

AGENDA ITEM 2.

MINUTES OF THE SEPTEMBER 18, 2009 MEETING

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

September 18, 2009

Southern Illinois University
Edwardsville, Illinois

COMMISSIONERS PRESENT:

Donald J. McNeil, Chair
Sharon Alpi
Dr. Lynda Andre
Dr. Mary Ann Louderback
Johnathan Wilson

COMMISSIONERS ABSENT:

Sean Dauber
Hugh Van Voorst

STAFF PRESENT:

Andrew Davis, Executive Director
Frank Bello, Chief Investment Officer/Treasurer
Ellen Greenan, RPPA
Susan Kleemann, Managing Director, RPPA
Kim Lee, General Counsel
Paul Palian, Director, Media Affairs
John Sinsheimer, Chief Financial Officer
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Sharon Berry, Southern Illinois University-Edwardsville
Corinne Boyington, Student
Mary Clabaugh, Student
Cynthia Colon, Student
Jamy Dallas, Student
Marsha Garner, Southwestern Illinois College
Joshua Harrell, Student
Pat Krolak, Marquette Associates
Liz Lebron, Student
Andrew Mossman, Student
James A. Myers, McKendree University
Chase Newson-Jones, Student
Vicki Obermann, McKendree University
Brandon Rahn, Student
Sandy Street, University of Illinois
Dave Tretter, FIICU
Sandra Walker, Student

Item 1. Announcements

Chairman McNeil opened the meeting and introduced Dr. Vaughn Vandegrift, Chancellor of Southern Illinois University Edwardsville (SIUE).

Dr. Vandegrift welcomed the Commission to the campus and stated that SIUE's fall enrollment, at slightly under 14,000 students, has set a new record for the institution. He also noted that SIUE was one of 77 institutions of higher education recently recognized by U.S. News and World Report as an up-and-coming university. He stated that the Monetary Award Program (MAP) is very important to SIUE and he believes that the higher education community must work together to solve the MAP funding issue to ensure that we don't lose a generation of students who help contribute to the citizenry of our state.

Chairman McNeil stated that the next regularly scheduled meeting will be held on November 13, 2009 at North Central College in Naperville. He noted that the Commission members have received a tentative list of proposed meeting dates and locations for next year and indicated that action will be taken at the next meeting to adopt an official schedule of meeting dates for the Commission for 2010.

Chairman McNeil introduced Ms. Sharon Berry, Financial Aid Director at SIUE, who will begin the public testimony to bring awareness to the MAP funding crisis.

Sharon Berry, Financial Aid Director, SIUE – I have been at SIUE for 10 years. Today we are here to talk about a very important issue, MAP funding. The mean taxable income of Map recipients was just \$23,558 last year, more than three quarters of those students had household incomes of less than \$40,000 and just under half reported less than \$20,000. These students range in age from just out of high school to adults as dislocated workers returning to school to gain new skills or rebuild their lives. Of the \$220 million that was cut from the MAP funding, about \$3.5 million of that is funding for SIUE students. At a time when higher education is being viewed as the vehicle that will drive the nation out of its financial difficulties, it is crucial to consider future ramifications of this reduction. The funding is a critical piece of financial support for about one in four undergraduate students on this campus who receive between \$500 and \$2,200 per semester. Offsetting that loss in order to continue pursuing their education will be quite a challenge. Without this money in the spring, the students will have some tough decisions to make. We have several SIUE students here today to share their personal stories.

Brandon Rahn, Student Body President, SIUE – As most everyone here, I was heartbroken to learn on July 15 that Illinois state government had made the decision to dramatically decrease the Monetary Award Program (MAP), impacting nearly 138,000 students. This decision significantly impacts higher education throughout the state. Here at SIUE approximately 2,700 students have lost this critical MAP funding and are now questioning whether they can return in the spring. Not only are 2,700 students impacted at SIUE, but our remaining, 11,200 students are also impacted either through the possibility of losing friends, possibility of having to watch a brother or sister drop out of school or having their own tuition and fees increased if numerous students withdraw from the university. Our state has always been dedicated to higher education, however, I stand disappointed in the decision to eliminate this necessary funding. Not only are they potentially limiting higher education for many students, they are also jeopardizing the future of the state of Illinois itself. As college students in 2009, we are the electorate and most importantly, we are the future of Illinois. If the state of Illinois does not reinstate these funds they are risking more than just the here and now. We currently stand on the brink of returning to the glory days of Illinois, yet if we do not continue to provide assistance to our students and support education, the state of Illinois will suffer the effects from years to come.

