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
  - CollegeBoundfund 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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>$5.6</td>
<td>$5.7</td>
<td>$0.1</td>
<td>$5.2</td>
<td>$(0.4)</td>
</tr>
<tr>
<td>Tuition Savings</td>
<td>8.8</td>
<td>8.5</td>
<td>(0.3)</td>
<td>8.5</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>13.3</td>
<td>12.8</td>
<td>(0.5)</td>
<td>13.3</td>
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<tr>
<td>Total</td>
<td>$27.7</td>
<td>$27.0</td>
<td>$(0.7)</td>
<td>$27.0</td>
<td>$(0.7)</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenues</td>
<td>$5.0</td>
<td>$5.2</td>
<td>$0.2</td>
<td>$4.9</td>
<td>$(0.1)</td>
</tr>
<tr>
<td>Tuition Savings</td>
<td>7.3</td>
<td>7.3</td>
<td>-</td>
<td>7.3</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$12.3</td>
<td>$12.5</td>
<td>$0.2</td>
<td>$12.2</td>
<td>$(0.1)</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Federal Funding</th>
<th>CollegeBoundfund</th>
<th>LEAP/SLEAP</th>
<th>General Revenues</th>
<th>Average Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2005</td>
<td>$1,700</td>
<td>$1,000</td>
<td>-</td>
<td>$500</td>
<td>$1,200</td>
</tr>
<tr>
<td>FY 2006</td>
<td>$1,500</td>
<td>$1,200</td>
<td>-</td>
<td>$400</td>
<td>$1,100</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$1,300</td>
<td>$1,400</td>
<td>-</td>
<td>$300</td>
<td>$1,000</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$1,100</td>
<td>$1,600</td>
<td>-</td>
<td>$200</td>
<td>$900</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$900</td>
<td>$1,800</td>
<td>-</td>
<td>$100</td>
<td>$800</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$700</td>
<td>$2,000</td>
<td>-</td>
<td>$0</td>
<td>$700</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$500</td>
<td>$2,200</td>
<td>-</td>
<td>$0</td>
<td>$500</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$300</td>
<td>$2,400</td>
<td>-</td>
<td>$0</td>
<td>$300</td>
</tr>
<tr>
<td>FY 2013*</td>
<td>$100</td>
<td>$2,600</td>
<td>-</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>FY 2014*</td>
<td>-</td>
<td>$2,800</td>
<td>-</td>
<td>$0</td>
<td>-</td>
</tr>
</tbody>
</table>

(in millions)

**Chart Description:**
- **X-axis:** Fiscal Years (FY 2005 to FY 2014*).
- **Y-axis:** Dollars in millions ($0 to $12,000).
- **Legend:**
  - Federal Funding
  - CollegeBoundfund
  - LEAP/SLEAP
  - General Revenues
  - Average Award

**Chart Notes:**
- The chart shows a decline in Federal Funding and an increase in CollegeBoundfund and General Revenues over the years.
- The Average Award peak in FY 2005 and has been declining since then.

*Estimated data.*
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
CollegeBoundFund

- 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
## CollegeBoundFund Expenditures

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$258,802</td>
<td>$105,317</td>
<td>$226,278</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Operating</td>
<td>450,000</td>
<td>130,512</td>
<td>131,711</td>
</tr>
<tr>
<td>Need Based Scholarships and Grants</td>
<td>7,250,000</td>
<td>7,250,000</td>
<td>7,250,000</td>
</tr>
<tr>
<td>Academic Promise</td>
<td>750,000</td>
<td>1,000,000</td>
<td>800,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,758,802</strong></td>
<td><strong>$8,535,829</strong></td>
<td><strong>$8,457,989</strong></td>
</tr>
</tbody>
</table>
CollegeBound Fund Marketing

- First $750,000 funded by Alliance Bernstein, 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

<table>
<thead>
<tr>
<th>Full-Time Positions</th>
<th>FTEs</th>
<th>Chg. To Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enacted Authorized</td>
<td>38.6</td>
<td>-</td>
</tr>
<tr>
<td>FY 2014 Request</td>
<td>36.0</td>
<td>(2.6)</td>
</tr>
<tr>
<td>FY 2014 Governor</td>
<td>36.0</td>
<td>(2.6)</td>
</tr>
<tr>
<td>FY 2012 Average Filled</td>
<td>29.9</td>
<td>(8.7)</td>
</tr>
<tr>
<td>Filled as of March 9</td>
<td>23.0</td>
<td>(15.6)</td>
</tr>
</tbody>
</table>
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
Higher Education Assistance Authority

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Rhode Island Student Loan Authority
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

<table>
<thead>
<tr>
<th></th>
<th>Federal Direct PLUS Loan</th>
<th>RIFEL (2012-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest Rate</strong></td>
<td>7.90%</td>
<td>5.39%</td>
</tr>
<tr>
<td><strong>Fixed or Variable</strong></td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td><strong>Origination Fees</strong></td>
<td>4% of loan</td>
<td>Zero</td>
</tr>
<tr>
<td><strong>Repayment Term</strong></td>
<td>10 years</td>
<td>10 years</td>
</tr>
</tbody>
</table>
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
Rhode Island Student Loan Authority
Higher Education Assistance Authority
and
Rhode Island Student Loan Authority

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