

**MINUTES OF A MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
June 23, 2003
North Park University
Chicago, Illinois**

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
Mary Ann Louderback
C. Richard Neumiller
Kevin O'Kelly
Gretchen Winter

COMMISSIONERS ABSENT:

William J. Hocter
Robert Casey
Christopher Kurczaba
Hugh Van Voorst

STAFF PRESENT:

Larry E. Matejka, Executive Director
Marcia Thompson, Chief Financial Officer
John Jennetten, Chief Program Officer
Tom Sakos, IDAPP
Peter Xilas, IDAPP
Tom Breyer, Deputy Program Officer
Randy Erford, *College Illinois!*
Nancy Stephens, *College Illinois!*
Susan Kleeman, RPPA
Kris Smith, RPPA
Mark Holysz, Client Relations
Sam Nelson, Client Relations
Eddie Brambila, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Kevin Bradshaw, DePaul University
Deb Brodzinski, Robert Morris College
Danielle Cassidy, Banc One Investment Advisors
Mike Dessimoz, Roosevelt University
Kathy Facenda, DeVry University
Toni Henle, Women Employed
Terry Jackson, Knox College
Amy Monblatt, UBS PaineWebber
Mary Reaves, Prairie State College
Joseph Santoro, UBS PaineWebber
Joseph Starshak, Starshak Welnhofner & Company
Rachel Unruh, Women Employed
Larry White, Chapman and Cutler

Agenda Item 1. Announcements

The June 23, 2003 meeting of the Illinois Student Assistance Commission was called to order at 9:04 a.m. Chairman Barr expressed appreciation to the staff of North Park University for hosting the meeting. He introduced Dr. David Horner, the President of the University, who welcomed the Commission and gave some brief opening remarks. It was noted that the next regularly scheduled meeting of the Commission would be held on September 19, 2003 at the College of Lake County in Grayslake.

On a more personal note, the Chairman noted the absence of two Commissioners, Mr. Hocter and Mr. Casey, both of whom are facing serious health problems. He asked that those present keep both individuals in their thoughts and prayers.

Agenda Item 2. Minutes of the April 11, 2003 Meeting

Mr. O'Kelly **MOVED THAT** the minutes of the April 11, 2003 Commission meeting be approved as submitted. Ms. Betts seconded the motion. Ms. Winter abstained from voting on the proposed minutes, as she had not been present at the April meeting. The minutes were approved as presented.

Agenda Item 3. Executive Director's Report

At the onset of his report, Mr. Matejka acknowledged the presence of Mr. Otto Winter-Brown, son of Ms. Winter. The Chairman asked that the minutes reflect the attendance of Mr. Winter-Brown.

Continuing, Mr. Matejka confirmed that contrary to past years, there might not be a need for a July meeting this year. The General Assembly has passed a budget and gubernatorial action is expected shortly. Should state budget problems necessitate action other than that anticipated by staff, a single-issue special meeting may need to be called, and could probably be handled via teleconference.

On a related matter, Mr. Matejka noted that ISAC had been given administrative responsibility for two new programs, the Illinois Future Teacher Corps (IFTC) program initiated by Governor Blagojevich, and the Golden Apple program. Adoption of emergency rules for the IFTC Program, for which no Commission action is required may be necessary. He explained that Commission action and public comment would be needed once the staff developed and proposed permanent rules.

With regard to the budget situation, Mr. Matejka reiterated that staff was still awaiting final action on the agency's FY2004 appropriations bill. He commented enthusiastically on how favorably ISAC's programs had fared in this year's budget process, especially in light of the severity of the State's fiscal problems. Ten years ago, he continued, no one would have thought we'd be grateful for level funding for programs, particularly in light of rising college costs, increased need and other factors. The State, however, is facing a \$5 billion deficit; thus, the fact that ISAC's programs were spared the cuts imposed on other agencies should be regarded very favorably. It is evidence of the Governor's commitment to access and affordability.

The FY2004 budget approved by the General Assembly for ISAC totals \$713 million, included within which is \$348 million for the Monetary Award Program (MAP). That total, Mr. Matejka explained, includes the FY2003 base level funding proposed by the Governor and an additional \$12 million added by the General Assembly to help restore fifth-year MAP eligibility. Funding for ISAC's other scholarship and grant programs was maintained at FY2003 levels, while administrative support was cut by 9.3 percent and the student loan-related components of the budget were funded at the levels requested by the Commission.

