



1200 North Seventh Street, Harrisburg, PA 17102

**Meeting of the Board of Directors
March 22, 2018 – 10:00 AM**

A meeting of the Board of Directors was held on March 22, 2018 at 10:00 a.m. in the Boardroom.

Those in attendance were:

Representative Michael Peifer, Chairman **(via teleconference)**
Senator Wayne D. Fontana, Vice Chairman **(via teleconference)**
Senator Ryan Aument **(via teleconference)**
Senator John P. Blake **(via teleconference)**
Representative Mike Carroll **(via teleconference)**
Representative Paul Costa **(via teleconference)**
Representative Sheryl Delozier **(via teleconference)**
Senator John Eichelberger, Jr. **(via teleconference)**
Representative David Hickernell **(via teleconference)**
Honorable Roy Reinard **(via teleconference)**
Representative James Roebuck, Jr. **(via teleconference)**
Senator Mario Scavello **(via teleconference)**
Chancellor Timothy R. Thyreen **(via teleconference)**
Senator Robert M. Tomlinson **(via teleconference)**
Secretary Robin Wiessmann **(via teleconference)**
Mr. Noe Ortega, Deputy Secretary for Postsecondary and Higher Education
James L. Preston, President and CEO
Jim White, General Counsel

Those absent were:

Representative Matthew D. Bradford
Senator Arthur Haywood
Senator Vincent Hughes
Representative Bernie O'Neill
Secretary of Education Pedro Rivera

Also in attendance:

Liz Craig, Senator Hughes' Office; Steph Applegate, Senator Aument's Office; Alycia Laureti, Rep. Roebuck's Office, Allan Flannigan, Secretary Wiessmann's Office (teleconference); Remonde Bragman, CBIZ; Paula Kaudsen, The Caucus Newspaper, Eric Epstein, Rock the Capitol with a colleague and the following PHEAA staff: Nathan Hench, Stephanie Martella, Keith New, James Steeley, Mubashar Hameed, Todd Mosko, Elizabeth McCloud, Isaac Greene, Bethany Coleman, Judith Bines, Mike Garman, Lee Koller, Linda Randby, Stephanie Suran, Dave Kerbaugh, Joel Correll, William Fisher, Dana Hepner, and Karen Garbacik

Upon establishing the presence of a quorum, Chairman Peifer called up Agenda Item #1.

1. **Minutes**



On a motion by Representative Delozier, seconded by Chancellor Thyreen, the minutes of the February 15, 2018 meeting were unanimously approved.

Chairman Peifer called up Agenda Item #2.

2. **Committee Reports**

Chairman Peifer called on Senator Tomlinson who thanked the Chairman and reported that the Executive Committee did meet last evening and the first order of business was to adopt the meeting minutes from the February 14, 2018 meeting. The Committee then moved into Executive Session for Legal and Compliance reporting matters. Upon the return to Regular Session and having no other business before the Committee – the Executive Committee adjourned. Senator Tomlinson said that concluded his report and would be happy to answer any questions that the Board Members may have.

Hearing no questions, Chairman Peifer called up Agenda Item #3.

3. **PA State Grant 2018-2019 Award Formula – A Look Ahead**

Chairman Peifer called on Mr. Nathan Hench, who thanked the Chairman and reported that at the April 19, 2018 Board Meeting, the Board members will be reviewing recommendations made by the Committee on Need Analysis and Aid Coordination (CONAAC), based on input from the State Grant Advisory Committee (SGAC). Traditionally the Board sets the State Grant Program awarding formula for the ensuing academic year at the April Board Meeting.

Mr. Hench noted that CONAAC members meet prior to the April Board Meeting to review the recommendations made by the SGAC, which provides perspective and feedback on State Grant Program policy and awards. This year, SGAC members will look at numerous 2018-2019 awarding formula options and will make their recommendations to CONAAC based on current factors impacting State Grant projections. SGAC has met three times and is grappling with the Board's charge to make a recommendation for a meaningful 2018-2019 formula that will focus the finite dollars allocated to the program to benefit the most financially needy students.

Mr. Hench said that the Board has been briefed on each one of the following policy changes that, combined, will make the 2018-2019 academic year unique. These policy factors, which are outlined below, are driving PHEAA staff and SGAC members to find ways to balance a reduced headcount of award recipients and preserve the purchasing power while funding grants for high-need students across all sectors and modes of study.

For Early FAFSA[®] and Prior-Prior Year Income there were two recent changes in the FAFSA process that impacted 2017-2018 State Grant award levels and contributed to the reduction of Spring 2018 awards. These changes were Early FAFSA, the opening of the FAFSA application window three months earlier than the previous start of the application process, and a shift to the use of Prior-Prior Year income, which has enabled students to file the FAFSA without having to wait for their most recent year's taxes to be completed. These changes could potentially increase the number of State Grant applicants again for 2018-2019.

Mr. Hench said with Distance Education (the passage of Act 5 of 2018), which authorizes PHEAA to expand State Grant Program eligibility to distance education students, will impact the

number of recipients next year. Act 5 gives the PHEAA Board the authority to limit the impact of distance education on the purchasing power of the State Grant, if necessary. *However, the full impact of this new population will not be known until data is collected in 2018-2019, the first year of the expanded program.* This data collection will put PHEAA in a more germane place to control the impact of distance education in the second year of the expanded program. This data collection is necessary due to the fact that some postsecondary institutions did not participate in the State Grant Distance Education Pilot Program (SGDEPP) or only nominated a portion of eligible students due to the pilot's reporting requirements.