Jordan Shaw, Highland, Illinois – (video recording) I am a student here at SIUE and have been getting a MAP grant ever since I have been here. I use it to do a lot of things on campus and am involved

in a lot of student organizations and MAP helps me by allowing me to live on campus so I can be more connected with students and spend a lot of time in my honors research. Losing the MAP will mean that I have to do more work, which will reduce the amount of time I have and not focus on my career as much. We are Illinois' future so we need to be prepared.

Jessica, Chicago, Illinois – I am currently a sophomore at SIUE. As of now, I receive the MAP grant but starting spring of 2010 I will no longer be receiving that grant, this will affect me in many different ways. I will either have to take out more loans, which will put me farther in debt, or I will have to take out a semester to figure out how I will be able to replace the money I received from MAP. I feel this will affect many students and stop us from getting a higher education. I ask that you please consider restoring the MAP so that we can continue learning.

Sandra Walker, St. Louis, Missouri – I am a senior at SIUE. I found out that we are losing the MAP and then I'm in a situation that I didn't have enough money to cover my tuition or my room and board. I was dropped from classes before and it was a struggle to have food because I didn't have a meal plan and I was about to lose my housing. To come to the point where I have to face that again, it is nerve wracking. It is my last semester and I will have to increase my loans yet again and have to work more. With the MAP I was able to cut back on my employment hours and dedicate more time to studying. I would suggest that all students that are affected by this cut to contact your legislator, if not now in the near future, just to let them know that we are affected by this and it is important that we have some kind of funding and this reduction will stop a lot of students from continuing their education.

Andrew Mossman, Senior, SIUE – I'm here today to speak about the MAP and the possibility of being cut for the spring semester. The loss of that funding stands to affect me in a very personal way. If the program is not restored, I will have to make up by taking out more loans, of course, it isn't the worst case scenario but the upcoming semester will be my final one I would rather like to save money as opposed to accruing more debt. There will be other students who unfortunately will not be able to make up the lack of MAP money with student loans. For these individuals, for many varied reasons, they will not be able to receive loans and will just be out of luck. They will no longer be able to enroll students in this university, they may be able to go elsewhere but for most, their college career will just abruptly end. Looking forward and anticipating return of MAP for the next academic year and beyond, how many of these students will be in a position to return. My point is that if we lose these students they are unlikely to return to our institution, not in the foreseeable future and maybe not at all. The loss of a significant amount of students due to the suspension of the MAP will most likely result in further hardship for those student who remain in order to make up for the difference in the absence of the students who are gone due to the MAP cut, tuition and fees will most likely rise for the rest of the student body. This increase in the cost, what it takes to receive an education, could have the affect of driving more students out of school. Again, for the student body, faculty and staff of this university and as an institution as a whole, I believe that would be disastrous. That is why it is important that I think we work toward making progress and reinstating the MAP for the spring semester and beyond.

I notice there are quite a few students here and I would like to say that we can work together and get this done. Please, write your legislator, write polite messages to the Governor or letters to the editor to local papers. If we are successful I believe we all have much to gain, namely that would be the educational health of all of us at this institution and statewide. If not, many of the people you see before you today and many others face uncertain future. I don't think that has to be. I would like to work together for Illinois students. Thank you for giving me time today.

