our overall recommendations are and touch base with leadership, as well as the Governor's office. Dr. Santoro responded, that is what we have been debating since 2009, so we need to come up with some solution.

Dr. Croasdale stated that he has three motions; one is RIHEAA, the other is waytogo and the last is on the \$20 mil. Dr. Santoro stated that he would like to start with the \$20 mil in reserves, because he believes that the Science Technology Engineering and Mathematics(STEM) issue is the one that we should be discussing, it has been well received by the legislature and the governor's office.

Dr. Croasdale made a motion to take the \$20 mil and allocate it for scholarships for both public and private, the agency was set-up to help private students there was no help before then, so I make a motion we set-up \$20 mil for college scholarships for both public and private and a section to go toward returning veterans for training and a section of 1% loan like Georgia has for helping students with financial problems. Dr. Santoro asked if Dr. Croasdale would like to make these like grants and just spend the \$20 mil. Dr. Croasdale replied, no, put it into an account similarly to the CDARS and take the interest off. Dr. Santoro stated that we would need legislation for that, but I don't think it would work. Dr. Santoro stated that if we try to use the \$20 mil for higher education, we need to come up with a plan that is more sophisticated, then just giving grants. That is why I am attracted to the STEM solution. We could use the money for loans, to people that are in various educational areas, they are important to the economy of Rhode Island, we would give them some sort of loan forgiveness, which would not be taxable to them, because the agency would be doing it, and as a practical matter give them some benefit if they remain. Dr. Croasdale stated there is strong need for physics, chemistry and special education. Dr. Santoro stated that he is not quarreling over which programs. Dr. Croasdale stated that the \$20 million should be set-up as an endowment, or either grants and scholarships. Dr. Santoro stated that we can make that recommendation, but it will need legislation. Dr. Croasdale replied, that is what I am saying. Ms. Lasalle stated to Dr. Croasdale, she thought the proposal he spoke about would be

used for scholarships of public and private institutions, but now it will be restricted to chemistry, physics and special education. Dr. Croasdale replied, yes, it goes along with STEM. Dr. Croasdale stated he wants the \$20 mil allocated to helping students both public and private. Dr. Santoro stated, that alone will not pass muster. We need to show them that we are using it for a way that would improve the economy of Rhode Island. That I believe will fly. Ms. Lasalle stated then why restrict it to certain areas, I don't know if there is any restriction that can be placed on it, so afterwards a person may get the loan forgiveness if they work in Rhode Island. Dr. Santoro said, yes the STEM program will meet that need rather nicely. We need a relatively sophisticated program if we are going to get the support of the legislature. Mr. Kelley stated that the intent is, that grants are helpful to students, but in terms of trying to leverage them to accomplish a multitude of objectives. One of which is URI for example, it is trying to refocus themselves as a research institution with some technical fields, and trying to support their efforts. RI needs a workforce of people that could in turn help attract companies to RI and fulfill the need of companies that are trying to expand in RI who complained that do not have sufficient amount of educated workers in certain fields. Mr. Kelley went on to say, of course the Governor and the legislators are trying to develop the knowledge district, and whether this in some way can supplement or enhance that activity by keeping the 84,000 talented young people that pass through Rhode Island. The specific subject area needs some discussion, as Dr. Croasdale said; there are a number of

professions where we are not generating enough young people in these fields to meet those demands. That is not something that we came up with; it's what you see across the board nationally. Mr. Howell asked if we could set-up a foundation with these funds, they are taking 70 students from the inner city and getting them on track for college, if we set-up a foundation where an application from groups like these, we could direct those funds over a period of time, like science this year and in a couple of years something else. Mr. Palumbo stated that the enabling legislation will not allow that. Ms. Lasalle asked why not, there's one at CCRI. Mr. Palumbo stated that he has reviewed this before and could not find anything that he feels comfortable with, and anything that would permit RIHEAA to create a separate foundation. Ms. Lasalle stated if there were amendments, Mr. Palumbo stated yes, that is possible. All of this requires legislation and amendments stated Dr. Santoro. Mr. Noel Simpson stated that all of this would take about a year to get the approval of the Internal Revenue Service (IRS). Dr. Santoro stated to make it tax-free. Ms. Mance-Rios stated that if the goal is to encourage students to stay in Rhode Island who have gone through STEM programs developing another loan program, there have been these types of loans in the past. The other thing that you can do which would have the most immediate effect, with the loan program you have to wait until they graduate and then you have to monitor them as they work to make sure they are fulfilling their responsibilities. To do something like they are doing at RISLA now, if you are working in the state and you have a loan, we help with repayment of the loan,

loan forgiveness. Dr. Santoro asked, do you mean with the same \$20 mil., or not use the \$20 mil. Ms. Mance-Rios stated that she is not talking about the resources; she's talking about the functionality of the program. Dr. Santoro asked isn't that what we are talking about, except if we use the \$20 mil we wouldn't have to go out for bond issues?