On the substantive or policy front, he continued, the spring session was a success for ISAC. Most notable were the creation of the new Illinois Future Teacher Corps (IFTC) program proposed by the Governor and the expansion of the Illinois Incentive for Access (IIA) program. With regard to the former, Mr. Matejka reported that \$7 million would be available for IFTC scholarships in FY2004, and he briefly reviewed the eligibility criteria, the five-year service commitment required of recipients, the priority consideration accorded to applicants willing to accept teaching positions in shortage disciplines and hard-to-staff schools, and the extensive efforts staff has already made to promote the program. He indicated that he felt the program would make a big difference in terms of addressing the critical teacher shortage problem the State was facing.

Mr. Neumiller commented positively on the fact that the legislation expanding the IIA program also renamed it, after Silas Purnell, with whom he had served on the first affordability committee. It was noted that Mr. Purnell has devoted his life to making college a reality for inner-city, at-risk youth. His efforts, and his accomplishments, should be honored.

There was a brief exchange between Mr. Matejka and Ms. Louderback regarding the new IFTC program, and the criteria to be used in defining hard-to-staff schools and shortage disciplines. It was explained that these definitions would be determined in cooperation with the State Board of Education.

The Chairman recognized Lori Reimers, ISAC Director of State Relations. He praised her for the fantastic job she had done representing the agency this spring, and also congratulated her on the birth of her daughter Sophie.

In response, Ms. Reimers thanked the Chairman but emphasized how much support and assistance she had gotten from other ISAC staff while she was out on maternity leave. Continuing, she commented briefly on the depth of the Governor's commitment to affordability, emphasized the broad-based support MAP enjoyed among state lawmakers, and suggested that this was particularly pertinent in light of key changes that had occurred not only within the overall membership of the General Assembly but at the leadership level as well.

Mr. Matejka spoke to FY2003 expenditures/payout, emphasizing that in spite of the fact that claims for both MAP and IIA had exceeded projections, staff did not expect those claims to exceed available funds. For the agency's two entitlement programs, however, the outlook was not so positive. Due to current economic conditions and world events, he noted, demand for Illinois Veteran Grants and National Guard Grants was up sharply. Appropriated funds are not sufficient to honor all claims; thus, it will be incumbent upon ISAC to pro-rate second and third-term claims. Mr. Matejka pointed out, however, that due to the entitlement status accorded these programs, participating institutions will be required to absorb the shortfall. Fortunately, no eligible students will be denied the grants to which they are entitled.

Chairman Barr spoke to the joint IBHE/ISAC committee formed last fall to study and make recommendations regarding issues pertaining to the affordability of postsecondary education. Noting that he and Dr. Bob English of the IBHE had served as co-chairs of the joint committee, he also acknowledged the contributions of ISAC Commissioners Freed, Hicks, Neumiller, and O'Kelly.

Noting that the final report of the affordability committee had been completed in May, the Chairman reported that he had presented it to the IBHE at their most recent meeting and now wished to review it with the Commission. At this initial stage, the intent is to present the report and provide IBHE members, ISAC Commissioners, and other members of the higher education community ample time to review and respond to the recommendations included in it. It is anticipated that both IBHE and ISAC will take final action on those recommendations at their next board meetings.

With regard to the content of the report, the Chairman talked about the process used to develop it and the experts that had been called upon to testify and provide guidance. He emphasized that the public hearings held to discuss the committee's recommendations were among the best he's ever witnessed, and he attributed much of that success to the hard work of the staff involved.

Continuing, the Chairman explained that the Committee had come up with 20 specific recommendations, which could be divided roughly into three categories: those aimed at enhancing academic preparation and performance; those aimed at assisting needy students; and, those aimed at ensuring the affordability of a college education. He spoke briefly to the various actions that would be needed to implement these recommendations. He indicated that the intent was to achieve the goal most recently reaffirmed by IBHE but always pursued by ISAC: to ensure that no citizen of Illinois is denied the ability to pursue a postsecondary education due to financial reasons. Illinois has yet to fully realize that goal, he observed, and regrettably has fallen short of what was needed in recent years. Overall, however, the State should be proud of its track record when it comes to student financial aid and affordability. The intent of the joint committee, he observed, is to solidify and strengthen that track record. He reiterated that the item was being presented for information only at this meeting; action would not be requested until the next meeting, after board members and other key partners had had time to provide feedback.

As members of the joint committee, Mr. Neumiller and Mr. O'Kelly echoed the Chairman's comments regarding the outstanding work done by staff, and also praised Mr. Barr and Dr. English as well for their leadership.