Liz Lebron – I am a first year grad student at SIUE. I have a classmate who faces losing \$1,875 in MAP funding. \$1,875 at some colleges that barely covers the cost of books, but for some students, that means the difference between getting an education or not. As you know, I am disqualified being a MAP

recipient but I stand here today in solidarity with my fellow students because I understand personally what \$2,000 or \$3,000 can do for a student and their family. As an undergraduate I face the prospect of not returning to school the spring semester my sophomore year because I was short \$3,000. My plan was to take a semester, work and come back in the fall. Lucky for me I shared this plan with a Professor who understood in a way that I could not as a 19 year old, that a break in my education at that point would mean a long-term break, if not a permanent break. I share this story with you for two reasons, one, my education profoundly changed every aspect of my life. I was given opportunities as college graduate that my family would never have envisioned for itself. I was the first person in my family to graduate from college and not only does that mean I have these opportunities, but it has also impacted my family and changed the dynamic of my family forever. So today, I'm going to ask you to think about statistics. You'll hear a lot of them today, you'll forget most of them, but I want you to think about which group of statistics you want, the 270,000 students in Illinois who will be affected by this budget fall into, they can be college graduates, or they can fall into a number of stereotypical groups that we all know lower income, especially minority first generation students, can fall into. Now I don't know about you, but I want all 270,000 of those students to stand here with me as proud college graduates. I am proud to stand here today in solidarity with them to ask you to please reconsider and work to change this budget so that other students like me can have those opportunities. Thank you so much.

Corinne Boyington, Decatur, Illinois - I first came to SIUE knowing that I would be within groups that were friendly and encouraging. When I first came to this university that is what I was welcomed with and I was excited to come to school. I made it my goal to graduate within four years and stay on the Dean's list those four years. I am currently in my seventh semester and going into my eighth not knowing how I'm going to pay for it because I'm losing almost \$2,000 with the MAP being taken away. It is scary going into your last semester not knowing what is going to happen, especially when I have had set goals as many other students have. I'm here to ask you to reconsider the MAP so that I and other fellow students can have the opportunity to finish their last year and finish their goal and go onto their future as successful college graduates. Thank you.

Joshua Harrell, Junior, SIUE, Kinesology Major, Teacher Education – I'm a first generation college student and of a single parent household. When I first came to college I felt like college was just going to be about student loans, I was really unsure and uneducated about financial aid. As I learned, I found out about MAP, Pell and other forms of financial aid and loans weren't the only way to pay for school so therefore you wouldn't be in debt when you graduate. My freshman and sophomore year I received a MAP grant. This year as I look on the computer I see I won't receive it in the spring and further investigated and found out what was going on. When I found out that the budget was cut I realized that \$1,960 of my financial aid would be gone, which means I will need to take out a loan, I already take out loans and am not eligible for the Parent PLUS loan. I would have to get another loan and I already had this problem the freshmen year when I needed extra money for one of my classes and I wasn't approved for that loan either. This means I will probably be going home. I am from Belleville Illinois and if I go home, I could commute, but I'm involved on campus so I won't have the gas to go to class, go home, come back and I also work on campus. So to drive from campus home to campus home I won't have the gas for that and have the proper transportation. If I'm driving that much I won't have time to work. With that being said, I hope that you can look to change the budget and bring the MAP funding back. Some students live on campus because they are involved and being involved on campus I believe is a very beautiful thing as well as helps the university and the person's character and future. Thank you.

Chase Newson-Jones, Chicago, Illinois – I'm a MAP recipient for first semester but sadly not for second semester. MAP grants are essential to my wellbeing and with that being said, I will do anything I can to help assist you bring back MAP.

Mary Clabaugh – Although I am not personally a MAP recipient, I have two friends who are and are seniors in education. Without their MAP grant they will not be able to return this spring semester for student teaching which is a pretty big deal. As you know, education is not a field one goes into to make money. It is to better the lives of people. So, I am hoping on their behalf that you will consider reinstating the MAP grant because one person can make a difference in the world and these two people will help further the lives of children and create tomorrow's leaders. I ask you to reconsider the MAP grant. Thank you.

Cynthia Colon, Chicago, Illinois – I am not impacted in the MAP but I know first hand what it is to lose it. When I first came to SIUE I was a freshman, I did receive MAP. As I continue my years here at SIUE I did not receive a MAP my sophomore year. I am here to speak on behalf of the students since I know first hand what it is to lose a MAP grant so I'm hoping we get the students involved and talk to representatives to get the MAP grant resolved for the spring. Thank you for your time.

