

# Higher Education Assistance Authority and Rhode Island Student Loan Authority

FY 2013 Revised and FY 2014 Budgets

Staff Presentation

March 14, 2013

# Higher Education Assistance Authority

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# HEAA

- Authority created by statute in 1977
  - Promotes equal opportunity in higher education
  - Assists students with demonstrated financial need
  - Acts as guaranty authority for student loans
- Governed by nine-member board
  - Eight appointed by governor for five year terms:
    - Five members with educational or financial expertise
    - Three members with recommendation of educational associations
  - General Treasurer, ex-officio member

# HEAA Program Overview

- Scholarship and Grant Program
  - Need-based student financial assistance programs
- Tuition Savings Program
  - CollegeBound*fund* is a qualified state tuition savings program
- Federal Loan Program
  - State's designated guaranty agency
  - Loan guarantees, application processing, repayment management, default aversion and collection, etc.

# Summary by Fund Source

<i>(in millions)</i>	<i>FY 13 Enacted</i>	<i>FY 13 Gov. Rev.</i>	<i>Chg. To Enacted</i>	<i>FY 14 Gov. Rec.</i>	<i>Chg. to Enacted</i>
General Revenues	\$5.6	\$5.7	\$0.1	\$5.2	\$(0.4)
Tuition Savings	8.8	8.5	(0.3)	8.5	(0.3)
Federal Funds	13.3	12.8	(0.5)	13.3	-
<b>Total</b>	<b>\$27.7</b>	<b>\$27.0</b>	<b>\$(0.7)</b>	<b>\$27.0</b>	<b>\$(0.7)</b>

# Target Budget

- Budget Office provided general revenue target of \$5.2 million
  - Current service adjustments of \$8,448
  - 7% reduction of \$393,786
- Authority met target by:
  - Shifting general revenue expenses to federal and tuition savings fees

# Need Based Scholarships and Grants by Fund Source

<i>(in millions)</i>	<i>FY 13 Enacted</i>	<i>FY 13 Gov. Rev.</i>	<i>Chg. To Enacted</i>	<i>FY 14 Gov. Rec.</i>	<i>Chg. To Enacted</i>
General Revenues	\$5.0	\$5.2	\$0.2	\$4.9	\$(0.1)
Tuition Savings	7.3	7.3	-	7.3	-
<b>Total</b>	<b>\$12.3</b>	<b>\$12.5</b>	<b>\$0.2</b>	<b>\$12.2</b>	<b>\$(0.1)</b>

