

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

June 11, 2004

**Dominican University
River Forest, Illinois**

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
George Lesica
Mary Ann Louderback
C. Richard Neumiller
Hugh Van Voorst
Gretchen Winter

COMMISSIONERS ABSENT:

Robert Casey
Christopher Kurczaba

STAFF PRESENT:

Larry E. Matejka, Executive Director
Tom Sakos, IDAPP
Peter Xilas, IDAPP
Tom Breyer, Deputy Program Officer
Theresa Morgan, Budget and Finance
Randy Erford, *College Illinois!*
Nancy Stephens, *College Illinois!*
Karen Salas, General Counsel
Maria Bucio, Client Relations
Patrick Elliott, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Kathy Amato, School of the Art Institute of Chicago
Rocky Barber, William Blair & Company
Deb Brodzinski, Robert Morris College
Thomas Coverick, Robert W. Baird & Company
Rich Dabrowski, Nicholas Applegate
Karen Drewek, Celtic, Inc.
Louis Holland, Holland Capital Mgmt
Anne Holloran, American Express/Kenwood Capital Mgmt
Patrick Krolak, Marquette Associates
David Lubell, New Amsterdam Partners
Brian Meehan, Celtic, Inc.
Amy Monblatt, UBS PaineWebber
Doug Oest, Marquette Associates
Charles Restivo, Illinois Institute of Art-Chicago
Scott Seibring, Illinois Wesleyan University
Michael Shields, Dominican University
Joseph Starshak, Starshak, Welnhof & Company
Sandy Street, University of Illinois
Patricia Swatfager-Haney, University of Illinois
Norbert Truderung, William Blair & Company
Rachel Unruh, Women Employed
Dave Tretter, FIICU
Jerry Weber, Kankakee Community College
Larry White, Chapman and Cutler
Maria M. Zambonino, St. Augustine College

Agenda Item 1. Announcements

The Chairman called the June 11, 2004 meeting of the Illinois Student Assistance Commission to order at 9:00 a.m., at Dominican University in River Forest. In recognizing the recent death of former President Ronald Reagan, and the fact that the funeral was to be held today, he asked that those in attendance at the meeting observe a moment of silence in memory of the late President.

After a brief moment of silence, the Chairman introduced the President of Dominican University, Dr. Donna Carroll, who welcomed the Commission and expressed gratitude for the important work they do on behalf of the students of Illinois. The Chairman thanked Dr. Carroll for the hospitality she and her staff have shown in hosting the meeting.

It was noted that the next regularly scheduled meeting of the Commission was due to be held on Friday, July 30th at Triton College in River Grove. (It was subsequently announced that pending resolution of the budget crisis in Springfield and the adjournment of the General Assembly, a special meeting of the Commission might have to be held to consider the impact of the final budget agreement on the programs and services offered by ISAC.)

On a final note, the Chairman deferred to Ms. Betts, who had recently represented the Commission at a meeting of the Illinois Board of Higher Education (IBHE) in Decatur. Ms. Betts provided a brief report on items considered by IBHE at that meeting. The Chairman thanked Ms. Betts for attending the meeting on his behalf.

Agenda Item 2. Minutes of the April 2, 2004 Meeting

The Chairman indicated that a revised copy of the minutes of the April 2, 2004 meeting had been distributed to Commissioners that morning, before the meeting. Relative to the published draft, he noted, the only two changes proposed in the revised draft are minor and are reflected in bold print, in Items 4 and 8 of the April minutes.

Ms. Louderback **MOVED THAT** the revised minutes of the April 2, 2004 meeting, as distributed to Commissioners that morning, be approved as presented by staff. Ms. Betts seconded the motion, which was approved unanimously.

Agenda Item 3. Executive Director's Report

Mr. Matejka echoed the Chairman in expressing thanks to Dr. Carroll and her staff for the hospitality they had extended to the Commission. He also acknowledged the efforts of Mr. Oz Amaro of the agency's Information Services Division for so generously offering not only his assistance but also the use of his personal equipment to ensure that today's proceedings were properly recorded.

Continuing, he recalled that earlier this year, staff had advised Commissioners that a series of Requests for Proposals (RFP's) were due to be issued by the agency's secondary market, for investment banking, trustee services, attorneys and financial advisors. Although unanticipated delays were encountered in obtaining approval from CMS to issue the RFP's, it is anticipated that staff will be prepared to present recommendations to the Commission at the July meeting.