Dennis, Granite City, Illinois – I am a senior and will be graduating in May. I am affected by the MAP grant and I don't know how to solve this problem. My brother is a freshman and he has just come here and is receiving MAP for this semester, but will be affected like all others for the second semester. I highly recommend you correct this because families like ours will be affected a lot by these grants and will be really hard times for us. I hope you will consider this. Thank you.

Jamya Dallas, East St. Louis, Illinois – I'm a junior and my major is criminal justice. I did receive MAP, \$2,100 but half of that was cut, my usual amount was \$4,200 and it was cut to \$2,100 so I won't receive anything for the spring semester. Also, I'm not sure if I will have to pay anything for the spring semester but I think I'm boarder line as far as my classes go. I also have a friend who received most of her funding for school from MAP and I'm speaking on her behalf today because she is in class. She received nothing at all and without that money she will have to work twice as hard to pay her tuition. Right now, she is working about 8 hours almost every day to pay tuition. I wanted to let you know that it is very essential that you try your best to

Mr. Davis thanked all those giving testimony in support of MAP funding. He assured the students that they have one of the finest financial aid directors at SIUE and even with the integrity and energy that she brings to her position, there is nothing that can be done when the state does not deliver the resources that are needed for students. He stated that the Commission is committed to do whatever it takes to work to get the funds for MAP restored.

He indicated that following this regularly scheduled meeting, the Commission will hold four more special events that will give the students of Illinois the opportunity to give their personal testimony regarding MAP funding. The events will be held on September 25, 2009 at Illinois State University in Normal; October 2, 2009 at Carl Sandburg College in Galesburg; October 9, 2009 at Loyola University in Chicago; and then at Southern Illinois University at Carbondale on October 12, 2009. He noted that Governor Quinn will also be addressing students at an event at the University of Illinois at Chicago on September 29, 2009. He indicated that these events will be followed up by a rally which will be held on October 15, 2009 in Springfield where students throughout the state will gather to send their message to the legislators and the Governor. In addition to the scheduled events, Mr. Davis indicated that a special web site has been established at saveillinoismapgrants.org, where students can not only sign petitions, but also find resources available for them to hold their own rallies, templates available to personalize signage for the campus, a press kit to be downloaded to use locally and a link with information on how to locate and contact your individual state legislator.

Continuing, Mr. Davis urged students, parents, friends and any registered voter and concerned constituent to contact their legislator to restore MAP funding. This is in the hands of the thousands of

Illinois students who will have no financial aid next semester; it is their voices that the legislators need to hear.

Chairman McNeil encouraged students to contact their local state representative and convey to them that although the vote to restore MAP funding will require them to take a tough stand, it is important that MAP be funded even if it means a fee or tax increase.

Chairman McNeil then read into the record written testimony from Women Employed:

Women Employed is non-profit advocacy organization committed to improving the economic status of women. Because improving access to higher education is one of the best ways to improve women's incomes, Women Employed has championed the Monetary Award Program (MAP) for many years. We are very disturbed by the cuts to the MAP program and are reaching out to legislators and working hard to mobilize community college students to make their voices heard and demand funding restoration.

Elena Herrera, a non-traditional MAP student from Moraine Valley, coordinates Student Advocates for Success, an advocacy group for low-income students. Student Advocates for Success provides students with resources and information to make their voices heard in the political process. With MAP funding cut substantially, many of the students Elena has talked to are dropping out or having serious financial difficulties. Without a MAP grant, Karen (not her real name) couldn't afford to pay tuition for one class and childcare for her two children during class. As a result, she is withdrawing from school and may not return. Andrew got laid off from his job while attending college and with a reduced MAP grant had to drop from full-time to one class. Paying for that class has been so difficult, he almost lost his apartment.

