

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

July 20, 2012

The 315th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, July 20, 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 8:00 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chairman

Mr. John Howell, Secretary

Ms. Faith LaSalle, Esq.

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members absent:

Mr. Solomon A. Solomon

Ms. Patricia Doyle

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

Ms. Dana Peterson-Fatuda, Assistant Administrative Officer

Mr. Charles Miller, Chief Information Officer

Ms. Linda Makhlouf, RIHEAA

Mr. Michael Joyce, RIHEAA

Ms. Laurie Brayton, Fiscal Analyst

1. Minutes of the Board of Directors' meeting are in review.

2. Chairman's Report: Dr. Santoro asked if item #9 could be moved up, due to the absence of Ms. Kathy Sisson. Ms. Mance-Rios deferred her vacation to provide the status of the WaytogoRI RFP update.

9.) WaytogoRI RFP Status: Ms. Gail Mance-Rios stated that she;

Charlie Miller and Kathy Sisson have been working together putting the RFP for the Longitudinal Data System grant with RIDE together. She stated it is not completed; we want it reviewed by RIDE. We expect to issue a copy by August 1st. Schedule a conference call/questions and answers session by August 9th, and have a submittal by August 17th. The following week bring together the group of reviewers to review the proposals. The Board will review it before it is issued, and have an opportunity to make a recommendation.

Ms. Mance-Rios stated that the Board will be kept up to date monthly about the progress.

Mr. Feisthamal asked if the bulk of the operation is “front end” presentation to an expanded population, and Mr. Kelley stated yes. XAP has built the transcript that goes to the colleges. This is mostly student records, which is much more than a transcript.

Dr. Santoro stated that we have some functionality with XAP and asked if we have to go through XAP or could we have XAP and another servicer. Ms. Mance-Rios stated yes, we could have XAP and another servicer.

Dr. Santoro asked if we had a 60 day out with XAP, Mr. Palumbo stated that he believes we have a 60 day out, but will confirm.

Dr. Croasdale asked about the safe guards and security, will that be written in the RFP. Ms. Mance-Rios stated yes.

Mr. Howell asked, about how many perspective bidders could we get. Ms. Mance-Rios stated, less than 10.

Chairman's Report: cont. Dr. Santoro stated that he has a meeting tentatively scheduled with Commissioner Deborah Gist on August 20th to talk about WaytogoRI. Dr. Gist has decided that she does want WaytogoRI. Dr. Santoro stated that we have three solutions here; one is to send it to RIDE then funding becomes an issue, send it to RISLA and other issues arise, keep it in RIHEAA and we won't be able to afford it. We need to take some time to discuss this issue. The other question is what are we going to do with RIHEAA once the funding dies out.

Mr. Feisthamel stated that he thinks Dr. Santoro should have a super meeting and invite all of the stakeholders, including the Treasurer.

Mr. Howell stated that he thinks Dr. Santoro should include George Zinnia, Paula Dominguez, Speaker Fox, and the Treasurer for one-on-one meetings.

Dr. Santoro stated the challenge becomes, do we want to use Collegeboundfund(s). The relationship with Alliance is basically driven by the Treasurer's Office. Mr. Feisthamel stated that he

changed Josh Brumberger's contact model, and believes that the daily operation does not belong with a board member; it should be done by a staff member. The two main functions of CBf are; marketing and investment. From an investment oversight, the Treasurer's Office has that expertise.

Dr. Santoro stated that he does not want to spend the reserves to keep people employed. Mr. Feisthamel agreed and asked is it legally, legislatively possible to consider some of those reserves to fund WaytogoRI. Is the waytogo mission consistent with the direction we have been given. Dr. Santoro stated we are relatively free to do what we want to do, with legislative approval.

Mr. Feisthamel stated that WaytogoRI promotes post high school education and CBF funds post high school education, which is an argument for putting it with the College Planning Center. Mr. Howell and Dr. Santoro agreed. Discussions with the Treasurer will be scheduled.

Dr. Croasdale stated that he feels that WaytogoRI should continue within RIHEAA.

Mr. Feisthamel stated that by September 4, 2012 we should have a better sense of where we are headed and then assess whether we should get a permanent executive director.

