

MINUTES OF A MEETING
OF THE
ILLINOIS STUDENT ASSISTANCE COMMISSION

June 24, 2005

Michael A. Bilandic Building
Room N505
160 N. LaSalle St.
Chicago, IL

COMMISSIONERS PRESENT:

J. Robert Barr, Chairman
Pauline Betts
Robert Casey
Mary Ann Louderback
Hugh Van Voorst
Gretchen Winter

COMMISSIONERS ABSENT:

Christopher Kurczaba
George Lesica
C. Richard Neumiller

STAFF PRESENT:

Larry E. Matejka, Executive Director
Tom Breyer, Interim Director, IDAPP
Randy Erford, *College Illinois!*
Wendy Funk, Internal Audit
Sue Kleemann, RPPA
Theresa Morgan, Deputy Chief Financial Officer
Lori Reimers, State Relations
Chris Peterson, Program Services
Karen Salas, General Counsel
Joanne Tolbert, Human Resources & Development
John Schwarm, IDAPP
Nancy Stephens, *College Illinois!*
Sam Nelson, Client Relations
Debora Calcara, Commission Secretary

PUBLIC ATTENDANCE:

Amina Abrahams, Perkins Coie
Deb Brody, Robert Morris College
William Corbin, Perkins Coie
Ashley Dearborn, Wright College
Paul Frank, FIICU
Rose Gallagher, Chapman and Cutler
Patrick James, School of the Art Institute of Chicago
Michael Kopinski, Student Loan Xpress
Karen Laveque, Robert Morris College
Doug Oest, Marquette Associates
Andrew Proctor, House Republican Staff
Joseph Starshak, Starshak, Welnhofer & Company
Sandy Street, University of Illinois
Jerry Weber, Kankakee Community College
Larry White, Chapman and Cutler
Paul Wozniak, UBS PaineWebber Inc.

Agenda Item 1. Announcements

Chairman Barr called the June 24, 2005 meeting of the Illinois Student Assistance Commission to order at 12:05 p.m. noting that a quorum was present. He thanked members of the Commission and staff for accommodating schedules by changing locations and starting time of the meeting. He then noted that the next meeting, originally scheduled for July 29, 2005, is cancelled, therefore making the next meeting to be held on September 19, 2005 at Illinois Wesleyan University in Bloomington.

Chairman Barr announced that he was pleased to report that Mr. Neumiller had successful surgery earlier in the month and is expected to be back at the September meeting.

Continuing, Chairman Barr stated that the term for the Student Commissioner, George Lesica, expires on June 30. Unfortunately, Mr. Lesica's appointment to the Commission had not been submitted to the Senate for confirmation but he continued to attend the meetings in support of the student population of Illinois. He did, however, submit the following comments to be included into the minutes:

“Since this will be my last meeting as the Student Commissioner I would like to reflect and comment on what I have experienced in the past two years. First of all, I would like to thank the members of the Commission and the ISAC staff for their dedicated and honest service to the students of Illinois, and for making me feel welcome and comfortable as I discharged my responsibility as the Student Commissioner. I would especially like to thank and commend Ms. Debbie Calcara for making her incredible knowledge and resourcefulness available to me. Her talented service to the Commission is certainly the greatest asset upon which the Student Commissioner, whose role can sometimes seem confusing and intimidating, can draw. I would also like to thank Mr. Larry Matejka for his open and honest management of the vital services that ISAC provides. ISAC, more than any other agency or organization, directly impacts the future hopes and dreams of students all over this State. Without a strong, honest and compassionate leader like Mr. Matejka, the promise of a happy tomorrow could never be a reality for so many. It is impossible to overstate the importance of honest, dedicated and supremely competent civil servants. And I am pleased to note that such individuals are apparently the norm at ISAC, a fact that I find extremely comforting.

“As I leave my position as the student representative on this Commission, I would also like to share some thoughts about the work of this group from a student's point of view. I believe that this Commission has headed in the right direction in attempting to ensure that MAP is available to those most in need, especially those for whom attending college is dependent on receiving a MAP grant. Also, in order to help the greatest number of students, even those who may not qualify for standard financial aid programs, I feel it is extremely important to further expand the College Zone Web site as a general resource for financing a college education. Marketing of the College Zone "brand" should also be made a priority because many students make the assumption that they will not be able to pay for college, and therefore never investigate the issue on their own. Finally, it is my opinion that the continued viability of the *College Illinois!* pre-paid tuition plan is vital to ensuring that every student who is qualified can receive a college education. In the long run, making education accessible should be the ultimate goal.

