

**Tennessee Student Assistance Corporation
Board of Directors Meeting Minutes
May 27, 2015
10:00 a.m. CST**

The Board of Directors of the Tennessee Student Assistance Corporation met on Wednesday, May 27, 2015. The meeting was called to order by Mr. Mark Cate at 10:05 a.m.

ROLL CALL

The following board members/alternate representatives were present:

Gary Adcox
Mark Cate, representing Governor Bill Haslam
Russ Deaton
David Gregory, representing Chancellor John Morgan
Tom Hughes
Treasurer David Lillard
Keri McInnis
Claude Pressnell
David Thurman, representing Commissioner Larry Martin
Celena Tulloss
Gary Weedman
Courtney Williams
Comptroller Justin Wilson

ADOPTION OF AGENDA

Mr. Cate called for a motion to adopt the agenda. Ms. Keri McInnis made a motion to approve the agenda, as presented. Dr. Gary Adcox seconded the motion; the motion was duly adopted.

ADOPTION OF THE MINUTES FOR THE SEPTEMBER 19, 2014, MEETING

Mr. Cate called for a motion to adopt the minutes from September 19, 2014 meeting. Mr. Tom Hughes made a motion to approve. Dr. Adcox seconded the motion; the motion was duly adopted.

CHAIRMAN'S REPORT

Mr. Cate welcomed all to the meeting and thanked special guests for their attendance. He briefly discussed the Tennessee Promise program and recognized Mr. Mike Krause, Executive Director for Drive to 55 and TN Promise, to provide an update. Mr. Krause began his report by reviewing data since the Promise program was implemented. He stated there was a significant increase in state FAFSA filing; an

increase of 12 percent over 12 months and Tennessee comprised 40 percent of all FAFSA growth nationwide.

Mr. Krause then provided an update on the TN Reconnect program which provides last dollar scholarships at TCATs. He stated the outreach campaign launched in March and ran through May and received over 10,000 applications and advised the board of the new adult learner website, www.tnreconnect.gov.

EXECUTIVE DIRECTOR'S REPORT

Dr. Russ Deaton was recognized to provide the executive director's report. Dr. Deaton welcomed all to the meeting and recognized special guests. He then recognized Mr. Tim Phelps, Associate Executive Director for Grant and Scholarship Programs, to provide an update on e*GRandS. Mr. Phelps stated TSAC is purchasing e*GRandS and noted the e*GRandS is the system used to administer the grant and scholarship programs. He stated the contract amendment to purchase e*GRandS was approved by the Fiscal Review Committee on May 12th and the amendment will now be sent to the Comptroller's Office for approval; TSAC anticipates final approval by the Central Procurement Office (CPO) within the next three to four weeks. Mr. Phelps noted effective date of the contract will be July 1st and staff will work with NGS to transition the system to state servers. He also noted that TSAC will run parallel systems over an 18-month period and at the end of the current contract, TSAC will take over full control of the system.

Dr. Deaton also recognized Ms. Jane Pennington, Associate Executive Director for Loan Administration, to provide an update on loan rehabilitations. Ms. Pennington discussed the License Expansion and stated there were almost 200 different license types with over 8000 borrowers. She stated since the inception of the license revocation program and borrowers are now paying, there has been an increase in revenue and has helped restore credit for those in program who continue to pay. She noted that in 2009, debtors paid back over \$163,000; debt repayment is now over \$59M in 2015. Ms. Pennington noted that in 2012, TSAC partnered with Collection Agencies to work with borrowers in the License Revocation Program.

Dr. Deaton commented on the increase in FAFSA completion, making Tennessee rank first in FAFSA completion and noted that a significant portion of the overall nationwide growth was due to the increase in Tennessee. He then announced the analysis of the Tennessee Promise Program, which would begin in the near future.

TASFAA PRESIDENT'S REPORT

Ms. Celena Tulloss was recognized to provide her report. Ms. Tulloss stated the 2015 TASFAA Conference was held on April 26-29, 2015 with over 250 participants. She recognized Jane Pennington for being the recipient of the Distinguished Service Award and also recognized Governor Haslam's attendance at the closing conference. She then thanked TSAC staff members for their hard work this year.

DECISION ITEMS

Selection of 2015-16 Officers and Committee Members

Mr. Cate addressed the selection of officers and committee members, noting that the current list should read 2015-16 and noted that TSAC bylaws state the corporation’s officers shall consist of a Chairman, Vice-Chairman, Secretary, and Treasurer; each elected by the directors of the corporation from among their own number with a term of one year. Dr. David Gregory made a motion to reaffirm the current slate of officers for 2015-16 which are: Governor Bill Haslam, Chairman; Russ Deaton, Vice Chair; David Lillard, Treasurer; and Claude Pressnell, Secretary. Ms. McInnis seconded the motion; the motion was duly adopted.

Approval of Partnering Organizations and Assigned Counties

Mr. Peter Abernathy, Senior Associate Executive Director and Staff Attorney, was recognized. Mr. Abernathy reviewed the Tennessee Promise Scholarship program rule 1640-01-26-.08, which states the board must approve the partnering organizations in each assigned county. Mr. Cate then called for a motion to approve the assigned partnering organizations and their respective counties. Mr. Hughes made a motion to approve the Partnering Organizations and Assigned Counties, as presented. Dr. Gary Adcox seconded the motion; the motion was duly adopted.