Mr. Kelley stated that this is a viable option. One of the thoughts was trying to have a program for students, juniors to grad school that are majors in those particular fields or whatever they want to focus on. The fact is the federal government is cutting back on federal aid to graduate students and others. Tuition is going up and the amount of Stafford Loans that they can take out is finite. What do these students do beyond that; the schools don't have more aid to hand out. So, we need to look for some other lower cost source of funding for students. What we talked about in the STEM loan forgiveness program, we probably would increase RISLA's loan volume, but it helps the students deal with the tuition increases, it doesn't look like the federal loan programs will increase, in fact it looks like its retracting a little bit. Dr. Santoro stated that the reason he likes the loan program is that there's a chance that it can be extended for a lot more than a couple of years. Mr. Kelley agreed, and stated that it is not a pure revolving fund, because as you start forgiving a certain number of loans and defaults the fund will decline over time. But for those students that take out a 5% fixed rate loan and decide to go to work somewhere else, they still also have a good piece of financial

aid that you have given them, that is cheaper than where they could get elsewhere. The repayment of it, with interest could help supplement the plan, so it can be extended out a little further than a loan forgiveness program. A pure loan forgiveness program, like we do with the Rhode Island Foundation is certainly another option; the duration might be a little shorter. The desire of all of this is to get students even in the middle grades to begin to see that the state places a value on those types of majors and academic achievements. That could be part of this process to get the students in this pipeline, if that is the policy thoughts of the state and this board.

Ms. Grossman-Garber stated that she commends the board for looking at the best interest of our students and the state and the state's future economy. This is an historic moment, everyone is thinking about how to position funding to help our state. Ms. Grossman- Garber asked to have this discussion opened up and have others to join, because this is the same discussions taking place in the Governor's Workforce Board, the RI Department of Education, the College Access Challenge Grant (CACG) and the Office of Higher Education. There are recommendations that have been made by the task force for the under represented individuals in RI. The author of that report is Brenda Dann-Messier, who sits in the US Department of Education, and has sat on the Board of RIHEAA. What has been preventing us from moving forward coherently as a state is we have been segmented in our higher education endeavors. This would be a moment for us to speak together about our findings. Student loan

funding is essential for our population to reach the goals that we have for the complete college America that 60% of the population be college educated. The data suggest it gets students in the door, but they don't help students finish and complete. There are other services that are needed. The CACG that is coming to the state, thanks to the meeting of the MOE, is positioned to help with those services, but not with the loan and scholarship funding. If we could combine all of these forces, we would have a very powerful mechanism to get our students in and successfully complete higher education in the state. Ms. Grossman-Garber urged the recommendation of the board to open the discussion to other stakeholders in higher education. Dr. Santoro stated that he doesn't have an objection to that, but he is on a tight leash and doesn't want the administration or legislature to harden their position, that's why if we can make some recommendation to them, then maybe they will back-off, then perhaps we could expand the discussion. Ms. Grossman-Garber suggested to Dr. Santoro, that any plans that move forward to the legislator, have them tightly planned out, and what she's heard today is still a little too loose.

Ms. Doyle stated that while the Governor will submit the budget recommendation, we have a process in front of us. We have a process that will get us until June. Dr. Santoro stated that he has a meeting with Richard Licht next week. Ms. Doyle responded, there deadline is not necessarily our deadline. While we may holistically agree on a direction, I think we may have the time that you are

advocating for to really put the particular ornaments on the tree. Dr. Santoro agreed and stated that is all he is looking for is for us to buy some time. Ms. Doyle stated that she thinks we have that time, she hears where the administration is coming from. I think we may be able to satisfy Richard Licht slightly on where we are heading, but we need a bit more time to flesh it out more extensively. Dr. Santoro stated that he thinks the budget report will mirror the Licht Report, with regard to RIHEAA. I don't think the legislature will go along with it. Dr. Santoro stated that he wants to show them we have some plans that may be better than the report. Ms. Doyle agreed with that and stated that historically the budget that survives is the one that is emulating from the house and the senate and not from the office of the governor. Dr. Santoro agreed and said yes, Helio Melio.