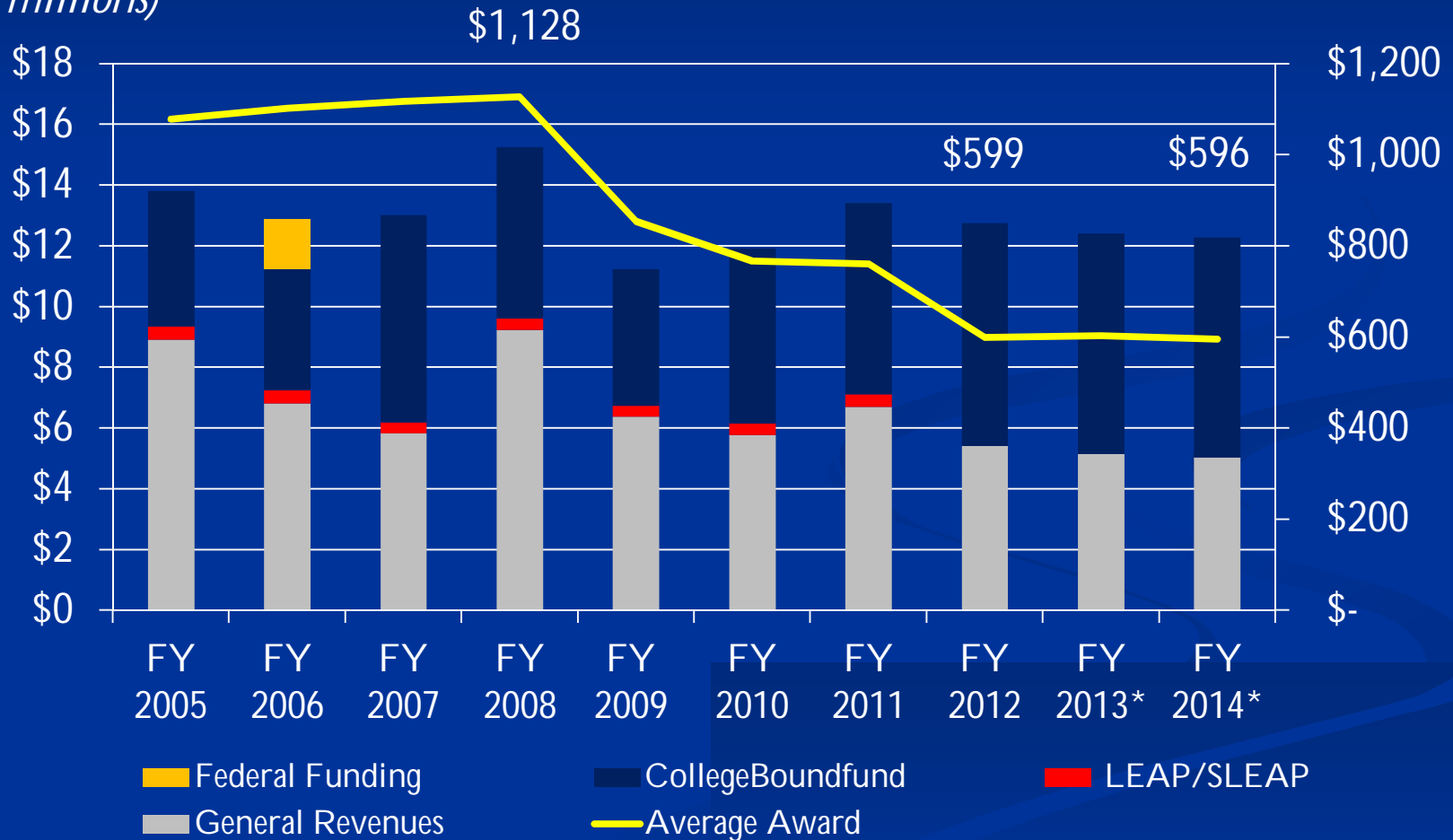
# Need Based Scholarships and Grants

- Established by statute; available only to Rhode Island residents
- Eligibility and need determined from information submitted on the FAFSA
- 52% of eligible applicants received grants in FY 2012
- 56% of eligible applicants projected to receive grants in FY 2013



# Need Based Scholarships: Fund Source and Average Award

(in millions)



# Other Grant Programs

- Academic Promise
  - Scholarship for students who demonstrate academic achievement and financial need
- Matching Grant Program
  - Savings program that matches or doubles up to \$500 in contributions to college savings accounts
- Both established by HEAA Board in 2002

# Academic Promise

- Eligibility calculated using formula based on FAFSA and SAT or ACT score
- \$2,500 per year per student funded from Tuition Savings fees
- FY 2013 Revised: \$1.0 million
  - \$250,000 more than enacted
- FY 2014 Recommended: \$0.8 million
  - \$50,000 more than enacted

# Matching Grant Program

- Established in 2002 by Board, funded from Tuition Savings fees
- Program awards a \$2 for \$1 match for families with AGI of \$68,000 or less
  - Maximum annual award of \$1,000
- \$1 for \$1 match for \$68,001 to \$83,000
  - Maximum annual award of \$500
- Last funded in FY 2006 at \$0.5 million
- 290 accounts held by participants in 2011

# CollegeBound*fund*

- Qualified state tuition savings program
- Fees paid primarily by out-of-state participants are used for administrative expenses and financial assistance programs
- These fees generated approximately \$8.0 million in FY 2012

# CollegeBound*fund* Expenditures

Category	FY 2013 Enacted	FY 2013 Gov. Rev	FY 2014 Gov. Rec.
Salaries and Benefits	\$258,802	\$105,317	\$226,278
Contracted Services	50,000	50,000	50,000
Operating	450,000	130,512	131,711
Need Based Scholarships and Grants	7,250,000	7,250,000	7,250,000
Academic Promise	750,000	1,000,000	800,000
<b>Total</b>	<b>\$8,758,802</b>	<b>\$8,535,829</b>	<b>\$8,457,989</b>

