

**MINUTES OF A TELECONFERENCE MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION**

April 18, 2005

**1755 Lake Cook Road
Deerfield, Illinois**

**500 West Monroe Street
Springfield, Illinois**

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
Robert Casey
Mary Ann Louderback
C. Richard Neumiller
Gretchen Winter

COMMISSIONERS ABSENT:

Christopher Kurczaba
George Lesica
Hugh Van Voorst

STAFF PRESENT:

Larry E. Matejka, Executive Director
Kathy Rooney, Deputy Executive Director
John Jennetten, Chief Program Officer
Marcia Thompson, Chief Financial Officer
Tom Sakos, IDAPP
Tom Breyer, Deputy Program Officer
Randy Erford, *College Illinois!*
Lori Reimers, State Relations
Nancy Stephens, *College Illinois!*
Peter Xilas, IDAPP
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Karen Hunter Anderson, ICCB
Patrick Krolak, Marquette Associates
Karen LeVeque, Robert Morris College
Joseph Starshak, Starshak, Welnhofner & Company

Agenda Item 1. Announcements

Chairman Barr called the April 18, 2005 teleconference meeting of the Illinois Student Assistance Commission to order at 9:00 a.m. It was noted that the Deerfield and Springfield offices of the Commission were connected via teleconference.

Ms. Calcara, Secretary to the Commission, called the roll. Commissioners present included Ms. Betts, Mr. Casey, Ms. Louderback, Mr. Neumiller, Ms. Winter and Chairman Barr. It was noted that a quorum existed.

Chairman Barr noted that the next meeting of the Commission is scheduled to be held on Friday, June 24, 2005 at Prairie State College in Chicago Heights.

Mr. Matejka reminded members of the Commission that the deadline to complete the ethics training is June 19, 2005.

Mr. Matejka took the opportunity to congratulate Ms. Marcia Thompson on reaching her 10-year service anniversary with the Commission.

Agenda Item 2. Minutes of the January 24, 2005 Meeting

Ms. Louderback **MOVED THAT** the minutes of the January 24, 2005 meeting be approved as submitted. Ms. Betts seconded the motion, which was approved without dissent.

Agenda Item 3. Executive Director's Report

Opening his report, Mr. Matejka briefed the Commission on Federal legislative activity, including updates on the budget process and the upcoming Reauthorization of the Higher Education Act. Moving on to the MAP and IIA status report, Mr. Matejka stated that both application and claim volume are down for this year. He speculated that possible reasons for this might be the combination of the reduced size of the MAP award and significant increases in tuition and fees have caused some students not to go to school at all and others to attend less expensive institutions. He stated that three years ago a MAP eligible student attending a four-year public university who received a full MAP award would have had their full tuition and fees covered at that university. Currently, the award covers only about 65% of the tuition and fees at a public university. He noted that this is an example of how the purchasing power of the MAP has eroded in the last three years.

Continuing his report, Mr. Matejka stated that the Governor's Office of Management and Budget (GOMB) is again recommending a fund sweep that would take from agencies a percentage of funds held that were previously designated for specific purposes. This year, the agency's Student Loan Operating Fund (SLOF) is included in the recommended fund sweep. He stated that up to eight percent or 25 percent of the balance of unobligated funds are targeted for the sweep, which in the case of SLOF could be as much as \$3 million. While various funds have been identified in association with the proposed sweep, Mr. Matejka explained, no funds have actually been taken, pending resolution of various legal issues and challenges. He further noted that as a result of the proposed sweep, he has sent a letter to the Governor's office explaining the impact that this would have upon the agency, as well as the legal restriction that these funds be used only for student aid activities as defined in federal statute.

Responding to an inquiry from Ms. Winter, Mr. Matejka noted that while MAP is currently at 89% payout for FY2005 and IIA is at 90% payout, he anticipates these numbers to increase closer to 100% for IIA and about 98% for MAP. Although the MAP award is at the smallest that it has been in

some time, approximately 146,000 students will receive an award, which is highest number of awards issued.