Mr. Kelley stated that the objective today was not to come away with too many specifics, but to give the board some background and opportunities to discuss these things.

Ms. Grossman-Garber stated that the retention rate by certain groups are low, either the students are not prepared academically or have social emotional issues. When funds are giving to programs that help students stay in school along with loans or scholarships that help them financially stay in school we have a win-win. One million dollars will be going to those services this year for students. But what we don't have are the financial dollars to keep students in schools as tuition goes up. Dr. Santoro asked Ms. Grossman-Garber

what would happen to RIHEAA employees if they were to go over to the Office of Higher Education. Ms. Grossman- Garber responded, she is not here to answer any questions like that today, that would have to be discussed with the board.

Mr. Solomon stated that today is 45 years of supporting students at CCRI (Community College of Rhode Island), which now has four new campus', the importance was always to have education as the goal for success. Every fall we enroll about 30,000 students. I always say, what is the most important part of a building, the foundation. We created a foundation for these students to continue on to the four year colleges and be successful and give back to the country. We must remember what education does for the country. We wouldn't be where we are today if we didn't have educated people.

Dr. Santoro asked the board members, can I tell them about the STEM program? The board agreed.

Mr. Kelley stated that Josh said it well – how we could best use these funds to leverage and help the greatest number of students and the state. Dr. Santoro agreed, and stated if we could show them that we could do that, then they will go along with it.

Dr. Santoro stated that one of the things that we need to discuss is, would it be better to be invested with other money that is invested with the state. Should we move it over to the Treasurer's Office or

not? I know this will require legislation. Does that make any sense? Mr. Lacroix replied that legislation has happened, the municipal pooling. Dr. Santoro asked if we can be part of the municipal pooling. Mr. Lacroix stated that it is optional on our part. Mr. Lacroix stated that Terry Baker at the Treasurer's Office reviewed our banking RFP's, we are going to meet with them to talk about investments and banking relationships. The meeting should take place next week, and will expect to include Izzo and Dr. Santoro. Dr. Santoro asked if the money is put in a municipal fund, who would get it the state? Mr. Feisthamel stated no, the municipal fund is a mutual fund for all cities and towns; it is a collective way for the cities and towns to put their money together to maximize their rate of return. Dr. Santoro asked if any other state agencies do it. Mr. Feisthamel stated it is meant primarily for cities and towns and quasi's. It is newly created legislation. Ms. Lasalle stated this is not something that we have to decide right away. Dr. Santoro stated, no, but this will help me in talking to others and let them know we are thinking about this. Mr. Brumberger stated this pool of assets is not created with endowment terms thinking, in terms of diversification. It's more like a polarized sweep account. Dr. Croasdale stated that the only agency that did not lose money when the down-turn occurred was RIHEAA.

A motion made by Dr. Croasdale to keep the \$20 mil and look at options for the best use of it for students in public and private education. Mr. Brumberger stated that he would like to add more

meat to the bones of the motion. We want to look at economic development opportunities. Dr. Croasdale stated that he wants to leave the motion alone and made a motion to keep the \$20 mil for use of both public and private institution. Mr. Feisthamel stated that the motion reiterates that theory. The motion has no support. Mr. Howell asked if the motion restricts it to grants going to students, or the program. Dr. Croasdale stated that it should go under programs. Mr. Palumbo stated that you may want to reconsider the opening, keep the \$20 mil. Mr. Palumbo suggested that the Board explore the possible uses of the \$20 million for the best interest of the students in public and private institutions. Dr. Croasdale asked if that is going to keep the money in the agency? Dr. Santoro stated that we have the ability to keep the money. Ms. Lasalle asked how can they take away the money. Ms. Doyle stated that they can't. Dr. Santoro stated that they can take the money and put it in the Office of Higher Education. Mr. Lacroix stated that the \$20 mil is a very good estimate of the agency's net assets, excluding the property plant and equipment. This is not fixed at any point of time. I would suggest using the term available liquid net assets, rather than specifying the dollar amount. Dr. Santoro stated, we don't need a motion, we've got the money. What we need to be able to say to Richard Licht and the legislators is this is what we are thinking; we are talking about what to do with the money and expand the group. A motion was made by Dr. Croasdale and seconded by Mr. Solomon to keep the \$20 million and look at options best suited for students in both public and private institutions.