Once again, I would like to thank and commend, on behalf of the students of Illinois, the members of this Commission, the Executive Director and his staff, and all of the individuals who work so hard to provide the possibility of future success and happiness to millions of young people throughout the State of Illinois.” George T. Lesica

Chairman Barr asked that the comments be sent to all members of the Commission and submitted for inclusion into the minutes of the meeting. He then noted that three other Commission members' terms expire on June 30.

Agenda Item 2. Minutes of the April 18, 2005 Teleconference Meeting

Ms. Winter **MOVED THAT** the minutes of the April 18, 2005 meeting be approved as submitted. Ms. Betts seconded the motion, which was approved without dissent.

Agenda Item 3. Executive Director's Report

Mr. Matejka opened his report by noting that the 94th General Assembly had completed its work on schedule by passing a budget, which the Governor has signed into law. He noted that the Commission received a slight increase over what was recommended. Although the Commission had requested a \$22-24 million increase for MAP, with \$4 million of that being federal matching dollars, the General Assembly did agree to increase MAP by \$8 million, which will enable the Commission to claim additional funds from the federal government, should such funds be available.

Mr. Matejka referenced a letter he sent to Commissioners explaining the events that had taken place on the final day of the legislative session regarding an amendment that was submitted to the General Assembly, seeking approval from the Governor's Office of Management and Budget to conduct a competitive bidding process for the sale of ISAC's student loan secondary market. He noted that after discussions with members of the Senate and House, the item was withdrawn, no action was taken, and the bill failed to come up for vote in either chamber. Mr. Matejka stated that he anticipates this issue to resurface again in some format and he will continue to have discussions with the Governor's office about alternative recommendations to identify revenues to utilize during the State's budget crisis.

Ms. Louderback inquired if some type of formal resolution should be made expressing the Commission's concern over the possible sale of the secondary market. Chairman Barr stated that Mr. Matejka and staff continue to work hard as representatives of the Commission to educate members of the General Assembly on the work of the secondary market.

Continuing his report, Mr. Matejka reported that after 20 years of service Tom Sakos, Director of IDAPP, has resigned from the agency. Fortunately, it was noted, ISAC was able to draw upon the expertise of staff within the agency. Tom Breyer has agreed to step in as Interim Director for IDAPP. Mr. Matejka noted that before joining ISAC, Mr. Breyer served as Associate Director of Financial Aid at Northwestern University and also as Executive Director of the Illinois Independent Higher Education Loan Authority.

Chairman Barr noted that the Executive Session scheduled at the end of the regular meeting of the Commission would not be held.

Agenda Item 4. FY 2006 Salary Range Adjustments

Mr. Matejka noted that the last time the Commission had salary range adjustments was in September of 2001. He stated that this is being done to keep the pay ranges in line with the State University Civil Service System and other state entities. He anticipates that roughly seven employees will be affected by this and will have their salaries adjusted.

Ms. Louderback **MOVED THAT** the Commission approve a salary range adjustment of 10.0 percent for ISAC pay grades A through T and Information Services pay grades 1 through 15 as shown in Table 1 on page 4-1 of the agenda book.

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

Agenda Item 5. Fiscal Year 2005 Internal Audit Charter and Plan Approval

Mr. Matejka stated that due to changes in the internal standards for professional practice of internal auditing, which states that the agency's charter and plan must be approved by the governing board, this plan must be brought before the Commission for approval. He indicated that he has reviewed the plan and has given his approval.

Responding to Ms. Winter, Wendy Funk, Director of Internal Audit, stated that this plan is similar to plans in the past years. Ms. Funk indicated that she would keep the Commission informed as to any changes in the plan as the year progresses.

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

"BE IT RESOLVED that the Commission approves the Internal Audit Charter and Plan for the FY06 audit cycle."

"BE IT FURTHER RESOLVED that the Commission authorizes the Executive Director or his designee to approve any mid-year changes to the audit schedule during FY2006, as needed, to ensure compliance with the Standards and the FCIAA and to address any significant changes in Agency risks or audit resources."