Mr. Matejka announced that Chairman Barr received the Meritorious Service Award from the Illinois Association of Student Financial Aid Administrators (ILASFAA) at its annual meeting on April 4, 2005. He was recognized for his long-standing commitment and service to higher education and student aid in the State. Chairman Barr acknowledged his appreciation to ILASFAA for this award.

Agenda Item 4. IDAPP Demand Student Loan Revenue Notes/Liquidity Facilities

No action was required on this item. Mr. Matejka noted that as a result of staff deciding to redeem the Note in full during May of 2005, this item will no longer appear on the agenda for future Commission meetings.

Agenda Item 5. Illinois Student Assistance Commission Illinois Designated Account Purchase Program Budget Request

Mr. Matejka opened this item, explaining that the IDAPP request is consistent with the budget request submitted for the rest of the agency in terms of salary increases and other general administrative cost increases for FY 2006. He noted that as a result of shifting administrative costs from the General Revenue Fund (GRF) to the Student Loan Operating Fund (SLOF), \$500,000 is budgeted from IDAPP to offset costs that would ordinarily be covered by the SLOF.

Mr. Sakos explained that the FY 2005 supplemental budget request of \$2,250,000 was comprised of two principal components: \$750,000 for Personal Services to cover larger than anticipated increases in health care insurance costs and retirement contributions; and an additional \$1.5 million for External Servicing due to the large growth in the volume of loans that IDAPP originates and services through external servicing organizations and additional costs associated with service enhancement initiatives related to these portfolios.

Mr. Neumiller **MOVED THAT** the Commission approve the:

- FY2006 IDAPP budget request of \$43,770,000;
- FY2005 IDAPP supplemental budget request of \$2,250,000; and
- Withdrawal of \$650,000 from 1993 Series D Taxable Student Loan Revenue Bonds to fund costs associated with IllinoisMentor.

Ms. Betts seconded the motion, which was approved unanimously.

Agenda Item 6. IDAPP's Quarterly Investment Report

No action was required on this item.

Agenda Item 7. College Illinois! Investment Performance Report

Mr. Matejka announced that new contracts sold for the enrollment period ending March 31, 2005 is approximately 5,200, a small decrease from the previous year. Ms. Stephens added that due to the sale of contracts for newborns continuing until August 1, this number may increase by another 250-450 contracts. While the total number of new contracts is down slightly, she noted, the agency is continuing to see a number of strong positive indicators, including the large number of contracts for a full eight or nine semesters; the large number of lump-sum, rather than installment, payments; and a significant number of

existing contract holders returning to purchase an upgrade, such as adding an additional 4 semesters to their previously purchased 4 semester contract. These upgrades are not reflected in the number of new contracts sold during this past enrollment period.

Responding to an inquiry from Mr. Neumiller regarding the investment managers listed as being under "alert" status on page 4 of the Investment Performance Report, Mr. Pat Krolak of Marquette Associates explained that Jarislowsky Fraser is under alert due to performance issues and Marquette Associates will continue to monitor their performance. He noted that William Blair is under alert due to the departure of a key member of the firm but after an on-site visit by staff he feels that things remain on track and the firm's performance has been unaffected so far. State Street Global Advisors is in a similar situation, he noted, also with no negative effect on performance to date. Mr. Krolak stated that he expects both William Blair and State Street are likely to be taken off alert within the next few months.

Agenda Item 8. Proposed Rules Amendments

Mr. Matejka noted that this is the second time these proposed rules amendments have come before the Commission and stated that no letters of comment were received during the public comment period, and no changes have been made since the initial publication.

Ms. Louderback **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Commission accepts the proposed rules amendments for submission to the Joint Committee on Administrative Rules.”

Ms. Betts seconded the motion, which was approved unanimously.

Ms. Louderback **MOVED THAT** the meeting be adjourned. Ms. Winter seconded the motion, which was approved unanimously. The meeting concluded at 9:40 a.m.

Respectfully submitted,

Debra A. Calcara
Secretary to the Commission