Voted in favor: Dr. Santoro, Mr. John Howell, Ms. Patricia Doyle, Ms. Faith Lasalle, Mr. Solomon A. Solomon and Mr. Christopher Feisthamel and Dr. Croasdale.

Voted against: None

Dr. Croasdale stated that his second motion is to make RIHEAA a completely separate agency with an acting director. Dr. Santoro asked if we are firing Charlie. Dr. Croasdale stated that we have dedicated RIHEAA employees, and should have an acting director. Dr. Santoro stated that we have three more months before we know whether we are in existence or not, my main concerns is having to deal with waytogo, Richard Licht raised this question. We need to know if we are comfortable with it going to the Office of Higher Education since the Rhode Island Department of Education doesn't want it. Ms. Patti Doyle stated that she is not comfortable with us creating another structure no matter how temporary it may be, when so many questions reside on these state levels about the ethicality and future of the organization. I would like more time to discuss these issues a bit further before I agree to yet creating another layer of structure in this economic climate. Ms. Faith Lasalle stated that we should have an analysis before creating a separate executive director and what kind of cost that will occur.

Dr. Croasdale withdrew his motion.

Dr. Santoro stated that there are reasons to keep waytogo, everyone is on board with keeping waytogo, it's doing a good job, and the problem is the \$800,000. My concern is if RIHEAA can not support it, then to move it over to RISLA, but as a practical matter I'm concerned that RISLA will not be able to support it financially. Dr. Santoro stated that in last week's conversation, he thought that the Rhode Island Department of Education would take it, but after discussions with Richard Licht, he told me that I was wrong. Due to scheduling conflicts, RIDE was unable to attend this Board meeting stated Mr. Kelley. Ms. Sisson stated that there has been some misinformation and Dr. Santoro should speak with RIDE. Dr. Santoro stated that he did receive an email that stated RIDE supports the Licht Report. Dr. Croasdale asked if we can keep waytogo where it is? Dr. Santoro stated we can keep waytogo where it is, but the issue is the \$800,000 to support it. Dr. Santoro stated that during the wind down period RIHEAA can go a long way beyond the 2014-2015, if we take away from it the cost that is unrelated to the wind-down of the portfolio. Mr. Lacroix stated that the web-portal's expense, in a wind-down scenario, becomes more significant as a percentage of total expenditures. Dr. Santoro stated if the OHE is willing to support the program, then I don't have an objection. My original thinking was no, because the OHE supports public higher education, but waytogo supports both private and public. Dr. Santoro stated that he also has doubts of the software vendor, but that is neither here, nor there. Mr. Howell stated that he agrees with Dr. Santoro. Ms. Doyle asked

about RIDE's position, could we get a meeting to address these issues, and what they like to do, and what they can do. Mr. Brumberger stated, I don't think the waytogo conversations necessarily separate the conversation of the \$20 mil. Dr. Santoro stated that he would like our decisions to be one that makes the best interest to students, in the state of Rhode Island that is what we are here for. Ms. Doyle stated that a meeting of the other agencies should be scheduled. Ms. Deborah Grossman-Garber stated that we have multiple responsibilities to the State of Rhode Island; it's not just public education. We have about one and half FTE's that we dedicate through state funds and federal funds that monitor all veterans education programs whether public or private institution or proprietary institutions. There are 57 active facilities that we do all of the regulations and finances of the programs. We also are charged by the State of Rhode Island to run, approve and regulate the proprietary schools for RI, and those are private and we have over 2000 students pursuing proprietary programs. We are also charged with reviewing and regulating any private for-profit institutions that wants to operate in the state of RI. We are interested in access and affordability and quality education for all of our Rhode Island citizens.

Dr. Croasdale stated that he is concerned that if waytogo goes to another agency, he wants Kathy Sisson to be able to continue the program, rather than it changes in the hands of someone else. Dr. Santoro stated that he thought RISLA would put its hat in the ring,

but now has some doubts. Dr. Santoro stated that with all of the proposals, we want to keep it running. Mr. Kelley stated that Ms. Kathy Sisson's team has done a great job running the waytogo program.