With regard to state legislative matters, Mr. Matejka observed that at this time of year, he typically would be providing the Commission with an update on the state legislative process, particularly as it relates to how ISAC and its programs fared in the final budget approved by the General Assembly. Unfortunately, he continued, the General Assembly failed to adjourn by their scheduled date of May 30,

due primarily to the impasse regarding the FY2005 budget. For ISAC, it was noted, this means that funding levels have yet to be determined for the upcoming academic year for programs such as the Monetary Award Program and other agency scholarship and grant programs. Continuing, he observed that this lack of resolution on the budget could make for an unpleasant year for agency clients. Regrettably, some disruption was probable. Depending on what emerges in the final agreement on the budget, he explained, the Commission may find it necessary to adopt a MAP recompute formula under which the award amounts paid to students are different than what was projected under the start-up formula approved by ISAC earlier this year. At best, it is likely to be late July before students will be told how much MAP assistance, if any, they can plan on getting for the 2004-05 academic year. For students and parents, this could leave significant gaps in financial aid packages; for ISAC and its client institutions, implementing such changes immediately before, or in some cases, after the academic year has already gotten underway, could be a significant administrative challenge.

Mr. Matejka commented on some of the MAP reforms the Commission had approved at start-up this year, noting that they reflected at least two years of work aimed at ensuring that amidst the State's budget crisis, resources were used as efficiently as possible and available dollars were targeted to the neediest of students. At every stage of the process, for both the Commission and staff, the priority was students and how they would be impacted. Unfortunately, he continued, in times like these, even the most apolitical issues fall prey to the political process, with some interest groups scurrying to advance their agendas at the expense of the bigger picture and creating an environment that assumes "If I'm going to win, you'll have to lose," rather than working together to expand the size of the pie. Mr. Matejka expressed concern that those adopting this approach had failed, in spite of numerous requests, to propose any viable alternatives to the start-up formula they opposed. He closed his remarks by assuring the Commission that he would keep them advised of any developments on the budget.

The Chairman emphasized that in spite of the uncertainty referenced by Mr. Matejka, the Commission continues to do its work; things may be up in the air in Springfield, he acknowledged, but they are not up in the air at ISAC. The Commission, he noted, continues to process award applications in accordance with the start-up formula adopted several months ago and will continue to do so. With respect to the political posturing referenced by Mr. Matejka, the Chairman stressed his concern over the manner in which the opponents of the start-up formula made their case - certainly not to this Commission, at least not in a manner aimed at negotiation, compromise or collaboration. Despite repeated requests by staff that opponents propose alternatives, no viable alternatives had been brought forth.

With regard to other matters, Mr. Matejka noted that Commissioners had recently been provided with a state legislative update that highlighted the status of bills being tracked by staff. He also announced that Ms. Lori Reimers, ISAC's Director for State Relations, had recently given birth to her second child, Andrew. In Lori's absence, he noted, Randy Erford has been helping out; Mr. Matejka thanked Mr. Erford for taking on this extra work.

In concluding his remarks, Mr. Matejka commented on the financial tables, highlighting the fact that funding shortfalls would obligate staff to pro-rate payment of claims for the Illinois Veteran Grant, Illinois National Guard Grant, and most likely, the Student-to-Student Matching Grant programs. He also noted that it appeared likely that FY2004 funding for Dependents' Grants was not likely to be sufficient to honor all eligible claims. In response to a question from Ms. Winter, Mr. Matejka indicated that pro-ration of payments for the programs cited has become more likely in recent years, due to funding constraints.

Following up on comments made by Mr. Matejka, the Chairman expressed his thanks to the staff who have taken on additional responsibilities while two key members of senior staff were out on medical leave.

Agenda Item 4. IDAPP Demand Note/Liquidity Facilities

No action was required on this item.

Agenda Item 5. Resolution Authorizing and Approving an Interest Rate Exchange Agreement

Mr. Matejka indicated that this was the third time staff had brought this sort of item to the Commission. He explained that the action requested in some ways resembled an insurance policy, aimed at making sure that the agency maintains a steady flow of revenue in connection with the PLUS loans in its portfolio. It was noted that Tom Sakos, Director of the agency's secondary market/lending division, was available to respond to questions.

The Chairman indicated that staff was requesting Commission approval of the resolution presented on pages 5-3 and 5-4, entitled "Resolution Providing for the Execution and Delivery of a Derivative Product in Accordance with the Terms of the Resolution, As Amended."

