

**MINUTES OF A MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
November 19, 2004
Oakton Community College
Des Plaines, Illinois**

COMMISSIONERS PRESENT:

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

**COMMISSIONERS PRESENT
VIA TELEPHONE:**

Robert Casey

COMMISSIONERS ABSENT:

Christopher Kurczaba
Hugh Van Voorst

STAFF PRESENT:

Larry E. Matejka, Executive Director
John Jennetten, Chief Program Officer
Marcia Thompson, Chief Financial Officer
Tom Breyer, Deputy Program Officer
Lori Reimers, State Relations
Randy Erford, *College Illinois!*
Nancy Stephens, *College Illinois!*
Susan Kleemann, RPPA
Kris Smith, RPPA
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Fred Ash, Bank One
Rebecca Babel, National-Louis University
Paul Frank, National-Louis University, FIICU
Jerry Joseph, University of Illinois at Springfield
Randy Kangas, University of Illinois
Patrick Krolak, Marquette Associates
Karen LeVeque, Robert Morris College
Carolyn Lindley, Northwestern University
Katie Moore, Governor's Office of Management & Budget
Geoffrey Obrzut, ICCB
Kevin O'Kelly, Governor's Office of Management & Budget
Sandy Street, University of Illinois
Carl Teichman, Illinois Wesleyan University
Rachel Unruh, Women Employed
Cheryl Warmann, Oakton Community College
Eric Weems, Loyola University-Chicago

Agenda Item 1. Announcements

Chairman Barr called the November 19, 2004 meeting of the Commission to order at 9:10 a.m. Noting that Mr. Casey was connected by telephone, the Chairman asked that a roll call be taken, which established that a quorum was present. Chairman Barr thanked the staff of Oakton Community College for their hospitality in hosting the meeting and introduced Dr. Margaret Lee, President of the College.

Dr. Lee spoke briefly to the Commission, stating that she appreciates the challenges facing the Commission and believes the Commission is sensitive to the needs of the students wishing to further their college education but without the needed resources to do so.

Chairman Barr stated that members of the Commission had received a copy of the tentative meeting dates and locations for 2005 at the meeting in September. He indicated that these dates are brought to the Commission today for approval, noting that the date originally suggested for January has been changed to January 10. He then also observed that this date would more than likely be changed to January 24. He asked that the list given to the Commissioners today be approved and each Commissioner contact the Commission Secretary to indicate their availability to change the January 10 meeting to January 24.

Ms. Louderback **MOVED THAT** the Commission adopt the proposed list of Commission meeting dates and locations for calendar year 2005. Mr. Neumiller seconded the motion, which was approved unanimously. The proposed list approved by the Commission included the following dates and locations:

Monday, January 10, 2005	ISAC Office, Deerfield
Friday, April 8, 2005	University of Illinois at Springfield
Friday, June 24, 2005	Prairie State College, Chicago Heights
Friday, July 29, 2005	Lake Forest College, Lake Forest
Monday, September 19, 2005	Illinois Wesleyan University, Bloomington
Friday, November 18, 2005	DeVry University, Addison

Chairman Barr reminded the Commissioners to contact the Commission Secretary after they have had an opportunity to check their schedules on changing the next meeting to January 24, 2005. He then indicated that it is the intent of the Commission at the January meeting to adopt a budget request to be submitted to the Illinois Board of Higher Education and from there to the Governor's Office.

Mr. Matejka then reminded the Commissioners that, in accordance with the Governor's Executive Order Number 5 (2003), each member of the Commission must complete the State's mandatory ethics training. He noted that a memorandum outlining the directions to complete the training had been sent to them on November 1. He offered the use of agency facilities to any Commissioner needing access to the Internet. Mr. Matejka also reminded the Commissioners that the Fall Seminars for Partners are now underway and encouraged them to participate if possible.

Agenda Item 2. Minutes of the September 24, 2004 Meeting

Ms. Betts **MOVED THAT** the minutes of the September 24, 2004 meeting be approved as submitted. Ms. Louderback seconded the motion, which was approved without dissent.

Agenda Item 3. Executive Director's Report

Opening his report, Mr. Matejka stated that award announcements for the FY2005 Monetary Award Program (MAP) and the Silas Purnell Illinois Incentive for Access (IIA) Program have been suspended for applications with a receipt date of August 16 or later, with a total of 20,000 applications in suspension status to date. He noted that application and eligibility volume are both up this year. He stated that as of November 6, approximately 102,000 students have been paid \$121.2 million in MAP, which accounts for 35.8 percent of the \$338.7 million appropriation.