Mr. Kelley stated that we are running out of time and have discussed quite a bit. This is the first step among many deliberations. Although it doesn't seem like it to some of you, we have a lot of great opportunities and choices, some of the revenue streams that have been identified, some of the savings that can be achieved, I look at this as a positive opportunity. Just how you best put all of the pieces together and work with other entities to optimize it for the entire state. Mr. Kelley stated, if you have any thoughts or criticism, please send them to me.

Dr. Santoro stated that Steve Archer, a fellow board member can not make Friday meetings, and asked the board if evening meetings would work best. Dr. Santoro stated that 4:30 p.m. – 5:30 p.m. meetings might work. Dr. Santoro stated that we will leave that to the staff to figure out.

There being no further business to come before the Joint Meeting of the Rhode Island Higher Education Assistance Authority and the Rhode Island Student Loan Authority Board of Director's meeting adjourned.

Adjournment was at 10:00 a.m.

Mr. John Howell

Secretary

MINUTES

**RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING**

January 20, 2012

The 307th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, January 20 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 10:10 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chair/Treasurer

Mr. John Howell, Secretary

Ms. Faith Lasalle, Esq.

Mr. Solomon A. Solomon

**Mr. Christopher Feisthamel and Mr. Josh Brumberger, designees of
the General Treasurer Gina Raimondo**

Board Members Absent:

The Honorable Robert J. McKenna

Ms. Patricia Doyle

Mr. Steven Archer

Also Attending:

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Ms. Gail Mance-Rios, Deputy Director

Mr. Joseph Palumbo, Esq., Legal Counsel

Mr. Marc Lacroix, Chief Financial Officer

Mr. Peter Kerwin, Chief Program Development

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Mr. Noel Simpson, RISLA

Mr. Chad Pastorious, RISLA

Ms. Linda Makhoul, RIHEAA

Ms. Clordine Cox, RIHEAA

Mr. Thomas Pearce, RIHEAA

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Mr. John Burns, Council 94

Ms. Winifred Antos, RIHEAA

1. Minutes of the Board of Directors' meeting held on November 11,

2011 were not available.

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numbers and the projections that we did 13, 15, and 18% assumptions for a percentage of the outstanding portfolio, for every 1.0% that deviates, that results in an additional \$200,000, so if Sallie Mae performs very well, the results for this year would be \$600,000 higher.

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Mr. Solomon made a motion to reappoint Mr. William Hurry and Mr. Robert Weygand to the New England Board of Higher Education (NEBHE), seconded by Mr. Howell.

Voted in Favor: Ms. Faith Lasalle, Mr. Josh Brumberger, Dr. William Croasdale, Dr. Anthony Santoro, Mr. Solomon A. Solomon and Mr. John Howell

Voted against: None

Mr. Kelley stated that he would notify them about the board's decision/recommendation of their reappointments on behalf of the

Board.

6 b. Action Item: Corporate resolution authorizing the establishment of accounts at Sovereign Bank for the RIHEAA Federal Student Loan Reserve Fund and the RIHEAA Agency Operation Fund. Dr. Croasdale made a motion to authorize the start of two new accounts at Sovereign Bank, one will be a guarantee agency operating fund the other is the federal student loan reserve fund, seconded by Mr. Solomon.

Voted in Favor: Ms. Faith Lasalle, Mr. Josh Brumberger, Dr. Anthony Santoro, Mr. Solomon A. Solomon and Mr. John Howell, and Dr. Croasdale.

Voted against: None

Dr. Santoro stated that we have to come up with a date for the next regular Board meeting. The next one is scheduled on Friday, February 17th, that date will need to be changed; we need an earlier February date. The Board agreed to evening Board meetings.

There being no further business to come before the Board of Directors the meeting adjourned.

Adjournment was at 10:40 a.m.

Mr. John Howell
Secretary

MINUTES

**RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS' MEETING**

January 20, 2012

The 307th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, January 20 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 10:10 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chair/Treasurer

Mr. John Howell, Secretary

Ms. Faith Lasalle, Esq.