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

Agenda Item 6. Issuance of Taxable Student Loan Revenue Bonds Senior Series VIII and Subordinate Series IX

After noting that all the documents pertaining to this agenda item had been submitted to the Commissioners several days in advance of the meeting, the Chairman inquired if the proposed selling of ISAC's secondary market during the legislative session this past spring will have any adverse effect on the marketability of the bonds. Mr. Paul Wozniak, with UBS PaineWebber, stated that pricing occurs daily in the marketplace and that to date, UBS has not seen any type of impact on the pricing of the bonds. Responding to Ms. Winter, Mr. Wozniak indicated that the discussions held during the spring legislative session are known in the marketplace and other types of transactions such as this have occurred in the past and securities themselves continue to produce well during those transactions.

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 Taxable Student Loan Revenue Bonds, Senior Series VIII, and Taxable Student Loan Revenue Bonds, Subordinate Series IX, of the Illinois Student Assistance Commission and authorizing the execution and delivery of one or more Bond Purchase Agreements, an Official Statement, and certain other agreements in connection therewith."

“BE IT RESOLVED that the Commission further delegates the authority 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 \$600,000,000.”

Mr. Casey seconded the motion. Chairman Barr then asked the Secretary to conduct a roll call vote of the Commission members, after which the Chairman indicated the motion passed unanimously. The Chairman took the opportunity to thank members of the finance team for their service, and particularly Mr. Wozniak and his colleagues for their willingness to support the Commission during the discussions in the legislature this past spring.

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

Mr. Matejka indicated that this was the fourth time staff has brought this sort of item to the Commission. He explained that the action requested resembles 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.

Responding to Mr. Van Voorst, Mr. Breyer stated that this is an agreement which IDAPP enters into; in this particular exchange, it is with UBS PaineWebber, which agrees to pay the variable rate while IDAPP pays the fixed rate.

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

“BE IT RESOLVED that the Illinois Student Assistance Commission approves the execution and delivery of a Resolution authorizing and directing that the Commission enter into an interest rate exchange agreement with respect to the General Resolution adopted by the Commission on the 9th day of November, 2001, and the execution and delivery of certain standard agreements in connection therewith as set forth in such Resolution. The Commission further delegates the authority to execute such agreements, take certain actions, and to make certain determinations with respect to such agreements, to the Chairman of the Commission or, if so designated in writing by said Chairman with respect to any or all of the actions or determinations described herein, the Executive Director of the Commission; and

“BE IT RESOLVED that this Resolution authorizes the Agreement to be executed and delivered with a notional amount not to exceed \$200,000,000 and have a term set to expire on or about July 1, 2006.”

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

Agenda Item 8. Authorization of IDAPP Interim Director To Take Certain Actions

Mr. Matejka stated that due to the appointment of Mr. Tom Breyer as Interim Director of IDAPP, it is necessary that the Commission take the appropriate action giving him authority to fulfill those duties, which include but are not limited to signing IDAPP checks, bank wire transfers, directing the transfer of funds, and executing various agreements and certificates. This action shall act as full and complete authority and direction by the Commission to allow Mr. Breyer to fulfill his duties as Interim Director of IDAPP, and may be relied upon by all ISAC employees and all persons or entities conducting proper business with IDAPP. This authority and direction shall continue in full force and effect until such time

as Mr. Breyer serves as neither Interim Director nor Director of IDAPP, at which time such authority and direction shall immediately terminate without any further action by the Commission.

Ms. Betts **MOVED THAT** the Commission grants Mr. Breyer authority to fulfill his duties as Interim Director of IDAPP. Ms. Winter seconded the motion, which was approved unanimously.

Agenda Item 9. IDAPP's Quarterly Investment Policy

No action is required on this item.

Agenda Item 10. FY2006 Monetary Award Program (MAP) Recompute

Chairman Barr was pleased to introduce this item as this is the earliest the staff has been able to bring it before the Commission for sometime, which was due to the fact that the General Assembly approved a budget on May 31 and that budget has been signed by the Governor. He did indicate that he and Mr. Matejka have agreed to go forth with this item even though the State Treasurer has asked the Attorney General to investigate whether or not the budget is viable due to actions being taken in regard to the pension plan.

Mr. Matejka took the opportunity to express his thanks to the financial aid community and the Commission staff for their quick work in reviewing the agenda item. He reminded the Commission that at start-up in January the Commission took an extraordinarily conservative approach due to the presumption that there would be no new money available in the budget given the State's fiscal condition. He indicated he was pleased to announce that with the passage of the budget, new money is being awarded to the MAP program. He expressed that unfortunately, due to the small dollar amount of awards over the last three years there has been a significant behavioral shift within the student population as to the type of school they can afford to attend, which is then making more money available to extend the processing date.

