

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

March 7, 2014

The 333rd meeting of the Rhode Island Higher Education Assistance Authority was held Friday, March 7, 2014 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairwoman Ms. LaSalle called the meeting to order at 8:35 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Dr. William Croasdale, Vice Chairman

Mr. John Howell

Mr. Robert J. Delaney

Mr. Daniel Egan

Mr. Dennis Duffy, Esq.

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members Absent:

Ms. Patricia Doyle

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Charles Miller, CIO

Mr. Marc Lacroix, CFO
Ms. Linda Makhlouf, HR
Mr. Thomas Pearce, Account Resolution
Ms. Dana Peterson-Fatuda, RIHEAA
Ms. Lisa Shevlin, RIHEAA
Ms. Patia Bertram, RIHEAA
Ms. Kathy Berard, RIHEAA
Ms. Winnie Antos, RIHEAA
Ms. Maggie Cote, RIHEAA
Ms. Paula Correia, RIHEAA
Mr. Steven Straychzak, Council 94
Mr. Chris Lambert, Council 94
Mr. Ben Chandhok, Legislative Analyst
Ms. Beth Cotter, House Oversight Analyst
Mr. Gregory Stack, Budget Analyst

1. The Minutes of the Finance Committee Meetings held on February 7, 2014 and February 19, 2014 were unanimously approved. The Minutes of the Board of Director's Meeting held on February 21, 2014 was unanimously approved.

2. Acting Executive Director's Report: Ms. Mance-Rios stated that she, Mr. Howell and Mr. Palumbo attended the House Oversight working meeting. Ms. Mance-Rios stated there were a couple of issues that we need to education and advocate for the agency. One

issue is the \$35 mil in reserves, and the grant amount which was stated as \$300, but is actually \$750. Also, the confusion between RISLA and RIHEAA agencies, and the different services that RIHEAA provides. The other thing that was mention was the funding of the CollegeBoundfund that would have been used for scholarships was diverted to support the operations of the agency. The House Oversight Committee voted to require RIHEAA to have a strategic plan and all documentation to them by April 1, 2014.

Mr. Howell stated that much of the conversations were about the scholarship programs, and Representative Marcello indicated that he favors the funds going directly to the state institutions and have them use it for their financial aid. Mr. Howell stated that there was some resistance from the other members regarding that suggestion.

In response to this decision, Ms. LaSalle stated that the agency has worked on a draft proposed strategic plan. It is for discussion only.

Ms. LaSalle stated that attorney Palumbo is unable to join us today, as he is traveling.

Mr. Feisthamel asked how the \$1.5 mil was misunderstood, Ms. Mance-Rios replied the \$1.5 mil is taken from the agency reserves to use to back-fill the grant program, to level fund it. In part, due to the

changes in the appropriation. Mr. Feisthamel stated rather than have the scholarship fund be reduced by \$1.5 mil, we elected to level fund and draw upon our reserves. How did the House Oversight Committee Chair then connect it to the CollegeBoundfund revenues? Ms. Cotter replied, it wasn't about the \$1.5 mil. If you look at the revenues from the CollegeBoundfund, the percentage of the revenue that is going into the scholarships is not as high as it was previously. Ms. Mance-Rios stated, the reason the amount coming out of the CollegeBoundfund for the grants has been declining, is because we had a reserve fund we used to supplement the Scholarship & Grants Program, in addition to the existing annual revenue. Mr. Feisthamel asked, this year's grant expense within CollegeBoundfund is \$8.0 mil as an allocation from that reserve. Ms. Mance-Rios stated, yes and it exhausts that reserve. Mr. Feisthamel stated then we are out of reserves, we are not diverting money, we stopped adding money. Mr. Feisthamel stated we did not have to use the reserves in past years because we had a state appropriation and additional CollegeBoundfund funds.

Ms. Cotter stated that the concern is the increase in revenue of the CollegeBoundfund, but you don't see an increase in the amount going into the Grants, which is a major concern. Mr. Feisthamel stated, that could be fixed.

Mr. Feisthamel made a motion to be transparent, sensitive, and compliant, to the employees of RIHEAA as we move into a changing

environment, seconded by Mr. Egan.

Voted in favor: Ms. LaSalle, Mr. Delaney, Mr. Egan, Mr. Howell, Dr. Croasdale, Mr. Duffy and Mr. Feisthamel.

Voted against: None

Mr. Delaney asked if a conversation with the Union has taken place, and Ms. Mance-Rios stated it has. Mr. Delaney stated that as a board member he would like to know what is going on in those discussions. Mr. Duffy asked what happened in those discussions. Ms. Mance-Rios asked Mr. Lambert to speak. Mr. Lambert stated that he does not like the direction, which is staff reductions, but understands the position and will work with RIHEAA during this time. Ms. Mance-Rios stated that this is a challenging time for them, and all of us. Ms. LaSalle asked Ms. Mance-Rios to consult with legal counsel, Joseph Palumbo.