Ms. Lasalle asked if we move WaytogoRI, would it be a cost savings. Dr. Santoro stated that waytogo is not funded by the state; it is funded by the profits generated by RIHEAA. Dr. Santoro stated that RIHEAA is no longer going to generate sufficient profits to support waytogo. Eventually we need to decide if we are going to give it to RIDE with temporary funding, no funding, permanent funding, or ask the legislature to give it funding. Mr. Feisthamel stated that we could charge it to users. Dr. Santoro stated that if he thought that people won't criticize the combination, he feels waytogoRI could go to the College Planning Center.

3. Interim Coordinator's Report: Mr. Kelley distributed material regarding his visit with Alliance Bernstein in New York. Mr. Kelley reported that Primedia was the media buyer for Alliance Bernstein for the last couple of years. Their contract is due to expire. Mr. Kelley also reported that they are getting the focus groups set-up. And finally, Mr. Kelley stated that an interest in putting together a research project regarding college debt is in the works.

Mr. Feisthamel asked what is that about. Mr. Kelley stated, it is a way to show how much students borrow to go to college.

Mr. Kelley stated that the excel chart projects the number of accounts in CBf. Mr. Kelley stated the reason that this is important is the grant program is dependant upon on the \$7.0 mil coming from this account that if there was a decline in the revenues, I prefer to

know now than later. One of the things that you can not predict is “what the market does”.

Mr. Kelley stated that next Wednesday, Alliance Bernstein will go before the Investment Committee, and will plan to visit a RIHEAA board meeting in the future.

4. Future of RIHEAA: Dr. Croasdale stated that like in earlier discussions about the future of RIHEAA, he wants to make sure that we are on target for a September 1st plan of the future of RIHEAA.

5. Financial Report: Mr. Lacroix stated that on Tuesday the auditors will be here.

Mr. Lacroix stated that we are in the process of closing the fiscal year end June 30th. The net revenue results are very strong, higher than what was expected. Mr. Lacroix stated that the defaults have increased. The collections portfolio is expected to “tick-up” within the next twelve months before the decline begins. The bad news is that nearly all of the revenue is generated from collections. The good news is that personnel and operating expenses are down. We currently have 28 employees.

Mr. Lacroix stated that the Sallie Mae contract expires on September 30, 2012. Mr. Palumbo stated that in the past, we continued on a month to month basis. Dr. Santoro asked if we could go out to bid for

another provider. Mr. Miller stated that an RFP will not be feasible at this time, as loans are not being generated, and the amount of money saved in the long run will not be a significant amount. Eventually, it is a losing proposition.

Dr. Croasdale asked Mr. Lacroix to try to negotiate a better proposal with Sallie Mae.

6. Investment Report: Dr. Croasdale stated he has nothing to report this quarter.

7. Matching Grant/Adult Education: Mr. Joyce explained the Matching Grant Program to Ms. LaSalle; he explained that the Matching Grant program is a companion program for Rhode Islanders only. The Matching Grant Program is designed to help low-and moderate-income Rhode Island families save for higher education. The Matching Grant Program will provide eligible participants with matching funds when they open and contribute to their child's CollegeBoundfund College Savings account. To receive matching grant funds, the participant must meet annual income guidelines, income guidelines are updated every year. For each year that the participant is eligible, RIHEAA will match up to \$500 of contributions made to the account for the beneficiary. Those eligible for the \$2 for \$1 level may receive a maximum annual matching award of \$1,000. Currently we have 285 participants.

Mr. Joyce stated that as of this cohort, awardees were down

from about 86,000. That is not enough to sustain another viable year of the Matching Grant program. Mr. Joyce stated that we have about \$600,000 sitting in the Adult Ed program from Alliance Bernstein, and proposes moving those funds over to the Matching Grant Program.

He stated that the Adult Ed program funds have not been used. The funds would give the program another two year of existence.

Dr. Crosdale made a motion to move the unused funds from the Adult Education program to the Matching Grant program seconded by Mr. Howell. Mr. Feisthamel stated that he would like to move \$300,000 of the \$600,000, not the entire amount.

An amendment to the motion to transfer \$200,000 from the Adult Education account to the Matching Grant program with a caveat that we ask the administrator to provide an analyst to the board regarding what the current activity costs us and a recommendation of what we should do moving forward was made by Mr. Feisthamel seconded by Dr. Croasdale.

Voted in favor: Mr. Howell, Dr. Santoro, Ms. Lasalle, Dr. Croasdale and Mr. Feisthamel.

Voted against: None

8. Non Disclosure Agreements: Mr. Kelley circulated the non

**disclosure agreement to the board members regarding XAP
financials.**

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

Adjournment was at 9:20 a.m.

Mr. John Howell

Secretary