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

It was noted that this was an information item, aimed at making the Commission aware of an upcoming financing in the \$250 - \$350 million range, action on which is expected to occur at the September meeting. The Chairman commented on the composition of the financing team, which would include UBS as Senior Managing Underwriter; Chapman and Cutler as Bond Counsel, and Bell, Boyd & Lloyd as Underwriter's Counsel.

Agenda Item 6. IDAPP's Quarterly Investment Report

There were no questions or comments on this information item.

Agenda Item 7. Resolution Authorizing and Approving An Interest Rate Exchange Agreement

It was noted that similar action was taken on this issue at this time last year and that IDAPP Director Tom Sakos was available to respond to any questions, as were Ms. Amy Monblatt and Mr. Joseph Santoro of UBS.

Acknowledging the action taken last year, Ms. Winter asked for an assessment of how effective it has proven to be. In his response, Mr. Sakos commented on the advantage of locking in a known interest rate spread in an attempt to minimize your exposure. With respect to another question raised by Ms. Winter, he also spoke to the timing of this item, indicating that the current interest rate exchange agreements expired July 1, 2003. The action being requested essentially represents a continuation of these existing agreements.

Ms. Louderback **MOVED THAT** the Commission approve the Resolution as presented on pages 7-3 and 7-4 of the agenda book. Ms. Winter seconded the motion, which was approved without dissent.

Agenda Item 8. Monetary Award Program FY2004 Recompute Formula

It was announced that two individuals had requested the opportunity to speak to this item: Ms. Toni Henle of Women Employed, and Mr. Don Fouts of FIICU. The comments of both speakers would be heard after the Commission had considered the item.

Mr. Matejka explained that while consideration of this item normally occurs in July, earlier consideration is warranted and possible due to the timely action of the General Assembly. Equally important, staff is aware of the degree to which an earlier decision by the Commission will facilitate matters for students and institutions alike. He emphasized as well how appreciative he was of the generous treatment accorded to MAP, and thanked Lori Reimers, her assistant Trena Sabo and other staff for the hard work that they had done throughout the session.

Continuing, he commented on the difficulty of the recompute decision the Commission was being asked to consider. Application volume is up and costs have increased sharply, and again, while MAP was treated favorably in the appropriations process, the increased funding provided will not allow the Commission to fully address the impact of those factors. He briefly reviewed the goals that had dictated the FY2004 MAP request approved by the Commission last fall, as well as the start-up formula approved in January. Addressing the item at hand, he then reviewed the two options presented by staff.

He explained that Option 1 entailed maintaining the start-up formula and would permit award announcements to be made through July 25. On a cautionary note, he indicated that this presupposed that the \$12 million added by the General Assembly would be signed into law. A similar assumption was at the heart of Option 2, which increased the 5 percent award reduction factor imposed in FY2003 to 10 percent, with the goal being to extend award announcements into the first week of August. Under Option 1, it was estimated that roughly 139,000 awards would be possible. With Option 2, that estimate rose to roughly 144,000.

Speaking to the \$12 million increment added by the General Assembly, he reiterated that legislative intent was clear regarding its intended use. The funds were intended to help restore fifth-year MAP eligibility; at the level approved, these dollars would enable staff to increase the number of eligibility units to 54, which basically allowed for an additional semester of MAP assistance for those students who had already received the equivalent of 4 years of grant aid. Mr. Matejka explained that the amended motion presented by staff this morning recognized the possibility that as committed as the Governor obviously is to affordability, the budget crisis might compel him to veto various add-ons approved by the Legislature.

The Chairman indicated that prior to discussing the options presented by staff, he would like to hear from the two individuals who had asked to testify. In introducing Ms. Toni Henle of Women Employed, he also thanked her and her organization for all the support and assistance they had provided to the Commission.

In her remarks, Ms. Henle cited the Governor's support for MAP and his commitment to ensuring access to postsecondary education. She noted that in discussions that she and other members of her organization had had with the Governor, an emphasis had been placed on the degree to which the realization of these goals ultimately enhanced the State's efforts to increase the quality and diversity of its workforce. With respect to the options presented in the item, she indicated that Women Employed supported the second option, which would allow for more award announcements. She thanked both Mr.

Matejka and Ms. Kleeman (ISAC Director, RPPA) for providing the data that her organization needed to analyze the options and their impact on students. She emphasized the results of that analysis, highlighting her concern that the two groups of students most impacted by early suspension were those with zero EFC's and those that are independent with children.