Adoption of Rules – Tennessee Promise Scholarship

Mr. Tim Phelps provided an overview of the proposed rules for the Tennessee Promise Scholarship. He stated that in addition to making various clarifications to existing language, these rules make several modifications based on the passage of SB 118/HB 107 and working with the financial aid community and the partnering organizations. Dr. Gary Weedman made a motion that the Tennessee Assistance Student Corporation adopt the proposed rules and the TSAC Board of Directors authorize the Executive Director to make any necessary technical corrections to these rules including changes required by the Tennessee Attorney General. Ms. McInnis seconded the motion; the motion was adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Mark Cate	x		
Russ Deaton	x		
Tom Hughes	x		
David Gregory	x		
Treasurer David Lillard	x		
Keri McInnis	x		
Claude Pressnell	x		
David Thurman	x		

Celena Tulloss	x
Comptroller Justin Wilson	x
Gary Weedman	x

Adoption of Rules – Tennessee Student Assistance Award

Mr. Phelps reviewed the amended rules for the TELS program. He stated these rules make various clarifications to existing language of the Tennessee Student Assistance Award. Mr. Phelps noted the change in the awarding methodology for TSAA was approved by the board and started with the 2014-15 academic year and since TSAC no longer uses a first-come, first-served basis, that language has been stricken in Section .03. Language regarding adherence to TSAC’s Open Records policy was added in Section .04. Comptroller Wilson made a motion that the Tennessee Assistance Student Corporation adopt the proposed rules for the Tennessee Student Assistance Award and the TSAC Board of Directors authorize the Executive Director to make any necessary technical corrections to these rules including changes required by the Tennessee Attorney General. Dr. Adcox seconded the motion; the motion was adopted by the following roll call vote:

	<u>Aye</u>	<u>No</u>	<u>Abstain</u>
Gary Adcox	x		
Mark Cate	x		
Russ Deaton	x		
Tom Hughes	x		
David Gregory	x		
Treasurer David Lillard	x		
Keri McInnis	x		
Claude Pressnell	x		
David Thurman	x		
Celena Tulloss	x		
Comptroller Justin Wilson	x		
Gary Weedman	x		

Transfer from the Operating Fund to the Promise Special Reserve Account

Mr. Abernathy then reviewed Appropriations Bill language that allows for the transfer of funds from the Federal Operating Fund to the Tennessee Promise special reserve account, which states: “such sum as is determined to be available to the Tennessee Promise special reserve account for the purpose of funding the Tennessee Promise scholarships. Transfers from the operating fund may be made at any time that an excess in the operating fund justifies.” He noted that staff recommends a transfer of \$10 M from the operating fund for the purpose of funding Tennessee Promise scholarships. Comptroller Wilson made a motion to approve. Ms. McInnis seconded the motion; the motion was duly adopted.

DISCUSSION ITEMS

Federal Family Education Loan Program Update

Ms. Jane Pennington was recognized to provide the update on the Federal Family Education Loan Program. Ms. Pennington commented on default aversion and noted that representatives continue to assist schools across Tennessee preventing borrowers from going into default through webinars and onsite training for borrowers and schools, and developing default management processes based on a specific school needs. Ms. Pennington then reviewed TSAC's two-year cohort default rate and noted a continued decrease with the most recent rate at 5.7 percent.

Budget and Legislative Update

Mr. Abernathy was recognized to provide the budget and 2015 General Assembly Legislative Update. He began by providing a brief summary of the budget, requesting the TSAC Board of Directors approve the recommended 2015-2016 funding levels as presented. Mr. Abernathy then briefed the board on the bills related to TSAC, including the Tennessee Education Lottery Scholarship (TELS) Program and other student financial aid issues and provided a brief summary of each of the significant bills.

Communications Services Update

Ms. Diane Lejeune was recognized to provide the update on communication and outreach services. She discussed the outreach statistics such as college fairs, visits to administrators, financial aid presentations, personal finance classes, and school visits to educate students on financial aid. Ms. Lejeune also provided information on call center statistics, the THEC High School Counselor Survey, and the social media outreach.

Internal Audit Update

Ms. Ann Collett, Internal Auditor, was recognized to provide an audit update. She noted that the committee met at 9:00 a.m. prior to the TSAC Board meeting and provided a brief summary of the meeting. Ms. Collett then commented on the external audits, stating the State Audit Financial and Compliance Audit of TSAC for the fiscal year ended June 30, 2014 is in process and work has begun on the audit of FFELP for the year ending June 30, 2015 for the State's 2015 Single Audit. To date, TSAC has not received a report from the USDOE regarding their review conducted in March 2015.

OTHER BUSINESS

Mr. Cate commented on the Conflict of Interest Disclosure Statement and requested members return their form to Ms. Carter.

Dr. Deaton then announced this would be Mr. Cate's last meeting, as he is returning to the private sector to establish a strategic consulting and management firm. He

thanked Mr. Cate for his service to and the support of TSAC as Chairman and his willingness to take time to understand financial aid issues and their complexity.

There being no further business, the meeting adjourned at 11:30 a.m.

Approved:

Dr. Claude O. Pressnell, Jr., Secretary