Mr. Neumiller **MOVED THAT** the Commission adopt the aforementioned resolution, presented on pages 5-3 and 5-4 of the agenda book. Ms. Betts seconded the motion, which was approved unanimously.

In response to a question from Mr. Van Voorst, Mr. Sakos explained how the action requested allows the agency to convert its variable rate debt into fixed rate debt for the one-year term of this agreement. Since the interest rate on PLUS loans is also fixed for this period (7/1/04-6/30/05), ISAC will be able to lock in a fixed spread between its PLUS loan assets and its underlying debt. This allows IDAPP to make sure that its operating costs are covered, and protects it from any potential losses that would otherwise occur if interest rates rose during the year.

Agenda Item 6. IDAPP's Quarterly Investment Report

It was noted this item represents an information item only. No action by the Commission is required.

Agenda Item 7. FY2005 MAP and IIA Status Report

In introducing the item, Mr. Matejka commented on the environmental conditions underlying the application volume and payout projections set forth in the item. Specifically, he pointed to the prolonged economic downturn, double-digit tuition increases, and increased application volume, particularly among community college students and low-income families. While noting that it was encouraging to see that students are applying earlier, he said, it is also disturbing to realize that due to budgetary constraints, the Commission will probably have to suspend or turn away at least as many students in FY2005 as were suspended in FY2004.

Continuing, he pointed out that the action recommended by staff is an annual item, aimed at ensuring that announcements are suspended when necessary and appropriated MAP funds are not overcommitted. He indicated that under the start-up formula approved by the Commission, it is projected that award announcements would have to be suspended around August 1. That said, he continued, if developments in Springfield result in ISAC receiving less MAP funding than anticipated or if the Commission is directed to modify the manner in which it calculates eligibility, it might become necessary to suspend award announcements earlier.

Prompted by Ms. Louderback, a brief exchange occurred in which concerns were raised about how disruptive it will be for students and families if there is no action on the budget until some time in July. Specifically, Ms. Louderback indicated that it troubled her to think that the Commission might be asked to modify the formula significantly at this late stage in the process, particularly in light of the number of students who could be impacted adversely. It was noted that while historically, the post-budget recompute of MAP awards has resulted in eligible applicants seeing increases to their awards, this year may prove to be different. It is quite possible that such applicants may see either decreases to the preliminary award announcements they were provided, or worse yet, may be advised that they will not be receiving a grant at all.

The Chairman reiterated that no one has raised any concerns with him regarding the FY2005 start-up formula approved by the Commission that have caused him to think that the Commission should revisit or modify that formula. While acknowledging the rumors that have been flying about regarding alleged deals that have been cut, he emphasized that the MAP formula is a Commission matter and stressed that if anyone has a problem with the decisions made at these meetings, they should convey those concerns. He suggested that there were few if any public bodies in this state that are as open and collaborative with their clients as is the Commission.

Ms. Louderback **MOVED THAT** the Commission adopt the staff-recommended resolution authorizing the suspension of FY2005 award announcements for MAP and IIA when it becomes necessary to avoid a substantial risk of overcommitting MAP and IIA appropriations. Mr. Neumiller seconded the motion, which was approved without dissent.

Agenda Item 8. Elimination of Guarantee Fee Through December 31, 2004

Mr. Matejka indicated that this represented an annual item, noting that while staff would like to continue its practice of not charging borrowers a guarantee fee, it is possible that legislative action at the federal level may make it necessary for the Commission to reconsider that practice at the conclusion of this calendar year. Legislation pending in Washington might make it mandatory that student loan providers charge a guarantee fee. Further, he added, existing law obligates agencies to maintain "adequate reserves," the definition of which is subject to change. Thus, by year's end, changes to federal law may compel the Commission to revisit this issue.

Mr. Van Voorst **MOVED THAT** the Commission approve the elimination of the guarantee fee for ISAC-guaranteed FFELP loans disbursed on or after July 1, 2004 through December 31, 2004. Ms. Winter seconded the motion, which was approved unanimously.

Agenda Item 9. College Illinois! FY2005 Budget Request

Mr. Matejka introduced Ms. Nancy Stephens, Associate Director for the *College Illinois!* program. Ms. Stephens provided the Commission with an overview of the budget request, highlighting those increases that are volume-driven and reflect the additional contracts that have been sold in recent years. She also spoke to the requested increase for marketing, explaining that this increase is driven by three factors: new creative materials, more promotional events and plans to expand the scope of the program's Internet activities. In response to a question from the Chairman, she clarified that this budget request involves funds generated by the program; no state General Revenue Funds are involved. Year-to-year, it was noted, an increase of 7.8 percent is recommended in this request.