Illinois residents depend on MAP to help them increase their employability and potential earnings through higher education. What could have been a landmark opportunity for Illinois to rise to the challenge and help our state's workforce develop new skills and retool while the economy rebounds could be lost if the Governor and legislature don't take action now. Women Employed fully supports the Illinois Student Assistance Commission and the students gathered here in fighting to restore MAP. We will continue to do all we can to restore these grants.

More information on Student Advocates for Success is available through the Women Employed website or the Save Illinois MAP grants website.

Chairman McNeil then asked that a roll call be taken, which established that a quorum was present.

Item 2. Minutes of the June 26, 2009 Meeting

Dr. Louderback inquired as to the status of the College Illinois![®] Prepaid Tuition Program third party sales agent RFP which was discussed at the last meeting. Ms. Lee indicated that the RFP has been drafted and is currently with Central Management Services for approval and should be released within the next week.

Ms. Alpi **MOVED THAT** the minutes of the June 26, 2009 meeting be approved as submitted. Dr. Louderback seconded the motion, which was approved unanimously.

Item 4. Appointment of Vice Chair

Chairman McNeil stated that he has asked Ms. Alpi to assume the role of Vice Chair. Dr. Louderback **MOVED THAT** Ms. Alpi be appointed Vice Chair of the Commission. Dr. Andre seconded the motion, which was approved unanimously.

Item 5. Executive Director's Report

Mr. Davis noted that the agency, in addition to carrying on its many important daily functions, is continuing to focus its resources and staff on the campaign to restore MAP funding.

On the federal side, he noted that the U.S. House of Representatives voted yesterday by an overwhelming majority to end the decades-old Federal Family Education Loan Program (FFELP) and move the entire country to the Federal Direct Lending program whether a school wishes to do so or not. He indicated that this will have a dramatic effect on the way the agency is funded, since 80% of the agency's revenue is derived from its participation in FFELP. He stated that the changes within the agency that have taken place over the last three years, while they have been hard, have resulted in ISAC being in a much better position to withstand the impact of the end of FFELP lending. The reduction of staff over the last three years from 522 employees to 359 today and closer to 300 by the end of the year is a start of the cost savings that needs to happen in light of the reduced revenue. He stated that our mission will not change, which is making college accessible and affordable for all Illinois students, but how we deliver the programs and how it is funded will change. He indicated that the bill eliminating the FFELP program also includes billions of dollars that will be made available to agencies such as ISAC to continue outreach and access efforts.

Continuing, he stated that the federal College Access Challenge Grant is funding the ISACorps, which officially kicked off with a press conference hosted by Millikin University in Decatur, where a number of our ISACorps members, who will be working in community college districts throughout the state, were introduced. These ISACorps members will be working as near-peer mentors in high schools and colleges as support to the hard working financial aid advisors and college counselors.

He stated that the agency is fighting the campaign to save MAP and retooling the model in which the agency is funded and doing so with hard working staff across the agency that are committed to the cause of making college accessible and affordable for all Illinois students.

Item 6. Monetary Award Program and Silas Purnell Illinois Incentive for Access Program (IIA) – FY2010 Status Report and Request for Approval of Payment Claim Deadline Dates

Ms. Kleemann opened the agenda item noting that this is brought before the Commission each year at this time; however, staff is only seeking approval of the first semester payment claim deadline dates due to the MAP funding shortage and awards being given for only the first semester. She indicated that should ISAC receive additional funding for second semester awards, staff will come back to the Commission to approve those payment claim deadline dates.

Referring to the status of MAP and IIA, she indicated that application volume is higher than ever before and the agency is on track to suspend over 130,000 students, which is over twice as many as we have ever suspended in the past. She explained that suspending applications means that students meet all the criteria, but due to the lack of funding, the application is put into suspension and should additional funds be made available the applications can be released for payment. She indicated that out of the 130,000 students in suspension, 90,000 of those are students attending community colleges and there is an increase in the number of dependent students coming directly out of high school.

Continuing, Ms. Kleemann indicated that IIA application volume is up nearly 63% over last year's volume partially due to the change in the Expected Family Contribution (EFC) for families with incomes of \$30,000 or under now being zero.