Following Ms. Henle, Mr. Don Fouts of FIICU addressed the Commission, opening with an observation regarding how in all the years he had been involved in Illinois politics, this was arguably the worst in terms of the budget. In light of those constraints and the limited discretion extended the Commission, he agreed that Option 2 probably represented the best that could be achieved at this point. He praised Mr. Matejka and ISAC staff for what they had managed to accomplish in the budget cycle, and closed his remarks by emphasizing the importance of increasing the maximum award, for private sector and public sector students alike.

Ms. Betts **MOVED THAT** the Commission adopt Option 2, as stated in the alternative resolution presented by staff. Ms. Louderback seconded the motion. It was noted by the Chairman that adoption of this resolution would permit staff to respond to various contingencies, i.e., signature as approved by the General Assembly, partial veto, complete veto.

Mr. O'Kelly spoke in support of the staff recommendation, observing that throughout his years of service on the IBHE Student Advisory Committee, he and his colleagues had maintained a commitment to helping as many students as possible. He voiced concern about rising college costs, particularly in light of the failure to increase the maximum award.

Mr. Matejka concurred with the concerns raised by Mr. O'Kelly, and spoke to the fact that a serious, cooperative effort among public and private institutions needed to be made to deal with the problem of accessibility/affordability. In response to the various points that were made, Ms. Winter suggested that at some point, it might be prudent to re-examine the need analysis formula itself.

The motion to approve the alternative version of Option 2 was approved by the Commission without dissent.

Agenda Item 9. FY2004 MAP and IIA Application Volume and Request for Authority to Suspend

Mr. Matejka explained that every year, staff comes to the Commission with an item of this nature, to ensure that available funds are not overcommitted. It was confirmed that, as suggested in the previous discussion, this suspension was expected to occur in early August.

Mr. Neumiller **MOVED THAT** the Commission approve the resolution as presented by staff. Ms. Betts seconded the motion, and the following resolution was approved unanimously:

“That the Commission authorize staff to suspend FY2004 award announcements for MAP and IIA when it becomes necessary to avoid a substantial risk of overcommitting MAP and IIA funding.”

Agenda Item 10. College Illinois! FY2004 Budget Request

Mr. Matejka began the discussion by noting that the FY2004 budget request for *College Illinois!* included line-item increases that were primarily volume-driven. He also pointed out that this summer, the program would be making the final installment payment on the start-up loans it had received from both the State and IDAPP.

Ms. Winter **MOVED THAT** the Commission approve the FY2004 *College Illinois!* administrative budget request totaling \$3.3 million, as set forth in Table 1 on page 10-7. Ms. Louderback seconded the motion, which was approved unanimously.

Agenda Item 11. Selection of *College Illinois!* Investment Manager

The Chairman Barr indicated that staff is recommending that the Commission authorize the Executive Director to negotiate and enter into a contractual agreement with Banc One Investment Advisors Corporation to serve as investment manager for the core fixed income portfolio of *College Illinois!* Noting that this item had been presented to the Commission at the previous meeting, he pointed out that he has asked legal counsel to review the relevant state laws to determine if it would be possible to advise the Commission prior to a meeting of which vendor is being recommended, rather than waiting to present a recommendation at the meeting itself.

Ms. Betts **MOVED THAT** the Commission approve the resolution as presented by staff. Mr. O'Kelly seconded the motion, which was approved unanimously.

Agenda Item 12. Adopted Rules and Admendments

The Chairman indicated that the action being requested today represents final action on the rules and amendments set to take effect for the 2003-04 academic year. Both the initial 45-day public comment period, and the subsequent 45-day review by JCAR have been completed. No substantive changes were recommended by JCAR.

Ms. Louderback **MOVED THAT** the Commission approve the resolution presented by staff. Ms. Winter seconded the motion, which was approved unanimously, as follows:

“BE IT RESOLVED that the Commission approves and adopts the omnibus rules and amendments, as modified during the rulemaking process, so that they can be effective for the 2003-2004 academic year.”

On a related issue, the Chairman asked for a status report on staff's efforts to update the agency's internal operating rules. He deferred to Ms. Winter, who had asked to work with staff on this project.

Ms. Winter indicated that she had nothing to report at this time, but assured the Chairman that she and staff would have something to present at the next meeting.

Ms. Louderback **MOVED THAT** the June 23, 2003 meeting of the Illinois Student Assistance Commission be adjourned. Mr. O'Kelly seconded the motion, which was approved unanimously. The meeting was adjourned at 10:30 a.m.