Ms. Winter asked how staff measures the effectiveness of its marketing efforts. In response, it was noted that client feedback is solicited on the Web site and applications, and that focus groups are convened to determine the most effective way to reach potential purchasers, but ultimately success is

reflected in the number of contract sales. Ms. Winter observed that in light of current economic conditions, rising college costs and budget cuts, *College Illinois!* is looking like a better and better bargain for Illinois citizens.

Ms. Betts **MOVED THAT** the Commission approve the FY2005 *College Illinois!* administrative budget set forth in Table I, on page 9-6 of the agenda book. Ms. Winter seconded the motion, which was approved unanimously.

Agenda Item 10. Selection of *College Illinois!* Investment Managers

Ms. Stephens pointed out that due to the significant growth in program assets and also the fact that several long-standing management contracts had reached the end of their renewal options, it had been necessary to issue three Requests for Proposals for investment managers this spring; for a large cap core equity manager, a large cap growth equity manager and a small cap value equity manager. She spoke to the assistance provided by Marquette Associates, the program's investment consultant, in reviewing the proposals that were submitted, and also noted that included among the members of the evaluation team were Commissioner Betts and Mr. George Clam, long-time member of the program's Investment Advisory Panel. In wrapping up her opening remarks, Ms. Stephens indicated that representatives of the recommended firms were present in the audience and were available to respond to any questions Commissioners might have, as was Mr. Krolak of Marquette Associates.

The Chairman indicated that the firms recommended by staff are shown on the back side of page 10 of the agenda book.

In response to a question from Mr. Lesica, Ms. Stephens indicated that 37 firms had submitted proposals. She indicated that staff had been very pleased not only with the number of proposals received, but also the quality of the firms seeking the business.

Mr. Neumiller **MOVED THAT** the Commission adopt the following resolution:

"BE IT RESOLVED that the Commission authorizes the Executive Director to negotiate and enter into contractual agreements for the *College Illinois!* Program with: State Street Global Advisors to serve as an investment manager for the large capitalization core equity portfolio; New Amsterdam Partners, Holland Capital Management and William Blair and Company to serve as investment managers for the large capitalization growth equity portfolio; and Nicholas Applegate and Kenwood Capital Management to serve as investment managers for the small capitalization value equity portfolio."

Mr. Van Voorst seconded the motion, which was approved without dissent.

Agenda Item 11. Selection of Marketing Agent for *College Illinois!*

Ms. Stephens noted that the law creating the prepaid tuition program provides for the Commission to approve the appointment of the program's central marketing agent every three years. An RFP was issued this spring, the response to which was strong, with nine firms submitting bids. The evaluation team charged with reviewing the proposals consisted of *College Illinois!* staff and staff from other areas of the agency. Ms. Stephens noted that it was the unanimous recommendation of the team that Celtic Incorporated be retained as the program's marketing agent. She indicated that Brian Meehan and Karen Drewek of Celtic were present and available to respond to any questions Commissioners might have.

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

“**BE IT RESOLVED** that the Commission authorizes the Executive Director to negotiate and enter into a contractual agreement with Celtic, Inc. to serve as the central marketing agent for the *College Illinois!* program.”

Ms. Winter seconded the motion, which received unanimous approval.

Agenda Item 12. Institutional Application To Participate In ISAC Gift Assistance Programs: Illinois Institute of Art – Chicago

Mr. Matejka pointed out that staff had advised the Commission at the previous meeting that this item was likely to be on today’s agenda. He noted that the Illinois Institute of Art – Chicago is a proprietary institution that has met all of the institutional eligibility requirements set forth in the agency’s rules. Mr. Matejka introduced Mr. Charles Restivo, President of the institution, and Mr. Chuck Munro, the school’s Director of Student Financial Services.

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

“**BE IT RESOLVED** that the Commission approves the application of the Chicago campus of The Illinois Institute of Art to participate, on a provisional basis, in ISAC-administered gift assistance programs for which it is eligible, effective for the fall term of the 2004-2005 academic year, with payment of awards to be subject to available funding.”