One technical change that could increase the number of State Grant recipients is the implementation of **eSign**, which eliminates the requirement to have a wet signature on the State Grant application for most applicants. This change is a customer-focused enhancement that will make it easier for applicants to apply for aid. Since eSign is being rolled out in April 2018 and the first State Grant application deadline is May 1, eSign will have a minimal impact on the 2018-2019 award year and likely a larger impact on the 2019-2020 award year.

Mr. Hench noted that with the PHEAA Supplement the Board will vote on PHEAA's supplement to the State Grant Program at its June 21 meeting, the Agency's 2018-2019 budget submission to the Governor's Office included a supplement of \$50 million, instead of the \$87 million provided for 2017-2018.

Mr. Hench noted that although the Commonwealth budget process will not be completed until this summer, PHEAA makes award announcements in May 2018 so that students and schools can prepare for the upcoming academic year.

Secretary Wiessmann asked if it is known where operating expenses might end up? Mr. Preston said they will not know till the end of this year

Hearing no questions, Chairman Peifer called up Agenda item #4.

4. **President and Chief Executive Officer's Report**

Chairman Peifer called on Mr. Preston, who thanked the Chairman and said the we continue to work on the Solicitation that is due on April 9th but we plan to send it out on April 6th. The current contract will end June 2019, We are also waiting to see if Congress passes the Omnibus spending plan, For the April 2018 Board Meeting we are planning to have Scott Miller come in and give us an update on Washington and the Delegation.

At this time Mr. Preston called for an Executive Session to discuss Legal and Contractual Matters.

Paula Knudsen, reporter for the Caucus PA Newspaper said that she would like to object to the Executive Session for Legal and Contractual Matters that are not permitted under the Sunshine Law.

Mr. Jim White said her request is duly noted but there are exceptions with privileged matters.

Ms. Knudsen asked if there is a case law to support this and ask for the specific case.

Citing U.S. Supreme Court case *McCulloch vs. Maryland*, Mr. White said that PHEAA's extensive financial operations require the Board to be mindful of the federal confidentiality requirements of its regulators. He added that we always try to be transparent and follow our obligations under both state and federal law

Chairman Peifer said that Ms. Knudsen is out of order and that she would be able to speak under Agenda Item #6 – Other Business.

On the return to Regular Session, Chairman Peifer called up Agenda Item #5.

5. **Entry Orders of Default**

Chairman Peifer called on Mr. Preston, who reported that there are several orders of default that require Board action. The borrowers outlined on the attached spreadsheet have been notified several times by PHEAA that they need to repay certain obligations to the Agency. In all of these cases, recipients received a grant for college but did not fulfill their obligations for receiving the grant. Board action is necessary in order for PHEAA staff to continue to attempt to collect on these grants - now converted to loans – as required by the program's statutes.

Mr. Preston suggested to Chairman Peifer that the Board adopt the attached Resolution in order to authorize PHEAA staff to continue to collect on the loans.

Hearing no questions, Chairman Peifer called for a motion to adopt the Order of Default Resolution, as presented. Senator Scavello made the motion, seconded by Vice Chairman Fontana, and the Resolution was unanimously adopted and is attached to these minutes.

Chairman Peifer called up Agenda Item #6.

6. **Other Business**

Chairman Peifer asked if the Members had any other business to bring before the Board. Hearing none, Chairman Peifer asked if there was any other business to bring before the Board.

Chairman Peifer asked at this time if Ms. Knudsen, who was out of order, would now have 2 minutes to address the Board. Ms. Knudsen was no longer at the meeting to make a statement.

Mr. Eric Epstein said that he was unaware that he only had two minutes to address the Board and said that would not be enough time. Mr. Epstein said that he was happy to see all the Board Members on the phone which saves money and also that is why he would like PHEAA to consider Live Streaming.

Mr. Epstein said that he has 10 questions that he would like to address to the Board Members. Mr. Epstein went through the questions with the Board Members – and left them with a copy of his questions. Chairman Peifer thanked Mr. Epstein for coming and sharing his valid issues. Chairman Peifer said his questions would be answered.

Hearing no other business from the Board Members, Chairman Peifer adjourned the meeting.

(Note: Under section 701.1 (c) of the Sunshine Act, such objections are permitted providing it be a public meeting of a board or council of a political subdivision or an authority created by a political subdivision. PHEAA is neither. Therefore Ms. Knudsen was ruled out of order.)

**Resolution of the Board of Directors
Pennsylvania Higher Education Assistance Agency
Order of Defaults
Adopted March 22, 2018**

WHEREAS, Act 102 of 1982 authorized an Administrative Loan Collection Process for the Pennsylvania Higher Education Assistance Agency, including use of a Statement of Claim; and

WHEREAS, this legislation provides that the Agency "may initiate action against borrowers whom it deems to be indebted to it by filing a statement of claim in the records maintained by the Agency"; and

WHEREAS, a Statement of Claim has been filed against each of the borrowers whose names appear on the List of Recommended Cases for Entry of an Order of Default dated March 22, 2018; and

WHEREAS, a summary of the Statement of Claim has been served on each such borrower by first-class mail in compliance with the requirements of Act 102; and

WHEREAS, 30 days from the date of service have elapsed and none of these borrowers has filed a response to the Statement of Claim as required by Act 102; and

WHEREAS, the President and Chief Executive Officer has recommended to the Board of Directors of the Agency that an Order of Default against these borrowers be entered by the Board to be lodged in Agency records;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Pennsylvania Higher Education Assistance Agency enters an Order of Default to be lodged in Agency records against each borrower whose name appears on the List of Recommended Cases for Entry of an Order of Default dated March 22, 2018.