Respectfully submitted,



Debora Calcara
Secretary to the Commission

**MINUTES OF A SPECIAL TELECONFERENCE MEETING OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION
July 10, 2003**

**1755 Lake Cook Road
Deerfield, Illinois**

**500 W. Monroe St.
Springfield, Illinois**

**100 W. Randolph St., Suite 3-200
Chicago, Illinois**

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
Robert Casey
Mary Ann Louderback
C. Richard Neumiller
Kevin O'Kelly
Hugh VanVoorst
Gretchen Winter

COMMISSIONERS ABSENT:

William J. Hocter
Christopher Kurczaba

STAFF PRESENT:

Larry E. Matejka, Executive Director
Kathy Rooney, Deputy Executive Director
Marcia Thompson, Chief Financial Officer
John Jennetten, Chief Program Officer
Tom Breyer, Deputy Program Officer
Randy Erford, *College Illinois!*
Susan Kleeman, RPPA
Mark Holysz, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Deborah Brodzinski, Robert Morris College
David A. Peterson, Illinois Central College
Lisa A. Ruch, St. Anthony College of Nursing
Gary Rieman, MGG Group
Tom Ryder, ICCB
Pat Swatfager-Haney, University of Illinois
Rachel Unruh, Women Employed

Agenda Item 1. Announcements

Chairman Barr called the special July 10, 2003 teleconference meeting of the Illinois Student Assistance Commission to order at 1:35 p.m., noting that beyond the standard IDAPP item that appears on every agenda, the focus of the meeting would be confined to the FY2004 Monetary Award Program recompute formula. It was noted that both the Springfield and Deerfield offices of the Commission were connected via teleconference, and that efforts were underway to ensure that the connection with the agency's Chicago office had been established. (It was subsequently determined that this connection was established.)

Ms. Calcara, Secretary to the Commission, called the roll. Commissioners present included Ms. Betts, Mr. Casey, Ms. Louderback, Mr. Neumiller, Mr. O'Kelly, Mr. Van Voorst, Ms. Winter and Chairman Barr. Those absent included Mr. Hocter and Mr. Kurczaba. It was noted that a quorum existed.

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

No action required on this item.

Agenda Item 3. Modification to the FY2004 MAP Recompute Formula

Mr. Matejka observed that the recompute agenda item had been distributed to all Commissioners prior to the meeting and had been published on the agency's Web site as well. After reviewing the action taken by the Commission at the June meeting, he explained that it was necessary to revisit the FY2004 recompute formula because the resolution approved by the Commission did not anticipate the action taken by the Governor on the FY2004 MAP appropriation.

That action, Mr. Matejka explained, represented a line-item veto; due to state fiscal constraints, the Governor had felt compelled to reduce from \$12 million to \$6 million the add-on approved by the General Assembly to help restore fifth-year MAP eligibility. The recompute formula approved by the Commission in June had assumed that the \$12 million would either be approved in its entirety, or vetoed in its entirety. Adoption of a revised resolution is necessary, and this must be done in a manner that is consistent with legislative intent.

The Chairman asked if anyone participating by phone wished to comment on this issue. There were no requests to testify.

Mr. Neumiller spoke in support of the staff recommendation, emphasizing that it was consistent with legislative intent by maintaining the focus on fifth-year MAP. It was noted that implementation of this approach would result in this particular population receiving half of the award they would have received under the formula previously approved.

Mr. O'Kelly asked what the impact would be if instead of reducing the awards by half, the Commission simply awarded fewer grants. It was noted that this would require suspending announcements as of mid-April and reducing the number of recipients by half.

In wrapping up the discussion, the Chairman pointed out that the wording of the resolution did allow for the possibility of a legislative override of the Governor's action.

Ms. Louderback **MOVED THAT** the Commission approve the resolution presented by staff. Ms. Betts seconded the motion. A roll call vote was taken, and each of the Commissioners present voted affirmatively. The resolution approved read as follows: "Staff recommends that the Commission modify

the FY2004 MAP recompute formula approved at its June 23 meeting, with the only modification being that awards to students in their fifth year of MAP eligibility will be reduced by half. In the event that all or any portion of the vetoed funding is restored, these awards will be adjusted proportionately.”

Ms. Louderback **MOVED THAT** the special meeting of July 10, 2003 be adjourned. Ms. Winter seconded the motion, which was approved unanimously. The meeting was adjourned at 1:50 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 Calcara
Secretary to the Commission