Continuing his report, Mr. Matejka announced that the 2004-2005 enrollment period for the *College Illinois!* program began on October 27 and will extend through March 31, 2005. Since inception, he noted, more than 42,000 prepaid tuition contracts have been purchased.

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

No action was required on this item.

Agenda Item 5. Update on Future Financing

Chairman Barr noted that it is expected that a financing of between \$250 million and \$350 million will be presented to the Commission for final action at its January meeting. He stated that the financing team for this bond issue has been selected as set forth in the agenda book on page 5-1, which includes:

RBC Dain Rauscher, Inc. as Senior Managing Underwriter
Kutak Rock LLP as Bond Counsel
Burke Burns & Pinelli, Ltd. as Underwriter's Counsel

Responding to an inquiry from Ms. Winter, Mr. Matejka stated that staff is still awaiting the final State approval on the selection of the pre-qualified firms, but anticipates receiving it prior to the financing. However, he noted, since all members of the proposed financing team are incumbent firms that are operating under existing contracts, such approval is not necessary for this specific financing.

Agenda Item 6. IDAPP Investment Policy and Quarterly Report

Mr. Matejka opened the agenda item by noting that the policy, which the Commission is required to approve each year, reflects only minor changes including updating the list of authorized financial institutions and changing the policy date from January 16, 2004 to November 29, 2004.

Mr. Starshak, financial advisor for IDAPP, confirmed, in response to an inquiry from Ms. Winter, that the changes referenced had already been approved by the Commission at a previous meeting and are now being formalized in the policy. He noted that the changes add Albany Bank and Guaranty Bank and also replace Amalgamated Bank with US Bank as depository.

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

“BE IT RESOLVED that the Illinois Student Assistance Commission approves the Statement of Investment Policy for IDAPP as attached, and directs all investment decisions for the program be consistent with provisions set forth in the Statement of Investment Policy for IDAPP.”

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

Chairman Barr then requested that the Commission delay discussion of Agenda Item 7 until after all other items brought before the Commission have been completed.

Agenda Item 8. Elimination of Guarantee Fee Through December 31, 2005

Mr. Matejka opened this item by noting that the staff has reviewed the fiscal condition of the agency's Federal Reserve Fund and has found that ISAC is in excellent shape in terms of meeting the U.S. Department of Education's standards and requirements, and therefore is recommending to the Commission that it continue not to collect the guarantee fee through December 31, 2005. He noted that this item needs to be reviewed annually and staff will be bringing this matter before the Commission again next year.

Clarifying the purpose of the fund for Mr. Lesica, Ms. Thompson indicated that there is currently around \$58 million in the reserve fund. She explained that this is a fund into which money flows from the Department of Education and from which the Commission reimburses lenders for defaulted student loans.

Mr. Neumiller **MOVED THAT** the Commission approve the elimination of the guarantee fee for ISAC-guaranteed FFELP loans disbursed on or after January 1, 2005 through December 31, 2005. Ms. Betts seconded the motion, which was approved unanimously.

Agenda Item 9. Revisions to *College Illinois!* Investment Policy

Mr. Matejka stated that technical changes such as dates and investment manager designations that the Commission has already approved were being incorporated into the policy on pages 9-1, 9-22 and 9-23.

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

“BE IT RESOLVED that the Commission adopts the Statement of Investment Policy for *College Illinois!* that was last revised in January, 2004, and that the Commission directs all investment decisions for the program be consistent with the provisions set forth in the policy.”

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

Agenda Item 10. Appointment of *College Illinois!* Investment Advisory Panel Member

Chairman Barr reminded the Commission that the Prepaid Tuition Act which establishes the *College Illinois!* program requires the Commission to appoint a seven-member Investment Advisory Panel to assist and advise the Commission with the investment of the program funds. He noted that the term of the appointee designated by the Illinois Board of Higher Education has expired and the Board has recommended that the Commission reappoint Mr. Michael Mann to another three-year term on the panel.

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

“BE IT RESOLVED that the Commission approve the nomination of Mr. Michael Mann to serve a three-year term on the *College Illinois!* Investment Advisory Panel representing the Illinois Board of Higher Education through 2007.”

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

Agenda Item 11. Proposed Rules

Chairman Barr indicated that the proposed rules coming before the Commission were necessary for the Commission to comply with the provisions of the Americans With Disabilities Act. He noted that the Commission had received one letter during the public comment period, from the Director of Public Policy Program with Equip For Equality, an advocacy group for people with disabilities.