Ms. Kleemann explained the necessity of a deadline date is to give to schools a final date to submit applications on behalf of their students and also for operational purposes to ensure that our forecasting is correct and funds are not overspent.

Ms. Alpi **MOVED THAT** the Commission approve the FY 2010 priority payment first-term claim deadline date for MAP and IIA of January 10, 2010.

Dr. Andre seconded the motion, which was approved unanimously.

Item 7. Monetary Award Program (MAP) Graduation Rates for FY 2003 Public School MAP Recipients

Ms. Kleemann introduced the agenda item noting that research staff will be making an in-depth study of first-time freshmen MAP recipients using a shared enrollment database from Southern Illinois University at Carbondale. She indicated this database provides graduation rates for community colleges and public universities but unfortunately only two private institutions currently participate in this database. She then gave the Commission a brief overview of the information derived from this database which is presented in the agenda book. She summarized that the information obtained so far from this study indicates that MAP recipients, despite having more financial problems, being less prepared for college and most being first generation students, are graduating from public institutions at about the same rate as non-MAP recipients.

Item 8. Investigating Alternative Funding Sources for the Monetary Award Program (MAP): Analyzing State Income Tax Revenue Streams from Community College MAP Recipients to Provide Information for the Procurement of Bonds to Fund Need-based Financial Aid

Ms. Kleemann stated that the early suspension date of May 15 is having a dramatic impact on community college students. MAP coverage at all types of institutions is becoming less each year and MAP now covers less than 50 percent of tuition and fees at a public university. Borrowing is also way up for students in all sectors.

In order to address these unprecedented statistics in relation to the MAP funding, Mr. Davis has asked that staff look into other sources of funding MAP for community college students. The application volume for community college students peaks in July; an application deadline of May 15 shuts out many applications from community college students.

She indicated that staff is gathering data for a proposal that revenue bonds be used to fund the community college portion of MAP. Working in coordination with the Department of Revenue, staff has sent the Department records of 200,000 community college graduates to determine the tax revenue generated from these students. She stated that once this information is received, research staff will analyze the data, calculating future revenue streams from each community college class of MAP recipients. She stated that once a complete analysis is done on the tax revenues, staff will come back to the Commission with a recommendation on how to fund this portion of MAP.

Mr. Davis referenced a research paper from the Joyce Foundation that described experimental programs in Michigan, Iowa, Missouri and Kansas where revenue bonds were issued for job retraining as

part of an economic incentive package to bring new employers to the states. He feels that funds given to an individual to obtain a college degree is an investment in human capital and capital projects are typically not funded with current revenue, but are capitalized. He has charged ISAC's research staff to analyze the data from the Department of Revenue to see how the state's investment in MAP results in increased income tax revenues. He explained that there should be a positive rate of return on education and perhaps the MAP funds paid to community college students are an investment that should be funded with capitalized funds rather than General Revenue Funds. He also described the benefits of counter-cyclical financing. When the economy is in a downturn and more students return to school, the bonds would be larger. During economic upswings, demand would be down but tax revenues would be up, and bond retirement would be faster.

Mr. Davis stated that should research determine that there is a positive rate of return and the Commission feels this would be worth pursuing, ISAC would seek legislative approval as a way to fund part of MAP which would remove some of the extraordinary burden that the state currently carries to fund this program.

Responding to Ms. Alpi, Mr. Davis stated that the focus at this initial stage will be on the community college sector of MAP since enrollment for this cohort normally follows the employment cycle more typically and community college students are disadvantaged by the present first-come, first-served distribution of funds.

Item 9. College Illinois! Prepaid Tuition Program Contract Prices and Fees for 2009-2010 Enrollment

Mr. Bello introduced the proposed 2009-2010 College Illinois! Prepaid Tuition Program contract prices noting that the prices were developed in cooperation with the program's actuary, Richard M. Kaye & Associates, in conjunction with the firm of PriceWaterhouseCoopers, taking into consideration the long term tuition inflation, fee inflation, investment performance in the program as well as amortization of the deficit. He stated that the rising tuition and fee costs continue to drive the rising cost of contract prices, as well as the lackluster investment performance in 2008 and 2009.