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

In response to a question from Ms. Winter, it was noted that the school enrolls roughly 2,000 students, approximately half of whom might be expected to participate in the Commission’s programs. Ms. Winter also asked Mr. Matejka to comment on the increased participation of proprietary institutions in MAP and other ISAC gift assistance programs.

Mr. Matejka indicated that this topic is likely to be mentioned in the FY2006 budget documents presented to the Commission later this year. Since proprietary institutions became eligible to participate in ISAC programs eight years ago, the dollar value of the MAP awards paid to students enrolled at such institutions has tripled. He indicated that this trend as well as others that have financial implications will be addressed by staff as it prepares the FY2006 budget request.

Agenda Item 13. Adopted Rules Amendments

Mr. Matejka explained that this item deals with the proposed omnibus rules amendments. The 45-day public comment period has been completed, as has the review by the Joint Committee on Administrative Rules (JCAR). The six Parts referenced in the resolution were approved by JCAR with no objection, while action on the MAP section was postponed pending further discussion. Specifically, JCAR voted to extend the second notice period for Part 2735 for an additional 45 days. This Part is expected to be back on the JCAR agenda at its June 15 meeting.

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

“**BE IT RESOLVED** that the Commission approves and adopts the omnibus rules amendments for Parts 2720, 2736, 2763, 2764, 2765 and 2775 so that they can be effective for the 2004-2005 academic year.”

Ms. Winter seconded the motion, which was approved without dissent.

Ms. Louderback **MOVED THAT** the June 11, 2004 meeting be adjourned. Ms. Winter seconded the motion, which was approved unanimously, and the meeting adjourned at 10:15 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Debora A. Calcara".

Debora A. Calcara
Secretary to the Commission

**MINUTES OF A MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
June 29, 2004
Illinois Student Assistance Commission
Deerfield, Illinois**

COMMISSIONERS PRESENT: J. Robert Barr, Chairman
Pauline Betts
George Lesica
Mary Ann Louderback
C. Richard Neumiller
Hugh Van Voorst
Gretchen Winter

**COMMISSIONERS PRESENT
VIA TELEPHONE:** Robert Casey

COMMISSIONERS ABSENT: Christopher Kurczaba

STAFF PRESENT: Larry E. Matejka, Executive Director
Kathy Rooney, Deputy Executive Director
Tom Sakos, IDAPP
John Jennetten, Chief Program Officer
Tom Breyer, Deputy Program Officer
Sue Kleemann, RPPA
Chris Peterson, Program Services
Karen Salas, General Counsel
Sam Nelson, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Jane Brumitt, School of the Art Institute of Chicago
Denise Coleman, Trinity Christian College
Gary Davis, ICCTA
Paul Frank, FIICU
Ethel Fuller, DeVry University
Mark Holysz, College of DuPage
Patrick James, School of the Art Institute of Chicago
Carolyn Lindley, Northwestern University
Lori Beth Meadows, Legislative Research Staff Office
Terry Ludwig, Shawnee Community College
Lynn Nichelson, Illinois Wesleyan University
Rachel Oslender, FIICU
Scott Seibring, Illinois Wesleyan University
Susan Swisher, St. Xavier University
Maria M. Zambonino, St. Augustine College

Agenda Item 1. Announcements

Chairman Barr brought the Special Meeting of the Commission to order at 1:35 p.m. at the Illinois Student Assistance Commission offices in Deerfield. He noted that the next regularly scheduled meeting was to be held on July 30, 2004, at Triton College, but due to scheduling conflicts it is necessary to change the location of the meeting. He stated that depending on the results of legislative action on the FY2005 budget, it may not be necessary to hold the July meeting since action is being taken on the FY2005 MAP Recompute today.

Mr. Matejka took the opportunity to assure the Commission that in the event that the General Assembly does not reach an agreement on an FY2005 budget by the end of June, the Commission will continue to operate as normal. He noted that there is no plan for an overall state shutdown but in that event, IDAPP and *College Illinois!* will continue to operate and meet their obligations and the Commission will continue to meet its obligation with regard to the payment of lender reimbursements so there is no danger at this point in time of losing federal reinsurance unless the impasse continues into August or September.

Agenda Item 2. IDAPP Demand Student Loan Revenue Notes/Liquidity Facility

No action is required on this item.

Chairman Barr stated that the Commission would act on the Adopted Rules Amendments agenda item prior to acting on the MAP FY 2005 recompute formula.