Ms. LaSalle asked the board to review the draft plan submitted by Ms. Mance-Rios. Ms. Mance-Rios stated, in section one, if we move to a full service model with Sallie Mae the claims fee is \$50,000, the annual fee for the guaranty agency is \$180,000 and a set-up fee is \$250,000. Please keep in mind; these are estimates from Sallie Mae. We will need to negotiate a new contract; the current contract expires October 1, 2014. After the reduction of staff that would move us from a salary base of \$2.0 mil down to \$1.6 mil, an overall savings

of \$413,000, which will off-set the increased fees from the Sallie Mae contract.

Ms. Mance-Rios stated that she recommends a full- service contract with Sallie Mae. Mr. Feisthamel stated that we need a cost benefit analysis. Mr. Lacroix agreed to have the presentation ready by Monday. Ms. LaSalle asked how much would that save a year. Ms. Mance-Rios responded initial cost is \$250,000, if you reduce the staff it is \$400,000 net, it does not include the set-up costs.

Mr. Feisthamel asked for a detailed analysis/ratio of employees, with time on tasks. Ms. Cotter stated that the committee is concerned with admin ratio vs. other programs, and the scholarship and grants expense.

Mr. Feisthamel stated, start with the core business, starting with a staff of six FTE's, what would you need to turn the lights on and accomplish the business. Ms. LaSalle agreed and asked for the agency to approach it this way when reporting.

Mr. Feisthamel asked to change the projections from the CollegeBoundfund, it should flow to the Grant program.

Mr. Howell stated, keep in mind, the State Grant program is really the state's program, we administer the program. We made the decision to take those funds and augment the program.

Building it into the model is based on the assumption that we would continue to run the program. Mr. Howell distributed his recommendations.

Mr. Duffy stated that he would like to recommend the first paragraph and the last bullet on the second page – “maintain grants for full-time and part-time students regardless of institutions”.

Ms. LaSalle stated she would like for the State Grant Program to stay within RIHEAA.

Ms. Mance-Rios stated in the third section it addresses the potential uses of the agency’s reserves. As of January 2014, our Cash & Investment statement indicates, we have approximately \$24.9 mil in agency operating fund, \$7.57 mil in the RIHEST Trust, which goes into the State Grant Program, \$4.9 mil in the Alliance Contract, which is a combination of the \$250,000 that RIHEAA receives from the administration of the CollegeBoundfund and any unclaimed baby money. The \$9.38 mil in the Federal Student Loan Reserve Fund is restricted to the operation of the FERP Program and can not be accessed.

Ms. Mance-Rios stated we are recommending keeping the \$24.9 operating fund reserve, retaining \$4.0 mil keeping it liquid for unplanned expenses. That way the agency has operations covered

for a year or two in order to fulfill any type of transition for the FFELP program.

With respect to the RIHEST \$7.57 mil that money will go to the State Grant Program, we would not change that. The Alliance contract fund, we recommend we retain to support a Universal Savings Program.

Ms. LaSalle asked about the structure of the agency, and what is the recommendation of moving forward. Ms. Mance-Rios stated continue to support and manage the four programs; winding down the student loans, continue to support the state grant, administer the CollegeBoundfund and the WaytogoRI portal. We will evolve to become a state agency that provides access, outreach, planning, saving and paying for college, services that are a value to the state.

Ms. LaSalle asked with this model, how long could the agency exist. Ms. Mance-Rios stated it would depend on whether or not we continue to repurpose revenue from CollegeBoundfund to support programs, and the reduction in personnel.

Mr. Delaney stated that he would like to see us get corporate sponsorship for the WaytogoRI program, and is willing to sit down to discuss.

A motion was made to create an endowment with the reserves for

the purpose of scholarships and grants, seconded by Dr. Croasdale and Mr. Howell.

Voted in favor: Ms. LaSalle, Mr. Delaney, Mr. Egan, Mr. Duffy, Mr. Feisthamel, Dr. Croasdale and Mr. Howell

Voted against: None

Mr. Howell distributed his write-up on his thoughts of the restructuring of RIHEAA and stated that CollegeBoundfund seems to be the major source of revenue. The other golden egg in the nest is the reserves. We all agree we want to see the reserves enhance the grant program and education. Mr. Howell stated, he would like to take a portion of

CollegeBoundfund, a few million a year, to go into the endowment and grow the pool of money, which will increase the amount paid in scholarships.

Mr. Howell stated as the guaranty agency winds down, the mission statement needs to be changed.

Ms. LaSalle stated it appears that we can keep running until 2018, if the guaranty segment is spun off to Sallie Mae then RIHEAA will take on a consolidated mission. This mission will further higher education.

Mr. Feisthamel stated, the State Investment Commission is recommending an RFP for the 529 Savings Plan, and the board should contemplate this decision.

Ms. LaSalle stated that is something that we will discuss at the next board meeting.

Ms. LaSalle stated that we need another Board meeting oppose to having a Finance Subcommittee meeting. Ms. LaSalle asked if the members were available on Friday, March 14th, to discuss the outcome of the House Finance Committee. The board agreed to a meeting on Friday, March 14th at 8:30 a.m.

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

Adjournment was at 10:15 a.m.

Mr. John Howell
Secretary