Mr. Matejka stated that staff has been working with the Joint Committee on Administrative Rules (JCAR) regarding the concerns raised in the letter from Equip For Equality. Mr. Matejka indicated that he feels that the Commission has addressed their concerns in the proposed rules and does provide the support necessary to help anyone with a disability to access the agency's programs.

Chairman Barr requested staff contact Equip For Equality as a courtesy to acknowledge their inquiry and discuss the concerns raised in the letter. He asked staff to report back to the Commission at the meeting in January with regard to the contact with Equip For Equality.

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

“BE IT RESOLVED that the Commission accepts the revised proposed rules for the Americans with Disabilities Act Grievance Procedure as modified thus far during the rulemaking process.”

Ms. Betts seconded the motion. Further discussion ensued as to the process taken operationally to assist anyone with a disability in accessing the agency's programs and services. Chairman Barr noted that while it is necessary to go through a particular process for rulemaking, it is important to remember that the goal of these rules, as with all of the Commission's rules, is not only to run an efficient agency whose principal purpose is to help people get a college education, but to do the right thing and treat the public in a fair manner. After further discussion the motion passed unanimously.

Agenda Item 12. Proposed Rules Amendment

Mr. Matejka noted that the proposed amendment to the rules for the Illinois Veteran Grant (IVG) Program had been previously published as an emergency amendment and, since an emergency amendment remains in effect for only 150 days, had been concurrently proposed as a permanent amendment through the regular rulemaking process. While JCAR had voted "no objection" to the emergency amendment, it did issue a Statement of Recommendation in which it asked ISAC to amend the proposed rulemaking to more clearly set forth the applicant eligibility standards. A number of revisions have been made in response to discussions with JCAR staff, and the revised text of the proposed amendment is included in this item. JCAR also recommended that ISAC work with the General Assembly to update and clarify the underlying statute, and staff has begun work on this effort as well.

In response to a question from the Chairman, Mr. Breyer indicated that while the proposed amendment being presented to the Commission today contained extensive language changes, there really had been no substantive changes from the emergency amendment. The primary purpose of the amendment remained to provide more equitable access to educational benefits for active-duty National Guard and Reserve members consistent with those provided to military personnel in the regular component of the U.S. Armed Forces.

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

“BE IT RESOLVED that the Commission accepts the revised proposed amendment for the Illinois Veteran Grant (IVG) Program as modified thus far during the rulemaking process.”

Ms. Winter seconded the motion, and proceeded to ask for further clarification of some of the specific changes made to the language and the purpose of those changes. Mr. Breyer briefly reviewed the concerns that had been expressed by JCAR staff and the changes that had been made in order to respond to those concerns. After further discussion, the motion passed unanimously.

Agenda Item 7. Further Discussion of College Affordability in Illinois: Relationship Among College Costs, Family Incomes, Grant Aid and the Implications For the Monetary Award Program (MAP)

Chairman Barr noted that the discussion held at the September 24, 2004 meeting of the Commission regarding affordability in Illinois was very constructive, one of the best the Commission has ever had with respect to affordability in Illinois. He stated that approximately 15 people representing various segments of the higher education community in the State spoke at the September meeting, and he indicated a summary of those comments is provided in the agenda book for this meeting. Chairman Barr announced that if anyone wished to address the Commission today, the floor would be open for further discussion.

Mr. Matejka indicated that the summary of the comments from the September meeting was provided in the agenda book and requested that the Commission be notified if anyone thought those comments were misrepresented in anyway. He said that the discussion would help staff with the development of the FY2006 budget request and the MAP start-up formula.

Mr. Matejka stated that this agenda item on affordability addresses the relationship among college costs, family income and grant eligibility for students attending Illinois public and private institutions. He noted that staff incorporated family contribution, the estimated MAP award, and the Pell award that the student will receive into the affordability analysis, but did not include any institutional aid such as work-study or scholarships and grants that the student might receive. Since student aid at the federal and state level has remained relatively constant as college costs have increased, the out-of-pocket costs for students and their families have increased as well. Mr. Matejka said that the most pronounced gap overall in affordability occurs at private institutions; however, over the past three years there has been a growing affordability problem for the lower and lower-middle income students trying to obtain any post-secondary education.

Chairman Barr then opened the floor for discussion, and heard testimony from the following individuals:

Randy Kangas, Assistant Vice President for Planning and Budget, University of Illinois

Mr. Kangas began by indicating that the University of Illinois' Board, the President, and Vice President of Public Affairs feel that the universities, community colleges and ISAC are all in the budget crisis together and are trying to provide the best educational services possible to all students, regardless of their need. He stated that the University of Illinois has put over \$21 million into need-based aid, over and above all other programs. He concurred with Mr. Matejka that the State has been very supportive of higher education through the decades.