Mr. Bello noted that the main change in the program starting with this new enrollment period is that there will now be year-round enrollment and pricing incentives to purchase contracts early at the start of the enrollment beginning November 1 with pricing increasing each month thereafter.

He referred to the tables starting on page 9-5 in the agenda book that represents all levels of contract pricing and the current fee schedule.

Responding to Chairman McNeil's request to review the investment performance, Mr. Bello stated that for the fiscal year ending June 30, 2009, the program ended the year with a total program performance of -15%, and although this is a negative number, compared favorably to many other plans throughout the country, many of which had declines in the 25 - 30% range. However, he indicated that the first two months of the new fiscal year have shown very good performance, with approximately a 7% increase.

Responding to Ms. Alpi's concern as to whether the higher prices will impact sales, Mr. Davis agreed that more expensive is obviously harder to sell, but he stated that it is important not to ignore the actuarial reality by under-pricing the product. He stated that going forward, it will be important to focus on two key pieces of data in evaluating what the next ten years will look like; first, how did we do on selling, and were we finally able to end the downtrend in sales, because it is essential for the long-term

health of the program to have new money coming in, so that we can continue to invest in the market; and secondly, the overall state of the financial markets.

He noted that the first two-and-a-half months of the fiscal year have been positive, and since March, the portfolio has seen nearly a quarter of a billion dollars in capital gains. But, he stated that should the market have another disastrous year, there would be a problem, and every prepaid plan, pension fund, retirement plan and 401(k) plan would also have a problem. However, he is encouraged because the portfolio is already 80% of the way to the estimated actuarial return for the year and if it is able to hold steady, and the markets can maintain and we can sell contracts, the program is healthy.

Dr. Louderback inquired if the assumption to sell 5,500 contracts during this enrollment period is as a result of an anticipated increase due to year-round sales. Mr. Davis agreed and also noted the addition of a professional, third-party sales force. Responding to Dr. Louderback, Mr. Davis stated that a third-party sales fee of three percent has been built into the price of all the contracts

Mr. Davis stated that there has been interest expressed in the third-party sales approach by a number of responsible financial organizations. He anticipates that by having our product offered by numerous representatives from organizations such as these, we are highly likely to sell more contracts. Ms. Alpi agreed that it is a wise decision to offer our product through professional certified financial planners because investors are looking for help in determining where to securely invest for college, and having these professionals as our sales forces is a move in the right direction. Ms. Alpi stated that it is her hope that going forward, we maintain a sales force with the level of sophistication that is needed in order to sell this product.

Chairman McNeil stated that this type of an investment needs to be explained by a professional and can't be done on a TV commercial. He stated that unlike other 529 plans that are crashing and losing money, this program is not affected by that, there is a guarantee of return at the end of the road when the child goes to college.

Ms. Alpi **MOVED THAT** the Commission approve the proposed College Illinois! 529 Prepaid Tuition contract prices specified for the 2009-2010 period in Tables A, B and C, as well as the schedule of fees and charges for the program set forth in Table D of the agenda book.

Dr. Andre seconded the motion, which was approved unanimously.

Chairman McNeil noted for the record that Student Commissioner Johnathan Wilson is present for the meeting. He stated that Mr. Wilson has been appointed by the Governor but is awaiting Senate confirmation.

Continuing, he stated that while the Open Meetings Act generally requires that public bodies conduct their business at meetings that are open to the public, the Act also provides various exceptions for matters to be discussed in a closed session. For the Executive Session this morning, there is an applicable exception under subsection 2(c) of the Open Meetings Act:

- 1) Under exception number "7" of subsection 2(c)..the closed session will concern the sale or purchase of securities, investments or investment contracts.

Dr. Louderback **MOVED THAT** the Commission adjourn into Executive Session. Ms. Alpi seconded the motion. After a roll call vote approving the motion, the Commission adjourned into closed session at 12:11 p.m.

The Commission returned into open session at 12:50 p.m.