Continuing, Mr. Matejka explained that due to the additional money allocated to the MAP program in the Governor's budget and the reallocation of money, staff is now able to respond to the priorities of the Commission, which is to use the most current tuition and fees. He indicated that with the formula being presented today, the agency would be using 2004 tuition and fees at 100 percent and would incorporate the new PELL maximum of 80 percent of the PELL award to \$4,050 and lower the reduction rate to nine percent. He noted that with the changes being made to the formula and increasing the size of the awards they hope to still be able to process awards up through the end of August.

Ms. Betts **MOVED THAT** the Commission approve the recompute formula for 2006 as set forth in Table 4 on page 10-6 of the agenda book. Ms. Winter seconded the motion, which was approved unanimously.

Agenda Item 11. FY 2006 MAP and IIA Application Volume Update Request for Authority to Suspend

Mr. Matejka stated that this item is being brought before the Commission authorizing staff to suspend processing when they feel funds have been depleted. He reiterated that it is estimated that based on the formula that the Commission just approved staff should suspend processing around the end of August.

Ms. Louderback **MOVED THAT** the Commission authorize staff to suspend FY2006 award announcements for MAP and IIA when it becomes necessary to avoid a substantial risk of over-committing MAP and IIA appropriations.

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

Agenda Item 12. College Illinois! FY2006 Budget Request

Ms. Nancy Stephens, Associate Director, *College Illinois!*, introduced the budget request noting that it includes a 10 percent increase in administrative funds, which is due to primarily program growth and an increase in audit expenses. She also noted that they are requesting an increase in marketing in order to pursue new media during the next enrollment period. Ms. Stephens confirmed that this budget request is strictly funds from the *College Illinois!* Program and does not use General Revenue Funds.

Responding to Ms. Winter's inquiry as to what marketing activities have not worked for the program, Ms. Stephens indicated that mostly all of the marketing that is done by the program does give a positive return in one way or another but word of mouth through contract holders continues to be the most successful. She stated that the success of the program's marketing is measured by surveys that are conducted, requests for booklets which involve inquiries regarding how the client heard about *College Illinois!*, hits made on Internet sites, and the tracking of incoming phone calls.

Chairman Barr expressed his concern as to why an overall increase of 10 percent is being requested, noting that even though there is no General Revenue Funds being used this does not mean that the funds should not be used conservatively. He requested more information regarding the large increase in audit services, intra-agency services and, in particular, the 250 percent increase in direct marketing.

Ms. Stephens noted that the audit services increase is a lot less when compared with last year's actual expenditure on audits. This is because there often is a time lapse between when the budget is developed each year and when the actual audit cost is known. Also, these audit expenses are paid to an auditing firm selected by the Auditor General's Office and ISAC has no control over when those bills are submitted. The percentage increase in direct marketing expenses does reflect a concentration of marketing effort in this area compared with last year when very little was spent on direct marketing efforts.

With regard to intra-agency services, Ms. Stephens stated that this charge reflects ISAC services that the *College Illinois!* program uses throughout the year, which is tracked by a time-on-task survey that is conducted by ISAC on a quarterly basis.

Ms. Winter suggested that for future budget requests they include a column of actual expenses.

Ms. Louderback **MOVED THAT** the Commission approve the FY2006 *College Illinois!* administrative budget as set forth in Table I on page 12-6 of the agenda book.

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

Agenda Item 13. College Illinois! Securities Lending

Mr. Matejka introduced the item, noting that this item has been discussed among the *College Illinois!* Investment Advisory Panel and staff from Marquette Associates and will more than likely come before the Commission at its September meeting for approval. He stated that this concept is a mechanism that would help the program gain additional revenues to help offset administrative costs and put funds back into the program.

Mr. Erford reassured the Commission that prior to bringing this to the Commission for approval the Investment Advisory Panel will be meeting to review the details in depth.

Agenda Item 14. Adopted Rules Amendments

The Chairman indicated that the action being requested today represents final action on the rules and amendments. Mr. Matejka noted that JCAR voted no objection on the rules.

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

“BE IT RESOLVED that the Commission approves and adopts the omnibus rules amendments, as modified during the rulemaking process, so that they can be effective for the 2005-2006 academic year.”

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

Ms. Louderback **MOVED THAT** the June 24, 2005 meeting of the Illinois Student Assistance Commission be adjourned. Ms. Winter seconded the motion, which was approved unanimously. The meeting was adjourned at 12:05 p.m.

Respectfully submitted,



Debora Calcara
Secretary to the Commission