He further noted that the University's direct state appropriation between 1990 and today has declined by over \$4,000 per student, an 18-19 percent decline in constant dollars since 1990. The cost to run a large university, such as the University of Illinois, has increased over the decade while state support has lagged behind.

Mr. Kangas also mentioned the quality of education that students today are buying. He stated that the student-to-faculty ratio at the University has risen by more than 30 percent over the last 20 years, putting educational quality at risk.

Mr. Matejka interjected that the paper was not meant to imply that institutions have increased their tuition and fees capriciously. He stated that we are fortunate in Illinois to have over \$338 million in student financial aid; however the problem with lower and lower-middle income students being denied a post-secondary education is growing.

Responding to a question from Mr. Neumiller, Mr. Kangas stated that the University needs additional funds to compete in the education marketplace, primarily for faculty, but also to attract students. Students are shopping around for the type of environment they want while they attend school.

Jerry Joseph, *Director of Financial Aid, University of Illinois at Springfield*

Mr. Joseph stated that he was representing the financial aid directors of the three campuses of the University of Illinois. Responding to an earlier inquiry about how financial aid directors would allocate MAP dollars, Mr. Joseph stated that they would like to see a tuition cap with the MAP formula, which will equate the cost of choice across the board for all students. He suggested moving the processing cut-off date this year to August 15th, which will accommodate the lower-income students. He asked if it were possible for the Commission to provide an income and sector analysis of suspended students. He thanked the Commission and offered support to do whatever it takes to get the money needed to improve the affordability gap.

Chairman Barr stated that the issue of the processing cut-off date is a very serious one and requested help from the community on how to deal with the problem. He noted that the cut-off date is driven by the appropriation received from the State. The Commission recognizes that the students most affected by the cut-off date are often the lowest income students attending community colleges.

Mr. Matejka agreed that the applicants that apply later in the academic cycle are typically lower-middle and lower-income students attending predominately community colleges and urban four-year institutions. He explained that if a staggered cut-off date were used, that would create additional fairness problems – for example, which student would get priority, one applying in June that has a family income of \$15,000 or a family that applies in September with a family income of \$18,000. Over 35 percent of the applicants come from family incomes that are below the poverty level and all have zero EFC's, creating a problem of differentiating between one zero EFC and another zero EFC.

Rebecca Babel, *Director of Financial Aid, National-Louis University*

Ms. Babel stated that a population that had not been mentioned at the September meeting is the urban working adult. These are individuals with families and incomes of \$15,000-30,000 per year that are place-bound. They cannot travel to Macomb or Charleston or even to outlying suburban areas and they can't meet the admissions criteria at institutions such as the University of Illinois, so they attend institutions such as National-Louis University, Roosevelt University or Robert Morris College. National-Louis University is very pro-active toward these working adults who are predominately community college transfers; however, it does not have an endowment to provide institutional aid. The school does not train architects and doctors but instead concentrates on training school teachers, social workers, law enforcement officers and fire fighters - occupations for which these students want training and which are necessary for the State.

Responding to where the school would put additional funding, Ms. Babel agreed that additional funding should go to extending the suspension deadline. She stated that even though National-Louis is a private school, they work with the undergraduate, low-income, non-traditional, place-bound working adult population who often apply to college later than traditional students. She urged the Commission to fight for any additional funding they can get and make the best possible decisions.

Geoffrey Obrzut, *President and CEO, Illinois Community College Board (ICCB)*

Mr. Obrzut expressed his support to the Commission and offered ICCB's support in seeking additional funding for MAP.

Responding to Ms. Winter's question regarding the formulas used in other states, Mr. Matejka indicated that while many states start with the same data provided from the Free Application for Federal Student Aid (FAFSA), how to best distribute limited state resources has caused problems for most of these states, and they utilize a wide variety of different approaches in dealing with this issue.

Mr. Neumiller stated that he has participated in two affordability committees within higher education and he is very much aware of the problem that continues to grow. He asked that the community continue to work together to find a solution to the affordability gap.

Mr. Matejka agreed with Ms. Babel that the Commission must continue to seek additional funding and if new funding is not available, there is a need to seriously look at reallocation of existing dollars, to meet the goals and objectives that the Commission has set forth. He asked the Commission to bear in mind that keeping the current formula, as college costs rise and state funding and family incomes remain level, will not improve college affordability.

Ms. Louderback **MOVED THAT** the meeting be adjourned. Ms. Betts seconded the motion, which was approved unanimously. The meeting concluded at 11:00 a.m.

Respectfully submitted,



Debora A. Calcara
Secretary to the Commission