Item 11. College Illinois! Prepaid Tuition Program Infrastructure Investment Agreement

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

“BE IT RESOLVED that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman **and** the Chief Investment Officer to execute and deliver a Subscription Agreement by and between the Infrastructure Fund and ISAC (the **“Subscription Agreement”**), a Second Amended and Restated Limited Partnership Agreement and any amendments or supplements thereto, (the **“Limited Partnership Agreement,”**), a side letter agreement (the **“Side Letter”** and together with the Subscription Agreement and the Limited Partnership Agreement, the **“Infrastructure Fund Documents”**). The Infrastructure Fund Documents shall be in substantially the form attached hereto as *Exhibits A-1, A-2 and A-3*, which are hereby approved, with such changes, revisions and completions therein not inconsistent with this Resolution as shall be approved by the Executive Director or Chairman **and** the Chief Investment Officer, such execution to constitute conclusive evidence of Executive Director or Chairman **and** the Chief Investment Officer approval and the Commission’s approval of any changes, revisions and completions therein from the form of Infrastructure Fund Documents attached hereto; **provided, however,** in no event shall the amounts invested under the Infrastructure Fund Documents exceed \$50,000,000;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director **and** the Chief Investment Officer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman or Executive Director and Chief Investment Officer, which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

Dr. Andre seconded the motion, which was approved unanimously.

Item 12. College Illinois! Prepaid Tuition Program Real Estate Asset Class Investment

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

“BE IT RESOLVED that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman **and** the Chief Investment Officer to execute and deliver a Subscription Agreement by and between the Real Estate Fund and ISAC (the **“Subscription Agreement”**) and a side letter agreement (the **“Side Letter”** and together with the Subscription Agreement, the **“Real Estate Fund Documents”**). The Real Estate Fund Documents shall be in substantially the form attached hereto as *Exhibit A-1 and A-2*, which are hereby approved, with such changes, revisions and completions therein not inconsistent with this Resolution as shall be approved by the Executive Director or Chairman **and** the Chief Investment Officer, such execution to constitute conclusive evidence of Executive Director or Chairman **and** the Chief Investment Officer approval and the Commission’s approval of any changes, revisions and completions therein from the form of Infrastructure Fund Documents attached hereto; **provided, however,** in no event shall the amounts invested under the Real Estate Fund Documents exceed \$50,000,000;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director and the Chief Investment Officer are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman or Executive Director and Chief Investment Officer, which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

Dr. Louderback seconded the motion, which was approved unanimously.

Mr. Wilson updated the Commission on the activities currently being done in the community and with the IBHE Student Advisory Committee members in lobbying to restore MAP funding as well as a special web site, Facebook and Myspace pages specifically on the MAP issue.

Mr. Wilson is also bringing a concern to the Commission from the student community that if the MAP funding is not restored students will be forced to incur loan debt which will have a motivational and performance effect on their education. Also, students are concerned about the notice they are being given in regards to the cuts to the MAP grants. Specifically, he indicated that in May when discussion was held on the possibility of cuts from the General Assembly it wasn't until a few weeks before school started that students received e-mails pertaining to the possibility of their MAP grant being cut. They are requesting that notification is given sooner so that they can better prepare strategically for the cuts.

Mr. Davis stated that even the Commission was unaware of the cuts until the week before the announcements were made and that is specifically why all the funding received for the MAP was distributed to students in their first semester grant in order to give students time to secure additional resources for the second semester should no additional funding be received. Chairman McNeil stated that it was even anticipated that the \$220 million cut from the MAP funding would be restored using the Governor's \$1.2 billion in discretionary funds and unfortunately that did not happen.

Mr. Davis stated that he is aware that there are some schools still reporting aid in the financial aid packages for the second semester and the funding is just not there at this point in time and schools should be letting their students know that they will need to secure funding elsewhere.

Dr. Louderback **MOVED THAT** the September 18, 2009 meeting of the Commission be adjourned. Ms. Alpi seconded the motion, which was approved unanimously. The meeting adjourned at 1:13 p.m.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission