

**MINUTES OF A MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
January 24, 2005
Illinois Student Assistance Commission
Deerfield, Illinois**

COMMISSIONERS PRESENT: J. Robert Barr, Chairman
Pauline Betts
C. Richard Neumiller
Hugh Van Voorst
Gretchen Winter

**COMMISSIONERS PRESENT
VIA TELEPHONE:** Robert Casey
Mary Ann Louderback

COMMISSIONERS ABSENT: Christopher Kurczaba
George Lesica

STAFF PRESENT: Larry E. Matejka, Executive Director
John Jennetten, Chief Program Officer
Marcia Thompson, Chief Financial Officer
Tom Sakos, IDAPP
Tom Breyer, Deputy Program Officer
Kathy Eklund, Business & Financial Services
Randy Erford, *College Illinois!*
Wendy Funk, Internal Audit
Robbi Gardner, Business & Financial Services
Sam Haroian, Compliance
Susan Kleemann, RPPA
Theresa Morgan, Deputy Chief Financial Officer
Shoba Nandhan, Budget and Finance
Sam Nelson, Client Relations
Lori Reimers, State Relations
Karen Salas, General Counsel
Kris Smith, RPPA
Nancy Stephens, *College Illinois!*
Scott Taylor, Budget and Finance Division
Joanne Tolbert, Human Resources & Development
Peter Xilas, IDAPP
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE: Karen Anderson, ICCB
Deb Brodzinski, Robert Morris College
Vincent Cimino, RBC Dain Rauscher
Gary Davis, ICCTA
Paul Frank, FIICU
Mark Holysz, College of DuPage
Bob Irvin, Kutak Rock LLP
Rick Kaye, Richard M. Kaye & Associates
Patrick Krolak, Marquette Associates
Paula Luff, DePaul University
Melanie Miller, Erikson Institute
Joseph Starshak, Starshak, Welnhofer & Company
Rachel Unruh, Women Employed
Jerry Weber, Kankakee Community College
Stephen Welcome, Burke, Burns & Pinelli

Agenda Item 1. Announcements

Chairman Barr called the January 24, 2005 meeting of the Commission to order at 9:00 a.m. Noting that some members of the Commission were connected via telephone, the Chairman asked that a roll call be taken, which established that a quorum was present.

Chairman Barr stated that since the last meeting of the Commission, he and senior members of the staff have had ongoing discussions with members of the Governor's Office of Management and Budget to prepare a Fiscal Year 2006 (FY2006) budget request to submit to the Illinois Board of Higher Education (IBHE). He took the opportunity to thank staff for their competence and dedication as they work not only regular hours, but also in the evenings and on weekends to advance the purpose for which the Commission exists, which is to help the citizens of Illinois receive a higher education.

Chairman Barr announced that the next meeting of the Commission is scheduled for Monday, April 18, 2005, at the University of Illinois at Springfield. He also noted that a large financing, potentially as large as \$500 million, would likely be brought before the Commission this coming summer, and that various financing options, including LIBOR floaters, were currently being explored. He stated that the underwriters for this financing will be UBS Financial Services; bond counsel will be Chapman and Cutler; and underwriter's counsel will be Perkins Coie.

Agenda Item 2. Minutes of the November 19, 2004 Meeting

Ms. Winter **MOVED THAT** the minutes of the November 19, 2004 meeting be approved as submitted. Ms. Betts seconded the motion, which was approved without dissent.

Agenda Item 3. Executive Director's Report

Mr. Matejka began his report by introducing staff that had been involved with several key agency activities recently. He first recognized members from the Program Services and Information Services Divisions in both Deerfield and Springfield who had played pivotal roles in two significant projects: the development of an online, interactive application for ISAC's Teacher Education Scholarship Programs (TESP), and the development of the My Zone service enhancement to **collegezone.com**, which moves ISAC closer to providing all interactions with school clients online.

Mr. Matejka then recognized a group of staff from several divisions in the agency that had participated in a number of highly successful training opportunities for partners held throughout the State over the past few months. These training opportunities included both the Fall Seminars for Partners and a unique workshop on how to conduct a financial aid night presentation for Spanish-speaking families. He thanked the staff present for a job well done, and also took the opportunity to recognize the many other hard-working and dedicated men and women working at ISAC who, while they may be less visible to the Commission, nonetheless make significant contributions to the work of the agency.

Continuing his report, Mr. Matejka stated that in tracking the characteristics of 2005 MAP and IIA claims, one can see changes in historical claim rates, with both fewer students eligible for awards and fewer eligible students claiming their awards. Overall, claim rates have dropped from 73 percent in 2004 to 69 percent in 2005, which represents about 6,000 fewer awards than in 2004. Mr. Matejka stated that staff will continue to monitor this closely. Due to unexpected changes in student enrollment patterns that have resulted in average award amounts being smaller than predicted, Mr. Matejka indicated that he anticipated it would now be possible to release awards to an additional 9,000 students whose award announcements were currently in suspension status.

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

No action was required on this item.

Agenda Item 5. Issuance of Taxable Student Loan Revenue Bonds Series 2005B

Mr. Matejka noted that representatives from RBC Dain Rauscher, Inc. as underwriter, Kutak Rock as bond counsel and Burke Burns & Pinelli, Ltd., as underwriter's counsel, were available to answer questions regarding this bond issue.

Chairman Barr requested clarification on the title of the Resolution the Commission is being asked to approve. Mr. Bob Irvin, with Kutak Rock, confirmed that the document being referred to as the "2005 Supplemental Resolution" is the same document as that which is also referred to as the "Third Supplemental Resolution."

Responding to an inquiry from Ms. Winter, Mr. Vincent Cimino of RBC Dain Rauscher explained that the term RAMS, or Reset Auction Mode Securities, is a marketing name for the auction securities used by RBC Dain Rauscher. Mr. Cimino further discussed the types of securities most commonly used by the Commission and others in the industry for financing student loans, and how an instrument was selected for a particular financing, following which Ms. Winter **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Illinois Student Assistance Commission approve the 2005 Supplemental Resolution providing for the sale and issue of Student Loan Revenue Bonds of the Illinois Student Assistance Commission and authorizing the execution and delivery of a Bond Purchase Agreement, an Official Statement, a Continuing Disclosure Agreement and certain other agreements in connection therewith;

“BE IT RESOLVED that the Commission further delegates the ability to take certain actions and to make certain determinations as provided in such 2005 Supplemental Resolution with respect to such documents to the Chairman or, if so designated in writing by the Chairman, the Executive Director of the Commission; and

“BE IT FURTHER RESOLVED that this Resolution authorizes the issuance of Bonds in the aggregate principal amount of not to exceed \$350,000,000.”

Mr. Neumiller seconded the motion, which was approved unanimously.

Agenda Item 6. FY2006 Appropriated Funds Budget Request

Chairman Barr opened discussion by commenting that he and senior members of staff have been involved in meetings with the Governor's Office of Management and Budget in the preparation of the FY2006 budget request. After meetings with members of the Illinois Board of Higher Education (IBHE), it was agreed that improving college affordability for the most needy students through MAP was to be the highest funding priority for higher education in FY2006. The Chairman reminded the Commission that the purpose of MAP is to provide aid for needy students in Illinois to cover full tuition and fees incurred at state institutions, but the Commission has been unable to do that for some time and that we have been falling further behind in achieving that goal.

Continuing, the Chairman stated that staff has come to the Commission with a budget recommendation which eliminates General Revenue Funds (GRF) for administrative expenses and

reduces support for some of the non-need based programs. He feels it is the duty of the Commission to request from the General Assembly the resources needed to fulfill the mission of the Commission. He recognizes that the resources available to the State are limited and therefore, staff is presenting a budget developed based on discussions with the Governor's Office. He stated that if the Commission passes this budget request with the additional amendments presented this morning, this budget request would then be given to IBHE for consideration at its February meeting.

Mr. Matejka agreed with the Chairman that the discussions held with the Governor's Office, IBHE, and ICCB have been very constructive, with MAP emerging as the highest priority. He noted that the Commission has been making awards based upon 2003 tuition and fees at 95 percent. It would cost over \$8.4 million to recognize the actual tuition and fees at 100 percent.

Mr. Matejka noted that Commissioners have before them today two amendments to the budget request. Elaborating, he referred to page 6-5 of the agenda book, noting that staff wishes to slightly modify the recommendation as follows:

Staff Recommendations for MAP

The estimated cost of incorporating all of the formula changes described above is approximately \$150 million. Considering the erosion of college affordability and the decline in the portion of tuition and fees covered by MAP, it would be ideal to address all of these formula improvements. However, with the State's current economic outlook and limited available funds, staff is recommending the Commission request \$22.4 million in additional MAP funding in FY2006. More specifically, staff recommends that the Commission request:

- \$8.4 million in state General Funds to leverage \$3.7 million in federal LEAP/SLEAP funds, incorporating 2003 tuition and fees at 100 percent; and
- \$14.0 million to address additional affordability issues and application volume increases.

By funding source, \$18.7 million of this additional funding would be GRF funding and \$3.7 million would be LEAP/SLEAP funding received from the federal government.

Continuing, Mr. Matejka stated that the Commission has been on a schedule to reduce its need for GRF administrative funds. Due to the agency's ability to repay the Federal government money they issued to the Commission to cover the Student Loan Operating Fund, the Commission is now able to utilize the Student Loan Fund for other student aid purposes. As a consequence of this and the decision regarding funding for the Merit Recognition Scholarship (MRS) program, more money may be available for MAP. Continuing, he emphasized that he would like to see new money in higher education in addition to this internal reallocation of funds.

Chairman Barr then recognized Ms. Rachel Unruh, representing Women Employed, who addressed the Commission.

Ms. Unruh stated that Women Employed supports the recommended funding increase and the resulting capture of lost federal matching dollars. They are glad to see that staff was recommending extending the suspension date as one use of the increased funding and supports that move because those who apply later are disproportionately the lowest-income students.

Chairman Barr recognized Mr. Paul Frank, with the Federation of Independent Illinois Colleges and Universities (FIICU). Mr. Frank stated that the Federation is very encouraged by the Commission's proposed budget and that they will advocate for additional money for MAP.

Mr. Neumiller stated that as long as he has been a member of the Commission, the Merit Recognition Scholarship program has been one of the agency's programs, and he is sorry to see that no funds are being requested to sustain it.

Ms. Winter **MOVED THAT** the Commission approve an FY2006 budget request totaling \$668.6 million as detailed in Table 1, **as amended**.

By source of funds, this request consists of \$400.9 million in state General Funds, \$260.4 million in federal Student Loan Funds, \$875,000 from the MAP Reserve Fund, \$5.5 million in federal scholarship and grant funds, \$570,000 in other state funds, and \$400,000 in other federal funds.

(Explanation: Reduces the FY2006 state General Funds administration and outreach appropriation to \$0 and replaces the reduced \$2.5 million with federal Student Loan Operating Funds.)

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

Agenda Item 7. FY 2006 Monetary Award Program (MAP) Start-Up

Opening discussion on this agenda item, Mr. Matejka indicated that staff has taken the current formula used to award MAP this year and modified it slightly, recognizing that the State is in a severe budget crisis and there could potentially be no new money for MAP. He reminded the Commission that two years ago the awards were reduced by 10 percent; three years ago, they were reduced by 5 percent; and last year, they were reduced by 10 percent for those students who had an Expected Family Contribution (EFC) of \$0-\$3,000, and eligible students whose EFC was above \$3,000 had their award reduced by 11 percent. He stated this year staff is proposing a modified tiered reduction that is described in Table 1 on page 7-4 of the agenda book, which is as follows:

EFC Range		Reduction Factor
0-\$3,000	-	10%
\$3,001-\$4,000	-	12%
\$4,001-5,000	-	13%
\$5,001-6,000	-	14%
\$6,001-7,000	-	16%
\$7,001-8,000	-	20%
\$8,001-8,999	-	23%
\$9,000 and up	-	Not eligible

Mr. Matejka indicated that while there has not been a universal warm embrace for this approach, members of the student aid community and others have recognized that the Commission's approach is an attempt to do as much as possible with the resources that are available. With this approach to the formula the Commission will be able to make more awards by reducing the size of awards, but it does not eliminate anyone from the program. Mr. Matejka noted that the Commission has received a letter from Knox College in support of this start-up formula.

Chairman Barr again recognized Mr. Paul Frank of FIICU. Mr. Frank stated that the Federation recognizes that the lack of funding is the dominant force behind the MAP formula. Although the

Federation supports the proposed MAP start-up formula, it is concerned that continued use of the reduction factor ultimately diminishes affordability and the level of aid that the Commission can provide to students who have some ability to pay but not enough to access most, if not all, of the State's baccalaureate programs. He feels there are consequences with the full-time 15-hour rule that was implemented last year and encouraged the Commission to seek feedback from institutions on how this rule change has affected students academically and financially.

Chairman Barr thanked Mr. Frank and asked for a motion to approve the formula summarized in Table 3 as the FY2006 MAP start-up formula. Mr. Neumiller **SO MOVED**, and the motion was seconded by Ms. Betts.

Responding to a comment by Ms. Winter, Mr. Matejka noted that he has had several discussions about recent MAP rules changes and indicated that he would continue to review the impact as data is received. Chairman Barr noted for the record that the letter received by the Commission and previously referenced by Mr. Matejka was from Ms. Teresa Jackson, Director of Financial Aid at Knox College, who wrote in support of the staff recommendation for the FY2006 MAP start-up formula as presented in the agenda book. There were no further questions and the motion was approved unanimously.

Chairman Barr took the opportunity to recognize Mr. Gary Davis, Executive Director of the Community College Trustees Association, who was in the audience. Acknowledging that Mr. Davis will be retiring from the Trustees Association, Chairman Barr thanked Mr. Davis for the work he has done with the Commission.

Agenda Item 8. Appointment of *College Illinois!* Investment Advisory Panel Member

Chairman Barr stated that the statute that created 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's funds. Noting that the term of the member appointed by the State Treasurer has expired, he advised the Commission that the State Treasurer has notified the Commission that she recommends reappointment of Mr. George Clam for a three-year term on the panel.

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

"BE IT RESOLVED that the Commission approve the nomination of Mr. George Clam to serve a three-year term on the *College Illinois!* Investment Advisory Panel representing the State Treasurer through 2007."

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

Agenda Item 9. Fiscal Year 2004 *College Illinois!* Annual Report

No action was required on this item.

Agenda Item 10. Institutional Application To Participate In ISAC Gift Assistance Programs (Erikson Institute)

Opening discussion of this item, Mr. Matejka stated that Erikson Institute has met all eligibility requirements for participation as set forth in the applicable laws and rules. He introduced Ms. Melanie Miller, Associate Director of Admissions and Financial Aid at Erikson Institute. Ms. Miller indicated that the school has approximately 25 students applying for initial teacher certification each year and she

anticipates that perhaps 10 to 15 of those students might apply each year for the Illinois Future Teacher Corps (IFTC) or the Minority Teachers of Illinois (MTI) Scholarship programs.

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

“BE IT RESOLVED that the Commission approves the application of the Erikson Institute to participate, on a provisional basis, in ISAC-administered gift assistance programs for which it is eligible, effective for the fall term of the 2005-2006 academic year, with payment of awards to be subject to available funding.”

Mr. Neumiller seconded the motion, which was approved unanimously.

Agenda Item 11. Adopted Rules

Chairman Barr noted that this is final action being taken today regarding the rules implementing the Americans with Disabilities Act Grievance Procedure.

Mr. Matejka stated that the Joint Committee on Administrative Rules (JCAR) had voted no objection to these rules at its meeting on January 11, 2005. He also noted that, as directed by the Commission, Mr. Breyer had contacted the organization that had written to the Commission regarding this rule, and had a very constructive dialogue with the commenter regarding the organization's concerns. It was noted that the organization had submitted similar comments to other State agencies, in order to raise the awareness of various agencies regarding the need to address these issues.

Mr. Van Voorst **MOVED THAT** the Commission approve the following resolution:

“BE IT RESOLVED that the Commission approves and adopts the rules for the Americans with Disabilities Act Grievance Procedure, as modified during the rulemaking process.”

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

Agenda Item 12. Adopted Rules Amendment

Chairman Barr noted that this was final action on the rules amendment for the Illinois Veteran Grant (IVG) Program. Mr. Matejka stated that JCAR voted no objection on January 11, 2005 to the rules amendment.

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

“BE IT RESOLVED that the Commission approves and adopts the amendment for the Illinois Veteran Grant (IVG) Program, as modified during the rulemaking process.”

Mr. Van Voorst seconded the motion, which was approved unanimously.

Agenda Item 13. Proposed Rules Amendments

Mr. Matejka noted that this is an information item only and these rules will be brought back to the Commission prior to finalization.

Chairman Barr inquired as to the status of the internal Commission rules that he had requested Ms. Winter and Mr. Breyer review and update. Mr. Breyer stated that this had been done and he would provide the Chairman with a draft of proposed amendments to these rules for his review.

Chairman Barr stated that the next meeting of the Commission is scheduled for Monday, April 18, 2005 at the University of Illinois at Springfield.

Ms. Louderback **MOVED THAT** the meeting be adjourned. Ms. Betts seconded the motion, which was approved unanimously. The meeting concluded at 10:40 a.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