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**Mr. Christopher Feisthamel and Mr. Josh Brumberger, designees of
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Board Members Absent:

The Honorable Robert J. McKenna

Ms. Patricia Doyle

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

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Ms. Winifred Antos, RIHEAA

1. Minutes of the Board of Directors' meeting held on November 11, 2011 were not available.

2. Chairman's Report: No Chairman's Report, except to thank Mr. Josh Brumberger for his service on the board, and welcomed Mr. Christopher Feisthamel to the board. Dr. Santoro also mentioned the passing of Dr. Robert McKenna and thanked Gail Mance-Rios for the calling hour's memorial.

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yes, he has been working with Chad to review. Mr. Lacroix stated that he thinks he has his arms around it and will monitor it. Mr. Lacroix stated that it is important to note that almost 90% of the guaranty agencies revenue comes from the collections activity and of that 80% comes from the rehabilitation of the defaulted student loans. The risk factor there is if something happens in the rehab market, it will have a significant bearing on our results. Dr. Santoro stated we got low projection 15% default rate, I was always under the impression that the default rate declines over time. This shows a standard 15% for each year. Mr. Lacroix stated that the decline will show in the outstanding portfolio available to default, the rate of default within what remains, may remain the same. Mr. Pastorious stated that when we did the projections we looked at the seasoning on the portfolio, I don't have the numbers off hand, but say 3% of the total default so, say your base is at 15% and take 3% times year one, 4% at year two and so on near 10 in repayment it goes down to 1/2 % the total will be 15% over the loan. Dr. Santoro stated that on average it will be about 15%. Mr. Brumberger stated that on the five year projections, the current staffing levels and assuming you will continue to fund waytogo, is that correct. Dr. Santoro stated that is correct. Mr. Lacroix stated that the Grant program personnel and admin right now are general revenue. Dr. Santoro asked if it includes the funds from the legislature. Mr. Kelley stated no, not in the guaranty agency. Mr. Pastorious stated that he ran some quick numbers and the projections that we did 13, 15, and 18% assumptions for a percentage of the outstanding

portfolio, for every 1.0% that deviates, that results in an additional \$200,000, so if Sallie Mae performs very well, the results for this year would be \$600,000 higher.

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MINUTES

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BOARD OF DIRECTORS' MEETING**

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Secretary

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

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Ms. Winifred Antos, RIHEAA

1. Minutes of the Board of Directors' meeting held on November 11, 2011 were not available.

2. Chairman's Report: No Chairman's Report, except to thank Mr. Josh Brumberger for his service on the board, and welcomed Mr. Christopher Feisthamel to the board. Dr. Santoro also mentioned the passing of Dr. Robert McKenna and thanked Gail Mance-Rios for the calling hour's memorial.

3. Interim Coordinator's Report: Mr. Kelley stated that he had spoken with Mrs. Mary Jean McKenna, wife of Dr. Robert McKenna and she wanted Mr. Kelley to relay to the board how fondly Dr. McKenna was of the RIHEAA and RISLA Boards, and she appreciates all of the condolences she received.

4. Financial Report: Mr. Lacroix stated that the two pages of 4a, Budget vs. Actual for the Scholarship & Grant Program, the Tuition Savings Program, nothing usual to report there. On the second page, which is the first quarter results for the guaranty agency operating fund, the good news is that the profit is good. Mr. Lacroix stated that they have been monitoring results through October and November and although we wouldn't predict to track through the year at this rate, the operating results have been pretty strong. Dr. Santoro stated that he thought he saw \$2.9 mil; if we track here we are talking about \$4.0 mil. Mr. Lacroix stated, no this would be \$2.4 mil at this rate and 4 x \$600,000. Dr. Santoro apologized and asked, we make a lot of our money with defaults, has the default rate been what you thought it was, and do you think it would be as high as projected. Thirteen percent seems to be at the medium. Mr. Lacroix responded yes, he has been working with Chad to review. Mr. Lacroix stated that he thinks he has his arms around it and will monitor it. Mr. Lacroix stated that it is important to note that almost 90% of the guaranty agencies revenue comes from the collections activity and of that 80% comes from the rehabilitation of the defaulted student loans. The risk factor there is if something happens in the rehab