Agenda Item 4. Adopted Rules Amendments

Mr. Matejka opened the item by noting that these amendments have received a “no objection” from the Joint Committee on Administrative Rules (JCAR), and are now being brought to the Commission for final adoption and publication in the Illinois Register.

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

“**BE IT RESOLVED** that the Commission approves and adopts the amendments for Part 2735, Monetary Award Program (MAP), so that they can be effective for the 2004-2005 academic year.”

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

Agenda Item 3. Monetary Award Program FY2005 Recompute Formula

Chairman Barr noted that the purpose of this special meeting of the Commission was to consider a revision of the FY2005 Monetary Award Program (MAP) Recompute Formula, which was adopted at the meeting of the Commission on February 2, 2004. He stated that if anyone in the audience has given their name to the Secretary to address the Commission he would recognize them after Mr. Matejka has given his remarks. Chairman Barr stated that after the Commission has acted on this item he has a prepared statement to read into the record.

Mr. Matejka stated that however anyone feels about MAP and the eligibility formula under which the Commission distributes the all-too-limited resources that were appropriated, this has been a terribly frustrating year. To the Commission and staff and equally important to the gubernatorial and legislative staff involved in striking the compromise which is before us today, he extended his thanks. He noted that

there was probably nothing that could have been done in the form of a compromise that would have pleased everyone. Mr. Matejka stated that, like the Chairman, he was not entirely pleased with the recommendation that is being presented to the Commission today and believes that students would have been better served under the start-up formula that was adopted at the February meeting, and that data and projections put forth clearly support that assertion. Yet, over the course of the past two months he had been made painfully aware that sufficient confusion and misunderstanding exists among a handful of clients and as a consequence among some legislators, as to render moving forward at this time with the formula changes that had been proposed impossible. He stated that for students, it is unfortunate, and for the staff and the Commission, it is frustrating.

Mr. Matejka noted that what is being brought to the Commission today is a recompute formula that is based upon last year's formula and assumes level funding. He stated that should the final budget approved by the General Assembly provide something less than level funding or include guidance contrary to what is expected, another special meeting of the Commission might be necessary.

Mr. Matejka explained that in the formula before the Commission for approval today the Tuition Equalization Factor (TEF) incorporated at start-up has been removed and the \$9,000 Expected Family Contribution (EFC) cutoff used previously reinstated. He noted that instead of the 7% reduction factor, or across-the-board cut, provided for under the start-up formula approved in February, the Commission is compelled to reduce all awards by 10 or 11%, depending on the EFC of the applicant. Mr. Matejka stated that this formula has its positive aspects as well, indicating that processing will be extended a little longer than anticipated, which will primarily benefit the lower income students attending community colleges and urban institutions, who normally apply later. He noted that unfortunately the biggest negative in the formula is that awards will be given to a small number of students from higher income families while reducing all other student awards in order to accomplish this.

Ms. Betts **MOVED THAT** the Commission approve the FY2005 MAP recompute formula summarized in Table 2 on page 3-5 of the agenda book. Mr. Neumiller seconded the motion.

Chairman Barr then recognized Dr. Gary Davis, Executive Director of the Illinois Community College Trustees Association.

Dr. Davis expressed his disappointment over the necessity of the recompute action being taken today, stating that this action reverses what the ICCTA held to be a wiser course that was adopted on February 2, 2004. He observed that when the desires of a few relatively well off individuals outweigh the undeniable need of thousands who are truly needy and for whom access is truly threatened, something is wrong. He stated that the action taken on February 2nd did its job by discouraging tuition increases at a time when everybody is worried about high tuition. Unfortunately, he feels the action the Commission was taking today will drive tuition levels higher. He thanked the Commission for its foresightedness and for its courage over the last few weeks and months and feels confident that the Commission did everything to make the case that needed to be made. He stated that the Commission makes the American dream possible for so many people in Illinois.

Chairman Barr recognized Dr. Terry Ludwig, President of the Illinois Council of Community College Presidents.

Dr. Ludwig stated that as he looks at the events before the Commission today, he echoes the remarks of Dr. Davis in saying that the Council is disappointed in seeing the necessity for these changes. The Council believes that the system should provide access to more rather than access to few at the expense of more. Dr. Ludwig stated that the Council stands ready to work with the Commission as they consider this issue in the future.

Chairman Barr noted that a motion was before the Commission and asked if there were any questions or comments from the Commissioners.