# CollegeBound*fund* Marketing

- First \$750,000 funded by AllianceBernstein, portfolio manager of CollegeBound*fund*
  - If expenses exceed \$750,000, remainder paid for from Tuition Savings funds
- For FY 2013 and FY 2014, recommendations are \$0.1 million
  - \$0.3 million less than enacted
- Expenditures historically less than enacted

# HEAA Guaranty Agency

- Congress passed legislation that ends subsidies to lenders and originate all loans directly through federal government
- No new loan guarantees, effective July 1, 2010
- Authority continues to manage remaining portfolio
  - \$1.4 billion as of September 30, 2012
  - \$1.2 billion projected at end of 2013



# WaytogoRI

- WaytogoRI: free, Internet-based program that helps students, parents, and educators explore educational and career goals
  - Used in all public and many private schools
- \$0.6 million recommended for FY 2013 revised and FY 2014
  - \$0.5 million for web portal maintenance contract
  - \$0.1 million for marketing and promotion
    - \$0.2 million less than enacted

# Loan Division

- Default Aversion Services: \$0.5 million
  - \$250,000 less than enacted
  - Smaller portfolio
- Collections: \$7.0 million
  - \$5.0 million for collection agencies
  - \$2.0 million for Sallie Mae for managing collections
    - \$0.5 million more than enacted
    - Reflects rising volume of transactions and price increase for service

# Data Processing System

- Calculates awards for need based scholarships and grants
- Enables Authority to communicate with college financial aid offices
- System easily modified to fit new databases at other offices
- Authority reports new system replaces one that is increasingly obsolete

# Data Processing System

- Authority plans to purchase system through Guaranty Agency: \$0.4 million
- Governor recommends \$0.2 million from general revenues for FY 2014 to repay Guaranty Agency
- Authority indicates repayment over a number of years to be determined

# Salaries and Benefits

## *Full-Time Equivalent Positions*

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	38.6	-
FY 2014 Request	36.0	(2.6)
FY 2014 Governor	36.0	(2.6)
FY 2012 Average Filled	29.9	(8.7)
Filled as of March 9	23.0	(15.6)

# Salaries and Benefits

- FY 2013: \$2.7 million from all sources
  - \$0.8 million less than enacted from all funds
  - \$0.2 million from general revenues
- FY 2014: \$3.1 million from all sources
  - \$0.5 million less than enacted
  - Removes all general revenue funding
  - Increases turnover to reflect unfilled positions

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# RISLA - Background

- Created by statute in 1981
- Six member board
  - Five appointed by Governor
  - General Treasurer, ex-officio
  - Five currently sit on HEAA's board
- Offers private, fixed-rate loans to Rhode Island college students
  - Repayment terms: 10 or 15 years
  - For 2011, RISLA originated \$21.8 million to 1,525 borrowers

# RISLA – Rhode Island Family Educational Loan

- Established in 1992
- Repayment term of 10 or 15 years
- Made to students attending Rhode Island institutions (from in state or out of state)
- Rhode Islanders at out-of-state institutions
- Credit history required
- Borrowing limit capped at \$35,000 per year
- Alternative to Federal PLUS Loans

# RISLA – Current Loan Rates

	Federal Direct PLUS Loan	RIFEL (2012-13)
Interest Rate	7.90%	5.39%
Fixed or Variable	Fixed	Fixed
Origination Fees	4% of loan	Zero
Repayment Term	10 years	10 years

# RISLA – Other Programs

- Loan forgiveness programs for health care professionals
  - Interest forgiveness
  - Loan forgiveness
- Program targets:
  - Primary care professionals newly recruited to state
  - Nurses and nurse educators
  - Dentists and dental hygienists

# RISLA – Other Programs

- Online financial literacy course for prospective students and their families
- College Planning Center at Warwick Mall and online
- Partners with Latino College Access Coalition

# RISLA - Issues

- Citation by IRS for moving loans from one bond to another
  - Moving loans from one bond to another
  - One of 30 states to be cited
- Authority plans to pay settlement
  - Undetermined amount but likely in the millions of dollars

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