market, it will have a significant bearing on our results. Dr. Santoro stated we got low projection 15% default rate, I was always under the impression that the default rate declines over time. This shows a standard 15% for each year. Mr. Lacroix stated that the decline will show in the outstanding portfolio available to default, the rate of default within what remains, may remain the same. Mr. Pastorius stated that when we did the projections we looked at the seasoning on the portfolio, I don't have the numbers off hand, but say 3% of the total default so, say your base is at 15% and take 3% times year one, 4% at year two and so on near 10 in repayment it goes down to 1/2 % the total will be 15% over the loan. Dr. Santoro stated that on average it will be about 15%. Mr. Brumberger stated that on the five year projections, the current staffing levels and assuming you will continue to fund waytogo, is that correct. Dr. Santoro stated that is correct. Mr. Lacroix stated that the Grant program personnel and admin right now are general revenue. Dr. Santoro asked if it includes the funds from the legislature. Mr. Kelley stated no, not in the guaranty agency. Mr. Pastorius stated that he ran some quick numbers and the projections that we did 13, 15, and 18% assumptions for a percentage of the outstanding portfolio, for every 1.0% that deviates, that results in an additional \$200,000, so if Sallie Mae performs very well, the results for this year would be \$600,000 higher.

5. Investment Report: Dr. Croasdale stated that we have CDARs with Washington Trust; they have a better rate than Sovereign. They did

well but then trailed off, but Washington Trust picked it up. Sovereign is interested in coming back with a higher rate.

6. Action Item: a.) NEBHE Appointments – Dr. Santoro stated that we have two NEBHE appointments available to us. One is held currently by Robert Weygand and the other is by William Hurry. Dr. Santoro stated that he thought that Dan Connors needed an appointment, but he was appointed by Teresa Paiva-Weed, according to Representative Joseph McNamara, who call him a couple of weeks ago. Representative McNamara urged for Mr. William Hurry's reappointment, Mr. Hurry is currently the Treasurer of NEBHE, which holds some weight. Mr. Weygand was the former President of NEBHE, and Dr. Santoro sits on the board. Dr. Santoro stated he is willing to surrender his position if the board has other interested parties. Dr. Santoro stated that we also need to buy tables for the upcoming Excellence Awards banquet. The banquet is scheduled on Friday, March 2, 2012.

Dr. Croasdale suggested that Ray DePasquale serve on the NEBHE Board. Dr. Santoro stated that he understands that Mr. Weygand wants to be reappointed. Mr. Howell agreed and stated he spoke with Mr. Weygand who confirmed that he would like to continue on the NEBHE Board. Dr. Croasdale stated that his concern is, do we need someone there that is in higher education that is academic and he doesn't attend the meetings. Dr. Santoro stated that Mr. Weygand has been at every meeting that he has been to. Dr. Croasdale stated

Mr. Weygand is in finance. Dr. Santoro stated that much of what NEBHE does is finances, Bob Weygand is an administrative person, and is a strong person there, he was the former president. Mr. Howell stated, not to mention Mr. Weygand's political background. Dr. Santoro stated the other seat is Mr. Hurry.

Mr. Solomon made a motion to reappoint Mr. William Hurry and Mr. Robert Weygand to the New England Board of Higher Education (NEBHE), seconded by Mr. Howell.

Voted in Favor: Ms. Faith Lasalle, Mr. Josh Brumberger, Dr. William Croasdale, Dr. Anthony Santoro, Mr. Solomon A. Solomon and Mr. John Howell

Voted against: None

Mr. Kelley stated that he would notify them about the board's decision/recommendation of their reappointments on behalf of the Board.

6 b. Action Item: Corporate resolution authorizing the establishment of accounts at Sovereign Bank for the RIHEAA Federal Student Loan Reserve Fund and the RIHEAA Agency Operation Fund. Dr. Croasdale made a motion to authorize the start of two new accounts at Sovereign Bank, one will be a guarantee agency operating fund the other is the federal student loan reserve fund, seconded by Mr.

Solomon.

Voted in Favor: Ms. Faith Lasalle, Mr. Josh Brumberger, Dr. Anthony Santoro, Mr. Solomon A. Solomon and Mr. John Howell, and Dr. Croasdale.

Voted against: None

Dr. Santoro stated that we have to come up with a date for the next regular Board meeting. The next one is scheduled on Friday, February 17th, that date will need to be changed; we need an earlier February date. The Board agreed to evening Board meetings.

There being no further business to come before the Board of Directors the meeting adjourned.

Adjournment was at 10:40 a.m.

Mr. John Howell

Secretary