Mr. Neumiller stated that one thing that has impressed him the most about being a member of this Commission is the way in which people have been able to work together in some rather difficult situations and the way people who work with the educational system have worked with our staff to bring about the best balance that can possibly be reached. He wishes that in the future they can continue to work together to do the best job they possibly can for the students.

Ms. Winter echoed the comments made by Mr. Neumiller and stated that the openness of the staff and the openness of this Commission has really been a hallmark of this particular organization for years. Recalling past years of heated debate and discussion on the formula, she observed that the debate was invigorating; it was public policy at its best and the way public policy ought to be made. She stated that this year, sadly, this has not been the case for all of the players in this decision. She feels that public policy can only be made in the sunlight and urged all those that participate in the process going forward to keep that in mind.

Ms. Louderback stated that what bothers her most in this process is that the student is being hurt. She encouraged the Commission to have serious discussions as to how this affects the students in all our universities and community colleges.

Echoing what has already been said, Mr. Lesica agreed that what is taking place is extremely unfortunate from a student's perspective. He stated that it is sad when something so critical to so many people is used as a political softball. Certain things are political issues, he observed, but people going to college shouldn't be one of them. The benefits of a higher education are just too significant, both to the State and to the individuals involved, to be handled in this way. It is very disheartening, he continued, when ISAC policy is set by someone other than ISAC, the Director and his staff.

Mr. Van Voorst indicated that he has not heard from anyone regarding the formula. He understands that compromises have to be made to get things done and he feels that is what is happening here today. He thanked staff for the job they are doing.

Ms. Betts feels that the reason she as a Commissioner has not heard from anyone regarding this decision is that they all assume "all is well."

Mr. Casey echoed and agreed with what has been said.

Chairman Barr noted that there is a motion to approve the recommendations of the staff as contained in the agenda book. The motion was approved unanimously.

Chairman Barr then took the opportunity to read the following remarks into the record:

"I begin this statement by acknowledging the leadership that the Governor, and particularly the Governor's Office of Management and Budget, and the leaders and members of the General Assembly have shown in grappling for yet another year with the unprecedented budget crisis that has crippled this State for at least three consecutive years. True, their disagreements have been characterized as political bickering, and, as we all know, there has been plenty of that.

“But, overall, we are watching dedicated public servants with legitimate differences of opinion struggle to reach compromise agreements which they believe will work for all the citizens of Illinois. The challenges that confront them are not easy ones.

“The Illinois Student Assistance Commission is a part of the Executive Branch of Illinois government – independent of, but also responsible to, the Office of the Governor. The General Assembly has established various programs for the provision of financial aid to Illinois students designed to assist them and their families in meeting the costs of obtaining a college education and has delegated responsibility for the implementation and administration of those programs to the Commission. Illinois governors and legislators have shared a commitment to making post-secondary education as affordable as possible to as many as possible. However frustrated we may become during legislative sessions such as the current one, we must remember that Illinois has historically, year in and year out, far outranked virtually every other state when it comes to supporting need-based student financial aid such as that provided through the Monetary Award Program (MAP) administered by this Commission.

“Every year since it was established, the Commission has adopted a so-called start-up formula for the tentative determination of MAP awards for the next fiscal year. This formula must be put in place at the earliest possible date so that Commission staff and institutional financial aid officers can begin processing award applications. When the FY2005 budget development cycle began some two years ago, it was clear to our staff that the economic downturn would last longer and be more severe than anticipated by some. After extensive research, the Commission’s staff developed a modified needs analysis formula designed to direct the limited dollars to be appropriated for the Commission’s programs to the neediest students. The proposed formula would implement the recommendations of the joint Board of Higher Education-ISAC Committee on Affordability, increase program efficiencies, further the State’s time-to-degree objectives, increase the number of students receiving an award by roughly 1,000, and permit the Commission to reduce the across-the-board cuts it had been forced to impose on award recipients for the past two years. MAP award recipients would have been provided with more purchasing power than they would have had under the old formula. The staff’s recommended formula was adopted by the unanimous vote of the Commission in February.

“Unfortunately, we now find it necessary to postpone implementation of some of the reforms contained in that formula. The modifications we approved in February will be re-examined next year leading to adoption of a start-up formula in connection with the FY2006 budget development process. But for FY2005, we will revert to a formula similar to the one in effect for FY2004. I am not pleased with this outcome. But I appreciate that enough confusion and misunderstanding exist to make it impossible for us to proceed this year. In deference to the Governor’s Office and the leadership of the General Assembly, we will postpone implementation.

“That said, I would like to make a few observations about how the budget process has unfolded this year and about the forces that, I believe, have given rise to the confusion, misunderstanding and opposition that now result in a MAP recomputed that will be quite disruptive for students, for schools, and for this Commission.

“It never occurred to me that the Commission would encounter opposition to a formula which redirected aid to the neediest students while increasing the number of awards – especially opposition from such an unlikely source as the private colleges and universities or, more specifically, the organization representing them. I say this because, with few exceptions, private institutions would have seen increased payout under the Commission’s original FY2005 start-up formula, as would their students. Those benefiting most would have been the poorest of their students.

“The clients of this Commission are the students of Illinois and their families. I feel strongly that, as a Commission, we have an obligation to balance competing demands and strive for what we believe to be best for those students overall. At the same time, I recognize that our policies, and the programs we administer, have a significant impact on Illinois’ institutions of higher education, both private and public. And I understand that those institutions feel obligated to advocate for their particular and parochial interests as they see them. I understand that, and I respect that.

“What I do not understand is why an organization of institutions would aggressively oppose a program that would actually benefit its constituency. If, in fact, that organization and its members support the Monetary Award Program, I don’t understand why it would push for reversion to an eligibility formula that will cost its members money – why it would believe it has won a victory when the students attending its members lose. The logic of that escapes me.

“Based on the second- and third-hand talk I’ve heard, the opposition to the Commission’s original formula is characterized as being on “philosophical grounds” – rather than on financial grounds or on the basis of how students and their families are affected. It seems that those opposing the Commission’s original formula were convinced that the Tuition Equalization Factor included in the Commission’s original formula evidenced a bias against higher cost institutions, and that they were fearful that the factor would not be adjusted as costs rise.

“With regard to the former objection, I assure you that in considering proposed formula changes, neither the Commission nor its staff is driven by institutional considerations. Rather, our focus is on students. The models our staff ran in developing the FY2005 formula demonstrate that the formula was in the best interests of Illinois students, especially the lowest income students – in every sector – in every part of the state.

“With regard to the second objection, I can only say that the Commission would absolutely have made appropriate adjustments as a part of our formula review each year.

“In addition to my frustration at the objections raised to the FY2005 formula, I am also perplexed by the manner in which the opponents of the FY2005 formula made their case. Objections were not made to the Commission, at least not in any manner designed to result in negotiation, collaboration or compromise. Time and again, our staff requested the opponents to propose alternatives. No viable alternatives were presented. As Chairman, I on several occasions requested that anyone concerned about the Commission’s action speak to me, but my requests were ignored. This is not a constructive way to develop sound public policy.

“As I noted at our last meeting, I regard this Commission as among the most open and most collaborative government bodies in the State of Illinois. Our professional staff is second to none in its ability and willingness to work with all interested parties in the development of Commission positions. Before changes are formally proposed to the Commission, we consult our clients and the institutions they attend. We genuinely respect the expertise of the men and women who make up the financial aid community, and we recognize that their perspective must be taken into consideration if students are to be well served. They are in the field working with students and financial aid programs every day.

“But collaboration and cooperation is a two way street. If we are to do the job we have been given, we need the constructive assistance of everyone with an interest in providing access to higher education in Illinois. Experience has shown that when we work out our differences as a community and advance a common agenda, we, that is the students and their families, win. Fractionalized and fighting, we lose, as do those we serve.

“Sadly, we have had no meaningful dialogue with the opponents of the FY2005 formula. In spite of repeated requests, no viable alternatives were ever presented. In the end, all we heard was “stick with the status quo,” irrespective of the negative consequences for both students and institutions. I am deeply disappointed by this.

“In retrospect, I would say that if we had a chance to go through this process again, we would conduct a more aggressive information campaign to try to prevent the misinformation that has circulated this spring. In anticipation of this matter coming up again when the Commission considers adoption of the start-up formula for FY2006, I assure you that we will not make the same mistake again. And finally, I once again extend a most sincere invitation to all interested parties to join us in the preparation of that formula, to participate in the dialogue.”

Chairman Barr asked if any other business was to come before the Commission. Ms. Louderback then **MOVED THAT** the Special Meeting of the Commission be adjourned. Ms. Winter seconded the motion, which was approved unanimously. The meeting adjourned at 2:14 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Debora A. Calcara". The signature is written in a cursive, flowing style.

Debora A. Calcara
Secretary to the Commission